

# IOGP position paper on climate change

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## Overview

In the context of the ongoing discussions around the climate change issues, we would like to share with you the views of the International Association of Oil & Gas Producers (IOGP). IOGP represents the world's leading publicly-traded, private and state-owned oil and gas companies, industry associations and major upstream service companies.

The oil and gas industry plays a significant and beneficial role in the world by producing abundant, affordable and reliable energy which, in turn, provides heat, light and mobility to billions of people every day. The industry also holds the promise for billions more who do not have access to such energy today.

IOGP supports the international community's commitment to address the global challenge of climate change. We also believe that the oil and gas industry is very much a part of the solution to this challenge and that it can be addressed while meeting society's future energy needs.

The oil and gas industry has taken significant steps, at a global level, to limit emissions of greenhouse gases (GHG) from their own operations and is committed to contributing to a global effort including all parts of society. This involves working constructively with decision-makers to develop and implement appropriate policy measures aimed at reducing GHG emissions where that decision is taken, whilst ensuring a secure supply of oil and gas to meet the increasing global demand for energy. IOGP believes that the long term objective of climate change policy should be to reduce the risk of serious impacts on society and ecosystems, while recognizing the importance of energy to the global economy. We further believe that effective policy should:

- ensure emissions reductions are achieved in the most cost-effective way
- let market prices drive the selection of solutions
- promote global participation
- maximize transparency
- provide flexibility to adjust in the future to developments in climate science and the economic impact of climate policy.

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## Key Messages

- The oil and gas industry continues to respond to growing global demand by producing abundant, affordable, reliable energy every day to billions of people – providing them with heat, light and mobility.
- IOGP recognizes the risks of climate change due to rising greenhouse gas emissions. These result from the world's fast growing requirements for energy driven by industrial and economic growth.
- As economies around the world continue to grow, particularly in the developing world, the rising global demand for energy must be met in concert with actions to address global climate change.
- Despite technological advances in the application of renewable energy sources, in all realistic scenarios, oil and gas will continue to provide the majority of the world's growing need for energy for decades to come.
- Natural gas is an abundant, flexible, and relatively low-carbon energy source. It is also the ideal partner for renewables, able to provide back-up capacity to balance out the variability inherent in most renewable sources.
- Balancing the need for energy and reducing GHG emissions will require more efficient use of energy and the full utilization of both conventional and innovative sources of energy into the foreseeable future.
- IOGP supports the International Energy Agency (IEA) strategy for achieving significant GHG emission reductions by:
  - adopting specific energy efficiency measures
  - limiting the construction and use of the least-efficient coal-fired power plants
  - minimizing methane emissions from upstream oil and gas production
  - accelerating the (partial) phase-out of subsidies to fossil-fuel consumption.
- If policy makers choose to address the risks of climate change, IOGP supports the use of a cost on carbon that achieves emissions reductions in the most cost-effective way.
- Our industry is committed to taking action to address CO<sub>2</sub> and methane emissions in its operations as well as contributing to the development of new technologies that can reduce these emissions.
- Our Members continue to develop carbon capture and storage (CCS) technology, using their operational experience with industrial scale CCS activities to move towards economic use of CCS technology.

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## Questions and answers on our industry and climate change

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### 1. What is the role of the oil and gas industry in addressing the challenges of climate change?

We believe that the global oil and gas industry has an important role to play in limiting the impact of GHG emissions while continuing to deliver the energy demanded by consumers. In particular, natural gas – as a relatively low carbon fuel – should play an important part in the evolution to a lower carbon global economy. Replacing carbon-intensive fuels such as coal with natural gas is the cheapest and fastest way to achieve significant CO<sub>2</sub> emission reductions. In the United States, a switch from coal to gas in power generation has helped reduce emissions by 200 million tonnes, bringing them back to the level of the mid-1990s.

The Intergovernmental Panel on Climate Change (IPCC), in its recent Fifth Assessment Report, highlighted the important role of gas in reducing GHG emissions.

Not only does natural gas provide an abundant, flexible, low-carbon base-load, but it is also the ideal partner for renewables, providing back-up capacity to balance out the variability inherent in most renewable sources. In the longer term, our industry has the requisite experience and knowledge to make CCS technology a part of the solution.

### 2. What is the industry's view on intergovernmental action on climate change?

The climate change challenge requires a global response, involving all major GHG-emitting countries through long term and coordinated national policy measures. We believe that governments need to work together to establish a clear and stable climate policy framework. Such a framework should be environmentally effective, encourage technological development, and provide the flexibility to reduce emissions in the most cost-effective way using market mechanisms.

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### 3. What is the industry's view on government action to reduce GHG emissions?

If governments choose to address the risk of climate change, IOGP supports the use of a cost on carbon that achieves emissions reductions in the most cost-effective way. We further believe that GHG emissions should be treated equally, whether they come from power, industry or a car exhaust. This uses the power of the market to make technology development, energy efficiency and conservation more attractive to businesses and consumers and lower carbon fuels more cost competitive. Direct regulation of carbon incurs a much higher economic cost.

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### 4. What is the industry's view on carbon pricing?

We further believe that effective policy should:

- ensure emissions reductions are achieved in the most cost-effective way
- let market prices drive the selection of solutions
- promote global participation
- maximize transparency
- provide flexibility to adjust in the future to developments in climate science and the economic impact of climate policy.

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### 5. What is the industry doing to mitigate climate change?

To contribute to climate change mitigation, IOGP Members have been active in the following main areas:

- energy efficiency – reducing the emissions from the industry's own operations using energy efficient technology
- reduction of flaring – finding local uses for the gas, building pipelines to regional markets or LNG plants for long distance markets or reinjection into reservoirs
- managing methane emissions – designing and operating industry facilities to reduce methane emissions
- participation in market-based emission reduction schemes – emissions trading or carbon tax.
- developing CCS technology – using IOGP Members' operational experience with industrial scale CCS activities to move towards economic use of CCS technology.
- investing in new and lower emission forms of energy (e.g. natural gas).

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## More facts about energy efficiency

The IEA has stated that it believes energy efficiency and conservation are the most effective ways of reducing GHG emissions. Governments can play an important role in promoting energy efficiency and conservation.

When oil and gas fields become more mature, more emissions per tonne of production will be generated in bringing the remaining and significant energy resources to the market. This occurs because the natural pressure in reservoirs reduces as oil and gas are extracted and increased energy is then required to bring remaining reserves to the surface.

Most existing offshore oil and gas installations offer relatively few opportunities for energy efficiency gains because retrofitting may not be possible due to space and weight limitations. Such projects may also be uneconomic. Onshore installations offer more opportunities for upgrading.

While incremental efficiencies may be found in older fields, the greatest potential for improving energy efficiency in the exploration and production of oil and gas lies in the design phase of new installations. By installing energy efficient equipment and by using innovative processes, new installations will be able to operate in an increasingly energy efficient manner compared to current ones.

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## More facts about flaring

Flaring is basically a safety mechanism to allow a quick release of gas when required in emergency situations. In some cases, when oil is produced associated gas is burned when there is no export or reinjection alternative. Most installations routinely use this gas as fuel, re-inject it into the reservoir to help maintain pressure, or export it for sale. Routine flaring from oil and gas production operations in Europe has been significantly reduced or banned completely in the past 10–15 years. In locations where there is no local market for the gas and no export facilities, the gas is burned near the production facilities, resulting in associated CO<sub>2</sub> emissions. Globally, in 2012 gas flaring burned around 140 billion cubic metres of this potentially valuable fuel, amounting to around 5% of global gas consumption. This represents a 20% reduction since 2005 and is equivalent to taking 52 million cars off the road.

IOGP Members are working to reduce flaring through the practices, partnerships and principles promoted by the Global Gas Flaring Reduction (GGFR), a public–private partnership established in 2002. Flaring can be reduced by finding local uses for the gas, by building pipelines to regional markets or LNG plants for long distance markets. The challenges that IOGP Members face are technical, political and commercial in nature. Nevertheless, the GGFR has already made progress in several countries. Ultimately, the upstream oil and gas industry wants to end routine flaring of produced gas and recover

this otherwise lost resource to serve the increasing demands of the global market, while reducing the associated greenhouse gas emissions. All of this will require further investment and commitment from international organizations, governments and industry in order to achieve this common objective.

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## More facts about methane

IOGP Members actively manage methane and other hydrocarbon emissions for safety, efficiency, and environmental reasons. Releases of methane pose safety concerns, waste a valuable product and contribute to levels of greenhouse gases.

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## More facts about market-based measures to control GHG emissions

With respect to national frameworks addressing greenhouse gas emissions, IOGP supports the use of well-designed and well-functioning market-based economy-wide mechanisms that achieve emissions reductions in the most cost-effective way. Mechanisms such as emissions trading systems, or CO<sub>2</sub> or GHG taxes, provide market signals to encourage the reduction of GHG emissions. IOGP recognizes that GHG policy must be appropriate to national priorities and circumstances and that approaches may differ.

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## More facts about CCS

CCS could potentially curb GHG emissions significantly and enable energy demands to be met from the continued large-scale use of fossil fuels.

However, capturing a significant amount of the world's CO<sub>2</sub> emissions requires new, large-scale infrastructure. The IPCC concluded that CO<sub>2</sub> could be safely stored for 1000 years or more in appropriately selected and managed geological reservoirs. The techniques involved – similar to those used for oil and gas production as well as gas storage – have been successfully deployed for more than 60 years at more than 600 sites around the world. Some IOGP member companies believe they have a role to play in storage of CO<sub>2</sub> given their experience and understanding of the properties of the oil and gas reservoirs that, once depleted, are likely to be good storage sites. Some member companies also have operational experience with industrial-scale CCS activities. Initiatives are under way to advance the necessary technology and its deployment.

Currently most CCS projects are uneconomic. Further reducing costs and assessing the commercial scale of the technology is critical. The deployment of CCS also requires regulations to lay out the rules around the process of transport and storage of CO<sub>2</sub>, as well as the transfer of long-term responsibility to a state entity. IOGP has actively engaged with governments, international organizations and other stakeholders – including the London Convention, the OSPAR Convention and the EU – to remove legislative and regulatory barriers for the geological storage of CO<sub>2</sub>.

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## More facts about lower carbon energy

Many of our Members are investing in lower carbon renewable energies. These include wind, solar and the manufacture of biofuels, using sustainable crops such as sugar cane. These technologies have an important part to play in the evolution to a low carbon economy with a mixed portfolio of both fossil-based fuels and renewables. For example, a relatively low carbon fossil fuel such as gas is a natural partner to renewables as a back-up when the renewable source of energy is interrupted.



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## About IOGP

The International Association of Oil & Gas Producers (now IOGP and formerly known as OGP) is the voice of the global upstream industry. Oil and gas continue to provide a significant proportion of the world's energy to meet growing demands for heat, light and transport.

Our Members produce more than half the world's oil and about one third of its gas. They operate in all producing regions: the Americas, Africa, Europe, the Middle East, the Caspian, Asia and Australia.

We serve industry regulators as a global partner for improving safety, environment and social performance. IOGP also acts as a unique global forum in which our Members identify and share knowledge and good practices to achieve improvements in every aspect of health, safety, the environment, security and social responsibility.