For your train ride to Paris

COP21 notes for the European Union climate negotiators

IOGP's recommendations:

- ✓ Support a truly global solution to the global climate challenge
- ✓ Support market-based policies
- ✓ Promote innovation and science-based solutions
- ✓ Remember: natural gas is part of the solution

The International Association of Oil & Gas Producers (IOGP) represents companies active in the exploration and production of oil and gas. Our companies produce more than half of the world's oil and a third of its natural gas. In Europe, we contribute to security of energy supply, employment and welfare and add several hundreds of billions of euros to Member State revenues each year.[1]

Solutions providing access to affordable and reliable energy are vital to meet the most basic human needs of billions of people seeking to improve their living standards. Energy is a key driver for the global economy, from electricity generation to food production, from manufacturing to transport.

IOGP support and encourages governments in their efforts to reach an effective and clear international agreement to reduce greenhouse gas emissions and to manage the risks of climate change

The priority of achieving GHG emission reductions should be balanced with the needs of development, economic growth, environmental protection and energy security. We believe that the oil and gas industry has a role in delivering this balance.

Our four points represent what we believe are the key ingredients for a successful agreement that would offer an optimum balance between climate and growth priorities.

Oil and gas will remain significant in the future energy mix.[2] Diversifying sources, improving energy efficiency, developing new technologies to minimize emissions will help the industry to contribute positively.

[1] NERA Economic Consulting, *Energy taxation and subsidies in Europe*. Available here.
[2] According to the International Energy Agency (*World Energy Outlook 2014*, New Policies Scenario), oil and gas will likely have to cover more than 50% of the EU's primary energy demand.

Four points for a successful COP21

1) Support a truly global solution to the global climate challenge

The long-term objective of climate policy should be to reduce the risk of serious impact on society and ecosystems, while recognising the importance of abundant, reliable, affordable and accessible energy for the world's growing population.

IOGP wishes to see maximum cooperation and coordination among nations and regions. Both developed and developing countries need to work together to create policies allowing fair, inclusive and cost-effective reductions of GHG emissions. This would best be done at a global level to harmonize policies and generate maximum efficiency. Global harmonization would minimise the risk of industrial productions moving to countries with less stringent climate regulations (known as carbon leakage).

The EU should stress the use of transparent national monitoring, reporting and verification systems to demonstrate progress by parties in implementing their Intended Nationally Determined Contributions, and to reinforce mutual confidence.

We encourage European negotiators to make sure the Paris talks are based on sound science, as well as consideration of all relevant factors, including security of supply, affordability and international competitiveness.

The establishment of a new global policy framework will be a crucial step forward in addressing the challenge of climate change.

2) Support market-based policies

Where governments choose to enact policy to address the risks of climate change, economic studies have found revenue neutral market-based mechanisms, including carbon pricing, under the right circumstances, are economically efficient ways to achieve emissions reductions.

Examples of market based mechanisms are a carbon tax or an emission trading systems.

For those countries that choose to do so, schemes can be made more economically efficient by broadening their reach, for example by linking together national systems with those already existing around the world – including the EU ETS.

For some time, IOGP members have been participating in market-based mechanisms across the world, gaining practical hands-on experience in the use of these tools. They would welcome the opportunity to share their experiences and help inform the design of new market mechanisms.

IOGP members already factor carbon costs into their investments and engineering design for both their large new projects and those projects for which emissions costs could be a material part. This stimulates energy efficient design and helps our industry deliver energy competitively while limiting emissions.

3) Promote innovation and science-based solutions

We encourage the EU to support science, innovation, research and development throughout the Paris talks. They are key drivers for the development of technologies allowing for less carbon-intensive processes and energy sources.

Governments should be cautious about “picking winners” by extending financial support to some technologies and initiatives over others.

Public support for low-carbon energy technologies should be limited in time and size. It should stop once a given technology is proven and capable of being commercially deployed at scale. Over-funding technologies which are already at commercial stage could limit available funds for the next set of innovations, and risks undermining the incentive to continue to innovate.

The oil and gas industry is developing promising, cutting-edge innovations. Carbon capture and storage (CCS) is one example where the industry is continuing to improve its technology, with projects in the USA, Canada, Africa, Australia and Europe.[3]

Permanent improvements to reduce emissions from the industry’s own operations by developing energy efficient technologies is another main area of research promoted by the industry. Additionally, the industry works extensively with motor vehicle manufactures to create products that help increase engine performance.

4) Remember: natural gas is part of the solution

Our industry is working to address the global challenges of climate change whilst also helping meet the growing global energy demand and sustaining economic growth.

A global approach to reducing GHG emissions should promote a switch to less carbon-intensive energy sources such as natural gas. Gas also has the advantage of being flexible and increasingly accessible, affordable and abundant.

For each unit of electricity produced, GHG emissions from natural gas-fired power plants can be about half those of an equivalent coal plant.[4] Using natural gas rather than coal delivers immediate improvements in air quality Natural gas is the cleanest-burning fossil fuel and is increasingly accessible, affordable, abundant and flexible. Natural Gas will continue to play a pivotal role in a global shift towards a low-carbon economy. There is a significant near term opportunity to reduce global emissions by fuel-switching from coal to natural gas

Natural gas provides reliable baseload electricity, but it is also flexible enough to support peaks in demand. This makes gas a great help in accommodating the expansion of variable renewable electricity production into our energy system.

Moreover, natural gas could be used in the transport sector, in particular to help the shipping industry to meet more stringent emissions targets.

Natural gas can therefore contribute quickly to the reduction of CO_2 emissions with affordable investment.

[3] Examples are outlined in the IOGP Factsheet on CCS available at http://www.iogp.org/PapersPDF/CCS%20Factsheet%20Nov14.pdf.
[4] According to the International Energy Agency (IEA), in 2012, coal delivered around 30% of the EU’s electricity and was responsible for around 75% of CO_2 emissions of the power sector.