

Global Gas Flaring Reduction: A Time for Action!

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Intro: the context

Dear Ministers, Ms Chairman of OGP, distinguished guests, colleagues, ladies and gentlemen.....

It has been four years since the World Bank and its partners launched the Global Gas Flaring Reduction partnership at the World Summit on Sustainable Development in Johannesburg in 2002, and today there is no doubt in my mind that we did the right thing.

The Partnership was preceded by an initiative between the Bank and the Norwegian Government to assess global gas flaring. During the first international conference on gas flaring reduction in Oslo in 2002 we agreed that a Global Public-Private Partnership was the way forward for it had the potential of making greater contributions to gas flaring reduction, in spite of the huge challenges faced back then and somehow still faced today.

As we gather proudly in Paris for the Global Forum on Flaring Reduction and Gas Utilization, perhaps the biggest gathering on flaring reduction ever held in the history of the oil and gas industry, there could hardly be a better time to hold this Forum.

Why?

First, because over the past four years we have accumulated a wealth of experience, lessons and best practices about gas flaring reduction:

We now better understand the barriers that we need to overcome for reducing flaring, including the lack of reliable data to gauge the magnitude of the practice;

We are more conscious of the need for countries to have not only effective regulations but also clear policies with the right incentives for operating companies so that the necessary infrastructure is put in place and markets for gas utilization are developed;

We are more certain today that gas flaring reduction has been most successful where there is country buy-in, high-level support and an effective local partnership between government and industry. There is no longer doubt that governments and private sector need to work as real partners if tangible results are to be achieved;

We are also more aware of the critical role that leadership and commitment play in both the public and private sectors in order to sustain progress over the long term;

And perhaps most importantly, we have also confirmed that reducing gas flaring requires a global and concerted effort by governments and industry, as well as financial institutions and local communities. This is why the Global Gas Flaring Reduction Partnership was created in the first place. GGFR's main role is that of a catalyst that brings key stakeholders around the table, facilitates the establishment of a common ground with clear targets, and does not allow them to give up or get distracted from the ultimate objective.

Second, this Forum is timely because the international community is engaged in an on-going and important debate on climate change mitigation and adaptation, to which gas flaring reduction has something relevant to contribute.

Just a few weeks ago, we learned about the Stern review written by Nicholas Stern, a former World Bank Chief Economist. As Stern writes in his report, “The benefits of strong and early action [on climate change] far outweigh the economic costs of not acting.”

While some may still disagree on the scientific and economic details, politicians have increasingly recognized that climate change is a problem to be reckoned with and the search for solutions has begun in earnest. That is why climate change has consistently been high on the agenda in the recent G8 summits at Gleneagles in 2005 and St. Petersburg in 2006, and why Germany will also put particular emphasis on this issue during next year’s EU and G8 presidencies.

In this debate, everyone is looking for win-win solutions that avoid climate change without stifling economic growth.

As the St Petersburg communiqué points out, the need is for measures that promote what the G8 countries call the three Es: Energy Security, Environmental Protection, and Economic Growth. This is precisely what gas flaring reduction can achieve: lowering CO₂ emissions while opening new economic opportunities through gas utilization, and at the same time enhancing energy security by increasing available supplies.

The G8 countries and others from the international community are also looking forward to the implementation of the World Bank Clean Energy Investment Framework – which is the Bank’s response to address issues related to climate change mitigation and

adaptation, clean energy and energy efficiency. Gas flaring reduction is, of course, a low-cost, high impact tool to achieve a low carbon economy and thus should be considered a priority.

There are several examples that illustrate the win-win nature of gas flaring reduction. One just needs to look at the experiences of North Sea and North America to realize that progress in flaring reduction efficiency and gas utilization is not only viable but also desirable. Day 2 and 3 of this conference offer numerous examples of such experiences of technologies, regulatory practices, and co-operative efforts from different regions of the world.

Another concrete example of this win-win approach is the experience of Saudi Arabia in the Middle East. There, gas flaring emissions fell from 38 billion cubic meters per year in the early 1980s to a mere 120 million cubic meters per year in 2004. The associated gas was used to provide the basis of a successful petrochemicals industry. As a result, Saudi Arabia is now one of the world's largest producers of urea – a widely used agricultural fertilizer – and many other Middle Eastern nations are following suit.

And third, this Forum is timely because the GGFR partnership is about to initiate in 2007 a new and critical chapter in its history, a second phase devoted to achieving high impact results.

In July 2005, the Group of eight most industrialized nations (G8) joint statement at Gleneagles, Scotland, called for GGFR work program to be extended beyond 2006, and in July 2006 the G8 reaffirmed its support for GGFR's role in reducing gas flaring in a statement issued in St Petersburg, Russia.

With such explicit support, the GGFR partners have now agreed to continue on with their gas flaring reduction efforts and programs until end of 2009. There is broad acceptance of the flaring and

venting global Standard introduced by the partnership, and the collaborative approach it encourages.

GGFR estimates that over 150 billion cubic meters (or 5,3 trillion cubic feet) of natural gas are being flared and vented annually. That is equivalent to 25 per cent of the United States' gas consumption or 30 per cent of the European Union's gas consumption. And the annual 40 bcm (or 1,4 trillion cubic feet) of gas flared in Africa alone is equivalent to half of that continent's power consumption.

Gas flaring also adds about 390 million tons of CO₂ in annual emissions. This is more than the potential yearly emission reductions from projects currently submitted under the Kyoto mechanisms.

Ladies and gentlemen, you will all agree with me that these numbers speak for themselves:

It is clear that gas flaring harms the environment and wastes valuable resources. Gas flaring also deprives developing countries of an energy source that is cleaner and often cheaper than others available, and reduces potential tax revenue and trade opportunities

And that's why during this second phase it is crucial to step up our efforts to reduce gas flaring and to increase gas utilization. We all know that this is not an easy task, simply because as oil production increases so does the potential for gas flaring. But that's also why the GGFR partners are working together because it is more viable to achieve results if we support and build on each other's efforts than if we try to play it alone.

Be certain that these efforts are starting to pay off.

Results on the ground

As most of us know, the GGFR public-private partnership brings around the table representatives of governments of oil-producing countries, state-owned companies and major international oil companies so that they can together overcome the barriers to reducing gas flaring by sharing global best practices and implementing country specific programs in gas flaring countries.

In just under four years since starting operations, the GGFR partnership has already achieved some remarkable results. I just want to highlight here a few of the most important ones:

At the global level

- The majority of partners have endorsed a Global Standard for gas flaring reduction
- GGFR has developed a unique web-based tool to report flared and vented data by country. This data tool is already being implemented in Cameroon, Nigeria and Algeria.
- GGFR has provided advice to several countries and companies on regulations for associated gas utilization (best practices) and capacity building for obtaining carbon credits from flaring reduction projects

At the regional level

GGFR has facilitated regional co-operation in the Gulf of Guinea. As a result of this facilitation:

- Nigeria and Cameroon signed two Memoranda of Understanding with Equatorial Guinea in 2006 to export gas to Equatorial Guinea's LNG plant
- Total, Shell, and Perenco are working with SNH in Cameroon to find solutions to jointly invest in pipelines and export stranded and otherwise flared gas to Equatorial Guinea.
- Nigeria signed an agreement with Equatorial Guinea in July 2006 to export gas to that country

At the country level

GGFR has supported at least seven demonstration projects to obtain carbon credits from flaring reduction projects in countries such as Nigeria, Russia, Algeria, Angola, and Indonesia.

- The Kwale project in Nigeria was the first GGFR supported demonstration project to be registered under the UN's Clean Development Mechanism (CDM) last November 8th.
- The Kwale is the 10th largest registered project under CDM (out of more than 1400 projects in the pipeline), and aims to reduce 1.5 MtCO₂ per year or 15 million tons of CO₂ emissions over the next 10 years
- The Kwale project also demonstrates the viability of carbon finance as leverage for associated gas utilization, and we hope that this first success will stimulate interest by other oil producers as well.

- It is worth noting here that the potential avoided flared gas, through GGFR facilitated carbon projects, is approximately 12 billion cubic meters per year (or 423 billion cubic feet), equivalent to 115 million tons of CO₂ emissions reduction by 2012.
- Finally, GGFR is also assisting Algeria, Cameroon, Equatorial Guinea, Kazakhstan, Nigeria, and Qatar to meet identified dates for zero flaring, through increased collaboration between operators, the national oil company and the regulator. When these plans are materialized, gas flaring in GGFR's Partner countries will have been reduced to one-third of today's level.

As we can see, the GGFR partnership has kept its plate full over the past four years, and these initial achievements demonstrate that its efforts are not only relevant but also viable and desirable, and therefore worthy of more support from the international community, and from other key players who have not yet join the efforts of the GGFR partners.

As impressive as these initial results are, however, it is clear that we cannot be complacent because much more needs to be done if we are to have a decisive impact on flaring reduction and associated gas utilization over the long run.

Challenges and the Way Forward

The challenges ahead are formidable indeed. And it is going to be necessary for all stakeholders to step up efforts if flaring reduction is to have a higher impact.

The first major challenge is to bring in other key players. Although more than 80 percent of global venting and flaring occurs in fewer than 15 countries, some of the major flaring countries still are to

join the GGFR partnership. We have already approached most of these countries and tried to engage with them. Yet, some of them do not seem to grasp the urgency of tackling the gas flaring issue. We hope that during 2007 they will change their minds.

For example, the IEA estimates that there is a huge potential for reducing the wastage of gas in Russia. This potential amounts to at least 30 bcm, equivalent to 20 percent of Russia's annual exports to Europe. About half of this relates to leakages on gas pipelines, and the other half to gas flaring.

While some key countries like Russia, Iraq and Libya have yet to join the partnership, other important players have decided to support our work during the next phase, over the period 2007-2009.

In this regard, I would like to extend a warm welcome to France and the European Union, and Qatar as the newest members of our GGFR partnership.

A second key challenge is to keep working on the data front. Countries and companies alike need to take the data collection on gas flaring to the next level if we are going to seriously measure and track the progress that we aim to achieve. We hope that the data tool that GGFR has created will make this process more manageable. We also hope that through the work we have initiated with satellite imagery, we will be able to get more reliable data of the gas flared around the world

The third challenge, and perhaps the most important one, is to build on the successes from the first phase in a way that the majority of the GGFR partners can achieve further and concrete results in flaring reduction over the next three years.

Conclusion: Call for action!

Let me briefly conclude by thanking the GGFR partners for all their efforts and commitment to the partnership's vision of a world without flares. It has taken a lot of hard work and persistence to get where we are today.

As we have recently seen with the Kwale project in Nigeria, the efforts are paying off, and I am certain that more will come to bear fruit.

I also hope that you all take advantage of this Global Forum as a space for learning from new technologies, sharing best practices, planning future projects, and advancing flaring reduction initiatives throughout different regions of the world. If anything, I certainly wish everybody leaves this Forum convinced that gas flaring reduction is not only relevant in today's energy context, but it is also viable and desirable.

And just remember that while reducing CO₂ emissions from gas flaring is just one of many sources of greenhouse gases, gas flaring is certainly a low hanging fruit in helping mitigate climate change.

It is in this context that the next three years are going to be critical for gas flaring reduction in general and for the GGFR partnership in particular. Simply put it, we need to step up our efforts.

The time for urgent action is indeed upon us. I trust we will all join efforts in responding decisively.

Thank you