



**ARPEL UPPER MANAGERS REPORT N° 21 ON
CLIMATE CHANGE**

***Copenhagen Agreement and the oil and
gas industry (COP 15)***

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The Copenhagen Conference gave rise to significant differences in the positions of several developing countries. While insular states and the less developed countries (now called “more vulnerable”) claim that the final result of negotiations of long-term actions should be also a protocol that works within the Kyoto Protocol, other developing countries disagree.

The problem:

Developed countries that signed the Kyoto Protocol make their commitment conditional with ambitious reduction goals for the second period, after 2012, on a reciprocal commitment of the USA, through binding emissions reduction goals of the EUA (European CO₂ assignments).

On the other hand, USA adopts a similar position with regards to Brazil, South Africa, India and China, that is, they do not commit to any binding emissions reduction goal whereas these countries do not do so.

That dilemma was raised by the “Bali Roadmap” agreement, composed of two negotiation routes, one for dealing with the second fulfilment period of the Kyoto Protocol – AWG-KP and another one for dealing with the long-term cooperation actions – AWG-LCA. The latter aimed at the incorporation of commitments by the USA.

The main elements of those negotiations should have finished by the first week of the COP 15, in Copenhagen. Therefore, given the many difficulties found in those two texts, in parallel with the development of the negotiations of the two present routes of the Convention, government leaders of around 25 countries are working in the document called the Copenhagen Agreement.

The Copenhagen agreement arose a lot more challenges than Kyoto 1997.....

- Expectation of the setting-up of significant GHG emissions reduction for the period 2008 to 2012, compared to 1990, for countries of Annex 1. Until April 2010, 76 countries put forward their proposals of emissions reduction / reduction of the growth curve.¹ The global reduction volume of those emissions will not be enough for stabilizing temperature in 2°C. Some analysts hold that there will be an increase in temperature of 3°C.²
- Funding magnitude: around 100,000 million dollars per year in adaptation, and 200,000 million dollars per year in mitigation.



.....but very few results were achieved.....

- Very little progress made in relation to formal issues
- The prospect of the Kyoto Protocol is still uncertain. Industrialized countries are in favour of establishing a universal framework that includes all the countries, so as to simplify the process and allow the insertion of commitments for the

¹ The list of all the proposals is found in: Main page of the CMNUCC, Copenhagen Agreement: <http://unfccc.int/home/items/5262.php>

² Main page of Climate Action Tracker. Detailed information on individual commitments of countries for the reduction of greenhouse gas emissions: <http://www.climateactiontracker.org>.

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largest emissions producers. Developing countries, on the other hand, contend that the Kyoto Protocol is the only way to guarantee the distinction among those countries. An only agreement would imply the risk of imposing binding commitments to developing countries.

- Long-term cooperative actions were the focal point of negotiations, and they had a great participation. The “*Nationally Appropriate Mitigation Actions (NAMAs)*” emerged from the initiative of developing countries. The “*Monitoring, Report, and Verification (MRV)*” of real emissions is a critical point in which there is a big discord. According to the Copenhagen Agreement, No-Annex I countries will report the implementation of their unilateral actions through biannual national communications, that will include inventory national reports “with clauses on international consulting and analysis under clearly defined guidelines that guarantee the respect for national sovereignty”
- Copenhagen Agreement:
 - Goal: to limit the increase in the global temperature to 2°C, however, the need for guaranteeing a base of 1.5°C was included.
 - The *Green Climate Fund* was created.
 - Acknowledges the urgency and the importance of establishing funding mechanisms for the reduction of GHG emissions from deforestation and degradation of forests - “Reducing Emissions from Degradation and Deforestation” - REDD+
 - Investments of developed countries of US\$ 30,000 million for the 2010-2012 period, with the commitment of releasing US\$ 100,000 million annually from 2020. It is still not clear which will be the source of these resources.



- Annex I countries agree on implementing aims for 2020 and No-Annex I countries will implement mitigation actions, to be announced every 2 years, in the corresponding national communications, and subject to domestic “MRV”.
- “We decided to foster several approaches, including opportunities for using markets, for improving the cost-efficiency of mitigation actions and to promote them. Developing countries, especially those with low carbon economies, should receive incentives to continue their development through low carbon ways.”
- Reduction proposals reported by developed countries can lead to an increase of 2 to 8% compared to 1990, instead of a reduction of emissions. On the other hand, developing countries carried out proposals that may represent a deviation from the growth curve of emissions of up to 28%.³
- The agreement does not make any reference to legal bonds.

³ Sustainability Council of New Zealand, *Loopholes Negate Pledges for Emission Reductions*, http://www.sustainabilitynz.org/news_item.asp?SID=205



- The terms of the agreement are extremely vague for issues of great importance, as for example, “the need of establishing a comprehensive adaptation program that includes international support”.⁴
- Once progress in the discussion on Long-Term Cooperation is made (AWG-LCA), a mechanism for speeding up the development and the technology transfer for adaptation as well as for mitigation can be established. It will consist of a permanent Executive Board on Technology that will replace the Group of Experts in Technology Transfer and a Climate Technology Centre. Copyrights still represent a big challenge for reaching an agreement as regards technology.
- The Agreement deals with the two most critical financial matters: mobilization of the necessary financial resources; and an equitable and effective institutional structure of financing mechanisms. However, it does not make any reference to details about an “effective and efficient distribution of funds”, as well as to any attempt to quantify which will be the funds available and when. Moreover, it is not clear if the “new multilateral financing” will be really additional to the present official commitments of development assistance (*Official Development Assistance, ODA*).

Regional status as regards policies:

- Latin America and the Caribbean: Political dilemma: climate change has to do with the environment as well as with growth and development. Commitments and mitigation actions are, to a great extent, dependent on international financial and technological support.
 - ◆ Brazil proposed a reduction of its emissions growth curve by 2020 between 36.1 and 38.9%.
 - ◆ Costa Rica committed itself to transform its economy for facilitating its carbon-neutrality.
 - ◆ Mexico proposed to reduce 51 million tons of its total annual GHG emissions by 2012, and up to 30% by 2020.
 - ◆ Peru committed itself to reduce its deforestation rate to zero by 2021, to increase the consumption of renewable energies (hydro-energy and biofuels) to a minimum of 30% of the total national consumption, to implement measures for the reduction of solid wastes’ emissions.
- USA: It is still possible to reach an agreement on a comprehensive national legislation on climate. There are several sub-regional initiatives on climate change that tend to be included in the future.
- China: Focused on energy efficiency in several sectors of the economy, inclusion of non-fossil fuels in the consumption of primary energy matrix, and forest cover. Acknowledges the importance of carbon capture and sequestration, but does not have policies on the matter.

⁴Report on the Conference of the Parties in its 15th session, carried out in Copenhagen from December 7 to 19, 2009, Appendix, Part 2: Actions taken by the Conference of the Parties in its 15th session, FCC/CP/2009/11/Add.1, March 30, 2010, Decision 2/CP.15, Copenhagen Agreement.



- Europe: Its goal is to have 10% of renewable energy in transport by 2020, and to reduce its GHG emissions by 20% in comparison with 1990.
- For other countries consult <http://unfccc.int/home/items/5265.php>

Post-Copenhagen Operation

Financial resources actually freed so far for implementing climate change mitigation measures “are irrelevant” faced with the challenge posed of stabilization of emissions. Likewise, resources allocated by developed countries for fighting economic crisis take away the possibilities of freeing funds for supporting the climate change international agenda.

In the short term (2010-2012) US\$30,000 millions will be required for mitigation and adaptation actions, prioritizing the latter for the most vulnerable developing countries. In order to be effective and avoid delays in such ambitious objectives, a financing based on already existing initiatives should be constructed so it can start quickly.

The future of the Clean Development Mechanism, or CDM, is still uncertain. Likewise, new horizons that will possibly help to promote the development of GHG emissions reduction projects in the region open up: the CDM program of activities, the voluntary markets, the NAMAs, and carbon capture and sequestration.

Possible segmentations:

Faced with the impossibility of reaching an agreement on the above mentioned points, some analysts suggest that⁵:

⁵ “Something was Rotten in the State of Denmark – Cop-Out in Copenhagen”, Wuppertal Institute for Climate, Environment, and Energy. April 2010.

- None of the main emissions producers is prepared to take actions unless everybody does it.
- Industrialized countries that ratified the Protocol would like to replace it with a new one that also includes the USA and countries that are being quickly industrialized.
- USA proposes that countries only report internationally what they have decided before at national level, and that the level of commitment of the main emissions producers is the same; aspect, the latter, in complete disagreement with developing countries.
- G-77 and China want the Protocol to continue as a reflection of the historical responsibility of industrialized countries, in parallel with the results that stem from the discussions on long-term commitments.
- Art. 3.1 of the UNFCCC commits developed countries that are Part of the Protocol to lead the fight against climate change and its adverse effects. However, in practice, when countries from the ex Eastern bloc are analysed, whose economies collapsed in the 90’, emissions of industrialized countries actually increased by 12.8% between 1990 and 2007⁶.

⁶ *United Nations Framework Convention on Climate Change, Trends in aggregate greenhouse gas emissions, 1990-2007*, http://unfccc.int/ghg_data/ghg_data_unfccc/items/4146.php



16th Conference of the Parties of the Kyoto Protocol (COP 16/CMP 6)

December 2010, Cancun, Mexico

- A temporary framework should be adopted at the COP16 that is capable of achieving immediate emissions reductions and set the standard for the possible adoption of a comprehensive agreement.
- For this, there should be a strong commitment to negotiate a comprehensive agreement within a realistic period, as 2015, and a temporary framework for the previous period, which include:
 - The strong commitment to reach an agreement before the COP17 in 2011, about the goals of industrialized countries in a second period of commitments of 5 years within the Kyoto Protocol.
 - Leadership and agreement of industrialized countries as for its goals in the COP 16, and substantial reinforcement in the ambition levels of most of the countries.
 - Integration of the United States legislation on climate, which requires urgent approval before the COP16.
 - Transposition of NAMAs of the Copenhagen Agreement to the process of the UNFCCC, with the strong commitment to develop a completely functional system to be implemented at the latest in the COP17 in 2011. This system should include the support required by countries of Annex 1, in financial, technological, and in terms of abilities, and monitoring, reporting, and validation of emissions for monitoring long-term commitments. Initially, it could be taken as a decision of the COP, laying the basis for reaching an agreement in 2015.

- Immediate agreement on funding and support for adaptation, based on the Adaptation Fund

Actions of the oil and natural gas industry

The industry acts individually:

- Reduces its emissions by the efficient use of energy
- Encourages consumers to use oil products in a more efficient way
- Deploys and fosters low carbon technologies with fossil and non-fossil fuels. For example: Brazil led the development and use of biofuels
- Reduces GHG emissions in its operations by reducing venting, burning, and gas fugitive emissions in its processes.
- Participates in voluntary initiatives based on markets.
- Works in alliances for developing innovative solutions. For example: CCS R&D and renewable energy programs





What else could be done?

- Reinforce the energy efficiency focus in upstream operations
- Include goods and services providers in the discussion table
- Look for CDM opportunities
- Help disseminate governmental best practices and GHG practices



What else could be done?

- Seek cooperation agreements between relevant associations and institutions that make use of synergies, improve the use of resources, and avoid the duplication of efforts
- Be a forum not only of coordinated analysis but also of cooperative and cohesive sectoral actions
- Greater efforts in education management and help to define strategic corporate answers
- Reinforce the need for “global coordination” (IPIECA) as well as for “local implementation” (ARPEL)

IPIECA and ARPEL also act:

- Support the industry efforts to manage GHG emissions
- Make use of synergies to foster energy efficiency projects
- Help to identify and remove institutional, technological and financial barriers for the implementation of energy efficiency projects
- Capacity building in energy efficiency and CDL
- Build synergies with technological organizations to foster mechanisms that facilitate the implementation of projects
- Promote awareness and education on climate change and energy efficiency issues in companies and other stakeholders
- Promote metrics for the calculation of GHG emissions and drains in the areas in which the industry is set up, as well as the verification of the results by independent institutions.