



REGIONAL ASSOCIATION OF
OIL, GAS AND BIOFUELS SECTOR COMPANIES
IN LATIN AMERICA AND THE CARIBBEAN

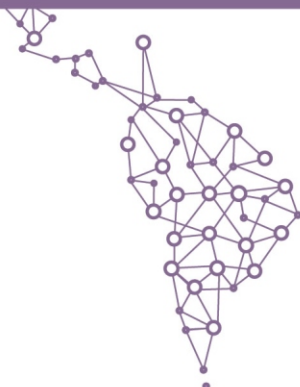
Paris Agreement and the Oil and Gas Industry

Upper Management Report on Climate Change

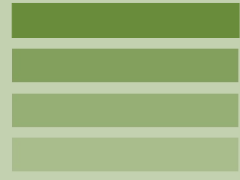
COP 21

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Introduction

The 21st Session of the Conference of the Parties (COP21) of the United Nations Framework Convention on Climate Change, took place on November 30 to December 11, 2015, in Paris (France).

The most outstanding topic in the agenda was the discussion regarding the post-2020 agreement (currently known as the Paris Agreement¹).

The main aspects of the Agreement are included below, together with the vision from ARPEL and its member companies with regards to the implications that this Agreement may have to the sector.

Main COP21² decisions and the Paris Agreement

It will be a **legally binding** document, with some mandatory elements (such as the reporting requirements) but leaving some others to the criteria of each country (for example, the determination of their particular goals).

It will come to force by 2020 and will be presented to be signed on April 22, 2016 to April 21, 2017.

One of its main objectives is to **limit the increase in Earth temperature to well below 2°C** (with efforts towards 1.5°C) with respect to the preindustrial era.

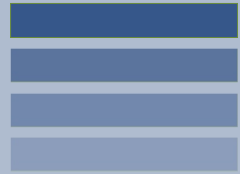
It requests for an **increase in the capacity to adapt** to Climate Change adverse impacts and **promotes climate resilience and a low Greenhouse Gases (GHG) emissions development**, in a way that it does not threaten food production and allows for a financial flow consistent with such development.

By the closing of the summit, 186 countries voluntarily presented their "**Intended Nationally Determined Contribution (INDC³)**", equivalent to 95% of global GHG emissions. Although

¹ http://unfccc.int/meetings/paris_nov_2015/items/9445.php

² http://unfccc.int/meetings/paris_nov_2015/session/9057.php

³ Official Portal of INDCs: http://unfccc.int/focus/indc_portal/items/8766.php



INDCs are voluntary, the report of their results, the accountability of emissions reduction, the revision of its effectiveness and the report of its financial flow, will be compulsory.

The Agreement aims to road map a future with **low carbon emissions development**, requesting Nations to achieve their maximum emissions in the shortest possible term so as to **reach neutrality (zero global net GHG emissions) by the second half of the century (2015-2100)**. The objectives of the Agreement are aligned with those of the 2030⁴ Agenda for the sustainable development, in particular with objective 13 ("Take urgent action to combat Climate Change and its impacts").

Moreover, it promotes the strengthening of **adaptation** activities considering the **urgent and immediate needs of the most vulnerable developing countries**, aiming at implementing nationally focused measures with a gender perspective, participative and transparent, considering the most vulnerable ones. Such measures should also be integrated into socio-economic and environmental policies, remarking the importance of international cooperation; all these considering the Cancun Adaptation Framework⁵.

With regards to **financing** activities, developed countries are expected to extend their current mobilization collective goals (**100,000 million dollars by year** to 2020) to 2025, under the framework of significant mitigation actions and implementation transparency, shaping the **Green Climate Fund**⁶.

The Agreement also acknowledges the importance of promoting activities to reduce emissions, among others, through the determination of a carbon price. The path to an **international carbon market** is smoothed, with forethought to avoid double accounting. However, it does not specify how such market will be developed. It is expected that the current systems and reference frameworks (JI and CDM⁷) be used in order to strengthen the activities of this probable new market.


The private sector and other external groups of interest are specifically invited to cooperate and leverage with actions to contribute with the accomplishment of the Agreement objectives.

⁴ <https://sustainabledevelopment.un.org/sdgs>

⁵ <http://unfccc.int/adaptation/items/5852.php>, noviembre de 2010

⁶ <http://www.greenclimate.fund>

⁷ Joint Implementation and Clean Development Mechanism



The situation in Latin America and the Caribbean

The region only represents 7% of GHG global emissions. Moreover, regional CO₂ emissions related to energy are much lower than the global average per capita and per economic productive unit.

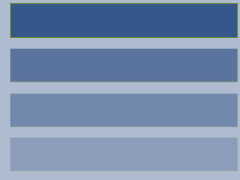
Crude oil has a larger preponderance in the regional energy matrix (47%) than in the global one (33%), however, such difference is well compensated with the shorter preponderance of coal in the region (5%) compared to the World (30%), and with the larger preponderance of hydroelectric energy in the region (18%) compared to the World (7%).

The particular Climate Change vulnerability of the systems in the region, and the high costs associated with its impacts (1.5-5.0% of GDP for a 2.5°C⁸ temperature increase) makes the need to strengthen adaptation activities a priority and an urgent strategic challenge. Nations from the Latin American and the Caribbean **region strongly supported the Paris Agreement and its provisions on adaptation** to Climate Change.

Commitments undertaken are varied and equivalent to a total regional increase of 18% in CO₂ emissions related to energy by 2030. This is mainly due to an increase in the industrial activity and the number of private vehicles added to the system. Moreover, this value considers the expected 7% decrease in emissions from electric generation as a consequence of an increase in hydroelectric generation, the increase in natural gas use and the installation of wind energy sources. However, emissions from the energy sector are becoming more significant and will need to be addressed.

In addition, the whole implementation of INDCs will require institutional and technical capacity strengthening and building, integration of policies, proper planning, the revision of legal and normative frameworks (focused in subsidies), the involvement of nongovernmental parties, and the movement of funds to implement the necessary actions.

⁸ ECLAC, December 2015



ARPEL challenges and opportunities

Our Association, as the only regional forum representative of the oil, gas and biofuels industry, accepts the challenge of implementing actions to cooperate with the accomplishment of this new Agreement objectives. This way, we will **create awareness** and work on the **identification of Climate Change risks to the regional sector business**, the promotion of actions to improve **sector energy efficiency in all its value chain** (upstream, midstream, downstream), the tendency to consume **fuels with a lower carbon footprint**, the promotion of the development and use of renewable energy by the sector, the implementation of best **adaptation** practices in the different production facilities and the proposals of guidelines for adaptation projects considering the **economic support from developed countries to the countries of the region**.

This report was developed by the ARPEL Climate Change Working Group, with the participation of the following member companies: ANCAP, ENAP, PEMEX, PETROPERÚ, PLUSPETROL, TECPETROL and YPF, with the contribution of CHEVRON.

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ARPEL is a non-profit association gathering oil, gas and biofuels sector companies and institutions in Latin America and the Caribbean. Founded in 1965 as a vehicle of cooperation and reciprocal assistance among sector companies, its main purpose is to actively contribute to industry integration and competitive growth, and to sustainable energy development in the region.

Its membership currently represents over 90% of the upstream and downstream activities in Latin America and the Caribbean and includes national, international and independent operating companies, providers of technology, goods and services for the value chain, and national and international sector institutions.



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