

ARPEL Upper Managers Report

Why should oil and gas companies in

Latin America care about climate change negotiations?



This Executive Report highlights the reasons why oil and gas companies operating in Latin America and the Caribbean should be closely involved in the intergovernmental negotiation process that will end up with key decisions in 2015 and that may affect their sustainability in the mid and long term.

The 20th session of the Conference of the Parties (COP-20) of the United Nations Framework Convention on Climate Change (UNFCCC) and the 10th session of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol will be held from 1 to 12 December in Lima, Peru.

In preparation for COP-20, approximately 100 heads of state, and the same number of corporate CEOs, including from oil and gas, participated of the UN Climate Summit, convened by Ban Ki-moon on 23 September 2014 in New York. At the event, these leaders committed to finalize a meaningful, universal new agreement under COP-21, in Paris in 2015, and to arrive at the first draft of such an agreement at COP-20 in Lima.

Some of the major announcements made at the New York event:

- The US and China – the world’s two largest emitters – announced a raising in ambition when they come forward with their next round of commitments in Q1 2015
- China also announced it would peak its emissions - at a year yet to be confirmed, and support on carbon pricing
- On carbon pricing, most countries supported the [World Bank’s statement](#). In addition, over 1,000 businesses indicated support for a carbon price through either the World Bank statement or other initiatives including the UN Global compact of which several ARPEL member companies participate. The World Bank, World Economic Forum, and “We mean business” coalition announced they are to convene a carbon pricing leadership coalition. Carbon pricing if expanded to this scale and then globally has the potential to bring down emissions in a way that supports clean energy and low-carbon growth while giving businesses the flexibility to innovate and find the most efficient choices.
- [The industry-led Oil and Gas Climate Initiative](#) was announced to enable the industry to **collaboratively** address climate change. Several NOCs and IOCs (including ARPEL members) are part of this initiative.
- The Climate and Clean Air Coalition (CCAC) launched its [Oil and Gas Methane Partnership](#) (in January 2014, three international investor groups representing over \$20 trillion in assets issued a joint statement calling on companies to join the Partnership).

- Announcement by the insurance industry of intention to create a climate risk investment framework by 2015 in Paris

Few weeks later the EU leaders also announced commitments to cut emissions by at least 40 % by 2030, according to the roadmap established to 2050.

Governments from developed and developing countries agreed –at COP-19- to prepare Intended Nationally Determined Contributions (INDCs) as a key input to the preparation processes of negotiations leading towards the 2015 Paris climate agreement. Governments understand “contributions” to cover contributions on mitigation, adaptation, finance, capacity building and technology transfer or support.

At a [week-long negotiating session](#) in Bonn, Germany during 20-25 October 2014, policy-makers came up with options for the format of the INDCs (i.e., the emissions targets and methods of meeting them) for the 2015 climate agreement. Options on the table include the use of market-based mechanisms, such as emissions trading and offsetting as an alternative to reduce the low carbon transition cost. Governments agreed to decide on the content requirement of INDCs in Lima, at COP-20. Then the INDCs will have to be submitted to the UNFCCC by March 2015.

Next December in Lima, the COP-20 may also set the basis for future national policies requiring cooperation between government authorities and the oil sector in each country regarding the potential contribution and/or reduction targets at the national level through the implementation of e.g., energy efficiency projects.

The importance of outcomes on all aspects of the Lima mandate is highlighted in a brief statement: “*without Lima, there is no Paris*”.

Carbon pricing, industry collaboration, technology, capacity building, energy efficiency, financing schemes, compelling emissions targets, insurance issues. All this and more, will be discussed in Lima to reach to an agreement in 2015. Decisions made in Lima should be a matter of concern to the oil and gas industry.

Can your company afford not to be interested in this process? Can ARPEL be the industry vehicle to address collaborative actions among its member companies and in partnership with key stakeholders?

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