

Global Gas Flaring Reduction Public-Private Partnership – Update June 2004

Summary

Since the Steering Committee meeting in March, GGFR has made progress to reduce the obstacles to gas flaring reduction on a number of fronts. The 2nd International Gas Flaring Reduction Conference in Algiers was very successful and the Voluntary Standard on Gas Flaring and Venting, was formally announced at the conference. Other global deliverables are also completed and the country activities have advanced. OPEC has indicated that they plan to join the Partnership, which will enhance the Partnership's coverage of global gas flaring from just over 40% to 70%. The GGFR now receives funding from the Foreign Commonwealth Office in the UK.

Progress on Global Work

Algeria Conference

The 2nd International Gas Flaring Reduction Conference, hosted by Sonatrach, took place in Algiers, on May 10 and 11. The conference provided an ideal venue for GGFR members and other participants from governments and companies to discuss about the latest situation of the flaring and venting issue. The host H.E. Minister Dr. Chakib Khelil opened the conference and key note presentations were given by senior representatives from the Algerian Government, Sonatrach and the Bank. The conference included sessions on the commercialization of gas, the voluntary global standard on venting and flaring, regulations, the role of carbon credits, and best management practices to reduce flaring and venting.

Overall, the conference provided a high profile, public forum to discuss the flaring and venting issue and the reception of the conference was very favorable, as was also shown by the large local and international media interest.

Standard

The Voluntary Standard on Gas Venting and Flaring, formally announced at the conference, provides a collaborative partnership approach and aims to bring together companies, governments, and other key stakeholders within a country, so that they can take complementary and supportive action to identify and evaluate economically feasible alternatives to venting and flaring. All IOCs that are GGFR member have endorsed the Standard, with formal endorsement by country members being pursued (the Standard allows for one year following the Algeria announcement). For new projects, the recommended timeline to implement the Standard is one year. For public reporting, the recommended timeline is 2 years (public reporting in 2006, of 2005 numbers). For existing projects and facilities, plans should be produced in consultative fashion by producers and government in 2-3 years, with implementation taking a few more years. GGFR is in the process of planning roll-out workshops for stakeholders in each country to assist in the implementation.

Implementation of the Standard is expected to reduce venting and flaring significantly within 5 to 10 years in the GGFR partnership, which represents roughly 40 percent of global flaring. Further reduction can be achieved if additional countries, companies, and institutions endorse and implement the Standard. Through regional conferences (Caspian, Gulf of Guinea, Latin America and Caribbean), GGFR has engaged Azerbaijan, Gabon, Trinidad & Tobago, all within the top twenty of flaring countries.

Regulation

The report giving an overview on the regulatory situation in forty countries and highlighting best practices was published end March. As mentioned in the last update, BPMigas (the new upstream regulator in Indonesia) hosted a capacity-building workshop on regulatory and CDM issues for key Indonesian stakeholders on March 15 and 16 in Bandung. The workshop was very well organized, with over 70 participants from the ministry, upstream and downstream regulator, and several international oil companies. All speeches can be found on our web-page. The workshop demonstrated that best regulatory practices can be shared between GGFR members in an effective and conducive manner.

Carbon Credits

GGFR was represented at the Carbon Expo event held in Cologne June 11. As part of this presentation two example projects were shown with particular reference to practical issues on the Kyoto protocol emerging rules: ECON illustrated the progress on the flare reduction projects in Algeria and Pelangi (Indonesian NGO) discussed their experience with an Indonesian flare reduction project achieved at a refinery.

The Carbon Expo conference proved a good sounding board for the status of discussions with the Clean Development Mechanisms (CDM) and the Executive Board, which have been reflected in the GGFR report “Gas Flaring Reduction Projects; Frameworks for CDM Baseline Methodologies”. This report is intended to provide a guide to developing baseline methodologies for flare reduction projects and is to be published soon. The next steps will then be to request from the GGFR potential demonstration projects to apply this learning and develop additional methodologies to support new project implementation via the CDM process.

Progress on Country Work

Algeria

The associated gas utilization review has completed its qualitative review of options, and data gathering for quantification of the most promising options is ongoing. Progress on the capacity building for carbon credits has been swift and the in-country task forces set up within Sonatrach and other key stakeholders have been working diligently with the consultants and the GGFR. As a result, a project (PDD) will most likely be presented to the CDM Executive Board. At the same time the work on the establishment of a National office for verification (DNA) and ratification of the Kyoto Protocol have moved ahead.

Looking forward, a workshop will be held beginning of September and the project conclusion presentation shortly after.

Cameroon

The study to establish whether associated gas can be commercialized through a combination of power generation, production of LPGs and condensate, and carbon credits has been finalised. Realization of the project depends on the growth in energy demand in Cameroon, which is being reviewed on a country wide basis with World Bank assistance.

Chad/Ecuador

The report detailing the small-scale gas utilization has been published. Follow-up work, which looks at the possibility of employment creation and poverty reduction through the utilization of flared gas has started. A first mission to N'Djamena took place beginning July to among other issues try and establish the potential of possible gas customers.

Indonesia

As a result of the workshop March 15/16, the work program for Indonesia has been further formalized and will include a comprehensive gas flaring reduction regulatory strategy/framework. Further project work on CDM is set to pick-up as is the general associated gas study, which will focus on remote fields.

Brazil

During a visit to Brazil in February three areas of cooperation were discussed with the Government and Petrobras. An associated gas study pinpointing measures to effectively utilize associated gas as a resource as part of Brazil's overall gas strategy/law within the energy matrix; in cooperation with ANP to establish what regulatory requirements are necessary to support the overall strategy of reducing flaring; build capacity on CDM issues within Petrobras in exploring the possible eligibility of reduced flaring and accompanying emissions for carbon credits. GGFR is still awaiting final confirmation.

Russia

Missions to Moscow and Western Siberia (Khanty Mansiysk and Tyumen) took place in line with the work program objective to engage and enlist support for flare reductions and GGFR program from the relevant Russia stakeholders. The meetings confirmed that the flaring of associated gas in Russia is increasing rapidly due to the increased oil production. A parallel increase in utilization of associated gas has not taken place. However, awareness of the gas flaring issues and the need to address it are moving in the right direction and actions are under way. Several oil companies and regional entities in the Tyumen region were very interested in co-operation with the GGFR. The next step is a workshop in October in Khanty-Mansiysk.

Angola

The work program with the Angolan Ministry of Petroleum and Sonangol has been confirmed with the first element set to begin in July. This first element comprises an investigation of the eligibility and barriers of the Angolan LNG project to reduce flaring and to qualify for carbon credits. It also includes capacity building for the institutional

framework for flare reduction projects and carbon credits together with the appropriate national approval processes in line with the sustainable development requirements.