



GGFR

Global Gas Flaring Reduction
A Public Private Partnership

The News Flare

Issue No. 1, January-March 2006

GGFR Beyond 2006

Top News Flared in This Issue:

- ✓ **Beyond 2006: Partners agree on program for GGFR extension**
- ✓ **EU will join GGFR by January 2007**
- ✓ **Successful first roll-out of Data Tool in Cameroon**
- ✓ **Chevron, GGFR make progress with LNG project in Angola**
- ✓ **Shell develops new CDM methodology**
- ✓ **In the pipeline**
- ✓ **Briefly vented**



GGFR Partners and members of the Washington core team convened in Paris on March 21-22, to discuss and prepare a draft work program and budget for the proposed extension of the GGFR partnership beyond end-2006.

Following the GGFR Steering Committee agreement in November 2005 to extend the GGFR partnership for three more years beyond end-2006, the workshop reviewed past activities and extracted lessons learned to determine the main two strategic areas for the extension: best practice dissemination and a focus on country and regional activities with large impact on gas flaring reduction. Some of the countries where GGFR will try to become more engaged include Russia, Libya, Iraq, Brazil, Mexico and Venezuela.

On the expansion front, the GGFR has been trying to secure the Russian Federation as a partner since commitment from the federal government is essential to reduce gas flaring in Russia. Following the G-8 Communiqué from Gleneagles in July 2005, which encouraged the World Bank and other bilateral partners to expand their participation in, and supported an extension of, the GGFR beyond 2006, the Russian Chairmanship of G8 provides a good opportunity to bring the gas flaring issues into Russia's agenda. GGFR is also looking into future steps and strategies to recruit other new members.

Finally, GGFR partners also discussed outsourcing the partnership's activities to make gas flaring reduction a sustainable activity over the long term.

This newsletter is prepared by the GGFR core team in Washington, DC. Any comments, suggestions or contributions from any of the GGFR partners are very welcome and should be sent to: mrrios@worldbank.org

For more information, visit our website at www.worldbank.org/ggfr

Country Updates

Progress in Angola

An updated version of the draft Project Design Document (PDD) for the LNG demonstration project based on associated gas has been reviewed by Chevron and GGFR. The methodologies (baseline and monitoring) required for advancing the project within the CDM international framework have also been drafted and reviewed. The GGFR has prepared a paper on the institutional and policy options and next steps to assist the Ministry of Environment in its efforts towards ratifying the Kyoto Protocol and setting the operational framework for participating in CDM. The next step will be to conduct a capacity building workshop, aimed separately at high level officials and operational staff, to be held in Luanda during the Q2 2006. The LNG project will be used as a case study for the workshop.

Study in Gulf of Guinea

In early 2005, GGFR proposed to facilitate and co-finance a regional feasibility study on gas availability and gas transportation in the Gulf of Guinea Sub-Region (Cameroon, Equatorial Guinea and Nigeria). When the Terms of Reference for the study were presented to the different parties in London on November 17, 2005, it became clear however that the governments of the three countries had already initiated discussions, and that studies were under way to identify sources of gas in Nigeria and Cameroon that could form part of the supply to the Malabo LNG project in Equatorial Guinea.



Separate Memoranda of Understanding have now been signed between Nigeria and Equatorial Guinea (early 2006) and Cameroon and Equatorial Guinea (March 20th 2006) for supply of gas to the LNG plant. These are excellent outcomes of what GGFR promoted in 2005 in terms of the cooperative action necessary to commercialize “stranded” or otherwise flared gas in the Gulf of Guinea sub-region. GGFR remains willing to provide support for the gas supply project(s) should this be requested by the various interested parties.

First Data Tool Roll Out in Cameroon

A two-day workshop, involving SNH, SHELL, TOTAL, and PERENCO, to roll out the GGFR Data Tool was successfully conducted in Yaoundé in March 2006. This was the first data tool roll out in the 2006 program. More will follow during the rest of the year.

Nigeria's Gas-to-Power

Under the National Energy Development Project (a World Bank project) GGFR is managing preparatory work, on the Bank's

side, required to launch the main domestic transmission gas pipeline from the south of the country to the north and related gas-to-power generation projects. GGFR is involved in the preparation of this component which includes: (1) a gas pipeline engineering study that analyses the economic and financial viability of the pipeline; (2) energy pricing study; and (3) support to the implementation of the legal and regulatory framework for the gas sector. Consultant selection is progressing for the first two phases, while the third one is awaiting the approval of the proposed Downstream Gas Bill in Nigeria.

New Methodology for Carbon Credit

GGFR also hosted a second workshop as part of the larger effort to assist Nigeria in the reduction of flaring and venting. This workshop held in February allowed the selection of an additional CDM demonstration project. The selected project operated by ENI –the OB/OB Gas Upgrading and Re-injection Project- will develop a new methodology for obtaining carbon credits for projects that would avoid flaring through gas re-injection.

Shell's AFAM Develops New Methodology

The AFAM gas to power demonstration project, being developed by Shell, is creating a new baseline and monitoring methodology using already approved CDM methodologies. On-site capacity building will continue during the project preparation through a case

Country Updates (cont'd)

study dissemination workshop and a web-based CDM library tool available to the PIC-CDM (Nigeria Designated National Authority).

Indonesia's Challenges

Two major activities are currently carried out in Indonesia, including a CDM and Gas Utilization Study.

The CDM work program is progressing and a Project Idea Note (PIN) has been selected to develop the PDD for a gas flaring reduction project. However, one of the greatest barriers regarding CDM projects and eligible PDDs in Indonesia is the ongoing uncertainty about the ownership of the Certified Emission Reduction Certificates (CER) and the associated revenue sharing from carbon credits. Until the government has issued clear regulation and policies on the ownership of CER, the Indonesian Designated National Authority (DNA) will be unable to approve CDM projects. The World Bank has encouraged the Government of Indonesia to address the ownership issue of carbon credits for gas flaring projects in the oil and gas industry for the benefit of reducing gas flaring in the country. A final dissemination workshop will be held in July 2006 in Jakarta where a generic CDM guidebook will be presented, as a capacity building tool in Indonesia.

In parallel, a gas utilization study is currently being carried out. The study will identify major gas flaring sites in Indonesia and propose utilization options to reduce flaring volumes. The study faces the challenge to get access to

disaggregated field data and will rely on further cooperation of BP Migas and the industry. Using a screening process has reduced the operational areas that may hold potential for flaring reduction to 28 concessions. It is anticipated that a first workshop to disseminate the draft findings and get the reaction from industry and BP Migas will be held in July.

Kazakhstan's Final Tailoring

The GGFR, the Ministry of Environmental Protection and the Ministry of Energy co-hosted a workshop on associated gas utilization issues in Kazakhstan. The event, held on November 22nd in Astana, was attended by all the key stakeholders. The workshop's key objective was to launch a dialogue between the government and the industry to identify the key obstacles to gas flare reduction specific to Kazakhstan and agree on a plan of action (work program) that would address these issues. Final tailoring of the work program is currently in progress through the negotiations with the Ministry of Environmental Protection.

The workshop also served as a starting point for GGFR's dissemination of best international practices in Kazakhstan, focusing on areas such as national policies on gas flaring, regulatory framework and local partnerships. The next step will be to kick off a demo project for gas utilization.

Russia's Demo Project

Under the work program with the Khanty-Mansiysk Autonomous Region, GGFR selected a pilot project to move forward as demonstration of a gas utilization project with carbon finance under the Joint Implementation (JI) mechanism. The Surgutneftegaz PIN for an associated gas to power project, which was selected from five other projects, was upgraded, submitted to the World Bank Carbon finance unit and selected to go forward to the next stage. It is now on hold, awaiting Government clarification of the procedures for obtaining carbon credits under JI. The Ministry for Economic Development and Trade indicated recently that Russia will be ready with these procedures by July.

In addition, GGFR has also worked with the World Bank to upgrade the documentation for another gas flaring reduction project in KM (Danilovsk), which has received a letter of endorsement from the Russian Government as eligible to obtain Carbon credits under JI. This project has also been accepted by the Bank's CFB for further processing.



In the Pipeline



OFON II Discussed

The demonstration project OFON II was discussed with NAPIMS. A proposal was made to NAPIMS to hold a one-day workshop facilitated by GGFR to address project schedule issues. A response is still awaited. The project addresses the collection and transport of 7 bcm associated gas from TOTAL's OFON field offshore Nigeria to the NLNG plants at Bonny Island.

Algeria and Sonatrach

The selected TFT field for CDM demonstration project has been drafted as a preliminary Project Design Document (PDD). Data from Sonatrach is required to finalize the document. A CDM and Data Tool roll-out capacity building workshop will be held once the PDD is finalized and dates agreed with Sonatrach, sometime in mid 2006.

Associated Gas Study

The GGFR is initiating a study into the use of associated gas for small scale projects (gas to power and/or gas supply) in Nigeria. Terms of Reference have been agreed, and selection of a consultant is imminent.

Briefly Vented

EU to Join GGFR: During the recent Paris workshop in March, the European Union confirmed officially that they will join the GGFR Partnership in January 2007. The EU is a very welcome addition to the Partnership.

Save the date: Best Practice Forum—The team in Washington is making progress in the organization of the GGFR-OGP Best Practice Global Forum to be held in Paris at the end of the year. The dates being considered are December 12-15. More specific information on the Forum will be available in the coming weeks.

Waiting for Qatar: Qatar's intention to join the partnership remains strong, but the GGFR agreement is still awaiting signature.

Talk in Alberta: Arden Berg, from Alberta E&UB, will deliver a speech about GGFR to an environmental audience during the 1st week of May.

Offshore oil and gas: Bent Svensson will make a presentation on May 3rd at the Offshore Technology Conference (OTC) to be held in Houston from May 1-4. Bent will speak at a session titled "From Stranded Gas to Commercial Reality". OTC 2006 promises to be the premier event for the offshore oil and gas industry.

Energy at the UN: François-Régis Mouton will be one of four panelists presenting to the United Nations Commission on Sustainable Development (CSD-14) about Enhancing Energy Efficiency in Transportation. The event will be held on May 3rd at the UN headquarters in New York City.

GGFR Partners include: Algeria (Sonatrach), Angola, Cameroon, Canada (CIDA), Chad, Ecuador, Equatorial Guinea, Indonesia, Kazakhstan, Khanty-Mansiysk (Russia), Nigeria, Norway, U.K. Foreign Commonwealth Office, United States; BP, Chevron, Eni, ExxonMobil, Marathon, NorskHydro, Shell, Statoil, Total; OPEC Secretariat, World Bank .