



Global Gas Flaring Reduction
A Public Private Partnership

The News Flare

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Top News Flared in This Issue:

- ✓ **Removing Barriers in Russia**
- ✓ **ENI's CDM Project Advances**
- ✓ **Shell/SPDC Moving Forward with Afam Project**
- ✓ **GGFR Delivers Results in Algeria**
- ✓ **Kazakhstan Gears up to End Flaring**
- ✓ **In the Pipeline: Canada's CIP in Calgary**
- ✓ **Briefly vented**

G8 Countries Renew Support for GGFR Partnership's Role



the challenges to global energy security.

In a statement issued by the G8 countries on July 16, and under the section on "Enhancing Energy Efficiency and Energy Saving", the G8 countries affirmed that more attention will be paid to the energy sector by aiming at reducing losses in production and transportation. The priority measures mentioned include: "raising the environmental and efficiency levels for processing hydrocarbons; **reducing gas flaring to minimal levels and promoting utilization of associated gas**; improving energy infrastructure, including minimizing oil and oil products losses in transportation and gas emissions from gas systems; using methane otherwise released in the atmosphere from coal mining, landfills, and agricultural operations."

Further, under the "Alternative, Cleaner Low-Carbon Energy section", the GGFR Partnership is directly mentioned and supported by the G8 countries: "We encourage all oil producing states and private

sector stakeholders to reduce to minimal levels natural gas venting or flaring by facilitating the use of associated gas, including its refining and processing into fuels and petrochemical products. In this respect **we support the efforts of Global Gas Flaring Reduction Partnership (GGFR) and Methane-to-Markets Partnership (M2M)** to implement projects on the production of marketable methane from landfills, agriculture waste and coal-bed methane, particularly in developing countries."

Another highlight of the past weeks was GGFR's Steering Committee meeting on June 22nd at the World Bank Group's headquarters in Washington, DC, where partners made further progress in preparation for the second phase, 2007-2009. At this productive meeting, GGFR partner companies and countries showed commitment to prepare Associated Gas Recovery and Country Implementation Plans, and to expand the reporting of gas flaring data in partner countries. Further, the selection of focus countries for Phase II is well underway, and GGFR's core team and Partners have agreed to work in Assessment Teams over the next months to

(Cont'd to Page 2)

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 Mauricio Rios at: mrrios@worldbank.org

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

(Cont'd from Page 1)

assess each country's commitment and ability to reduce flaring, and to develop strategies and work plans for engagement with each selected country.

Finally, the GGFR core team is making good progress in the organization of the Global Forum on Flaring Reduction and Associated Gas Utilization to be held in Paris, December 13-15, 2006. This two and a half day event is being organized by the World Bank, the GGFR Partnership and the Association of Oil & Gas producers. The Global Forum will provide an excellent opportunity for

stakeholders in the oil and gas industry to share their knowledge and exchange best practices, to promote gas flaring reduction and raise awareness about the importance of utilizing associated gas.

More on this important event will follow in the coming weeks when a website dedicated to the Global Forum is up and running. At this point, we encourage all of our partners to actively engage and participate through the diverse options available: presentations, sponsorships, booths, and others.

Country Updates

Removing Barriers in Russia

In May, GGFR met with the Presidential advisers/G8 group in Moscow. The meeting was chaired by the head of the Expert Council of the Steering Committee on Preparation for Russia's G8 Presidency in 2006, and was attended by representatives from a number of Russian ministries and agencies. The primary focus of the meeting was to discuss gas flaring reduction, globally and in Russia; to make sure that GGFR was mentioned in Russia's G8 communiqué issued during the G8 Summit in July and that gas flaring was a topic considered for discussion; and to suggest that the Russian federal government join the GGFR Partnership. GGFR also presented its views on international flaring levels and Russia's high flaring levels, and on the role GGFR could play in improving the situation in that country.

GGFR also met with partners in Khanty-Maniysk to review the work program and plan future actions. GGFR also met with representatives of TNK-BP, which was invited to join the Partnership.

In another mission to Moscow in July, GGFR presented at a Round Table seminar on "Associated gas utilization in Russia: removal of barriers and attraction of investment." The event, which was attended by major stakeholders, was used to promote GGFR activities, including GGFR's upcoming Global Forum on Flaring Reduction, and to establish a relationship with the Russian Gas Society (a potential local

partner). Russian oil companies' original response to the invitation to participate in the Forum was positive. Local service companies, specializing in gas utilization technologies, also expressed interest.

The aim of the Round Table, organized by the EU-Russia Energy Dialogue Technology Center and co-hosted by the Russian Gas Society, was to discuss conditions necessary to attract investment for gas utilization projects. Based on the presentations and discussions at the Round Table, the Technology Center will develop recommendations that will be further discussed within the EU-Russia Energy Dialogue. Among the suggestions mentioned was to utilize the expertise of international organizations such as the World Bank Group and the GGFR. The full text of draft conclusions and recommendations can be found at the TC's website at www.technologycentre.org

The Round Table, one of the key annual events dedicated to the problems of associated gas utilization in Russia, was attended by key stakeholders, including: major Russian oil companies, representatives of the Russian State Duma (Committee on Energy, Transport and Communications), the gas processing monopoly Sibur, government of Khanty-Maniysk autonomous okrug (GGFR's partner), IEA, academia, research institutes and service companies specializing in associated gas technology solutions. On-site meetings with several of those stakeholders were also held during the Moscow visit.

Progress with Repsol

In two missions to Madrid in June and July, GGFR met with representatives of Repsol and participated at an IPIECA meeting in the Spanish capital. At the IPIECA meeting, GGFR presented the Global Standard.

The objective of the visit to Repsol's headquarters was to present GGFR activities to Repsol's management and to enlist their support for the second phase of the Partnership. Other objectives were to review and discuss potential areas of cooperation and/or interest where Repsol could work with GGFR.

ENI's CDM Project Advances

ENI's CDM Kwale Associated Gas Recovery Project was endorsed by the Italian and Nigerian governments through their respective Designated National Authorities, and submitted for validation. If validated, the project could claim some 1.5 MtCO₂ of Certified Emission Reductions per year by capturing and utilizing the majority of the associated gas from five fields and marketing it for use by end-consumers of gas.

Shell/SPDC Moving Forward with Afam Project

GGFR's Afam CDM demo project, which was pre-assessed by a Designated Operational Entity, has been officially handed over to Shell/SPDC. There are still several key issues that need to be resolved within

(Cont'd to Page 3)

Country Updates

(Cont'd from Page 3)

the New Methodology and Project Design Document due to changes in the configuration of the project. The New Methodology will aim to recover and utilize associated gas from oil-producing fields for grid-connected power generation, but without monetizing carbon credits from emission reductions in the upstream part of the projects. A workshop in Nigeria is expected to be carried out as soon as the CDM's national entity is ready, possibly end of August or early September.

Third Nigeria Capacity Building Workshop

On May 4th, GGFR conducted a third CDM Workshop in Lagos, Nigeria. During the event some 35 participants from various stakeholders (IOCs, consultants, NGOs) reviewed lessons learned from current flare out projects around the world, and discussed relevant technical information related to PDD development in the oil and gas sector, particularly flare out



Participants at the Nigeria Workshop

projects. The main issues and challenges in the case study of ENI's Ob/Ob re-injection project in Nigeria were also shared. This project was selected in a previous workshop to showcase the main aspects of the PDD development process, particularly within the Nigerian context.

Indonesia's Gas Study

A gas utilization study is currently being carried out in Indonesia. The study identifies major gas flaring sites in Indonesia and proposes utilization options to reduce flaring volumes with the objective to select a viable demonstration project. A workshop with all relevant stakeholders to disseminate the draft findings and get the reaction from industry and BP Migas will be held in September this year.

Further, the CDM work program is progressing and a PDD is currently being developed for the Kaji-Semoga 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 and the associated revenue sharing from carbon credits. The World Bank has encouraged the Government of Indonesia to urgently 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 September 2006 in Jakarta where a generic CDM guidebook will be presented, as a capacity building tool in Indonesia.

Kazakhstan Gears up to End Flaring

An amendment to the Subsoil Law required oilfield operators to stop all routine flaring by the end of 2008. In accordance to this current

legal framework, all thirty-six oilfield operators in Kazakhstan submitted by July 1st proposals to the government for the utilization of currently flared associated gas. These plans have been reviewed by a joint committee formed by the Ministry of Energy and the Ministry of the Environment.

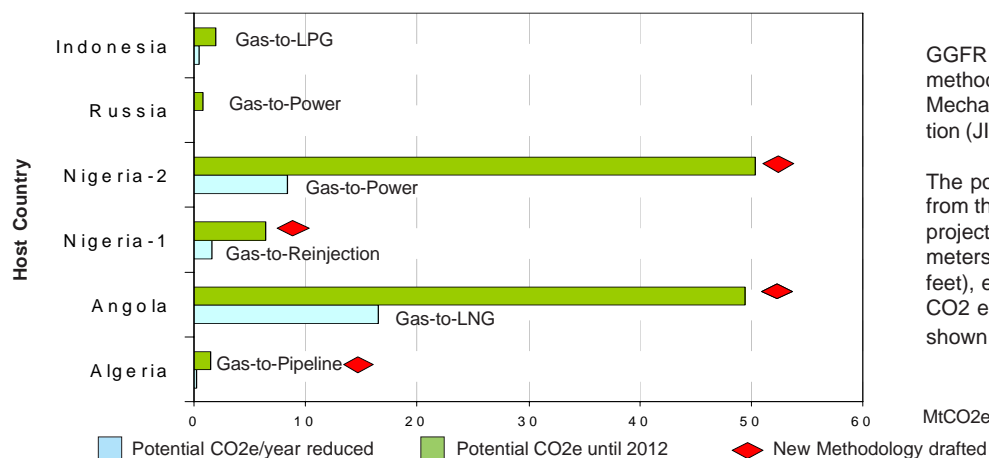
On the other hand, in a mission to Kazakhstan in May, GGFR met with several government and company authorities to discuss work program and future plans for the Partnership's cooperation in that country, which will focus on international best practice, particularly in improving monitoring and reporting.

Productive GGFR workshops

On June 21, a GGFR Partner workshop was held to discuss Associated Gas Recovery Plans (AGRPs) and Country Implementation Plans (CIPs), both key elements of GGFR's Stakeholder Engagement Process - the 'Standard'. Partners took the opportunity to exchange views on the structure and content of the plans and to discuss specific issues related to their preparation. It was agreed that AGRPs and CIPs would bring greater focus and clarity to company and national flaring reduction activities respectively. A template for partner companies is being developed based on Chevron's AGRP. It was also agreed that assistance from the GGFR core team could greatly benefit partner countries in development of their CIPs.

The GGFR core team also presented the Data Tool to partners. The Data Tool, a web-based tool developed by GGFR to collect and report flare and vent gas volumes, was well received and considered truly fit-for-the-purpose. In order to promote flare reduction, partners agreed that the Data Tool will be made available to non-partner countries.

Potential Carbon Credit 5 Sample CDM/JI Projects (until 2012)



GGFR supports the preparation of new methodologies for Clean Development Mechanism (CDM) and Joint Implementation (JI).

The potential for avoided flared gas from the five sample reduction CDM/JI projects is approximately 12 billion cubic meters per year (or 423 billion cubic feet), equivalent to 115 million tons of CO₂ emissions reduction by 2012 as shown in the figure.

In the Pipeline

Data Tool roll-out in Nigeria

The GGFR Data Tool, a web-based system to collect, store and report flare data, is being progressively rolled-out across GGFR Partner countries. Following a successful roll-out in Cameroon in March, the next will take place in Nigeria at the end of September.

Delivering Results in Algeria

GGFR is planning to conduct the final capacity building workshop in Algeria in the coming weeks with the objective of finalizing a comprehensive technical assistance program geared towards setting the institutional framework for carbon credits projects in that country, and developing and implementing a clear strategy within Sonatrach (Algeria's National Oil Company) to identify and develop Clean Development Mechanism (CDM) projects internally. With this assistance, Sonatrach can move ahead and manage its CDM activities effectively and mainstream carbon credit assets into its operations.

Canada's CIP in Calgary

GGFR will participate in an inter-provincial regulators flaring workshop, organized by the Alberta Energy and

Utilities Board, to be held September 14th/15th in Calgary, Canada. The agenda will include sessions on the World Bank's Voluntary Standard for Global Flaring and Venting Reduction. The goal of the workshop is to work toward the implementation of the Canadian Country Implementation Plan, and therefore there will be an opportunity to talk about GGFR's role, expectations from Canada, and components of CIP. Other sessions on best practices will allow regulators to share ideas, successes, lessons learned, and discuss current challenges.

IPIECA event in Washington

GGFR will participate at the IPIECA upcoming event on Climate Change workshops in Washington on September 26-28. One of the topics covered by the event will be "Natural Gas as a Climate Change Solution: Breaking down the barriers to methane's expanding role," and the other will be on "Increasing the Pace of Technology Innovation and Application: Enabling Climate Change Solutions Role." GGFR will make a presentation related to the latter.

Briefly Vented

GGFR at the API. On July 20th, Bent Svensson gave a presentation at the American Petroleum Institute's (API) Climate Change Steering Committee meeting, focusing on gas flaring and GGFR's objectives and plans for the near future.

On Gulf of Guinea. GGFR's Francois Mouton presented at a conference in London last July on Gulf of Guinea's gas flaring challenges and achievements.

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.