



**OGP response to the public consultation on the 2015 International Climate Change Agreement:
shaping international climate policy beyond 2020**

Characteristics of the respondent

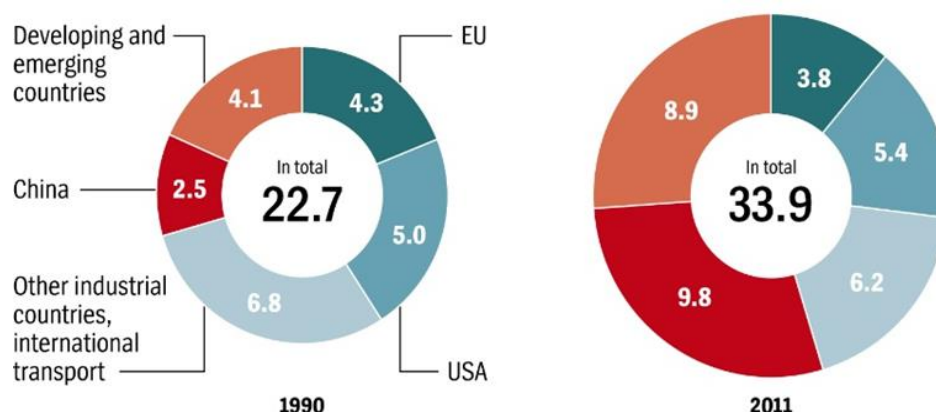
The International Association of Oil and Gas Producers (OGP) is composed of the world's leading publicly-traded, private and state-owned oil & gas companies, industry associations and major upstream service companies. OGP members produce more than half the world's oil and about one third of its gas.

General remarks

As an international association, we support international measures as they would address carbon leakage concerns and EU competitiveness. We therefore welcome the opportunity to provide input to the public consultation on the 2015 International Climate Change Agreement.

In negotiations of the 2015 International Climate Change Agreement, we urge the Commission to take into account that the EU represents just over 10% of global emissions and as shown in Figure 1 – this share is declining.

Figure 1: CO₂ emissions per year, in billions of tonnes; Source: Der Spiegel, <http://www.spiegel.de/international/world/bild-870638-430000.html> based on the JRC study, Trends in global CO₂ emissions 2012 Report



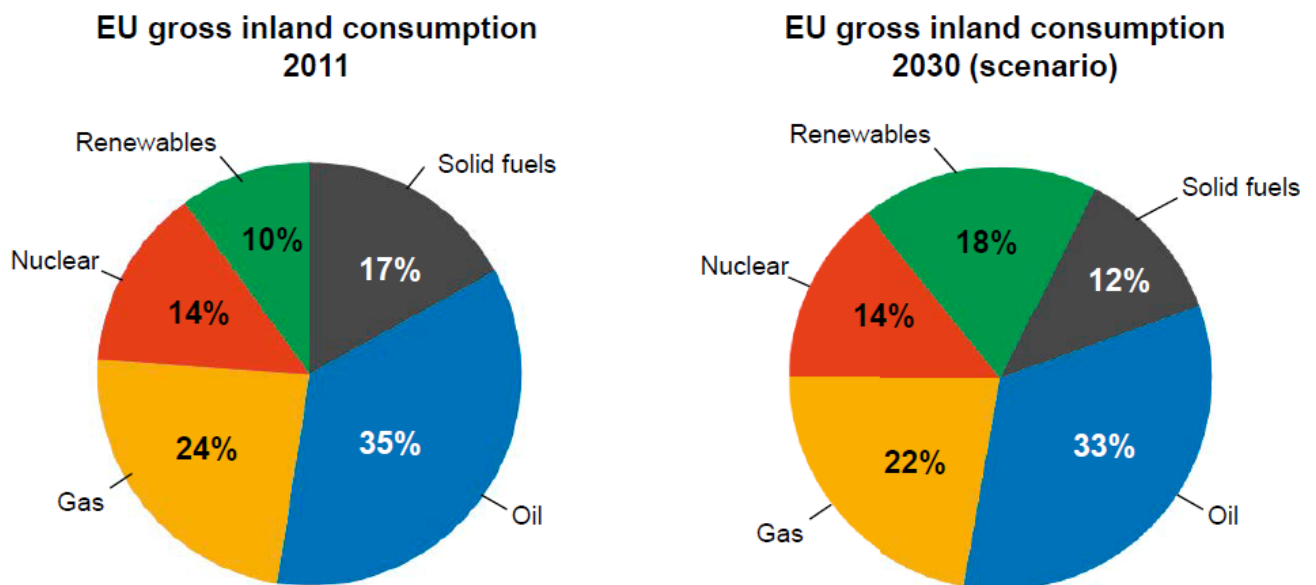
We agree with the Commission that these facts underscore the need for action by all countries¹ and therefore support its efforts at the upcoming COP meetings in Warsaw and Paris. Continuation of unilateral action by the EU would have little or no impact on global emissions or on the 2°C objective,

¹ http://ec.europa.eu/clima/events/0062/index_en.htm

but could compromise future growth and would increase carbon leakage which is already a major concern for industrial sectors.

As emerging economies around the world continue to develop, the growing global demand for energy must be met in conjunction with actions to address global climate change. At the same time, it should be recognised that fossil fuels will continue to provide the majority of the world’s growing need for energy for decades to come.² As demonstrated in Figure 2, fossil fuels are forecast to remain a significant share of the EU energy mix and this pattern is repeated at international level.

Figure 2: EU energy mix in 2011 and 2030; Source: “Energy challenges and policy Commission contribution to the European Council of 22 May 2013, Annex 5: Key facts on energy in Europe”



Switch from coal to gas as prerequisite for reducing GHG emissions worldwide

As outlined by the International Energy Agency in its latest report, “Redrawing the Energy-Climate Map”, ensuring that new subcritical coal-fired plants are no longer built, and limiting the use of the least efficient existing coal plants (through adoption of energy efficiency, adoption of air pollution standards, pricing the use of carbon, etc.), would reduce emissions by 640 Mt in 2020 and also help efforts to curb local air pollution.

In this context, we strongly recommend the Commission promote switching from coal to natural gas in its discussions with global partners as this can deliver substantial reductions in CO₂ emissions. Climate change is a stock issue, not a flow issue. That is, it matters how much CO₂ accumulates in the atmosphere, not how much is emitted in any one year.

CO₂ emissions from best-in-class natural gas-fired power plants are about half those of a best-in-class coal plant for the production of a unit of electricity.³ Natural gas-fired power stations offer benefits of flexibility, such as in terms of start times, ramp rates, and are the most affordable in terms of capital investment per KW of installed capacity. For these reasons, gas power plants should not be seen as

² In its “Energy Perspectives (June 2013), Statoil forecasts that the 1.3% annual growth in world primary energy demand will add 40% to consumption by 2040, whereas fossil fuels will still supply 72.5% of total energy demand in 2040, Page 15.

³ IHS CERA Report “Sound Energy Policy for Europe: Pragmatic Pathways to a Low-Carbon Economy”, 2011. Less than 50% compared to coal as set out on page 13 of the report “Making the Green Journey Work – Optimised pathways to reach 2050 abatement targets with lower costs and improved feasibility”.

“locked-in” investments⁴ - they will be needed to help incorporate variable renewable electricity production into the EU energy system. Furthermore, there is also an opportunity for gas to be used in the transport sector, in particular to help the shipping industry meet more stringent emissions targets. Further, gas offers additional and immediate air quality benefits for electricity generation reducing significantly SO₂, NO_x and mercury emissions, and remains the best complementary provider of grid baseload capacity.

Market-based mechanisms and new low-carbon technologies contributing to the reduction of GHG

- OGP recognises that greenhouse gas policy must be appropriate to national priorities and circumstances and that approaches may differ, especially in developing countries. OGP wishes to see maximum cooperation and coordination among nations and regions within an evolving mosaic of approaches to limiting greenhouse gas emissions. Under the right conditions, the linking together of GHG emissions trading schemes is desired as a step towards the creation of a global scheme. Otherwise, we welcome the possibility of bilateral agreements for emissions trading. In the absence of global measures and/or bilateral agreements, we prefer pan-European policy initiatives, with compensation for sectors exposed to carbon leakage
- Innovation is a key driver to achieve a low-carbon economy. Technological change and development will significantly enhance the portfolio of options available and, over time, will bring down the cost of achieving global climate change goals. We also recognise the need to support R&D to bring promising low-carbon technologies (such as Carbon Capture and Storage) to the market, but all energy sources should be integrated into the market and allowed to compete under normal market conditions, without subsidies (including system connection, balancing cost and exposure to price risk) as soon as possible. In fact, production subsidies⁵ for all fuels should be phased out. In doing this, cost-effective renewables will compete with conventional energy sources, and a level playing field amongst low-carbon and other energy sources will be achieved via the carbon price in the longer term. Support schemes should be harmonised to give the lowest costs, prevent competitive distortions and encourage optimal deployment of potentially viable low-carbon technologies.
- CCS has the potential to help to address climate change as it can permanently store GHG emissions resulting from fossil fuels used in power generation. It is important to underline that CCS remains in the pre-commercial phase, meaning it is simply too early to implement requirements to use the technology. In parallel, ensuring public acceptance and support for new energy technologies, including CCS, is key and will require both government bodies and industry to engage over the long-term with local communities. Strong, long-term political commitment at national, regional and local level to carry out large-scale CCS demonstrations is a pre-requisite. Likewise strengthening cooperation with Canada, the US and Australia, where CCS technology is advancing can also contribute to exchange and knowledge sharing globally.

The role of UNFCCC

- The international community has set up the United Nations Framework Convention on Climate Change to address climate change policy. The EU should continue to use this forum to engage the wider international community and to collect and process its views. EU climate change policy

⁴ According to the study for the European Climate Foundation, Capital Expenditure (CAPEX) for natural gas power plants without CCS is €700-800/kW of capacity compared with €1,400-1,500/kW for coal, €1,000-1,300/kW for onshore wind and much higher figures for offshore wind (€3,000-4,000/kW) and photovoltaics.

⁵ OGP does not accept the concept of tax reliefs as “subsidies” particularly when associated with tax regimes and rates significantly in excess of those levied on other industries. The deduction of business expenditures for tax purposes is a fundamental part of a normal tax regime.

should be consistent and coherent with this. We would suggest the Commission to strive the focus of discussions within the UNFCCC on themes related mainly to climate change issues, such as mitigation and adaptation.

- The UNFCCC financial tools include the Technology Mechanism and Green Climate Fund. Both instruments could help developing countries in addressing the climate change issue through R&D support to emerging low-carbon technologies, including CCS.

CLOSING REMARKS

Finally, OGP believes that only successful implementation of the future international agreement by major trading partners can help in addressing the global challenge of climate change.

About OGP: *Our membership spans the globe and accounts for more than half of the world's oil output and about one third of global gas production. From our London office, we foster cooperation in the area of health, safety and the environment, operations and engineering, and represent the industry before international organisations, such as the UN, IMO and the World Bank, as well as regional seas conventions, such as OSPAR, where we have observer status. OGP Europe in Brussels represents OGP members who are active in Europe at EU level.*

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