



April 2005 Update

Summary

Since the last Steering Committee meeting held in London in December, GGFR has made further progress to reduce the obstacles to gas flaring reduction on a number of fronts. The Gulf of Guinea regional workshop on associated gas utilization/monetization was successfully held in Cameroon with stakeholders from the key countries and companies involved, resulting in re-energizing the flare reduction efforts in Cameroon and the Gulf of Guinea region.

Following the decision in London to provide selected demonstration projects to the Core team, three of the Partner IOCs have already proposed concrete demonstration projects for associated gas utilization. Demonstration projects for carbon credits are under preparation in five Partner countries.

Finally, both Kazakhstan and Marathon Oil joined the Partnership.

Progress on Global Work

Gulf of Guinea Workshop

The Gulf of Guinea Workshop on further reducing flaring and venting in Sub-Saharan Africa, was hosted jointly by Société Nationale des Hydrocarbures (SNH) and the World Bank on behalf of the Global Gas Flaring Reduction Public-Private Partnership (GGFR). The Gulf of Guinea Workshop was the first dedicated stakeholder engagement event to identify opportunities for regional cooperation on associated gas utilization, and to help further reduce flaring in the Gulf of Guinea using the collaborative principles developed by GGFR.

The Forum brought together a broad base of Gulf of Guinea governments and other relevant public and private stakeholders. The participants included delegates from **Angola, Cameroon, Chad, Congo-Brazzaville, Equatorial Guinea, Gabon and Nigeria**. Key foreign gas suppliers in the region, ExxonMobil, Shell and TOTAL (GGFR partners) as well as Marathon Oil were also represented.

The participants discussed and outlined the significant common ground among the Gulf of Guinea nations on in-country gas utilization projects, laying the basis for future bilateral cooperation, and exchange of experiences. The participants recommended to

pursue a combination of projects and policy development to establish regional infrastructures, so as to make a difference on the ground as quickly as possible in view of domestic needs, associated gas decline in Cameroon and available liquefaction capacity in the region.

Standard Roll Out– International Finance Corporation (IFC) and Cameroon

The Standard was formally launched internally with the Bank's sister organization, the IFC, and agreement was reached for the Standard to be integrated into the IFC business processes in the oil and gas sector. Cameroon also announced the country's endorsement of the Standard at the Gulf of Guinea Forum.

Carbon Credits

Against a backdrop of the Kyoto Protocol entering into force on February 16th 2005, which allows this financial incentive to be developed through flexible mechanisms, the number of activities on carbon demonstration projects and capacity building efforts have progressed. The work for Angola has made progress; the contract for the Indonesian study has been awarded and the work has commenced. For the work in Nigeria, Terms of Reference were agreed with the Nigerian Presidential adviser on CDM. The Algeria Project Design Documents (PDDs) are near completion with several potential projects having been identified, and in Russia a selection of gas flaring reduction demonstration projects under the Joint Implementation mechanism is underway.

The study 'Gas Flaring Reduction Projects: Framework for Clean Development Mechanism (CDM) Baseline Methodologies' - GGFR report no. 6 has now been updated to reflect latest developments and will be published in May 2005. It will be presented at the Carbon Expo – the Second International Carbon Fair in Cologne on May 11-13. GGFR will be represented with a stand, as well as through several key side events, with the objective of building capacity and creating a forum for exchange on carbon credits.

Progress on Country Work

Algeria

The associated gas study was presented to the Sonatrach and the Ministry of Energy and Mines task force in a workshop in February/March. The workshop reviewed three project options to reduce flaring: Ohanet, Tin Fouye Tabankort (TFT) and In Amenas, with a combined 2003 flared gas volume of 1.3 BCM. As a result, the Ohanet project has been decided by Sonatrach to be included in the Tinhert project that is currently out to bid. The estimated gas flaring reduction from Ohanet is 0.3 bcm per year. The other two projects (1bcm) are in discussion with the government and Sonatrach.

In parallel, capacity building work on CDM has been carried out including the establishment of a Designated National Authority (DNA) and the PDD for the Ohanet field. The Ohanet Project Idea Note (PIN) is likely to be included in the tender documentation, so that the prospective developer of the joint Tinhert/Ohanet fields may consider the CDM option. Finally, it was decided that a draft PDD for the TFT project as well as a CDM strategic framework for Sonatrach would be developed.

Angola

The CDM work is underway for Angola LNG with the first two tasks now ready for stakeholder review. Notably, the deliverables are: Task 1: to investigate the eligibility/barriers of the project by drafting a PIN, Task 2: to prepare the draft PDD. Beyond that, the next step will be to prepare an institutional framework and capacity building, which is planned for June 2005.

A meeting was held in Houston in January with ChevronTexaco, who facilitated perspectives and approaches to assist in the development for the two first tasks. The next step will be to review the documents with stakeholders. This will be partially achieved through a workshop planned for June.

Chad

The consultant report on "Associated Gas Use and Employment Creation in Chad" is in the final stages of completion and will be available soon. As concerns the agreed work program with the Ministry of Petroleum, work is expected to commence shortly on: an assessment of and the creation of a regulatory framework for the domestic gas market; the development of an effective domestic LPG Distribution Scheme in cooperation with the IFC, and the development of training facilities for the realization of a gas stove that complies with local cooking requirements.

Equatorial Guinea

As a follow-up to the discussions at the **Gulf of Guinea Workshop**, GGFR facilitated a fruitful meeting in February, in London, to further the collaborative effort among Gulf of Guinea stakeholders to reduce flaring in the region. The participants included the Vice Minister of Mines, Industry and Energy of Equatorial Guinea (EG); GEPetrol, Marathon and ExxonMobil. The agreed actions from the meeting included setting up the framework, steering committee structure and work team for the joint study between Marathon and ExxonMobil. A joint study is now being planned/undertaken by the relevant stakeholders to review the feasibility of utilizing more associated gas in the EG LNG project. The Vice Minister has announced that Equatorial Guinea is initiating official visits to Nigeria and Cameroon to discuss co-operation on gas flaring reduction projects and that Equatorial Guinea's will ratify the Kyoto Protocol, which makes carbon financing a possibility for gas flaring reduction projects.

Indonesia

The GGFR CDM work program commenced in March by engaging support from local stakeholders, by establishing focal points for the project work, and commitment to the program and by establishing delivery priorities. There is a great potential for flare reduction projects to qualify for CDM status and the sector has been identified in the national strategy as a priority area. The national authorities on CDM support such projects but the current policy under the production sharing agreements is not clear on how such carbon credits will be treated. On this basis, there is little incentive for the project proponents to engage in the CDM process and the GGFR work will address this

policy issue first and then develop demonstration projects for CDM and capacity to support the outcome.

The general associated gas survey will be launched in May, and a first draft of the comprehensive gas flaring reduction regulatory strategy/framework will be discussed with relevant stakeholders in-country in June.

Nigeria

Following the *Standard* workshop in November 2004 in Abuja, the main stakeholders held a meeting to start the implementation of the agreed action points. The meeting confirmed the workshop conclusions, that collaborative effort is key to Nigeria reaching the national target of zero flaring by 2008. Collaboration would focus on the areas of domestic gas sector policy; integration of operator plans; gas-to-power sector reform and implementation of the Gas to Power franchisee model; financing of common infrastructure projects; small scale gas utilization and use of CDM to obtain carbon credits for flare reduction projects.

The World Bank Group is currently considering including a gas component in its current energy project in Nigeria. This component would include support to the implementation of the gas legal and regulatory framework introduced by the Draft Downstream Gas Act, an analysis of energy pricing and taxation and a review of the financial, commercial and technical viability of the main domestic transmission gas pipeline from the south of the country to the north.

Furthermore, a demonstration project for carbon credits is underway with Shell. A kick-off workshop took place in Port Harcourt in January.

Russia

With Russia ratifying the Kyoto Protocol and its coming into force in February, the GGFR work in the last months has focused on creating awareness of the opportunity for gas projects to sell carbon credits from gas flaring reduction projects. Currently, Project Idea Notes for gas flaring reduction projects in Khanty-Mansiysk are under preparation for GGFR's selection of demonstration projects.