

## **Global Gas Flaring Reduction Public-Private Partnership – Update July 2005**

### **Summary**

Since the last Update in April, the Partnership has continued to implement the agreed work program. The Partnership is now involved in facilitating demonstration projects for associated gas utilization in three West African countries and Algeria, as well as four demonstration projects for carbon credits in the same region in addition to Russia. During the second quarter significant progress was achieved in the Equatorial Guinea, Indonesia, Kazakhstan, Nigeria, and Russia.

Furthermore, GGFR was involved in several workshops and conferences, notably the Carbon Expo held in Cologne and a joint OPEC/GGFR workshop held in Vienna. Data collection for the Partnership's impact on gas flaring reduction until 2008 is progressing well and the first results for the Partnership as a whole are expected to be presented at the next Steering Committee meeting.

Separately, on July 8 the G-8 Communiqué from Gleneagles encouraged the World Bank to expand participation in and supported an extension of the Partnership beyond 2006.

### **Progress on Global Work**

#### **OPEC/World Bank Workshop on gas flaring reduction**

A joint workshop was held in Vienna at the OPEC Secretariat, to explore collaborative action that could help reduce flaring in OPEC Member Countries, and to examine the application of carbon credits and collaboration as per the voluntary standard. Attendees came from almost all OPEC Member Countries. As a result of the workshop, several countries have expressed interest in joining GGFR (Qatar and Iraq) and in the Data Tool. Other countries have expressed an interest in sharing their best practice experiences in reducing flaring (Kuwait and the UAE) and the OPEC Secretariat would like to discuss the possibility of including CO<sub>2</sub> Sequestration as part of the Partnership's work program. Because of the workshop's success in bringing issues concerning flaring and carbon credits, the standard and data to the forefront, attendees have requested follow-up discussions next year. The full contents of the workshop and presentations made by OPEC Member Countries updating the Partnership on flaring and project data (Iran, Iraq, Kuwait, Nigeria, and United Arab Emirates) can be viewed on the Partnership's web-page. [www.worldbank.org/ggfr](http://www.worldbank.org/ggfr)

#### **Data Collection and Web-Based Tool**

On Data collection, all partners have been requested to submit flaring data for 2004, 2006, and 2008. First results for the Partnership as a whole are expected to be presented at the next Steering Group meeting. Going forward the web-based Data tool to monitor gas flaring, which has been developed in relation to the Standard work, will be tested in-country in the third quarter. It is an obligation under the voluntary Standard to monitor gas flaring from 2005, which will be the first year for which data will be published.

#### **Carbon Credits**

The study *Gas Flaring Reduction Projects: Framework for Clean Development Mechanism (CDM) Baseline Methodologies*, GGFR report no. 6 was published in May 2005, and presented at the Carbon Expo—the Second International Carbon Fair in

Cologne on May 11-13. GGFR was represented with a stand, as well as through several key side events. The report is available on our webpage.

The panel session focused on the practical issues involved in implementing CDM to improve the feasibility of flare reduction projects. The presentations clarified the methodological elements, and the roles of the relevant stakeholders (e.g. government, oil producers, etc) in the context of different types of gas flaring reduction projects (such as LNG, gas to power, reinjection). This was followed by real examples of challenges that would benefit from stakeholder engagement such as contractual issues and buy-in from the relevant stakeholders particularly the private sector. The objective was to outline the series of steps required per stakeholder to make CDM implementation a seamless process to encourage utilization of associated gas. Several GGFR partners gave presentations that covered the status of all the demonstration projects currently underway by the GGFR.

### **Progress on Country Work**

#### **Equatorial Guinea**

GGFR is involved in facilitation of an associated gas project that could make Equatorial Guinea a gas hub in West Africa. Equatorial Guinea has made official visits to Nigeria and Cameroon, and as a result of these visits it was agreed to supply gas to Equatorial Guinea's LNG project from Nigeria's Niger Delta when a second LNG train is added in the future. Gas will be supplied from the eastern Niger Delta offshore gas facility which is difficult for Nigeria to harness, but can benefit from its proximity to Equatorial Guinea. Within Equatorial Guinea, GGFR is a member of a steering committee and work team for a joint study between Marathon and ExxonMobil on associated gas utilization, which has been finalized.

#### **Indonesia**

The associated gas survey commenced in June, and a first draft of initial findings is expected in August/September. As a first step the consultants will aim to set up a Steering Committee which will coordinate the tasks of obtaining the necessary field data and identifying possible fields which currently flare as potentially viable for gas utilization. The first presentation of this work to a wider audience is expected during the Indonesian Petroleum Association (IPA) annual conference at the end of August in Jakarta.

On the issue of existing flare regulations it was established that clear guidelines and regulations on technical aspects of flare reduction are currently lacking. This gap is expected to be closed with the help of a GGFR flaring regulation strategy paper currently being drafted.

The CDM work program has progressed and initial findings are that despite the legislative framework for CDM being in place and the potential of gas flaring reduction being identified, initiatives to take part in a CDM gas flaring project are lacking. One main issue that is yet to be addressed by the Government is the treatment of revenues from emissions credits and the ownership of these. To address this barrier, a paper is being developed to address policy issues in implementing CDM projects in the oil and gas sector, with a key focus on the credit sharing and ownership under production sharing agreements. A draft of this policy discussion paper will be developed with stakeholders to find a solution.

## **Kazakhstan**

Kazakhstan has recently joined the GGFR. A visit to Astana took place in June aimed at establishing liaison with the Ministry of Environmental Protection and to develop the future work program. As a result of this meeting a work program and an action plan were agreed. The next steps will be to formalize the program. Current gas flaring is greater than 1 bcm/yr, however, as oil production is on the increase, the GGFR framework is considered timely. The Ministry stressed a need for GGFR's assistance on best practices, dissemination and knowledge transfer. The GGFR and the Ministry preliminarily agreed to jointly conduct a one day workshop on associated gas utilization. This workshop's key goals are to: (1) bring all the interested stakeholders together for the first time, (2) provide an overview of best practices, and (3) launch the dialog with a final aim to identify the key issues/obstacles specific to Kazakhstan and agree on the further plan of action (work program).

## **Nigeria**

In June, the World Bank approved a credit for the National Energy Development Project in Nigeria. The project supports the Nigerian Government's energy sector reform effort and facilitates the sector's smooth transition to the new market and institutional structure. The project provides investment support to upgrade the power transmission system, strengthen the distribution system and improve operations of the electricity retail business.

The project also facilitates preparatory work 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 has been involved in the preparation of this component which includes economic and financial analyses to demonstrate the economic and financial viability of the pipeline, a gas pipeline engineering study, and support to the implementation of the legal and regulatory framework for the gas sector and an energy pricing study.

On CDM, the carbon credits capacity building work and selection of demonstration projects has commenced. The selection of consultants for the Shell AFAM demonstration project is underway.

## **Russia**

Under the work program with the Khanty-Mansiysk Autonomous Region GGFR has now selected a pilot project to move forward as a demonstration of a gas utilization project with carbon finance under the Joint Implementation mechanism. The project, which is an associated gas-to-power project, was selected from among five others including a pipeline project, an energy efficiency project, and a condensate project. The draft PIN, developed in co-operation with GGFR, has now been forwarded to the Carbon Finance team in the World Bank for their consideration and input. The next steps, if successful, would be to take the project and provide all the input necessary to submit it for carbon finance support. The government support for flared gas utilization projects under its program has been developed, with an in-principle agreement to issue no objection letters to suitable projects from the World Bank. The GGFR is also involved in talks with the Ministry of Industry and Energy to become a federal Partner in GGFR.

Participation at the EU Technology Forum focused on the obstacles encountered when attempting to increase associated gas use in Russia. It was concluded that there is a need for a more structured approach to the use of associated gas including an appropriate legislative and regulatory framework in support of greater processing capacity and utilization of associated gas. The forum also highlighted the need for a fair system of responsibility between all parties and reliable and transparent data on production of associated gas. This topic has now been taken up at the level of the EU-Russia energy Dialogue which is a specific mechanism for addressing wider policy issues.

### **Algeria**

The associated gas study has been completed, and the TFT field selected for further investigation on its flare reduction potential. The capacity building work on CDM has been carried forward. The eligibility for receiving carbon credits from reduced emissions for the TFT field is being looked into, and a CDM strategic framework for Sonatrach, including GHG inventory is being developed. The next workshop is planned for September. Also, Algeria will most likely be a test candidate for the data tool in September.

### **Angola**

The CDM work has continued and a Project Idea Note (PIN) and a Framework Project Design Document (PDD) for the LNG project based on associated gas have been drafted. The immediate next step is an institutional framework and capacity building workshop, to be held in September 2005.

### **Yemen**

At the request of the Government, the GGFR joined a Bank mission to Yemen to assess current and future gas flaring volumes and discuss potential opportunities to assist the Government of Yemen and operators to reduce gas flaring, if applicable. The mission found that by international standards the flaring is relatively modest (1 percent of associated gas production or about 0.4 bcm per year). Most associated gas is re-injected in the fields or utilized to operate generators at the fields. GGFR offered the Government access to GGFR's best international practice (GGFR reports, website) and access to the data tool to report gas flaring volumes; the Government was interested in information and possible co-operation on the "Global Standard".