



The Role of the Natural Gas and Oil Industry in Meeting the Goals of the Paris Agreement

This document was prepared by the undersigned trade associations and presents our joint guiding principles and policy priorities for the benefit of delegates at the 26th Conference of the Parties (COP26) of the Intergovernmental Panel on Climate Change (IPCC) in Glasgow, Scotland.

One of the monumental efforts involved in delivering on the Paris Agreement's global climate goals is ensuring we can collectively meet the world's long-term energy needs while moving toward a lower carbon future. The Paris Agreement's goals are to strengthen global action by "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels." The Agreement aims "to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty,"ⁱⁱ both of which will require increased access to affordable, reliable, and lower carbon energy.

Achieving the Agreement's climate, sustainable development and poverty eradication goals simultaneously requires reducing the carbon intensity of the global energy mix. By promoting the uptake of cleaner-burning natural gas and incorporating ground breaking technologies, like carbon capture, utilization and storage, our members are lowering GHG emissions while also reducing global energy poverty and increasing economic prosperity. For example, fuel switching from coal to lower carbon natural gas is one of the fastest ways to reduce CO₂ emissions and already accounts for significant CO₂ emissions reductions in Canadaⁱⁱ, the U.S.,ⁱⁱⁱ and other countries including through natural gas exports. Natural gas also is essential to providing reliable energy, including baseload power for the integration and use of intermittent renewable energy sources.^{iv} In addition, the industry continues to use technology to significantly lower the carbon intensity per barrel of oil production thereby reducing global GHG emissions. These opportunities for a lower carbon intensity energy mix should be made available to the rest of the world.

As an industry, we recommend that policymakers keep the following principles in mind at COP26 when considering how to advance solutions to address the pressing challenges of climate change.

Joint Natural Gas and Oil Industry Principles for Reducing GHG Emissions While Increasing Global Prosperity

1. The natural gas and oil industry commits to continue working collaboratively with governments to meet GHG emissions reduction goals consistent with the ambitions of the Paris Agreement.

We support the climate goals of the Paris Agreement. We know our industry has a crucial role to play in reducing GHG emissions through private-sector initiatives enabled by government climate policies. Reducing methane emissions is a priority for our industry, and we support cost-effective policies and direct regulation that achieve methane emission reductions from new and existing sources across the natural gas and oil value chain. Our industry is developing and deploying technologies and practices to reduce GHGs from our operations, including efforts to get to zero routine flaring (e.g., participating in the World Bank's "Zero Routine Flaring by 2030" Initiative)^v and to improve leak detection and repair. The natural gas and oil industry supports the transparent and accurate reporting of GHG emissions and of GHG mitigation, and we are advancing industry-wide efforts to drive greater consistency and comparability in individual company reporting. We also believe market-based policy mechanisms such as carbon pricing, when implemented properly, can be an effective means to reduce CO₂ emissions. Our industry is in a unique position to continue to develop and deploy at-scale technologies and products that mitigate GHG emissions (such as carbon capture, utilization, and storage (CCUS)^{vi}, biofuels, and hydrogen). We encourage policymakers to promote our industry's role in helping countries reach their Paris Agreement targets.

2. Responsibly produced natural gas and oil can help countries, especially developing countries, make progress towards ambitious Nationally Determined Contributions (NDCs).

Developing countries can meet rising energy demand across their economies with a range of energy sources, including natural gas and oil that is responsibly produced and has lower GHG emissions/carbon intensity per barrel. Developing countries should be able to choose lower-GHG emission/carbon intensity per barrel options that currently exist and/or can be supplemented with current and emerging mitigation technologies, including those that reduce methane emissions, which is a priority for our industry. Otherwise, developing countries may turn to more GHG emissions-intensive energy sources and suppliers to meet rising demand.

3. Energy infrastructure will play an integral role in achieving a lower-GHG emission future but requires support from policymakers and international financial institutions (IFIs).

Natural gas can play a role in reducing energy poverty and strengthening energy security while also reducing CO₂ emissions by displacing more carbon-intensive fuel sources. This is especially true for developing countries starting from low energy use and GHG emissions bases^{vii} and where there are economic and societal benefits to increased access to natural gas.^{viii}

For oil production, the industry is working collaboratively with governments to achieve a lower emissions future and in some cases has already established viable pathways to achieve net zero emissions from oil production operations, ultimately reducing global GHG emissions.^{ix}

Policymakers and International Financial Institutions (such as the World Bank, other multilateral development banks, and the International Monetary Fund) should continue to provide policy support and reliable access to financing and investment for new natural gas infrastructure. They should also ensure support for the retrofitting of existing natural gas infrastructure. Access to policy support, financing and investment promotes pathways toward storing and transporting future lower-emission fuels, reduces the cost of achieving a lower-GHG emission future, and ensures energy system reliability.^x

4. Technology and innovation is crucial to reducing GHG emissions in the oil and natural gas industry and can enable the accelerated deployment of promising emerging energy technologies.

Our industry is one of the largest investors in research and innovation, investing billions of dollars annually to develop a wide spectrum of new technologies and solutions.^{xi} Our industry's broad portfolio of innovative solutions for GHG emissions reductions is making a difference now^{xii} and will continue to be developed to improve future performance. Solutions, such as CCUS, can be exported globally. So can lower carbon fuels, such as hydrogen produced using natural gas and CCUS. These and other technologies are important enablers of a lower carbon economy. However, reliable access to financing and investment and policy certainty are required to drive this innovation and the at-scale deployment of new technologies.

Joint Natural Gas and Oil Industry Policy Recommendations for COP26

With these four principles in mind, we propose policymakers consider the following global policy recommendations to hasten movement towards achieving the climate goals of the Paris Agreement.

1. Finalize Article 6 of the Paris Agreement to allow trading of ITMOs.

Our industry supports efforts to finalize Article 6 of the Paris Agreement in a manner that recognizes countries' varying capabilities to reduce GHG emissions but still encourages reductions by enabling trading of Internationally Transferable Mitigation Outcomes (ITMOs). For countries where construction of high-GHG emissions facilities such as coal-fired electricity generation remains an attractive option, Article 6 can incentivize the reduction of GHG emissions with lower carbon fuels, such as natural gas from responsible producers. However, inclusion of avoided GHG emissions as an outcome in Article 6 will be critical to ensure efforts are taken to reduce current GHG emissions and avoid new emissions, as they are additional to a business-as-usual scenario.

**SIGNED ON
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2. Integrity and transparency are crucial for recording and reporting GHG emissions reduction.

Reporting and accounting standards integrity must be a top priority to ensure fair and credible credits for emission reduction activities. For countries with no or under-developed reporting and accounting standards, technical assistance and support should be provided to improve reporting methodologies. Credible, transparent emissions reduction data is also integral to recognizing the contributions of CCUS, which presents one of the greatest opportunities for CO₂ emissions reductions. Industry's efforts to develop and deploy CCUS should be given credit for avoided or removed CO₂ emissions and recognized in national emissions inventories, as allowed in the approved IPCC Guidelines for National GHG Inventories.^{xiii}

3. Carbon Border Adjustments must ensure fair treatment of GHG emissions.

Carbon Border Adjustments (CBA) can be an important component of market-based policy mechanisms. CBAs should level the playing field between imports and exports, so that they bear the same GHG emissions costs, and must not be used for protectionism or to hinder trade with key markets. CBAs must follow all global trade rules and must not violate World Trade Organization (WTO) principles laid out in the General Agreement on Tariffs and Trade. Abandonment of free trade of energy could increase the cost of energy and negatively impact people and living standards. GHG emissions reduction goals must be complementary to other key international goals, including the UN Sustainable Development Goals (SDGs).

Conclusion: Achieving the goals of the Paris Agreement requires an inclusive approach, i.e., increasing, not restricting, energy access, including access to responsibly produced natural gas and oil.

As the global community gathers to identify and advance solutions to the challenges posed by climate change, these solutions must address the energy needs of the global population, especially those lacking access to the reliable energy necessary to support meaningful economic growth and improved standards of living. Our industry wants to be part of the solution, both by reducing GHG emissions/carbon intensity across the value chain and by providing energy to countries in need of reliable, affordable, lower carbon fuel sources.

Energy is essential to modern life. We urge delegates at COP26 to take an inclusive perspective for GHG emissions reduction. Studies by energy agencies, universities, and industry consistently show continued use of natural gas and oil in the coming decades.^{xiv} Natural gas and oil will continue to play a major role in meeting global energy needs. In light of this fact, policymakers, working in collaboration with our industry, must work to achieve the goals of the Paris Agreement by increasing, not restricting, energy access and by supporting the deployment of technologies to reduce GHG emissions.

ⁱ Paris Agreement - UNFCCC

ⁱⁱ Canadian Environmental Sustainability Indicators: Greenhouse gas emissions - Environment and Climate Change Canada

ⁱⁱⁱ Electric power sector CO₂ emissions drop as generation mix shifts from coal to natural gas - U.S. Energy Information Administration (EIA)

^{iv} Wind and solar in Africa need grids to match - The Electricity Journal

^v Zero Routine Flaring by 2030 (ZRF) - The World Bank

^{vi} CCUS is an emerging technology that captures greenhouse gas (GHG) emissions from large industrial facilities for underground permanent storage or utilization in manufacturing or energy production processes.

^{vii} Here's why gas should be part of Africa's clean energy future - World Economic Forum

^{viii} Going Big on Power Africa - Energy for Growth Hub

^{ix} <https://www.oilsandspathways.ca/the-pathways-vision/>

^x Investing in the US Natural Gas Pipeline System to Support Net-Zero Targets - Center on Global Energy Policy

^{xi} Oil & Gas Climate Initiative (OGCI)

^{xii} Ibid.

^{xiii} IPCC Guidelines for National GHG Inventories

^{xiv} IEA (2021), World Energy Outlook 2021, IEA, Paris <https://www.iea.org/reports/world-energy-outlook-2021>