



OPEC and the Environment

Introduction

The Organization of the Petroleum Exporting Countries (OPEC) has long advocated responsible stewardship of the environment. With the long-term outlook suggesting fossil fuels will continue to provide the bulk of global energy needs, and with the world increasingly requiring its energy to be cleaner and safer, OPEC recognizes that stakeholders everywhere have an important role to play in global environmental efforts.

With OPEC's membership drawn from the world's largest oil-producing developing countries, the Organization has a valuable perspective to share — based on the accumulated expertise of the impact of upstream and downstream activities on the natural environment. Member Countries — both individually and collectively — will continue to have a valuable role to play in environmental developments. Its formal position on today's multi-faceted environmental challenges can be thought of in terms of the following priority areas.

Mitigating Climate Change

OPEC recognizes the realities of global climate change and supports comprehensive, fair and realistic efforts to reduce the environmental impacts of global energy use. The Organization and its Member Countries have been active participants in the long-standing UN-sponsored negotiations on climate change since they began formally in 1992.

In addition, OPEC actively supports the expanded use of the existing technology of carbon capture and storage (CCS), which has the potential to reduce emissions by 40% by the middle of the century. While several commercial CCS projects are currently underway using existing technology, there is a need to learn more about the CCS process and the different technologies that may be used. The Organization thus advocates further development of CCS technologies and where possible, in conjunction with CO₂-enhanced oil recovery.

The realities of living in a carbon-constrained world have also lead to changes in policy priorities in industrialized countries. Many have already implemented policies to limit the use of petroleum products in order to reduce CO₂ emissions. However, OPEC urges fairness and equity in global efforts to curtail carbon emissions, pointing out that other energy sources (like coal) have far greater carbon emissions than petroleum.

Reducing Gas Flaring

OPEC supports the use of resources and technology to reduce gas flaring, which has long been recognized as an environmentally damaging activity. OPEC Member Countries have already invested billions of dollars over the last few decades to pursue flared-gas recovery projects. These have included either re-injecting associated gas into oil reservoirs or 'monetizing' associated gas through liquefaction. The net result has been a 50% reduction of the amount of gas flared from each barrel produced since the early 1970s. And OPEC has

continued to seek opportunities to form partnerships with other stakeholders — most recently becoming an active participant in the Global Gas Flaring Reduction Partnership (GGFR) sponsored by the World Bank.

Improving Product Specifications

OPEC supports the development of stricter product quality standards as part of overall efforts to reduce atmospheric fossil fuel emissions. Making improvements to the quality of products like gasoline and automotive diesel, by limiting their sulphur content, for example, will substantially improve air quality. A number of Gulf countries have already introduced improved product quality specifications. However, significant additional investments — an estimated \$30 billion over the next 10 years — are still needed in the region's refining sector to expand such quality standards. In addition, the Organization urges developed countries to shoulder the historic responsibility for the environmental impacts of industrialization. To this end, OPEC urges such countries to take the lead in providing cleaner oil products.

Rethinking Green Taxes

OPEC urges a broad reconsideration of the scope and use of "green taxes" in developed countries. Too often, these taxes are levied solely on oil products and account for around 70% of the final price of products such as gasoline and diesel. Instead, OPEC believes that a more equitable and useful approach would be to adopt a pro rata tax system that levies taxes on all forms of energy — not just oil — according to their carbon content. In addition, the revenues generated by such taxes do not specifically help the environment. Some governments use revenues to subsidize domestic coal production (which produces even more CO₂ than oil).

Raising Funds

The targeted use of funds to support ongoing efforts to achieve cleaner and more efficient technologies in the energy field is also supported by OPEC. At the Third OPEC Summit held in Riyadh, Saudi Arabia, in November 2007, Member Countries highlighted the importance of financing and promoting R&D collaboration in the petroleum industry. Collaboration with international science and technology centres, and other industry actors, was also sought. To support these goals, several OPEC Member Countries announced the creation of a special \$750 million fund to invest in clean technology ventures. Saudi Arabia pledged \$300 million while Kuwait, Qatar and the United Arab Emirates pledged \$150 million each.

International Cooperation

OPEC supports on-going and expanded dialogue with global economic sectors, industrial groups and countries. The increasing interdependence of nation-states and growing multilateral collaboration has highlighted the need for OPEC to look for opportunities to cooperate with others in the fight to protect the environment. Recognizing that energy security transcends regional and political boundaries, the Organization believes such cooperation will be an important element in any future environmental negotiations.

To these ends, the Organization has established dialogues and opened communication channels with the European Union, Russia, the International Energy Agency and other international organizations. OPEC has also participated in environmental conferences and seminars, and has undertaken extensive studies on climate change and the energy sector. At the same time, OPEC supports the bi-lateral efforts on the part of its individual Member Countries to do what they can at the country level.

Member Country Initiatives

OPEC Member Countries have begun undertaking various activities designed to specifically protect the environment. Several in-country projects have been implemented in recent years to help mitigate the effects of oil exploration and production activities. One flagship project in an OPEC Member Country is the In Salah project in Algeria, which relies on CCS technology and aims to make significant reductions in carbon emissions resulting from oil production activities.

Emphasis has also been put on reinforcing cooperation and coordination among Member Countries, and with other global actors, especially in the area of R&D. Such R&D collaboration will encourage more research into the science of climate change and contribute to the development of technologies to mitigate its effects.

There are also other simple but effective efforts going on in the Gulf region, where many Member Countries are located. The adjoining sea lanes are very busy and the unregulated dumping of waste materials is a common problem. However, in line with international and regional conventions and agreements, the countries in the region have been exceptionally proactive in rising to this challenge and monitoring the activity of vessels in the region.

The Secretariat's Role

Within the context of the international community, the OPEC Secretariat has a unique role to play. As an organization whose membership is drawn from developing countries, it has a stake in addressing the needs of its members. The overriding priorities for such developing countries are poverty alleviation, economic development and social progress. But it is clear that to tackle these, more energy will be needed. OPEC is poised to find ways to meet this expected future energy demand, while maintaining a concern for the stewardship of the environment.

OPEC recognizes the importance of supporting environmental protection efforts alongside broader growth and development efforts. The Organization is keen on providing support for the promotion and development of cleaner fossil fuel technologies. However, it emphasizes that industrialized countries with appropriate financial and technological capabilities should take the lead in developing and deploying these types of technologies. This means that the goal of "common but differentiated responsibilities and respective capabilities" needs to be a paramount international consideration.

The oil industry itself has a long history of successfully improving the environmental credentials of oil, in both production and use. Through human ingenuity and technological innovation, and broad collaboration, the environmental challenges of tomorrow can be tackled with due regard for both the needs of petroleum producing and consuming countries. OPEC is well-positioned to conduct high-level discussions on the environment to try to determine the best way for the Secretariat to take a lead role in environmental protection. In this, ongoing assessments on the future of the energy industry and the realities of a carbon-constrained world are needed — in order to guide the Organization's activities for another 50 years.