



SIXTEENTH PLENARY MEETING OF THE POLICY DIALOGUE ON NATURAL RESOURCE-BASED DEVELOPMENT (30 June – 2 July 2021, Virtual Format)

KEY OUTCOMES

On 30 June – 2 July 2021, 23 government delegations from Africa, Asia, Europe, Latin America and the Caribbean and North America, as well as representatives from 9 partner international organisations and institutions, and 17 major firms, industry associations, civil society organisations, academia, law firms and think tanks, convened by videoconference for the Sixteenth Plenary Meeting of the Policy Dialogue on Natural Resource-based Development. International organisations and institutions represented included the Commonwealth Secretariat, the European Commission, the Extractive Industries Transparency Initiative (EITI), the International Energy Agency (IEA), the International Monetary Fund (IMF), the Nuclear Energy Agency (NEA), the Organization of the Petroleum Exporting Countries (OPEC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations University's World Institute for Development Economics Research (UNU-WIDER), and the World Bank. Ms. Ayumi Yuasa, Deputy Director of the OECD Development Centre delivered the welcoming remarks and Mr. Jeffrey Schlagenhauf, OECD Deputy Secretary-General delivered the opening remarks. Mr Brendan Devlin, Strategy and Foresight Counsellor, Directorate General for Energy, European Commission and Dr Kelechi O. Ofoegbu, Senior Technical Adviser to the Honourable Minister, Ministry of Petroleum Resources, Federal Republic of Nigeria co-chaired the Sixteenth Plenary Meeting of the Policy Dialogue on Natural Resource-based Development.

Participants welcomed the zero draft of the *Equitable Framework and Finance for Extractive-based Countries in Transition (EFFECT)*, and the opportunity to discuss enabling measures and incentives for the decarbonisation of extractives under Pillar 1. Participants noted the strength of the Framework in offering a menu of options for what extractive-based developing and emerging economies can do to transition to a low-carbon economy. However, participants also emphasised the importance for the Framework to address how to fill significant capacity and institutional gaps that may constrain extractive-based developing and emerging economies' ability to deliver on the recommendations contained in the Framework. When discussing the importance of enabling access to finance, participants noted the increased uncertainty around the extent to which existing reserves of fossil fuels will be exploited and the corresponding effect on financial markets, which in turn, may drive extractive companies out of business. While extractive companies can take the risk, letting countries fail is not an option, as beyond market considerations there will be significant political, humanitarian, and socio-economic consequences.

Participants recognised the crucial role that the oil and gas industry must play in supporting the low carbon transition, in particular in developing and emerging economies where hydrocarbons will remain part of the energy mix for longer and where the pace of penetration of renewable sources of energy, electrification and deployment of electric vehicles is likely to be slower. Participants noted that oil (25 million bbl. per day) and gas (1700 bcm per day) supply will still be needed under the IEA's Net Zero by 2050 scenario, primarily for the production of petrochemicals and hydrogen. In this respect, participants emphasised that pathways towards net-zero should not only reduce CO₂ emissions but also enable universal access to energy. Access to energy for all by 2030 remains an important goal but challenges including distribution, population increase and urbanisation will have to be met on a case-by-case basis as there is no one size fits solution for all developing and emerging economies.

The EFFECT Framework recommends that a transitional step towards a net-zero economy, where fossil fuels are part of the energy mix, is to reduce emissions from production, transportation and processing, through the deployment of the best available technologies and practices. Participants discussed the importance of balancing short-term pressures and long-term vision and objectives, and noted how International Oil Companies (IOCs) could play a role in supporting developing and emerging economies in their scenario planning. Participants agreed that decarbonising fossil fuel production, transport and processing is a priority for developing and emerging economies. In order to achieve the objectives of the Paris Agreement on a global basis, advanced economies need to support developing and emerging economies in terms of both technology transfer and finance. Without this level of sustained international cooperation and knowledge sharing, net zero will not be reached by 2050 and the low-carbon transition will be delayed by several decades. To support this collaboration, governments should ensure that they establish transparent and predictable policy and regulatory frameworks, including multi-layer governance where central government can work alongside regional and local governments on a multi-sectoral and multi-level basis. In this regard, participants noted how there is an opportunity to embed universal energy access provisions in COVID recovery packages. The World Bank Import Gas Flared Index provides a useful reference to understand how new forms of collaboration between producing and consuming countries could look like. While seven countries account for 65% of global gas flaring, importing countries have a shared responsibility to catalyse efforts and use their



influence to reduce flaring through their relationship with suppliers and producers, because when they buy oil from high flaring countries they also import the flaring intensity that goes with it.

Under a Paris-aligned scenario, over the next 10 years, global emissions need to be reduced by 40%. Most of the technology needed for this reduction is already available and cost effective, by decarbonising the electricity sector and electrifying a number of sectors, including transport. Participants noted the role that gas can play to enable this transition, by improving the reliability, flexibility and security of the grid, addressing the intermittency challenge of variable renewable energy sources and reducing the cost of decarbonising the power sector. However, the role of gas in the transition is strictly correlated to the actions taken by governments and industry to reduce its carbon footprint. IOCs can leverage joint ventures with NOCs to drive down methane, CO₂ and other emissions, by deploying measurement and detection technologies, carbon capture and storage, and disclosing information on flaring, venting, and enhancing NOCs' capacity for emissions abatement. Participants emphasised the importance of collaboration for technology transfer not only between IOCs and NOCs, but also amongst NOCs, and between NOCs and local companies. Participants called on the OECD to facilitate a structured process for knowledge sharing and collaboration. In particular, participants identified methane emissions reduction as a low-hanging fruit to simultaneously achieve climate, energy access and economic development objectives as well as continuous market access, as the European Union is considering making the import of oil, gas and coal conditional on effective measurement and reporting on methane emissions.

Prioritising the utilisation of associated gas, which would be otherwise wasted through flaring and venting, would reduce CO₂ equivalent emissions by 400 million tons each year. When considering the challenges for putting associated gas to productive use, participants pointed to the absence of an enabling and enforceable regulatory framework. They also noted how gas is often developed on the back of oil to monetise higher revenues, before the necessary midstream and downstream gas infrastructure is in place. Gas utilisation projects also competes for capital against investment for additional oil production. Transporting gas where it is most needed for power generation, industrial or residential purposes can also be problematic. In Ghana, this challenge was addressed by reversing the flow of gas in the West Africa gas pipeline to supply the domestic market. Stabilising demand from off-takers is also necessary for gas supply to keep pace with demand, through the conversion of thermal into gas fired plants, with huge investments required to build transmission lines and by stimulating additional internal demand. Participants noted that for gas that is marketed domestically, it is important to establish a good pricing structure from the start and avoid artificially subsidising gas prices. If gas prices are set too low, it can be politically very challenging to raise them later to develop an attractive domestic gas market. Efforts to curb flaring are underway in developing countries. For example, Nigeria has reduced the flaring of associated gas from 60 to 6 % and now requires all new upstream projects to have a plan for evacuating or commercialising associated gas, and has imposed penalties for flaring. The new Petroleum Industry Bill also provides that the proceeds from flare penalties would be used to carry out environmental remediation.