

# Partnerships in the Oil and Gas Industry

An extract from the IPIECA publication

*This brochure provides an introduction to the IPIECA publication of the same title, and includes examples of the following six case studies of industry partnerships:*

- *The CO<sub>2</sub> Capture Project*
- *The Energy and Biodiversity Initiative*
- *The EUCAR/JRC/CONCAWE Partnership for Fuels and Vehicles Research*
- *The Extractive Industries Transparency Initiative*
- *The Global Gas Flaring Reduction Partnership*
- *The Partnership for Clean Fuels and Vehicles*

BIODIVERSITY

CAPACITY BUILDING

CLIMATE CHANGE

COMMUNITY DEVELOPMENT

FUELS AND VEHICLES

GEOLOGICAL RISK

HEALTH

HUMAN RIGHTS

OIL SPILL RESPONSE

PLANNING

TRANSPARENCY

# Introduction

The past decade or so, particularly since the World Summit on Sustainable Development in 2002, has seen the formation of a number of multi-stakeholder partnerships to achieve sustainable development goals.

In this context, IPIECA decided to compile a number of case studies to draw out the lessons learned from the partnerships and explore the benefits and challenges of working in partnership. The case studies reflect a growing recognition that oil and gas companies can better achieve sustainable development goals by working with others. These companies are indeed collaborating increasingly with a range of partners including other business entities, government agencies, NGOs, community-based organizations, and academic research institutes.

The case studies focus on biodiversity protection, climate change, air quality, oil spill response, the provision of health care and education, and community capacity building. Forty case studies were developed in total, consisting of 32 company case studies and 8 industry-wide partnerships of which 6 are included in this brochure.

Not only do the 40 case studies offer an opportunity for oil and gas companies to better understand the process of partnering, but also the process of writing the case studies itself represented a learning journey for all. The approach to writing the case studies was a new departure for IPIECA. By working with, and being guided by, the Partnering Initiative on case study writing, we were able to draw out balanced voices of the partners involved as well as tease out the learnings from the partnering process.

The publication looks at how partnerships have evolved, what can be learned about the collaborative process and what the future of working in partnership might look like. Specific partnership benefits include: stepping more rationally and safely into the field of sustainable development; delivering higher quality project outcomes; promoting the sustainability of projects; and contributing to the communities within which the oil and gas companies operate. However, working in partnership is not necessarily an easy option, and it is not always the answer.

This extract from the publication contains six case studies of industry-wide partnerships. These case studies give a sample of the rich lessons that are to be found throughout the 40 case studies included in the publication; these comprise a body of evidence that can usefully be analysed to inform other collaborative efforts. We encourage you to obtain and read the IPIECA publication, *Partnerships in the Oil and Gas Industry*.



Chris Morris  
IPIECA General Secretary

# The case studies

A complete list of all the case studies appearing in the IPIECA publication appears below:

## Company case studies

Amerada Hess: Emergency Medicine Development Initiative (Capacity building)
API: The Alliance Program's Safe Tank Alliance (Health)
BG: Expansion of water pipeline network in Behera, Egypt (Capacity building)
BHP Billiton: Vocational training and sustainable livelihoods for women in Johi, Pakistan (Community development)
BP: An oil company's participation in the Extractive Industries Transparency Initiative (Transparency)
BP: Capacity building of NGOs for pipeline monitoring and audit in Azerbaijan (Capacity building)
BP: The Carbon Mitigation Initiative (Climate change)
Chevron: Florida's first hydrogen energy station (Fuels and vehicles)
Clean Caribbean: International mobilization, preparedness and response exercise in Martinique (Oil spill response)
ConocoPhillips: Sustainable development in the Gulf of Paria, Venezuela (Planning)
Eni: Prevention of mother-to-child transmission of HIV/AIDS in the Republic of Congo (Health)
Eni: The AgriBioDiversity Project in Italy (Planning)
Eni: The Bhit Rural Support Project in Pakistan (Community development)
ExxonMobil: The Global Climate and Energy Project (Climate change)
ExxonMobil: The Save The Tiger Fund (Biodiversity)
ExxonMobil: The use of insecticide-treated mosquito nets in malaria prevention in Africa (Health)
Hunt Oil: Developing a biodiversity action plan in the Andean region of Peru (Biodiversity)
Hydro: The Ormen Lange Slide Risk Project (Geological risk)
Marathon: The Bioko Island Malaria Control Project (Health)
Nexen: Oil Industry Workforce Development in Yemen (Capacity building)
Nexen: The Oro Community Development Trust in coastal Nigeria (Community development)
Petronas: The National Oil Spill Control and Contingency Plan in Malaysia (Oil spill response)
Repsol YPF: A Rural Development Programme in Patagonia (Community development)
Saudi Aramco: Gulf Environmental Preservation (Biodiversity)
Shell: Shell and the Smithsonian Institution in Gabon (Biodiversity)
Shell: Sustainable harvesting of biodiversity resources at Flower Valley, South Africa (Capacity building)
Shell: The development of a strategic partnership (Planning)
Statoil: Training Sharia judges in Nigeria (Human rights)
Total: Cooperation with the National Park of Port-Cros (Biodiversity)
Total: Rural electrification in Morocco (Community development)
Total: Strengthening the hydrocarbon road transport sector in Madagascar (Capacity building)
Unocal: The Derawan Islands Marine Biodiversity Project, Kalimantan, Indonesia (Biodiversity)

## Industry case studies

Industry: Action on oil spills: the IMO/Industry Global Initiative (Oil spill response)
Industry: The CO <sub>2</sub> Capture Project (Climate change)
Industry: The Energy and Biodiversity Initiative (Biodiversity)
Industry: The EUCAR/JRC/CONCAWE partnership for fuels and vehicles research (Climate change)
Industry: The Extractive Industries Transparency Initiative (Transparency)
Industry: The Global Gas Flaring Reduction Partnership (Climate change)
Industry: The Partnership for Clean Fuels and Vehicles (Fuels and vehicles)
Industry: The Voluntary Principles on Human Rights (Human rights)

# The CO<sub>2</sub> Capture Project

*An international group of energy companies, in conjunction with government agencies and in cooperation with educational institutions and NGOs, are pursuing technological breakthroughs for the capture and storage of CO<sub>2</sub>.*



## CO<sub>2</sub> Capture Project

### Key partners

#### Companies:

- BP
- BR Petrobras \*\*
- ChevronTexaco
- ConocoPhillips \*\*
- EnCana \*
- Eni
- Norsk Hydro
- Shell
- Statoil \*
- Suncor Energy

#### Government agencies:

- European Commission
- The Research Council of Norway (Norges forskningsråd)
- UK DTI (Department of Trade and Industry)
- U.S. Department of Energy

\* Phase I only

\*\* Phase II only

### Background

As the world demand for energy increases, with fossil fuels accounting for most of the energy generation, CO<sub>2</sub> concentrations in the world's atmosphere are expected to reach twice the pre-industrial level by the end of this century. A number of adverse effects, including global climate changes, could result. The potential risks associated with taking no action—coupled with the length of time required to stabilize CO<sub>2</sub> concentrations in the atmosphere—argue for taking immediate action.

No single technology is capable of providing a solution. Instead, a mix of approaches, including using alternative energy and more efficiently using conventional fuels, will be required. Another approach that is part of the solution is capturing CO<sub>2</sub> from the combustion of fossil fuels and storing the captured CO<sub>2</sub> underground.

To look further at CO<sub>2</sub> capture and storage, eight oil companies and three government agencies set up the CO<sub>2</sub> Capture Project (CCP – Phase I) in 2000.

### The CO<sub>2</sub> Capture Project

The partnership is taking a multi-phase approach to:

- develop technology that will reduce the costs and improve efficiencies of CO<sub>2</sub> capture through the use of advanced technologies;
- demonstrate storage is safe and secure; and
- communicate the project findings for use by policy makers to support the implementation of CO<sub>2</sub> capture and storage.

The CCP is providing answers to questions regarding well integrity and storage in saline aquifers, and developing a certification framework for storage applications.

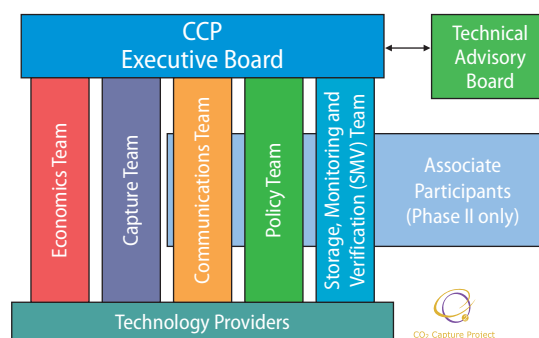
An Executive Board, composed of representatives of the participating companies, directs the CCP. Five technical project teams, working with external technical experts, oversee five areas of development:

1. Capture: evaluating and advancing specific capture technologies.
2. Storage: verifying the feasibility of underground storage, and developing improved monitoring and verification methods.
3. Economics: understanding and comparing the costs and benefits of various approaches to capture and storage.
4. Communications: building awareness of the technical developments among policy makers and interested stakeholders.
5. Policy: assessing the impact of proposed government policies and regulations on CO<sub>2</sub> capture and storage.

An independent Technical Advisory Board of private and public sector representatives unassociated with the participating companies objectively evaluates the research and guides the project teams' developmental work.

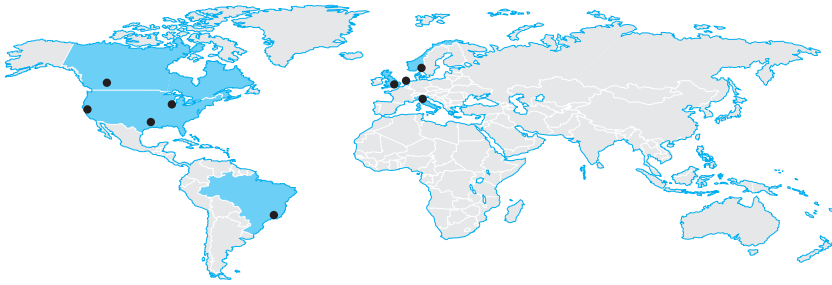
The CCP works with governments, industry, academic institutions and environmental interest groups, and subjects the products of its research to vigorous peer review. The programme has now entered Phase II.

### CCP2 Programme Structure



### Progress

In Phase I the CCP developed a risk-based tool for evaluating the most appropriate storage sites, and also successfully integrated research and development of storage, monitoring and verification with the concerns of NGOs and policy makers. More than 200 capture technologies were evaluated for potential application to full-scale development. Phase I was completed in 2003 with the broad publication of its results, including a two-volume compilation of findings.



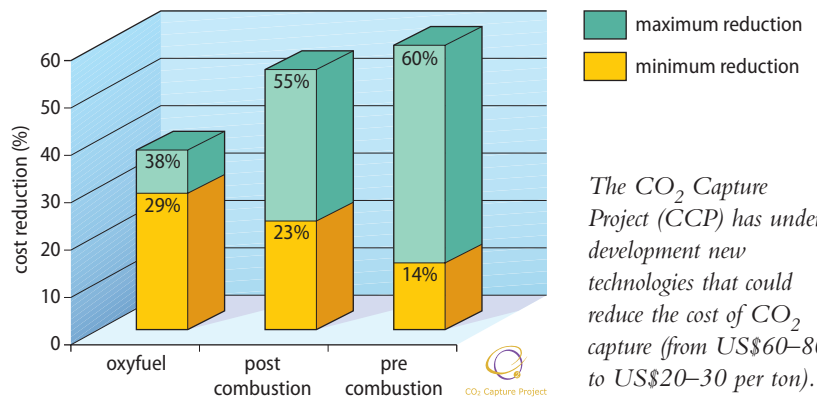
Phase II (2004–08) is focused on further development of cost-effective and versatile capture and storage technologies, with the objective of moving to operational demonstration in Phase III in 2009.

The most promising technologies studied have shown large potential for cost-efficient capture of CO<sub>2</sub> emissions and are adaptable for use in many of the world's major emission sources. Pre-combustion capture is suitable for all fossil fuels, and also may produce enough hydrogen to open the way for a future hydrogen fuel-based economy.

### Lessons learned

Positive experiences in Phase I to date reveal some lessons for a large international partnership project:

1. A robust project management process and reporting system ensure that work is aligned with project objectives, information supports the proper allocation of financial and other resources, and the work of external contractors is monitored and directed appropriately. The use of teams focused on particular areas of responsibility is an effective way of monitoring contract work and providing timely direction.
2. Similarly, an effective technology review process ensures rigorous review at specific points, confirming that development is in line with project objectives and is focused on the most promising technologies.
3. An unbiased technological screening process provides NGOs with assurance that the technologies being pursued are the best available and are appropriate to the companies involved, and that the choice of technologies rests on a comprehensive and objective evaluation. The challenge of demonstrating that a better technology does not exist is analogous to the difficulty of proving a negative. Nevertheless, the presence of a Technical Advisory Board is useful to show a reasonable, scientific and economic rationale for the choice of technologies.
4. Communication skills are essential for team leaders, so that the CCP Executive Board receives the type and amount of information needed for timely and appropriate decisions. This is especially true for projects that involve advanced technology, when project review meetings could easily concentrate



*The CO<sub>2</sub> Capture Project (CCP) has under development new technologies that could reduce the cost of CO<sub>2</sub> capture (from US\$60–80 to US\$20–30 per ton).*

on discussing technical aspects, rather than on identifying the key issues requiring a decision.

5. Government participation can help with financial support and with a project's credibility. However, participants must anticipate the government's requirements for reports and readily provide the information using prescribed formats.
6. An effective intellectual property management programme can address participants' concerns about the creation and ownership of intellectual property.
7. Sharing findings through stakeholder meetings assists in clarifying public concerns about CO<sub>2</sub> storage.
8. Clear communication with external groups helps establish the relevance of technical approaches and choices.

Lessons learned include the need for the following:

1. More detailed and standardized objectives in contracts with external providers.
2. Cost considerations at the earliest stages of development projects to identify promising technologies as early as possible.

### Conclusion

The work of the CCP demonstrates that public-private partnerships result in breakthroughs in technology development quickly through involvement of interested parties from all perspectives: technology users, policy makers and educational institutions.

For more information on the CO<sub>2</sub> Capture Project see [www.co2captureproject.org](http://www.co2captureproject.org)

# The Energy and Biodiversity Initiative

*The Energy and Biodiversity Initiative is a partnership of four energy companies and five conservation organizations created to develop and promote practices for integrating biodiversity conservation into upstream oil and gas development. After four years the formal partnership came to a close, but partners continue more informally to explore opportunities to be a positive force for biodiversity conservation within the oil and gas industry.*

## Key partners

- BP
- Chevron
- Conservation International
- Fauna & Flora International
- The Nature Conservancy
- Shell
- Smithsonian Institution
- Statoil
- World Conservation Union

## Background

Oil and gas exploration, production and transmission are increasing in sensitive ecosystems of concern to conservation organizations. The Center for Environmental Leadership in Business (CELB) at Conservation International (CI) initiated a collaborative effort among multiple energy companies and conservation organizations to improve biodiversity conservation in oil and gas operations. CELB approached two distinct communities: energy companies committed to improving their biodiversity conservation performance and conservation organizations with field experience working with the energy industry. After two years of discussions, the Energy and Biodiversity Initiative (EBI) was formally created in 2001 as a partnership.

## Development of the Energy and Biodiversity Initiative

EBI's goal was to develop practical guidelines, tools and recommendations to promote integration of biodiversity conservation into oil and gas operations throughout the industry. The member companies and



CI provided financial support; each partner also made a major commitment of senior staff involvement. All participants equally shaped and developed EBI's objectives, structure and outputs through a dynamic and inclusive dialogue. Agreeing on objectives was a lengthy process, in part because only a general mission statement was defined at the outset.

The EBI evolved over four years. Phase 1 focused on developing recommendations, tools and guidance on key topics. Phase 2 piloted, disseminated and promoted industry application of the EBI products. At the end of Phase 2, the group concluded that the principal purpose of the partnership—development and launching of the guidance—had been achieved. Rather than continuing EBI as a formal entity, partners agreed to maintain an informal network to continue contributing to dissemination and use of the products.

## Progress and lessons learned

The EBI offers valuable lessons for prospective multilateral corporate–NGO partnerships more generally:

- Setting realistic estimates of schedules and resource requirements is not always easy. The amount of work involved in managing a multi-partner initiative, building trust and synthesising large amounts of information into usable outputs was difficult to accurately predict.
- Building trust and understanding takes time. Trust underpinned the ability to talk openly and frankly about issues. It depended on partners coming to know and understand each other. The process was strengthened by meetings in locations outside the reach of e-mail and telephones; however, the meetings were difficult to schedule and created a long project lead time. Using a facilitator in the early stages helped build trust and understanding among the partners. However, the partners decided that long-term reliance on a facilitator would reduce their sense of ownership of the project and did not use one after the first few meetings.
- Having the right organizations and people around the table is critical. The initial choice of partners was a pragmatic one, targeting committed companies and conservation organizations that could work together. Restricting participation facilitated



decision making and production of outputs in a reasonable time frame with the available resources. However, this approach left EBI open to accusations of elitism, plus some members think that the lack of diversity may have made 'selling' the EBI products<sup>1</sup> to some potential users more difficult.

- Developing outputs 'by committee' brings both benefits and challenges. Joint writing of the EBI products by the partners led to a strong sense of ownership. However, finding adequate time to plan and produce the products was a significant challenge for all involved. Furthermore, the need to bring in consultants to help finalize the EBI products maintained the project schedule, but also introduced significant unforeseen costs that had not been built into the budget.
- Outreach and dissemination plans should be defined as early as possible. Although the participants developed engagement and communication plans to disseminate information and consult relevant parties, some partners think these efforts have not been wholly successful. Earlier development and implementation of an outreach strategy, including enhanced stakeholder engagement, might have strengthened EBI's credibility with some stakeholders and facilitated product dissemination and uptake.
- Multi-partner initiatives can be effectively self-regulating if certain criteria are met
  - Flexibility—a willingness to give and take was essential for group consensus decision making.
  - Transparency—progress in the EBI work plan was simply monitored by regular meetings and formal and informal dialogue.
  - Continuity—maintenance of a consistent core of key staff from all member organizations strongly contributed to supporting a high level of trust and understanding among partners.
  - Commitment—willingness by each member to persist through times of uncertainty and discomfort enabled a successful outcome.
  - Coordination—selecting one organization (i.e. CI-CELB) to act as Secretariat provided focus,

accountability and more timely execution of deliverables.

- Partnerships do not need an indefinite life to have a continued positive impact. The EBI has been the springboard for new relationships outside the original partnership that can help maintain EBI momentum in the wider oil and gas industry. EBI's work has been taken up by more companies and conservation organizations, particularly through the IPIECA–International Association of Oil & Gas Producers Biodiversity Working Group.

## Conclusions

Developing guidance and recommendations in a joint industry–NGO initiative builds on intellectual capital and promotes greater buy-in from both sectors. However, the EBI experience indicates that even a major bi-sector partnership with multiple partners can face problems in influencing wider industry and NGO communities.

The EBI has been successful in further catalysing and supporting interest in, and attention to, biodiversity conservation in the energy sector. It has contributed to EBI member companies and other companies incorporating biodiversity more extensively in their policies, management systems and processes.

The EBI represents an innovative and non-adversarial approach that has delivered robust outputs with positive potential impact far beyond that achievable by individual participants. The inter-organizational benefits—building constructive relationships, understanding the motivations or behaviour of other organizations and exchanging information—have added value beyond development of the EBI products themselves.



<sup>1</sup> The EBI recommendations and products can be found at [www.TheEBI.org](http://www.TheEBI.org)

# The EUCAR/JRC/CONCAWE partnership for fuels and vehicles research

*The European Council for Automotive R&D, the European Commission's Joint Research Centre and CONCAWE formed a partnership in 2000 to carry out joint studies on automotive fuels and vehicles.*

## Key partners

- CONCAWE (oil companies' European association for environment, health and safety in refining and distribution)
- EUCAR (European Council for Automotive R&D)
- JRC (Joint Research Centre, European Commission)

## Background

In 2000, the European Commission's Joint Research Centre (JRC), which carries out extensive scientific and technical research in support of EU policies, was looking at developing its activities in the field of automotive fuels and powertrains. JRC approached the European Council for Automotive R&D (EUCAR) and CONCAWE (the oil companies' European association for environment, health and safety in refining and distribution), and in that year the three organizations signed a Memorandum of Understanding for carrying out joint studies on topics of common interest.

An association of European vehicle manufacturers, EUCAR carries out pre-competitive research on such topics as safety, future powertrains and advanced vehicles. EUCAR members represent the bulk of European automotive industry and include BMW, DaimlerChrysler, Fiat, Opel, Porsche, PSA Peugeot-Citroen, Renault, Volkswagen and Volvo.

CONCAWE's 23 full members, which own more than 90 per cent of the EU25 oil refining capacity, are BP, CEPESA, Chevron, ConocoPhillips, Dow, Eni, ExxonMobil, Hansen & Rosenthal, Hellenic Petroleum, Kuwait Petroleum International, Mazeikiu Nafta, MOL, Neste Oil, Petrogal, Nynas, OMV, PKN Orlen, Preem, Repsol, SARAS, Shell, Statoil and Total.

The main purpose of the EUCAR/JRC/CONCAWE partnership is to generate scientific and technical information on the development of road vehicles and associated subjects. The motor manufacturers and the fuel providers can then develop consensus on the soundness of the technology, while the regulating authorities can use the information to support EU decisions and regulations.

The partnership is managed by a Supervisory Board comprising two delegates from each of the three partners. The Board meets twice a year, or more often as the need arises.



From CONCAWE's perspective, the partnership is crucial to establish:

- a solid and shared technical basis to support future EU regulations on fuels and vehicles;
- a constructive working relationship between the oil industry and the automotive industry; and
- an effective working relationship between industry and JRC.

In the words of Alain Heilbrunn, CONCAWE's Secretary General, 'the ongoing debate on alternative fuels is dominated by emotion and ill-founded assertions. The only correct way to proceed is through collaborative, in-depth technical work to bring sound facts and figures to the table.'

## The 'Well-to-Wheels' study

At the end of 2000, the partners launched the first cooperative study, titled the 'Well-to-Wheels Analysis of Future Automotive Fuels and Powertrains in the Joint European Context'—in short, the 'JEC WTW study'. The study objective was to develop a consensual view of the relative merits of a large number of alternative fuels and powertrain pathways for 2010 and beyond. The primary focus was on well-to-wheel energy use and greenhouse gas emissions assessment.

For the study, EUCAR and CONCAWE brought their respective knowledge of the automotive and oil industries to bear. JRC provided essential input on issues of biomass, having direct access to the most appropriate European Commission services such as the Directorate-General (DG) for Agriculture and Rural Development. JRC also facilitated contacts with other 'customer' Commission services such as the DG







Transport and Energy and the Environment DG.

For the specific purpose of the JEC WTW study, the partnership was extended with the use of two consultants. A coordination group arranged for external experts to review the study results.

### Progress and study impacts

Although the partners decided at the end of 2000 to go ahead with the project, the work was delayed for more than a year, mainly because of a major reorganization at JRC, including the transfer of some activities to a new site and a change of JRC personnel assigned to the partnership. Also, by the end of 2001, the European Commission's interest in alternative fuels had heightened and a sound WTW analysis was clearly needed.

The first version of the study report was published in December 2003. The study successfully anticipated the European governments' and regulators' increased focus on alternative road fuels and vehicles to address issues of CO<sub>2</sub> emissions and long-term security of supply. The study results were used as a basis for discussions and policy recommendations in many forums, including meetings of the European Commission's Alternative Fuels Contact Group during 2004.

The timeliness and relevance of the first WTW report, as well as the process whereby the study was carried out, increased the partners' recognition of each other's issues and problems and strengthened their working relationships. The report also helped CONCAWE develop improved relations with other Commission services.

A report update was released at the end of 2005, as part of the process of keeping the study evergreen.



### Other partnership projects

Identifying other projects of common interest in anticipation of EU needs proved to be a more challenging task. A second project was eventually agreed on in early 2004 to measure the evaporative emissions of vehicles with different fuels, in support of the European Commission's review of the EU fuels directive on gasoline vapour pressure and particularly ethanol blending. The project, mostly consisting of vehicle testing by JRC in its new facilities, with the European Automobile Manufacturers Association (ACEA) supplying the vehicles and CONCAWE the fuels, commenced mid-2004 and is still ongoing; the final report is due in 2006.

Further projects will be identified in accordance with key EU issues and partners' interests, and with the particular capabilities of the partnership.

### Conclusions and lessons learned

A successful partnership requires commitment from all partners, specific objectives and deliverables supported by a well-structured organization, and a clear distribution of tasks, as well as allocation of sufficient technical expertise and financial resources to achieve and deliver the results on schedule.

Commitment can only be obtained when the objectives are relevant to all partners. This cooperative action was slow to start, partly because this was not quite the case at the beginning. The relationship is now firmly established and has proven capable of delivering high-quality results. To quote Neville Thompson, an official member of the Supervisory Board, *'the small acorn has taken time to mature but is now becoming a solid oak tree'*.

Finally, this type of partnership provides an opportunity to enhance the credibility and the impact of the studies, directly by incorporating the views and knowledge of more parties and indirectly by improving the perception of the results as cooperative and consensual.

For more information see [www.concawe.org](http://www.concawe.org)



# The Extractive Industries Transparency Initiative

*Proposed by UK Prime Minister Tony Blair in 2002 and endorsed by the G8 countries, the multi-stakeholder Extractive Industries Transparency Initiative supports improved governance in resource-rich countries through publication and verification of company payments and government revenues from oil, gas and mining.*

## Key partners<sup>1</sup>

**Multiple countries, companies, associations and organizations, including the following:**

*Countries (active implementers or endorsers):*

- Azerbaijan
- Nigeria
- Peru
- Trinidad & Tobago

*Countries (donors):*

- France
- Holland
- UK
- USA

*Oil and gas companies:*

- Amerada Hess
- BP
- ChevronTexaco
- ExxonMobil
- Marathon
- Repsol
- Shell
- Statoil
- Talisman Energy
- Total
- Woodside

*Industry associations:*

- American Petroleum Institute
- International Association of Oil & Gas Producers

*NGOs:*

- Catholic Agency for Overseas Development
- Global Witness
- Publish What You Pay coalition
- Transparency International

## Background

In 2002, the UK government launched the Extractive Industries Transparency Initiative (EITI) at the World Summit on Sustainable Development in Johannesburg. Its motivation was dictated by issues of energy security—the realization that growing amounts of hydrocarbons would be reaching the UK from ‘new’ areas such as West Africa and the Caspian region—as well as by NGOs’ efforts to highlight the specific issue of revenue management in resource-rich emerging societies.

Subsequently, delegates at a founding conference in London in June 2003 agreed a ‘Statement of Principles and Agreed Actions’ and backed the voluntary nature of the initiative. The 12 EITI principles provide the cornerstone of the initiative. They affirm that natural resources management is the domain of sovereign governments, that resource extraction benefits accrue over many years and are often price-dependent, that the achievement of greater transparency must respect laws and contracts, and that a broadly consistent and workable approach to the disclosure of payments and revenues is required.

Delegates at a second conference in March 2005 agreed on criteria, guidelines and a sourcebook for implementing countries and participating companies, and authorized an EITI Secretariat, now based in the UK Department for International Development (DFID).

At the start of 2006, EITI remained in a ‘pilot phase’. An International Advisory Group (IAG), set up following the 2005 conference, is discussing the initiative’s future. Led by Peter Eigen, chairman of Transparency International, the IAG will recommend to the next EITI international conference (scheduled for late 2006) how to monitor and validate the EITI



process and reward nations and companies that fully implement the initiative.

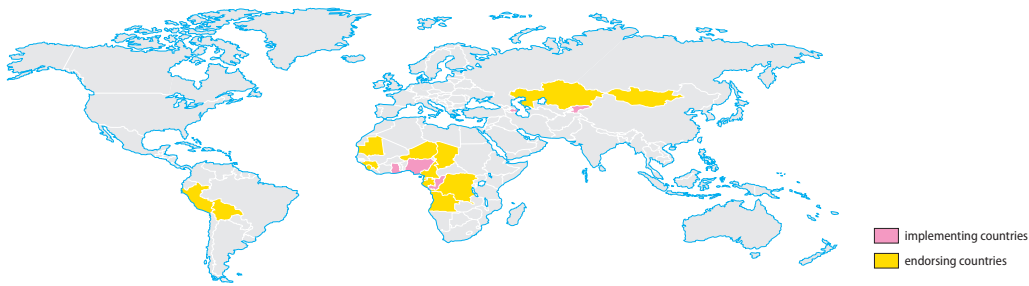
## Progress and lessons learned

So far, EITI has proved successful to a degree that has surprised many participants. Underlying differences between the various parties have been finessed, agreement has been reached on some sensitive core issues, new countries are being encouraged to take part and a majority of independent oil, gas and mining companies are included.

Much of this success is down to four factors. First, EITI is voluntary. It is unlikely that it would have progressed this far on any other basis. Second, it is narrow—all it does is require companies and states to report what money is paid to host governments. Third, it is driven by resource-rich countries rather than by the UK government, or companies or NGOs. Fourth, it is flexible—no two countries are the same and their motives for participating differ, yet the EITI guidelines encompass incentives to meet these varying motivations.

Several key oil-producing countries led by Azerbaijan and Nigeria are already making serious efforts to comply with the EITI criteria. In Azerbaijan, a commission was set up to implement the initiative, and the country’s first EITI report was published in March 2005. In Nigeria, EITI has been the catalyst for a comprehensive effort backed by the president to ‘break the blame cycle’ around the oil industry. All official receipts from oil and gas developments going back five years are being audited, a value-for-money process review is under way inside government and a lively

<sup>1</sup> For a full list of participants in EITI, see <http://www.eitransparency.org/participants.htm>



nationwide communications exercise has been launched to explain what is happening.

The various parties to EITI are learning some distinct lessons. On the company side, participants have been pleasantly surprised by the extent to which their concerns, especially about commercial confidentiality, have been heard and acted on. 'We're realizing that these tripartite initiatives can work provided you focus on what you agree on. Then you can move an initiative forward. If you focus on the differences, all you do is argue,' observes one oil industry executive involved in EITI.

Differences do exist among companies, most importantly about whether disclosure of tax and revenue payments to governments should be on a disaggregated (individual company) basis or aggregated (collective) basis.

Although NGOs were committed initially to mandatory EITI reporting requirements and 'quite

aggressive and clear transparency goals', they decided early on to stay involved despite the voluntary nature of the initiative. Two years down the line, EITI is seen as a useful tool in empowering local societies, protecting human rights and advancing democratic accountability.

Both companies and NGO participants comment favourably on the role played by DFID and, more recently, the EITI Secretariat. In particular, a sharp increase in expertise and personnel since 2003 wins wide praise. For its part, the Secretariat increasingly sees its role as a 'matchmaker', putting countries, companies or NGOs in touch with the right people, and as a 'knowledge bank', sharing information and stimulating better governance, in particular before big money comes in from large hydrocarbon and mining projects and makes altering the status quo more difficult.

## Conclusions

Remaining issues include the sincerity and capacity of some countries wanting to sign up to the initiative; the future structure and funding of the EITI Secretariat; the participation of state-owned companies in such places as Russia, China, Brazil, India and Malaysia; the minimum levels of monitoring and validation needed to ensure the initiative's continued credibility; its geographic spread; and the implications of the large revenue increases being experienced in many oil- and gas-rich states.

Against that, experience has taught those involved with EITI not to expect linear progression. Less than four years after the launch of the initiative there is wide acceptance that knowing what governments receive, and what companies pay, is a critical first step to holding decision makers accountable for the use of those revenues. In this sense, EITI has already justified itself as part of a wider drive for better governance that may in time ensure that revenues from hydrocarbon and mineral projects contribute more directly to poverty reduction and development.

For more information on EITI activities, visit [www.eitransparency.org](http://www.eitransparency.org)



# The Global Gas Flaring Reduction Partnership

*Launched at the 2002 World Summit on Sustainable Development, the Global Gas Flaring Reduction Partnership supports the efforts of the petroleum sector to progressively reduce flaring and venting of natural gas associated with crude oil production.*

## Key partners

### Governments:

- Angola
- Cameroon
- Canada
- Chad
- Ecuador
- Equatorial Guinea
- Indonesia
- Kazakhstan
- Khanty-Mansyisk
- Nigeria
- Norway
- United States

### Companies:

- BP
- Chevron
- Eni
- ExxonMobil
- Marathon
- Norsk Hydro
- Shell
- Sonatrach
- Statoil
- Total

### International organizations:

- World Bank

## Background

When crude oil is extracted from the earth, natural gas comes to the surface as well. The gas is typically used to meet power and other operational requirements, with excess gas processed and sold if gas infrastructure and markets are nearby. In areas of the world lacking infrastructure and markets, the excess gas is usually flared or sometimes vented. The World Bank estimates that the annual volume of flared and vented natural gas is over 150 billion cubic metres, or approximately the combined annual gas consumption of Germany and France. Greenhouse gas emissions from flaring are also about 13 per cent of committed emission reductions by developed countries under the Kyoto Protocol.

For the past 20 years, global flaring levels have remained virtually constant despite successful efforts by individual governments and companies to use the associated gas and thereby reduce flaring. The overall effect of these efforts has been limited because of (1) the increase in global oil production and associated gas production and (2) the lack of regulatory and contractual structures, and the constraints on gas utilisation, infrastructure and market development.

The Global Gas Flaring Reduction Partnership (GGFR<sup>1</sup>) is a forum of governments of oil-producing countries, state-owned companies and international oil companies. The partnership aims to support national efforts to use the associated gas and to reduce flaring and venting. The GGFR steering committee approved a three-year work programme beginning in January 2003 and coordinated by a small team of World Bank staff and industry secondees based in Washington, DC. The work programme focuses on four areas of activity:

- 1) commercialization of associated gas;
- 2) regulations for associated gas;
- 3) a voluntary standard for associated gas flaring and venting reduction; and
- 4) carbon credits.

The GGFR programme contributes to poverty reduction and quality of life improvements by developing concepts for how local communities close to the flaring sites can use natural gas and liquefied petroleum gas (LPG) that may otherwise be flared. The programme has evaluated two opportunities for small-scale gas utilization in Ecuador and Chad.

## Benefits

A key attribute of the partnership is the diversity of partners, each bringing different experience and expertise. While all the partners recognize the need to address the flaring issue, they express several other reasons for joining the initiative.

Company members note that GGFR is better able to engage with governments than industry associations, as it is coordinated by the World Bank. Being 'at the table' brings broader recognition, as well greater influence on the partnership's direction and output. For instance, during the development of the GGFR voluntary flaring and venting standard, companies actively provided their input to ensure that the standard was both commercially realistic and aligned with their company policies and approaches.

For some government partners, GGFR has supported the development of new policies on natural gas and related fiscal policies, while in other cases, it has helped countries achieve their flaring reduction objectives more rapidly. The government partners recognize that the World Bank's position as a 'neutral broker' enables it to bring the right stakeholders together. GGFR also provides a forum for governments to share regulatory approaches and learn from each other.

Over the three years of the partnership, the focus has shifted to putting the global programmes—such as the voluntary flaring and venting standard—into practice in national initiatives and demonstration projects. For example, in Equatorial Guinea, GGFR has helped facilitate better collaboration between



operators, the national oil company and the regulator. GGFR is also cooperating with several flare elimination demonstration projects in Angola, Algeria and Nigeria, to evaluate their potential to earn greenhouse gas credits through the Clean Development Mechanism (CDM).

### Lessons learned

Effecting change in flaring and venting practices requires time, effort and persistence. GGFR has been most successful where there is country buy-in, high-level support and an effective local partnership between government and industry, as well as ownership and leadership within the participating organizations. The process takes sustained effort over many years.

As expected, the partnership has faced a number of challenges, which have raised some key issues and led to some lessons being learned:

- As the responsibility for gas flaring regulation may be fragmented or may overlap several ministries, it is important to identify the responsible counterparty within the host government.
- Government agencies need to play a leadership role in promoting and sustaining in-country gas utilization, commercialization and flare reduction initiatives.
- GGFR is reliant on the willingness of operators to cooperate and share gas volumes and technical information that may be commercially or politically sensitive. Care must be exercised in how the data is aggregated and used. Often, confidentiality agreements require all partners in a joint venture to give their approval before data can be released externally.
- To focus its limited resources efficiently, GGFR could do more to clearly define success and to assess the likelihood of success in each of its activities.
- GGFR could be more selective and prioritize which countries and projects have the greatest chance of achieving significant flare reductions.
- Some suggest that better engagement of environmental NGOs could bring more transparency and credibility to the partnership.



### Conclusions

GGFR has been successful in raising the profile of gas flaring and venting as an issue and has organized two major flaring conferences.

In July 2005, the G8 joint statement at Gleneagles, Scotland called for GGFR to be extended beyond 2006. There is broad acceptance of the flaring and venting standard and the collaborative approach it encourages. In certain circumstances, the CDM Executive Board may consider flare elimination projects acceptable for carbon credits.

The partners recognize the role of the GGFR initiative in reducing gas flaring and venting. The GGFR partnership, and the voluntary standard in particular, have encouraged better cooperation among a broader set of stakeholders in addressing the issue. The partners also recognize that there is more work to be done and agreed in principle in November 2005 to extend the GGFR partnership for three more years beyond 2006.

For more information on the GGFR initiative see the GGFR website: [www.worldbank.org/ggfr](http://www.worldbank.org/ggfr)

*Land-based flare with production installation nearby*

# The Partnership for Clean Fuels and Vehicles

*Launched at the 2002 World Summit on Sustainable Development, the global Partnership for Clean Fuels and Vehicles assisted Sub-Saharan Africa countries in phasing out leaded gasoline by 2005 and is aiming for global elimination of leaded gasoline by 2008.*

## Key partners<sup>1</sup>

More than 80 national and international agencies and organizations, including the following who were particularly active in lead phase out in Africa:

### Governments:

- Democratic Republic of Congo
- Ghana
- Mozambique
- The Netherlands
- Nigeria
- South Africa
- United States

### Industry:

- Alliance of Automobile Manufacturers
- International Petroleum Industry Environmental Conservation Association (IPIECA)
- Manufacturers of Emission Controls Association
- National Association of Automobile Manufacturers of South Africa
- Petroleum Industry of East Africa

### International organizations:

- UN DESA
- United Nations Environment Programme (UNEP)
- The World Bank (not an official member of PCFV)

### NGOs:

- Natural Resources Defense Council
- Trust for Lead Poisoning Prevention

## Background

Many developing countries experience serious air pollution, especially in their urban centres, and emission sources usually include the transportation sector. In 2000 nearly 100 countries were still using leaded gasoline which perpetuates emissions by precluding vehicle emission controls.

In early 2001 IPIECA made a unilateral decision to support global phase out of leaded gasoline and to work with governments to promote quick action. In mid-2001 IPIECA joined with the World Bank, the United Nations Environment Programme (UNEP) and several NGOs to convene a conference in Dakar where 25 Sub-Saharan Africa governments agreed in the 'Declaration of Dakar' to phase-out leaded gasoline by 2005

In mid-2002, with the World Summit on Sustainable Development (WSSD) only a few months away, it appeared that several partnership initiatives might be launched at that Summit to focus on the phase out of leaded gasoline, and potentially other fuel qualities, on a regional and global basis.

While these initiatives would broaden existing individual efforts, a single global partnership was clearly desirable.

Through a process of intense negotiation, the individual parties agreed to band together under the UN umbrella to form the Partnership for Clean Fuels and Vehicles (PCFV).

## The Partnership for Clean Fuels and Vehicles

The PCFV was launched at the September 2002 WSSD as a public-private collaborative effort to help developing countries reduce emissions by eliminating lead in gasoline, reducing sulphur in transportation fuels and introducing cleaner vehicles. The United

Nations Environment Programme (UNEP) hosts the partnership, and the partners comprise governments, industry, international organizations, NGOs and academic institutions.

To provide advice and support to these countries, the partnership holds regional, sub-regional and in-country planning and technical workshops, produces guidance documents and engages with government decision makers.

From each stakeholder's point of view, the PCFV offered a means to advance goals that could not be achieved individually:

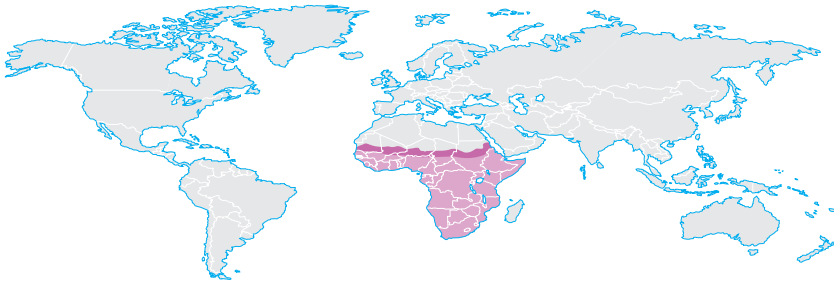
- With UNEP and World Bank encouragement, the governments would provide the necessary implementation of rules and specifications for the phase-out process. The situation in Sub-Saharan Africa is particularly complex, as in many African countries the fuel refining and distribution infrastructure is partially or wholly state-owned.
- IPIECA would explain gasoline refining and logistics impacts to governments and communicate that lower octane unleaded gasoline could be used in place of leaded. The auto industry would communicate that governments could go immediately to unleaded gasoline without harming in-use vehicles.
- Other stakeholders, such as the United States Environmental Protection Agency and various NGOs, would play a critical role in facilitating the partnership process and in giving a voice to community organizations.

## Challenges

Apart from the intense negotiations to form the single partnership, several events challenged the PCFV in its early stages, not least of which was the difficulty in agreeing on a mission statement. Three years on, with many of the initial objectives achieved or in sight, there is an ongoing debate about revisiting the partnership mission statement to re-validate the initiative.

As the partnership has grown to include more than 80 members, managing input and the work programme in a structured way continues to be an issue. Despite a clear vision for the inclusion of, for example, commercial interests, the expansion of the partnership has raised practical problems over the representation of smaller

<sup>1</sup> For a full list of partners in the PCFV, see [www.unep.org/pcf/ourpartners/OurPartners.htm](http://www.unep.org/pcf/ourpartners/OurPartners.htm).



states and the multiplicity of NGOs. These entities need representation; however, arranging it in a practical way through an advisory group has been challenging.

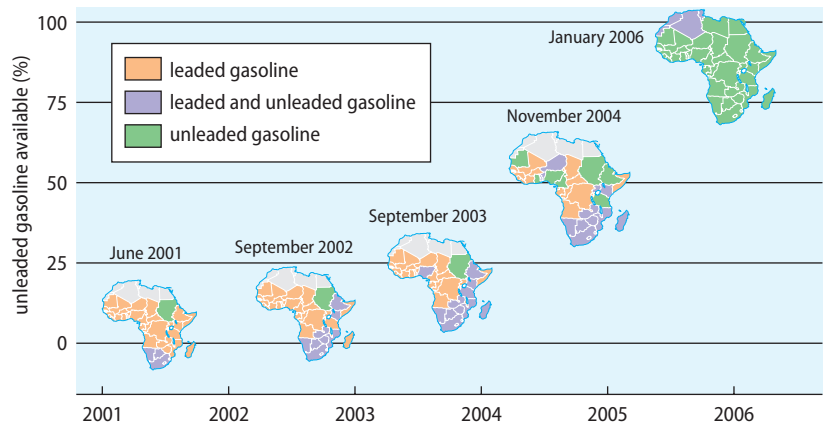
Some partners consider that setting more concrete objectives within the broader partnership aims would have been helpful for benchmarking the partnership's progress. Other partners suggest that, at the start, the PCFV should have discussed a timeline and also an exit strategy.

### Lessons learned

The experience of establishing and maintaining the PCFV has shown that voluntary partnerships can be an effective way to implement environmental and health initiatives.

Oil and gas industry participants familiar with the partnership see the following factors as key to the success of the PCFV:

- A strong motivation for working in partnership. The partnering organizations recognized that none of them could individually bring about cleaner fuels and vehicles in developing countries.
- Clear, well-defined, shared goals. The PCFV has been most effective when the partners have strong consensus on a goal and the means of attaining it (e.g. eliminating lead from gasoline) and somewhat less effective when no consensus exists on the best way forward (e.g. reducing sulphur levels).
- A simple yet definitive set of governance rules and principles, agreed early on by all. The agreement should ensure the balanced representation of partners and include a process for resolving disputes and handling commercial interests.
- The establishment of a secretariat, preferably on 'neutral ground', to take the lead in organizing the partnership and implementing its activities. UNEP's diplomatic skills and its role as a neutral partnership facilitator have been invaluable to the PCFV.
- Flexibility from all the partners and willingness to seek compromise.
- Use of the 'Chatham House Rule of Confidentiality' at PCFV meetings, to enable partners to openly offer ideas and share information anonymously. For meetings conducted under this rule:
  - (a) neither the identity nor the affiliation of the speakers, nor that of any other participant at that meeting may be revealed; and



(b) it may not be divulged that the information was received at that meeting.

### Conclusions

The partnership's most notable success has been in helping countries in Sub-Saharan Africa phase out leaded gasoline by the December 2005 deadline envisaged in the 2001 'Declaration of Dakar'. Meeting the deadline has only been possible through combined efforts of the partners in the technical, political and social arenas, in conjunction with national governments.

Although the emphasis has been on Sub-Saharan Africa, the partnership has also engaged with other structures in Eastern Europe, Latin America and Asia. In December 2005 the PCFV launched a new initiative to eliminate leaded gasoline worldwide by 2008 in the 30 countries still using it.

UNEP's executive director, Klaus Töpfer, has called the PCFV 'the most successful partnership emerging from the WSSD'.

For more information on PCFV activities see [www.unep.org/pcf](http://www.unep.org/pcf)

*Lead phase-out progress in sub-Saharan Africa: per cent of unleaded gasoline available*

*Keynote speakers at the 'Dakar+2' meeting of the partnership, held in Nairobi in May, 2004*



## The IPIECA Membership

### Company Members

Amerada Hess  
BG Group  
BHP Billiton  
BP  
Chevron  
CNOOC  
ConocoPhillips  
ENI  
ExxonMobil  
Hunt Oil  
Hydro  
Kuwait Petroleum Corporation  
Mærsk Olie og Gas  
Marathon Oil  
Nexen  
NOC Libya  
Petroleum Development of Oman  
Petronas  
Petrotrin  
PTTEP  
Repsol  
Saudi Aramco  
Shell  
Statoil  
TNK-BP  
Total  
Woodside Energy

### Association Members

American Petroleum Institute (API)  
Australian Institute of Petroleum (AIP)  
Canadian Association of Petroleum Producers (CAPP)  
Canadian Petroleum Products Institute (CPPI)  
CONCAWE  
European Petroleum Industry Association (EUROPIA)  
Institut Français du Pétrole (IFP)  
International Association of Oil & Gas Producers (OGP)  
Petroleum Association of Japan (PAJ)  
Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean (ARPEL)  
South African Petroleum Industry Association (SAPIA)  
World Petroleum Congress (WPC)

The International Petroleum Industry Environmental Conservation Association (IPIECA) is comprised of oil and gas companies and associations from around the world. Founded in 1974 following the establishment of the United Nations Environment Programme (UNEP), IPIECA provides one of the industry's principal channels of communication with the United Nations. IPIECA is the single global association representing both the upstream and downstream oil and gas industry on key global environmental and social issues including: oil spill preparedness and response; global climate change; health; fuel quality; biodiversity; social responsibility and sustainability reporting.

### International Petroleum Industry Environmental Conservation Association

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