

Can the oil and gas industry become a green economy leader?

Emma Wilson, IIED

**KAZAKHSTAN GREEN
ECONOMY DIALOGUE**

24-26 November 2011, Astana

The challenge

- As a major producer and exporter of hydrocarbons, Kazakhstan needs to consider the role that fossil fuels will play in the transition to a green economy and more sustainable energy systems.
- Fossils can and should play a role in making a smooth transition, the question is *how*.
- We should be careful not to confuse this with ‘path dependence’.

Key governance issues

- **Revenue management:** wise distribution of oil and gas wealth supports transition to a green economy
- **Decisions on energy subsidies/incentives** made across the energy sector: fossil fuels, renewable energy, nuclear
- **Satisfying and regulating domestic demand** for energy services, encouraging efficient consumption
- **Energy pricing:** company profits vs consumer bills
- **Promoting efficiency** (regulation/technology investment)
- **Resource sourcing:** internalising costs of efficiency and risk management in production, processing, transportation

Typology of tools and approaches

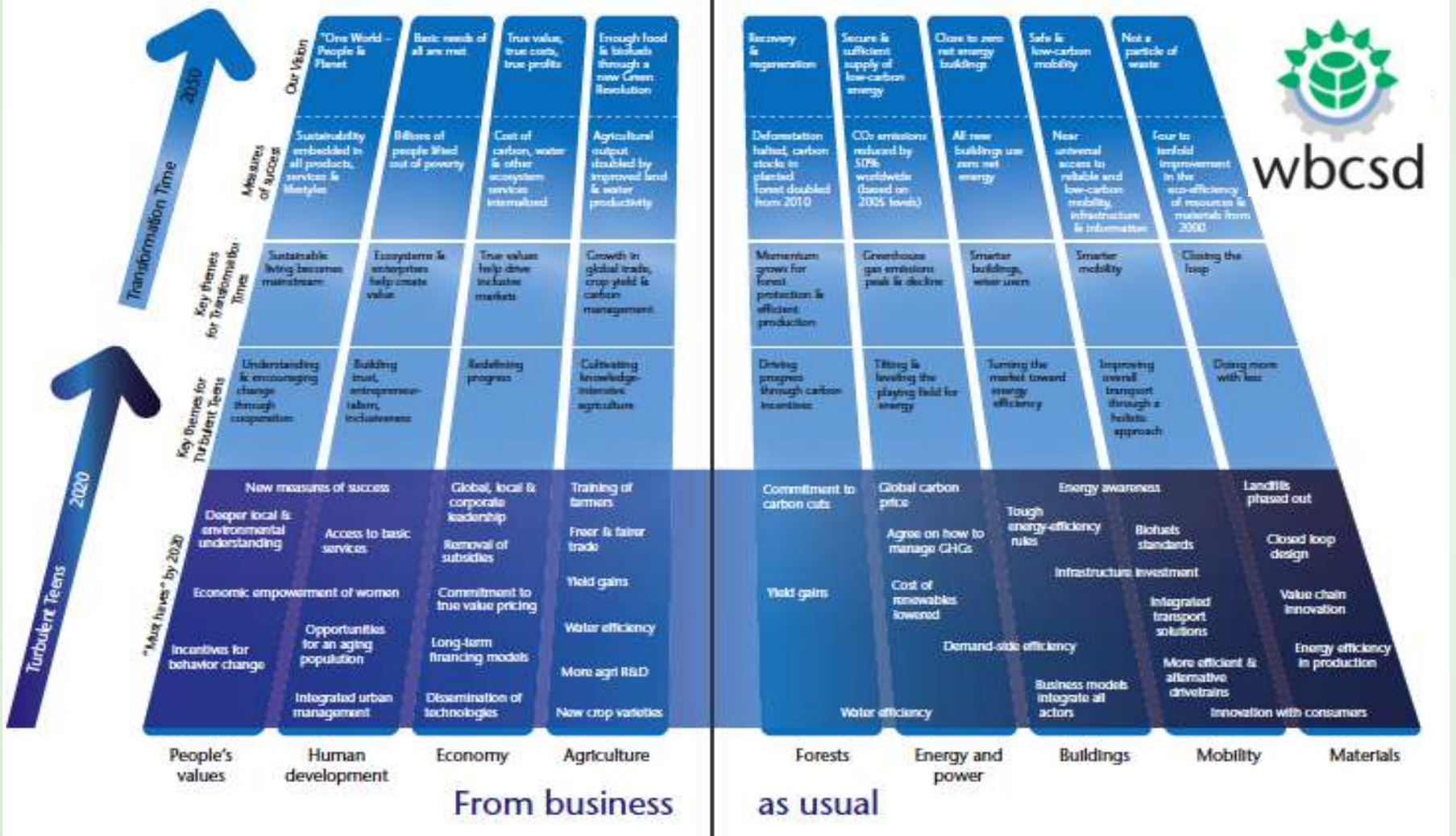
Category of tools	Examples	Barriers
Technology innovations	<ul style="list-style-type: none"> ▪ Energy efficiency technologies ▪ Carbon capture and storage 	Cost; legislative gaps; public acceptance; path dependence
Project management tools	<ul style="list-style-type: none"> ▪ Life-cycle analysis ▪ Participatory cost-benefit analysis ▪ Company systems, lender standards (e.g. EIA, Codes) 	Operational capacity; cost; methodological issues (lack of agreement)
Programmatic development planning tools	<ul style="list-style-type: none"> ▪ Strategic environmental assessment ▪ Revenue management tools ▪ Scenario planning ▪ Road maps 	Cost and lack of commitment to finance such processes; methodological and procedural challenges
Policy incentives	<ul style="list-style-type: none"> ▪ Carbon pricing ▪ Subsidy reform ▪ R&D investment planning 	Legislative gaps; lack of evidence on effectiveness; resistance to removal of fossil fuel subsidies
Transparency/accountability initiatives	<ul style="list-style-type: none"> ▪ Global initiatives (e.g. EITI) ▪ National and local budget transparency initiatives ▪ Sustainability reporting (GRI) 	Cost; buy-in from government; usefulness/appropriateness of reporting parameters

Shell scenarios

1. Scramble – policymakers pay little attention to more efficient energy use until supplies are tight. Likewise, greenhouse gas emissions are not seriously addressed until there are major climate shocks.

2. Blueprints – growing local actions begin to address the challenges of economic development, energy security and environmental pollution. A price is applied to emissions, stimulating the development of clean energy technologies and energy efficiency measures. The result is far lower carbon dioxide emissions.

To a sustainable world in 2050



Next steps?

- Identify a green economy role for business (what is the business case?)
- Use multi-stakeholder forums to build dialogue and understanding (what forums/modes of engagement are most appropriate or effective?)
- Build consensus on required policy incentives and regulations for a level playing field (what are the required policy changes?)
- Set targets, establish pathways to meet those targets, and develop appropriate measures of success (what metrics are appropriate to measure success?)