

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

**Emma Wilson, IIED**

**KAZAKHSTAN GREEN  
ECONOMY DIALOGUE**

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# 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

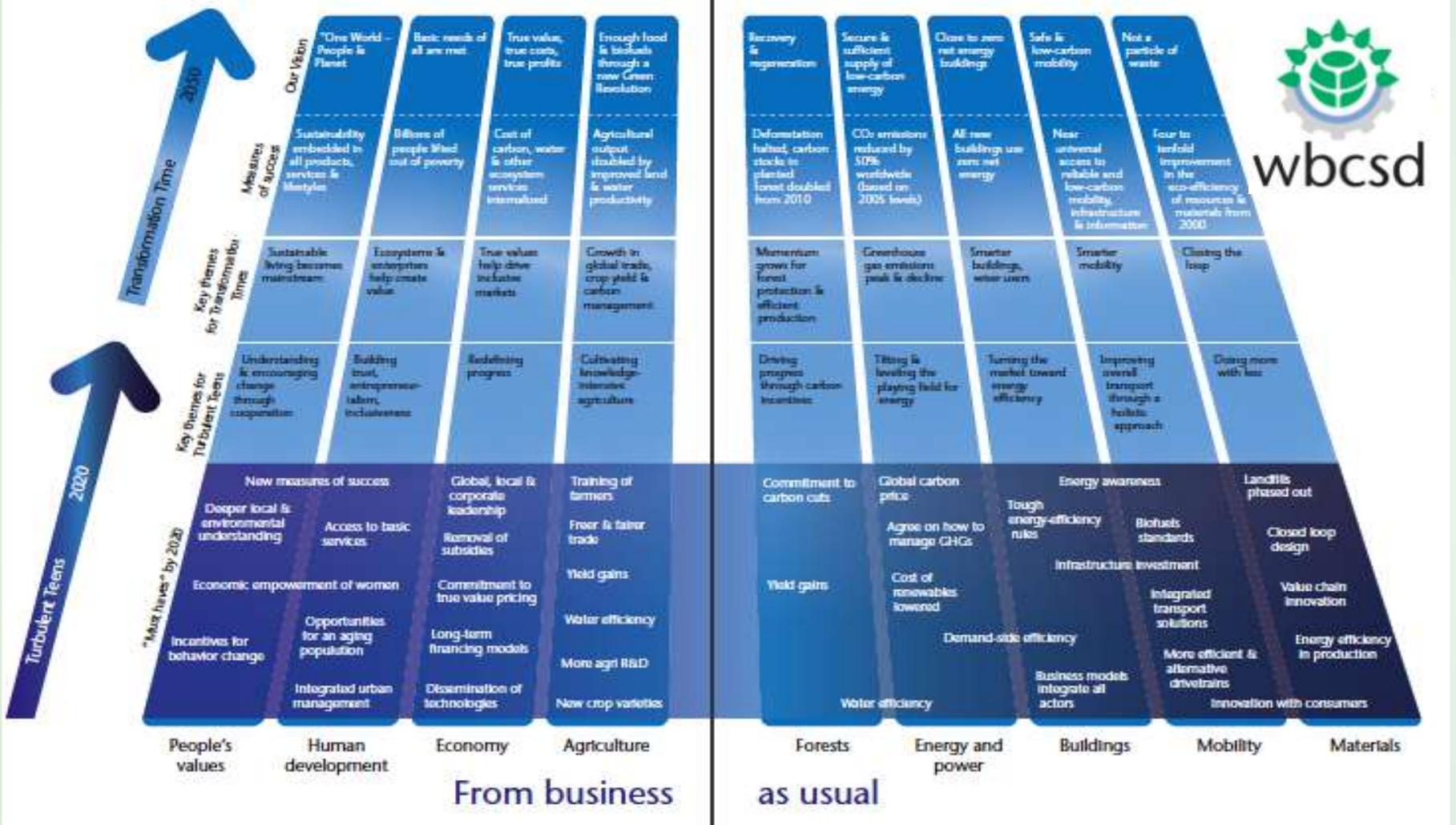
Category of tools	Examples	Barriers
<b>Technology innovations</b>	<ul style="list-style-type: none"> <li>▪ Energy efficiency technologies</li> <li>▪ Carbon capture and storage</li> </ul>	Cost; legislative gaps; public acceptance; path dependence
<b>Project management tools</b>	<ul style="list-style-type: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