Latin American State Oil Companies & Climate Change

Environment - Energy 2020-06-04 22:19:46

Washington, DC - Latin American national oil companies (NOCs) have made important advances in slashing emissions from their operations through techniques such as reducing flaring, improving energy efficiency, and injecting CO2 for enhanced oil recovery, according to a new report by the Inter-American Dialogue and the Inter-American Development Bank. Yet, progress in producing lower carbon energy sources for consumers has been sluggish, no Latin American NOC has committed to net zero emissions, and for some companies emissions are on the rise, the report finds.

Oil and gas companies can play an important role in addressing the global threat of climate change. The majority of the world's oil production and reserves lies in the hands of state-controlled entities, meaning NOCs play a crucial role in reducing emissions.

In Latin America—one of the world's top oil producing regions—NOCs are central to their respective industries and make an important economic contribution in every major oil-producing country. This report examines the emissions mitigation strategies and drivers for five major NOCs in Latin America (Petrobras, Pemex, Ecopetrol, YPF, and Petroamazonas).

Key Takeaways:

- **As state-controlled companies, the NOCs' decarbonization strategies are influenced by government priorities**. The government's position on climate change can often lead the state oil company to either step up or roll back its mitigation strategy. The considerable sway that governments hold over their NOCs has led to erratic climate mitigation strategies, and indeed some efforts to reduce emissions that were introduced under one government were later reversed by the following government.
- **A desire to improve efficiency and reduce costs generally provides the strongest impetus for climate action** among the Latin American NOCs. This suggests that climate actions that serve other profitability or operational objectives are the most likely to be implemented and the most resilient in the face of changes in government. But it is also worrying in light of the current collapse in oil prices and global economic crisis related to the coronavirus pandemic, which will force many governments to reduce or redirect expenditures.
- **Regulations that require oil companies to reduce their emissions have helped counter inconsistent government policies** by forcing continuity in operational practices. In several countries, for instance, regulations limit gas flaring or require biofuels blending, compelling NOCs to adopt these practices.
- **Many of the NOCs studied play a key role in ensuring reliability of energy supply, which also influences their climate mitigation actions**. For example, countries looking to diversify their matrix may increase natural gas production, and in some cases, expand the share of biofuels or renewables.
- **Some NOCs are also driven to pursue climate action by the international context in which they operate**, including doubts about the long term viability of the oil sector and the practices of their counterparts, especially IOCs with which they partner on oil projects.
- **NOCs appear to have faced little public pressure to decarbonize**, despite their large share of oil and gas reserves and production.

For more information, please contact Energy, Climate Change & Extractive Industries program director Lisa Viscidi at lviscidi@thedialogue.org

WHAT : Latin American State Oil Companies & Climate Change

WHEN : 2020-06-04 22:19:46

WHERE :

CONTACT:

meetings@thedialogue.org