NEWS

July 5, 2023

Carbon credits mechanisms to mobilize up to $1trn per year by 2050, ARDA, Stakeholders say

The African Refiners and Distributors Association (ARDA) and top financial experts across the world are considering options that will unlock sustainable funding for the downstream petroleum industry on the continent as tightening global financial conditions pose challenges for oil and gas projects.

The Association along with the global stakeholders, who gathered at its third annual virtual workshop on Sustainable Financing recently are aggressively pushing for billions of dollars of investment to fund existing multi-billion-dollar Downstream projects across Africa.

ARDA stated that given that the downstream segment of the oil & gas value chain contributes 33% of oil and gas emissions, urgent attempts to effectively decarbonise African Downstream sector operations via carbon abatement projects, while also incorporating Environment, Social and Governance (ESG) factors will serve to attract much-needed sustainable financing to develop the sector.

The Executive Secretary of ARDA, Anibor Kragha, speaking during the yearly workshop insisted that carbon mitigation strategies remain key for securing financing to execute long-term strategies to boost refining, value-added petrochemicals, efficient storage & distribution and LPG for Clean Cooking strategies across Africa.

Admitting that refineries play a central role in global emissions as emitters of CO2 and suppliers of fossil fuels, Kragha also stated that carbon abatement projects will provide new value creation opportunities for players in the sector such as participation in the African Carbon Markets Initiative (ACMI) that was launched during COP 27 in Egypt last year.

The ACMI aims to develop the African voluntary carbon markets and drive increase in production of African carbon credits while ensuring transparency and equitability. For example, last month sixteen (16) Saudi Arabian and international companies announced the successful auction of over 2.2 million tonnes of carbon credits at the largest-ever voluntary carbon credit auction held in Nairobi, Kenya.

Senior Manager Climate Change at Ipieca, Lorena Perez Bajo, in a presentation titled "COP 27 and Pathways to a Just Energy Transition" shared that the total investment needs for climate action on a global level will reach $2.0 to $2.8 trillion per year by 2030 and Africa is estimated to need financing of $280 billion annually per year by 2030 for investments in mitigation and adaptation based on Nationally Determined Contributions (NDCs) and $75 to $150 billion per year for infrastructure and climate investments. She also shared that Africa could follow various pathways and elements to contribute to its net-zero emissions future including just transition, alternative energy, energy efficiency, carbon offsets, flaring reduction, methane emissions, hydrogen and carbon, capture & sequestration (CCS). She ended by sharing a very apt quote from Dr. Sultan Al Jaber, the COP-28 President-Designate: "We need to reverse emissions while moving economies forward, enable an inclusive and just transition that leaves no one behind."

International Policy Director of the International Emissions Trading Association (IETA), Andrea Bonzanni shared a presentation titled: "COP 27: Implications for Project Financing in Africa" in which he shared modalities of Article 6 of the Paris Agreement which governs carbon credits mechanisms and what to expect in COP 28 (in Dubai, UAE later this year) in terms of the role for carbon credits in NDCs. Mr. Bonzanni also stated that 80% of countries globally have signalled their intention to use international market mechanisms or broad international support to meet their NDCs and over 20% of countries are actively engaged in at least one cooperative approach through bilateral agreements, MOUs or participation in pilot projects. He further stated that current work done on modelling the economics of Article 6 at the University of Maryland in the United States has identified $250 billion a year in savings by 2030 when implementing NDCs using Article 6 vs. independent implementation, an additional reduction of 5Gt CO2 equivalent per year by 2030 if savings are invested in additional mitigation activities which will mobilize up to $1 trillion a year by 2050 in international financial flows towards emission reduction and removal activities. Finally, Mr. Bonzanni shared that large buyers of carbon credits include the United States, Europe, and Canada, while large sellers presently include Russia, China, India, and Brazil but noted that it will be more beneficial for counterparties in the carbon credits markets to cooperate early and with diverse economies such as those in Africa.

Finally, the Head of Sustainability and Decarbonization at Ecopetrol, Mr. Santiago Martinez shared the Energy Transition and Decarbonization Pathways that Ecopetrol, the National Oil Company (NOC) of Colombia (88% owned by government, with 12% of stock on Colombian and New York stock exchanges) is pursuing in drive for Net-Zero Emissions by 2050. Mr. Martinez shared that Ecopetrol's 2040 Corporate strategy was launched in 2021 and one of its pillars was to grow energy transition – specifically for this to comprise 30 to 50% of its earnings (EBITDA) by 2040 and the company has made key acquisitions that have resulted in it achieving 20% of EBITDA already. As a key NOC, with 20% of Colombia's national budget earmarked for the company's operations, Ecopetrol has been tasked with pursuing the energy transition agenda while generating acceptable returns to its shareholders. Mr. Santiago shared that Ecopetrol aims to reduce its Scope 1 and 2 carbon emissions by 25% by 2030 (compared to 2019 levels) and 50% reduction in Scope 1, 2 and 3 emissions by 2050 via technology, natural climate solutions and portfolio optimization to reduce carbon footprint. For example, Mr. Martinez shared that Ecopetrol has conducted an evaluation of its asset base and identified that assets generating only 2% of value for the company are responsible for generating 20% of the emissions. Mr. Martinez also disclosed that Ecopetrol prepared its robust energy transition plan after engagements with various investor groups and financiers about five years ago and set up a clear strategy, along with KPIs, targets and governance to drive and align incentives within their company and ensure successful implementation of the energy transition plan.

Why we're holding investment summit – Ondo Govt

Security agencies in Ebonyi show capability as IPOB faction orders 'sit-at-home'

'It's crisis of humanity', UN condemns rising sexual violence in Sudan

Disclaimer

Comments expressed here do not reflect the opinions of Vanguard newspapers or any employee thereof.

0 Comments 1 **Login ▾**