International Association of Oil & Gas Producers

Meeting with the Deputy Head of Cabinet of Commissioner Lenarcic, Ms Pauwels

Introduction to IOGP (International Association of Oil & Gas Producers)

8 January 2021

Introduction to IOGP

European Membership

Our Members in Europe

AkerBP, bp, BVEG Bundesverband Erdgas, Erdöl und Geoenergie e.V., Cairn, CNOOC, Chevron, Chrysaor, ConocoPhillips, eni, equinor, ExxonMobil, Hess, Molgroup, Neptune Energy, NOGEPA, Norsk olje&gass, OMV, Oil&GasUK, olie gas danmark, PGNiG, PremierOil, Repsol, Shell, Spirit Energy, Suncor, Total, Tullow Oil plc, wintershall dea, woodside

Our Associate Members in Europe

AkerSolutions, Baker Hughes, OPITO, Schlumberger, TechnipFMC

OIL & GAS REPRESENTS

€420 bn in European government revenues[2]

equivalent to around 2.7% of EU GDP

1.1 million jobs

57% of EU Overall Energy Demand

(Oil = 33% , Gas = 24%)

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Low-Carbon Investments of oil&gas majors

IOGP Priorities

The Way Forward

Reducing our carbon footprint	Supplying cleaner energy	Developing long-term solutions
Methane mitigation Electrification of platforms Reduction of flaring Energy efficiency CO2 capture & sequestration (e.g. Sleipner)	Gas as alternative to coal Renewable energies Energy services Low carbon liquids	Large-scale Carbon Capture & Storage Hydrogen Nature-based solutions Repurposing of assets

We support the EU's objective of climate neutrality by 2050.
We call for the implementation of much-needed enabling measures to deliver on the EU climate-neutrality by 2050.

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Take an integrated, inclusive and technology neutral approach to tackling emissions in a cost-effective way

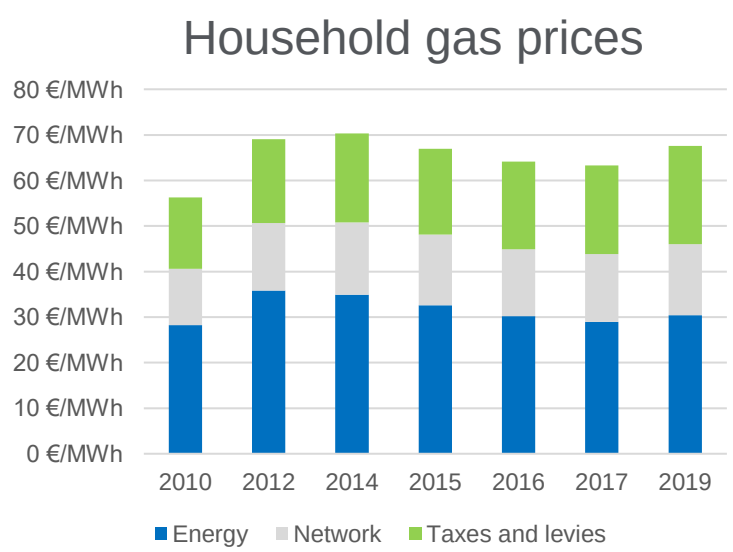
- **IOGP welcomes the EU's intention to promote synergies by linking the gas and electricity markets:**
  - **Gases** (natural gas, renewable & low-carbon hydrogen) will be **essential part** of the solution to deliver the EU's climate objectives.
  - European System Integration and Hydrogen Strategies take a holistic approach to the energy transition as they address hard-to-decarbonise sectors and recognise the **potential of decarbonisation technologies and energy carriers beyond electricity.**
- Eurelectric study, 'Decarbonisation Pathways,' states that deep decarbonisation of the economy requires 50% electrification or more, up to 60%, by 2050. This means that at least 40% of the economy will not be electrified.

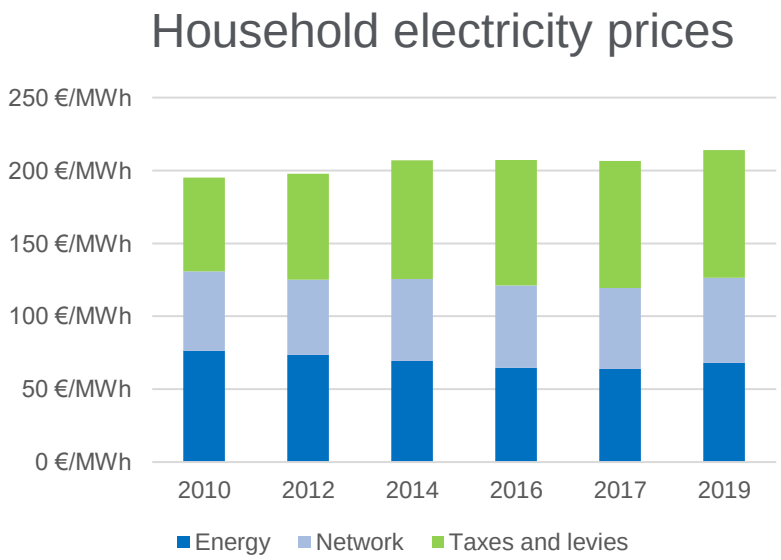
Therefore, full electrification cannot be an objective in itself, as more cost-effective emission reductions may be achieved by using low-carbon liquids and gases in hard-to-decarbonise sectors.

Natural gas as a “transition/enabling activity”

Already TODAY, Natural Gas:

- Can contribute to the energy transition through displacing coal (+ improving air quality and complement renewables)
- Is 3 times cheaper than electricity (per kWh) and therefore contributes to energy affordability, fighting against energy poverty:



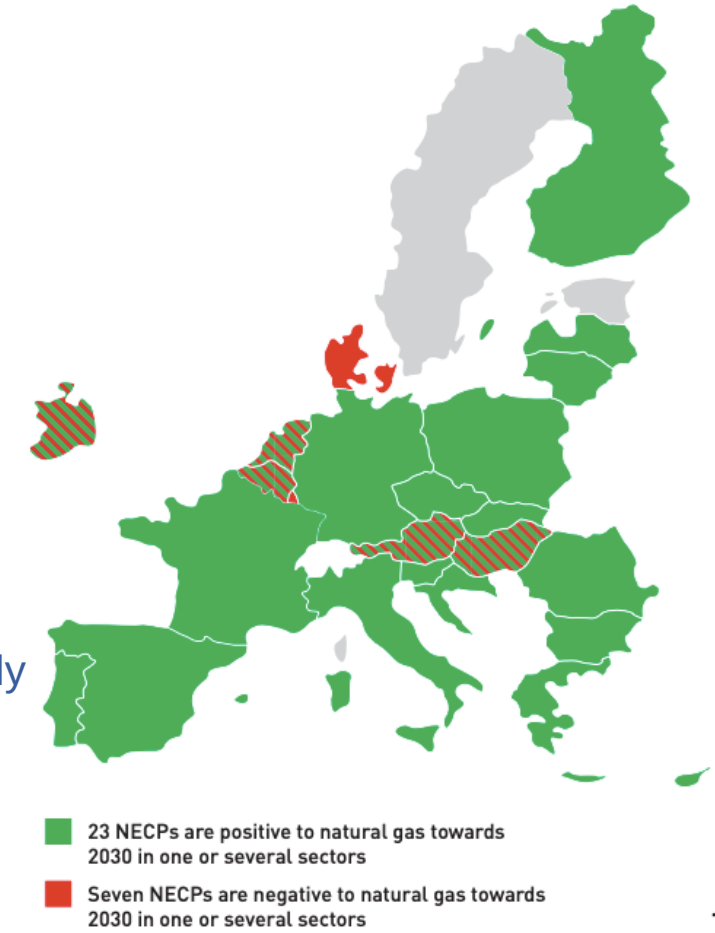


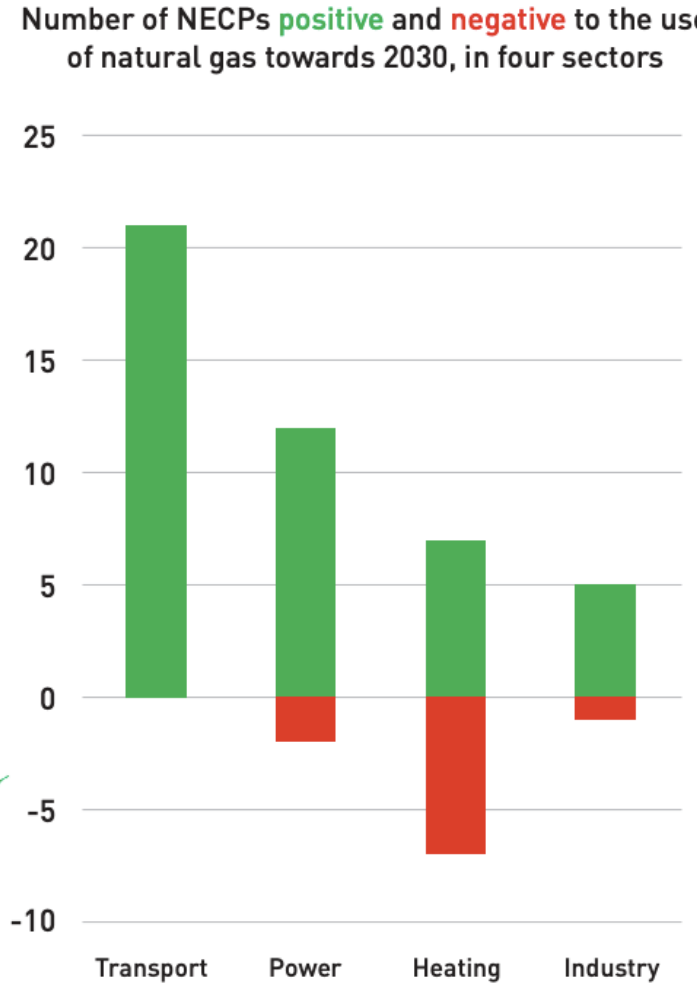
Source: Trinomics presentation July 2020, ***Study on Energy Prices, Costs and Subsidies and their Impact on Industry and Households***

Natural gas in National Energy & Climate Plans (NECPs)

23 NECPs are positive to natural gas in one or several sectors, because natural gas:

- Provides **a viable alternative fuel for transport**, reduces emissions from maritime and heavy and long-haul road transport
- Facilitates **a shift away from coal** in power generation
- Delivers **flexible power capacity** to complement a growing share of renewables
- Provides **reliable supply of heat** through the seasons
- **Reduces air pollution from heating**, used either directly or in highly efficient co-generation





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Focus on low-carbon Hydrogen & CCS

“Clean” vs. renewable and low-carbon hydrogen:

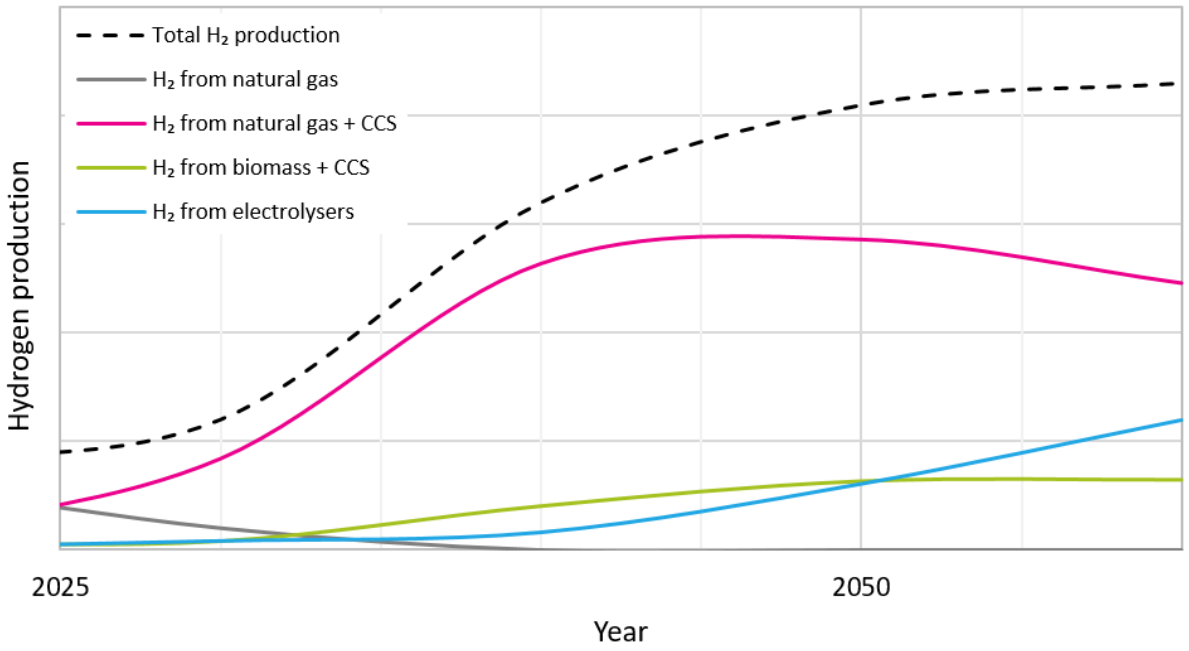
Before the EU Hydrogen Strategy was published (in parallel with the ESI Strategy), it was commonly understood that the term “clean” hydrogen refers to both renewable and low-carbon hydrogen, including hydrogen from natural gas with carbon capture, utilisation and storage (CCUS)

However, the EU Hydrogen Strategy has changed the definition of the term **“clean” so that it now only refers to renewable hydrogen and no longer covers low-carbon hydrogen.**

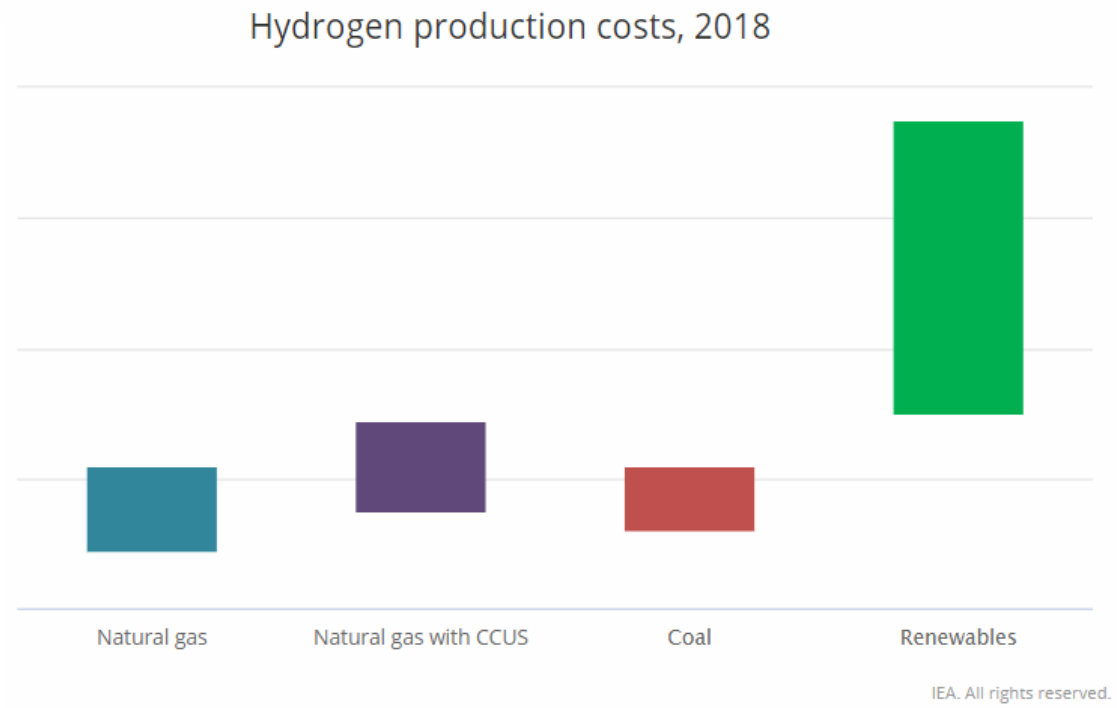
- WE STRONGLY RECOMMEND the European Commission to **use the term “renewable and low-carbon” hydrogen instead of ~~“clean”~~ hydrogen** and to consistently refer to both renewable and low-carbon hydrogen in all EU documents.
- An alternative could be to simply use hydrogen (without further qualifications) and to consistently refer to hydrogen in all Commission documents.

This will ensure that all types of hydrogen which can contribute to significant GHG emissions reductions are included.

Hydrogen production sources & costs compared



Source: IFPEN & SINTEF (2019) “Hydrogen For Europe” pre-study



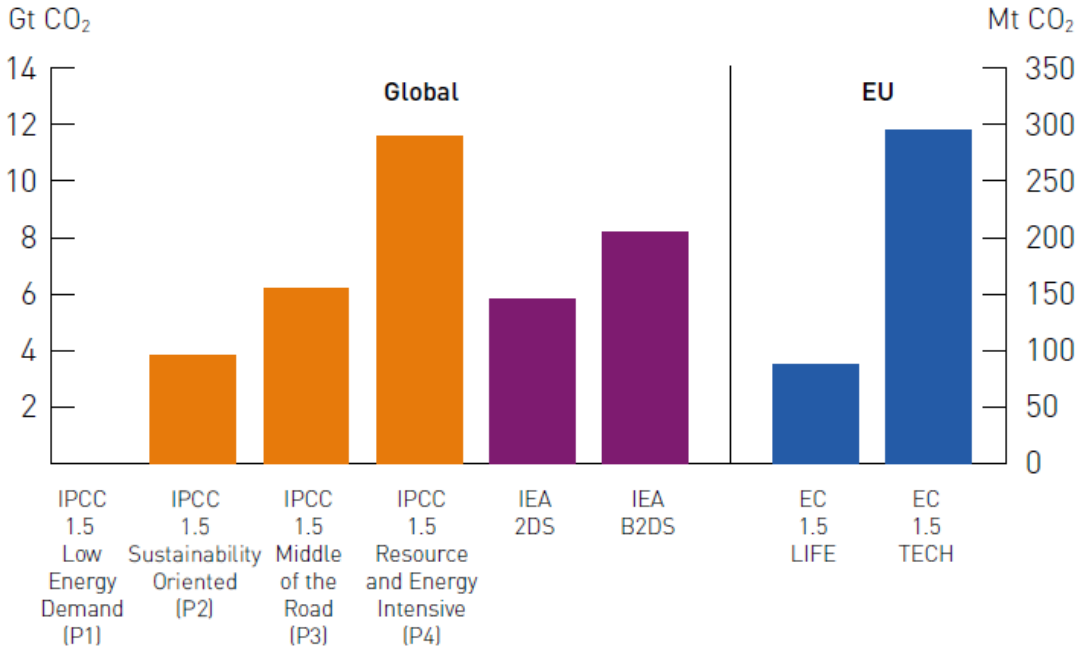
Source: IEA (2019). The Future of Hydrogen

Without CCUS, Paris goals are impossible to reach

- The IPCC, IEA and European Commission foresee an important role for CCS in meeting the Paris Agreement targets.
- Today, there are 2 large-scale CCS facilities operating in Europe, capturing & storing 1.5 Mtpa CO2.
- To be on track for 1.5°C, one CCS facility capturing 1.5 Mt CO2 would need to be added every week from now until 2050.

Window of opportunity:
- Political support, but still in expert circles
- Industry understands it's now or never

The role of CCS in global and EU 2°C and 1.5°C scenarios CO_2 stored in 2050



Source: data from IPCC (2018), IEA (2017), GCCSI (2018).

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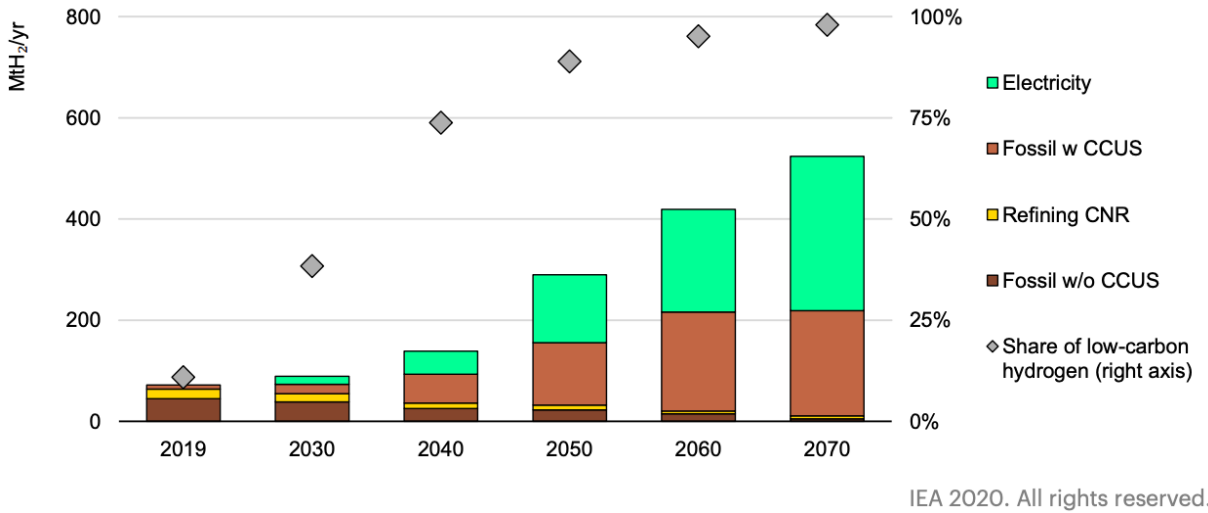
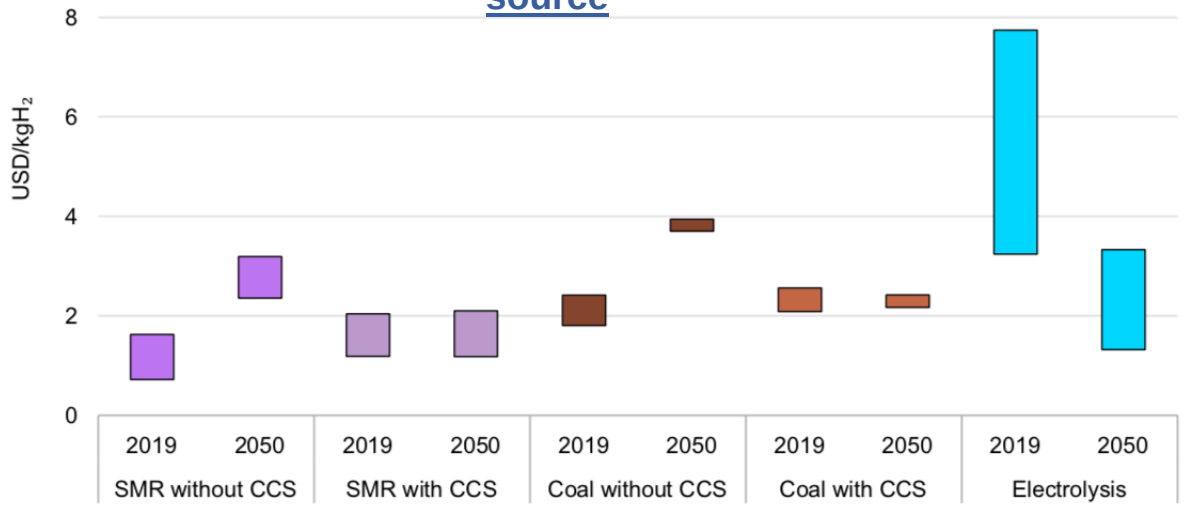
CCUS is important for scaling up hydrogen

IEA (2020): Global hydrogen production by technology in the Sustainable Development Scenario, 2019-70



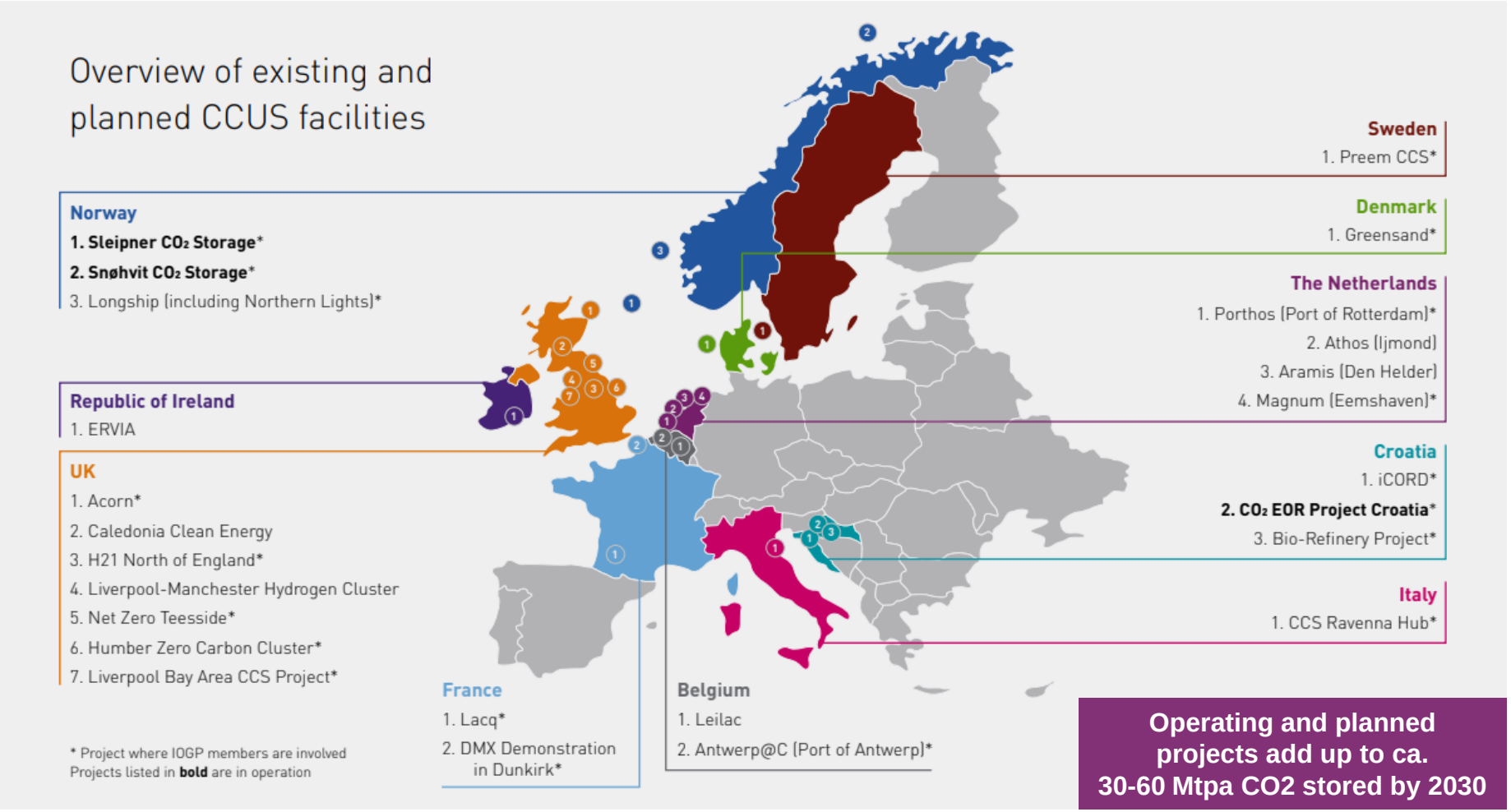
IEA (2020): Hydrogen production costs by production source



The IEA's **Sustainable Development Scenario** sees global hydrogen production of **513 Mt in 2070**. Over 50% comes from electrolysis, which will require the electricity equivalent to ca. half of today's total generation. Ca. **40% comes from fossil fuels with CCUS**, resulting in the capture of 1900 Mt CO_2. The cost-competitiveness of hydrogen will mainly depend on **the costs of gas and low-carbon electricity**.

Hydrogen from natural gas with CCUS can already be produced cost-effectively and at scale. It should be considered an integral part of the EU's hydrogen strategy.

CCUS – More than a concept, a reality



https://www.oilandgaseurope.org/wp-content/uploads/2020/06/Map-of-EU-CCS-Projects.pdf

CCUS Forum

The EU should take a leading role in the development of innovative low-carbon technologies. **With a 55% GHG reduction target for 2030, CCUS will be even more urgent.**

An annual European CCUS Forum should urgently kick off in 2021 to gather CCUS actors to discuss options for fostering CCUS projects in Europe if we want to meet the reduction targets by 2030.

A wide range of actors would benefit, including **industrial actors** (e.g. natural gas, hydrogen, biomass, steel, cement, chemicals, refining, waste) **technology and service provides in the CCUS value chain** (e.g. capture technologies, CO2 transport solutions, storage and utilisation technologies).

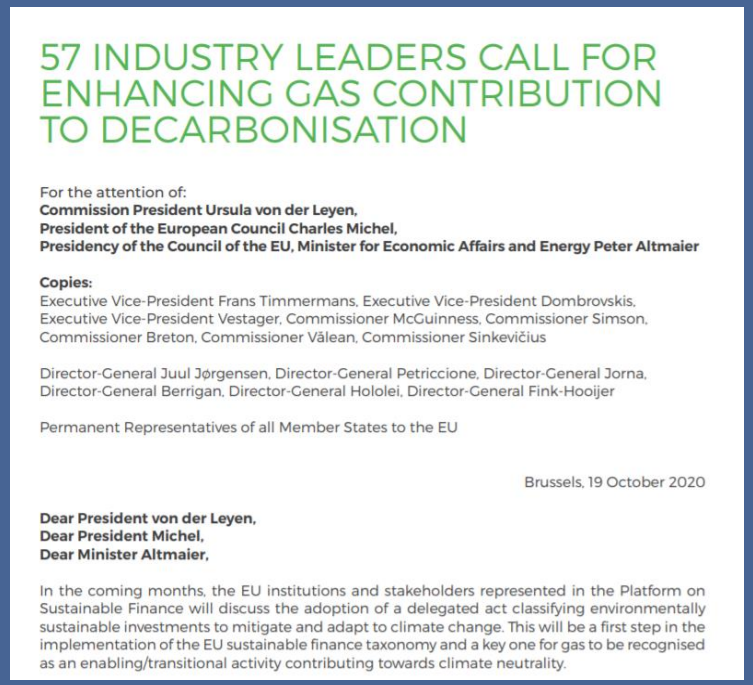
We urge the Commission to establish an annual European CCUS Forum in 2021, as enshrined in the ESI strategy, as part of the Clean Energy Industrial Forum to further study options to foster CCUS projects in Europe.

WE URGENTLY CALL ON THE ESTABLISHMENT OF THE EU CCUS FORUM to discuss how to accelerate CCUS projects in Europe.

Taxonomy

The Delegated Act should clearly define “transitional activities”

We welcome that the EU Taxonomy Regulation introduced an additional, new category of “transitional activities”, but **the TEG report doesn’t address them.**



57 INDUSTRY LEADERS CALL FOR ENHANCING GAS CONTRIBUTION TO DECARBONISATION

For the attention of:
Commission President Ursula von der Leyen,
President of the European Council Charles Michel,
Presidency of the Council of the EU, Minister for Economic Affairs and Energy Peter Altmaier

Copies:
Executive Vice-President Frans Timmermans, Executive Vice-President Dombrovskis, Executive Vice-President Vestager, Commissioner McGuinness, Commissioner Simson, Commissioner Breton, Commissioner Vălean, Commissioner Sinkevičius

Director-General Juul Jørgensen, Director-General Petriccione, Director-General Jorna, Director-General Berrigan, Director-General Hololei, Director-General Fink-Hooijer

Permanent Representatives of all Member States to the EU

Brussels, 19 October 2020

Dear President von der Leyen,
Dear President Michel,
Dear Minister Altmaier,

In the coming months, the EU institutions and stakeholders represented in the Platform on Sustainable Finance will discuss the adoption of a delegated act classifying environmentally sustainable investments to mitigate and adapt to climate change. This will be a first step in the implementation of the EU sustainable finance taxonomy and a key one for gas to be recognised as an enabling/transitional activity contributing towards climate neutrality.

https://www.oilandgaseurope.org/wp-content/uploads/2020/10/GN-draft-CEOs-letter_201016_logos.pdf

- The future Taxonomy should include: "green", enabling and transitional activities. The TEG report addresses the category "green“ (with 100gCo2e/kWh).
- **Transitional/enabling activities** with its own specific Technical Screening Criteria should be included.
- Changes to thresholds in the section on “Manufacturing of Hydrogen” should be introduced: **Direct GHG emissions from manufacturing of hydrogen no more than 5.8 tCO2e/tH2.**

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