REGIONAL ASSOCIATION OF
OIL, GAS AND BIOFUELS SECTOR COMPANIES
IN LATIN AMERICA AND THE CARIBBEAN

ARPEL upper management report on climate change

COP26

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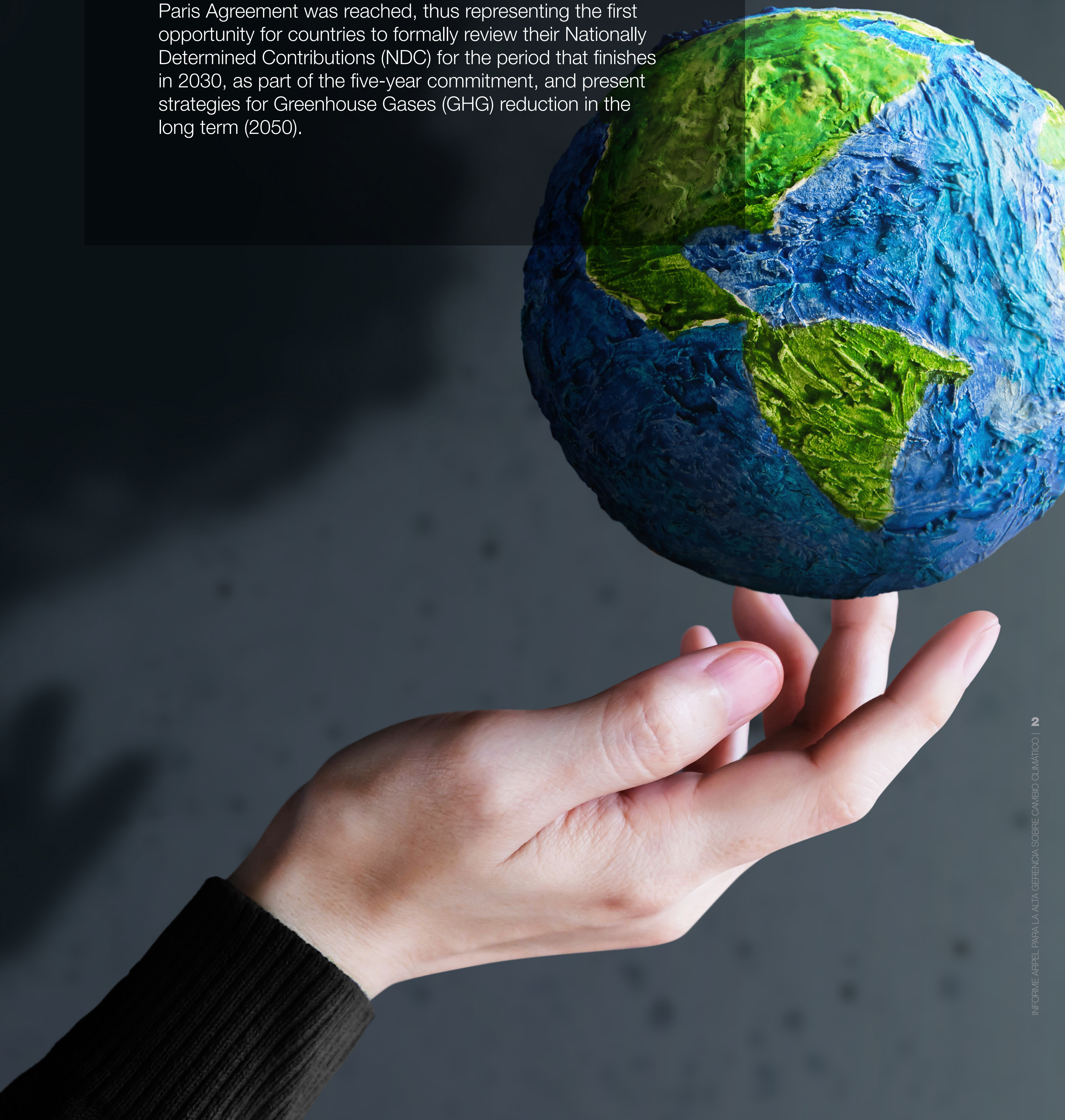
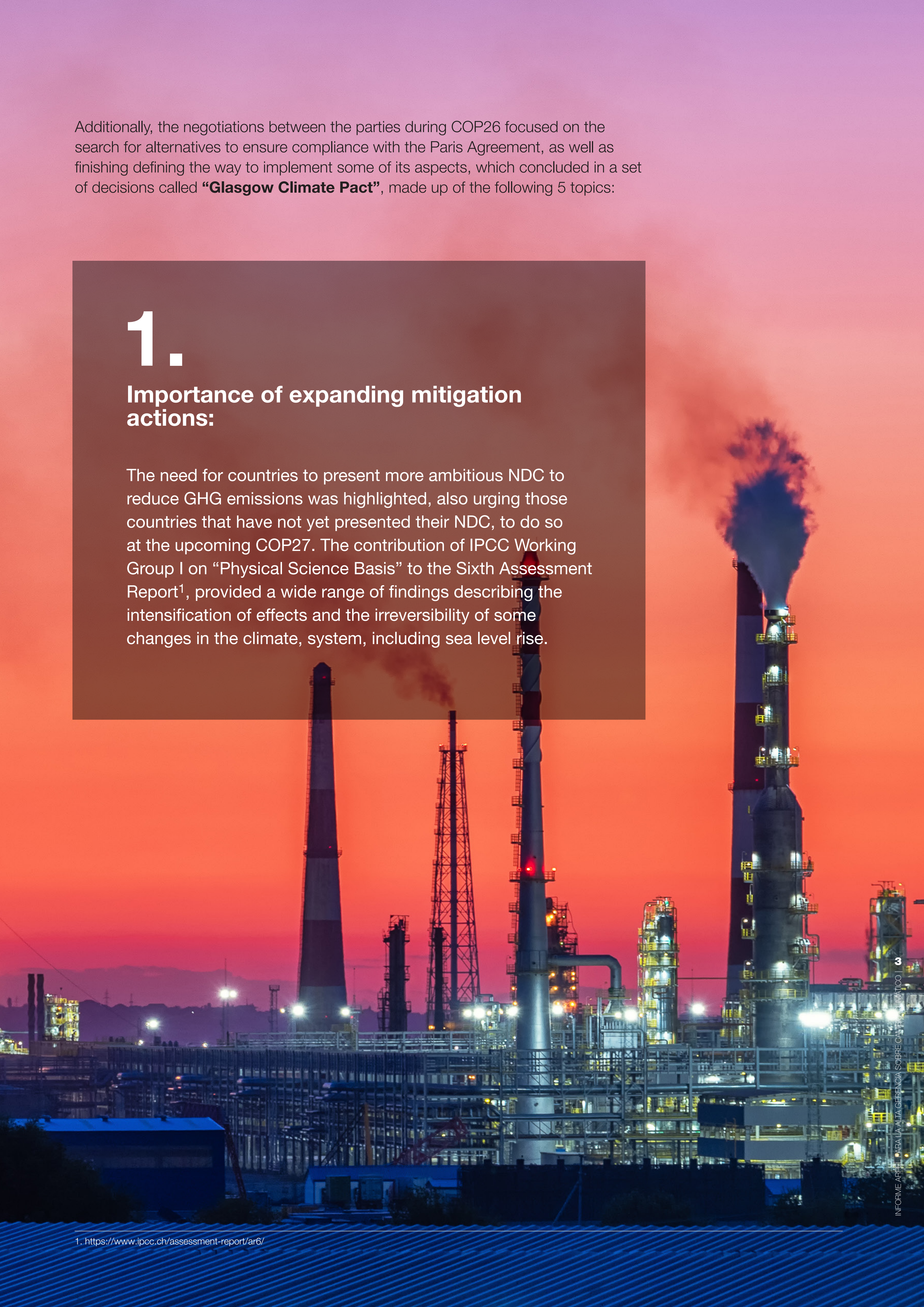
EXECUTIVE REPORTS

The 26th edition of the Conference of the Parties to the United Nations Framework Convention on Climate Change, COP26, held from October 31 to November 12, 2021, in the city of Glasgow, in the United Kingdom, convened around 50,000 participants from all over the world, in person, representing an unprecedented health challenge in the context of the current global pandemic.

This COP coincided with the completion of 5 years since the Paris Agreement was reached, thus representing the first opportunity for countries to formally review their Nationally Determined Contributions (NDC) for the period that finishes in 2030, as part of the five-year commitment, and present strategies for Greenhouse Gases (GHG) reduction in the long term (2050).





Additionally, the negotiations between the parties during COP26 focused on the search for alternatives to ensure compliance with the Paris Agreement, as well as finishing defining the way to implement some of its aspects, which concluded in a set of decisions called **“Glasgow Climate Pact”**, made up of the following 5 topics:

1.

Importance of expanding mitigation actions:

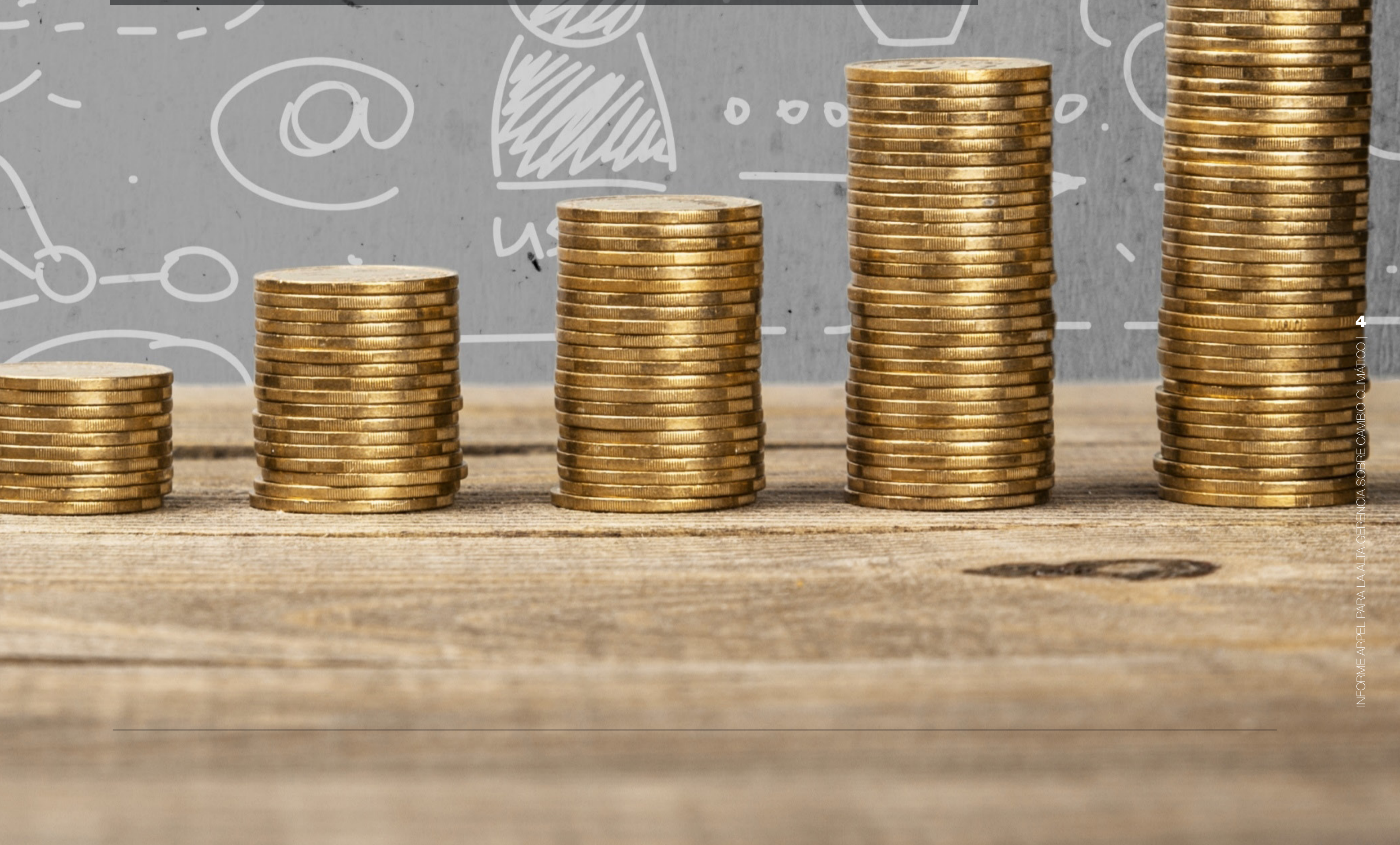
The need for countries to present more ambitious NDC to reduce GHG emissions was highlighted, also urging those countries that have not yet presented their NDC, to do so at the upcoming COP27. The contribution of IPCC Working Group I on “Physical Science Basis” to the Sixth Assessment Report[1], provided a wide range of findings describing the intensification of effects and the irreversibility of some changes in the climate, system, including sea level rise.

1. https://www.ipcc.ch/assessment-report/ar6/

2.

Insufficient long-term financing, which must be increased (for both mitigation and adaptation actions):

Deep regret was expressed that the goal of 100 billion dollars per year for financing, established by the parties to the Paris Agreement in 2015, for the period 2020-2025. In the first two years (2020-2021), a funding level of approximately 80 billion dollars (about 40 billion dollars annually) was barely reached. Financing will continue to be a contentious issue in the negotiations as 2025 approaches, when they will have to agree on a new financial target for the following years, higher than 100,000 million dollars per year.



3.

Need for collaboration and sustained resource input for the Technology Mechanism:

In 2010, to facilitate technology development and transfer to developing countries, the Conference of the Parties established the Technology Mechanism[2]. Moreover, the Convention established the Financial Mechanism[3] with the objective to provide funds to developing countries to prevent and cope with the consequences of climate change. However, no link was ever provided for these two mechanisms to formally work with each other. Glasgow recognized the need for the Technology Mechanism to have sustained resources to do its work (so far it has had a budget of just $5 million over 5 years), and a more formal link with the Financial Mechanism. This topic will be discussed again at COP 27.

2. https://unfccc.int/ttclear/support/technology-mechanism.html
3. https://unfccc.int/topics/climate-finance/the-big-picture/climate-finance-in-the-negotiations/climate-finance

4.

Definition of the implementation details of Article 6 allows for the expansion of carbon markets:

Article 6 of the Paris Agreement[4] deals with cooperative approaches, whether market-based or not, and was – until COP26 – the only article for which consensus on implementation was still pending.

a. Article 6.2: Provides for bilateral or multilateral agreements to transfer mitigation results between countries (ITMOs), as emissions reduction trading, thus allowing the growth and rapid expansion of any "emissions trading club". ITMOs may not only be on GHG emission reductions, but also other metrics, for example, deforestation in one place and afforestation in another. Likewise, any number of countries is allowed to agree on rules different from those established in this Article.

b. Article 6.4: establishes that it will be necessary to create a new United Nations body for the supervision of the new exchange mechanism, most likely based on the model of the Executive Board of the Clean Development Mechanism (CDM). The new supervisory body will have the responsibility to approve new methodologies and projects that propose to reduce emissions and support sustainable development. Projects that have already been approved under the CDM will have a two-year transition period to move to the Article 6.4 new mechanism. CDM credits issued from 2013 and later could also be transferred but must be used only in the first NDC of the corresponding country.

c. Article 6.8: Provides for the facilitation and coordination of non-market-based approaches, that is, voluntary, collaborative, and independent collective actions of markets or transactions. Such actions can be carried out by countries or other interested parties, to promote the reduction of GHG emissions with a focus on mitigation, adaptation, and innovation.

Some details still need to be negotiated at COP27 on tracking the emissions trajectories of these carbon markets and considering the special circumstances of least developed countries, although this should not stand in the way of expansion and development. growth of global carbon markets.

4. https://unfccc.int/es/process-and-meetings/the-paris-agreement/el-acuerdo-de-paris

5.

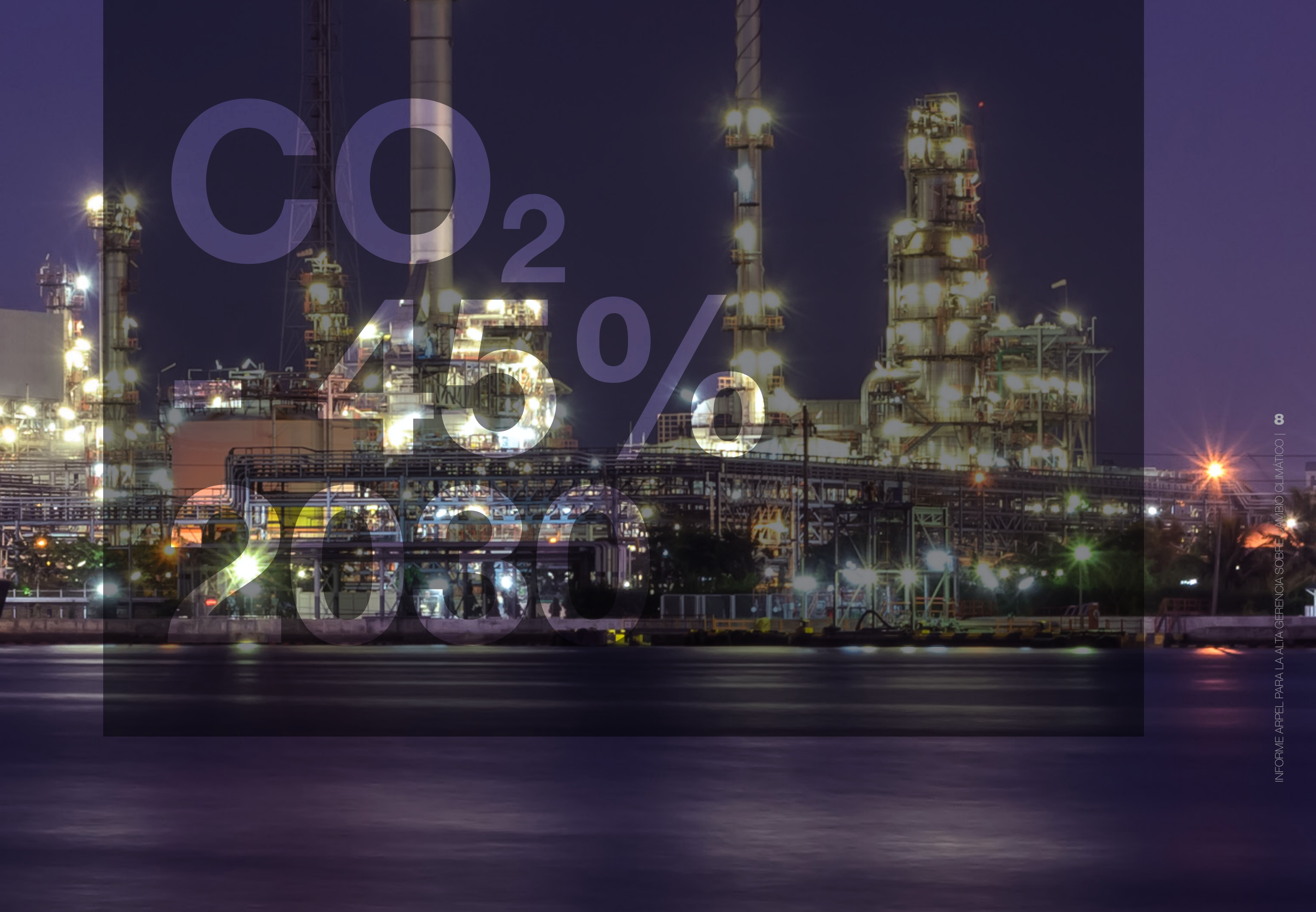
Improvements to the transparency framework for NDC:

Until now, NDC have been submitted to the United Nations without common formats or timelines, which has made it difficult to compare and consolidate them. At COP26, it was possible to agree on common reporting tables and compliance deadlines. The frequency of submitting NDC is maintained every 5 years, and the common compliance term is added in 10 years, starting from the presentation of 2030. That is, the NDC that are presented in 2030 will have a compliance term of 2040, those that are presented in 2035 will have a compliance deadline of 2045, and so on.

Conclusiones

The main conclusion of COP 26 lies in the need for nations to assume the commitment to update and review climate plans, at the latest, during this 2022 to reduce CO2 emissions by 45% by 2030.

However, the challenge is to move from commitment to action. Concrete and, above all, significant policies, and measures to achieve the objective. Our industry will play a leading role in the energy transition towards a future with net zero emissions by 2050. Apart from the improvement of energy efficiency throughout the value chain (new technologies, changes in processes, among others), we'll have to add initiatives reinforcing ("demonstrating") our commitment to the future.



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ARPEL is a non-profit association gathering oil, gas and biofuels sector companies and institutions in Latin America and the Caribbean. Founded in 1965 as a vehicle of cooperation and reciprocal assistance among sector companies, its main purpose is to actively contribute to industry integration and competitive growth, and to sustainable energy development in the region.
Its membership currently represents a high percentage of the upstream and downstream activities in Latin America and the Caribbean and includes national and international operating companies, providers of technology, goods and services for the value chain, and national and international sector institutions.

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