



METHANE TO MARKETS SUBCOMMITTEE MEETING

OIL AND GAS SECTOR

Tomsk, Russia
13 – 14 September 2005

MEETING MINUTES

Summary

Representatives from 8 countries, 7 of which are members of the Methane to Markets partnership, and several members of the Project Network attended this first Oil and Gas Industry Subcommittee meeting. During this meeting, delegates agreed on a draft action plan for presentation to the Methane to Markets Partnership Steering Committee in Buenos Aires in November of this year. They further shared country profiles and agreed on the date, location and preliminary agenda for the next Oil and Gas Subcommittee meeting.

Proceedings

A. Opening of the Meeting

Co-chairmen Aleksandr Gritsenko, member of the Russian Academy of Science, representing the Russian Federation, and Javier Bocanegra of Petróleos Mexicanos representing Mexico, opened the meeting.

B. Introductions and Brief Statement

Mr. Gritsenko welcomed everyone and asked that each country representative introduce themselves and make a short statement about their interest in the Methane to Markets Partnership. The following attendees representing their member countries made brief introductions. Meeting attendees are listed with their contact information in Appendix I.

- Aleksandr Gritsenko representing the Russian Federation
- Javier Bocanegra representing Mexico
- Michael Layer representing Canada
- Guiseppe Iorio representing Italy
- Douglas Griffen representing the United Kingdom
- Keiko Yoshikawa representing Japan (joined day 2)
- Roger Fernandez representing the United States

C. Project Network

The following attendees are part of the Methane to Markets Partnership Project Network and introduced themselves at the Subcommittee meeting as such:

- Hasan Imram, TransCanada Pipelines Limited
- Emil Peña, Generation Power
- David Picard, Clearstone Engineering Limited
- Larry Richards, Hy-Bon Engineering
- Donald Robinson, ICF Consulting
- Ulrich Sawetzki, Deutz Power Systems GmbH
- Mark Schlagenhauf, USAID
- Oleg Tailakov, Russian Federation

D. Country Profile Presentations

The following representatives gave brief Country Profile presentations (attached) for their respective country showing various aspects of the oil and gas industry in their country.

- Mr. Bocanegra of Petróleos Mexicanos presented Mexico's Country Profile
- Douglas Griffen of the Department of Trade and Industry presented the United Kingdom's Country Profile
- Roger Fernandez of the United States Environmental Protection Agency presented the United States Country Profile
- Mr. Fernandez also presented Japan's Country profile in the absence of the Japanese representative
- Mr. Gritsenko presented Russia's Country Profile
- Guiseppe Iorio of ENI presented Italy's Country Profile
- Mr. Picard presented Canada's Country Profile

E. Global Development Alliance Opportunity

Mr. Schlagenhauf presented an opportunity for USAID to partner with companies in the private sector to begin projects in developing countries. USAID is looking for partners who are willing to co-fund the projects.

F. Adoption of the Action Plan

The main item for committee deliberation was the development and adoption of the Oil and Gas Sector Action Plan, as outlined in the Charge to Subcommittees Discussion Paper and the Oil & Gas Subcommittee Draft Roles & Responsibilities. The Subcommittee agreed to review, discuss and amend the Draft Provisional Action Plan provided with the meeting information packet. Key items related to Action Plan development that were tabled for discussion at this meeting included:

- Identify methane recovery opportunities and describe available technologies and best practices,
- Identify key barriers and issues for project development,
- Conduct market assessment,
- Discuss country-specific needs, opportunities and priorities,
- Identify possible cooperative activities to increase methane recovery and use in the sector,
- Conduct outreach to Project Network members, and
- Identify project finance opportunities and mechanisms.

The following detailed notes from the committee deliberations is numbered in accordance with the Draft Provisional Action Plan, with new outline numbers shown in parentheses when provisional topics were deleted and/or new topics were added. The final oil and gas Action Plan is attached as Appendix II.

1. Identify Methane Recovery Opportunities and Describe Available Technologies and Best Practices

- 1.1 Collect and share existing studies and materials, which will help identify opportunities within the four subcategories: a) production; b) processing; c) transmission; and d) distribution.

Goals of the Action Plan and the Draft Provisional plan were outlined for section 1.1 as follows:

- Share articles on interesting case studies
- Share successful projects
- Enhance existing list of available technologies and best practices, building on those compiled by the United States
- Share other useful data (e.g., country specific emission factors and activity data)

Mr. Fernandez proposed himself as the lead for the item with a March 2006 timeline, both of which were approved by the Subcommittee. Mr. Fernandez also proposed and the Subcommittee approved addition of a new sub activity, 1.2, to be added to the action plan as follows: Identify Complementary Methane to Markets Organizations with Each Member's Jurisdiction.

- 1.2 (new) Identify Complementary Methane to Markets Organizations with Each Member's Jurisdiction.

Michael Layer, representative of Environment Canada, proposed including a website in the Methane to Markets Partnership that illustrates the subcategories within the oil and gas industry so that all partners can fully understand the background to the Partnership. Mr. Fernandez and Mr.

Layer agreed that data from the partner countries can be gathered with an initial timeline of November 2005 with a final timeline of March 2006.

The following became the goals approved by the Subcommittee for item 1.2:

- Identify each organizations' and Web sites and contact names
- Encourage each organization to join the project network

Mr. Fernandez and the Administrative Support Group (ASG) were appointed as leads for this item.

2. Identify Key Barriers and Issues for Project Development

2.1 Translate existing technical documents into appropriate languages to overcome communication barriers.

This item will be discussed further at the next Subcommittee meeting in Mexico.

2.2 (new) Assist Methane to Markets oil and gas Subcommittee members in identifying and overcoming barriers both financial and regulatory on specific project opportunities.

Mr. Fernandez expressed concern that listing all possible regulations for every country would be tedious and suggested that the team, as a group, identify specific barriers to overcome as they arise. Mr. Layer also suggested that a lack of standardized economic methodology might be a barrier. Timeline for this item was set as on-going.

2.3 (new) Project information should be disseminated in both economic and environmental terms.

The timeline for this item was set as on-going.

2.4 (new) Establish key decision makers concerning inclusion of methane in the second phase of the European emissions trading scheme from 2008 onward and other relevant flexible mechanisms such as trading schemes, Clean Development Mechanism, Joint Implementation and others.

Mr. Layer clarified that some trading schemes are taking only the value of gas while others are being double-counted with both value of the gas plus the carbon credit value. Mr. Griffen representing the UK will lead this item with assistance of Mr. Peña on the Project Network. Mr. Fernandez will recommend this to the Steering Committee for their action in Buenos Aires, Argentina in November 2005.

3. Conduct Market Assessment

3.1 Evaluate existing country profiles.

The goals for this item were approved by the Subcommittee as follows:

- Each country will share country profile with oil and natural gas companies and provide feedback to the Subcommittee to ensure the accuracy of country profiles
- Disseminate country profiles via the website

Mr. Fernandez proposed that each of the country representatives simply update their country profile frequently, and at each meeting the representative should update their specific profiles accordingly.

3.2 Each country can develop a methane inventory for each industry sector (i.e., production, transmission, distribution, processing) to communicate to companies the magnitude of the opportunities and status of reductions to date and to assess priorities.

This item has been stricken from the 2006 Action Plan.

4. Discuss Country-Specific Needs, Opportunities and Priorities

4.1 Using information from the market assessment, discuss country specific needs, opportunities and priorities. Outline priority projects or opportunities within their country and possible assistance to other Methane to Markets Partnership countries.

Mr. Fernandez commented that the Project Network can be utilized effectively if certain information is communicated thoroughly. This information should include but is not limited to prioritized lists of projects, key decision makers, amounts of gas that is available for a project and an investment scale. In addition, countries can provide information on available technologies and investment opportunities from such organizations as investment banks. Where possible, the methane emissions reduction possibilities should be defined.

Mr. Fernandez also proposed that countries like the United States and Japan can submit a list of projects they can do for other countries, while the remaining countries can each prepare a list of for their own country.

Each Subcommittee representative has the lead to present their project proposals at the next Oil and Gas Subcommittee meeting in spring, 2006.

- 4.2 Share examples of company-specific GHG inventories that identify large sources of methane emissions.

This item overlaps topic 3.2 above, and was agreed to be stricken from the action plan.

- 5. Identify Possible Cooperative Activities to Increase Methane Recovery and Use in the Sector**

- 5.1 Recruit new members to the Project Network.

This item was stricken from the 2006 Action Plan.

- 5.2 (new 5.1) Encourage associations to promote methane recovery based on technologies aimed at emissions reduction, including the Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean (ARPEL) and International Petroleum Industry Environmental Conservation Association (IPIECA).

Methane to Markets will continue to make presentations at international conferences to promote methane emissions reductions by promoting higher technology to reduce emissions to the atmosphere.

The timeline for this item is on-going and this item has been further divided into sub activities as follows:

- 5.1.a ARPEL.

This item has a timeline of November 2005 and Mr. Fernandez will be the lead.

- 5.1.b Offshore Technology Conference.

Mr. Peña commented that one of the biggest gatherings of offshore industries is Offshore Technology Conference (OTC), which will meet again in Houston, Texas in May 2006. The timeline is the same as the date for the Offshore Technology Conference and Mr. Fernandez will be the lead.

- 5.1.c Administrative Support Group (ASG) will provide a stock presentation on Methane to Markets on the Web site.

The timeline for this item will be December 2005 and the lead will be Erin Birgfeld, representative of the Methane to Markets Partnership ASG.

5.3 (new 5.2) Develop international data base on emission factors and activity factors.

Mr. Richards proposed to provide linkages with efforts with Mr. Fernandez to determine if the AP-42 source should be included in IPCC 2006 guidelines. The Subcommittee must have existing links by November 2005. Mr. Richards and Mr. Picard will lead this item.

6. Conduct Outreach to Project Network Members

6.1 Add documents and relevant links to the Methane to Markets website.

This item was agreed to be stricken from the 2006 Action Plan.

6.2 (new 6.1) Sponsor workshops and conferences on methane emissions reduction in the oil and gas sector.

The Subcommittee is suggested to include the emissions profile of the oil and gas industry, sources and relative magnitudes against which reductions can be cast.

Mr. Fernandez proposed having another Subcommittee meeting before the Buenos Aires, Argentina Conference in November, 2005. Other meetings will be scheduled for 2006.

6.3 (new 6.2) Promote Project Network to companies and industry associations.

This item is covered under item 1.1, but will be repeated here.

6.4 (new 6.3) Promote Methane to Markets project proposal mechanism.

This item is covered under item 4.1, but will be repeated here.

6.5 (new 6.4) Track projects and activities facilitated by the Methane to Markets Partnership.

The timeline for this item is annually and Mr. Fernandez will be the lead.

6.6 (new 6.5) Disseminate information on financing mechanisms to companies.

This item will be addressed in November 2005 at the Buenos Aires, Argentina meeting.

6.7 (new 6.6) Develop brochure on company specific benefits to methane reductions.

Year 2006 action under this item is covered under item 6.10 below.

6.8 (new 6.7) Encourage companies to publish successful projects and lessons learned in international journals.

The Subcommittee moved to have this item be on-going. Once projects are identified the Subcommittee will work to get the findings into publication. Mr. Fernandez will accept lead on tracking this item.

6.8 (new) Request that the Steering Committee create company/country Methane to Markets recognition program.

This item will be taken up in November 2005 in a Subcommittee meeting prior to the Buenos Aires, Argentina meeting. All Subcommittee members have action.

6.9 (new) Request that the Steering Committee create a long-term public relations effort, including the generation of a major article for publication in, for example, Wall Street Journal, on a yearly basis.

This item will be taken up in November 2005 at the Buenos Aires, Argentina meeting.

6.10 (new) Write a Methane to Markets Oil and Gas Journal article for publication in major oil and gas journals.

The Subcommittee has proposed an outline to be prepared for November 2005 and the article to be ready for print in spring 2006. Mr. Fernandez will be the lead on this item.

6.11 (new) Each individual country representative is responsible for disseminating information on oil and gas industry personnel and reporting successes in this area on an annual basis.

This item will be discussed further at the spring Oil and Gas Subcommittee meeting in 2006.

6.12 (new) Oil and gas sector web-based tool development that will serve as a resource for project network members, citizenry, financiers, etc. on various topics. This tool will be designed in a manner that is easily updated.

Mr. Fernandez accepted Mr. Layer's proposal to lead this item and the timeline for the Web Content Proposal is the Buenos Aires, Argentina meeting in November 2005.

7. Identify Project Finance Opportunities and Mechanisms

7.1 Provide information and guidance to help overcome financial barriers, for example:

- Provide information on financing mechanisms
- Identify criteria financiers use to approve a project
- Develop project development templates for investors and stakeholders
- Engage financial sector through project network (All)
- Prepare brief background paper on project financing opportunities

Mr. Fernandez proposed that this item be discussed further at the Buenos Aires, Argentina meeting in November 2005.

The revised Action Plan was approved by the Subcommittee members present after discussing the items listed above.

G. Proposed Agenda for Buenos Aires, Argentina Meeting

Mr. Fernandez commented that the remaining finance issues will be discussed at the Buenos Aires meeting. In the agenda under 10 A.M. timeslot, the Subcommittee will review the entire action plan that has been approved. There are specific points that will be necessary to reevaluate, including: 5.2, 6.5, 6.8, 6.9, 6.10, and 6.12. While the Subcommittee will discuss many topics in the action plan, these are the more specific items that have been chosen to be the focus during the Buenos Aires meeting. Note that the Subcommittee will discuss 7.1 during this meeting because the Methane to Markets Partnership finance meeting will be held prior to the Buenos Aires meeting.

The Subcommittee approved the Proposed Agenda for the Buenos Aires meeting after the discussion of the items listed above.

H. Bogotá, Colombia Agenda

Mr. Fernandez announced that the Bogotá, Colombia Conference will be a technical conference and all are invited. This conference will be sponsored by BP and Occidental Petroleum. Mr. Fernandez also added that a United States Ambassador will be the United States representative for the conference. The Colombian Ministers of Energy and the Colombian Ministers of the Environment will be attending. The Colombia agendas will be posted on the Natural Gas STAR website. Furthermore, the conference will have over 120 attendees registered with simultaneous translations into English and Spanish.

I. Proposed Location for Next Subcommittee Meeting

Mr. Bocanegra offered to host the next Subcommittee meeting in Mexico at a location to be determined later, possibly Mexico City. The meeting would begin on Wednesday April 26 to avoid overlap with the OTC conference in Houston, Texas, USA. The meeting will be planned as follows: one day for the Subcommittee meeting; one day for any excursions; and one day and a half for the technical conference. This proposal was accepted by the Subcommittee members present.