



UNCTAD XIII

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

DOHA - QATAR 21-26 APRIL 2012



SPECIAL EVENT

NATURAL GAS AS AN ENGINE OF GROWTH

23 APRIL 2012, 2 p.m.-6 p.m.

BACKGROUND

The sustainable access to affordable energy is essential for the functioning of modern economies. However, the distribution of energy supplies among countries is uneven, prompting increased competition over different energy sources. Fossil fuels account for approximately 83 per cent of global energy consumption; however, in the future, their contribution to the global energy mix will depend on policies designed to mitigate climate change, enhance energy security and address energy poverty.

Natural gas is one of the most widely utilized fossil fuels because of its environmental characteristics: (a) low carbon dioxide emission (half as much carbon dioxide emitted in natural gas than in coal when burned); (b) efficiency in power production; (c) growing demand from the industrial sector; and (d) a wide geographical distribution of reserves across regions. As such, natural gas is widely considered as the fuel of choice both from an environmental and economic point of view. For many developing countries, natural gas also offers opportunities for industrial development which could launch their economies on a sustained growth path of rising income and poverty reduction. Ensuring sustainable and reliable supply of gas to many developing countries remains a major constraint.

The Special Unit on Commodities special event on Natural Gas as an Engine of Growth represents a timely contribution to the global initiative Sustainable Energy for All.

Increasing demand for fossil fuels – such as coal, crude oil and its derivatives for industry, transportation and households, among others – has raised concerns about rising carbon dioxide emissions and climate change effects. As these concerns continue to grow, several measures – including emissions capping, carbon taxation, and cleaner sources of commercial energy – have been introduced to reduce negative environmental impacts. In this context, natural gas has gained attraction as a fuel of choice due to its relatively low green house emissions, efficiency and versatility, abundant reserves and good geographical distribution. However, in the long term, stringent emissions measures could limit the pre-eminence of natural gas if new carbon capture and storage technologies are not developed to enhance competitiveness with renewable energy sources.

Many developing countries have untapped gas reserves in large and small volumes and some still flare gas associated with crude oil production resulting in adverse environmental effects. Monetizing these resources has become an important and fast growing market for the following reasons: (a) there is a surge in demand for fuels emitting lower greenhouse gases for example in power generation and buildings; (b) value added products such as Liquefied Petroleum Gas (LPG) generated from gas processing, or liquid fuels manufactured using Gas to Liquids technology (GTL) respond to the growing needs for energy security; (c) improvements in the transport of Liquefied Natural Gas (LNG) have created export opportunities for developing countries where natural gas is found but is underdeveloped or is being flared; and (d) policies to reduce global greenhouse gas emissions are hastening the substitution of inefficient and polluting energy sources with environmentally superior fuels.

For oil and gas export-dependent developing countries, one of the major challenges has been the weak ability to retain a large share of the value of the crude oil and gas in their local economy. The main reason for this is weak backward and forward linkages. This is evident in the low levels of employment opportunities created by the industry as a result of poor access to technology on the part of local entrepreneurs, a lack of appropriate skills and a paucity of local suppliers to the industry. Opportunities for value addition to crude oil and gas through refining processes and petrochemical industries are also missed for similar reasons, as well as because of high capital requirements. In this respect, efforts are being made to develop local content policies within the oil and gas value chain as well as policies that contribute to boosting economic diversification beyond the sector.

The 1 billion urban poor worldwide rely on biomass for cooking and heating. This has resulted in continue environmental degradation and deforestation of peri-urban areas. As they cannot afford the high cost of domestic gas appliances, some governments have opted to subsidize gas appliances, but the reliability of gas supply has very often become a major obstacle. However, examples of good practices exist where, through an enabling policy, the urban poor have sustainable access to natural gas for his/her energy needs.

PURPOSE

The main purpose of the special event is to examine the opportunities, challenges and global prospects for trade, development and value addition in natural gas. Participants will share knowledge and experience which will contribute to facilitating growth in the natural gas sector and the development of appropriate policy responses. The special event is expected to (a) raise awareness on value addition activities for export and in the domestic economy; and (b) increase cooperation to stimulate the widespread use of natural gas in developing countries – Sustainable Energy for All.

Uniquely, the special event will also build on the outcome of the fifteenth African Oil, Gas and Minerals, Trade and Finance Conference (an UNCTAD XIII pre-Conference event), which has as central theme value creation and retention in extractive industries. This event is co-organized with the Government of Congo and the Association of Petroleum Producers in Africa and is scheduled to take place from 2 to 6 April 2012 in Brazzaville, Congo.

OUTCOME

The main deliverable of the special event is a compendium of good practices on Value Retention in Extractive Industries. Data collected for the compendium on the mineral value chain is expected to feed relevant natural resource information database. The compendium will both contribute to and reflect UNCTAD's research and policy analyses and technical assistance advice on the management, trade and economic development of the oil and gas sector. It is anticipated that the compendium will contribute to a better understanding of the policy options that are best suited to maximizing the benefits to commodity-dependent developing countries (CDDC) along the entire value chain.

ORGANIZATION

This half-day event will be structured in two sessions. The first session will highlight the challenges facing those developing countries dependent on oil and gas exports (i.e. avoiding resource curse, adding value through processing, and creating related jobs in the local economy). The second session will debate the appropriate policy measures for reducing energy poverty by improving access to natural gas and enhancing the framework for value addition and retention in local economies.

The first session will be preceded by the launch of the UNCTAD Commodity Development Report (UCDR) 2012 for about 30 minutes.

AGENDA

- 2 p.m. – 3 p.m.** Launching of the UNCTAD Commodity Development Report 2012
Presented by Mr. Samuel Gayi, Head Special Unit on Commodities, UNCTAD
Comments: Mr. Supachai Panitchpakdi, Secretary-General, UNCTAD
- 3 p.m. – 4.30 p.m.** Challenges facing those developing countries dependent on oil and gas exports
Chair: Hon. Pierre Moussa, Senior Minister of Planning, Congo
Four eminent practitioners and policymakers will discuss ways to address some of the key challenges faced by mineral-dependent countries, such as avoiding resource curse, adding value through processing, and creating related jobs in the local economy.
- 4.30 p.m. – 6 p.m.** Policy measures for reducing energy poverty
Chair: H.E. Mr. Mohammed bin Saleh Al Sada, Minister of Energy and Industry, Qatar
Four policymakers will highlight ways to reduce energy poverty by improving access to natural gas and enhancing the framework for value addition and retention in local economies.
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DOCUMENTS

- Extractive Industries: Optimizing value retention in host countries. Background publication for the fifteenth African Oil, Gas and Minerals, Trade and Finance Conference (OILGASMINE) UNCTAD XIII pre-Conference event to be held in Congo as well as for the Special Event on Commodities in Doha
- Commodities at a glance No. 3 December 2011- January 2012: Special issue on energy
- The State of Commodity Dependence 2012
- UNCTAD Commodities and Development Report: Perennial problems, new challenges and evolving perspectives
- Special Unit on Commodities Brochure
- The Iron Ore Market 2011
- World Investment Report 2007: Transnational corporations, extractive industries and development

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