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Trump Sword Of Damocles Hangs Over Global Climate Action

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The mood at last week's global climate conference in Marrakesh was generally upbeat, surprisingly so given that it coincided with the election of sometime climate denier Donald Trump as head of the world's number two polluter. Oil and gas firms, including US ones, increasingly see themselves as part of the solution.

Almost a year after the historic Paris climate change agreement inked at the UN's 21st climate Conference of the Parties (COP 21), its follow-up COP 22 held from 7-18 November in Marrakesh was expected to be more down to earth.

The summit had the more complicated task of ironing out the implementation rules of the Paris agreement whilst ensuring that its high-level political vision remains unscathed, amid growing doubts over future US engagement after the election of climate-skeptic Donald Trump.

RATIFICATION: STEADY PROGRESS

Yet, as the Paris agreement came into force on 4 November, its ratification by a growing number of parties showed that international commitment to addressing climate change remains in place. A total of 113 parties (compared to 96 before COP 22 started) have now ratified the pact to limit global warming to less than 2°C above pre-industrial levels by the end of the century, effectively agreeing to phase-out fossil fuels.

Even if it will take years (and several COPs) before the scale of CO_2 cut pledges becomes evident, ratification effectively means that countries agree to turn their Intended Nationally Determined Contributions (INDCs) submitted before COP 21 into binding commitments.

In addition, the signing in October of the first global climate deal for aviation something previous UN agreements in Paris and Kyoto had failed to achieve was another positive step.

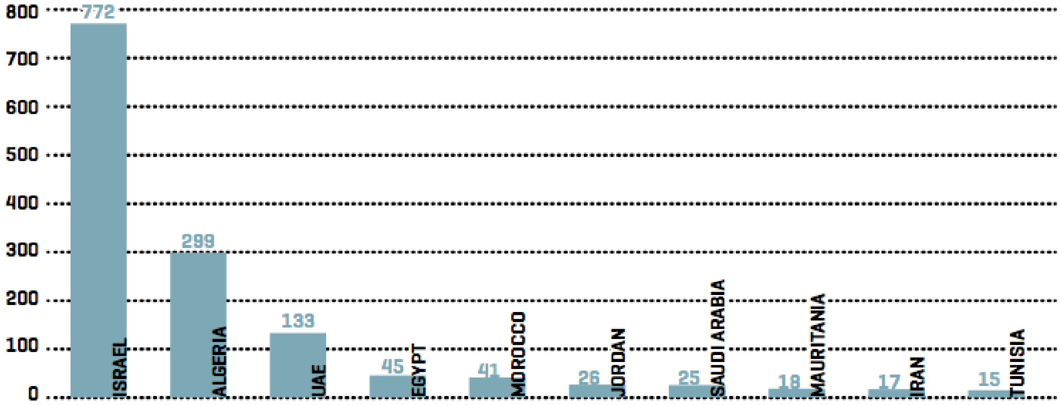
This was followed early last month by a decision from the International Maritime Organization to bring forward to 2020 the introduction of a slashing to 0.5% the permissible sulfur level in fuel used by the global shipping industry (**MEES, 4 November**). Aviation and bunker fuel, whose consumption typically traverses international boundaries, had been two massive exceptions to attempts to tighten environmental regulations on transport fuels.

Then came another global deal last month in Kigali, Rwanda to phase out the use of hydrofluorocarbons (HFCs) in chemicals for air conditioners and refrigerators. This could help avoid as much as 0.5°C of future global warming.

COP 22 was expected to build on these developments to lay the foundation of the Paris agreement rules, covering a range of key aspects that need clarifying. Among others, these include mechanisms for monitoring cuts in emissions of greenhouse gasses in a transparent manner, and supporting developing countries by delivering finance, technology and building capacity to help them adapt to and mitigate the effects of climate change.

"I would say the Marrakesh conference did a good job. There is now a clear deadline [in 2018] for finalizing work on the Paris Agreement rulebook," Mari Luomi, senior research fellow from the Emirates Diplomatic Academy says. Technical negotiations progressed during the event on all issues under the working group mandated to implement the Paris Agreement rulebook, she adds. These include measures to mitigate and adapt to climate change. Other bodies under the Convention were involved in supporting the task, which includes agreeing on accounting rules for climate finance intended for developing countries.

MENA'S SOLAR LEADERS: TOP 10 FOR INSTALLED CAPACITY (MW, END-15)



SOURCE: IRENA.

'NOT CLIMATE-DRIVEN PER SE'

So far six nations in the Mena region have ratified the Paris agreement: Algeria, Israel, Morocco, Palestine, Saudi Arabia and the UAE. With the exception of Saudi Arabia (and Palestine which has a better excuse), these are not surprisingly the countries that are furthest down the road to introducing solar and other renewable power capacity (see chart and p10).

As is the case for most developing countries, the content of initial INDCs remain broadly unchanged, consisting more of long-term aspirations than real concrete plans.

As many countries in the region continue to grapple with multiple immediate challenges – socio-economic, demographic, security, and geopolitical to name a few – the lack of specific language is more a compromise, while still signaling some degree of political will.

In the richer, oil-based GCC economies, commitment to the means by which carbon will be driven down remain conditional, as economic diversification and reforms are greater priorities in times of increased budget constraints due to the oil price collapse.

"It is difficult when your economy is based on carbon-intensive industries. In the GCC there are factors other than greenhouse gas emissions that are driving ongoing energy pricing reforms and growth in the deployment of renewables. These include the need to improve fiscal balances and the rapidly falling cost of renewables, rather than climate-driven policy per se," Dr Steven Griffiths, Vice President for Research at Abu Dhabi's Masdar Institute says. "This is not a bad thing, but it makes reduction in carbon emissions an indirect benefit of actions targeting other priorities.

Under the Paris deal, most countries have until 2020 to raise the ambition of their INDCs – some are pushing to make this happen by 2018. But a lot of will depend on progress made in multilateral talks, especially as some grey areas persist on a number of technical issues. Finance is one of them. "There is still great frustration among developing countries on the lack of proper assurances and proof that developed countries will deliver on their $100bn per year by 2020 finance pledge. This continues to directly and indirectly hinder discussions on many fronts," Ms Luomi says.

For these reasons, and at this stage of the process, it is considered crucial that the spirit of Paris is kept alive, by ensuring governments stay engaged in the agenda. This suddenly felt more urgent with the election of Donald Trump as US president on the second day of COP 22, clearly testing the momentum behind the entire process.

His election had little impact on technical talks on the ground, but still caused leading figures such as UN Secretary-General Ban Ki-moon to reiterate countries' national interest in supporting the Paris agreement. US Secretary of State John Kerry reaffirmed his country's commitment to climate change policy. But clearly his words carry considerably less weight than they once did.

A great deal of uncertainty lies ahead as Mr Trump has only sparsely communicated his future policy plans and what he has said has often been contradictory.

During his campaign, Mr Trump threatened to withdraw from the Paris deal and reverse the progress that President

Obama had made on enacting regulations to tackle climate change and other environmental issues such as the Clean Power Act. Calling climate change a "hoax invented by the Chinese," Mr Trump has pledged to resurrect the US coal industry that had suffered from increased competition from less polluting shale gas (**MEES, 18 November**).

The US would need to follow a formal process to pull out of the Paris agreement; this would take up to four years including one year's notice. But in the meantime, the US could decide to disengage from talks while canceling climate ambitions at home, isolating it from UN multilateral platform as well as hampering global climate efforts.

A Trump administration will likely, so far as its policies can be guessed, want to cut taxes to support the oil, gas and coal industries. But the risks for the US are not just political.

Aside from regulatory and political (non-)measures, the Trump administration will have to take into account new economic realities. But how effective this can be remains to be seen, due to external factors on global oil and wider energy markets – let alone the fact that the transition to lower carbon technologies and economies is already gathering pace.

US: TRUMP FACES BLOWBACK FROM WIND INDUSTRY

"The shale gas phenomenon has resulted in very competitive natural gas, a trend that is unlikely to be reversed by policy," Tim Boersma from the Columbia University's Center on Global Energy Policy says. "In addition, there are some very ambitious policies for growing renewable portfolios in place in states like California and New York, and the majority of existing wind capacity is actually in Republican states, like Texas, Oklahoma, and Iowa. Existing trends of increased natural gas and renewables growth and decline of coal will most likely not change because of Trump's election, though it is true that without a federal push, these trends can be slowed down significantly," he adds.

And commitments from top emitter China seem irreversible now that it has ratified the Paris deal and reiterated plans to phase out coal from its power mix in its 13th five –year plan.

TRUMP: THOSE CLIMATE CHANGE POSITIONS IN FULL

Nov 2012 (tweet): "The concept of global warming was created by and for the Chinese in order to make US manufacturing non-competitive"

Jan 2014 (tweet): "Is our country still spending money on the GLOBAL WARMING HOAX?"

Jan 2016 (Fox & Friends TV show): "I think the climate change is just a very, very expensive form of tax. A lot of people are making a lot of money. I know much about climate change. I've received environmental awards. And I often joke that this is done for the benefit of China. Obviously, I joke. But this is done for the benefit of China, because China does not do anything to help climate change. They burn everything you could burn; they couldn't care less. They have very — you know, their standards are nothing. But they — in the meantime, they can undercut us on price. So it's very hard on our business."

Sep 2016 (1st presidential debate - in response to Hillary Clinton repeating the 'China' quote): "I did not. I did not. I do not say that."

22 November (interview with New York Times): "I think there's some connectivity [between human emissions and global warming]...I'm keeping an open mind."

OIL AND GAS FIRMS REITERATE CLIMATE PLEDGES

Oil and gas firms, including those from the US, are increasingly taking climate change, and their pledges to tackle it seriously. This is likely to continue whatever hot air is emitted by the future occupant of the White House.

The Oil and Gas Climate Initiative (OGCI) – a grouping of ten international and national oil companies (see table) – includes European majors and key IOCs, but none from the US (see table).

US majors ExxonMobil and Chevron say that they are committed to tackling climate change but are skeptical on the carbon pricing scheme called for by the OGCI signatories – ExxonMobil has supported the importance of the Paris agreement with CEO Rex Tillerson reiterating calls for a carbon tax at last month's Oil & Money conference in London.

Shell's CEO Ben Van Beurden stresses the need to maintain the 'high-quality regulation' of the US shale industry in which it is heavily involved with potential resources of 12bn barrels across the Permian, Haynesville and Appalachian shale basins. Lower regulatory standards, he warns, could damage the industry's reputation when it comes to water use, environment and other aspects.

Shell has been calling for the adoption of regulations and incentives in technologies such as Carbon Capture and Storage (CCS). This would curb carbon emissions associated with fossil-fuel based power generation, while protecting the value of their carbon-intensive assets.

Just days before COP 22, OGCI announced it had created a $1bn fund to develop Carbon Capture Use and Storage technologies and reduce methane emissions during oil and gas operations. The figure is a drop in the ocean, considering the high costs of CCS and the need for financial backing. But collaborative research could lead to more investment from the firms involved and possibly joint projects, a senior executive at one of the OGCI members tells MEES. Oil and gas companies have long been tagged as the 'bad guys' in the global climate debate. But the industry is fully exposed to and aware of climate policy risks. OGCI's collaborative approach, presenting the industry as part of the solution rather than the problem, has given it a seat at the table. Perhaps the Trump administration should heed their strategy.

OIL & GAS CLIMATE INITIATIVE MEMBERS

MAJORS/IOCs	
Total	France
BP	UK
Shell	Neth/UK
Eni	Italy
NOCs (PRODUCER)	
Saudi Aramco	S Arabia
Statoil	Norway
Pemex	Mexico
NOCs (CONSUMER)	
CNPC	China
Reliance	India