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Natural gas as an engine of growth

UNCTAD XIII special event

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Summary prepared by the UNCTAD secretariat

Natural gas as an engine of growth

1. The Special Event on Natural Gas as an Engine of Growth, which was a follow-up to the fifteenth UNCTAD Africa Oil, Gas and Minerals Trade and Finance Conference held in Brazzaville, Congo, in April 2012, discussed issues related to value addition to energy resources and access to energy, in the context of the declaration by the United Nations General Assembly of 2012 as International Year of Sustainable Energy for All. The deliberations also covered policy measures to address energy poverty and to enhance the framework for value addition and retention in local economies.
2. The opening ceremony was attended by Mr. Supachai Panitchpakdi, Secretary-General of UNCTAD; Mr. Mohammed bin Saleh Al-Sada, Minister of Energy and Industry, Qatar; Mr. Pierre Oba, Minister of Mines, Congo; Mr. Foumakoye Gado, Minister of Petroleum and Energy, Niger; and Mr. Mohamed Ibn Chambas, Secretary-General, African, Caribbean, and Pacific Group of States. Six ministers from the energy and mining sectors in Congo, Gambia, Guinea, Madagascar, Niger and Qatar, a former Prime Minister of Guinea, and a representative of the OPEC Fund for International Development participated in the policy-oriented session, which discussed energy poverty and value addition and retention. Also involved in the deliberations on challenges in value addition and retention were officials from developing countries including Algeria, Equatorial Guinea and Mozambique, as well as experts from industry and finance (Qatar Petroleum, Total, Afreximbank, CAC International, SONAGAS and Oando).

I. Main issues

3. The main issues highlighted at the special event included the following:
4. The share of natural gas in the global energy mix is growing because of its efficiency, versatility, and low levels of carbon emissions compared to other fossil fuels. However, stringent emissions constraints will limit its role in the long term, unless carbon dioxide capture and storage technologies can be developed to make it more competitive relative to other low-carbon alternatives. Speakers highlighted the wide geographical distribution of gas reserves and the potential for providing access to energy.
5. The use of natural gas in helping to improve environmental performance was underscored by several participants as being the most practical way of limiting emissions. The rampant use of biomass in many developing countries poses significant hazards to human health and the environment.
6. Countries richly endowed with energy resources have high levels of poverty and underdevelopment. As such, a clear vision is needed for the development of these resources.
7. Stopping gas flaring and starting monetization projects in countries where the resource is being wasted. More investment in the sector, including for infrastructure development, is important for increasing access to energy services. Addressing energy poverty in rural areas requires looking at how energy services can be made affordable. Energy development should look not only at the macro level but also at the grassroots level.
8. One speaker emphasized the need for dialogue, based on trust and transparency, between producers and consumers of gas, so that a fair price for natural gas can be established which would contribute to developing gas resources and energy security.
9. The challenges to the development of energy resources by resource owners include price volatility, conflict, overdependence on foreign skills, and lack of finance. Local content policy is being introduced by several countries to break the enclave nature of

activities generated by exploiting energy resources, so that value added can be retained in local economies.

10. Bringing foreign SMEs into the host country and forming partnerships with local entrepreneurs so that SMEs' know-how can be shared is an innovative way of transferring technology to local entrepreneurs. Another way of transferring technology is through research centres jointly operated by foreign and local companies.

11. Development of the skills of local staff in some producing countries is being met through sponsorship by oil companies into higher education learning programmes. Technology transfer to local entrepreneurs, and skills development, can be achieved through good contractual arrangements between host countries and foreign investors.

12. Good data management is important for attracting investments into the sector, for planning, and for adding value to natural resources. In this regard, it is essential that support be provided for the development of UNCTAD's Natural Resources Information Exchange (NRIE) – a system designed to provide a platform that will facilitate access to reliable information on the mineral value chain, using information and communications technologies. UNCTAD was urged to join forces with institutions such as the African Union for the further development of the NRIE.

II. Recommendations

13. The following recommendations were made at the special event:

14. UNCTAD should strengthen the NRIE initiative so that it can assist developing countries in optimizing the management of their natural resources.

15. UNCTAD should lead a cluster on mining in the framework of the United Nations Regional Coordination Mechanism, based on its experience in the areas of managing mineral commodity value chains and investment.

16. Regional energy visions that prioritize the development of gas monetization programmes, the expansion of low-carbon energy sources, and the enhancement of access to energy by the urban and rural poor, especially women at the centre of domestic activities, should be developed.

17. Mechanisms should be examined with a view to developing an international plan in which gas penetration into areas where energy is needed is delineated in a clear manner. This would help in developing strategies to address energy poverty.

18. UNCTAD should develop a multi-stakeholder toolkit for measuring and monitoring local content which incorporates policy measures to address challenges faced in the extractive industries.

19. Structures aimed at accelerating research and development for innovation and technology improvement in the energy sector should be developed.

20. Joint cross-border infrastructure investments should be encouraged for the cost-effective development of the extractive sector.

21. South–South cooperation in the implementation of the above recommendation should be enhanced. Countries with well-developed downstream industries are urged to share their experience, including technical assistance, with other developing countries.