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Letter dated 1 November 2007 from the Permanent Representative of Qatar to the United Nations addressed to the Secretary-General

The Permanent Representative of the State of Qatar to the United Nations, and President of the General Assembly's High-level Committee on South-South Cooperation, presents his compliments to the Secretary-General and has the honour to transmit the summary report of the High-level Meeting on Oil and Gas Development: Sharing Experiences and Lessons within the Framework of South-South Cooperation, which was held in Doha from 8 to 10 September 2007 (see annex).

The objective of the meeting was to share experiences and lessons learned in efficient and effective development and management of the petroleum sector, which is of crucial importance to the economies of the countries of the South in their quest for economic and social advancement, including the achievement of the Millennium Development Goals.

The meeting was organized as an initiative, under the leadership of the High-level Committee on South-South Cooperation, by the Special Unit for South-South Cooperation of the United Nations Development Programme (UNDP), in collaboration with the Economic Commission for Africa, the United Nations Environment Programme (UNEP) and the Canadian International Development Agency. The meeting was convened and hosted by the State of Qatar, with resources provided by Qatar Petroleum.

Some of the highlights of the meeting include the following:

1. The meeting was attended by senior Government policymakers from ministries responsible for hydrocarbon resources, ministries of finance and planning and representatives of national oil companies.

2. Several deputy ministers, members of parliament and a senator attended, indicating the high degree of importance attached to the meeting's objectives.

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3. The participants openly and frankly discussed the challenges they face, including those of corruption and mismanagement of oil and gas revenues.

4. Much discussion focused on ways in which existing oil and gas producing countries of the South can help countries that are newly emerging producers to strengthen their capacities in the sector.

5. The participants welcomed the establishment of a South-South network to help exchange best practices and other relevant information on the management of the hydrocarbon sector.

6. Countries held various bilateral discussions. Some existing oil and gas producers offered to welcome emerging producers on study tours in order to share experiences on specific issues or approaches to hydrocarbon management and broader policy requirements.

In view of the importance of the petroleum sector, the Permanent Representative requests the Secretary-General to kindly have the present letter and its annex circulated as a document of the General Assembly, under agenda item 59 (c).

(*Signed*) Nassir Abdulaziz **Al-Nasser**
Ambassador
Permanent Representative of Qatar to the United Nations
President of the High-level Committee on South-South Cooperation

Annex to the letter dated 1 November 2007 from the Permanent Representative of Qatar to the United Nations addressed to the Secretary-General

Summary report of the High-level Meeting on Oil and Gas Development: Sharing Experiences and Lessons Learned within the Framework of South-South Cooperation

Doha
8-10 September 2007
Special Unit for South-South Cooperation
United Nations Development Programme

Contents

I. Introduction

The present report summarizes the proceedings of the international High-level Meeting on Oil and Gas Development hosted by the State of Qatar, held in Doha from 8 to 10 September 2007. The meeting brought together senior officials from 42 countries of Africa, Asia and Latin America and from United Nations agencies and international organizations in order to discuss the challenges and lessons learned for effective management of the oil and gas sector. The meeting had the objective of sharing experiences among the petroleum-exporting countries of the South, both established countries with many years of experience as well as new petroleum economies that will emerge as oil and gas exporters in the coming years. The country participants came from ministries of petroleum/energy, national oil companies, finance and planning ministries, as well as prime minister's offices, senates and parliaments.

The High-level Meeting was organized in collaboration with the Special Unit for South-South Cooperation of the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the Economic Commission for Africa and the Canadian International Development Agency. The meeting was a direct follow-up to the South-South Summit held in Doha in June 2005, which called for exchange of information and practical experience among countries of the South.

At the opening of the meeting, invited dignitaries and ranking officials commented on the importance of the deliberations and the necessity of sharing experience and successful strategies in managing the petroleum sector.

In his opening remarks, H. E. Dr. Mohammed S. Al-Sada, Qatar's Minister of State for Energy and Industry Affairs, noted that the meeting was "… meant to provide an opportunity to share and discuss issues of common interest and review the experience of successful producers for the benefit of those who are at the early stage of development, or intending to venture into the [petroleum] industry." He further observed that the "prerequisite for attracting foreign investment is not only based on ample natural resources, but also requires the introduction of the necessary legislative measures, international systems of accounting and protection of foreign investors' capital".

Mr. Suleiman Jasir Al-Herbish, Director-General of the Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development, commented on the complexity of the petroleum industry and markets, including "… the high exploration risk, the capital-intensive nature of the business, the long time frame required for investment, and the reliance on advanced technology owned by developed countries". He also noted that "there is also the lack of predictability of oil markets, especially on the demand side".

In his opening comments, Ambassador Nassir Al-Nasser, President of the United Nations General Assembly's High-level Committee on South-South Cooperation, observed that "countries of the South who possess a substantial wealth of natural resources in the oil and gas field can play key norm-setting roles within the United Nations system in harnessing globalization for the benefit of their constituent members".

Dr. Habib El-Habir, Director and Regional Representative of UNEP, noted that "because energy issues transcend boundaries, global goals and targets can be useful to provide guidance on the priority national issues to be addressed. New initiatives are needed to intensify regional and international integration and cooperation in order to mobilize investments in energy for sustainable development".

The statement of the Administrator of UNDP, Kemal Dervis, was delivered by Mr. Khaled Alloush, UNDP Resident Representative for the United Arab Emirates. Mr. Dervis commented on the importance of bringing together officials from the petroleum sector and from planning and finance ministries. "The relationship and impact of the petroleum sector on the wider economy and society as a whole is at the heart of your deliberations," he told the participants. "How this convergence is managed between the petroleum sector and the rest of the economy … will determine long-term success — or lack thereof".

II. Discussion themes

A. Strategic context to the Doha meeting

The International Energy Agency in Paris projects that global primary energy demand will increase by just over 50 per cent between 2006 and 2030, an average of 1.6 per cent per year. Demand will grow by more than 25 per cent in the period up to 2015 alone. Over 70 per cent of the increased demand will come from developing countries, with China alone accounting for 30 per cent. In terms of output, global oil demand will reach 99 million barrels per day in 2015 and 116 million barrels per day in 2030, compared to 84 million barrels per day in 2005.

Thus, it is the global market-driven scramble to find new petroleum sources necessary to meet this increased demand that has led to much of the oil and gas exploration and drilling that are occurring in the new and potential petroleum economies that were represented at Doha.

The new oil boom for developing countries represents the potential for great opportunity, and for great peril — the "curse of oil" as it is often called in the international media. The question for national policymakers is whether these revenue inflows will enable the new and potential oil producing Governments to vastly improve the lives of their fellow citizens, to achieve sustainable socio-economic development and meet their national Millennium Development Goals. History suggests that having petrodollars has not necessarily helped developing countries to reduce poverty; in many cases, petrodollars have actually exacerbated poverty conditions and worsened income inequality.

The new oil-producing countries represented at the Doha meeting were aware of the need to greatly improve their capacity to manage their oil sectors and the socio-economic, environmental and political impacts that may appear on the horizon.

B. Meeting agenda and discussion topics

Based on earlier communications from the invited participants and the short duration of the meeting, it was decided to concentrate on only four key themes rather than covering a wider number of topics, allowing for more in-depth discussion and exchange of experience. Themes were introduced by invited resource persons or by country delegates who shared the experiences or perspective of their particular country. On the third day of the meeting, breakout sessions were convened to allow for further debate and exchange of views on the points and issues raised in the earlier plenary discussions. The four chosen themes were:

- Institutional models and capacity issues for managing the petroleum sector;
- Legal and regulatory frameworks for the petroleum sector;
- Macroeconomic policy and revenue management for successful hydrocarbon development;
- Environmental safeguards and global warming in oil producing States.

Below are some of the highlights and key points on these four themes that emerged during the plenary discussions and in-depth breakout sessions.

C. Institutional models and capacity requirements

The discussion on the theme of institutional models and capacity requirements revealed a wide variety of organizational approaches used by Governments to manage and oversee the oil and gas sector.

A presentation by the resource speaker compared the institutional models of different countries, Austria, Bolivia, Brazil, Canada, France, Italy and the United Kingdom of Great Britain and Northern Ireland. He stressed that different countries have different institutional models, some having separate institutions for downstream and upstream activities and some combining these in a single entity.

In Sao Tome and Principe, there are two jurisdictions that manage national hydrocarbon resources, i.e. the political and regulatory bodies: the former manages resources and defines national policies and the latter manages the implementation of the policies.

In Gabon, there are no national oil companies. Instead, hydrocarbon resources are managed by different ministries under a regulatory framework. Different ministries implement different areas of resource management, including the maximization on the use of resources in order to encourage foreign investors.

The Government of Peru established PeruPetro as a State company that controls investments and is responsible for negotiating contracts with international companies and supervising contract performance. Contracts awarded are thus joint ventures between PeruPetro and the international company or consortium responsible for developing the assigned block. PeruPetro also manages revenues received from the international companies and transfers the revenues to the central government.

In short, participants discussed various institutional models and agreed that there is no single model that can be used globally. Each country is different and each can adopt its own approach. It was agreed that the fundamental issue was to understand the types of organizational, oversight and policy functions that must be addressed regardless of the number of organizational entities that are created to meet the identified functions.

Box 1

PETRONAS — the Malaysian National Oil Company

The development of Malaysia's modern day petroleum industry only began in the wake of the 1973 global oil crisis with the establishment of PETRONAS as the national oil company of Malaysia in August 1974. In brief, the global oil crisis raised a critical issue regarding resource ownership of indigenous hydrocarbon resources, prompting a Government decision to directly participate in the development and exploitation of the petroleum industry, which is of strategic and economic importance to the country.

The Government established PETRONAS as a purely commercial entity, which is run along strict market and business principles and has internationally recognized standards for governance structure, accountability and transparency. As a commercial entity, PETRONAS is not answerable to any Ministry (except the Prime Minister's office), however, it is still regulated by Malaysian laws, in particular the Petroleum Development Act, which has entrusted PETRONAS with the rights to explore, develop and produce petroleum.

With seed capital of about $3 million in 1974, the company has grown dramatically, both domestically and overseas, with the shareholder value at approximately $50 billion today. Over the last 33 years, the Government has received nearly $95 billion in the form of royalties, taxes, duties and dividends from PETRONAS. These monies go into a consolidated fund as any other income earned by the Government from other sectors of the economy.

The cooperation among the Malaysian Government, PETRONAS, foreign oil companies, contractors, service providers and many others have created a vibrant petroleum industry environment to the extent that it has enabled the Malaysian economy to continue to achieve the expected growth projections in line with the country's long-term national development agenda.

Source: Malaysian national issues paper presented at the Doha meeting.

There was a great deal of interest shown by the new and potential oil producing countries to learn more on the experiences of the established oil producing countries in creating national oil companies. Kuwait, Qatar and Malaysia had, for example, created very successful national oil companies that were autonomously run along strictly business principles (see box 1 above on Malaysia's well-respected national oil company, PETRONAS).

Several country participants spoke of the ramifications and reasons for reorganizing petroleum sector institutions, sometimes for political reasons with changes of government, sometimes for reasons aimed at improving effectiveness and efficiency. Algeria, for example, restructured its regulatory framework in order to promote investments and protect private and public interests. The framework was also reformed in order to establish competitive free markets, promote private sector participation and establish a separate government regulatory body that would focus on the commercial role of the hydrocarbon sector. On the other hand, the Bolivarian Republic of Venezuela, Bolivia and Ecuador have all reorganized their institutional structures based on changing national political perceptions of how the hydrocarbon sector should be developed and exploited.

Other participants noted the importance of having clear lines authority and a chain of command in making major policy decisions about the hydrocarbon sector. In Kuwait, for example, the Prime Minister chairs the Higher Petroleum Council, which is in charge of overall policy and management of the hydrocarbon sector. The Minister of Oil and his Ministry are then responsible for implementing the Council's instructions. Failure to carry out instructions leads to those responsible being brought to account immediately.

Finally, there was much discussion about the training and long-term capacity-building requirements that are needed to develop fully effective petroleum sector institutions. It was agreed that shortfalls and gaps in institutional capacity represent the most fundamental and underlying challenge faced by most new oil and gas producing States. For the potential oil exporting countries, capacity-building was often difficult because of the need to proactively build up their petroleum sector institutions in anticipation of future commercial petroleum output and before oil revenues have started to flow into government treasuries to pay for new capacity requirements for the petroleum sector.

D. Legal and regulatory frameworks

The legal and regulatory frameworks theme was of great interest to the new and potential oil producing countries at Doha because of its immediate relevance to the issues they were facing. Many of the new and potential oil exporting countries had recently completed their first rounds of contract negotiations with international oil companies, and they were also in the process of designing and establishing the regulatory frameworks and compliance mechanisms that would eventually oversee the petroleum sector.

The resource speaker who introduced the legal and contractual discussion explored several issues that countries must address. Generally speaking, countries that have successfully developed their hydrocarbon exploration and production industries have taken legal and contractual approaches that generate "win-win" arrangements both for national governments and international hydrocarbon companies. National governments and international hydrocarbon companies often have a mix of aligned and opposing interests in the development of hydrocarbon projects. The resource speaker noted that finding the optimum balance between profitability for the international oil companies and royalties/regulation for national governments is the key for a successful legal and contractual framework that can benefit both the host country and the investing companies.

Among the main issues usually addressed in the various types of hydrocarbon development contracts, and sometimes addressed as conditions to operational permits or regulated through legislation, are:

- The limitation of liabilities of the international oil companies vis-à-vis the inherent risks of hydrocarbon activity;

- The application of special tax regimes to render possible the use of imported equipment;
- The advantages and costs associated with the mandatory participation of the national oil companies and incentives for the use of domestic labour and equipment;
- The applicability of the host country's national laws and the use of a dispute resolution mechanism that is both fair to the international oil companies and adequate to meet the needs of national governments.

Participants agreed that contractual legal provisions have an often neglected impact on the value of investments by private companies and have been a deterrent to effective implementation of governmental policies. Well conceived contractual and legal frameworks can provide both security and profitability to the investing international hydrocarbon companies as well as protect the sovereignty of the State hosting the investment and the interests of the national government.

Participants recognized that effectively designed contractual and legal frameworks can generate increased wealth for the hydrocarbon States. Conversely, inadequately tailored contracts and unreliable legal and regulatory frameworks can generate losses for both the State and the investors in connection with existing investment and discourage new investments. In fact, efficiently tailored legal and contractual frameworks are often revealed to be one of the most efficient tools a national government has for the successful development of the hydrocarbon sector.

Several participants raised the issue of natural resource management in the context of cross-border legal requirements in cases where there are no clearly delineated or internationally agreed boundaries, such as competing national territorial claims in oceans, seas and large lakes (see box 2 on the "Joint Development Zone" created by Sao Tome and Principe and Nigeria to address this problem).

Some participants also highlighted the importance of governments communicating to the public at large the basic elements of contracts with international oil companies in order to explain the benefits that the country expects to receive through the development and exploitation of the hydrocarbon sector.

In the discussion on the regulatory framework, there was common agreement that this was a critical element that was often not given high priority by national governments. A reliable regulatory framework is seen as crucial to attract and retain foreign investment for the development of a country's natural resources.

The resource speaker's presentation on regulatory and compliance issues for the petroleum sector pinpointed a number of key points in designing effective oversight mechanisms. These included clear definition of regulations and compliance and what should be the objective in their design and application. He noted that regulations are commonly defined as the set of laws, regulations and rules established by the government for controlling or directing, in the public interest, those activities of State or private enterprises that are not subject to adequate disciplining by competitive market forces.

Box 2

Sao Tome and Principe/Nigeria "Joint Development Zone"

Because of the overlapping boundary claims in offshore waters in the Gulf of Guinea, the Governments of Sao Tome and Principe and Nigeria reached an agreement in 2001 to set aside contentious litigation over territorial waters and to develop offshore oil resources jointly. Under the terms of the agreement, the two established the Joint Development Zone to govern commercial activities within the disputed boundaries.

The Joint Development Zone is notable for its genuine political commitment at the highest levels along with strict adherence to treaty guidelines as stipulated in article 74(3) of the United Nations Convention on the Law of the Sea.

About the Joint Development Zone:

- 200 kilometres off the coastline of Nigeria and Sao Tome and Principe
- 34,548 square kilometres
- 1,500 metres deep in the northern part
- 3,500 metres deep at its south-western sector
- Adjacent to several large petroleum discovery areas.

Oversight of the Joint Development Zone

The Joint Development Zone is administered by a Joint Development Authority, which oversees all exploration and development activities in the Zone. The duration of the Zone is 45 years, with a review after 30.

Revenue split

Revenues derived from the Joint Development Zone are to be shared 60/40 between the Governments of Nigeria and Sao Tome and Principe.

Information from Sao Tome and Principe PowerPoint presentation made at the Doha meeting.

Compliance is defined as the following of the laws and regulations by the regulated enterprise while enforcement is the means used by the regulator to ensure that the regulated enterprises are complying with the laws and regulations.

The regulatory framework for oil and gas development consists of establishing answers to the following questions:

- What is regulated? (i.e. what activities are regulated through the laws, regulations, rules, etc. and also why should certain activities be regulated?)
- Who should regulate the laws and regulations?
- How should the laws be regulated?

A robust regulatory framework must also include a well thought out enforcement scheme. The laws and regulations should provide clear standards, expectations and actions to be taken by a regulator to enforce these standards and expectations. The objective of an enforcement scheme is to encourage compliance and, in the long run, to build a culture of compliance.

One of the important issues raised in discussions was the necessity of using the principle of "consistency of application" of rules and regulations so that no operator or licensee feels sidelined or unfairly treated, that the same rules apply to all players.

Some participants expressed their concern that for low-income developing countries there are not adequate resources available to enforce compliance to the rules, standards and guidelines adopted by governments.

E. Macroeconomic policy and revenue management

The working session on macroeconomic policy was introduced by the invited resource speaker who focused on a few key points for discussion, including:

- Exchange rate appreciation and price inflation ("Dutch disease") with the rapid influx of foreign exchange earnings;
- Unbalanced economic growth and increasing unemployment as the petroleum sector comes to dominate the economy;
- Social and equity problems — the inequitable allocation of oil resources across all social groups;
- Peak oil — the economic problems caused by significant swings in international oil prices.

He summarized the problem in terms of the historically significant and rapid rise in the growth of gross domestic product (GDP) caused by the oil and gas sector. Because this sector is highly capital intensive, needing little unskilled labour and correspondingly few highly qualified labourers, it can only directly employ 3 to 4 per cent of the labour force. Consequently, oil-exporting economies tend to grow in an unbalanced manner with output in the country dominated by two sectors — oil and gas and construction — while other sectors suffer without concerted policy attention.

He further highlighted potential "danger signs" to look for in terms of macroeconomic problems in petroleum exporting countries. These included:

- Currency appreciation;
- Uncontrolled inflation;
- Output declines in agriculture and manufacturing;
- Bottlenecks for skilled labour, infrastructure, utilities and real estate;
- Quality of public spending deteriorates rapidly with the advent of significantly increased public investment;
- Inability of governments to spend efficiently (results) and effectively (least cost);

- Exaggerated role of government in addressing problems at the expense of using market mechanisms;
- Difficulty in making structural policy changes as significantly larger oil revenues arrive.

The discussions on macroeconomic policy and revenue management evoked considerable debate and interaction. There was widespread agreement on the importance of sound policies in managing oil exporting economies.

Several participants discussed the challenges of diversifying the economy and reducing dependence on the hydrocarbon sector as the main source of economic growth and foreign direct investments. Countries such as Mexico, Malaysia and Indonesia had done this successfully over a long period of time, whereas other countries, including countries in the Gulf States, faced continuing challenges despite significant investments in health, education and economic and social infrastructure. In Qatar, Kuwait and the United Arab Emirates, economic diversification was improving in absolute terms, but not always in relative terms (as a percentage of GDP), due, in part, to increasing oil revenues from rising international oil prices.

Several country participants commented on the policy problems associated with subsidizing domestic petroleum retail prices given to consumers and industries. Some participants spoke of the difficulties of removing these subsidies on domestic petroleum prices, once begun, and the distortionary impact they have on the economy. Participants from some of the potential oil exporters said there was already considerable public pressure to lower domestic oil prices even before a single barrel of commercially produced oil had been extracted.

At the second session on revenue management, the resource speaker outlined that revenue management consists of a number of issues that governments must address in one manner or another. These include:

- Deciding on alternative or complementary ways of generating revenue from the petroleum sector, for example taxes, tariffs, fees, auctions, production-sharing agreements, state ownership and tax treaties;
- Developing and overseeing tax and investment incentives;
- Managing fiscal policies and related government institutions;
- Deriving a revenue investment policy and implementation plan, including how to phase revenues into the budgets and what portion of petroleum revenue to save;
- Developing economic modelling/forecasting tools, including different oil prices, investments, taxation levels/scenarios, which allow a government to anticipate and manage changes in oil revenue inflows;
- Pursuing efforts to ensure overall transparency and accountability in revenue management.

Box 3

Islamic Republic of Iran: The policy challenge of addressing domestic oil and gas subsidies

The growth rate of energy consumption in the Islamic Republic of Iran has been very significant during the past two decades, especially recent years, mainly due to four factors:

- Extremely low prices of oil products due to large-scale State subsidies
- Rapid growth rate and young population
- Smuggling oil products to neighbouring countries
- High use of energy-intensive technologies

To cope with the above issues and to reduce this high growth rate, the Iranian Government has adopted several policies, such as a newly established gasoline distribution system, introducing more than 10 million "smart cards" for all gasoline consumers, using different and specific quotas that have been established for private, State and public cars and their kind of utilization. Individual consumers who wish to purchase more than their smart card allocation can do so at international market prices. The smart cards will thus help to monitor and control the level of gasoline consumption, as well as reduce gasoline smuggling across the country's borders. In addition, the Iranian Government has begun a system of tax incentives for improving the gasoline efficiency by favouring vehicles that are more fuel efficient. Finally, the Iranian Parliament has also recently ratified a measure to increase the price of gasoline by 25 per cent.

Taken together, these measures are aimed at slowly raising the cost of domestic fuels and reducing high domestic fuel consumption levels.

Summarized from the Islamic Republic of Iran's national issues paper prepared for the Doha meeting.

Effective revenue management was seen by all the participants as a high priority matter. Several of the participating countries were already members of the Extractive Industries Transparency Initiative, and welcomed the movement towards international standards of revenue transparency and accountability. There was some concern, however, that the initiative was sometimes too rigid with regard to application deadlines and the ratification process, by not taking into account local conditions and domestic political considerations.

Several participating countries had established or were considering establishing "State oil funds" as a means to sequester oil revenues and limit the political temptation to use oil revenues for ad hoc expenditures and investments outside agreed national development priorities.

Many speakers commented on the competing demands on their Governments in the use of resources and the sometimes unrealistic expectations of citizens who want to see immediate benefits from oil revenues. “Expectation management” is thus an important component in the political economy of oil revenue decision-making.

Participants agreed that part of the policy and strategy associated with successful oil revenue management is the required discipline to maintain strong monetary policies in order to keep inflation and currency appreciation in tow. This task falls heavily on the shoulders of the central banks and the ministries of finance. But the highest government offices, presidents, prime ministers, cabinet ministers and parliamentarians, must all be associated with, and supportive of, disciplined monetary policy.

Some countries noted that not all responsibility for revenue management falls on the shoulders of the emerging nations, especially the poorer ones. The international financial institutions have sometimes been too overbearing in their concentration on transparency and offshore accounts while not focusing enough on the quality of investments and absorptive capacity.

Overall, there was consensus that management of oil and gas revenues must be seen in the broader context as a means to:

- Protect a country’s economy from economic distortions;
- Moderate the pace of investments to ensure effective economic and social development through quality investments and sound expenditure decisions;
- Meet international standards of financial transparency and accountability.

F. Environmental safeguards and global warming

At the discussion on the fourth theme of environmental challenges in the oil sector a number of participants presented various perspectives on the ways in which oil producing countries and national oil companies are addressing this problem. In addition, participants discussed the emerging global challenge of global warming and the particular responsibilities that oil producing economies have in this regard. An initial presentation by UNEP provided a general overview of the linkages and synergies between sustainable development and protection of the environment, with particular emphasis on the countries of the Middle East.

With regard to oil and gas operations, the UNEP resource person emphasized a number of environmental areas that needed to be addressed including:

- Making the right decisions on environmentally sound technologies to achieve diverse, secure and clean energy supplies;
- Preventing pollution during the exploration, production, transportation, refining and marketing phases of the industry — and dealing with the legacies of past pollution in soil and water.

The UNEP resources person concluded by highlighting a number of specific instances of South-South cooperation among the Arab States in addressing common problems or approaches for hydrocarbon development and the protection of the environment. These included:

- Developing regional oil and gas cooperation programmes (i.e. planned, cross-border projects);

- Maintaining ongoing natural gas projects between Egypt, Jordan, Lebanon and the Syrian Arab Republic, namely:
  - o The four natural gas pipeline projects and implementation between the Gulf Cooperation Council countries, mainly depending upon Qatari gas;
  - o The natural gas and oil project between Arab countries of North Africa, covering the agreement between Egypt and the Libyan Arab Jamahiriya and the Algeria-Europe agreement via Tunisia and Morocco;
- Forging partnerships between international oil companies and national oil companies (e.g. Saudi Aramco, Qatar Petroleum and Egyptian General Petroleum Corporation);
- Establishing institutional structures for accreditation and certification of environment management systems;
- Developing a hazardous waste management system and environmental guidelines for using natural gas in the transport sector;
- Developing regional cooperating mechanisms for responding to oil spills;
- Designing environmental impact assessment guidelines, implementation and monitoring guidelines and templates in Arabic;
- Preparing guidelines for investing in cleaner production technologies in Egypt, Morocco and Tunisia.

During the general discussion, it was acknowledged that the assessment, monitoring and evaluation of the environmental effects of hydrocarbon extraction activity varied considerably from country to country, ranging from very effective in some countries to uneven and very weak in others. In some instances, environmental impact assessments are not taken seriously. In some contracts with oil and gas companies, there is insufficient attention to the need or value of such an assessment. Many companies merely make detailed studies of those aspects of the projects they want to fund, even these studies tend to be short on fact and not user-friendly. Moreover, the affected communities and the public in general have not been involved in the process, which is contrary to the principles of a good assessment. Participants stressed that undertaking environmental impact studies was an important means to avoid conflicts with local communities.

It was further agreed that governments and oil and gas companies should publicize in simple and/or local languages the proposed activities and their environmental impact statements. Some countries and State oil companies, such as PETRONAS (Malaysia) and those of Kuwait and other States, have made a strong commitment to using environmental impact assessments effectively, including public participation. It was suggested that countries should seek support from the United Nations system, donors, the private sector and others to assist them in these kinds of environmental concerns.

By the same token, participants recommended that oil and gas producing countries should ensure that corporate social responsibility requirements, along with environmental safeguards, are included in their contracts with oil companies.

Box 4

Qatar Petroleum and global warming

Qatar Petroleum is one of the major national oil companies in the Middle East, with crude oil production of 850,000 bbl/d, expanding to over 1 million bbl/d by late 2009, as well as current gas production of 6.2 bcfpd approaching 25 bcfpd by 2012.

In alignment with the commitment of the Government of Qatar to sustainable development, and as part of the company's business strategy, Qatar Petroleum has pledged to address global warming as part of its current and future business practices. This management decision was based on the recognition that climate change has become an important element of the global business environment with political, economic, technological, social and environmental dimensions.

Towards this end, Qatar Petroleum is tackling climate change on several fronts:

- Developing a national emissions inventory in conjunction with the Government
- Setting a zero gas flaring target for all of its oil and gas fields
- Developing co-generation and waste heat recovery projects
- Undertaking energy efficiency studies of its operations
- Investigating "alternative energy" options for future business

In the near term, Qatar Petroleum is specifically targeting:

- Al Karkara Oil Field — first oil field in the country to achieve zero gas flaring
- Rag and Flare Mitigation Integration Project elimination of burn pits and recovery of hydrocarbon liquids

Source: Qatar Petroleum presentation to the Doha meeting.

Many participants at the meeting noted that the development of a hydrocarbon sector has caused tremendous damage to the local environment. Two specific cases were cited: the Niger Delta in Nigeria and the Texistepec region in Mexico. Participants agreed that the Governments concerned should insist on implementation of the "polluter pays principle" and ensure the polluting entities repair the damage where possible or mitigate its effects at the very least. Since 1993, the Mexican Government and PEMEX, the State oil company, have undertaken an environmental remediation programme that has the responsibility of cleaning up the damage from oil spills and pollution. The programme has been running for more than 10 years and has successfully rehabilitated large areas of impacted ecosystems.

A presentation by Qatar Petroleum on global warming stimulated discussion on the subject. The presenter noted that the State of Qatar is a signatory to the Kyoto Protocol and is undertaking a number of initiatives to reduce global warming, as outlined in Box 4. Participants agreed on the importance of beginning to mitigate at the local level the causes of climate change and the special responsibilities that oil exporting countries have in this regard. Participants further noted that to address global warming in their respective countries, they need financial assistance and qualified personnel. In this regard, assistance will be required to carry out national inventories to identify sources and causes of greenhouse emissions at the local level.

III. Meeting outcomes and major recommendations

On the last day of the meeting, participants turned to an examination of ways to foster ongoing mechanisms and opportunities for South-South collaboration to share experiences and best practices in hydrocarbon management.

The preceding two days of discussion had revealed that many of the new and emerging oil producing States of the South were often facing similar kinds of problems and policy concerns, but that there were insufficient opportunities or mechanisms that allowed them to learn from each other, to compare approaches and common challenges or to learn from the experiences of the more established oil producing States of the South that had addressed similar kinds of challenges in the past. The past experience of some oil producing States of the South underlined the urgency and priority of tackling the management challenges and policy requirements very early on in developing and exploiting the hydrocarbon sector in ways that promoted long-term sustainable and equitable economic growth and protection of the environment.

There was thus widespread consensus that ongoing exchanges of experience between the existing and emerging oil producing countries of the South would be beneficial and effective in facilitating improved hydrocarbon management for the new oil producing States. At the conclusion of the meeting, a draft “Doha statement on South-South cooperation for effective oil and gas development” was distributed for review and comments. Based on comments received, the draft was revised and a final version of the Doha statement was issued (see appendix).

Among the follow-up steps proposed by the participants were the following:

- Establish a South-South network for hydrocarbon management that would be tasked with information-sharing and knowledge-based learning across countries;
- Develop country-level petroleum management assessment methodology to help countries determine their capacity strengths, weaknesses and gaps;
- Create a “web-based portal” for petroleum management collaboration as part of the South-South network;
- Facilitate targeted bilateral (or trilateral, multilateral) country exchanges for medium and long-term collaboration on specific topics or issues (“twinning” among oil-producing countries of the South);
- Establish a consortium of universities of the South that offer specialized petroleum management training courses;
- Undertake regional workshops or study tours on one or two specialized topics for Doha participants;

- Organize a priority programme of technical assistance, training and capacity development in three or four priority areas, including:
    - Legal and contractual issues
    - Regulatory and compliance framework
    - Corporate social responsibility
    - Environmental and social safeguards
    - State oil funds;
- Organize annual South-South meetings similar to the one held in Doha.

Appendix

Doha statement on South-South cooperation for effective oil and gas development

Introduction

From 8 to 10 September 2007, the State of Qatar hosted a South-South High-level Meeting which brought together senior officials from 42 countries of Africa, Asia and Latin America, as well as representatives of several United Nations agencies and international organizations, to discuss the challenges of and lessons learned in effective oil and gas sector management. Well-established oil and gas producing countries shared their experiences with those countries that will emerge as producers in coming years. Participants came from ministries of petroleum and energy, ministries of finance and planning, national oil companies, prime ministers' offices, senates and parliaments.

The United Nations Development Programme (UNDP) Special Unit for South-South Cooperation organized the meeting in collaboration with the United Nations Environment Programme (UNEP), the Economic Commission for Africa and the Canadian International Development Agency. The meeting was a direct follow-up to the South-South Summit that was held in Doha in June 2005, which called for an exchange of information and practical experience among countries of the South.

Conclusions

Over the course of the three days of presentations and discussions, participants agreed on a number of cross-cutting issues in effective oil and gas development. These included:

- The challenge for both existing and new hydrocarbon-producing countries is to ensure that oil and gas revenues are used to improve the lives of their citizens and promote sustainable development.
- Oil and gas revenues alone are neither a necessary nor sufficient condition to achieve sustainable and equitable economic development.
- The oil and gas sector cannot be managed in isolation from the wider economy, and long-term success can only be achieved when all sectors are managed well.
- Oil and gas producing countries face at least four ongoing macroeconomic challenges:
  - Ensuring continuous and prudent economic management in order to avoid major economic distortions caused by petroleum revenues and variations in revenues due to international oil and gas price fluctuations;
  - Making strategic investment decisions in the use of oil and gas revenues for sustainable economic and social benefits;
  - Promoting long-term policies and investments that put the wider economy on a path towards full integration in the globalized economy;
  - Pursuing efforts to ensure overall transparency and accountability in revenue management.

- Shortfalls and gaps in institutional capacity represent the most fundamental and underlying challenge faced by most new oil and gas producing States.
- Serious environmental consequences, potentially irreversible, can arise during exploration for and the production, refining and transportation of oil and gas.
- Many new hydrocarbon-producing countries lack the financial and technical means to expand internal institutional capacity at a pace fast enough to keep up with commercial exploration and production.
- Prospective oil and gas exporters need both legal guidelines and a contractual framework in place if they are to negotiate successful hydrocarbon agreements.
- Many Governments of new hydrocarbon-producing States face the challenge of designing, within the context of well-defined national policies, comprehensive investment procedures that will attract the international companies and investors needed to implement contracts.

Recommendations

The participants expressed their appreciation for the opportunity to share their experiences on the necessary policy, legal, regulatory and institutional arrangements that allow for proactive management of the hydrocarbon sector. They further indicated their desire for more opportunities and new mechanisms to allow ongoing and in-depth exchange of experiences and sharing of best practices. In this regard, the participants welcomed, among others, the following recommendations:

- Short- and medium-term training should be organized within the United Nations framework for South-South cooperation for emerging oil and gas producers in specific areas of hydrocarbon management to strengthen their legal and contractual capacities.
- A state oil and gas fund is a viable mechanism, which should be used to manage petroleum revenues.
- New oil and gas producing countries should promote, as a matter of high priority, environmental policies and standards in all phases of the development of the hydrocarbon sector.
- New oil and gas producing countries should continue their efforts to take advantage of international protocols related to climate change, such as the Kyoto Protocol and the Clean Development Mechanism.
- Countries should address the social concerns arising from the development of an oil and gas sector. Specifically, support or compensation should be given to local communities affected or displaced by hydrocarbon-related activities.
- The establishment of a South-South centre and network for hydrocarbon management should be given high priority. Its purpose would be to promote South-South cooperation and facilitate strategic planning and institutional capacity-building. This proposal should be further explored by the UNDP Special Unit for South-South Cooperation, in collaboration with UNEP and the Economic Commission for Africa.

- Participating countries in the South-South High-level Meeting should reconvene within one year to report on progress achieved in implementing the Doha statement.

At the closing of their deliberations, the participants unanimously expressed their appreciation to the State of Qatar for having convened and hosted the Doha meeting, which afforded the opportunity for this first exchange of South-South experiences for effective oil and gas development. The participants were most grateful not only for the warm hospitality of the Qatari Government but also the outstanding facilities, resources and accommodations made available for the meeting.