



**IPIECA 40th Anniversary conference
London, 3 April 2014**

**Statement by
Christiana Figueres, Executive Secretary
United Nations Framework Convention on Climate Change**

Ladies and gentlemen,

I thank IPIECA for the opportunity to join you for your 40th anniversary. This year marks an anniversary for the UNFCCC as well, 20 years since the Convention entered into force. I am honored to mark this occasion with you.

Let me start with a stark reality check: business as usual across the fossil fuel industry no longer exists, due to both physical boundaries and policy realities.

We are reaching two physical boundaries that have a profound impact on the fossil fuel industry.

Physical boundary of the atmosphere. If we are to stay within 2 degree maximum temperature rise, and with the release of the new IPCC report this week, there is no doubt that we must, we have to, stay within a finite, cumulative amount of GHG emissions in the atmosphere.

We have already used more than half of that budget. This means that three quarters of the fossil fuel reserves need to stay in the ground, and the fossil fuels we do use must be utilized sparingly and responsibly.

Physical boundary of fossil fuel extraction. The most easily accessible fossil reserves have been used up, and most of the new reserves are more difficult and more expensive to access, requiring increasing levels of capital expenditure.

Continued investment in high-cost, high-carbon projects is already beginning to negatively affect the bottom line of fossil fuel companies, even before considering stranded assets scenarios.

Policy increasingly reflects these physical realities. The highest CO₂ concentration in over 800,000 years is potentially an unmanageable systemic risk not only to the environment but also to the global economy. Because of this, policy at all levels is undoubtedly and inevitably moving towards low-carbon.

At the city level, citizens are increasingly demanding policy that ensures public health, energy security and water supply. At the national level, leaders are incentivizing clean energy and efficiency, and migrating toward resilient infrastructure and supply chains. At the intergovernmental level, governments are working toward a universal climate agreement for 2015, with a draft on the table at the end of 2014.

And more visionary corporate policy brings in both the physical reality and the predicted results from policy, for example by already using an internal price of carbon for planning purposes.

Ladies and gentlemen, the systemic risks of unabated climate change are potentially so unmanageable that the world has no other option but to address the challenge. We need, and are undoubtedly moving towards a new, sustainable energy mix. What is exciting is that the oil and gas industry can actually be part of the solution. In fact I suggest the oil and gas industry become the leaders that take us to the new, sustainable energy mix.

The first basic step of leadership is to increase and improve reporting on their carbon risk in a carbon constrained world. This is increasingly required by investors concerned about fiduciary duty and increasingly performed by companies committed to maintaining the confidence of their investors to protect their business continuity.

With respect to oil, there is a growing realization that the use of oil for electricity generation is wasteful. This is causing Gulf States to turn to solar for domestic power and boosting energy efficiency in order to make oil reserves last longer.

There is also a growing realization that oil is not the only fuel for mobility, and that it can be used more efficiently. Market share of electric and hybrid vehicles continues to grow, transit ridership is up and bike shares are everywhere. Transportation fuel efficiency standards continue to improve. All these are signs of a shift that the industry must take into account.

Let me now turn to gas. Gas can be seen as a necessary even helpful bridge to a lower emissions energy matrix. But its bridging ability depends on two factors: the fuel it is displacing, and how cleanly it can be extracted and used.

When gas responsibly replaces coal, it is win-win: cleaner fuel and lower cost.

The relationship between gas and renewables is more complex and more challenging. Gas cannot be used to irresponsibly delay the introduction of more renewables. But gas can be used to integrate renewable energy into the grid, given its ability to cycle up and down quickly. However, this beneficial use frankly depends on the capacity of the gas industry to lower GHG emissions.

First, methane leakages must be reduced at the well, at the processing plant, in transmission and in distribution. This is particularly true of the 50% of gas production that is by now unconventional. Reduction of methane leakage to 1% over the full life cycle is a challenging goal but one that needs to be embraced by an industry that can and must be part of the long-term solution.

Second, current wins in expanding gas sales should be invested in developing carbon capture and storage technology for immediate incorporation.

Beyond investments into the improvement of the industry itself, ironically the long-term interests of the gas industry is in promoting a price on carbon, which would ensure an increased market share for gas over other more carbon intensive fossil fuels. Now that would be a game changer! The oil and gas industries actively lobbying not against climate regulation, but rather for an appropriate price on carbon.

Ladies and gentlemen, the above scenarios are no easy task, they are not for the faint of heart. The urgent transformation we need does not call for the feeble; it calls for wise anticipation, strong leadership and visionary determination.

The time for experimentation, for marginal changes and for conditional response is now over. It is time for the oil and gas industry to truly lead with a principled response that ensures its appropriate and profitable participation in the energy mix of the future.

Oil and gas can preserve their legacy as enablers of growth. Legacy implies solutions that persist over time. We must look past the next quarter, past the end of the decade, into the second half of the century by which time the global economy must be carbon neutral.

I note that IPIECA has given technical input into the IPCC fifth assessment report, provides GHG emissions management guidance and increased reporting through both industry guidelines and strategic partnerships. I thank you for your good work and for reminding companies that their ability to operate increasingly depends on their ability to satisfy stakeholders and socially conscious consumers.

I note that many of you also participate in the Climate and Clean Air Coalition Oil and Gas Methane Partnership, one of many IPIECA partnerships. All these collaborative spaces have been helpful in moving the industry forward, and I thank all those who are participating.

I join you today to ask you to increase the stated goals of these partnerships and take the oil and gas industries to where they need to be – energy leaders that enable socially and environmentally responsible development today and tomorrow.

Thank you.
