



OIL AND GAS CLIMATE INITIATIVE

OGCI position on mechanisms to value carbon

OGCI principles on effective policy mechanisms for providing a value to carbon

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OGCI principles on policy mechanisms providing a value to carbon

Explicit market-based mechanisms – such as carbon taxes or emissions trading programmes – can provide a transparent and technology-neutral pathway to greenhouse gas emissions abatement.

In circumstances where explicit carbon valuation is not possible or practicable, other implicit carbon valuation mechanisms – such as cost-conscious performance standards or financial incentives such as tax credits and subsidies for emerging technologies – can provide an effective alternative way of reducing emissions provided they are transparent, narrowly targeted, well defined, do not distort competition, and are part of a holistic policy framework that aims to achieve the desired climate ambition.

OGCI supports carbon valuation mechanisms that are based on the following design principles:

- In the case of market-based mechanisms, be as broad as possible in scope, enabling maximum abatement through scale
- Drive emissions reductions at lowest societal cost in a transparent and technology-neutral way
- Stimulate additional value-generating activity through the realization of societal benefits in parallel with emissions abatement
- Incentivize innovation and low carbon technology development
- Endeavour to avoid overlapping emissions-reduction regimes and avoid undue administrative burdens
- Where available, make use of well-designed national and international markets for trading carbon offsets

Governments also have a role in the support of research, development and deployment of new technologies that have the potential to lower the carbon intensity of the economy. OCGI encourages government support for low carbon research, development and deployment based on the following design principles:

WHY A CARBON VALUE IS IMPORTANT

Governments, in designing and implementing appropriate policies and regulations, play an important role in reducing carbon dioxide and other greenhouse gas emissions.

To be effective such policies should maximize efficiency, minimize economic distortions, support sustainable development, and provide a predictable, transparent and equitable framework for nations, individuals and businesses, while minimizing negative impacts on social and economic development.

The most efficient policies and regulations are those that abate the highest volume of emissions for the lowest societal cost. For the majority of sources and sectors, the most effective means of reducing emissions is the application of an economic value (or price) to carbon-based emissions.

Policies are an important part of successful national climate strategies. Well-designed policies and regulations, so as to achieve a balance of greenhouse gas emissions between sources and sinks aiming for a net zero future, should take into account energy security, market stability, affordability as well as reliability to ensure promotion of sustainable development.

- Focuses on pre-commercial technologies and systems that have the potential to scale to provide significant emissions reduction
- Recognises the potential of the oil and gas sector to contribute to broader decarbonization and the sector's vital role in the energy transition
- Leverages public-private partnerships to enable, scale up, and commercialize solutions with large emissions abatement potential
- Makes use of partnerships with the private sector to share knowledge, accelerate innovation and minimize costs and development schedules
- Provides a platform for follow-on private sector investment



OIL AND GAS CLIMATE INITIATIVE

WHAT IS THE OIL AND GAS CLIMATE INITIATIVE (OGCI)?

The Oil and Gas Climate Initiative is a CEO-led initiative that aims to accelerate the industry response to climate change. OGCI member companies explicitly support the Paris Agreement and its aims. As leaders in the industry, accounting for almost 30% of global operated oil and gas production, we aim to leverage our collective strength and expand the pace and scope of our transitions to a low-carbon future, so helping to achieve net zero emissions as early as possible.

Our members collectively invest over \$7B each year in low carbon solutions. OGCI Climate Investments was set up by members to catalyze low carbon ecosystems. This US\$1B+ fund invests in technologies and projects that accelerate decarbonization in oil and gas, industry and commercial transport.

OUR APPROACH TO ADVOCACY

OGCI is at the forefront of climate action in the oil and gas sector. OGCI constructively engages and advocates with external stakeholders on the basis of positions agreed by consensus.

For more details about our advocacy practices, please visit <https://oilandgasclimateinitiative.com/about-us/#advocacy>

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