

NEWS RELEASE

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A 100 million car environmental disaster

“I just could not believe the scale of my numbers – if we could stop burning off the 150 billion cubic meters of natural gas per annum, that is a waste product of oil production, it would be the CO² greenhouse gas equivalent of removing 100 million cars from the world’s roads; one seventh of the total global car population.”

John Westwood of energy business analysts Douglas-Westwood did not believe his own numbers so asked a colleague to run an independent analysis. “He thinks I could be underestimating – it may actually equate to the CO² production of 115 million cars. This is more than the potential annual emission reductions from all the projects submitted under the Kyoto mechanisms.”

Crude oil rarely occurs without the presence of associated natural gas. When the crude is brought to the surface from reservoirs thousands of metres below the earth the gas usually comes to the surface as well. Where there is infrastructure and a market the gas will be processed and sold, but in many countries most of the gas is released (vented) into the atmosphere, or more usually burnt off (flared).

“This is a process that has been going on since the beginnings of the oil industry and in many areas of the world the scale of the flaring is so massive it is easily visible from space” said Westwood.

In 2002 in a move to address the problem, the World Bank established the ‘Global Gas Flaring Reduction’ (GGFR) public-private partnership of governments, state-owned companies and major international oil companies, committed to reducing flaring and venting worldwide. In the words of the World Bank, “Gas flaring not only wastes resources and harms the environment but also deprives consumers of an energy source that is cleaner and often cheaper than others available, and reduces potential tax revenue and trade opportunities”.

The World Bank’s GGFR estimates that 150 billion cubic meters (or 5.3 trillion cubic feet) of natural gas is being flared and vented annually. That is equivalent to 25 per cent of the United States’ gas consumption or 30 per cent of the European Union’s gas consumption per year. It is also estimated that global gas flaring releases about 390 million tons of CO² per year into the atmosphere.

What is also remarkable is that this is happening in many areas of the world that are desperate for the electricity that this gas could be used to generate. According to the World Bank, the gas flared in Africa could generate half of the continent’s power consumption.

Nigeria is probably the world’s largest flarer of natural gas. Nigerian officials want a venture to tackle gas flaring but western oil companies say they cannot meet a deadline to end flaring by 2009. “This situation is providing an opportunity for Russia’s giant Gazprom to win influence in Nigeria in the global contest to access more gas reserves,” said Westwood.

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Information for Editors:

Douglas-Westwood Limited is renowned for its business advisory work in the energy industries, having served investment banks, energy industry players and contractors the world over. With over 500 assignments completed since formation in 1990 it has a client in 37 countries. In the past three years Douglas-Westwood has completed market due diligence on M&A and financing deals totalling \$7.5 billion.

Gas flaring image from space: <http://siteresources.worldbank.org/NEWS/Images/nigeria-gf-big.jpg>

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