

Ernst & Young  
September 2005

# APGAS Forum – Session 2

## Environmental Issues

Addressing Tomorrow's Challenges Today?

 **ERNST & YOUNG**  
*Quality In Everything We Do*



## The Context

- Energy industries have exceptionally high risk with respect to ethical, social and environmental challenges encompassed by sustainability
- A company's response to potential threats and opportunities of climate change, which are seen as the new "off balance-sheet" risks may substantially affect shareholder value both in the short and long term
- We need to allow sustainability to challenge the very foundations of our business strategies...this challenge is one of the most complex facing business today
- Trade is essential as gas reserves are located separately to gas demand and we see internationally traded gas now outgrowing domestic supply



# The Drivers

- Sustainability and security of supply are now key in the mix with price and supply. 73% of exports are pipeline and 27% LNG – by 2030 Shell expects pipeline gas to double and LNG to increase 5 fold
- Liberalism of trade and liberalism of energy markets increase access, transparency and bring us closer to the customer – we must educate the customer and consider stakeholder desires to increase gas demand
- Essential infrastructure for cross-boarder energy trade and investment include “soft-infrastructures”: policies, laws, regulations, principles and a consistency of recording and reporting — Secretary General Energy Charter WEC 2004

# Potential Steps to Accelerate Natural Gas Trade

Could we and Should we?:

- Increase transparency and robustness to the APEC regulatory environment
- Increase transparency, comparability and accuracy of emissions and reductions recording and reporting
- Identify, quantify and agree the risks of lagging stakeholder aspirations with respect to sustainability and GHG issues
- Collective action and International coordination via treaties – do we need a “global” facilitator to get CO<sub>2</sub> onto the balance-sheet.
- Emissions trading in APEC via pooled targets for reduction via a voluntary mechanism however reportable and audited
- Encourage buyers to favour ‘sustainable’ gas with best in class environmental projects

# Bridging the Gap

- Ensure CO<sub>2</sub> is considered both a cost factor that companies have to include in their balance sheet and an integral part of their business strategy which focuses upon the long-term optimised value chain
- Find ways to further bridge the gap between IOC's and NOC's – Shareholders for IOC's – what is the bridge for NOC's?
- Increase gas demand through influencing end consumers via the media. Much of the debate on environmental issues is subjective due to limited understanding. The media thrives on subjectivity and people are heavily influenced by it – the media is the most popular source on environmental issues – we must educate.



# Education and Awareness

- Educate the financial sector – there is evidence that environmental and sustainability risks are less understood outside of UK & US
- Increase the access to and sophistication of analytical tools for assessing environmental risks in a financial and demand context
- Educate the end customer – carefully encourage shareholder activism for gas via information sharing i.e. BP Statistical Review of World Energy type initiatives
- Agree on a model/process to evaluate and incorporate environmental and sustainability decision making into the gas market



**Angus Walker**  
**General Manager**  
**Mining & Energy**  
**Australia**

**11 Mounts Bay Road**  
**Perth 6000**  
**Western Australia**  
**++618 9429 2493**

**[Angus.Walker@au.ey.com](mailto:Angus.Walker@au.ey.com)**

Angus Walker is Ernst & Young's General Manager for Mining & Energy and is responsible for the development of Ernst & Young's industry focused initiatives.

Angus holds degrees in Economics and Natural Resource Management; and has previously been the General Manager of a large WA based environmental consulting firm employing more than 40 people, servicing the Asia Pacific oil and gas industry.

Prior to this role, Angus was Shell's Commercial Manager responsible for the financial and strategic management of Shell's Gas & Power business in the North West Shelf Joint Venture.

Angus works with many of Ernst & Young's global oil and gas clients

Ernst & Young is committed to its oil and gas industry offering and is bringing in experienced industry professionals to go to market; bringing together all the expertise of the existing individual service lines of the professional services firm, and complementing the offering with in-depth oil and gas industry knowledge.