

carbonsense

The Carbon Depletion Protocol

How oil, coal and gas suppliers can solve climate change

Pre-research paper

August 2009

Project Vision

To partner with an appropriate organisation to fund and deliver a scientifically and economically coherent supply-based solution to both climate change and peak oil at the UNFCCC COP meeting in Copenhagen. This framework will be supported by an initial group of major fossil fuel producers.

Overview

The causes of climate change over the past 200 years can be identified quite simply as the combustion of oil, coal and gas, in addition to net deforestation.

To counter these simple causes, we have created a complex financial and political solution, requiring many players and opaque accounting.

This pre-research paper argues that the solution to climate change is really rather simple, and requires tackling the problem at the point which will achieve the greatest leverage – the point of carbon supply as opposed to the point of emission.

Although most solutions that have either been proposed or actually implemented provide an overall cap i.e. Kyoto and the EU emissions trading scheme (EU ETS) they attempt to tackle the problem downstream by focusing on measuring and capping individual, company and national emissions.

The problem is that we are trying to solve climate change by focusing our attention and solutions upon the most complex part of the system. We are trying to measure and understand the emission profiles for millions of individuals and companies who sit at the lower part of our complex carbon system. We are aiming our efforts at the wrong place. We need to manage the source of the carbon that comes from the few organisations and countries that extract and sell oil, gas, coal and other indirect forms of carbon release such as net deforestation.

Should we target and manage the billions of people on our planet, or the few suppliers of carbon in the form of oil, coal and gas?

So what do we do? We need to start challenging the assumption that our current approach is the best and most effective way. It is clear from a systemic perspective that the simplest, most effective solution is to manage the production and sale of fossil fuel based energy, (as well as net deforestation etc) upstream. OPEC and other major suppliers of carbon intensive

fuels are certainly in a position to manage the supply – they just need to understand the importance of acting now and in a way that supports global intergenerational environmental stability and their economic viability.

Proposed benefits

The benefits of this approach are clear:

- **Climate change solution:** It is absolutely clear that emissions can only occur to the extent that there is supply into the system. If supply can be restricted in line with the scientific consensus, then the avoidance of the worst affects of climate change can be guaranteed.
- **Simplicity:** Only a relatively few suppliers of fossil fuels, and those countries engaged in deforestation would need to be involved in negotiations. In addition, there would be no need for carbon credits, offsets and other financial mechanisms for individuals, companies and countries
- **Long-term signals:** Managed reductions in fossil fuel supply would allow everyone countries, organisations and people to navigate the required shortfall in these forms of energy, providing signals for investment in alternative forms of energy (see below)
- **Investment in renewables:** As a result of well signalled long-term fossil fuel restrictions the “energy gap” will be met by significant alternative energy investments
- **Price-based mechanism:** By restricting oil, coal and gas supplies and signalling these reductions properly (i.e. out to 20 years and beyond) the price of oil, coal and gas will rise accordingly, prompting appropriate behaviour change
- **Economic neutrality for producers:** By restricting supplies of oil, coal and gas, suppliers will retain their economic benefits as the price should rise to account for reduced sales
- **Peak oil & gas:** This solution could provide a wider systemic response to peak oil which would mirror Colin Campbell's Oil Depletion Protocol - solving climate change and our dependence upon the unsustainable use of fossil fuels in one system.

Further issues to be researched

Along with the points above, there are issues that need to be investigated:

- What does the best science tell us (i.e. 350ppm) in relation to a proposed supply restriction on oil, coal and gas and net deforestation?
- How would carbon supply and net deforestation reductions affect prices given different time signals and consequently what will be the economic impacts for fossil fuel suppliers?

- How would existing investments in oil, coal and gas extraction be affected i.e. will price increases compensate for investments? Are there other considerations?
- What will be the response of shareholders in major fossil fuel suppliers? Can this be managed through one of the major climate change shareholder investment associations?
- What are the national economic impacts of restricting supplies of carbon / net deforestation?
- How can we ensure equity in the distribution of the remaining fossil fuel based resources?
- What is the best structure for such a solution and who needs to be involved to achieve the leverage?

Next Steps

We perceive the next steps with potential partners / funders as follows:

1. Initial meeting to discuss the idea further in the context of current work
2. Deliver mini-business / project plan detailing deliverables, timescales and costs
3. Bring together small, focused research team to initiate project

Contact

You can contact Fraser Durham on his mobile: 07751-960194 or email:

fraser.durham@carbonsense.com