

The Fox in the Hen House?

Balancing OPEC interests within G77

The role played by the OPEC bloc within the G77 and China groups of developing countries has long been an issue of contention. As the UNFCCC and Kyoto debates develop they will carry greater implications for developing countries at the national level, for example through discussions such as post- 2012 commitments and measures to support adaptation to the impacts of climate change. For the members of G77 and China the stakes are getting higher.

Given this, now is a good time to examine the role played by OPEC countries within the G77 bloc and to ask questions as to whether their actions are those of responsible nations participating in a collaborative action to solve the problem of climate change – or of fossil fuel exporters jealously protecting their oil revenues at all costs. Is OPEC a fox or just another worried chicken?

OPEC – Major and Minor

The first observation we should make is that all OPEC countries are not created equal. In fact OPEC members (listed in table 1) can be split into Major OPEC and Minor OPEC.

Table 1. OPEC members state population and oil data (based on BP, 2004). ‘Major’ OPEC marked with (M)

| Country | Population 2003 (thousand) | Population growth (1983-2003) (%) | Proved reserves at end of 2003 (thousand million barrels) | Production 2003 (thousand barrels daily) | Reserve/production ratio (2003) (yrs.) |
|------------------|----------------------------|-----------------------------------|---|--|--|
| Algeria | 31,840 | 2.12 | 11.3 | 1857 | 16.7 |
| Indonesia | 216,950 | 1.55 | 4.4 | 1179 | 10.3 |
| Iran (M) | 67,050 | 1.98 | 130.7 | 3852 | 92.9 |
| Iraq (M) | 25,150 | 2.63 | 115 | 1344 | >100 |
| Kuwait (M) | 2,430 | 2.10 | 96.5 | 2238 | >100 |
| Libya | 5,660 | 2.33 | 36 | 1488 | 66.3 |
| Nigeria | 124,390 | 2.78 | 34.3 | 2185 | 43.1 |
| Qatar | 620 | 3.52 | 15.2 | 917 | 45.5 |
| Saudi Arabia (M) | 22,670 | 3.30 | 262.7 | 9817 | 73.3 |
| UAE (M) | 3,120 | 4.30 | 97.8 | 2520 | >100 |
| Venezuela (M) | 25,710 | 2.19 | 78 | 2987 | 71.5 |
| OPEC | 525,590 | 2.08 | 881.9 | 30384 | 79.5 |

Minor OPEC countries such as Indonesia, Algeria and Nigeria have larger populations, smaller oil reserves and greater reliance on sectors vulnerable to the impacts of climate change such as agriculture. **Major OPEC** states such as Saudi Arabia, the United Arab Emirates and Kuwait tend to be smaller, wealthier and possess vast reserves expected to dominate their economies for decades to come.

The attitude of Major OPEC countries towards the climate issue is not encouraging. None have ratified Kyoto. Only one (Iran) has submitted its First National Communication. Saudi Arabia, Kuwait and United Arab Emirates all have per capita greenhouse gas emissions at almost-US levels. At the national level climate change is clearly a non-issue.

Yet it is the Major OPEC countries that drive the OPEC agenda within the climate negotiations. And they are good at it.

Major OPEC's influence

The most obvious sign of OPEC's influence with the G77 is to observe that 5 of the last 7 G77 Chairs have been OPEC countries. OPEC countries have strategically positioned themselves to represent G77 positions on a number of key issues.

A clear example of OPEC influence can be seen in stalling of the development of the Special Climate Change Fund because of OPEC insistence that it include measures to compensate countries for losses in oil revenue as a result of emissions reductions. A closer investigation of this issue reveals that oil revenues are unlikely to be substantially affected by Kyoto targets, particularly in the context of current price volatility and that OPEC's figures have been effectively doctored to exaggerate their plight. And all this in the context that current elevated oil prices have been projected by the IEA to lead to GDP losses of 0,8% in Asia, 1,6% in very poor highly indebted countries, and more than 3% in Sub-Saharan African countries. At the same time OPEC countries oil revenues have tripled since 1998, with Saudi Arabia alone reportedly picking up an addition \$9 billion in revenues in 2004 compared to the previous year.

In the context of the world oil market the impacts of Kyoto upon revenues and the money likely available through the Special Climate Change Fund is insignificant. Why then is the issue so important for the Major OPEC lobby?

Major OPEC's murky past

One clue can be found in the fact that Major OPEC countries have had a long, informal and well publicised (but poorly understood) relationship with US industry groups such as the now-defunct Global Climate Coalition and The Climate Council of Don Pearlman, the infamous 'High Priest of the Carbon Club' (who has never revealed who pays his top-end legal fees). The agenda of these industry groups has been simple – block progress. A history of anecdotes of Pearlman working closely with Major OPEC countries – to the extent that Kuwaiti delegates were reported by media as submitting amendments in Pearlman's own handwriting – indicates the closeness of the relationship.

Another clue can be found in the sheer persistence of Major OPEC countries attempts to block or derail the process. This has extended as far as the Intergovernmental Panel on Climate Change (IPCC), where Pearlman and many of the same OPEC delegates have popped up to oppose strengthening IPCC statements about the severity of climate change and the need to take action.

In short even as governments around the world are awakening to the urgency and seriousness of the problem, the Major OPEC countries – led by Saudi Arabia - appear to be continuing a comprehensive, well organised and well funded campaign to water down scientific recommendations and derail progress at the international negotiations.

The G77 quandry

Major OPEC delegates have insinuated themselves into key positions of influence within the G77 bloc and appear to have a clear ‘blocking’ agenda. However they are also frequently a useful resource. In many instances Major OPEC personnel are well trained, resourced and briefed, and well organised and professional in carrying out their duties. Many G77 delegates are new to the process, manage climate as one of a basket of issues, do not have clear mandates from their national governments, or are a part of a very small team handling a large number of highly technical climate issues. Major OPEC’s institutional support can therefore be very valuable when confronted with an Annex 1 agenda frequently light on domestic action and providing adequate funding for adaptation.

G77 countries are therefore in something of a quandary. OPEC delegates can provide useful guidance and support on critical issues. Yet Major OPEC’s own agenda runs contrary to the interests of most members of G77.

Time to act

As the negotiations become increasingly relevant for developing country national interests, G77 members will need to take steps to manage the OPEC dilemma or risk having their own agendas derailed.

One set of actions could focus on taking steps to ensure that a country’s own negotiating team is effective enough to represent their national interest. This will include sending senior staff, reducing other workloads on key staff, and providing training and capacity building to support negotiating teams. In many cases Annex 1 countries will need to provide resources to support these activities.

A second set relates to improved organisation and liaison between G77 blocs with similar interests in moving the process forwards. For example, many countries and smaller blocs such as the Alliance of Small Island States and the Least Developed Country Group need drastic emissions cuts as soon as possible coupled with major assistance for adaptation. Increased collaboration will result in increased political power.

A third set of actions requires demanding more clarity from those running the G77 administration. Transparency over allocation of key positions. Accountability for those speaking on behalf of G77 to follow their G77 mandate rather than a narrow national agenda. And facilitating increased participation in working groups from a wider range of G77 members to ensure representative positions are aired fairly. These actions would make it easier for other G77 members to actively participate.

Conclusions

A review of the evidence indeed reveals an OPEC fox in the G77 hen house. However the lines between fox and chicken sometimes appear blurred. Not all OPEC members aggressively pursue or support a blocking agenda, which is led largely by a Major OPEC group in particular Saudi Arabia. And despite obstructing progress on a number of levels OPEC countries also provide useful support to G77 on major issues.

However when all is said and done one picture remains clear. A small group of oil exporting countries, with a clear vested interest in derailing negotiations and no obvious domestic commitment to tackling climate change, are heavily influencing the G77 position. Most G77 members' interests would be better served by a more balanced representation and input. Clear opportunities exist for other countries to become foxes themselves.