Energy solutions for all

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PIERCE RIEMER holds a PhD in Applied Chemistry and began his career at the British Coal Corporation, where he worked in the Corporate Planning and Environment branches. From 1991-99, he worked for the International Energy Agency where he set up a number of initiatives including the organisation's Greenhouse Gas Programme. Dr Riemer has been Director General of the WPC since 1999 and is a prolific author with more than 200 technical papers, over 60 magazine features and 15 books to his name. He is a Chartered Chemist and a Member of the Royal Society of Chemistry.

In 1933, at the first ever World Petroleum Congress in London, experts worried that with current demand for oil and oil products we would reach peak oil in the 1940s. In the mid 1940s they agonised over shortages predicted for the 1950s and history repeated itself in the 70s, when similar papers were published and of course OPEC and the IEA joined the fray.

Today arguments still rage, "is peak oil behind us or ahead of us?", but even with OPECs and IEAs worst case scenarios for the maximum predications of world energy use, with advanced technology, better utilisation and the advances in unconventional production it seems that peak oil is some way into the future.

Most of the experts agree that the three biggest challenges for the oil and gas sector going forward are technology, the environment and geo-politics. Key to finding solutions for each of those are strategic alliances and closer cooperation. More so than ever this is true in times of crisis such as the current global recession.

Economic growth and liberalisation of markets throughout the world have spurred significant demand for oil and gas over the last decade. In the past year, however, the global financial crisis, resulting in a steep worldwide recession and falling energy prices all have had a strong impact on the oil and gas sector.

The effect has not been the same on all companies. Particularly small- and mid-cap companies were hurt by the reduced availability of capital and tougher credit terms that have followed the world financial crisis. Although the recession may cause a slowing down in oil and gas activity over the next 12 months, the long-term fundamentals of the sector are positive and well capitalised, progressive companies now have the opportunity to position themselves to benefit from future growth.

Many of the largest oil and gas companies are actually maintaining or raising their investments to address the ongoing need to add to reserves and grow production as planning is always on a long-term basis, and not influenced by peaks and troughs in the oil price. Market turmoil is also opening up new acquisition opportunities for cash-rich players, particularly in countries perceived as high risk, where valuations may have fallen the furthest. This brings about new opportunities for international oil companies (IOCs) to partner with national oil companies (NOCs) on a long-term, sustainable basis. Those NOCs that have been affected most by lower prices and the economic recession may now welcome IOCs' technological and operational expertise and access to capital. The downturn can therefore be a good time to focus on forming and strengthening strategic alliances, particularly with NOCs, which control access to over 90 per cent of the world's oil and gas reserves.

In the new economy, strategic alliances enable businesses to gain competitive advantage through access to a partner's resources, including markets, technologies, capital and people. Teaming up with others adds complementary resources and capabilities, enabling participants to grow and expand more quickly and efficiently. Many fast-growth technology companies use strategic alliances to benefit from more established channels of distribution, marketing, or brand reputation of bigger, better-known players. Companies might also consider cooperating with other firms by outsourcing the cost of non-core functions, freeing them to focus on key areas.

Aggressive cost-cutting shouldn't, however, extend to making wholesale cuts in the workforce, as the workforce in the oil and gas sector is rapidly ageing and talent is increasingly scarce. Forward-thinking companies should consider moving in the opposite direction, taking advantage of the downturn to strengthen their workforce in key parts of the world and forming strategic alliances with educational and academic institutions.

The number of young people joining the industry or even graduating in correlated areas has been steadily decreasing. Therefore, the petroleum industry is now on the edge of a demographic cliff: the age gap is expanding at an alarming rate with an ageing workforce retiring shortly while not enough young people are finding the industry attractive enough to join. This growing skills gap may impede the industry's very ability to operate, especially with respect to major exploration and production projects.

This challenge is particularly significant in the context of the world's rapidly growing demands for energy and calls for greater adherence to social and environmental responsibility practices.

In response to this challenge, the World Petroleum Council formed its youth policy creating a Youth Committee in 2006 to bring a higher profile to the issue and form an alliance with young people themselves in order to find possible solutions to our challenges. We feel that it is important that young people are at the forefront of resolving this issue as they are the ones who will inherit this industry, and should be involved in crafting its future.

Whilst looking at the long term, companies also have to make sure that they have all their risks managed and are operating in a sustainable manner. A key challenge is to continue providing sufficient accessible and affordable energy for all whilst demonstrating high standards of economic and environmental stewardship.

One of the greatest challenges we face as an industry is to enhance our reputation and credibility with our many stakeholders. We represent a major part of the solution in meeting the world's future energy demand. We must respond to this challenge in a way that is economically viable, environmentally sound and socially responsible. In order to maximise our contribution to this debate, we need to build trusting relationships with our stakeholders. We also must level the playing field within our industry, so that all companies recognise and respond to pressing global issues in a clear and consistent manner.

The WPC can play a significant role by providing a forum for stakeholder dialogue. In fact, our recent Congresses in Madrid, Johannesburg and Rio were designed to do just that. The 19th World Petroleum Congress in Madrid in 2008 clearly stated that there are still ample reserves and resources of oil and gas to be developed, both in mature basins and new frontiers. We have more than enough petroleum to meet demand for many decades for the benefit of all mankind. However, in order to earn a societal license to operate and to be profitable, the industry must invest responsibly and ensure the sustainability of the environment for the next generations. In addition, communities must enjoy a fair share of the benefits derived from oil and gas activities.

Companies that adopt corporate social responsibility as part of their core business strategy and adhere to principles of transparency, ethics and respect for human rights will gain the license to prosper and be profitable for the long term.

The Middle East region has been, and will remain, the anchor supplier of oil and gas to world markets and a guarantor of energy security. The region holds 60 per cent of the world's proven oil reserves and accounts for around one-third of world oil production,with Saudi Arabia alone holding a fifth of reserves. Countries across the region continue to invest in refineries and other downstream infrastructure to ensure that the needs of their diverse international and regional customer base are met reliably, safely and sustainably.

The Middle East holds over 40 per cent of the world's proven gas reserves and, with the expansion of Qatar's LNG sector in full swing, will make a rapidly growing contribution to world gas supply. Yet, there is considerable scope for additional growth in energy supply. Iran, for example, has the world's second largest gas reserves, but is yet to exploit its vast export potential.

Other important producers and exporters in the region continue to make new inroads into the world energy supply matrix. For instance, the UAE is leading the way in sour gas development and Yemen has recently emerged as an LNG supplier. Kuwait remains a leading oil supplier and Oman a major LNG producer. Given the above dynamic scenario, it is entirely appropriate and long overdue that the next World Petroleum Congress be held in the Middle East.

At WPC we have identified all these challenges as the topic for our 20th World Petroleum Congress which will be held in Qatar in 2011. Under its theme of 'Energy Solutions for All – Promoting Cooperation, Innovation and Investment' the 20th World Petroleum Congress will focus the debate on solutions aimed at providing all humanity with access to reliable, affordable and sustainable energy in both the near and long-term future.

In order to achieve this goal, it states that all stakeholders, including the energy producers, consumers, governments and all members of society need to work in close cooperation to develop innovative ways to find and develop new oil, gas and alternative energy resources, as well as set higher standards for wiser, more efficient and cleaner energy consumption. ■

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The signing ceremony for the 20th WPC in Qatar