

Effectively securing energy supplies

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Energy is the driving force for economic and social development worldwide. Nations' well-being is directly linked to reliable access of energy supplies. The long-term forecast of energy demand indicates that the current trend of escalating energy demand worldwide will continue. With every passing year, the task becomes more pressing. By 2050, the world will consume twice the energy it does today; as populations continue to grow, the opportunities for easily accessible supplies of oil and gas will even become less.

Thus, energy security is gaining increasing importance for energy importing as well as exporting countries, and for industrialised as well as developing economies. Additional energy sources need to be developed by the world, including unconventional oil and gas, and alternative energy to support the aspirations of all countries for economic growth – all of which will require much time and money to implement. And even then supply will struggle to meet demand. The challenge becomes even difficult, when considering the environmental issues and all countries should seek more energy at a sharply reduced cost to the environment.

The economic crisis and recession have made the challenge tougher. This is reflected in downward revisions of forecasts for global economic growth. The immediate impact was a negative trend of oil demand growth, sharp decline in oil and gas prices, and increasing market volatility. Several projects to increase energy production capacity have been postponed or cancelled due to lack of finance or lack of economic attractiveness. This will have a negative impact on energy supply when the world economy recovers and demand growth is restored to its normal levels.

Moreover, on-going projects are facing economic hardships with the significant decline of international energy prices. The construction contracts for these projects have been signed in a different financial environment, as the cost of material and construction has not been reduced in proportion with declining prices. This calls for the support and cooperation, among all stakeholders, to coordinate with contractors and negotiate the construction contracts to reflect the current environment of the international energy prices.

Volatility has not been limited to oil markets alone; natural gas markets have also suffered. Natural gas prices, which have always been linked to oil prices, are still

striving to return to their normal levels. Achieving a fair price for natural gas has become a real concern for the producing countries, who are seeking to develop a new pricing mechanism that delinks oil and gas prices.

Securing reliable and affordable energy will depend on availing adequate investments in timely fashion to find and develop required reserves. Without such investments, a shortfall in production capacity will emerge, prices will become more volatile and an energy crunch will occur, when the world economy recovers and demand growth is restored to normal levels. Therefore, governments and financial institutions must give priority to financing strategic energy projects. Moreover, it is important to strengthen governmental support in providing risk guarantees.

The energy challenge is hence global in scope and requires an urgent commitment to international co-ordination, and that must include an open and healthy dialogue between all stakeholders to build a sustainable energy future. Neither producers nor consumers can meet the energy crisis in isolation; working together, they can produce tangible results. Dialogue must not be an end in itself, we need to study how we can enhance our understanding of the technical factors affecting energy market volatility, in particular the linkage between the financial and energy markets. In this regard, I would like to emphasise that Egypt is willing to play a positive role and participate in producer-consumer dialogues held in different international fora.

In December 2006, for example, Egypt hosted the First African Oil Ministers Conference, organised by the African Union with the aim of establishing a mechanism to alleviate energy poverty and achieve balance between African countries.

Egypt is also developing its hydrocarbon resources, achieving 472 discoveries during the last ten years – the highest rate of exploration in North Africa. As a result, our gas reserves have doubled to reach 77.3 tcf by the end of 2009, while oil and condensate reserves reached 4.4 billion barrels. This growth in reserves was also coupled with a similar increase in daily production to reach 2 million barrels of oil equivalent. Furthermore, Egypt is launching a programme to make use of its strategic geographic location, proximity to energy resources and markets, adequate gas reserves, and reliable infrastructure to transform itself into a regional energy hub and accordingly to play a major role in securing world energy supplies. ■