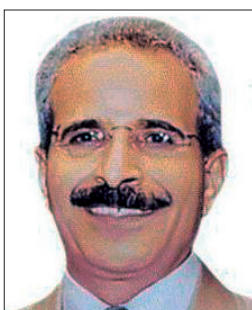


Creating a balanced portfolio

INTERVIEW WITH MOHAMMED BIN DHAEN AL-HAMLI

MINISTER OF ENERGY, UNITED ARAB EMIRATES



MOHAMMED BIN DHAEN AL-HAMLI

graduated with a Higher National Diploma in Business Studies in 1976 and holds qualifications from the Association of Certified Accountants (ACCA) and the Advanced Management Programme (AMP) of Harvard Business School. Between 1994 and 2002 he held various positions within the Abu Dhabi National Oil Company (ADNOC) including Director of Marketing and Refining, Director of Personnel and Director of Finance, during which time he also served as UAE Governor for OPEC (1994-2002). He was appointed Minister of Energy of the UAE in November 2004.

What do you consider to be the key challenges facing global energy markets in the coming decades?

The key challenge facing global energy markets is the need to ensure a continued supply of oil, while limiting the impact of burning fossil fuels on the environment. There are ample reserves of oil in the ground in the Middle East and elsewhere, as well as plentiful supplies of unconventional resources. What the world needs is continued investment in finding and developing these reserves, and to accomplish that we need a stable price environment. In recent months we have achieved a price level that allows producing countries to invest in new resources but at the same time does not adversely impact the economic growth of consuming countries.

The need to protect the environment is another major challenge. Consumers have to be prudent in their use of energy, which is an inherently valuable resource. Furthermore, consumers need to take account of the environmental ‘price tag’ that comes with energy from different sources. Energy resources such as oil and coal require an increasing amount of energy inputs during the extraction process. Clearly, oil that is produced using less energy generates fewer carbon emissions, making it intrinsically more environmentally friendly.

Can efforts to reduce reliance on hydrocarbons and change consumer energy patterns by adopting clean technologies have a significant impact?

In December, the Emirates Nuclear Energy Corporation awarded a major contract for the construction of four new 1,400 megawatt nuclear power stations. The UAE firmly believes that nuclear power represents an important clean energy source that should be developed along with other clean fuels. The first plant will be commissioned in 2017 and the objective is for nuclear energy to eventually account for 25 per cent of the UAE’s electricity requirements. We believe that the best way of securing a sustainable economic future in a carbon constrained world is to develop a balanced portfolio of clean energy sources in which nuclear, renewable energy, oil and natural gas all have a role to play.

Do you feel that there is sufficient consensus and political will among producer and consumer nations to implement the necessary solutions?

Frankly, there is an increasing consensus between consumers and producers. To begin with, neither side wants

price volatility. Recent steps taken to increase regulation of oil markets, in particular plans to cap investment in oil markets by non-commercial financial institutions, are welcomed by oil producers. Our ability to influence oil prices is limited since prices are set in international markets – we need to find mechanisms to limit speculation while maintaining platforms for price discovery that can be also used by commercial entities to mitigate price risk.

The UAE is very conscious of its responsibility to the international oil market in general and our customers in particular. That is why we continue to invest heavily across the hydrocarbon value chain in order to be able to continue supplying oil. In the short term, we seek to ensure a balanced supply of oil to our customers.

What unique perspectives can the UAE provide, and what role can it play in helping to address global energy issues?

In recent years, the UAE has assumed a leading role in the search for a sustainable energy future. It has launched a multi-billion dollar initiative known as Masdar, which is a global cooperative platform for open engagement in the search for solutions to some of mankind’s most pressing issues: energy security, climate change and the development of human expertise in sustainability. Masdar is building the world’s first carbon-neutral city in Abu Dhabi and among the first tenants will be the International Renewable Energy Agency, recently headquartered in Abu Dhabi.

Our philosophy is ‘protecting the environment begins at home’. The high volume of carbon emissions from the burning of fossil fuels is at the heart of the energy debate. However, carbon emissions are increasingly associated with the primary production of fuels. The UAE’s oil industry has, for years, been working towards reducing its carbon footprint. It should be pointed out that ADNOC was one of the first oil companies in this region to ban flaring over 20 years ago. More recently, it has teamed up with Masdar for the joint development of Carbon Capture and Storage projects. Carbon sequestration and storage has tremendous potential, especially for oil and gas producing nations like ourselves, as it can be used not only to prevent the emission of carbon into the atmosphere but also to help produce additional volumes of hydrocarbons by injecting the captured carbon into pressure-depleted underground reservoirs. ■

clean fuels. We have been able to embark on an important civilian nuclear energy programme in close collaboration with the International Atomic Energy Agency. The first plant will be commissioned in 2017 and the objective is for nuclear energy to eventually account for 25 per cent of the UAE's electricity requirements. We believe that the best way of securing a sustainable economic future in a carbon constrained world is to develop a balanced portfolio of clean energy sources in which nuclear, renewable energy, oil and natural gas all have a role to play.

The UAE has a history of welcoming private sector participation in its upstream oil and gas sector. What opportunities are currently available to foreign direct investment in this area?

You are right in pointing out that the UAE has always been open to direct foreign investment in its industries. Like all free economies, it is up to individual companies to seek out local partnerships and specific opportunities. The government supports the principle of free market but does not get directly involved in private investments.

How significant is the recent crash in global asset values, particularly for certain Emirates in the UAE seeking to diversify their economies away from dependence on petroleum revenues, in terms of sustainable development?

The UAE has an increasingly balanced economy. We continue to support the creation of a strong industrial base and a diversified economy in which trade, tourism and real estate all have an important role to play along with the oil and gas industry, which will continue to underpin the UAE's development for the coming years. The UAE's strength comes from its diversity and its role as a regional trading and financial centre. Its long-term future is not affected by short term fluctuations. The UAE's economy is part and parcel of the global economy. We are fortunate that the foresight of our economic planners has kept disruptions from the global economic downturn to a minimum.

What unique perspectives can the UAE provide, and what role can it play in helping to address global energy issues?

The UAE has always been a free economy and we pride ourselves in our close relationship with our customers. In recent years, we have developed a unique vision with regard to the environment. The UAE has assumed a leading role in the search for a sustainable energy future. It has launched a multi-billion initiative known as Masdar, which is a global cooperative platform for open engagement in the search for solutions to some of mankind's most pressing issues: energy security, climate change and the development of human expertise in sustainability. Masdar is building the world's first

carbon-neutral city in Abu Dhabi and among the first tenants will be the International Renewable Energy Agency, recently headquartered in Abu Dhabi.

Our philosophy is 'protecting the environment begins at home'. The high volume of carbon emissions from the burning of fossil fuels is at the heart of the energy debate. However, carbon emissions are increasingly associated with the primary production of fuels. The UAE's oil industry has, for years, been working towards reducing its carbon footprint. It should be pointed out that the Abu Dhabi National Oil Company (ADNOC) was one of the first oil companies in this region to ban flaring over 20 years ago. More recently, it has teamed up with Masdar for the joint development of Carbon Capture and Storage projects. Carbon sequestration and storage has tremendous potential, especially for oil and gas producing nations like ourselves, as it can be used not only to prevent the emission of carbon into the atmosphere but also to help produce additional volumes of hydrocarbons by injecting the captured carbon into pressure-depleted underground reservoirs. ■

Tourism, trade and real estate all have an important role to play, alongside the oil and gas industry

ADNOC oil platform, offshore Abu Dhabi, United Arab Emirates



Photography courtesy of ADNOC