

Promoting Cooperation, Innovation and Investment

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I would like to welcome each and every one of you to the 20th World Petroleum Congress in Qatar. This Congress will be a "First" in many ways: the first time for the World Petroleum Council to hold its triennial event in the Middle East, the first time to reach over 2,000 submissions for our Call for Papers, and the first time we have a sold out exhibition nearly a year before the event takes place. I am sure there are many other "firsts" to share with you. They all point to the fact that this event has been exceptionally well targeted and organised and that we have selected the right theme for the Congress to unify all that will be happening in Doha from 4-8 December 2011.

It is clear that there is not any single solution to our energy challenges but a union of the following: Investment, Innovation and Cooperation. We will be addressing these challenges throughout our extensive programme at the Congress, but we have also asked some of our key speakers and other industry leaders to share with us their thoughts on how we can provide energy solutions for all.

One of the keys will be investment. Although economic growth and the liberalisation of markets all over the world have spurred significant demand for oil and gas over the last decade, we are now going through more difficult times which has significantly impacted the oil and gas sector.

This has resulted in a major cutback in new investments in the industry. The IEA estimates global demand for oil to rise to 106 mb/d in 2030. 80 per cent of all energy comes from fossil fuels and that level is not expected to change very much by 2030 or even 2050. Much of this increase in supply will have to come from unconventional oil and gas which will require higher sustained prices. According to the IEA, 64 mb/d of gross capacity needs to be installed between 2007 and 2030 – six times the current capacity of Saudi Arabia – to meet demand growth and offset decline. In the current economic situation it is unlikely that these levels of investment will be met, although those that are cash rich and have access to credit will be able to take advantage of new opportunities.

However one of our greatest assets are the people in our industry and investing in the next generation and engaging them early and fully will provide us with the necessary tools to succeed in meeting the future energy demands.

The second driver is innovation. With conventional reserves of oil and gas that are easy to access and inexpensive to produce largely gone now, the industry is exploring in ever more challenging new frontiers where large oil and gas discoveries are still being made. The development of such new discoveries will require deployment of cutting edge

technologies delivered in an environmentally safe manner. Enhanced oil recovery is still one of the more promising areas to increase reserves and production from existing fields. The development of new technologies is significantly increasing recovery factors and prolonging the life of mature oil and gas fields. Unconventional oil and gas resources are quickly becoming technically feasible and economically very attractive.

None of these can work without cooperation. Despite the current economic situation, many of the largest oil and gas companies are actually maintaining or raising their capital investments to address the ongoing need to add reserves and grow production. This brings about new opportunities for international oil companies (IOCs) to partner with national oil company (NOCs) on a long-term, sustainable basis. The economic crisis can therefore be a good time to focus on forming and strengthening strategic alliances, particularly with NOCs.

Cooperation between IOCs and NOCs is not without its challenges: there are significant cultural, philosophical and social differences that can make working together awkward at best and sometimes impossible. In addition, the possibility of government changing the rules can pose a real risk and induce added uncertainty. Furthermore, government playing the combined roles of policy maker, regulator, partner and investor is a complex mix requiring considerable skill, understanding and flexibility. Notwithstanding these challenges, the rewards of enhanced cooperation are significant for both parties. The World Petroleum Council (WPC) can facilitate the building of important bridges for the two sides to find ways to work together.

Strategic alliances enable businesses to gain competitive advantage through access to a partner's resources, including knowledge, markets, technologies, capital and people. Teaming up with others adds complementary resources and capabilities, enabling participants to grow and expand more quickly and efficiently.

Cooperation is not restricted to building relationships between companies, it also applies to enhancing relationships with governments, non-government organisations, academia, international institutions and the public. For critical issues such as climate change, no one sector of society can provide the answers on its own, but will require cooperation among all sectors.

I look forward to sharing with you the thoughts of our industry leaders on these issues here and at the 20th World Petroleum Congress. ■