

Qatar's mix of long-term contracts and flexible supply



INTERVIEW WITH HIS EXCELLENCY DR MOHAMMED BIN SALEH AL-SADA,
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Qatar has rapidly increased gas production. What is its future production profile? Which new LNG trains will come on stream?

Under the wise leadership of His Highness Emir Sheikh Hamad Bin Khalifa Al Thani, Qatar has become the world's largest producer and exporter of LNG. This is a significant achievement, particularly when you consider that, in just 14 years, Qatar has gone from producing no LNG to having an installed production capacity of 77 million tonnes per annum.

As for the future, our priority is to ensure the efficient operation of our existing capacity and to complete all major projects already under construction.

As you are aware, in 2005 a moratorium was placed on further North Field projects. Therefore, our production forecasts for the North Field are limited to projects approved under the moratorium. These projects are due for completion after 2014.

A detailed study is currently being conducted on the North Field to evaluate the reservoir, and to ensure that future utilisation of the finite resources is done wisely and effectively.

His Excellency the Minister meets with the media



What is Qatar's pricing policy, given that gas prices are under pressure in some regions, notably Europe, because of the knock-on effect of US shale gas? How disruptive of the market is US shale gas? Can Qatar keep linking its gas prices to oil in Europe?

We understand that prices are not constant and are influenced by many factors beyond our control. These include the drop in demand as a result of the global economic crisis, the unexpected boom in shale gas production and the surge in global LNG capacity.

When considering the impact of these factors on Qatar's LNG business, there are two important things to note. First, Qatar is in the fortunate position of having a mix of secure long-term supply contracts, and flexible supply arrangements. This flexibility allows us to divert volumes to take advantages of market opportunities. As such, we are very confident that the development of shale gas in the US will not disrupt our current or future investment strategies.

The second point to note is that LNG projects are long term investments. Although today's gas market is rather uncertain, the long run fundamentals are sound and it is these long run fundamentals that will ultimately drive investment.

On the link between oil and gas prices, it is clear that while we have seen oil prices recover over the past months, these price rises have not been matched by increases in gas prices. This has resulted in the price of the gas per British thermal unit becoming far less than the price of its oil equivalent. While we →



→ hope this is a temporary phenomenon, we believe it would be prudent for gas producers to examine the causes that led to the disparity and in this regard we stress the importance of open dialogue between producers and consumers.

Qatar exports to more than 20 countries outside the Middle East. Given growing gas requirements of Gulf countries, might Qatar start providing gas to its home region?

In addition to being an important supplier of gas to markets in Europe, Asia and America, Qatar is already invested heavily in supplying the Gulf region through its flagship pipeline project – Dolphin Energy. This project links the North Field with markets in the UAE and Oman via a subsea pipeline which supplies around two billion cubic feet a day of sales gas.

The overall investment in the Dolphin Energy Project has made it one of the largest energy-related ventures ever undertaken in the Middle East and is a clear illustration of Qatar's commitment to regional development.

How does Qatar see the role of the Gas Exporting Countries Forum, if the forum is not for member countries to set export prices or agree on export volumes?

Clearly the purpose of the GECF is not to set export prices or agree on volumes but rather to provide a forum to enhance dialogue between gas producers and consumers.

We view the GECF as a valuable opportunity to discuss issues of mutual interest with other major players in the global gas market. These issues include investment opportunities in member countries, the exchange of capital, financial data and know-how and the promotion of stable gas markets.

In Qatar we host many international energy conferences that address similar issues. You could say that Qatar is becoming a facilitator to the industry in that we are staging events that bring together producers, consumers, industry experts, technology providers and



His Excellency Dr Mohammed Bin Saleh Al-Sada speaks to the press

project developer. The World Petroleum Congress is a prime example of such an event.

Qatar is also an OPEC member. What is its likely oil production and export profile?

Qatar currently has nine oil fields in production – three of these being operated by Qatar Petroleum (QP) and six via production share agreements with major energy companies. These fields produce some 800,000 barrels a day making us a relatively small producer among OPEC members.

In recent years, QP has invested heavily in its crude oil business. This investment is set to continue with plans to invest over QR (Qatari rials) 18 billion at QP operated crude oilfields and facilities over the next 5 years. Over the same period, an additional QR 7.7 billion will be invested by QP's partners in contractor-operated fields.

The latest development phase at the Al Shaheen field has recently been completed, and to date, QP's investments have added significant production capacity. QP continues to work with the operators of other fields to assess their potential and maximise value.

In addition to the Al Shaheen redevelopment, Integrated Reservoir Studies are being carried out on all QP operated fields. The end result of these studies will be full field development plans, which we expect to be completed by 2012/2013. ■