

Considering the challenges ahead

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At the WPC our members are involved in all aspects of the oil and gas industry. This is reflected in this year's Strategic Review which showcases the diverse range of areas that we are involved in. It is encouraging to see things looking a bit brighter than when we previously published a review, as we see the oil price recovering. The collapse in 2014 triggered a wave of cost cutting and in particular, the upstream sector of the industry lost many people. We have to hope that in doing this we have not lost too much experience, knowledge and skills. On a more positive note, the cost efficiency gains have allowed a number of projects which were deemed too expensive to now operate at breakeven prices of less than US\$30 per barrel, the North Sea being a prime example.

Some of the smarter companies planned for sustained profitability during difficult price scenarios and kept the majority of their staff, after all we work in an environment of ups and downs with a traded commodity, so we should not always be surprised with an oil price fall.

Much of the global focus is now on the USA and OPEC and the ground-breaking agreements between OPEC and non-member countries, in particular with Russia. As oil prices recover one of the challenges for oil companies is to hold on to the benefits of cost reduction, and I suspect that some cost escalation will be inevitable in the coming years. That said, the cooperation between OPEC and IEA (with the IEF) has done much to stabilise prices over the years and make the industry more transparent.

In recent years we have also witnessed a reduction in future upstream investment, so we may well see a spike in oil prices due to the lack of investment catching up on us. We will however start to see the benefit of investment in new technologies such as machine learning and artificial intelligence which will enhance all areas of our business.

We know that a growing world population needs energy, and to meet this demand, the petroleum industry is called upon not just to provide effective management of oil and gas reserves,

but also to marshal its financial resources and technical capacity. By doing so we further diversify energy sources and delivery options. Energy industries have always evolved to meet people's changing needs and the energy industry of this and the next century will become more diverse and more dynamic. For the longer term, sustainable economic growth and meeting global energy demands in an environmentally sensible and socially acceptable way, will require the development of entirely new energy technologies and other advanced fuel sources.

Hence the challenge: How do we meet this growing demand for affordable petroleum and natural gas products, while ensuring environmental quality and meeting societal needs? Today business success, in both developed and developing countries, is increasingly linked to strong performance in financial markets, environmental stewardship and community affairs. Businesses also have to deal with changing sets of expectations from a broader range of stakeholders.

The international petroleum industry takes this challenge very seriously. The actual responses to these environmental and social challenges differ among companies and countries. However through the WPC, the international oil industry has a showcase and a forum for communication to define common approaches to global environmental issues, and to share good environmental and social practices for the benefit of the petroleum industry and the community at large. This will be showcased at the 2nd WPC Leadership Conference in Mumbai, India in February next year and later in June 2019 we will be in St Petersburg, Russia for our 6th WPC Youth Forum. The Youth Forum will provide us with the views of potential future leaders, on where the industry and the world are going. Then towards the end of 2019 we will be in Bahrain for the first WPC Downstream Conference, which will focus on the long-term strategy, integration and leadership of the production and management of oil and gas products. Before we know it 2020 will be with us and we will be welcoming you to Houston for the 23rd World Petroleum Congress. ●

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