

Integration and sustainability

By Dr Pierce Riemer
Director General, World Petroleum Council



This year's Strategic Review has been launched at the first WPC Downstream Conference, under the Patronage of the HRH Prince Khalifa bin Salman Al Khalifa, Prime Minister of the Kingdom of Bahrain. We are also privileged to be able to host our committee meetings in Bahrain, alongside the conference.

The Oil and Gas industry is facing many complex issues in the new global context; the major challenge being the provision of Energy Security in a world with increasing challenges and uncertainties.

The UN Population Models indicate that the world's population could exceed 16 billion by the end of the century. More conservative assumptions estimate a global population of around 9 billion by 2050, growing to 11 billion by 2100. Economic expansion and population growth will continue to drive increased global oil demand, with the main regions of growth being non-OECD countries in Asia, the Middle East and Africa. This alone will ensure the long-term future of the oil and gas industry.

Non-OPEC supply from unconventional sources has increased significantly in recent years, often encouraged by government policy directives and various incentives. However, there is little agreement on where this future supply may peak or start to decline. To meet long term demand growth, OPEC will continue to provide a key role in the global oil supply.

The World Petroleum Council fully supports these Global Goals, which are addressed in our triennial Congresses, alongside the various technical and managerial programmes. Every Goal involves the energy industry in some way. The Oil and Gas industry has embraced these initiatives and, today, many privately funded sustainability projects are being developed in many developing countries.

Many analysts look at the future picture of the current investment landscape across fuels, technologies and countries, demonstrating that the energy system is undergoing a gradual re-orientation towards low carbon energy and efficiency, and that investment in key clean carbon technologies requires further ramping up to put the world economy on track for climate stabilisation.

Against the *certain* background of increasing global population

growth, energy intensity, and the need to bring vast populations out of poverty, the outlook for the Oil and Gas industry seems assured. However, in the new global context, the range and impact of uncertainties are taking risk management to a new level and to the top of managements' agendas. Apart from the effects of continued sluggish global economic growth, such uncertainties include: heightened geopolitical risks, volatile energy commodity prices, and complex geological and technical challenges. In recent years, these uncertainties have intensified in unexpected ways. Such uncertainties are outside the direct control of management, requiring new approaches to industry management.

We cannot escape the subject of potentially volatile energy commodity prices, which continue to generate uncertainty in risk and financial management. What the press say demonstrates the volatility over the past decades. During the past 50 years the oil price has been highly volatile compared to the steady increase in production. The correlation between demand and supply is not straightforward and is influenced mainly by market sentiment and geo-political issues.

In the past twenty years, demand for natural gas has increased as countries switch from sources such as coal and oil to fuel their economies. For most of this period, gas prices in the various regions of the world were highly correlated and prices generally moved in unison reflecting regional demand and supply.

Regarding future management of the Oil and Gas industry, it is imperative that it attracts and develops the highest quality professional skills that will be needed in the new global context.

We have recently completed an important gender study of our industry and WPC executives will take part in the LEWAS conference also being held in Bahrain. The World Petroleum Council has been active in organising events for young professionals, male and female, around the world. We have an international Young Professionals Committee, which has been active over the past 15 years in organising conferences, seminars and leadership programmes, including active participation in our triennial Congresses, greatly stimulating the interest of young professionals in the industry and helping to ensure that we attract the best qualified people to meet the challenges of the new Global Context. ●

Dr Pierce Riemer
Director General, World Petroleum Council