



INTERNATIONAL ENERGY FORUM



FIRST NOC - IOC FORUM ENHANCING GLOBAL ENERGY SECURITY THROUGH COOPERATION AND PARTNERSHIP

KUWAIT CITY, 30-31 MARCH 2009

AN IEF EVENT IN COOPERATION WITH THE GOVERNMENT OF KUWAIT

THE SECOND NOC - IOC FORUM
WILL BE HELD IN 2011

“Investment must
be steady and
timely through the
financial crisis...”

BACKGROUND

The 11th IEF (Rome, April 2008) advocated increased cooperation between NOCs and IOCs to address key challenges facing the industry such as global energy security, investment uncertainty, rising costs, increased complexity and risk in large investment projects and growing concerns about the global environment.

The International Energy Forum and the Government of Kuwait held the First NOC-IOC Forum with the participation of ministerial delegations, international organizations and senior decision makers from National and International Oil Companies, representatives from producing and consuming countries, as well as those from service companies and the financial sector.

Participants discussed key challenges facing the oil and gas industry in a volatile market and uncertain times. They highlighted successful examples of long-term cooperation between NOCs and IOCs and exchanged views on how such cooperation and partnership could be developed to further enhance global energy security.



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KEY FINDINGS

MARKET UNCERTAINTY AND INCREASED OIL PRICE VOLATILITY

- The extreme volatility of recent years is detrimental to both producers and consumers. It intensifies uncertainty on project planning and decision making.
- The combination of current energy price levels and a shortage of available credit may pose a serious threat to long-term supply, in oil and gas as well as alternative energy.
- It has become increasingly difficult to parse out the role of speculators in oil price discovery.
- JODI has made a significant contribution to increasing transparency and reducing uncertainty.

ENSURING ADEQUATE INVESTMENT IN A UNCERTAIN ENVIRONMENT

- Economic uncertainty underlines the need for open dialogue among producers and consumers.
- Despite the recent conditions, oil demand will recover and, whenever possible, investment plans should be maintained if supply is to meet this future rise in demand.

INNOVATIVE APPROACHES FOR EXTENDED NOC - IOC PARTNERSHIPS

- The current price level and volatility may encourage more comprehensive NOC and IOC cooperation.
- NOC-IOC partners should favor dialogue, respectful re-negotiation and/or mediation when they have divergent views on what “changing circumstances” mean for contracts.
- Industry strongly supports cross-investment throughout the value chain, including vertical and horizontal integration in host countries as well as access to the domestic market.

RECOMMENDATIONS

- Investment must be steady and timely through the financial crisis. Doing otherwise will cause even more volatility.
- NOCs and IOCs need to develop innovative models of cooperation that go beyond the conventional approach to better incorporate the strategic role played by oil and gas resources in the economic, social and political environment of the host countries.
- The current trend of value-driven, long term partnerships between NOCs and IOCs should continue and expand. A shared commitment to developing local infrastructure and employment opportunities is essential to fruitful collaboration.

