



INTERNATIONAL ENERGY FORUM

UNPACKING UNCERTAINTY: INVESTMENT ISSUES IN THE PETROLEUM SECTOR

REPORT COMMISSIONED BY THE IEF

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PREPARED BY PFC ENERGY

“Transparency in energy policies should be pursued to provide greater clarity to the security of both energy supply and demand.”

BACKGROUND

Increasing uncertainty among key elements in the petroleum sector has restrained investment. The Secretariat of the International Energy Forum (IEF) commissioned PFC Energy to complete a preliminary assessment of uncertainties impacting investment in the petroleum sector. PFC Energy report identifies issues perceived as having hampered investment in projects. Broken down into constituent parts demand and supply uncertainties may more easily be explored and discussed by Ministers with a view to deciding on concrete recommendations for policy action.

The full report can be downloaded from www.ief.org



WWW.IEF.ORG

KEY FINDINGS

- Decline rates in non-OPEC and non-FSU supply have risen steadily in recent years, despite high oil prices: fields that were online in 2000 have been declining at an average global rate of 6.2% a year in the period from 2000 to 2008. The cumulative impact is that base oil production outside OPEC and the FSU (for fields online before 2000) had declined by 40% between 2000 and 2008.
- Spending on exploration and development has almost tripled since 1997, but reserve additions have dropped nearly 60% during the same period.
- Energy efficiency, broadly measured as energy per unit of GDP, will increase as a result of dramatic improvements in emerging markets.
- The economic contraction has not only “re-set” the global demand base at a much lower level, but has also called into question the likely future demand trajectories once the recovery takes hold.

RECOMMENDATIONS

- Stability of the investment climate, especially within the major resource holders, will be essential to maximizing investment under prevailing conditions. Investment regimes must offer predictability for firms operating in the oil sector and stability over time.
- Governments should support the basic R&D necessary to promote commercialization of new processes to increase supplies—or more efficiently use demand—including developments of alternative energy sources.
- All countries can and should implement policies designed to encourage students to take necessary petro-technical courses, and to support university programmes in geological sciences and engineering.
- Transparency in energy policies should be pursued to provide greater clarity to the security of both energy supply and demand.
- International coordination of energy and environmental policies which impact global issues—and in particular global warming—will be essential.

