

THIRD IEF NOC-IOC FORUM CHALLENGES, INVESTMENT AND COOPERATION

HOSTED BY



11 - 12 JUNE 2013, TAJ PALACE HOTEL, DIPLOMATIC ENCLAVE, NEW DELHI, INDIA

CO-HOSTED BY



INTERNATIONAL ENERGY FORUM

KNOWLEDGE PARTNER



ERNST & YOUNG

Thoughts on

How is the industry balancing short-term concerns and long – term visions vis-a-vis investment decisions



SOME OF INDUSTRY SHORT-TERM CONCERNS



1 - Gain Market share

2 - Maximize margins

3 – Get bonus - go on holiday!

4 - Regulatory concerns (what's that?)

**...HOWEVER, FROM A NOC PERSPECTIVE, THE
LIST IS A LITTLE LONGER!**



- 1 - Keep country wet, including remote areas
(not necessarily feasible but be the engine of development)
- 2 - Be the guarantor of last resort (strategic reserves)
- 3 - Minimize potential impacts on inflation
- 4 - Secure price stability
- 5 - Secure social stability...

...HOWEVER, FROM A NOC PERSPECTIVE, THE LIST IS A LITTLE LONGER!



10 - Legislation

11 - Remove barriers to entry

12 - Regulatory concerns (monopolies, concentration risk, price fixing, anti-competitive behavior, product specifications, lead and sulphur content, etc....)

13 - Reduce dependence on imports

14 - Ensure quality issues

.....

29 - Gain market share

.....

41 - Maximize margins

42- Beg for bonus—settle for a barbeque in your own backyard!

And the list goes on and on...

LETS TRY AND PUT SOME ORDER TO THIS!



- **Short-term concern:** Gain Market Share
- **Long-term vision:** Market leadership
- **Consequential investment decision:** Invest in people to delight customers and deliver best in market products at lowest possible cost
- **Strategic (Macro) investment decision:** Regulate, remove barriers and facilitate access to markets

- **Short-term concern:** Keep geography wet
- **Long-term vision:** Stimulate new markets, be the “locomotive” for development in the geography
- **Consequential investment decision:** Develop logistics relationships
- **Strategic (Macro) investment decision:** Develop policies to encourage supply to remote geographies

...CONT...



- **Short-term concern:** Maximize margins
- **Long-term vision:** Control the value chain/vertically integrate
- **Consequential investment decision:** Develop own chain or strike strategic relationships with service providers. Diversify suppliers to mitigate risk
- **Strategic (Macro) investment decision:** Regulate and incentivize competition

- **Short-term concern:** Strategic reserves
- **Long-term vision:** Inventory levels kept to a Just-in-Time minimum
- **Consequential investment decision:** Develop minimum inventory levels for players and implement Country strategic reserves policy
- **Strategic (Macro) investment decision:** Legislate and facilitate access to land, berths, licensing, etc...

...CONT...



- **Short-term concern:** Price stability
- **Long-term vision:** Secure reliability of supply and quality of product. Have largest number of players possible in the segment.
- **Consequential investment decision:**

Diversify supply sources. Ensure there are a minimum number of players in the market segment. Implement a Central Buying Organization - ensures small players have access to supply sources at transparent / equal price whilst stimulating newer / smaller players in remote areas. Stimulate investment in laboratories and certification. Develop tendering mechanism including financial aspects. Develop logistics service providers, transport, pipelines, storage, rolling stock alternatives. Develop a hedging policy.
- **Strategic (Macro) investment decision:** Facilitate development of infrastructure and remove barriers to market. Develop G-2-G alternatives.

...CONT



- **Short-term concern:** Social stability / minimize inflation
- **Long-term vision:** Stimulate new markets. Be the "locomotive" for development in the geography.
- **Consequential investment decision:** Stimulate competition and remove barriers to entry
- **Strategic (Macro) investment decision:** Regulate and incentivize competition

- **Short-term concern:** Reduce dependence on imports
- **Long-term vision:** Be a producer. Be self-reliant in liquid fuels. Be an exporter. Develop cleaner more environmentally friendly products. Less dependency on fossil fuels
- **Consequential investment decision:** dedicate huge resources and skills
- **Strategic (Macro) investment decision:** Invest in exploration. Invest in refining capacity (petroleum, CTL, GTL). Invest in infrastructure and logistics (storage, pipelines, berths, shipping...). Invest in R&D. Invest in people and skills. Invest in a delivery platform for your vision

THE TAKE AWAY



- The critical issue that is transversal to all the issues I have presented today is that of PEOPLE!
- We need to dedicate more of our resources to uplifting and up-skilling our professionals to be able to:
 - Mitigate our Concerns;
 - Deliver on our Visions;
 - Deliver our Investments on spec, on time and within budget
- To that end, we need to invest significantly on technical training & higher education through bursaries, sabbaticals, secondments and cooperation agreements with learning institutions.

Khanimambo (Thank You)

Nuno de Oliveira

Nuno.oliveira@petromoc.co.mz

MOCAMBIQUE

