

GLOBAL ENERGY MARKETS IN TRANSITION: FROM VISION TO ACTION

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Excellencies, Ladies and Gentlemen;

I am honored and humbled to be addressing this highly distinguished gathering of ministers from many countries in Asia, the Middle East, Central Asia and Russia, together with heads of international organizations. Come to think of it, I have always thought of the regions gathered here as one “Big Asia”, and the gathering here confirms my thoughts. “Big Asia”, Ladies and Gentlemen, think about it... what a domain... a domain that is endowed with complementary resources, distributed among producers and consumers which are growing in size and well-being; what an opportunity for development cooperation and trade. Our interdependence for many goods and services has been on going, and more importantly in oil and gas, making our interdependence as significant as ever before.

It is most opportune and timely that this 7th Asian Ministerial Energy Roundtable should be held here in Bangkok, since Thailand is in the throw of a major development... the Eastern Economic Corridor of our country... the EEC, and **energy**, goes without saying, lies at the foundation of such development. Though this is a time of deepest mourning of the greatest loss the Thai people are experiencing in 70 years, the passing away of His Majesty the late King Bhumipol Adulyadej, whose life and leadership have been the soul of the nation. But as we have been taught by our forefathers that whatever happens, life goes on; and we must now move forward with even more strength and courage in having learnt lessons from the wisdom left by those who have passed on. So, Ladies and Gentlemen, please allow me to share with you an apt lesson from His Majesty for this meeting. People who have worked with Him would have heard Him hurrying them on after a plan has been made. Let me paraphrase: **“Go, let’s get to work, don’t take too long strategizing”**, short but coercing and enthusiastic. All our lives, we see His Majesty always out there doing things, experimenting and taking the results of the experiments to action. His Majesty led the move towards unconventional fuels from early days, starting with bio-ethanol and bio-diesel, to the extent that He had plants producing these fuels built in the palace grounds. Once His Majesty told me that he had a fuel with exceptional flavour... a roast chicken flavour. He was using oil used for roasting chicken from the kitchen in the palace to fuel his diesel car... a palm oil-based cooking oil. He was always experimenting. And Thailand, not unlike her leader, is often among the first to try our hands at new ideas, at new forms of energy, starting from bio-fuels, solar, wind, BEV or H₂ fuel cells,

harnessing all possibilities. Some of the endeavors are successful and many are not, but we do not hesitate to put vision to action when appropriate. This is not rocket science, and I strongly believe that companies or even public agencies do not fail because they can't strategize; it is because they can't execute. Thinking doesn't change business, essential as it is. Action changes business.

Indeed, it is time to put vision to action, since we are standing before the biggest opportunity in a century. The integration of 2.5 billion more people into the urban middle class represents a historic economic and social opportunity. And constructing the transportation networks to connect home and work, and providing the energy, water and food to support a middle class lifestyle in the next two decades also represent one of the greatest economic and operational challenges ever. The global economy today is trying to do in two decades for emerging markets, what it took the whole of the twentieth century to accomplish for the world. Further to which, most of these emerging markets are in Asia, or shall I say "Big Asia", which embraces more than half of the mentioned 2.5 billion people that are becoming middle class citizens. This is a time for extraordinary wealth creation, and at the foundation of this wealth creation is what is now termed a Resource Revolution. A revolution whereby integration of industrial technology and information technology will change all aspects of **resource use**, bringing radical improvement in productivity to all businesses in all countries. And, of course, one of these resources cannot be anything else, but ENERGY.

Ladies and Gentlemen,

The present day energy markets, in particular oil and gas markets, are not what it used to be. Volatility, uncertainty and disruptions of all kinds now take centre stage under a heated umbrella of global warming. But what has not changed is “**energy security**”, the ever present concern for both consumers and producers. For consumer countries, the issue would be where and how to secure energy at affordable prices regularly. While for producer countries, the question of energy security for consumers is not treated lightly either, else we would not see the producer countries, through OPEC, taking an important role in trying to balance the market. But balancing and stabilizing energy market, as we all know, is not always smooth, since stakeholders in the markets have diverse agenda and pressures – both economic and political.

Seeking to achieve energy security amidst volatility and uncertainty has been driving transitions in the energy world. At the international level, the transition is towards a low carbon world. At the regional level, the transition is influenced by local resources... regions that have, regions that do not have enough and regions that do not have at all yet!... pending exploration. While at the country level, resource endowment, demographic structure, and societal philosophy will dictate individual country's energy policies and, hence, energy portfolios. But as each country follows her own set of policy directions and measures, her transition direction could be sub-optimizing other countries' efforts and then the region as a whole ends up with sub-optimal results in achieving the transition goals.... The critical question would therefore be “**Can there be a coordinated transition in the region? Can there be policies that signal the**

need for technology cooperation and other supports among both producers and consumers?” I am sure this can be done especially with the connectedness of the world today. Coordination of the transitions of the region can be more than possible. We should look forward to efficient and successful cooperation and coordination in many fields during the transition.

Excellencies, Ladies and Gentlemen; I would not be in vogue if I do not mention gas, especially LNG – even though you have just been discussing gas. But please let me share my thoughts. Rather than being a “**transition fuel**” as many think, I think gas is in fact a “**destination fuel**”, a fuel... able to satisfy many types of demand by the global community. Despite recent progress in renewables and a moderate revival of nuclear, gas will be the major anchor for these fuels for stability, and will together be growing and offering a more complete package of solutions. In the meantime, LNG technology has opened up accessibility to gas for the world, and in particular for many gas thirsty countries in Asia, the likes of China and India. As for gas producers, they know too well, the comprehensive demand for gas, and have not only engaged themselves in LNG production, but the recent pipeline developments in the Baltic Sea, in the Caspian area, Central Asia, and even further south into southern Europe and southeast Asian. This clearly shows the novelty of gas.

But the gas market is much more complex than that of oil with differing regional prices, referenced to different bases: oil, gas and even hybrid, being referenced to both oil and gas. Yet with more LNG coming on to the market, thanks to US shale gas among other gas developments... not least in the Middle East, in time, prices in different regions will move competitively closer to each

other; and simultaneously with more innovative contract structures and bigger spot markets... all this not to mention “**Small LNG**” and “**Floating LNG**”. **This, Excellencies, I think is the real transition... the significant transition and the inevitable transition. So, let’s hail to the mobility of gas!** But, Ladies and Gentlemen, my next statement could somewhat deflate the gas lovers, because I think we must not lift our sight from coal – since Asia is endowed with a large volume of coal. Given potential clean coal technology and its economics, coal can have a part in the fuel mix. But let me emphasize: it must be clean coal. And this challenges a controversy at the centre of which will be health and environment, but controversy is healthy.

Now, let me shift gears. So far, my exposé implies important roles for governments of various countries, calling for coordination and cooperation for the move forward both at the policy level and operation level. But we must not forget another major player on the global energy stage, the private sector: the exploration and production companies, refiners, retailers, traders, transporters and other service providers along the supply chain. These actors as a group is the vehicle for the transition and must move in concert with governments. The cooperation between the government and the private sector is just as critical as the cooperation among governments. Actors at the operation level are the machines that put government policies to work. Therefore, ways and means as well as incentives must be provided to oil the machines to move forward. The Asian Energy Efficiency Knowledge Sharing Framework, proposed by the Kingdom of Saudi Arabia, and subsequent endorsements, is an example of such ways and means. There are many other areas that must be discussed

at this roundtable, and then put to action, such that the energy market can function effectively, mitigating the unfavorable impacts of uncertainty, volatility, and delayed and declining investment among other issues.

This 7th Asian Ministerial Energy Roundtable brings together great strengths and energies of many governments to deliberate on Energy Markets in Transition. The success for such endeavour needs cooperation, and more than cooperation are co-ordination, togetherness and trust; not only at the government level or the business level but also among the peoples of the countries gathered here. It is the strengths of the peoples together with their governments that will move things forward. So, my last thought that I would like to share with you is the importance of the involvement of the public. Time and again, we have seen how the public can be at odds with government policies resulting in undesirable consequences. But when the public moves hand in hand with the government, success is phenomenal. So, attention must be paid here too, in the transition forward; for it is the strengths of the peoples of our countries that will move things.

Excellencies, Ladies and Gentlemen;

I end here by wishing you all a good deliberation and hope that you will achieve the objectives set out for the meeting.... moving Vision to Action.

Thank you.

Keynote speech at the 7th Asian Ministerial Energy Roundtable

by Khunying Thongtip Ratanarat

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