



## **NOC-IOC Forum**

### **Enhancing Global Energy Security through Cooperation and Partnership**

Kuwait City, 30-31 March 2009

#### **Concluding Statement**

The International Energy Forum and the Government of Kuwait held the first NOC-IOC Forum in Kuwait City, 30-31 March 2009, 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 from service companies and financial sector. “Enhancing Global Energy Security through Cooperation and Partnership” was the central theme.

Participants noted that this first NOC-IOC Forum presented a timely opportunity to address the shared concerns of petroleum industry stakeholders highlighted by Ministers and participants in 11<sup>th</sup> IEF and 3<sup>rd</sup> IEBF (April 2008) as well as during the two ad hoc energy Ministerial meetings in Jeddah (June 2008) and London (December 2008).

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.

The discussion focused on the following key areas:

#### **1 - Market uncertainty and increased oil price volatility**

- Participants acknowledged that the extreme volatility of oil prices over the past years is detrimental to both consumers and producers, as it intensifies uncertainties on project planning and investment decision-making.
- Participants noted that present energy price levels in combination with a credit crunch pose a serious threat to needed investment in the oil and gas sector as well as alternative energy projects and clean-energy technologies. Industry leaders also highlighted that unpredictable energy policy frameworks contribute to business uncertainty and have an adverse effect on the viability of hydrocarbon projects.
- The factors behind recent trends in the oil market and the role of non-fundamental factors were widely debated. While affirming that it is difficult to explain large fluctuations in price solely with reference to the prevailing physical supply/demand balance, participants noted that it has proved complicated to accurately assess the extent of the role played by speculation and non-fundamentals – this was reflected in the diversity of opinion expressed on the subject.

- Participants acknowledged that concerted efforts have been made in recent years to improve the availability of market data, most notably with the Joint Oil Data Initiative (JODI) coordinated under the umbrella of the IEF.

## **2 - Ensuring adequate investment in a uncertain environment**

- Participants stressed that timely and accurate investment along the entire supply chain was vital for the efficiency and sustainability of energy markets. Recent estimates by the IEA show that the world will need to invest approximately \$ 12 trillion in the oil and gas sector by 2030 (or nearly \$ 500 billion per annum) to maintain market balance. This staggering amount of investment is needed even in the context of the recent fall in oil prices and restricted availability of credit, participants said.
- Recent market events and the uncertainty which characterizes the global economic situation present decision-makers with significant tangible risk. The current situation reinforces the need for an open and frank dialogue between producing and consuming countries to explore all avenues to reduce key uncertainties that hamper investment.
- Participants observed that eventually the world economy will recover and oil demand will pick up and advocated maintaining investment plans as much as possible to cope with the decline of production from existing fields and face future demand.
- Participants noted that since 2005, the cost of E & P has more than doubled due in part to the previous boom in commodity prices, the shortage of industrial capacity and a lack of skilled personnel. If companies succumb to economic pressure to implement large cuts in jobs, training and capital spending, there is a risk that it may sow the seeds of the next cost escalation.
- The NOC-IOC Forum stressed that long-term considerations should prevail as more skilled staff will be needed to meet future global oil and gas requirements. The high average age of personnel in the industry and how to attract young graduates is a source of concern. In this respect the upcoming IEF Symposium "Tackling the human resources crunch in the petroleum industry", 13-14 April 2009 in Qatar was welcomed.

## **3. Innovative approaches for extended NOC - IOC partnerships**

- Participants observed that current estimates show that the bulk of the projected increase in output of oil and gas will come from NOCs. In many areas of the world, successful cooperation exploiting the synergies between NOCs and IOCs already takes place. However, with a view to future trends, NOCs and IOCs need to develop creative and innovative models of cooperation that go beyond the conventional approach and recognise also the strategic role played by oil and gas resources in the economic, social and political environment of the host countries. The current oil price environment may be a catalyst for new schemes of partnership, said the participants.
- Participants identified a balanced and stable regime in the host country as a key element for a win-win partnership between producer-NOCs and IOCs and consumer-NOCs. Partners should favour dialogue and re-negotiations or mediation when they have different views on what "changing circumstances" mean for contracts.
- Cross-investment throughout the value chain, vertical and horizontal integration in host countries and access of NOCs to consuming countries' market were identified as mutually beneficial approaches which improve security of supply for importing countries and enhance security of demand for producing countries. Governments can and should encourage this developing trend, said industry leaders.

- Participants suggested further development of the emerging trend whereby NOCs and IOCs enter into value-driven long-term partnerships which go beyond the basic joint-venture business practices of technological and project management skill-sharing, and demonstrate alignment of mutual interests and commitment to the development of local infrastructure, and generation of indigenous employment opportunities.
- The Forum identified the industry's environmental footprint as one of the biggest challenges facing the oil and gas sector and called for its support in shaping sustainable environmental policies. Carbon capture and storage which holds the potential to contribute to the reduction of CO<sub>2</sub> emissions while enhancing oil recovery was one of the new technologies singled out for its potential contribution to both environment and efficiency.
- Participants recognised this first NOC-IOC Forum of the IEF as another important step forward in bringing together industry leaders from producing and consuming countries to strengthen the global energy dialogue and enhance global energy security. Participants called on the IEF Secretariat to ensure that the key messages of this first IOC-NOC Forum are developed and transmitted to the IEF Ministerial meeting in Mexico, 29-31 March 2010.
- Finally, IEF Secretary General, Noé van Hulst warmly accepted the offer of TOTAL to host the second NOC-IOC Forum of the IEF in 2011.