The new headquarters of the Secretariat of the International Energy Forum, generously offered by the Government of the Kingdom of Saudi Arabia, were officially inaugurated by the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al Saud on 19 November 2005. On the occasion, King Abdullah also launched to the public the World database of the Joint Oil Data Initiative that is being co-ordinated by the Secretariat.

The inauguration in Riyadh gathered more than 600 international and Saudi dignitaries. In conjunction with the inaugural ceremony, Ministers of key IEF energy producing and consuming countries and CEOs of leading international and national oil companies held informal discussions at the invitation of H.E. Ali I. Al-Naimi, Minister of Petroleum and Mineral Resources of Saudi Arabia.

It was five years ago to the week, that then Crown Prince Abdullah at the 7th IEF Ministerial in Riyadh had proposed the establishment of, and offered to host, a Secretariat to strengthen and provide continuity to the global dialogue on energy at political level in the IEF. Ministers endorsed the proposal at the 8th IEF Ministerial in Osaka, Japan in 2002, and the Secretariat started its work from temporary headquarters in Riyadh in December 2003.

From its new headquarters, the Secretariat will continue its focused efforts to serve IEF Ministers with the ambition of maintaining the IEF as an increasingly active focal point for global energy dialogue and co-operation across traditional political, economic and energy policy dividing lines.

(Continued on pages 3& 4)
NOTE FROM THE SECRETARY GENERAL

With energy security remaining at the top of the international political agenda, 2006 promises to be another eventful year in the further development of the global energy dialogue at the level of Ministers in the International Energy Forum. The highlight of the year will be the biannual gathering of all Ministers at the 10th IEF and the 2nd International Energy Business Forum to be hosted by H.E. Second Deputy Prime Minister, Minister of Energy and Industry Abdullah bin Hamad Al-Atiyah in Doha, Qatar on 22-24 April.

The main feature of this 5th edition of the IEF Secretariat newsletter is the official inauguration by the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al Saud on 19 November 2005 of our new headquarter premises, generously provided by the Government of the Kingdom of Saudi Arabia. On that occasion, King Abdullah released to the public the World Database of the Joint Oil Data Initiative, the co-ordination of which is a Secretariat flagship activity.

Minister of Petroleum and Mineral Resources of Saudi Arabia, H.E. Ali I. Al-Naimi convened in connection with the inauguration a meeting of ministers of 17 key IEF countries and CEOs of leading international oil companies. Ministers emphasized the importance of the producer-consumer dialogue in the IEF for their shared objectives of energy security, prices at a reasonable for consumers and producers and a sustainable global energy future. They welcomed the release of the JODI World Database and underscored the importance of timely and accurate data for reduced market volatility and a stable investment climate.

Minister for Energy of the United Kingdom, H.E. Malcolm Wicks expresses from our “Ministers’ Rostrum” his support of the IEF and shares his perspectives on the need for international energy dialogue. He outlines important G8 and EU energy initiatives under British presidency in 2005.

Minister of Petroleum and Natural Gas of India, H.E. Mani Shankar Aiyar presents the broad conclusions of the First Ministerial Round Table on Co-operation between North and Central Asian Producers and Principal Asian Consumers that he convened in New Delhi on 25 November. The Round Table was a further manifestation of the new Asian Energy Identity that is emerging within, and supportive to, the broader global dialogue in the IEF.

We are likewise grateful to Secretary General Dr. Abdul Aziz A. Al-Turki for his OAPEC vision for the producer-consumer dialogue, to Mr. Jeroen van der Veer of Shell and Mr. Helge Lund of Statoil for contributing to the newsletters “CEOs’ Corner” and to Director General Giuseppe Sfigioti of the OME, Secretary General Gerald Doucet of the WEC and Dr. Faith Birol of the IEA for their perspectives as stakeholders in the producer-consumer dialogue.

Looking forward to increasing our efforts to serve the political level dialogue in the IEF in this new year, the Secretariat would like to thank Ministers of those countries that have made their voluntary financial contributions to Secretariat activity in the past year. We rely on the continued political and financial support of IEF participating countries in our efforts to promote global energy dialogue and co-operation. The Secretariat would also like to thank the Minister of Petroleum and Energy of Norway, H.E. Odd Roger Enoksen, for announcing at the meeting of IEF Ministers in Riyadh a special additional financial contribution earmarked for JODI over and above Norway’s annual contribution to Secretariat activity. And appreciating support also from industry, we likewise thank Chevron for their generous financial contribution. Finally a very special thanks to our host country Saudi Arabia for providing such prestigious headquarter premises as a contribution in kind over and above their annual financial contributions.

THE EXECUTIVE BOARD

The 10th Meeting of the Executive Board of the IEF Secretariat took place in Doha, Qatar on 1 October 2005. The meeting was chaired by Dr. Ramzi Salman, Adviser to the Second Deputy Prime Minister, Minister of Energy and Industry of Qatar and hosted by the Government of Qatar. It was attended by Board members from China, India, Iran, Italy, Japan, the Netherlands, Norway, Qatar, Russia, Saudi Arabia, Venezuela, IEA and OPEC Secretariats as well as the IEF Secretariat.

The Chairman presented updated working drafts of the agenda and technical programmes for the 10th IEF and 2nd International Energy Business Forum prepared by host country Qatar assisted by the Secretariat.

The Executive Board reviewed the inflow of voluntary financial contributions to the Secretariat from IEF participating countries and expressed its appreciation of an additional donation pledged by Norway of USD 40 000 for activity in support of the Joint Oil Data Initiative.

The Executive Board reviewed, and proposed adjustments to, the draft Programme of Work and Budget Secretariat for activity in 2006.
ENHANCING THE DIALOGUE

Inaugurating the new Secretariat headquarters, the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al Saud expressed his hope that the work of the Secretariat will contribute effectively to enhancing the dialogue between producers and consumers, and protect the global economy from turmoil. Underlining that the oil policy of Saudi Arabia seeks dialogue rather than argument, co-operation rather than confrontation and is characterized by honesty and transparency, King Abdullah stated that the two main objectives of this policy is to realize a fair and reasonable price for oil and to provide adequate oil supplies to all consumers. The King continued:

“We have increased our production capacity to a level that does not jeopardize the interests of future generations or do damage to the oil fields. We have adopted moderate positions, within and outside of OPEC, with regard to production and pricing. We have increased production whenever there were shortfalls in supply, and we have adopted a policy of consultation and coordination with both consumers and producers. However, all efforts exerted by producing countries are fruitful only when they are met with a positive attitude by the major consuming countries, in the form of limiting speculation in the oil markets and refuting rumors and misleading information which cloud the realities of the market. It is also incumbent upon these countries to reduce the burdens on their citizens by reducing taxes on petroleum products when oil prices rise”.

WORLD DATABASE

The IEF Secretariat, and partner organizations - APEC, Eurostat, IEA, OLADE, OPEC and the UNSD - were greatly honoured by the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al Saud releasing the World Database of the Joint Oil Data Initiative to the public on occasion of the inauguration of our new headquarters. Minister of Petroleum and Mineral Resources, H.E. Ali I. Al-Naimi, emphasised in his inaugural speech that the Joint Oil Data Initiative:

“...enjoys a particular importance since it helps countries to better plan for the future. It also contributes to stabilizing the international market, because the absence of accurate and clear data is one of the most important problems that face the international market and industry, especially in significant issues such as supply and demand, production, reserves, etc. I do not exaggerate when I say that shortage in accurate oil information is one of the reasons for the crises that the international market witnesses nowadays”.

International Energy Forum Secretaria
IEF MINISTERS MEET

At the invitation of the Minister of Petroleum and Mineral Affairs of Saudi Arabia, H.E. Ali I. Al-Naimi, Ministers of 17 key energy producing and consuming countries, heads of international energy organisations and presidents of leading energy companies met in Riyadh on 19 November 2005 on occasion of the inauguration the new headquarters of the International Energy Forum Secretariat.

Ministers confirmed in sessions chaired by the Minister of Petroleum and Natural Gas of India, H.E. Mani Shankar Aiyar and the Second Deputy Prime Minister, Minister of Energy and Industry of Qatar, H.E. Abdullah bin Hamad Al-Attiyah, their support of the political level global energy dialogue in the IEF and of the activity of the IEF Secretariat. They underscored the importance of dialogue and partnerships also between governments and industry to meet the challenges ahead. They expressed their appreciation to the Government of Saudi Arabia for convening the meeting and for generously offering the Secretariat its new premises.

Participants emphasized the importance of the dialogue for efforts to promote energy security and a sustainable energy future. They focused on issues such as the global economy and the oil market and industry, petroleum industry technology and the importance of better data and information for oil market stability. Papers presented by Professor K. Rogoff (Harvard), Dr. D. Yergin (CERA), Dr. O. Appert (IFP) and Dr. W. Khadduri led off the informal exchanges of policy views.

Ministers noted their interdependence in promoting energy security and their shared interest in reduced market volatility and in prices at reasonable levels for both consumers and producers. They recognised the contribution of petroleum producing countries to meeting increasing energy demand, while also underscoring the need for improved energy efficiency, development of new technology and timely investments to meet future requirements. The desirability of “road maps” on future production plans from the producers and on future demand requirements from consumers was expressed. Mutual and criss-cross investments to promote win-win interdependence were urged and the issue of taxes and subsidies also raised.

Participants underscored that greater market transparency as well as timely and reliable data on oil production, demand and stocks would reduce market volatility and provide for a more stable investment climate. They emphasised their support of the Joint Oil Data Initiative and welcomed the public release of the JODI World database that is being co-ordinated by the IEF Secretariat.

H.E. Minister Al-Attiyah invited the participants to continue and deepen discussions in the wider global framework of the 10th IEF Ministerial and 2nd International Energy Business Forum that he will host in Doha, Qatar on 22-25 April 2006.

(In the IEF tradition, Ministers had informal discussions and did not adopt final conclusions or a communiqué).

Ministers from the following (mainly IEFs Executive Board and IEF Informal Support Group) countries attended the inaugural ceremony and Ministerial meeting: Bahrain, China, France, Germany, India, Iran, Italy, Japan, Kuwait, Mexico, Nigeria, Norway, Qatar, Saudi Arabia, United Arab Emirates, United Kingdom and the United States of America as well as the European Commissioner for Energy. The IEA, IEF, IMF, OLADE and OPEC also took part along with the top executives of Aramco, BP, ChevronTexaco, ConocoPhillips, Kuwait Petroleum Corp., Nippon Oil, ONGC (India), Royal Dutch Shell and Total.
MINISTERS’ ROSTRUM

The United Kingdom is a strong supporter of the IEF and the Secretariat’s co-ordination of the Joint Oil Data Initiative. With other members of the Informal Support Group of countries, the U.K. is playing an active role in advising Host country Qatar on the development of the agenda for the 10th IEF Ministerial in Doha on 22-24 April 2006.

As Minister of State for Energy at the Department of Trade and Industry since May 2005, H.E. Malcolm Wicks has played an important part in bringing energy to the fore during the British Presidency of the EU and G8. He was previously Minister of State for Pensions from 2003 and has been a Member of Parliament since 1992. He was educated at the London School of Economics. We are grateful to Minister Wicks for sharing his perspectives on the need for international energy dialogue below.

“The Deepening Dialogue”

I am delighted to be able to contribute to this edition of the IEF Secretariat Newsletter. As we draw to the end of the UK’s Presidency of the EU and G8, I would like to touch on several issues that have been at the heart of the international energy agenda lately.

At the G8 Summit in Gleneagles in July, leaders agreed on a statement about the nature and scale of climate change, as a global problem. The statement acknowledges that greenhouse gas emissions are “in large part” the result of burning fossil fuels and other human activity. A package of practical measures – the Gleneagles Plan of Action on energy efficiency, clean power generation, R&D networks and financing – was agreed.

The establishment of a Dialogue on Climate Change, Clean Energy and Sustainable Development, involving developing countries with major energy needs, was also agreed. The UK hosted the first Ministerial meeting of the Dialogue on 1 November where partners agreed to work together on the deployment of clean technologies; on incentives for large scale private sector investment in low carbon technologies, working with the World Bank; and on a new model for cooperation between developed and developing countries, as put forward by China, India, Brazil, South Africa and Mexico at Gleneagles.

Reinforcing statements by the G7 - the global economy and oil statement agreed at the Summit emphasised the important role played by the dialogue between producing and consuming countries in the International Energy Forum. It also recognised the importance of the Joint Oil Data Initiative (JODI), which was launched on 19 November, an example of producer/consumer collaboration involving some 90 countries. JODI is an important step towards achieving a better functioning and more transparent market. Improved data on global oil demand, supply and stocks is essential for better-informed decisions by governments and companies.

With energy interdependence increasing, the deepening dialogue – both at bilateral and multilateral level – is important in promoting greater market stability, transparency and understanding. This was particularly evident in the response we saw to hurricanes Katrina and Rita. The multilateral co-ordinated and swift response helped to absorb the impact of the loss of a significant amount of US production and refinery capacity.

Developing the EU’s relationship with major energy suppliers was one conclusion from an informal EU Heads of State meeting at Hampton Court on 27 October that looked ahead at the challenges of globalisation. The EU-OPEC energy dialogue is an example of this approach. We have so far had two Ministerial meetings, the most recent on 2 December, and an expert roundtable and have agreed further areas of co-operation in 2006. The meetings have been very constructive and invaluable as a forum for exchanging views and enhancing mutual understanding. I am particularly pleased that they have enabled us to identify areas - such as cooperation on energy technology – where we can add real value to the global dialogue.

Finally, I would like to congratulate the IEF Secretariat on the inauguration of their new office building in Riyadh on 19 November. I know that my colleague, the Chancellor of the Exchequer, Gordon Brown, was delighted to be able to represent the UK at the ceremony. The Secretariat is now concentrating on preparations for 10th meeting of the IEF in Doha in April and I wish them every success. I am looking forward to leading the UK delegation to the meeting.
The First Ministerial Round Table on Co-operation between North and Central Asian Producers and Principal Asian Consumers regarding Stability, Security and Sustainability in the Asian Hydrocarbons Economy was held in New Delhi on 25 November 2005 at the invitation of the Minister of Petroleum and Natural Gas of India H.E. Mani Shankar Aiyar and co-hosted by the Minister of Industry and Energy of the Russian Federation H.E. Victor Khristenko. It supplements the First Round Table of Ministers of Principal Asian Producing and Consuming Countries on Regional Co-operation in the Oil and Gas Economy that was held in New Delhi on 6 January 2005 in association with the IEF Secretariat and co-hosted by Kuwait.

Ministers noted the importance of Asia for global developments and underscored that regional co-operation in the Asian oil and gas economy must be pursued within the framework of global co-operation. Ministers endorsed that a study be initiated on the feasibility of oil and gas interconnections within the region under the overall aegis of the IEF. They agreed to meet for a Second Ministerial Roundtable to hosted by Turkey and co-hosted by Azerbaijan in 2007.

The Round Table offered the Secretariat the opportunity to update Ministers on IEF and Secretariat activity to promote the global producer-consumer dialogue in advance of the 10th IEF Ministerial in that will take place Doha, Qatar in April 2006.

H.E. Minister Aiyar presents the following broad Round Table conclusions:

- Asia is emerging in the 21st century as the largest single supplier of oil and gas, as well as the fastest growing consumption centres in the world.
- Regional cooperation in the Asian oil and gas economy must be pursued within the framework of global cooperation. Participants welcomed the forthcoming assumption by Russia, of the chairmanship of G8, and expressed the hope that the concerns and views expressed in this Round Table would be factored into G8 initiatives for Energy, Ecology and Efficiency which Russia proposes to undertake. They also welcomed the Russian intention to associate important producers and import-intensive countries, including participants in the Round Table, in the deliberations of the expert groups that are expected to be set up by G8.
- Participants noted with concern the recent volatility in international oil and gas prices and agreed that stable and reasonable prices would be in the interests of producers and consumers alike to ensure, on the one hand, that the growth prospects of consuming countries are not damaged and, on the other, that investment in producing countries is promoted.
- The need was recognised to study the possibility and feasibility of promoting and developing gas and oil interconnections particularly through trans-national oil & gas pipelines, within the territories of the region for integrating energy markets, as well as improving the transportation infrastructure and using the valuable assets and oil logistics available within Asia for Asian oil and gas. To this end, the Indian proposal to initiate such a study, in association with participating countries, in particular the Republic of Korea which has proposed a Master Plan, under the overall aegis of the International Energy Forum, was endorsed.

(Continued on page 13)
“GATEWAY TO CO-OPERATION”

As Secretary General of the Organisation of Arab Petroleum Exporting Countries (OAPEC) since 1990, and as Deputy Minister of Petroleum and Mineral Resources and Saudi Arabia’s Governor to OPEC for another 15 years before that, Dr. Abdul Aziz Al-Abdallah Al-Turki has closely followed the evolution of the producer-consumer dialogue. We are grateful for the OAPEC vision for enhancing the dialogue that he presents below.

As a regional inter-governmental organization of countries that rely on the export of petroleum, OAPEC gives important input to the global dialogue on energy. OAPEC was established by Kuwait, Libya and Saudi Arabia in 1968. Today it also includes Algeria, Bahrain, Egypt, Iraq, Qatar, Syria and the United Arab Emirates.

“OAPEC Vision for the Producer-Consumer Dialogue”

By Secretary General Abdul Aziz Al-Abdallah Al-Turki

Dialogue is the gateway to cooperation and OAPEC has endeavored to promote this objective.

OAPEC’s charter calls for “… the unification of efforts to ensure the flow of petroleum to its consumption markets…”. This was to be achieved by bolstering the Arab petroleum industry through cooperation to ensure the flow of investments and the transfer of technology to the industry on the one hand and to safeguard the market value of petroleum on the other.

Through constructive dialogue the characterization of the producer-consumer relationship has to a great extent shifted from one of confrontation to one that emphasizes interdependence. A better understanding of the interests and concerns of each other has been realized. Continued dialogue is necessary to maintain and progress the level of mutual trust.

For producers, their oil and natural gas resources represent a depletable capital stock, which if allocated its economic value and managed well could provide the basis for long-term sustainable development. For consumers, oil and natural gas represent the most efficient available form of energy. Oil, and to an increasing extent natural gas, has been the mainstay of the relatively high standards of living achieved in industrial countries.

Both producers and consumers should be cognizant of the role that the market plays in determining the price of petroleum products. A significant component of their ongoing dialogue should be directed toward assessing the factors affecting their market. These should include the impact of policies on the stability of producer and consumer countries as well as developments in the structure of the market for crude and products. The latter factor is growing in importance as manifested by the rapid development of the futures market that increasingly determine current prices and affect their stability.

Both supply and demand for petroleum products have proven sensitive to changes in price. Elasticity increases at higher price levels as the gap separating conventional petroleum sources from substitutes is narrowed.

Producers constantly have to adjust their calculations as to the opportunity cost of selling oil and gas below the cost of substitutes. Their perspective is influenced by the horizon deemed optimal for the extraction of petroleum resources.

The consuming countries, for their part, must calculate objectively and holistically the opportunity cost of efforts to subsidize the development and consumption of alternatives to hydrocarbon fuels. The greater the weight given to economic as opposed to political considerations, the greater the accrued benefits to all parties concerned.

Enhanced predictability of supply and demand are interrelated. Investments that determine the flow of petroleum production are long-term in nature, and require a high level of transparency with respect to future demand.

Dialogue where parties listen constructively to each other is essential to attain equivalency regarding concerns and the maximization of benefits relative to costs. The raison d’etre of the IEF is to achieve such a dialogue. OAPEC hopes that the 16th IEF Ministerial Meeting in Qatar April 2006 will succeed in strengthening this trend.
Mr. Jeroen van der Veer is Chief Executive of Royal Dutch Shell plc. He was born in Utrecht in the Netherlands and has degrees in mechanical engineering and economics. He joined Shell in 1971 and has worked in the Netherlands, Caracas, United Kingdom and the United States. He was a Managing Director of Royal Dutch Petroleum from 1997 until the unification under Royal Dutch Shell in July 2005. He is a non-executive director of Unilever.

Shell is a member of the Joint Committee of companies that is advising host country Qatar on the development of the agenda of the 2nd International Energy Business Forum that will take place in conjunction with the 10th IEF Ministerial.

Mr. van der Veer attended the inauguration of the IEF Secretariat’s headquarters and took part in the meeting of IEF Ministers in Riyadh.

Competition and Cooperation

by Jeroen van der Veer
Chief Executive of Royal Dutch Shell

Meeting the world’s expanding energy needs presents great challenges for the companies who must deliver these supplies and the governments who must set the policy framework that makes this possible. Commercial competition drives progress. But meeting these profound challenges will depend on effective cooperation – between producing and consuming governments, and national and international energy companies.

The challenges have two main dimensions. One is to expand supplies from maturing fossil resources by perhaps 50% over the next 25 years. The other is to find ways of producing and using that energy – needed to fuel development and support higher living standards – without destroying our environment.

The world will continue to depend on fossil fuels for most of its energy and there are adequate resources to meet growing demand for some time. But these will become increasingly difficult to find, develop and deliver. We will have to recover more from existing fields, develop new ones in harsher conditions and more difficult geology, explore in new areas and ways, develop unconventional hydrocarbons, expand the global gas supply infrastructure, and use coal more efficiently. Doing all this will require new technologies and skills, applied in more costly and complex projects.

I believe that the major international integrated companies have a vital role in this. We have the capital and risk management capabilities to invest in demanding and long-term projects. For example, Shell plans to invest some $19 billion in 2006, twice as much as at the beginning of the decade. We have global experience of applying advanced technologies, and the understanding to develop new ones. Our ability to integrate along the supply chain from reservoir to customer provides security and efficiency.

International companies live by their ability to serve resource holders, national partners and customers. In a competitive world, there is always somebody offering to do better, spurring a constant drive for innovation and improvement.

Environmental challenges include reducing the impact of projects and operations, developing cleaner fuels, and reducing carbon emissions.

In Shell, we have been working for many years to develop Gas to Liquids as another way of commercialising gas resources to deliver much cleaner fuel. We are also focusing on ways of dealing with carbon emissions from fossil fuels, so that the world can continue to benefit from their efficiency. The potential to capture carbon dioxide and use it to enhance oil recovery is a major prize, particularly in areas like the Middle East.

The key is to have a stable international policy framework that enables and encourages the necessary investment in more difficult projects and in long-term technological development. The International Energy Forum is a vital forum for producer and consumer governments to respond to these challenges.
Mr. Helge Lund took up the post of President and CEO of Statoil in 2004. He had previously been Chief Executive of Aker Kvaerner. Before assuming executive positions in industry, Mr. Lund had been a political adviser to the Conservative Party in the Norwegian Parliament and a consultant with McKinsey & CO. A business economist, Mr. Lund is a graduate of the Norwegian School of Economics and Administration and has his MBA from Insead, France.

Statoil is a member of the Joint Committee of companies that is advising host country Qatar on the development of the agenda of the 2nd International Energy Business Forum that will take place in conjunction with the 10th IEF Ministerial.

«Rise Early, Work Hard, Strike Oil»

By Helge Lund
President and CEO of Statoil ASA

In a period of comparatively high oil prices, the notion of «peak oil» appears to have gained prominence: If you do a Google search of the term «peak oil», your browser is likely to return nearly 2 million hits. The pages popping up warn that we should start preparing for the post fossil fuel era. It is a paradox that a web search for «oil» and «gas» «discoveries» returns a mere 300,000 hits...

The fear that the world will soon run out of oil has been a concern to most global decision-makers since the 1970s. This concern reminds me of the ancient fears that the sky would suddenly fall down.

Comfort can be sought in the history of the oil and gas industry: Since 1980, global consumption of oil has increased by more than 30 per cent. In the same period the world’s oil reserves have grown by almost 80 per cent. This development is the result of human creativity, ground-breaking engineering and massive technological progress.

An example from my own company illustrates my point: Cutting edge technology and a strong competence base on reservoir management and IOR have enabled us to add substantial reserves and value from our legacy «elephants» offshore Norway: On the Statfjord field we have improved recovery by 900 million barrels since 1982. When we started production from the Gullfaks field in 1986, we expected to recover 1.3 billion barrels. In May this year we passed 2 billion barrels and we have now set our sights on 2.5 billion. We currently aim to reach a recovery factor of 70 per cent for our platform fields on the Norwegian Continental Shelf.

IOR is not only responsible resource management and good business. It will also be a critical activity to grow global production to meet future demand.

The growing energy demand presents great opportunities to oil and gas companies around the world. However, also in the future we will face challenges that we have to solve:

- We need to replace production and reserves in an industrial environment where competition is harder than ever and where net debt is lower than in 25 years.

- We need to meet growing energy demand while at the same time contribute to reducing greenhouse gas emissions, which are set to double by 2030.

- We face execution of increasingly complex projects in a situation where the race for talent is getting fiercer almost by the day.

As we attack ever bigger challenges, sufficient supply of competence may emerge as a major bottleneck to the whole industry in the future.

In the years to come, the oil and gas industry must replace a significant part of current global production capacity. However, experience from the past tells me that that the industry will continue to deliver the energy the world needs.

A legendary oilman once said that his formula for success was to «rise early, work hard, strike oil». Today, we have to work harder than ever to turn opportunities into sustainable long term business.
LOOKING AHEAD

Mr. Gerald Doucet, has been Secretary General of the World Energy Council since 1998. Prior to that he served for four years as President and CEO of the Canadian Gas Association. He began his career with the Government of Canada.

The WEC is a global organization, established in London in 1923, covering all forms of energy and with over 90 member countries around the world. WEC member committees are supported by global energy companies and other interests, who organize a Congress every third year to report the results of its studies, technical services and regional programmes. The WEC has contributed financially to the activity of the IEF Secretariat and will later this year present its work on “Energy Policy Scenarios to 2050” in Riyadh hosted by the IEFS.

Energy Policy Scenarios 2050

At the Sydney World Energy Congress in 2004, the WEC Executive Assembly approved major new work on “Energy Policy Scenarios to 2050” within the frame of the new programme of studies 2004-2007.

Scenarios are not a forecast, and there is usually more than one plausible vision of the future. WEC has chosen in this work to use the rate of change in total primary energy requirements to 2050 as the backdrop against which to build plausible energy policy story lines. The two axes that have been chosen for the policy analysis are: less or more government intervention in energy markets and economies, and less or more cooperation among countries, including energy market integration and emissions management.

This decision reflects the evolution of WEC thinking about the world energy scene since the last WEC scenarios published with IIASA in the 1990s. While many groups have used the 1990 WEC Scenarios (for example, IPCC), much has changed in economic and energy terms in the world since that time. WEC revised its thinking for its Millennium Statement on “Energy for Tomorrow’s World – Acting Now!” in 2000 and, as the 2003 WEC publication “Drivers of the Energy Scene” has shown, the world may be far from achieving the WEC goals of energy accessibility, availability, and acceptability. Many underlying assumptions about population, institutional change, technology, environment, GDP, energy prices and other drivers have changed. The new WEC Energy Policy Scenarios to 2050 will try to develop plausible story lines on what kind of world we might be facing by mid-century and what policy decisions now could alter the course of events in a more sustainable way.

The context will be based on facts about energy supplies of all sorts in the various geographic regions of the world, and will seek input from key decision makers in the regions to ensure that the work is well-founded rather than wishful or politically correct thinking.

In the first year of work (2005), the Study Group has focused less on the generic natural phenomena (level of fossil fuel resources, demographics, spontaneous world GDP growth, etc.) and more on pro-active scenarios based on realistic energy policy choices at the national, regional or even global levels. This work was used to draft Energy Policy Concepts and dimensions at the global level. A second stage in 2006 will introduce the regional dimension, that is, a definition by and for each region of how the global scenarios may be developed. This exercise may lead to some revisions to ensure full consistency between the global and regional sub-visions. Once the qualitative global and sub-regional scenarios are determined, a third stage in 2007 will focus on the reconciliation of regional splits of the primary fuels and energy services, regional policy aspirations, and regional energy priorities. The results will form the basis of a major report to the Rome World Energy Congress in November 2007.
LOOKING BACK

Ing. Giuseppe M. Sfigliotti, since 1999 the Director General of the Observatoire Mediteranneen de l’Energie based in France, is a true veteran of the producer-consumer dialogue. He took part in the creation of the International Energy Agency 1974 and has been Chairman of the IEA’s Industry Advisory Board. As a representative of Italy, he was actively involved in the first five IEF Ministerials. From Paris in 1991, when Italy was Norway’s co-host in 1992 and up to the 5th IEF in India in 1996. He held various top-level executive positions and was Chairman of several ENI Group companies up to 1996.

Ing. Sfigliotti co-chaired the OME’s and IEF Secretariat’s Joint Workshop on the Producer-Consumer Dialogue that took place in Ankara on 12 June 2004 and has long advocated the importance of dialogue not only between governments, but also very importantly between governments and industry.

From Confrontation to Dialogue

“To act or not to act ?...”

I have had the privilege of spending almost forty years of my professional life (from late 1950s to late 1990s) with an important international oil and gas company with strong and deep contacts with governments and international organisations. With this experience, I have come to the conclusion that, in the field of energy, a deep intercourse between “policy makers” and “industrial decision makers” is very important for both parties and indeed for the entire international community, which has to rely on secure, affordable energy supplies for its economic and social development. These convictions have been further deepened, in more recent times, in my capacity as General Director of an Association of leading energy companies operating in the Mediterranean basin.

These convictions are based on the specific features of the energy sector (particularly oil and gas) which make this sector, of fundamental importance for the well-being of human kind, somewhat different from the other industrial sectors. It is truly international, with strong geopolitical implications; it is capital intensive; it is subject to long lead-times, regarding both the phase of realising energy projects and of exploiting them. These characteristics – and others which are quite familiar to the family of international energy experts – ask, in my opinion, for a strong co-operation among countries and other involved “actors”, viz. policy makers and industrial decision makers.

Those who are sceptical about this approach may say that it will unduly impinge on the independence of the two kinds of actors and that it will “pollute” the free working of the market and somewhat reduce the necessary freedom of market forces and the consequent market flexibility. No one may disagree with this analysis, but, at the same time, it is difficult to deny that the market (and countries’ politics), if left completely free, is not causing unpleasant uncertainties and damages in a sector which – to the contrary – is asking for as much stability as possible, in a short as well as long term vision.

Let us take an example. Many would agree that – among other factors – the lack, or perceived lack, of oil production spare capacity has had a role in the recent “oil crisis”. Now, how to address this issue? Is it a matter that should be left to the market, that is to the independent decisions of independent operators, or should it be the product of a somewhat co-ordinated approach, involving countries and companies? I would rather suggest that the second approach, although very difficult, is the appropriate one, because the issues addressed are not the domain of a single country or company.

If we feel that oil (and gas) spare capacity is an important factor (together with others) of oil market stability and development, then the question is how to (re)create a situation of available physical oil spare capacity. Are oil producing countries willing/available to create such spare capacity? Who should invest and where to invest? Producing countries? Consuming countries? Producing and consuming countries together? National oil companies? International oil companies? International consortia? And again, when and how spare capacity should be utilised? When market prices go above a certain pre-determined (adjusted over time) level? How to allocate production coming from spare capacity and at what prices?

Faced with the above, not exhaustive, long list of very difficult question marks, the reaction could be: let us forget about them. I would, however, maintain that at least some of them could be considered in the “menu” of the producer/consumer dialogue. We must not be discouraged by difficulties. According to the Roman philosopher Seneca: “Non quia difficilia sunt non audemus, sed quia non audemus sunt difficulta” (the reason why we do not act is not because things are difficult, but rather, things are difficult because we do not act).
MENA INSIGHTS

Regional energy developments in the Middle East and North Africa (MENA) have global impact and form a crucial part of the backdrop for global dialogue in the International Energy Forum. The IEA projects growth in MENA oil and gas sectors through 2030 and warns that a lack of investment would push up prices and depress GSP growth.

Dr. Fatih Birol, Chief Economist of the IEA and principal author of the IEA’s World Energy Outlook, presented the IEA insights on MENA for the Saudi and foreign energy community at the IEF Secretariat’s new headquarters on 23 November 2005. Before joining the IEA ten years ago, Dr. Birol, a Turkish citizen with his PhD in Energy Economics, worked in the OPEC Secretariat for six years.

2005 World Energy Outlook: Middle East and North Africa Insights

by Dr. Fatih Birol

It was a great honour for me, representing the International Energy Agency in Paris, to make the first formal presentation at the International Energy Forum Secretariat after its inauguration by the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al Saud. I would like to thank Secretary General Arne Walther and his staff for making this possible. The ties between our organisations are close, as both were founded on the fundamental principles of energy security. I am confident that this event marked the first of many future joint activities.

The IEA’s 2005 World Energy Outlook: Middle East and North Africa Insights not only contains a quantitative assessment of global energy market prospects, but focuses – for the first time – on a region of the world that is of great importance to global energy markets. This unprecedented analysis looks at MENA domestic energy demand as well as production and export availability of oil and gas and makes detailed country-by-country projections for the nine key producing countries in the Middle East and North Africa (MENA): Algeria, Egypt, Iran, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates.

The World Energy Outlook (WEO) also develops three scenarios – all of which are plausible – that depict markedly different energy futures:

- **Reference Scenario** – in which no new government policies are adopted;
- **Deferred Investment Scenario** – in which MENA upstream oil investment is assumed to remain constant as share of GDP at level of past decade; and
- **World Alternative Policy Scenario** – in which environmental and energy-security policies now under consideration are adopted, primarily in key consumer countries.

Each of these scenarios and its outcomes provide valuable insights that should be useful for policymakers in both consuming and producing countries and industry in making decisions about our energy future. Some of the key messages that emerge from the 2005 WEO are:

- If governments stick with current policies, global energy needs will be more than 50% higher in 2030 than today;
- In any plausible scenario, MENA oil & gas resources will be critical to meeting the world’s growing appetite for energy. Countries like Saudi Arabia, Iran, Iraq, Qatar and Algeria will play key roles;
- Further underinvestment in oil and gas would drive up prices and depress global GDP growth, eventually harming producers too;
- Major importing countries are already considering more vigorous policies to curb demand growth and reduce reliance on oil and gas;
- Continued need for dialogue between producers and consumers to find mutually beneficial outcomes.

What is the lesson for policymakers? That we need to act decisively and act now.
• MENA countries hold 60% of the world’s proven oil reserves and about 45% of natural gas reserves, yet their share of global production in 2004 was 35% for oil and 15% for gas.

• MENA oil production would be expected to increase from 29mb/d in 2004 to 50mb/d in 2030, pushing its share of global production from 35% to 44%. Production growth would outpace growth in domestic demand, so exports would expand by 75% to 39 mb/d in 2030.

• MENA gas production would triple, from 385 bcm in 2003 to 1,211 bcm in 2030. Net exports would surge from 97 bcm in 2003 to 444 bcm in 2030.

• These projections suggest investment needs of $1.5 trillion (2004 US dollars) from 2004-2030, or $56 billion per year. Oil and gas account for around 70% of this amount, the power sector makes up the rest.

• MENA oil and gas export revenues would rise from $313 billion in 2004 to $635 billion in 2030, close to the record levels seen in the 1980s. The share of gas rises.

IEA World Energy Outlook 2005

Ministerial Roundtable on Cooperation Between North & Central Asian Producers and Principal Asian Consumers

(Continued from page 6)

• The Japanese proposal was endorsed to study the possibility of networking the countries of Central Asia and South Asia and elsewhere with the Japanese initiative to promote a Sustainable and Flexible Energy System (SAFE).

• The importance of mutual cross-investment to reinforce mutual trade in oil and gas and associated downstream industry was emphasized as the optimal means of promoting stability, security and sustainability in the Asian oil and gas economy. Initiatives towards this end were welcomed.

• The significance of transparency in access to all relevant data relating to reserves, demand, supply and investment was recognized, and the importance of predictability was emphasized as a key element of stability, security and sustainability in the Asian oil and gas economy, and, indeed, the world over.

• It was agreed that practical steps be taken bilaterally and regionally, as well as globally, for networking the knowledge-base of participating countries in the development of the Asian oil and gas sector and the energy economy in general. In this context, the need to move towards the most optimal energy mix for each country and towards new and renewable energy sources was recognized as a priority for the Asian and global economy.

• It was further agreed that cooperation among participants in human resource development and training programmes would contribute an important element to the development of the Asian oil and gas economy.

• Asian countries may consider joining hands to undertake joint ventures towards developing modem oil and gas facilities with the latest technology in the upstream and downstream sectors of the oil and gas economy of Asia and elsewhere. Such cooperation may be based on sound considerations of equality and mutual benefit, sincere mutual treatment, and enhanced communication aimed at benefiting all partners in a win-win spirit.

• Participants agreed that this Round Table offers a truly significant opportunity for Energy Ministers of energy-producing and energy-consuming countries in the region. Accordingly, to strengthen business ties, regional cooperation as well as global cooperation, and with a view to strengthening dialogue, cooperation and exchange among each other, participants agreed to meet once every two years and to keep the complementary fraternal Round Table of West and South-east Asia countries informed of their deliberations as also to inform itself of the proceedings of that Round Table. It was also agreed that this Round Table would not be to the detriment of the dialogue in other regional and global fora.
ACTIVITY UPDATE

Recent

24 September 2005: Secretary General Walther presented the producer-consumer energy dialogue in the IEF to caucus meeting of African Energy Ministers hosted by the Minister of Energy of South Africa prior to the World Petroleum Congress in Johannesburg, South Africa.

1 October 2005: The Executive Board of the IIFS held its 10th Meeting in Doha, Qatar.

4-5 October 2005: Meeting of the JODI Review Committee chaired by IEFS and meeting of JODI partner organisations took place in Vienna, Austria.

31 October 2005: Secretary General Walther makes opening session presentation “Global Dialogue for Sustainable Development of World Energy” at the 5th Russian Oil and Gas Week in Moscow, Russia.

19 November 2005: Official inauguration of new IEF Secretariat Headquarter premises and public release of the JODI World Database by the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al Saud.

19 November 2005: Meeting of IEF Ministers convened by the Minister of Petroleum and Mineral Affairs of Saudi Arabia, H.E. Ali I. Al-Naimi on occasion of Secretariat headquarter inauguration.

22-23 November 2005: IEF Secretariat took part in meeting on International Energy Statistics (InterEnerStat) hosted by the IEA in Paris, France.


24 November 2005: IEF Secretariat co-chaired with IEA an inter-secretariat meeting of the Joint Oil Data Initiative in Paris, France.

25 November 2005: Secretary General Walther presented the global energy dialogue and IEF at Ministerial Round Table on Co-operation between North and Central Asian Producers and Principal Asian Consumers in New Delhi, India.

6 December 2005: 10th IEF host country Qatar convened in Beijing, China the 2nd Meeting of the Informal Support Group of countries to advise host country and co-hosts China and Italy on the agenda for the 10th IEF Ministerial.

14 December 2005: IEF Secretariat published the 6th issue of the Joint Oil Data Initiative Newsletter.

Upcoming

23 January 2006: Host country Qatar convenes in Doha the second meeting of the Joint Committee with representatives of international energy companies in preparation for the 2nd International Energy Business Forum.

10 February 2006: Inter-secretariat meeting of the Joint Oil Data Initiative takes place in Luxembourg hosted by Eurostat.

Early March 2006: (tentative) 11th Meeting of the Executive Board of the IEFS and 3rd meeting of the Informal Support Group of countries takes place in Doha, Qatar.

6 March 2006: Secretary General Walther lectures on the producer-consumer dialogue at King Faisal Center for Research and Islamic Studies in Riyadh, Saudi Arabia.

THE JOINT OIL DATA INITIATIVE

On 19 November 2005 the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al Saud officially launched the JODI World Database and released it to the public in conjunction with the inauguration of the IEFS headquarter premises in Riyadh.

Ministers of 17 oil producing and consuming countries, representatives of 6 international organisations and 9 major oil companies attended the ceremony.

For this occasion, the JODI partners also upgraded the JODI website and re-launched it under a new name: www.jodidata.org.

The opening of the JODI World Database to the public is not the final goal of this initiative. Making the data available is only the first step towards more transparency. Indeed when the Joint Oil Data Initiative was first launched in 2001, the primary goal was not to build a database, but to raise the awareness of all oil market players of the need for more transparency in oil market data.

The decision to release the Database to the public was taken with the full knowledge that the database is still work in progress. The IEFS Secretariat, together with the six pioneer organisations, are fully aware of the limitations of the database at this stage in its development. However, since transparency is central to the Initiative, the organisations have undertaken to respond positively to the request, expressed at the 5th JODI Conference in October 2004, that the database should be made accessible to the public.

Although the database is not perfect, significant progress has been achieved since its inception. For many countries, especially for the Top 30 producers and consumers, timeliness, coverage and reliability are already at reasonable levels.

The database should evolve continuously. The quality of the data will be assessed on an on-going basis. The actual database consists of seven product categories, four flows, and data in three different units, for 93 participating countries from January 2002 to the most recent available month which is expected to be one month-old. Other flows already collected through the JODI questionnaire, including refinery intake, refinery output, imports and exports, should be included at some stage.

Two weeks after the opening to the public, more than 2000 visitors accessed the JODI website. Almost 1000 downloads have been noted and more than 4000 tables have been viewed on-line.

Nevertheless many challenges still remain. Already, on 24 November, the JODI partner organisations met at the IEA Headquarters in Paris to discuss a roadmap for the future of JODI. For the first time, the African Petroleum Producers Association (APPA), the International Monetary Fund (IMF) and the Organisation of Arab Petroleum Exporting Countries (OAPEC) were invited to attend the meeting as observers.

During the meeting, the seven JODI organisations agreed that the first priority is to consolidate the actual database: increase the coverage to other countries, further improve the timeliness of the data submissions and continually enhance the quality of all the data.

A manual on the definitions and the methodologies used in JODI will be prepared in order to increase the data quality in the short term.

The organisations also discussed several proposals from the JODI partners as well as from the IMF regarding the implementation of training sessions on oil statistics for the participating countries. All organisations agreed on the importance of training and the first sessions should be organized in 2006 for regions like Latin America and Africa.

The organisations are very committed to these objectives and rely on the full co-operation and sustained efforts of all the participants in the Initiative.
THE ROAD TO DOHA
Informal Support Group meets in Beijing

The second meeting of Informal Support Group countries in preparation for the 10th IEF Ministerial in Doha was held in Beijing on 6 December at the invitation of IEF co-host country, China under the auspices of the National Reform and Development Committee (NRDC). The meeting was chaired by Dr. Ramzi Salman, Adviser to the Second Deputy Prime Minister of Qatar and Chairman of the Executive Board and attended by representatives also from France, Germany, India, Japan, Kuwait, the Netherlands, Norway, Russia, Saudi Arabia, South Africa, United Arab Emirates, United Kingdom, United States of America, the IEA and OPEC Secretariats, European Commission and IEF Secretariat.

The ISG is advising the Host Country Qatar on developing the agenda for Ministers’ discussion of “Energy Security” the main theme for the 10th IEF. The ISG also advises on countries and organisations to be invited and on various arrangements for the ministerial discussions. The ISG held its first meeting in Rome at the invitation of 10th IEF co-host Italy on 11 April 2005.