NATIONAL PETROLEUM COMMITTEE OF SERBIA PRESENTS

WPC EXPERT WORKSHOP on Perspective of the Petroleum Industry in the Future Energy Mix

Belgrade, Serbia
16 June 2016
PART 1 – PLANNING & LOGISTICS

Main contact in the National Petroleum Committee of Serbia (NNKS):

- Dr. Goran Radosavljevic, Secretary General

A) PLANNING OUTLINE – ORGANISATION OF THE EVENT

The workshop was organized by the staff of the National Petroleum Committee of Serbia. The team was led by Secretary General together with his deputy for external communications. The team members were professionals with rich experience in dealing with state institutions, international affairs, lobbying, management, finance, communication with various target audiences, as well as media.

NNKS was the only organizer of the event, without a direct involvement of other National Committees (NCs). However, NCs of the region, especially NC Slovenia, NC Croatia and NC Hungary provided their support to the selection of candidates for the Youth panel.

We have analyzed practices of other NCs in organization of WPC Expert Workshops and together with our own experience concluded that the best format for this workshop is a one day panel discussion with open debates and a theatre set up. We also took into account a number of attendees and the composition of audience.

The venue for event was fully financed by NNKS members (mainly by NIS Gazprom Neft). No registration fee was applied for this workshop.

Communication strategy

Several steps were taken to set up an appropriate communication strategy:

- Identification and differentiation of target groups (panelists and attendees)
- Development of a database for potential speakers and guests
- Selection of tools for promotion and PR
- Design of visual solutions and creative materials
- Selection of media channels and development of the list of target media
- Monitoring of issues that can cause media attention
- Preparation of a communication plan with media representatives
- Developing and revising key messages for moderators and speakers to follow
- Evaluation of conducted PR activities

B) LESSONS LEARNED FROM THE PROCESS OF ORGANISING THE WORKSHOP

NNKS team had already an experience in organizing this type of events but the following guidelines from WPC Secretariat had been especially useful:

a) Technical advice and support on organizing the event
b) Advice on the form and means of communication with target groups
c) Counseling in terms of scenarios and protocols
d) Support and training for direct communication with potential attendees and their selection
PART 2 – CONTENT & OUTCOMES

C) WORKSHOP OVERVIEW

Introduction

NNKS, under the auspices of the World Petroleum Council, hosted an international conference “Perspectives of the Petroleum Industry in the future energy mix” that gathered over 150 petroleum industry experts from WPC member countries and representatives of international energy institutions.

The expert workshop took place at the Metropol hotel in Belgrade, Serbia, on June 16, with participation of industry professionals from Brazil, USA, China, Russia, Iran, Norway, Great Britain and other member countries of the World Petroleum Council, representatives of the International Energy Agency, the Energy Charter Secretariat, the Energy Community and a number of individual national experts in this field.

Objective of the event

The main objectives were to discuss and share opinions of prominent experts from around the world on current and expected global trends in the petroleum industry, review forecasts on which energy resources will prevail in the future energy mix in 2030-2050, as well as consider solutions to key challenges facing petroleum industry.

Key Topics

- Future of Petroleum Industry
- Which sources will be important in the future energy mix
- Conventional vs. Unconventional sources
- Key challenges of petroleum industry regarding the future energy mix
- Possible solutions to the challenges petroleum industry is facing
- New technology for R&D and production of oil and gas
- Future of oil refinery
- Trend in oil product quality
- Environment and oil industry beyond 2030

D) KEY DISCUSSIONS AND OUTCOMES

Opening remarks were given by Dr. Jozsef Toth, President of the World Petroleum Council and Prof. Petar Skundric, President of National Petroleum Committee of Serbia.

The first panel discussion was on global trends of petroleum industry from the business perspective. Panel was moderated by Tor Fjaeran, Chair, Congress Program Committee WPC. Mehmet Öğütcü Chairman of The Bosphorus Energy Club and Chairman of Global Resources Partnership presented his view how other fuel choices would affect the petroleum market’s future. His opinion was that the future is uncertain and that companies and governments need to be agile and resilient, underpinned
by a fundamental sustainable business and governance model. Fossil fuels would be important in the near future but would lose market share to renewables and nuclear. Big concerns were climate change, security of supply and demand, price volatility and environmental problems. He concluded that we can’t expect energy revolution but evolution would be progressive with fossil fuels coexisting alongside strong green energy growth.

Srdjan Bosnjakovic, Director of Strategy and Investments at NIS Gazprom Neft, concluded that considering the extreme volatility on trade of crude oil, the focus should not be placed on attempt of picking up the future trends but on defining a strategy that would maximize the flexibility of the company, enabling it to react on different environment. Being able to react quickly in case of low price environment, pushing down the cost and lower profitability projects, as well as to engage additional capacity in case of temporary price peaks will be main goals of petroleum companies in future. In his opinion, it is less about calculating the scenarios, but more about management structure flexibility, including identification of project’s backlog, budgeting, contracting and other issues.

Ali Rahneshin, Senior Commercial Analyst at Nouri Petrochemical company, Iran, and a representative of the Iranian NC presented the status of Iranian oil and gas industry after lifting international sanctions. He pointed out that Iran would need around $500 bn both in upstream and downstream until 2025 in order to reach capacity it had before sanctions. Most of the investments (two thirds) will be in gas sector, which supports statements that gas will be a more important fossil fuel in the near future.

The institutional view of petroleum industry trends was addressed in the second panel moderated by Dr. Marat Tertetov, Principal Coordinator of the Energy Charter Secretariat in Brussels. Ms. Kristine Petrosyan from the International Energy Agency presented world energy outlook for 2015-2040 period. She pointed out that low prices bring gains to consumers, but can also spread the seeds of future risks to energy security. Two important countries in that process are India and China. India’s energy needs are huge and there is a strong shared interest to support India’s push for clean and efficient technologies. China’s transition to a more diversified and much less energy intensive model for growth will re-shape energy market. Current INDC’s (Intended Nationally Determined Contributions) sends strong signal for a low-carbon transition, but ambition needs to be raised to ensure decoupling economic growth and CO2 emissions. Renewable energy and energy efficiency are two key instruments reach decoupling but political action is needed.

Mr. Adrian Jasimi from the Energy Community Secretariat had based his discussion on energy mix and energy security in the Energy Community. He concluded that energy efficiency can play a critical role in addressing energy security, environmental and economic objectives. Promotion of energy efficiency should remain a priority for all governments in order to balance the need for investment in energy infrastructure, cut fuel costs, increase competitiveness and improve consumer welfare. He also presented regional (Southeast Europe) advantages and disadvantages regarding energy sector. His view is that major disruption of oil supply would present a significant problem for the Energy Community and that oil security and transposition of the EU Directive should be given more attention in this region.

Dmitry Mordovenko, Senior executive advisor in PwC Consulting had focused his discussion on perspectives on the oil and gas sector transformation. He elaborated that fossil fuels dominate the energy mix but low carbon agenda shapes our future. At the same time, oil prices and price volatility...
challenge company priorities. Prices remain volatile, the importance of alternative energy grows and gas acts as a transition fuel to the “green” energy.

The final panel discussion “Young Leaders Perspective: The best papers” was dedicated to the presentation of selected papers by young experts, among which were representatives of NIS Gazprom Neft, National Institute of Chemistry in Slovenia, and University of Novi Sad in Serbia. Discussion was moderated by WPC Youth Committee Chairs from Serbia and Hungary.

Vuk R. Rajović from NIS Gazprom Neft, Serbia, presented his analysis of waste utilization in the petroleum industry regarding a future energy mix. Electricity gains ground in many end-use sectors, making up almost a quarter of final energy consumption by 2040 and the power sector leads the way towards a decarbonized energy system. Leading petroleum industries should show to the world their willingness to reduce GHG emissions while improving energy efficiency and environment. IEA predicts dramatic drops in coal global electricity mix by the end of 2040 and non-hydro renewables gains similar amount, while gas and nuclear will maintain existing shares. To realize these projections, the world needs to add more electricity capacity by 2040 than is globally installed today, while average utilization rates for capacity go down because of the need to integrate variable renewable technologies while conserving potential energy sources. This raises questions in many countries about the appropriate market mechanisms that can generate the necessary investment in generation and grids. On the other side, various technical, economic and chemical limitations concerning the APG and pet coke utilization are present. Therefore, the further research should be extended with economic and social aspects aiming to complete evaluation of a particular APG and pet coke utilization technology that has potential to improve petroleum industry becoming energy industry.

Grom Matic from National Institute of Chemistry, Ljubljana, Slovenia, presented the analysis of a group of authors regarding emerging challenges and opportunities of engineering the future (bio)refinery processes. Increased refining capacities, particularly in Asia and the Middle East, alongside with uncertain crude oil and natural gas supply are mirroring the reduced operation of oil refineries in Europe. The latter are challenged to modify their business models by adjusting their value chains to be more sustainable and reliable, by adjusting the process in terms of material and energy integration and by adjusting the portfolio of targeted products. One direction is an increase in the efficiency of the current fossil-base processes, while novel bio-refining setups are gaining in momentum, especially in more biomass-abundant European parts, such as for example Sweden, Finland, Austria, etc.

Stefan Lazić from Faculty of Technology in Novi Sad had analyzed the structure and behavior of oil refineries in Southeastern Europe during the recent crisis. Due to unpredictable prices of crude oil, increasingly stringent emission standards and lower fuel consumption in Europe, oil refineries tend to increase the number of refining units and to integrate certain petrochemical units into their configuration. Also, all of the refineries tend to decrease their costs of refining and to adjust to market demands. The reason for this is a serious competition on the fuels market. Refineries from this region should adjust to global changes and environmental legislation. Taking into account that most of the refineries from the region have invested substantial amounts of financial resources into their upgrading, as a conclusion he said that they have a potential to withstand the challenging times that lay ahead.
In the end of the workshop, Goran Radosavljevic, Secretary General of NNKS, had summarized conclusions from all the three panels identifying existing problems and potential responses of petroleum sector.

Problems:
- In the previous period we had resource scarcity but today we have overproduction in oil and gas sector
- Overproduction with a drop of demand leads to low prices
- Low prices bring gain to consumers but can lead to problems in the future, especially for energy security
- Investments in oil and gas sector are diminishing and are going from oil and gas to renewables
- Fossil fuels will lose market share but it is not easy to predict at what scale
- Gas will act as a transition fuel to “green” economy
- Climate changes will become very important, influencing energy mix in the future
- Human resources scarcity becomes very important

Potential responses:
- Fast reactions and flexibility in order to respond to market changes
- Raising efficiency as a response to climate changes – renewables and energy efficiency are two key instruments
- Long term view and big investments projects
- Investment in human capital and future leaders

E) CONTACTS

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F) SUPPORTING DOCUMENTS AND PRESENTATIONS

All details including agenda, participants, presentations and supporting documents, as well as videos from Expert workshop can be found at NNKS web site: www.wpcserbia.rs/report-from-wpc-expert-workshop-belgrade-16th-june-2016

At the same link, you can also find a publication “Perspectives of the Petroleum Industry in the Future Energy Mix – WPC Expert Workshop Proceedings” edited by Prof. Sokolovic, Vice-president of NNKS and Dr. Goran Radosavljevic, Secretary General of NNKS.