Delivering energy for sustainable growth

By Tom Nicholls

WITH WORLD oil prices at record highs, the 19th World Petroleum Congress (WPC) theme – delivering energy for sustainable growth – presents delegates with as great a challenge as at any of the previous 18 congresses, says the World Petroleum Council.

“The world is in transition: increasing population growth, energy intensity and globalisation has led to a phenomenal rise in the use of energy,” says Council president Randy Gossen. “Experience demonstrates that price volatility and alternating boom-and-bust periods are harmful to industry and consumers.

“The challenge for our industry is to ensure continuous, affordable and reliable energy supply, meeting society’s expectations in a sustainable, transparent, ethical and environmentally sound manner.”

Welcoming delegates to Madrid, Jorge Segrelles, chair of the 19th WPC Organising Committee, echoed that view. “The Spanish organising committee is very proud and happy to receive the oil and gas community and industry here.

“We think the conference theme appropriately reflects what is happening in world markets. The industry must deliver and in a sustainable way. We hope these days of meetings in Madrid will help to achieve consensus and solutions.”

As well as the oil price, the Congress’ most prominent topics, says Segrelles, are likely to include security of supply, investment in energy-supply infrastructure, access to reserves for international oil companies and sustainability.

Says Lidian Chen, former secretary-general of the Chinese Petroleum Society and a member of the Chinese national committee: “The world is, indeed, in transition, with energy demand accelerating and with such a wide gap in per capita energy consumption between developed and developing countries. Perspectives on demand, deliverability and sustainability will be particularly useful.”

With the industry’s workforce ageing and with manpower at a premium, there will also be an emphasis on the involvement of young people in the industry. The WPC’s Youth committee will be holding events throughout the week (see p2).

Over 600 papers will be presented; attendees include some 25 energy ministers, and the heads of Opec and the International Energy Agency, as well as numerous chief executives of energy companies. The organising committee is expecting up to 3,500 delegates and 400 journalists to attend.

“Madrid is a very welcoming city with lots of cultural and social events and we hope delegates will enjoy their stay” – Jorge Segrelles, chair of the 19th WPC Organising Committee. Sara Baras and José Carreras will perform after Sunday’s opening dinner.

Going carbon neutral

THIS WEEK’s Congress is the first in the WPC’s history to offset its carbon emissions, says the Organising Committee.

Greenhouse-gas emissions associated with the event – resulting from the transportation of people and materials to and from Madrid and from the use of Hema’s facilities – will be neutralised in accordance with Kyoto Protocol procedures through the purchase of voluntary emissions certificates. In a process overseen by local certification body Aenor, carbon credits are to be invested in a hydroelectric power plant in Guatemala.

The Organising Committee has also attempted to limit emissions and waste wherever possible, using, for example, recyclable materials in some of the exhibition stands in the Social Responsibility Global Village and encouraging delegates to use shuttle buses to get to and from the conference centre, rather than taxis. In addition, all Congress literature is printed on recycled paper.

Plus ça change

THE World Petroleum Council celebrates its 75th birthday this year and has grown steadily since it was set up in 1933. Yet many of the congress’ hot topics sound remarkably similar to those tackled at past events.

Says Council director-general Pierce Riemer: “Co-operation and networking are central to the success of the WPC and have led to an increase in Council membership over the years. In 1937, we had nine members. Now, over 60 nations are members of the Council, representing all the continents, with additional countries requesting details of membership.” Members now represent over 95% of world oil and gas production, refining and consumption.

Says Vladimir Kornev, executive-secretary of the Russian national committee: “The congress is a unique undertaking: its content is prepared over the course of three years by 65 national committees to accommodate the broadest possible agenda. It represents an invaluable opportunity to share ideas in a variety of areas of the industry.”

A trawl through the WPC archives, adds Riemer, throws up some familiar debates. Topics covered at the first WPC included the value of oil gas, its possible conversion into a liquid fuel and the addition of maize-based ethanol to gasoline.

Photographs of Henry Ford’s first car designed for pure ethanol were set alongside state-of-the-art gasoline versions of the 1930s. The first WPC also discussed peak oil, the problems of supply and demand and the oil price that might be reached by the 1940s. Adds Riemer: “In the 1940s they started worrying about the 1960s. In the 1960s, the 1970s and so on…”
Youth Committee faces up to the industry’s demographic gap

By Severin Secklehner

Q What is the Youth Committee and what does it plan to achieve this week?

A The petroleum industry is on the edge of a demographic cliff: the average age of exploration and production (E&P) staff is 50; since 1981, the industry has lost 1.1 million employees; and the number of young people joining the industry or even graduating in related areas is falling. The growing shortage of skilled labour may impede the industry’s ability to operate, especially large E&P projects. The problem is made worse because of rapid growth in world energy demand and tighter standards for environmental stewardship and social responsibility.

The WPC set up its Youth Committee (YC) to help meet these challenges: to generate a higher profile for the issue and to encourage greater numbers of young people to enter the business. The Committee is made up of 17 people – four women and 13 men – from various professional backgrounds and countries, all under the age of 35 and all in full-time employment. Over the course of this week, the YC will present the views of young people on what the petroleum sector can do to bridge the demographic gap. The event will also give young people a valuable opportunity to become familiar with the magnitude of the industry and the technical and managerial challenges it presents. The YC also wants to increase awareness within companies that the Congress is not just for senior industry people and to encourage more organisations to send young, junior employees to future events.

Q What big themes are particularly relevant to young people?

A The YC is hosting a two-hour special youth session, which will be open to the public. Prominent industry leaders, students and young professionals will attempt to answer the question: does the petroleum industry need an image makeover? We think this topic is relevant for all people in the industry, regardless of age, sex and culture. We will also be assessing the barriers young people face in moving into a career in the oil sector. Other topics include social and environmental concepts, new technologies and working in a multinational environment, will be discussed during the congress at the Youth Exhibition Centre Stand.

Why should people attend the youth sessions and youth stand?

A It provides an opportunity to engage with young people already working within the industry and to heighten awareness of youth issues. If you are a student or young professional interested in becoming involved in YC activities, or if you want to support any of the YC initiatives, we would be delighted to see you at the Youth Exhibition Centre Stand. The YC hopes that its activities at the Madrid Congress will lay the foundations for a stronger youth influence at future congresses and within the petroleum sector in general.

Abu Dhabi pours petrodollars into future ‘beyond petroleum’

By Alex Forbes

THEY SAY money talks. So when investment banks become involved in addressing climate change, it is time to start listening. Add to that an emirate immensely wealthy on the proceeds of oil and gas pledging to commit billions of dollars to investing in “future energy”, and talking the talk starts to look like walking the walk. At the World Future Energy Summit in Abu Dhabi in January, that was the feeling. It is easy to be doubtful. Abu Dhabi, the largest of the seven emirates that make up the UAE, is steeped in petroleum. At end-2006, the UAE had proved oil reserves of 98bn barrels, the fifth-largest in the world, and gas reserves of 6 trillion cubic metres (cm), again the fifth-largest. In 2006, it produced 2.6bn barrels a day of oil, making it the seventh-largest oil producer, and 47bn cm of gas, making it the 16th-largest gas producer. And thus in a nation with a population of just 4 million.

With the heights that oil and gas prices have reached, the UAE has grown very wealthy. Amid the controversy over the activities of so-called sovereign-wealth funds, Abu Dhabi’s fund has emerged as the largest, worth close to $1 trillion. According to Stephen Jen, an economist at Morgan Stanley, the Abu Dhabi Investment Authority is worth $90.88 trillion. The 29 funds he monitors are worth a total $2.9 trillion; of this, $2.1 trillion is oil and gas related. But what happens when oil and gas run short? Even if you do not subscribe to peak-oil theory – which claims that the world faces an imminent resource crunch – the remaining life of oil and gas resources at today’s production rates is measured in decades rather than centuries.

Abu Dhabi’s strategy, which has been gaining momentum over the past two years, is to continue to be a force in energy production by developing leadership in new technologies in parallel with its oil and gas interests. In April 2006, it launched a state-owned investment vehicle to carry these aspirations forward: Masdar. It is a bold vision. The intention is to become “the leading source of the world’s future energy solutions”.

In its first year of operations, Masdar’s clean-technology fund deployed most of its $250m. The fund has invested in a range of companies focusing on development of technologies such as solar, energy efficiency, water re-use and desalination. A particular focus has been on initiatives driven by the Kyoto Protocol’s Clean Development Mechanism. Companies within the UAE participating in these projects include Abu Dhabi National Oil Company, Abu Dhabi Water and Electricity Authority and Dubai Aluminium.

In March 2007, Masdar announced a plan to develop a carbon capture and storage (CCS) network to enhance oil recovery (EOR). A recently completed feasibility study recommends that the first CCS project should begin this year, as should “the road map to develop a national network.”

In partnership with the Massachusetts Institute of Technology, a faculty has been formed for the Masdar Institute of Science and Technology, described as “the world’s first graduate-level institution focused on alternative energy and sustainability”.

Other planned projects include a 100 megawatt (MW) concentrated solar power project that could be scaled up to 500 MW, and a 420 MW hydrogen plant, fuelled by gas, with carbon dioxide captured and potentially used for EOR.

The Crown Prince of Abu Dhabi, Sheikh Mohammed bin Zayed Al Nayhan, opened the Abu Dhabi conference, saying the government was committing a further $15bn to clean-energy initiatives. Masdar hopes to “leverage” this initial investment with joint-venture partners “for a grand portfolio of projects in Abu Dhabi, the Middle East and North Africa, and beyond”.

Look to the future

Masdar’s chief executive, Sultan Al Jaber, later declared that: “As global energy continues to expand and as climate change becomes a real and growing concern, the time has come to look to the future. Our ability to adapt and respond to these realities will ensure Abu Dhabi’s global energy leadership, as well as our own growth and development, continue.”

“You may be asking, ‘Why would Abu Dhabi proactively seek a role in alternative energy?’ The short answer is because we can and because we should.”
Aconcagua, 22,841 feet.
So you’ll have an idea how deep we go in the pursuit of energy.
Scramble for assets goes global

As the scramble for assets intensifies, IOCs must adapt to two related challenges: resource nationalism and competition from NOCs

By Alex Forbes

In 2000 there were only a handful of national oil companies (NOCs) with operations outside the borders of their home territory. Today, the number is close to 40 – and rising.

On its own, that statement is surprising enough; when combined with other industry trends – such as the resurgence of resource nationalism, and the skywards trajectory of oil prices – it adds up, in the opinion of some, to the emergence of a whole new landscape to oil exploration and development. It is a landscape to which international oil companies (IOCs) will need to adapt as access to oil and gas resources becomes more difficult – and more expensive.

Recent international exploration and development bids in China and Libya have attracted growing numbers of NOCs. Companies from Asian countries, such as Iran and Mexico, have diverted most of these gains to financing populist government policies, leading to underinvestment in NOCs – NIOC and PEMEX, respectively. Others have re-invested large parts of these windfalls in financing expansions abroad – as part of what Clarke calls “a scramble for control of energy assets that will grow more intense”.

The trend was underlined by another speaker at the London conference, Ian Gollop of PetroSantander. “Previously, IOCs were well-armed with money, and well-armed with technology, while state-owned companies were viewed as dinosaurs. So the IOCs went in, exploited the reserves and made a lot of money,” he said.

“That is changing. The NOCs have a growing asset base at home – through the nationalisation process and stiffer contract terms – and are also benefiting from higher oil prices, which have given them a huge increase in available funds. In the past, a shortage of funds was one reason why IOCs were so successful in moving into foreign countries. Relationships between the NOCs and the larger IOCs are now generally strained. The IOCs are cash-rich, but they are opportunity-poor.”

In Clarke’s view, the “inter-related effects of government policy, NOCs’ and resource nationalism have forced a change in corporate oil’s portfolios. The typical portfolio of the supermajors now holds larger-scale ventures in fewer countries and also reveals a shift to deep-water and unconventional oil, upgraded gas/liquefied natural gas and gas-to-liquids assets.”

While IOCs tend to have broadly similar characteristics, NOCs cover a broad spectrum, from those that are almost quasi-IOCs, such as Malaysia’s Petronas – one of the first and most successful NOCs to spread its wings and look beyond its borders – to fiercely nationalistic firms such as Venezuela’s PDVSA and NIOC.

The consensus at the London conference was that Petronas has blazed the trail for the internationalisation of other NOCs. “Asian NOCs are still among the leading players,” said Clarke. “Petronas is a worldwide player. It has a whole range of new ventures that it’s expanding – both development projects and production activities. It is being chased by the Chinese dragons, with the Indian elephants a little slower coming up behind them.”
Facing the oil curse

The consequences of Range Resource’s drilling activities in Puntland, Somalia, could be dire

By Derek Brower

Oil’s curse, the idea that the wealth from finding crude ends up triggering more problems than it’s worth, is a theory that has been tested many times on African soil. In Somalia, it could be tested again, soon, and the stakes are high.

Range Resources, an Australian firm listed on the London Stock Exchange’s (LSE) Alternative Investment Market (Aim), thinks it might discover up to 0.3bn barrels of oil in Puntland, a semi-autonomous region on the Horn of Africa.

When Petroleum Economist visited Somalia recently, as a guest of Range, a rig was on its way to the Nogal block. If oil is found, the company doesn’t have the expertise or capital to carry out a drilling programme in Puntland, so it farmed out 80% of its concession to African Oil, a Canadian firm.

“Get a rig on its prospects in the Nogal and Darin basins, a good 200 km inland, will be difficult. But the real problems could start if the firms find oil. When Petroleum Economist asked Puntland’s president, Adde Muse Hersi, what he would do with the income, his answer was blunt: “Spend it on security.”

Somaliland, a region to the west that has declared independence from Mogadishu, lays claim to portions of Puntland and invaded last year to occupy a region near its capital, Garowe. The close relations of clans in the region may prevent a showdown for the time being, says Muhamed Muhamed, editor of Garowe Online, a diaspora news site covering Puntland. But if oil is found, that could change.

Deeper into chaos

Meanwhile, central Somalia is descending deeper into the chaos that has afflicted the warlord-dominated south. Piracy is rife off the country’s coast. Oil could slide Puntland into that abyss, too, especially if any oil wealth is not managed transparently and invested appropriately.

At the same time, the Transitional Federal Government (TFG) in Mogadishu, whose grasp on power depends on the presence of the US-backed Ethiopian army in Somalia, also wants its say on who owns any oil that is found in the country it governs, in name, not reality.

That issue came to a head recently when Range and its executives were granted governmental transparency would hardly be anomalies in the African oil sector.

Sources claim other members of the government, including Muse, are shareholders in Consort, which also owns a 20% share in Range. Muse, a former government minister, is a director and shareholder in Range, according to Liban Bogor, a company director told Petroleum Economist that the company had been “helpful” in drawing up the law. (Range says it merely introduced to the government the South African legal firm that drew up the document.) Indeed, although Range now only holds the rights to the two oilfields, originally its contract gave it all of the land in Puntland. It may have relinquished some of that, but Muse said any companies interested in a concession would need to consult Range first.

That so small a company carries such influence in Puntland appears strange. As a guest of Range, Bogor’s role as an adviser to the president (who is a family relative) explains some of the company’s power. He was also one of the original shareholders in Consort, which held the concession in Puntland prior to Range.

Opaque shareholdings and a lack of governmental transparency would hardly be anomalies in the African oil sector.

Sources claim other members of the government, including Muse, are shareholders in Consort – which will receive a $2bn bonus payment if and when Range and its partners drill their fourth well. But Range says neither Bogor nor any government ministers are shareholders in Consort and that its shareholding structure was checked by the LSE at the time of Range’s Aim listing.

Opaque shareholdings and a lack of governmental transparency would hardly be anomalies in the African oil sector, but the consequences of Range’s activities. Find oil and, the president admits, Puntland could be drawn into the conflict that has consumed the rest of Somalia for the past 20 years. Drill a dry hole and dreams of a new Dubai will fade.

Either way, Range and its executives are unlikely to be in Somalia for long – Landau hopes a discovery will see the company “cleaned out” by a bigger firm. (An engaging entrepreneur, he has a number of other high-risk business ventures elsewhere needing his attention.) “The Chinese would be the most likely buyers,” says one investment banker in London, “because they’ll bring their own army.” And if Range he adds: “I wouldn’t capitalise this company.”
Ignore women at your peril

By Hege Marie Norheim

THE FACTS speak for themselves. Half of the world’s intelligence and talent. Half of the world’s needs and consumption. Yet women account for only 3% of executives in the energy industry. And that is the average number – in many companies, female managers are non-existent.

It’s not fair, but does it matter for the bottom line? “I am a passionate supporter of the business case for increasing the number of women in the energy business,” says Lynda Armstrong, Shell’s vice-president of technical solutions, Europe. “As many women are graduating as men, so to ignore half the talent pool is unsustainable when we need high-calibre people to join the industry.”

Armstrong advocates targets. “If nothing else, they keep the progression of women on the radar screen of senior executives and, at best, they encourage more women on the radar screen of senior calibre people to join the industry.”

Fundamental change needed

In addition to targets, Armstrong thinks a more fundamental change is needed. “It is about achieving a culture where women and men feel equally comfortable. We can develop that through gender-awareness training, development programmes to give women confidence and by encouraging women’s networks that provide informal support and advice.”

And, she says, women in senior positions – like hers – must be “proactive” in seeking women to apply for good jobs and help them succeed. “Most of all, the business needs senior role models. There is nothing more encouraging to women than to know it is possible to succeed and still be yourself.”

Ieda Gomes, vice-president in new ventures, South Asia, at BP, points out that as a chief executive you need to ensure there are several women and that they are exactly like them. Better childcare and balanced work-life programmes for mothers are also important. And, says Gomes, women should be trusted more. “Most companies are quite willing to take risks with men, exposing them to business challenges, but don’t seem to be prepared to do the same with women,” she explains.

In Shell’s case that would bring the number to around 20%. “Once we reach a certain critical mass, women will feel more comfortable and so will be less likely to leave. That will make progress towards greater numbers speed up,” says Armstrong.

“If in a generation’s time we still have such low representation it will be a disaster for the industry,” she adds. “We will also have failed to engage the population at large on the importance and potential of our business.”

Targets help to keep the progression of women on the radar screen of senior industry executives
The Spanish Organising Committee would like to extend a “Thank you” to the Sponsors of the 19th World Petroleum Congress for their support and commitment to this prestigious event.

Host Sponsors

Gold Sponsors

Silver Sponsors & Official Partners

Bronze Sponsors

A World in Transition: Delivering Energy for Sustainable Growth
June 29th - July 3rd 2008 • www.19wpc.com

19TH WORLD PETROLEUM CONGRESS
Practical information

Instructions for speakers

After accreditation, conference speakers should go to the speakers room – the Neptuno room on the first floor of the Centro de Convenciones Norte (CCN) – where further information and communications facilities will be available.

What’s on?

Opening dinner

Where? Pavilion 10, Ifema
When? Tonight, 8pm
After dinner? Flamenco dancer Sara Baras and tenor José Carreras will perform songs based on the work of Spanish poets and composers from the 19th and 20th centuries. Sponsor: Repsol YPF

Spanish Night

Where? Pavilion 10, Ifema
When? 1 July, 8.30pm
What’s on? An informal celebration of Spain’s cultural, folkloric and gastronomic diversity. Sponsor: Cepsa

In 2011 for the first time the World Petroleum Congress will come to the Middle East, the World’s key supplier of energy...

Will YOU be in Doha?

www.wpc-news.com