

Mr. Farouq Hussein Al-Zanki
Chief Executive Officer
Kuwait Petroleum Corporation

IEBF5 Session 1
Energy Investment: Future Uncertain?

Excellencies and CEOs

I wish in the beginning, to welcome you all, to the 13th International Energy Forum, in Kuwait. This is a very important and unique gathering and I hope for its success.

The challenges facing the energy industry are numerous, in uncertain surroundings. Adequate investment, in new capacity and human resources, are required to ensure sustained market order and stability, with secured supply and demand, reasonable prices and fair returns to investors. The challenge to supply energy to a growing global population is huge.

Recent high and volatile crude prices are due to the geopolitical tensions, surging demand, as well as inability to start-up complex supply projects in a timely manner.

Energy price volatility is a major challenge for industry as it confuses the market signals required to ensure adequate investment to meet future energy demand. It is also a limiting factor in the ability of governments worldwide to implement sustainable energy policies.

World economic growth is expected to average about 3.5% per year over the 2010-2030. Energy requirements remain high in terms of consumption per capita even as major advances in energy efficiency per unit of economic output are made. Petroleum will continue to supply over 92% of the energy demand in the transportation sector through 2030. Energy elasticity (energy growth/GDP growth) will also continue to trend downward as more countries become more energy efficient as their economies mature.

Distinguished Guests,

The energy industry must bring online significant supplies to offset natural field decline. Improved investment climate can benefit tremendously from a clear signal to investors and international financial institutions that governments are committed to greater transparency in the oil, gas and mining sector to strengthening accountability and good governance. Investments are capital intensive and dependent on long-term stability to generate returns.

Distinguished Guests,

We all agree on the need for stable oil markets at reasonable oil prices that would ensure maintaining crude oil supplies to the world through the continuation of the process of investments. Crude oil prices need to remain near \$100 per barrel as a necessity for stimulating the needed production increases from frontier areas and for limiting the pace of global demand growth.

Distinguished colleagues,

As for Kuwait, being an oil exporter, we have attached great importance to the responsibilities towards energy security and stability of both market and prices. Today, we have managed to reach production capacity of slightly higher than 3 MMBOPD. Our plan is to add more capacity to achieve 4 MMBOPD by 2020. This incremental production will come from the application of Enhanced Oil Recovery Technique and by developing newly discovered oil fields. This is undoubtedly a big challenge facing Kuwait, which requires collaboration with International Oil Companies as well as Service Companies. The IOC's have the technology and the knowhow in field management. In particular, they have extensive experience in managing large projects. Kuwait has already signed an agreement with Shell to provide the necessary services to assist us in the development of the non-associated gas through what is so called Enhanced Technical Service Agreement (ETSA). Kuwait needs several agreements of similar types to enable it achieve its overall production capacity target of 4MMBOPD. Kuwait also is committed to contribute to clean energy environment. Projects are under way to provide such products. Kuwait already allocated about US\$ 30 billion to implement projects to provide clean products both for domestic need and for export markets. In addition, Kuwait imports LNG for their use to generate power. Our plan is to run permanent LNG supply.

Distinguished guests,

To summarize, the energy market is faced with huge future challenges including energy security as well as operational safety which requires collaboration of both, producers and consumers. Kuwait is fully committed to playing a role in Energy security. We expect to invest about than \$ 70 billion over the next five years both upstream and downstream projects. We strongly believe that improved cooperation between NOCs and IOCs would better optimize investment in the oil and gas industry, and help secure its development. This pushes the need to foster common platforms for effective cooperation with the industry to ensure smooth flow of energy to the world which we recognize it's our responsibility.

Thank you for your attention.