

NOC-IOC Cooperation: Guidelines for successful partnerships **5TH IEBF Kuwait**

Thank you Chairman,

Your Excellencies, Ladies and Gentlemen, I know I have a limited time allocation so I shall be brief and candid as friends must be.

Changing Parameters

The session's title captures the progressive maturity of our relationship: we are partners and as such have now recognized that the challenges we face are similar. Our common external conditions are wide ranging and stretch from an unstable economic environment, geographically uneven demand patterns to geopolitical turbulences.

Since we last met in Cancun two years ago, game-changing events established new paradigms: they included, only to name a few, a debt crisis that has had devastating effects on the Euro-zone, the worst oil spill in US history and the Fukushima disaster which both led to a fundamental rethink of Health Safety Environment protocols in two major energy sources and which both highlighted the inherent contradiction of consumers to enjoy at the same time cheap, clean and risk-free energy sources. (not to mention the ongoing French and now increasingly American debate about gas shale)

Against this backdrop of uncertainty, oil consumption levels continue to rise and our common task is to ensure that demand is being met, regardless of whether the producing company is private or national. To my mind what is certain is that today's conditions in which both navigate are more unpredictable and rapidly evolving, than they were 20 years ago.

As partners, our differences should not be our weakness but be our strength and complementarities: as owners of the largest part of world reserves, NOCs increasingly call upon their international partners to jointly develop technically most complex areas where the deployment of innovative technology is paramount.

A world where IOCs and NOCs grow separately, one where NOCs manage their own resources and IOCs focus on the development of non conventional hydrocarbons areas, is not a vision I wish for. Such a split implies no cooperation, no cross-fertilization of their experiences and no risk mitigation.

So what makes a partnership successful?

Alignment of interests for all parties concerned remains a key element of a successful partnership. When IOCs are being offered suitable contractual terms paying for the risk taken and given sufficient incentives to bring the best of their expertise, the joint venture becomes a unit of itself, with its own culture, a product of the host country, the NOC and the IOC.

Sharing Research and Development as R&D and the consequent technological innovation continue to be shared between IOC, the host country's NOC and the contractor. Technological breakthroughs, resulting from well focused R&D, can bring beneficial responses in our constant struggle to control cost. As partners in increasingly complex projects, NOCs and IOCs have a common interest in delivering successful and safe production units. (e.g. EOR technological, geo-steering assisted drilling

solutions, smart water injection, modularisation of LNG plants, and the concept of ice resistant floating processing platforms designed for the extreme sea and weather environment of Arctic regions)

Optimizing exposure and knowledge given that expertise brought in from other projects can add substantial value. The capacity to reach markets can add further value marketing-wise. IOCs are also managing large, integrated projects, beyond just exploration and production: such projects involve the midstream section (power plants and desalination) and the downstream section (refining and petrochemicals) of their corporate activities (e.g. Yemen LNG or Jubail). In some cases, they also implement, as operators or key partners in trans-national projects (e.g. Dolphin)

Mitigating risks as NOCs increasingly internationalize their activities and IOCs could use their core business which by definition is located in international markets. But successful joint investments inevitably require joint objectives. They need to be aligned, technology needs to be shared, training needs to be provided and access to new countries can be offered. Working in association with NOCs outside their country of origin especially so as NOCs expand worldwide has taken the oil sector into a new phase. (e.g Taoudeni/Mauritania with QPI, Yemen E&P with Kupfec,..)

Preparing the future together as NOCs may find an interest in cooperating with IOCs in the challenging domain of new energies and CO₂emissions limitations. Considerable R & D and technology related work are needed before these new energies become competitive. It makes sense for an oil and gas company to get more involved in alternative energies as we have to stay in step with the long-term energy transition that our industry is facing. (e.g. the Shams project in UAE with Masdar and Abengoa)

Maintaining the Dialogue is evidently essential; foras such as this one are a useful tool in enhancing and deepening mutual understanding. Dialogue is a building block in the cooperation and alliance between international oil companies and their national state-owned counterparts. Above and beyond the fact that most oil companies were at one point in their history state-held, the barriers are gradually dropping. We must laud the Dialogue's initiatives if we are to continue to invest and empower the foundation of trusting partnerships.

Thank you.