

Agenda

Since the 12th IEF Ministerial (Cancun, March 2010) much has changed with economic, political and social fabrics all having been tested to varying but significant degrees across the globe.

The global economy is still struggling to deal with debilitating financial turmoil. We have witnessed issues originating in the banking sector threaten the stability of national accounts to the extent that some national credit-ratings have been down-graded.

In addition to the issues affecting the broader economy the energy sector has also faced specific challenges of its own, related to geopolitical events that fueled market fears of instability in the world's largest producing region which were reinforced by the disruption of Libyan supplies. The issue of energy market volatility is a perennial challenge affecting producers and consumers alike. Despite widespread agreement on the negative impact that volatility has on investment prospects and concerted efforts to improve market transparency there is still considerable room for improvement. This applies not only to the underlying data, but also to our collective understanding of cause and effect.

The tragedy of the earthquake and tsunami that hit Japan and the subsequent nuclear accident at the Fukushima plant raised many issues about the vulnerability of key infrastructure as well as our preparedness and ability to respond to events of such scale and severity. Accidents of this magnitude provide valuable insight as to where our priorities should lie. Nevertheless, policy decisions on future energy mix must not be taken lightly. The incident deserves careful analysis. Although the Macondo incident was of a very different nature and scale, it also has global repercussions and implications for the manner in which both government and industry approach regulation and working practices in this essential sector.

Change is the only constant in global energy, and many energy challenges remain. Among them are; the difficulty of sustaining investment throughout the energy supply chain, the challenge of addressing the persistent volatility in energy markets, a lasting reduction in energy poverty in the developing world, and the mitigation of climate change.

The seemingly diverse sectoral, regional and global events of the last two years have a common thread running through them - they all illustrate the extent to which we now live in an interdependent world and that we need stronger international cooperation to deal with global problems. Recognition of this key fact was one of the key drivers behind the signature of the IEF Charter at an extraordinary Ministerial meeting in Riyadh on 22 February 2011. The 88 Member States the International Energy Forum account for almost 90% of global supply and demand for oil and gas. The Charter provides the robust framework necessary to further their common interests in building a sustainable energy future and the IEF Secretariat looks forward to facilitating the dialogue in line with the needs and expectations of Member Countries.

2011 witnessed two important dialogue milestones; the 20th anniversary of the global energy dialogue (1991-2011) and the 10th Anniversary of the Joint Organisations Data Initiative (JODI) both were celebrated during the course of the year.

5th International Energy Business Forum

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Ministers at the 13th IEF Ministerial are invited to take stock of the results and recommendations from the IEF symposia and reports prepared in the period 2010-2012. They are further encouraged to enter frank and open debate on developments in the international energy environment and attempt stronger coordination of energy policies especially as they relate to the subjects laid out in the agenda below. Ministers are also invited to identify longer term issues and concerns as well as more specific guidance on the priorities for the Forum's ongoing programme of work.

Session Structure

The 5th International Energy Business Forum (IEBF) is structured around two sessions, designed to cover the issues most critical to today's energy industry environment with special focus on the value of cooperation and partnerships.

Session 1: Energy Investment: Future Uncertain?

Session 2: NOC-IOC Cooperation: Guidelines for Successful Partnerships

Discussion between Energy Ministers and Industry leaders in the 5th IEBF and resultant messages will be reported to the 13th IEF Ministerial.

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Monday 12 March 2012

Guests' Arrival

19:00 – 21:00 Welcome Cocktail (All Delegates) Regency Hotel

Tuesday, 13 March 2012 5th International Energy Business Forum (IEBF 5)

08:15 – 10:00 Session 1 Energy Investment: Future Uncertain?

Chair: H.E. Mohammad Hamad Al-Rumhy, Minister of Oil and Gas, Oman
Co-Chair: Mr. Farouk Hussein Al-Zanki, CEO, KPC
Panel: Mr. Koichi Kawana, President and CEO, JGC Corporation
Mr. Falah Al-Amri, Director General and Chairman of Board of Directors, SOMO
Mr. Abdelhamid Zerguine, CEO, Sonatrach

10:00 Move to Bayan Palace

12:00 Official Opening of the IEF under the patronage of HH the Amir of the State of Kuwait

13:00 Lunch hosted by His Highness the Amir of the State of Kuwait for Ministers, CEOs and IO Heads, Bayan Palace

14:30 Return to Regency Hotel

15:15 -16:45 Session 2 NOC-IOC Cooperation: Guidelines for Successful Partnerships

Chair: H.E. Per Rune Henriksen, Deputy Minister, Ministry of Petroleum and Energy, Norway
Co-Chair: Mr. Gertjan Lankhorst, CEO, GasTerra
Panel: Mr. Sudhir Vasudeva, Chairman and Managing Director, ONGC
Mr. Christophe de Margerie, Chairman and CEO, Total
Mr. Mehmet Uysal, President and CEO, TPAO
Mr. Eelco Hoekstra, CEO, Vopak

Formulation of Messages from IEBF to IEF Ministers

16:45 Coffee Break & Photo Session: Heads of Delegation

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13th International Energy Forum (IEF 13) Day 1 (Session 1 is a Joint Session for Ministers and CEOs)

17:30 Delivery of Messages from IEBF to IEF Ministers

17:45 -19:45 Session 1 Meeting Future Energy Demand: Planning and Investment for the Long-term
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Chair: H.E. Hani Hussain, Minister of Oil, Kuwait

Moderator: HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud, Assistant Minister for Petroleum Affairs, Saudi Arabia

Speakers: Mr. Sha Zukang, Under-Secretary-General for Economic and Social Affairs, United Nations

Mr. Ali Aissaoui, Senior Consultant, Arab Petroleum Investments Corporation, APICORP

Panel: H.E. Joe Oliver, Minister of Natural Resources, Canada

H.E. Eric Besson, Minister of Industry, Energy and Digital Economy, France

H.E. Corrado Passera, Minister of Economic Development, Italy

H.E. Elizabeth Dipuo Peters, Minister of Energy, South Africa

H.E. Günther Oettinger, Commissioner for Energy, European Union

Shri Sudhir Bhargava, Additional Secretary, Ministry of Petroleum and Natural Gas, India

19:45 – 20:45 **Bilateral Meetings**

21:00 – 22:30 **Official Dinner for all Delegates (Regency Hotel)**

Session 1: Energy Investment: Future Uncertain?

The challenges facing the energy industry today are numerous, varied in nature, extend along the supply chain and include the short, medium and long terms. They are all linked, and shorter-term actions in the market must complement longer-term strategies. The ultimate link is the constant need for sustained market order and stability, with secure supply and demand, reasonable prices and fair returns to investors. This is very hard to realise in times of unprecedented economic and political uncertainty and high volatility, endangering adequate investment in new capacity and human resources.

The energy industry must overcome multiple challenges if it is to meet market expectations for timely delivery of incremental demand in the coming decades. It must also bring online significant supplies to offset natural field decline. Given the scale of energy projects in general, the long lead times, and the massive commitment of capital required there is little room for error in assessing project risk. Unfortunately, companies must routinely make decisions on long-term investment plans in near-term economic environments that do little to instill confidence in long-term prospects. In addition to natural considerations of scale, technological, and logistical complexity that must be accounted for in evaluating such projects the degree to which environmental, political and other above-ground factors influence potential outcomes is increasingly important.

Over the last decade, the energy market has witnessed great volatility and one of the most extreme price cycles in its history. 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.

In the short term, all stakeholders have a genuine interest in improving market data transparency in order to help achieve better stability of the energy market. The Joint Organisations Data Initiative is a collaborative effort involving seven international organisations (APEC, Eurostat, IEA, IEF, OLADE, OPEC, UNSD), as well as the administrations of participating countries and companies. The Oil component of the initiative, a concrete outcome of the producer-consumer dialogue, celebrated its 10th Anniversary in 2011, with an extension of the set of data provided to market analysts and players. JODI-Gas, a response of the international partner organisations to IEF Ministerial requests is well on track and should be available to data users during the course of 2012. Industry holds a dual role of being a primary data provider to JODI as well as one of the main users of the World JODI Database. Therefore, industry can play a key role in improving energy market transparency and support IEF and partner organisations work in this regard.

Long term outlooks play a key role in shaping the perceptions of policy makers and industry alike, they also have an impact on near-term decisions. For example, the development of unconventional gas resources in the US has dramatically altered the global market and is expected to have a significant impact on the gas outlook not only in North American but also elsewhere. With identified non-conventional oil resources that exist throughout the world, non conventional oil is expected to make an increasingly important contribution to liquids supply. Such supply increase will also be supported by biofuels supply, though the development of the three generations of biofuels will remain sensitive to how oil prices evolve, to technological development, in particular for second and third generation biofuels and governments policies.

In its role as neutral facilitator the IEF is working with the IEA, OPEC and others to help determine the key drivers of the energy scene and to clarify uncertainties evident in the multiple scenarios presented in the preeminent energy outlooks.

With the exception of 2009, operating costs on a per barrel basis have risen steadily over the last ten years. While some of the cost increase occurs as the industry is moving to more challenging operational environment, the remaining part has to do with the surge in oil services and equipments that is incompatible with the oil services industry's reaction capacity. In any case, such cost inflation needs to be addressed as it is raising the price floor for marginal production with important implications for the financing of investment.

The Energy industry is one of the highest tech industries of the world, although this is often underrated in the public domain. While other risk factors are out of industry's control, technology is one major component in its success equation. Indeed, over the years a remarkable array of powerful new technologies and tools have been developed and used by the oil and gas industry for exploration, reservoir evaluation, production, processing etcetera.

However, there are many barriers to development and commercialisation of technologies which vary according to the specific context from sector to sector and can manifest themselves differently in developed and developing countries. These barriers range from a lack of information; insufficient human capabilities; political and economic barriers (such as the lack of capital, high transaction costs, lack of full cost pricing, and trade and policy barriers); institutional and structural barriers; lack of understanding of local needs; business limitations (such as risk aversion in financial institutions); institutional limitations (such as insufficient legal protection); and inadequate environmental codes and standards. Industry and governments can gain from the removal of unnecessary barriers that are preventing stakeholders from enhancing further energy production, its quality and deployment at user end.

Supply disruptions exact a heavy economic penalty and highlight the importance of ensuring security of supply in an increasingly interdependent global energy system. Safety of operations throughout the whole supply chain is a key concern for energy related industries. The oil spill that resulted from the Montara and Macondo accidents, the earthquake and the subsequent tsunami that triggered a nuclear crisis in Japan on March 11, 2011 and high casualty count in coal mining underline the need for stakeholders to come together, to learn the lessons from past disasters and to set out a new course to strengthen the global governance of the energy industry in all its aspects.

Although it is widely accepted that there is no industry with zero risk, such accidents have dramatic consequences in terms of public perception of, and loss of confidence in, the energy industry in general. Failure to react is likely to lead to more stringent regulation that may prolong project development and delay commissioning, thus increasing overall cost. However, appropriate regulation will be key to maintaining or re-establishing public confidence and support for the energy industry. Therefore, the ability of managing operational risk will be a crucial factor in reducing the risk of energy supply interruptions, and enhancing energy security throughout the whole supply chain.

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Improved investment climate can benefit tremendously for 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. In extractive industries, where investments are capital intensive and dependent on long-term stability to generate returns, reducing such instability of investment environment is beneficial for business. Transparency of payments made to a government can also help to demonstrate the contribution that industry investment makes to a country.

Objective
Session 1

Ministers and CEOs are invited to discuss future industry challenges and focus on ways of improving safety of facilities along the energy chain without hampering investment.

*Some
key
questions*

- How does oil price volatility affect industry? How can industry contribute to oil price volatility reduction?
- How can the industry deal with funding huge investments to meet future energy demand in uncertain economic environments?
- How can the industry maximize efforts in the areas of human resources capacity building and retention? How to avoid skills shortages after recovery?
- What lessons can the industry learn from recent incidents? How can the risk of operational incidents be minimised and how could their serious human, environmental and economic consequences be better mitigated?
- How can the industry rebuild trust and demonstrate that it can produce in an environmentally safe manner? How can public confidence be re-gained?
- What is the potential impact of proposed new regulations on production and costs? How can pro-active self-regulation by industry help?

IEF Secretariat work relevant to Session 1

- Second IEF-IGU Ministerial Gas Forum, November 2010, Doha, Qatar.
- First IEA-IEF-OPEC Symposium on Energy Outlooks, January 2011, Riyadh, Saudi Arabia.
- Second IEA-IEF-OPEC Symposium on Energy Outlooks, January 2012, Riyadh, Saudi Arabia.

Session 2: NOC-IOC Cooperation: Guidelines for successful partnerships

There are no signs of slowing energy demand in the foreseeable future and investment required to meet future energy needs will be tremendous. While each company has its own strengths, experience, knowledge and capabilities, there are many areas where cooperation among IOCs, NOCs, service companies and other stakeholders can help reducing costs and risks while creating added value for partners.

In 2011-2035, global investment to meet projected global energy demand is projected to amount to 38 trillion equal to \$1.5 trillion per year on average, according to the International Energy Agency. Out of this total, the oil and gas sector needs nearly \$ 20 trillion, (the oil and gas sectors accounting for 51% of the world total). Over the same period, OPEC's estimate of upstream investment requirements for additional capacity amounts to \$3 trillion¹. OPEC sees also substantial capital investments required to expand and provide maintenance to the global refining system; around \$1.2 trillion over the period 2010-2035².

To ensure that such investment is delivered in a timely manner despite the many uncertainties and challenges surrounding its business environment, the energy industry will need to mobilise all its capabilities and skills.

Today, the industry embarked on a new era marked by an unprecedented degree of uncertainty, volatility and increasingly challenging environments. Such development requires constant evolution and adaptation by NOCs, IOCs, service companies, technology developers or EPC contractors and a cooperative approach when facing common challenges.

Alignment of interests can provide a sound framework for investment in the oil and gas sector and helps secure its development. NOCs, IOCs and Service companies have specific skills and expertise and their strategic objectives may differ. Therefore, it is their ability to recognise their respective aims, bring together their distinctive strengths and competences and focus on shared interests that result in successful partnerships.

The IEF NOC-IOC Forum is now established as a biennial platform for senior decision makers from National and International Oil Companies, service companies and experts, to discuss the key issues and common challenges facing the oil and gas industry, exchange views, and identify ways and means to enhance cooperation and partnership.

The IEF Secretariat, in cooperation with the IEF Industry Advisory Committee, worked on a set of general principles that could serve as framework for successful cooperation among NOCs, IOCs and service companies. There are many areas where NOCs, IOCs, service companies, EPC contractors and technology developers can cooperate in order to reduce cost risks, thus improve their overall operational and financial performance.

The recruitment of adequate and skilled manpower to effectively develop and manage operations has always been a challenge for the oil and gas industry. Today, further coordinated efforts should be undertaken by various players, namely NOCs, IOCs, service companies and academia, are needed to restore attractiveness of energy industry for young graduates. As past history has shown, uncertainties and challenges are better addressed when industry stakeholders are cooperating extensively and share costs, knowledge, risks and benefits across the value chain.

¹In 2010 US dollars. Excludes investment in additional infrastructure, such as pipelines.

² Reference Case.

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The operational risks to the global marine environment will increase as offshore oil and gas exploration and development expand geographically, including to areas with more extreme conditions and more technologically complex operations, and more players get involved in offshore oil and gas exploration and development. Because accidents affecting supply, conversion and delivery facilities induce heavy consequences (damage to environment, interruption of supply that affect all stakeholders, producers and consumers alike, resulting financial liabilities, damage to the image of energy industry, etc.), NOCs, IOCs, service companies and other stakeholders can benefit from enhanced cooperation through improvement and expansion of effective sharing of relevant best practices.

The UN has labeled 2012 as the International Year of Universal Energy Access for All. Achieving universal energy access will require coordinated action especially by government and private sector, with industry contribution to modern energy technologies deployment and investment financing for sustainable energy options.

Objective
Session 2

Ministers and CEOs are invited to discuss forms of cooperation open to NOCs and IOCs, to identify ingredients for successful partnerships, to explore new models for collaboration and to discuss and endorse IEF general principles on NOC-IOC cooperation.

Some
key
questions

- How can industry cooperate better to develop both human and technological competencies despite business cycles?
- What are the lessons learned from existing types of NOC-IOC partnerships?
- What are the key impediments to investment for both NOCs and IOCs?
- What role can governments play to improve the investment environment?
- How can general principles or guidelines for NOC-IOC cooperation foster long-term partnerships and secure investment?
- How are NOCs and IOCs cooperating to deal with environmental challenges and industrial safety, following recent accidents such as Macondo? What must this cooperation include and how can it be expanded in the future?

IEF Secretariat work relevant to Session 2

- Concluding statement 2nd NOC-IOC Forum, April 2011, Paris, France.
- Guidelines for successful NOC-IOC cooperation, IEF Secretariat/IEF Industry Advisory Committee, February 2012.
- Report on IEF-Global CCS Institute Symposia on Carbon Capture Storage, February 2012.