

**Remarks By  
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To the  
3<sup>rd</sup> International Energy Business Forum  
As part of the  
11<sup>th</sup> International Energy Forum  
Rome, Italy  
  
April 20, 2008**

**Opening Remarks**

Over the past decade, the global energy community has been challenged – ten years ago by stubbornly low prices. Oil was \$10 a barrel in 1998, to now closing at \$117 a barrel on Friday, April 18, 2008. This decade saw volatility, but volatility always trending up. Natural gas, particularly as global LNG markets evolve, has seen volatility and sustained price increases, as have global coal prices.

Retail customers, at least in North America, do not understand these increases, even though both gasoline and electric power prices are lower in the U.S. than many regions of the world. This presents opportunity for poor public policy choices that may escalate the tightness in the supply demand balance. Short-term political proposals rarely lead to solving long-term issues.

Today, we are witnessing populist calls for energy security - in our case, energy independence - with few being willing to state that this is truly unrealistic. Energy security in North America will come from a recognition that interdependence, not independence, is the critical element.

Interdependence is bred from mutual need - need for security of supply, which also requires security of demand. Mutual self interest is borne from partnerships: commercial partnership, technology development partnerships, investment partnerships and partnership to address mutual objectives such as dealing with the public and policy makers demands for action on global climate change. As our industry moves through the next decade, decisions will be made which guide investments in resource development and technology deployment that will have impacts through mid century and beyond.

As our relationships with others evolve, let us not forget how traditional arrangements have benefitted not only the industry and energy community but also our customers, the wider public global good, and the world economy, which continues to be based on the availability of adequate and reasonably priced energy supplies.

## **Panel Discussion**

Panelists in the dialogue made several interesting points during the open discussion:

### **His Excellency Pur Luigi Bersani, Minister of Economic Development, Italy**

Minister Bersani made the point that dialogue is essential, and that this dialogue must be between governments; industry; and international organizations. He made clear his belief that the International Energy Forum (IEF) and International Energy Business Forum (IEBF) provide this opportunity over the next three days. He cited issues such as supply; price instability and climate change as three of the major challenges that we face. He stressed a view that collective responsibility, transparency and mutual confidence were needed to address these and other challenges.

### **Paolo Scaroni – Chief Executive Officer, ENI SPO, Italy**

Mr. Scaroni noted that current trends in the industry do not favor the International Oil Companies (IOC's) but rather, the National Oil Companies (NOC's). Most current and future reserves that will be available for production are controlled by the NOC's rather than the IOC's. As recent as 20 years these circumstances were reversed. He urged his fellow CEO's to consider new ways of adding value if they wish to survive. Two examples are to provide technical "know-how" and to optimize assets such as technology deployment and skilled management. He also suggested "reshuffling the business culture" to respond to the current environment.

### **Jeroen Van der Veer – Chief Executive Officer, Royal Dutch Shell, The Netherlands**

Mr. Van der Veer began by stressing the need for all available resources to meet the surging global demand and that conventional resources would not be enough – unconventional and alternative supplies will be needed in increasing volumes. He indicated that from his perspective, the future of IOC's rested in unconventional oil and gas particularly from difficult regions such as the Arctic, by expanding utilization of enhanced oil recovery and by diversification in a variety of different ways. He noted other key concerns, such as in the U.S., 80% of the outer continental shelf is off limits; that the sanctity of contracts needs stressed; the ineffectiveness of unilateral sanctions and the need for frameworks to be in place that provide for stabilization of carbon dioxide. He offered up a trifecha of solutions, such as new technology, financial capital, and equally important, human capital.

### **Abdullah S. Jum`ah – Chief Executive Officer, Saudia Aramco – Saudi, Arabia**

Mr. Jum`ah expressed that he was in agreement with the concerns expressed by the other chief executive officers. He noted that they were in the process of expanding domestic production to 12.5 million barrels a day but anticipated capping production at that level. He reiterated the concern of some calling for energy independence and concerns over deploying alternatives to petroleum, that investors were mindful of the need for having security of demand. Investors, have to have a clear sense of what profitability and returns look like, particularly to finance

future developments which will be huge projects in harsh physical environments. Risks to both producing and consumer nations can be reduced by improving the clarity of information; assuring proper enabling environment for regulatory policy and an investment frameworks, and by enhancing both security of supply and security of demand.

#### **Selected comments from delegations included:**

Bahrain commented that in addition to IOC's and NOC's and host governments should include international investors in partnerships and international investors should have access to data made available in a transparent manner.

The International Gas Union echoed the need to focus on both security of supply and security of demand. IOC/NOC partnerships should include a sharing of technology, capital investments and risk.

The Netherlands stated that the era of easy oil is over and increasingly supplies will come from difficult, hostile environments – for exploration and production. This calls for increased cooperation between countries and open markets for foreign direct investments. The question posed was: “Are markets incentivizing needed investments?”

#### **Closing Comments**

Clearly the balance of security of supply and security of demand is a challenge that both IOC's and NOC's must confront.

Rising prices are not well understood by consumers and the risk is present of short-term policy choices being driven by a political backlash.

The climate challenge will lead to still higher prices, which are not likely to be well understood by consumers.

Citizens need better information of the energy choices that governments and corporations face. The urgent need for infrastructure needs better communication to avoid the false choices presented by opposition to local energy projects as evident by:

- NIMBY (Not in my backyard)
- BANANA (Build Absolutely Nothing Anywhere or Anytime)
- NOPE (Not On Planet Earth) and finally,
- DADA (Design, Announce, Defend and Abandon)

As industry and governments pursue partnerships to meet societies ever growing demand for energy, solutions will come from three arenas as identified by Jeroen Van der Veer, that is, the solutions will be technology, capital and people.

Thank you.