



INTERNATIONAL ENERGY FORUM SECRETARIAT

23rd WORLD GAS CONFERENCE
“Gas Goes Global - Buyers or Sellers Market”
Amsterdam, The Netherlands
9 June 2006

“Gas Goes Global in a Multi-polar Energy World”

***Remarks by Ambassador Arne Walther,
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Gas is going global at a time of heightened energy consciousness around the world. Energy security is at the top of the political agenda for energy importing as well as exporting countries, for industrialized as well as developing economies. National policies are being tuned to energy demands and uncertainties. And the policy tuning of one country to reduce its individual uncertainties can in itself create new energy uncertainties for others. This timely 23rd World Gas Conference has highlighted our increasing reliance on natural gas as national and global energy security imperatives are being addressed.

Geopolitics have traditionally determined to a great degree what could, or could not, be done in terms of international energy co-operation. Geopolitics will continue to do so. Given the economic, social and political importance of energy to each and every country in an increasingly interdependent world. Perhaps, new international energy designs that make sense economically and technically in a globalising world to an increasing degree will contribute to modifying earlier geopolitical realities and even to shaping new ones. With the hands of national and international companies on the steering wheel, in addition to those of Ministers.

It is an honour to share, at the tail end of this distinguished gathering of the World Gas Industry, some perspectives on the increasing importance of natural gas. I do so from the vantage point of the global Ministerial level producer-consumer dialogue in the International Energy Forum. I would like to convey some perspectives from our Ministerial in Doha, Qatar six weeks ago. Highlight natural gas in a broader energy security and geo-political framework. And underscore the need for links between parallel lanes of regional and global co-operative endeavour in a multi-polar energy world of increasing interdependencies.

Certainties among uncertainties

But first, let me note that in the evolving energy scenario, with its many uncertainties, there are some key certainties with regard to natural gas.

- World gas reserves are abundant and will meet the substantial growth in demand expected in the decades ahead provided that necessary investments are made in time.

- The share of natural gas in the global energy mix will increase, growing faster than other fossil fuels. Its share surpassing that of coal, becoming second only to oil.
- Natural gas has emerged as the fossil fuel of environmental choice, not least in the context of climate change concern.
- New global dimensions are being added to past regional confinement of its cross-border trade. Gas is going global in a multi-polar energy world, reflecting, as does oil, the mismatch between centres of growing production and centres of growing demand.
- Natural gas will assume increasing importance in discussions and policies to promote national, regional and global security. For some countries it will be part of the solution, for others perhaps part of the problem.

This writing on the wall suggests that we focus enhanced attention to natural gas when addressing energy security and the interrelationship between energy, environment and economic development.

Unique Global Dialogue

The past has shown how energy, especially the strategic commodity oil, and market volatility could create conflict or exacerbate political tensions between countries and groups of countries. An image of confrontation developed between producers and consumers of petroleum. A mutual desire to change that image to one of co-operation led to the global producer-consumer dialogue at political level in the International Energy Forum that started in Paris fifteen years ago.

At the 10th IEF Ministerial in Doha a few weeks ago Energy Ministers and their senior officials of 59 key countries, and heads of international organisations focused on Energy Security. Recognizing the importance of active involvement of industry itself, Ministers also met with CEOs of major international and national oil companies in the 2nd International Energy Business Forum preceding their internal discussions.

The IEF gathers under one global umbrella, Ministers not only of the industrialized energy consuming nations of the IEA and Ministers of the petroleum exporting countries of OPEC. It gathers very importantly also Ministers of key countries that are not members of those organizations. Such as Russia, China, India, Brazil, South Africa and others that increasingly will influence not only the global energy scenario, but the global economic and political scenario as well.

Shared perspectives

Ministers noted in Doha that world economic growth had remained strong despite increasing oil prices and market volatility. They expressed, however, concern over the effects of sustained high price levels on the world economy, especially on developing countries. The current higher oil prices were attributed to a number of factors, including increasing demand, tight up- and down stream capacities, intervention of non-industrial actors and geo-political developments, which have increased anxiety in the market.

Ministers confirmed their shared interest in reduced market volatility and prices at reasonable levels for both consumers and producers. They noted increasing producer and consumer interdependencies in energy. They called for a stepping up of investments across the energy chain to meet the substantial increase in demand required for global economic growth and social development in the years ahead.

As the world will continue to rely strongly on ample supplies of fossil fuels, Ministers underlined the need to accelerate the development of cleaner fossil fuel technologies. They underlined the need to develop alternative sources of energy as well. And to increase energy efficiency.

It is crucial for the long-term energy security of both consumers and producers, Ministers underscored, to improve access to markets, resources, technology and financial services. Bolstered by fair and transparent economic fiscal and legal regulatory frameworks, and by good governance.

Ministers underlined the importance of transparency and exchange of data for market predictability and the investments required to enhance energy security. They reaffirmed their support to the Joint Oil Data Initiative, JODI for short, which the IEF Secretariat is coordinating, with the support of the IEA and OPEC, APEC, Eurostat, OLADE and the UN.

JODI is now focused on data concerning oil production, demand and stocks. Some Ministers called for this flagship Secretariat activity to be expanded to include also data for natural gas and other sources of energy that are important in the world energy mix. Ministers have also elsewhere underscored the importance of JODI. G8 Heads of Government at their Gleneagles Summit last year and G8 Energy and Finance Ministers this year have also emphasized the importance of this global and inter-organisational transparency initiative as the G8 now focuses on energy security preparing for the St. Petersburg Summit.

Energy Security

Energy security is a multi-faceted issue with its domestic and foreign policy implications. It has to do with more than just the technical energy imperative of bringing to the market what is needed. It also has to do with economic and social development, geo-politics and the environment. For some, energy security policy will be inward-looking, emphasizing self-sufficiency. And considering energy dependency on others as energy a political and economic risk that should be reduced to a minimum, if it cannot be avoided altogether. Others will argue the more positive vision that energy dependency and co-operation tie countries closer together also economically and have further spill-over in serving as an impulse to improve political relations between countries and the overall geopolitical climate as well. Interdependence can be good. And interdependence can be bad. For it to be good and sustainable, it has to be mutually beneficial – win-win.

If security of supply and security of demand are the two sides of the same coin, as is often said, then one side of the coin should not be permanently up and the other permanently face down. Nor should there be a “lucky today and unlucky tomorrow” coin-flipping scenario. In our IEF dialogue, Ministers of some energy importing countries are requesting a “road map” from energy exporting countries on future supply. And Ministers of some energy exporting countries likewise requesting a “road map” on future demand from the energy importing countries. Road maps are not always easy to make, and even when made can

sometimes prove difficult to follow, if not deemed irrelevant. But the realistic road maps that are possible to chart for energy security, could give some guidance for the investment decisions needed to secure adequate energy supplies.

Trade in natural gas will expand rapidly and increase mutual dependence among countries and influence their bilateral relations. This Conference has highlighted the many opportunities as well as political and economic uncertainties. Uncertainties include vulnerability to disruptions of energy supply due to terrorist onslaught or technical mishap. Maintaining the security of international sea-lanes and pipelines assumes increasing importance for energy security. And cross-border transit can, as we have seen earlier this year, be another complicating factor.

The growing importance of natural gas is also reflected in the work of established international energy organizations as they tune in the future. The IEA has at this Conference presented their new and interesting Natural Gas Market Review. We have the European Energy Charter. The increasing importance of natural gas is reflected also in new institutional developments. Such as the emergence of the Gas Exporting Countries Forum. An informal gathering of countries controlling an impressive 70% of the world's gas reserves and more than 40% of global gas production.

Multi-polar Energy World

The political level quest for sustainable energy security is highlighted not only by Energy Ministers. This quest was highlighted at the 14th UN Commission on Sustainable Development in New York last month as well, where also Ministers of Environment and Development Co-operation are prominent in setting the agenda. Energy, in its wider global and long-term perspective, is the Commission's focus theme this year and next because of its importance for meeting the Millennium Development Goals. "Energy for Development" is a mega-task considering the deplorable and unsustainable fact that a quarter of the World's population today lacks access to commercial energy.

As national and global focus now is being put on issues of energy security, regional and inter-regional energy co-operation is also being strengthened around the world. This gives additional impetus to the Global Energy Policy Interrelationship. Parallel processes of global and regional co-operation are important to energy security in a multi-polar energy world. These processes should be mutually supportive and heading in the same direction, and not contradictory. The biennial IEF provides a global meeting point for the evolving mosaic of regional and inter-regional energy ambition.

Given that regional energy developments in Asia, with its economic and political potential, will increasingly impact global developments, let me highlight here one such regional process, where the IEF Secretariat has an associated and facilitating role. The first Roundtables of Asian Ministers on Regional Co-operation in the Oil and Gas Economy, hosted by India in with Kuwait and Russia as co-hosts. Ministers of the principal Asian importers on the one side and Ministers of the North, Central and West Asian (Gulf) producers on the other. Ministers representing half of the World's population, the bulk of the World's remaining proven oil and gas reserves and also the greater part of the surging global energy demand expected in the decades ahead. Recognizing their communality of interests, Ministers also recognized very importantly that the Asian oil and gas economy is integral to, and inseparable from, the global oil and gas economy. Studies of global interest on

improvement of Asian oil markets, criss-cross investments and regional oil and gas interconnections are in the pipeline as input to follow-up Roundtables of Asian Ministers planned for next year.

The Secretariat was invited to bring IEF global dialogue perspectives to the meeting of G8 Energy Ministers in Moscow in March as input to the Russian G8 Presidency focus on energy security leading up to the St. Petersburg Summit in two months time. The Russian Federation towers again as a super producer, consumer and exporter of oil and natural gas. With energy-hungry markets of consequence to the East, South and West. Russian exports of oil and natural gas can serve as an increasingly important corner stone for global energy security in this multi-polar energy world.

As global energy security will continue to rely strongly on supplies of oil and natural gas from Saudi Arabia and other countries of the OPEC – another corner-stone in this multi-polar context. The 8th Conference of Arab Energy Ministers in Amman last month left no doubt about a more forceful Arab energy ambition. King Abdullah of host country Jordan called for the establishment of an Arab institutional framework for oil and gas issues in order to develop a pan-Arab perspective.

The Secretariat is interacting also with other regional and inter-regional co-operative endeavour, such as the EU-GCC Eurogulf Project, the African Petroleum Congress processes, Eurasian dialogues promoted by Russia and the UNECE as well as the Conference of African, Latin American and Caribbean Energy Ministers (AFROLAC). Interacting with these processes of energy co-operation, the Secretariat has the opportunity to convey IEF global dialogue perspectives to important regional energy ambition, while taking back to our global endeavour the focus and interests of particular regions.

Global Energy Policy Interrelationship

The World will need more and cleaner energy used in a more efficient way, accessible and affordable to a larger share of the world's population. The challenge lies in operationalizing this imperative in a fair and sustainable way. It has to be purposefully addressed in national policies as well as in bilateral, regional and wider global co-operation. In dialogue and co-operation not only between governments. Also industry itself and other stakeholders have their integrated role to play in a comprehensive Global Energy Policy Interrelationship.

The Natural Gas Industry has an impressive past as well as important and exciting times ahead. The IEF Secretariat is a “new Kid on the Global Energy Block”. Set up to support an enhanced political level producer-consumer dialogue. We are looking forward to developing co-operative ties with the International Gas Union. We want to avail ourselves of your industrial experience and wealth of insight, as we identify and address natural gas issues that should be on the agenda for the next full IEF Ministerial that will take place in Rome in 2008.