



**"THE 2009 AUTUMN GAS CONFERENCE"
Organised by Czech Gas Association**

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**"GLOBAL GAS PERSPECTIVE :
GAS SOURCES FOR THE FUTURE"**

By

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The 2009 Autumn Gas Conference
Thermal Hotel, Karlovy Vary
Czech Republic
“Global gas perspective: Gas sources for the future”
By
Datuk Abdul Rahim Hj Hashim, *IGU President*
2 - 3 November 2009

Your Excellencies,

Distinguished guests,

Ladies and gentlemen,

It is indeed a great pleasure and privilege to address you in this distinguished event here in Czech Republic and I would like to take this opportunity to congratulate the organizers for successfully holding this event.

Such meeting of the minds in times like this is of paramount importance, especially when the global gas industry is in a state of flux. Gas prices have declined in major gas markets like the US and are depressing prices elsewhere. Storage volumes especially in the US remained high. Access to funding has become challenging for some project developers and fundamentals appear tricky as they vary from region to region. While there are substantial natural gas resources available worldwide, geopolitics are not facilitating access to more gas resources. Elsewhere, some government policies are putting domestic gas utilization as key priority and understandably so.

In short, the global gas industry is at the cross-roads – low gas prices amidst a slowdown in upstream activities and demand uncertainty is threatening the future supply-demand balance of the global gas industry. Can we regard the dip in demand as a reaction caused by the recession or is it due to the structural changes in the way energy or gas is being used?

Long term sustainability of the global gas industry is crucial and by that, it means that the global gas industry must ensure that gas supplies are abundant on the one hand and at the same time, gas must also be available at affordable prices in order for it to remain relevant as a key component to the overall energy mix as we move forward into the future of a low- carbon economy.

Global economic activities and the progress of people around the world are driving demand for more energy. Despite the economic slowdown over the last one year or so, we will continue to confront a situation of growing appetite for more energy. The recent economic downturn although serious going by its far-reaching impact and ramifications will eventually be surmounted as governments and businesses worked together to solve the financial crisis and focus on addressing the real economy.

In the longer term, the real economy will still expand as global GDP is envisaged to grow by between 2 to 3 percent per annum until 2030 on a market exchange rate basis. At the same time, world population will also continue to balloon to around 8 billion people by 2030. Living standards will improve and energy use by homes, vehicles and industries will go up.

By 2030, it is projected that the world will need at least 60% more energy than in year 2000. It is also expected that the bulk of energy demand growth will be in Non-OECD nations, especially in Asia, which will account for approximately 80 percent of the global increase in energy demand.

Most of the energy need is likely to be met by fossil fuels with oil, gas and coal accounting for about 80 percent today and also projected to remain at this proportion by 2030. Energy demand growth is driven by rising demand for electricity and most likely this will be met by natural gas as the fuel of choice.

Developing Asia is still dependent on oil for electricity generation. This means that there are immense opportunities for natural gas to displace oil in this sector in the region. In fact, developing Asia's demand for gas seems insatiable with demand anticipated to grow by at least 10 percent per annum until 2020. The Middle East is also turning into a gas consumer, although regulated gas prices are somewhat curbing its pace of development.

In the case of Europe and North America, gas usage will be distributed between electricity generation, industrial use as well as other commercial and residential use. European gas markets are undergoing a transition as the recession slashed demand projections for the next few years but looking beyond the short term dip in demand caused by the recession, the EU will still need plenty of gas by 2020 even if a new energy policy is surfaced as expected.

In the quest for cleaner environment and a more stable climate, the world is also looking to gas as the fuel of choice. Compared to oil and coal, gas offer clean-burning fuel at burner tip and therefore lower GHG emissions. Besides security of supply, the environment-friendly qualities of natural gas will likely see its growing use. The gas sector's future is bright, as the era of natural gas has arrived.

So what we are seeing ahead of us is a bright future for the global gas industry. Gas has a vital role in providing the solution to the growing energy demand. It will be the preferred fuel for a long period to come especially with the development of unconventional gas such as coal bed methane, tight gas and shale gas. Against this backdrop, natural gas demand is expected to grow by 1.6 percent per annum on average until 2030 and it is well noted that the global gas industry is vital for economic recovery and growth.

Admittedly, not many countries can enjoy the luxury of not having to import gas like the US as proven recoverable gas reserves had increased by over 60 percent in the last few years to almost 2,000 trillion cubic feet.

Notwithstanding that, the industry must however, focus on positioning gas as the preferred “fuel of choice” so that concerted efforts can be made by the policy makers, financiers, industry players, service providers and customers alike to focus on addressing the challenges and strategic issues that can help to take the industry to greater heights.

Foremost among the most critical challenges to be met by the global gas industry are production and investment. Production must depend on availability of and access to gas resources.

This leads us to two key fundamental questions. Where can the industry find the resources to meet the growing demand for natural gas in the years ahead? While some countries may have rich gas resources, upstream prospects may be limited or dimmed by politics. Supplies from Iraq and Iran remain distant prospects for political reasons; other willing partners may not have enough capacity.

Secondly, can we find the financial resources to fund the gas projects to bridge the supply-demand gap in the future especially in the midst of the current economic and financial climate? As we have witnessed in the last one year or so, both small gas producers and bigger producers have been squeezed into tighter budgets due to difficulty in securing funding.

Amidst a rising cost environment of the past few years since 2003, the industry may have to recognize that while gas resources are abundant, cheap gas may well be a thing of the past. How can we possibly work together with governments and service providers to continuously improve

the economics that are becoming more marginal as gas prices have declined from its peak while costs remained stubbornly high and access to gas is also becoming more expensive? Improve availability of natural gas can only be achieved if the dynamics of markets and supply can be balanced in a healthy manner.

The absence of infrastructure may warrant the industry to collaborate and renew enthusiasm amongst industry players and governments to bridge the strategic gaps to bring gas across borders to meet future demand. Again most gas infrastructure projects face uncertainties and implementation can take up to decades from conception.

In order to take a big leap forward, the global gas industry may have to find collaborative ways of working together to create solutions and deploy innovative technologies to tap into the vast conventional gas resources that are yet to be discovered or difficult to access.

Technology advancement and R & D will be imperative for the industry to harness the resources in difficult operating environment. All these efforts will certainly take a long lead time and demand that the industry players, service providers, consuming nations and policy makers alike will need to build capacity so that there will be sufficient human capital and talent to find, develop, operate and innovate. All these efforts are necessary to ensure the long term sustainability of the global gas industry.

Natural gas will be needed to drive economic growth and continue to play a vital role in meeting the world's expanding energy needs while helping to cut down greenhouse gas emissions that remain a persistent threat to global growth, quality of human life and environmental sustainability. In this regard the Malaysian Triennium of the 2009-2012 has adopted the theme "Gas- sustaining future global growth." Continuous innovation and technology breakthroughs

will be necessary to support future sustainability of natural gas supply and usage amidst higher environmental considerations and expectations.

It is also necessary to improve the economics of developing unconventional resources. We believe we are on the brink of a global gas revolution as unconventional gas supply charted a new landscape. It is estimated that world unconventional gas resources in the form of coal bed methane, shale gas and tight sand gas added up to over 30,000 trillion cubic feet. Many interesting developments have occurred in CBM and shale gas production which have all somewhat changed the landscape of the global gas industry. However, further efforts in unconventional gas will need to depend entirely on advancement in technology. The viability of such technology again will depend on long term gas prices that can support the commercial viability of such developments.

In the face of such challenges, the global gas industry cannot work in isolation. Suppliers and producers, service providers and customers, policy makers and governments alike must recognize that strategic alliances and collaboration will be needed to drive natural gas as the fuel of the day, and of the future, to drive global economic growth and human progress in a sustainable manner.

To put it simply, the chain is only as strong as its weakest link. To build a robust global gas industry going forward such alliances can emerge from any link of the value chain. The time is now for us to work together in order to counter the distractions from other competing fuels.

With that I wish you all a fruitful conference over the next two days.

Thank you.