



Opportunities in the oil and gas sector in Ireland

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Minister, Ladies and Gentlemen, Good evening. Dia Aoibh a Chairde. And my thanks to the London Irish Business Society for inviting me here this evening.

Let me start by saying that BP has had a long history in oil and gas exploration in Ireland. We spudded our first well in the Fastnet Basin in 1976. Over the years we held equity in some 62 blocks, and participated in the drilling of 17 exploratory and appraisal wells, 15 as operator. We left in 1989, and in the words of our then Director of Irish Exploration Dr Bryan Lovell – “we were a whole lot wiser but with rather less money”. Our campaign cost some £70m – we’d be lucky to get a single well for that amount today.

As we begin a discussion on the prospects in Ireland – I was to focus my remarks on BP’s view of the industry from a global perspective.

Without fail – three questions usually rise to the top of any such discussion.

First – will the world need more energy in the future or will efficiency do its part?

Second – is the age of fossil fuels over – the question of sustainability?

And third – is there enough oil and gas or have we passed the point of the – so called – “Peak Oil”?

To help answer these questions – let me refer to a study our economists publish each year called the BP Energy Outlook.

With regard to the first question – demand. We forecast global demand for energy will grow by one and a half per cent every year between now and 2035. In aggregate that amounts to an increase of just over 40% – equivalent to another US and another China combined.

And that increase of 40% comes despite a fall of 36% over the same period in Energy Intensity – defined as the amount of energy required per unit of GDP – as we become more efficient and China moves from an era of Industrialisation to a services based economy.

The bottom line is that the world will continue to demand more and more energy.

Which takes us to the second question. And what does it mean for fossil fuels?

Our review says that by 2035 a full four-fifths – or 81% – of the world’s energy will still be supplied by oil, gas and coal. Down by only 5% from where we sit today. And for the first time since the Industrial Revolution, no single fuel will be dominant. Oil, gas and coal will each converge on a 27% share.

Now you might say - that as an oil and gas company – such a projection is rather self serving. But as many of you will well know – other studies point to the same conclusion. For now Oil and Gas looks likely to be around for quite some time.



And finally – to the “is there enough oil and gas in the world” question. Without doubt – the shale revolution in the United States has put paid to that concern. There is no greater example of the combined power of markets and technology – with the result that North America may well be self sufficient in oil and gas within this decade – unthinkable just a few years ago. The Peak Oil theory has, peaked.

Looking more globally – we see a similar picture. Increasingly - the issue is not quantity of resource – it is accessibility, and frankly, affordability.

Future reserves are sitting in deeper, hotter, higher pressure and more hostile surroundings. At BP for example - we are leading the development of 20,000 pounds per square inch technology production equipment to progress some of these new frontiers.

Ultimately this is where companies like us can play a major role. But it costs money.

In the period of time between 2005 and 2012 – the oil supermajors more than doubled their combined annual capital expenditure from \$59 billion to \$132 billion.

And then the world changed. At BP – we had the tragedy that was the Deepwater Horizon in the Gulf of Mexico. What started as a divestment program designed to shore up our balance sheet evolved into a core part of our strategy. We are focused on “value over volume” and doing fewer things well.

And in many ways – driven by shareholders increasing impatience with the promise of future growth – the industry followed. Financial discipline has become the mantra as we all rein in spending and focus our portfolios.

So what might all this mean for Ireland?

The reality is there is much more competition today for that investment dollar. Inevitably when we face choices of where to invest our exploration budget, we are drawn to discussion of “above the ground” and “below the ground” factors.

On the former – we look at the long-term economic stability of the country, the regulatory frameworks, the tax and other business incentives available, and the availability of local skills.

Consistency, stability and predictability are key to encouraging investments which, sometimes in our industry, can span several decades.

And on the latter – the “below the ground” factor – Ireland does hold some intrigue.

As preparation for tonight I sat down with one of our Exploration Directors, and we talked about the three principal Irish basins – the North Celtic Sea, the Porcupine Basin and the Rockall Trough.

Taking just one, the Rockall Trough – it is one of the largest unexplored basins on the planet. It is larger than Ireland itself. No small fact. But it is not easy.

It is remote – up to 400 km offshore, it is in water depths of some 1,500 metres, it is hostile – in February 2000, a research vessel encountered the largest waves ever recorded by scientific instruments in the open ocean, with an individual wave height of 29.1 metres / 95ft recorded. And to top it all – if you will excuse the pun – it is overlaid with basalt which makes interpretation of the seismic image exceptionally challenging.

But that is what companies like BP do. This is the sort of area where we find that we can be distinctive. So how will we decide? Well it is simply a question of whether the rewards justify the risks – and given its track record, Irish exploration does carry real risk.



In the end we can debate Ireland's potential until the cows come home – but ultimately can only be determined by putting holes in the ground. Whether BP drills those holes or someone else remains to be seen.

Thank you for listening. Go raibh mile maith agat.