Partnering for global growth – the Indian Ocean and Pacific Rim – fastest growing markets

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Thank you Chairman Banerjee, and good morning Your Excellencies, distinguished guests, ladies and gentlemen. Thank you for your welcome.

The theme ‘Partnering for Global Growth’ is absolutely the right one for this session – not only partnering to create growth, but partnering to meet the challenges that growth poses for the world: challenges for food, for water and for energy.

I will focus my remarks on the latter. I note that the United Nations predicts that a baby to be born next Monday, the 31st of October – will bring the earth’s population to seven billion – a thought-provoking milestone.

Let me say a few words about the world in which this child will grow up.

This world requires immense new supplies of energy to meet its economic aspirations.

And nowhere is that more true than here in the Indian Ocean and Pacific Rim region.

No company or country can meet this challenge alone. It will require durable, long-term collaboration and partnership between government, industry and customers.

Partnerships that bring:
- the immense capital, technologies and policies required to deliver new resources
- the supply chains
- the energy markets that the world needs to sustain its growth trajectory.

In the BP Energy Outlook 2030, published this year, we forecast that by the time our 7 billionth child is 18 years old, the world will need some 40% more energy.

This outlook is not just built on current trends but also includes policy decisions that we believe will be taken.

40% more energy means adding two times United States’ consumption to the world’s demand in just twenty years.

In the developed world – half of the world’s GDP – energy efficiency work bears fruit and for the first time in history we expect energy consumption to stay roughly flat. This is good news.

In the faster growing emerging economies – the other half of the world’s GDP – we expect energy demand to grow largely with GDP as they strive to raise their standard of living.

And this still includes numerous energy efficiency initiatives.
The slide behind me shows the dramatic development and over 90% of the growth in energy consumption will come from the emerging economies.

The Asia Pacific Region alone will account for 45% of the world’s energy demand by 2030.

Renewables grow the fastest but from a very low level and we believe they will only account for 6-7% of energy production by 2030.

As a result, we expect to continue to be dependent on fossil fuels as our major sources of energy.

So our first question is: how will the world be able to acquire sufficient energy to meet its needs?

Another challenge is energy security. Demand matches indigenous supply in very few countries in the world.

Russia and Saudi Arabia for example produce 3 times more oil than they use, Australia and Indonesia twice as much natural gas than they use, while the United States consumes 3 times their own oil production.

It is therefore vital that the right political, commercial and physical mechanisms develop to ensure trust and to encourage trade between nations.

The third challenge is of course that of sustainability.

Our analysis assumes that countries can reduce the rate of emissions growth by energy efficiency initiatives and using lower carbon energy. This is good news.

But given the sheer scale of the growth in demand, we still expect world CO2 emissions to be some 25% higher in 2030 vs today.

So we must find answers to the question of the sustainability of energy. Now what is required of industry and government to meet these challenges?

I believe three areas of collaboration are crucial:

First, existing reservoirs are depleting. We must find new ones and develop new frontiers – in deeper water, in unconventional gas, in heavy oil, and ultimately in hostile geographies like the Arctic Circle.

Second, we need to make very large and long term investments for developing the required gas infrastructure of pipelines and LNG chains to open up new gas markets and access new customers.

Third, we need to work together in promoting research and development of low carbon alternatives.

Continued subsidies for renewables must continue until they can compete at scale, and governments' long term commitments are needed to encourage investment, especially in tough economic times like these.

Gas is the cleanest of the fossil fuels and a change from coal to gas is probably the single most important step we could take in the next decades to reduce emissions.

I will give some brief examples of what BP and its partners are doing across the Region but let me first say a few words about risk.

All work with producing energy comes with risk, which we all know too well from our experience in the Gulf of Mexico last year.
BP does understand its role and its responsibilities – not just in learning the lessons and rigorously applying them throughout our organisation but also in our duty to share these learnings with the industry, with regulators and with governments worldwide. So far we have visited 20 countries and held over 50 engagement events.

Earning back trust takes time, but it is encouraging that we have been awarded 67 new exploration blocks this year across the world, including awards in Australia, Indonesia, and the South China Sea - a record for BP.

The advance into new energy frontiers will bring new risks and it is our responsibility to demonstrate that we can handle these risks safely.

The era of easy oil is behind us and we need to go to new frontiers. New frontiers, however, can also mean enhanced recovery in old frontiers – such as we find in Iraq, Russia, or the UK.

The re-establishment of Iraq as one of the world's major oil producers is an important example. Iraq alone could produce enough oil to match nearly one third of the growth in liquids demand in the Asia Pacific region.

We have formed a partnership in Iraq bringing our experience in giant fields.

PetroChina brings manufacturing and engineering resources and the Iraqi South Oil Company brings a 5,000 strong workforce, keen to develop its skills.

This partnership delivers and production has increased by 10% in this previously declining supergiant Rumaila field.

In terms of natural gas, the remarkable projected production growth rates in countries like Australia and Indonesia will be supplemented by growing gas production in India and China.

Gas developments often require an immense amount of new infrastructure, long term contracts, and the development of the market itself.

Therefore new gas projects can take longer from discovery to production than oil.

Government support in terms of policy making and regulatory structuring are vital in enabling gas to flow – whether by pipeline or LNG.

Australia has a great track record in energy development. The Region's economic buoyancy brings inflationary pressures, yet its commitment to an open economy, its transition to carbon-based market pricing and its fiscal policies are vital elements in seizing the great opportunities.

Important new gas fields in Australia like the Browse LNG project and the unexplored deepwater Ceduna Sub Basin are good examples of where BP and its partners are investing in a new frontier in gas.

India is boosting the supply of gas with recent major gas discoveries following the New Exploration Licensing Policy.

LNG trade is increasing, and gas price is discounted to oil. As a result, India's gas consumption is forecast to grow 150% by 2030.

BP is very pleased to support this growth through our new strategic alliance with Reliance Industries, for exploration and marketing of gas in India.
Finally, I want to emphasise the importance of partnership between government and industry in bringing forward new technologies.

In China, for example, BP supports the Clean Energy Research and Education Centre at Tsinghua University, focusing on energy saving, natural gas development and low carbon power generation.

We have also formed a JV with the Chinese Academy of Sciences in Shanghai to commercialise Chinese clean energy technologies.

We believe such partnerships are vital to developing low carbon energy pathways.

So I hope this has given you a brief overview of the challenges BP sees and of our work with various industry partners and governments to meet the challenge of providing sufficient, secure and sustainable energy for the world.

The challenges are different in different places. They require different solutions.

But the common factor is the need to work together, and to work together more closely. That is the simple message that I hope we all endorse.

Thank you.