



The 3RD GCC Petroleum MEDIA FORUM

UNITED ARAB EMIRATES
MINISTRY OF ENERGY



الإمارات العربية المتحدة
وزارة الطاقة

Roundtable Briefings

1st Edition – November 2016



**Q&A with
His Excellency
Suhail Al Mazrouei
UAE Minister
of Energy**

Media Partner:

S&P Global
Platts

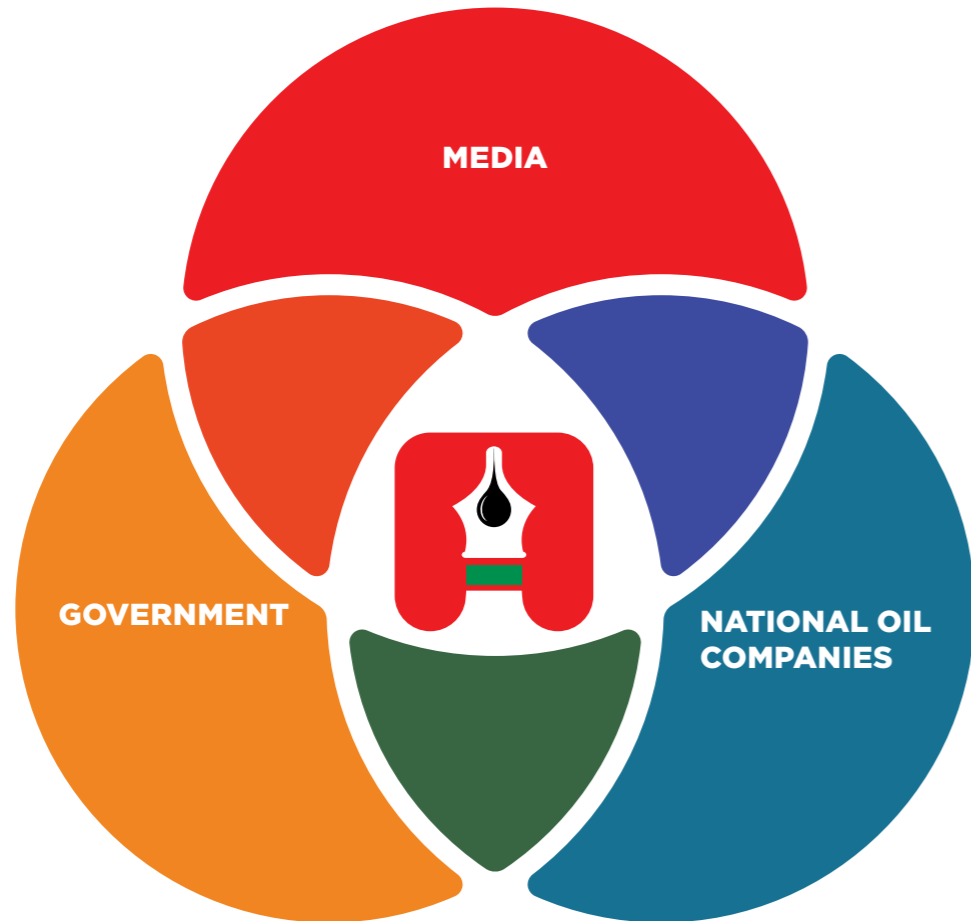
The 3rd GCC Petroleum Media Forum Hosted by UAE Ministry of Energy

The United Arab Emirates is honored and privileged to host the 3rd edition of the GCC Petroleum Media Forum on April 19th & 20th 2017 following the success of the previous GCC Petroleum Media Forums in 2013 & 2015, respectively. The former was hosted by the Prime Minister of Kuwait, H.H. Sheikh Jabber Al-Mubarak Al-Sabah and the latter under the Auspices of the Custodian of the Two Holy Mosques and King of Saudi Arabia, His Royal Highness Salman bin Abdulaziz Al Saud.

Given the UAE's strategic position as the region's media hub and home to leading international and regional brands, the Forum seeks to connect all the relevant regional stakeholders to discuss the rapidly evolving media landscape.

The objectives of the 2017 GCC Petroleum Media Forum are to:

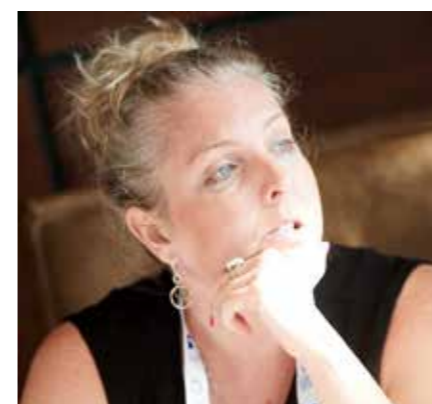
- Elevate the perception of the oil and gas sector in the GCC countries and globally.
- Develop and enhance local energy knowledge among the media, PR and Communications Industry
- Establish partnerships & continuous engagement between the local and international media with the GCC oil and gas stakeholders
- Conduct workshops & training sessions for the local media, PR and Communications executives



MEDIA BRIEFING: Q&A with H.E. Suhail Al Mazrouei UAE Minister of Energy

Special Guest: Dave Ernsberger, Global Head of Energy Pricing and Co-Head of Content, S&P Global Platts

Moderator: Sean Evers, Managing Partner, Gulf Intelligence



Question (Q) *Journalists often feel they are jumping into a vacuum of information, so as part of the next 6 month journey to the GCC Petroleum Media Forum, how much commitment is there from your side and from your peers to access and content so that it reduces the opportunity for speculation?*

H.E. Suhail Al-Mazrouei We have witnessed increased interaction by major international organizations, independent organizations and OPEC to discuss oil markets in an open and transparent way but the problem sometimes occurs in the accurate sourcing or analysis of that information by members of the media. Sometimes we see fluctuations in the market when information is taken out of context or proportion.

What we want to do at the Forum is involve as many stakeholders as we can. Along with IOC's, we want to offer professional training on market mechanics and demonstrate how we study the market, where we source our information, how we analyze the market as professionals. Companies like Shell, BP, Total and ExxonMobil will be willing to come and discuss this. The objective is to increase transparency and give information on the market that is based on knowledge and on a diverse mix of opinions – from IOCs, from the IEA and from OPEC ministers. Some of the media are very knowledgeable, but others just take the story and flip it so that it sounds reasonable for the reader, but it often lacks objectivity from the perspective of any professional who reads it.

Q *OPEC meets at the end of this month with the expectation from the market that it will cut or at least curb output. Do you expect to see cooperation from non-OPEC producers?*

H. E. Suhail Al Mazrouei OPEC and others are working together. Everyone is keen to do their best to balance their own benefits as countries and for the benefit of the whole industry. We have seen encouraging commitment from non-OPEC producers but I would prefer to defer this question until we have the report from the committee which meets this month to analyze and present options to ministers ahead of the OPEC meeting. I can assure you that we are committed, we are concerned, and every major producer, even if they are not an OPEC member, has shown interest in this initiative to curb output.

“ Yes – shale oil will re-bounce, but at what pace when you know that 450,000 people have been laid off from that sector?”

Q *We've had low oil prices for two years – what prompted the turnaround now for possible action on output?*

H. E. Suhail Al Mazrouei A year ago, we had more than 2 million barrels of oversupply in the market and shale oil production was a million higher than what it is today. It did not make sense to curtail output at a time when the market was over flooded. Secondly, we were not part of that oversupply and we were stabilizing our own production. Now, the glut in the market is almost gone, if not completely gone as some believe, so we can talk about a freeze or cut which will have an impact and allow a rebalance. That is what we are trying to achieve, but this commitment needs to be from everyone. We are still of the opinion that OPEC unilaterally cannot

fix the market, so our strategy has not really shifted, but we need consensus and cooperation.

This time last year, no one was willing to join us but now there is a certain level of concern from our friends in Russia, Kazakhstan, Azerbaijan, South America, Brazil and Mexico. I think everyone is ready.

Q *Could you tell us what the plan is for upstream investment in the next year or two?*

H.E. Suhail Al-Mazrouei The 2030 plan approved by the Supreme Petroleum Council is to continue to target raising our production capacity to the level of 3.5 million b/d by the end of 2018. And that requires investment. Others are cancelling projects but that oil will be needed in the

market in two years time once stockpiles are used up. We cannot afford to see huge price spikes that affect our economy. Yes – shale oil will re-bounce, but at what pace when you know that 450,000 people have been laid off from that sector? Those people are not going to come back overnight – to bring a million barrels back in the U.S. needs time. So that shortage needs to be met by responsible producers like us, like Saudi Arabia, who have a buffer, to ensure that we can attend to any crisis that happens. That is the bigger and most important picture for us - to encourage the minimal level of investment that is needed for this industry to survive. This economy cannot face another shock in 2 to 3 years' time. And that's the worry of the OPEC members and the main producers.

Q *The UAE has taken some significant restructuring decisions in its energy sector in the past year – for example, the planned merger of Mubadala Group and IPIC. What are the benefits of this?*

H. E. Suhail Al Mazrouei Whenever you have downturns, people think of merging companies. We have seen it in the Shell and BG merger, for example. The rationale behind the Mubadala and IPIC merger was to be more focused and to achieve synergy from the whole spectrum of investments.

There are obvious overlaps between the two companies and I think we will build a stronger, more resilient company which will enable Abu Dhabi to create champions, not only in the oil and gas sector, but also in aluminum and the semi-conductors business, for example. IPIC is already the

fifth largest producer of petrochemicals in the world and Mubadala Group the third or fourth largest producer of aluminum and second largest producer of semi-conductors. The idea is to create a group that is smarter and stronger and to capitalize on investments in different sectors.

Q *Should we expect any more consolidation?*

H.E. Suhail Al-Mazrouei Yes. This is a journey so it will not finish. We have seen lots of consolidation within the ADNOC group and I would like to commend His Excellency, Dr. Sultan Al Jaber and his team for all of the work that they have done. We have a plan to become one of, if not the most efficient producer in the world by reducing the cost per barrel. We already have some of the best reservoirs with the best reservoir

management programs. So we think we can compete and we can optimize our resources. Mergers create value but it needs to be done with care and with a clear objective.

Q *How well are government, industry and academia aligned to deliver the solutions that the industry is looking for today – for example the challenge of \$50 oil, creating innovative technologies to tackle difficult fields, meeting renewables targets?*

H.E. Suhail Al Mazrouei I think all of those three main stakeholders are aligned, because they all have that common interest. If we are more efficient, then we can survive any downturn. And this is what we have seen in this low cycle that the efficiency improvement was a common interest by the NOCs and the IOCs and the academia



as well. If we survive, we can create jobs and also for the services sector where we have seen huge lay-offs. We need to continue this journey and cannot say we have done enough.

Q *From a budgetary perspective, how do you see the lower oil price affecting investment in R&D technology for vital immediate solutions and also company expenditure on skills training?*

H.E. Suhail Al Mazrouei It will definitely have an effect but we want to minimize this by setting priorities. I am encouraged to see more dialogue where we are all transparent in discussing the issues. I think it's the first time for example that we have seen OPEC put all of its historical data in an application, free for everyone – this is yet another level of transparency.

And if you have noticed, at every meeting of OPEC, we also invite the IEA, the IEF, and other international organizations, and

I'm sure in the future we will even invite the IOCs, because they are stakeholders. This level of transparency in the industry is needed, and I think it will drive more efficiency and prioritization of spending in R&D. We definitely cannot afford to spend on all projects and we will defer some, but we need to continue innovating and spending on certain projects that contribute to reducing costs and increasing efficiency.

Q *Abu Dhabi has set a very ambitious renewables target – to source 27% of the UAE's energy needs from renewables by 2021. Is that too ambitious? Can that run in parallel with investments that are needed in traditional oil and gas?*

H. E. Suhail Al Mazrouei What we are trying to do here in the UAE is to attract and encourage competition among the different forms of energy. For example, we have seen a huge reduction in the cost of PV solar

compared to where it was three years ago. If you tell anyone today that someone in 2030 could develop a technology or a project at 2.5 cent per kilowatt hour, he would laugh at you. But technology, R&D and financing are all working together to find a solution, due to the competition out there. What threatens this competition in other parts of the world is the subsidy. If you subsidize gas and sell it cheaply, then you block the road for the development of solar energy.

We are looking objectively at competition for the benefit of the consumer, for the benefit of R&D and the benefit of the industry and I am encouraged by the energy policy that we are putting together at the Ministry of Energy for 2050 – which will open up significant opportunities and allow for the greener forms of energy to compete.

The 3rd GCC Petroleum Media Forum will take place on April 19-20, 2017 at the Rosewood Hotel, Abu Dhabi, UAE



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