

**SPEECH BY
YAB DATO' SERI ABDULLAH AHMAD BADAWI
AT THE 10TH ANNUAL ASIA OIL AND GAS CONFERENCE
AT KUALA LUMPUR CONVENTION CENTRE
13 JUNE 2005**

BISMILLAHIR RAHMANIR RAHIM

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD MORNING

TAN SRI HASSAN MERICAN

EXCELLENCIES

DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. I AM PLEASED TO BE ABLE TO JOIN YOU TODAY, AT WHAT I CONSIDER TO BE AN IMPORTANT EVENT IN AN EVER-IMPORTANT INDUSTRY. INDEED, OIL AND GAS IS THE LIFE-BLOOD THAT COURSES THROUGH THE VEINS OF ALL ECONOMIES AND SUSTAINS THEM. IT IS PRECIOUS, NOT LEAST BECAUSE IT IS A FINITE AND DEPLETING ASSET. HOW WE TREAT IT WILL IMPACT ON A GREAT NUMBER OF ISSUES – WHETHER IN TERMS OF GROWTH AND DEVELOPMENT, IN MATTERS OF ENVIRONMENTAL CONSERVATION AND PROTECTION, OR EVEN IN TERMS OF RELATIONS BETWEEN NATIONS. SO THE QUESTIONS WE TRY TO ADDRESS IN CONFERENCES SUCH AS THIS ONE WILL HAVE A GREAT BEARING ON THE LIVES OF BILLIONS AROUND THE GLOBE AND MUST BE UNDERTAKEN IN A SOLEMN AND FORTHRIGHT MANNER.

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2. THE THEME FOR THIS YEAR'S CONFERENCE, "COPING WITH A NEW WORLD ORDER: CHALLENGES FOR THE OIL AND GAS INDUSTRY" IS REFLECTIVE OF SOME OF THE CURRENT ISSUES FACED BY THE OIL AND GAS INDUSTRY. ALL OF YOU PRESENT HERE TODAY WOULD BE MORE THAN AWARE THAT THE 21ST CENTURY HAS BROUGHT WITH IT CONSIDERABLE CHANGES AND CHALLENGES. MANY BUSINESS PRACTICES AND STRATEGIES THAT HAVE WORKED WELL IN THE PAST MAY NO LONGER BE APPLICABLE TODAY, AS THE WORLD ECONOMY BECOMES INCREASINGLY GLOBAL AND LIBERALISED. PRODUCTS, SERVICES AND COMMODITIES ARE TRADED OPENLY ACROSS INTERNATIONAL BORDERS. NEW STANDARDS AND METHODS ARE BEING DEvised THAT REQUIRE NEW SKILL SETS TO MASTER. NEW GOALS AND TARGETS ARE BEING SET, WHICH REQUIRE NEW PROCESSES TO ACHIEVE. AS A RESULT OF ALL THE CHANGE OCCURRING AROUND US, MANY HAVE STARTED CALLING THIS NEW ERA A "NEW WORLD ORDER".

3. ONE MAY ASK HOW THIS "NEW WORLD ORDER" AFFECTS THE OIL AND GAS INDUSTRY. TO MY MIND, SEVERAL ISSUES AND CONCERNS CURRENTLY STAND OUT. FIRST IS THE NOTION THAT INCREASED DEVELOPMENT HAS RESULTED IN EVER RISING OIL AND GAS CONSUMPTION, WHICH HAS IN TURN LED TO GROWING CONCERNS OF DIMINISHING GLOBAL OIL AND GAS RESERVES. THIS IS UNDERSTANDABLE, AS OIL AND GAS ARE SCARCE AND NON-RENEWABLE RESOURCES, AND HAVE BECOME STRATEGIC COMMODITIES THAT HAVE THE POTENTIAL TO DEVELOP WHOLE ECONOMIES AS WELL AS SHAPE FOREIGN POLICIES.

4. THE SECOND ISSUE IS RELATED TO THE FACT THAT CONSUMPTION GROWTH FOR OIL AND GAS HAS TYPICALLY OUTPACED SUPPLY GROWTH. HENCE, IT IS EASY TO UNDERSTAND THE GLOBAL NEED FOR A NEVER-ENDING QUEST OF NEW OIL AND GAS RESOURCES. THE INTERNATIONAL ENERGY AGENCY (I.E.A) ESTIMATES THAT SOME 3 TRILLION DOLLARS WILL BE SPENT OVER THE NEXT 25 YEARS ON INFRASTRUCTURE THAT CAN CATER TO FUTURE INCREASES IN GLOBAL OIL DEMAND. AS GOVERNMENTS AND COMPANIES CONTINUE TO POUR IN MORE AND MORE MONEY TO SECURE ADDITIONAL OIL AND GAS ASSETS, SOME OF THESE EFFORTS MAY ALSO UNFORTUNATELY LEAD TO VARIOUS GEOPOLITICAL MANEUVERINGS, DISPUTES AND CONFLICTS.

5. WHILE THE FIRST TWO ISSUES MAY NOT BE READILY APPARENT TO THE CASUAL OBSERVER, THE EFFECTS OF THE THIRD ISSUE ARE MORE STARK IN OUR EVERYDAY LIVES. IN LARGE PART, THE PARANOIA SURROUNDING HIGH CONSUMPTION GROWTH AND DECREASING RESERVES HAS PROMPTED THE STOCKPILING OF OIL AND GAS RESOURCES BY COUNTRIES WHOSE ECONOMIES ARE DEPENDENT ON THE IMPORT OF THE TWO COMMODITIES. ALTHOUGH DEMAND FOR OIL AND GAS IS LARGELY DEPENDENT ON CYCLICAL BUSINESS ACTIVITIES THAT CAUSE SOME DEGREE OF PRICE FLUCTUATION, THE PRICE INCREASES SINCE 2004 APPEAR TO HAVE CREATED A NEW TREND. THIS IS CERTAINLY FAR REMOVED FROM THE LOW AND STABLE OIL PRICES CONSUMERS AROUND THE WORLD ENJOYED IN THE LATE 1980'S AND MUCH OF THE 1990'S. INDEED, THE SURGE IN OIL PRICES TO ABOVE 50 DOLLARS PER BARREL EARLY THIS YEAR HAS PROMPTED TALK THAT A NEW ERA OF SUSTAINED HIGHER PRICES HAS BEGUN.

6. I DO NOT PROFESS TO HAVE THE ABILITY TO PREDICT FUTURE COMMODITY PRICES, BUT THE SUSTAINED HIGH PRICE OF OIL MAY YET BE A REALITY SO LONG AS SUPPLY FROM PRODUCING NATIONS IS NOT ABLE TO KEEP PACE WITH DEMAND GROWTH FROM AROUND THE WORLD. SHOULD THIS BE THE FUTURE GLOBAL SCENARIO, THEN CONCERNS SURROUNDING THE SECURITY OF SUPPLY AND THE PRICING OF OIL AND GAS WILL CONTINUE TO SURFACE, AS COUNTRIES BRACE THEMSELVES FOR POSSIBLE ECONOMIC CHALLENGES ARISING FROM THESE ISSUES.

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7. THESE ARE SOME OF THE CONCERNS AND CHALLENGES THAT FACE US IN THE "NEW WORLD ORDER" THAT IS THE SUBJECT-MATTER OF THIS CONFERENCE.

WHILE I AM CERTAIN THAT MANY HERE ARE MORE WELL-INFORMED AND ARE EXPERTS IN THE FIELD, ALLOW ME TO SHARE A FEW THOUGHTS AS TO HOW THE ASIAN OIL AND GAS INDUSTRY MAY PROCEED TO COPE WITH THE CHALLENGES PRESENTED.

8. MANY ARE UNAWARE THAT THIS "NEW WORLD ORDER" IS ALSO IN THE PROCESS OF CREATING ANOTHER PHENOMENON – WHAT SOME HAVE TERMED "THE ASIAN ASCENDANCY". ASIA HAS RISEN FROM THE ASHES OF THE 1997 FINANCIAL CRISIS TO PROGRESSIVELY GROW AND REPOSITION ITSELF AS "THE GROWTH ENGINE" OF THE WORLD ECONOMY. IN THE LAST EIGHT YEARS, THE ASIAN ECONOMY HAS BEEN GROWING AT AN AVERAGE RATE OF 4.7 PERCENT, HIGHER THAN THE COMBINED AVERAGE ANNUAL GROWTH OF BOTH THE UNITED STATES AND EUROPEAN UNION ECONOMIES. ASIA IS TODAY HOME TO SOME OF THE STRONGEST GLOBAL ECONOMIC PLAYERS, AS WELL AS RISING POWERHOUSE ECONOMIES SUCH AS CHINA AND INDIA.

9. INDEED, ASIA CURRENTLY ACCOUNTS FOR 51 PERCENT OF THE EARTH'S POPULATION, 34 PERCENT OF WORLD G.D.P, AND 28 PERCENT OF GLOBAL TRADE. WITH A COMBINED POPULATION OF MORE THAN 3 BILLION PEOPLE OF DIVERSE BACKGROUNDS, INCOMES AND PREFERENCES, ASIA IS A READY CONSUMER OF MOST, IF NOT ALL OF THE WORLD'S GOODS AND SERVICES. AT THE SAME TIME, MORE AND MORE ASIAN MULTINATIONAL COMPANIES ARE SUCCESSFULLY PENETRATING AND COMPETING IN INTERNATIONAL MARKETS, AS WELL AS INVESTING IN KEY INDUSTRIES RELATED TO MANUFACTURING, SERVICES AND ENERGY. IN MORE WAYS THAN ONE, THESE FACTORS POINT TOWARDS THE DISTINCT POSSIBILITY OF ASIA TAKING CENTRE-STAGE IN THIS "NEW WORLD ORDER", AT LEAST FROM AN ECONOMIC PERSPECTIVE.

10. OVER THE NEXT FEW YEARS, ASIAN ECONOMIES ARE EXPECTED TO EXTEND THEIR STRONG PERFORMANCE. HOWEVER, ROBUST ECONOMIC GROWTH ALSO MEANS THAT ASIA NEEDS SECURE SUPPLIES OF ENERGY TO SUSTAIN ITSELF. AT PRESENT, THE ASIAN REGION CONSUMES ABOUT 24 MILLION BARRELS OF OIL PER DAY – OUT OF TOTAL GLOBAL DEMAND OF 84 MILLION BARRELS PER DAY. IT IS PROJECTED THAT BY 2020, ASIA WILL NEED UP TO 33 MILLION BARRELS OF OIL PER DAY, OR 30 PERCENT OF TOTAL WORLD OIL CONSUMPTION. IN TERMS OF ANNUAL GAS DEMAND, ASIA CONSUMED 11 TRILLION CUBIC FEET OF GAS IN 2003, WHICH IS EQUIVALENT TO 12 PERCENT OF TOTAL WORLD DEMAND. BY 2020, THE REGION IS PROJECTED TO REQUIRE ABOUT 23 TRILLION CUBIC FEET OF GAS, OR 17 PERCENT OF TOTAL GLOBAL GAS CONSUMPTION, TO CATER TO ITS GROWING APPETITE FOR ENERGY.

11. GOING FORWARD, ASIA IS EXPECTED TO ACCOUNT FOR MOST OF THE GROWTH IN FUTURE ENERGY DEMAND. WHAT NEEDS TO BE ADDRESSED THEN, IS THE FACT THAT ALMOST 90 PERCENT OF THE INCREMENTAL GROWTH IN ENERGY DEMAND IN ASIA WILL BE DERIVED FROM FOSSIL FUELS. LOOKING AHEAD, IT IS FORESEEABLE THAT THE RACE TO SECURE ENERGY RESOURCES AMONG THE MANY ASIAN NATIONAL OIL COMPANIES (N.O.C'S) AND PRIVATE COMPANIES WILL BECOME MORE INTENSE AND COMPETITIVE.

12. UNDER THESE CIRCUMSTANCES, IT WOULD SEEM THAT A VIABLE STRATEGIC OPTION FOR ASIA LIES IN POLITICAL COMMITMENT TO COOPERATE IN ENERGY DIPLOMACY. IN PRINCIPLE, SUCH COOPERATION NECESSITATES RECOGNITION BY ALL COUNTRIES IN THE REGION – BE THEY NET IMPORTING OR EXPORTING COUNTRIES – THAT WE HAVE A COMMON INTEREST. FOR OIL IMPORTING COUNTRIES, THE PURPOSE OF SUCH ENERGY DIPLOMACY WILL BE TO LESSEN RELIANCE ON EXTERNAL SOURCES FROM OUTSIDE THE REGION. IT IS HIGHLY POSSIBLE THAT THROUGH CONSTRUCTIVE ENERGY DIPLOMACY, DEPENDENT COUNTRIES SUCH AS JAPAN AND SOUTH KOREA WILL RELY LESS ON CURRENT PRACTICES OF OIL AND GAS STOCKPILING, WHICH WILL THEN REMOVE CRITICAL PRESSURE POINTS AFFECTING THE COMMODITIES' PRICE LEVELS.

13. SIMILARLY, FOR NET OIL EXPORTERS, COOPERATION MAY BE UTILISED AS AN ENTRY POINT TO DEEPEN COMMERCIAL TIES ACROSS THE SECTOR, INCLUDING DEVELOPMENT OF NATURAL GAS, SOLAR AND GEOTHERMAL POWER. MOREOVER, THROUGH ACTIVE COOPERATION, ASIAN COUNTRIES WILL BE ABLE TO MINIMISE THE NUMBER OF TERRITORIAL DISPUTES – EITHER FOR ISLANDS OR OCEAN BOUNDARIES – THAT HAVE ARISEN DUE TO THE AFFECTED AREA'S OIL AND GAS EXPLORATION PROSPECTS.

14. THUS, IT IS IMPERATIVE THAT WE COME TO THE REALISATION THAT WE ARE ALL INTER-DEPENDENT ON EACH OTHER, AND COOPERATION CAN ONLY BENEFIT US ALL. ASIAN COUNTRIES NEED TO BE AWARE THAT THE EUROPEAN UNION HAS ITS ORIGINS IN ENERGY COOPERATION THROUGH THE ESTABLISHMENT OF ITS COAL AND STEEL COMMUNITIES. HENCE, I BELIEVE THAT THE TIME HAS COME FOR ASIAN N.O.C'S TO PURSUE MORE JOINT INVESTMENTS IN VERTICALLY-INTEGRATED PRODUCTION-SHARING VENTURES ACROSS ASIA TO SECURE UPSTREAM RESOURCES AND PROVIDE SECURE LONG-TERM ENERGY SUPPLY. SINCE HIGH OIL AND GAS PRICES ARE A COMMON THREAT TO ALL ASIAN CONSUMERS, AND SECURING FUTURE ENERGY RESOURCES IS A COMMON OBJECTIVE FOR ASIAN N.O.C'S, THE CHALLENGE IS TO HAVE MORE MEANINGFUL COLLABORATION, COOPERATION AND ALLIANCES. THESE THREE ELEMENTS SHOULD BECOME THE MAIN AGENDA OF ASIAN N.O.C'S IN THE PURSUIT OF COMMON NATIONAL AND COMMERCIAL GOALS.

15. ASIAN N.O.C'S ARE IN A GOOD POSITION TO SPEARHEAD THIS OBJECTIVE, AS THEY HAVE WORKED TOGETHER ON MANY OCCASIONS IN THE PAST. FURTHERMORE, GREATER ECONOMIC AND POLITICAL COLLABORATION WILL TRIGGER RAPID DEVELOPMENT ACROSS ASIA, CREATE LONG-TERM SOCIO-ECONOMIC BENEFITS AND FURTHER STRENGTHEN TRADE RELATIONS IN BILATERAL, REGIONAL AND MULTILATERAL FRAMEWORKS. TODAY, WE HAVE SEEN MANY SUCCESSFUL EXAMPLES OF COLLABORATION, COOPERATION AND ALLIANCES AT NATIONAL AND COMPANY LEVEL THROUGHOUT ASIA. IT IS NOW TIME FOR US TO STRONGLY PUSH TO ENRICH THIS PLATFORM FURTHER.

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16. OF COURSE, COOPERATION SHOULD EXTEND BEYOND JUST POLICY INITIATIVES AIMED AT EASING SUPPLY AND DEMAND CONDITIONS AMONG ASIAN COUNTRIES. COOPERATION OF THIS SCALE MUST ALSO INCLUDE TECHNOLOGICAL COLLABORATION TO IMPROVE THE EFFICIENCY OF EXPLORATION, INCREASE RESOURCE EXTRACTION, DEVELOP ALTERNATIVE FUEL SOURCES, AND PROTECT THE ENVIRONMENT. FOR EXAMPLE, FUTURE TECHNOLOGY MAY ALLOW OIL COMPANIES TO RECOVER RESOURCES FROM UNCONVENTIONAL WELLS, WHICH WILL IN TURN HELP TO ENSURE THE LONG-TERM SUSTAINABILITY OF GLOBAL RESERVES. INSTEAD OF FULLY UTILISING EXPLORATION BUDGETS THAT TYPICALLY AMOUNT TO BILLIONS EVERY YEAR, IT MAY BE POSSIBLE FOR INDUSTRY PLAYERS TO CHANNEL SOME OF THESE FUNDS TO COMPANIES SUCH AS BIO-TECH FIRMS OR AUTO MANUFACTURERS TO HELP DEVELOP ALTERNATIVE FUEL SOURCES. I AM HOPEFUL THAT FUTURE COMMITMENTS TO COOPERATE IN THE DEVELOPMENT OF THESE ALTERNATIVE FUEL SOURCES WILL HELP TO COMPLEMENT THE CURRENT USAGE OF HYDROCARBONS.

17. AS OUR ECONOMIC ENGINES CONTINUE TO DRIVE US FORWARD, WE HAVE ALSO BECOME EVEN MORE AWARE OF THE IMPACT WE HAVE ON THE ENVIRONMENT. JUST AS OIL AND GAS ARE RESOURCES THAT CAN BE DEPLETED, SO IS THE ENVIRONMENT – IF WE ARE NOT CAREFUL. THEREFORE, IT IS IMPORTANT FOR BOTH GOVERNMENT AND INDUSTRY TO REALISE THAT WE ARE TOGETHER ACCOUNTABLE FOR THE CURRENT AND FUTURE WELL-BEING OF THE ENVIRONMENT. IT IS OUR COLLECTIVE RESPONSIBILITY TO MEET THE REQUIREMENTS OF INTERNATIONAL AGREEMENTS SUCH AS THE KYOTO PROTOCOL, BY WHICH NATIONS AGREED TO LIMIT THEIR GREENHOUSE GAS EMISSIONS, RELATIVE TO THE LEVELS EMITTED IN 1990.

18. IDEALLY, EFFORTS TO COOPERATE ON ENERGY REQUIRE A ROBUST INSTITUTIONAL FRAMEWORK IN ORDER TO SUCCEED. FOR EXAMPLE, EFFECTIVE AND TRANSPARENT DATA COLLECTION AND MONITORING ACTIVITIES WITH A VIEW TO ESTIMATING DEMAND AS WELL AS PREDICTING PRICE MOVEMENTS CAN ONLY COME ABOUT WITHIN SUCH A FRAMEWORK. MOREOVER, WITH OIL AND GAS BEING SUCH STRATEGIC COMMODITIES SPANNING POLITICAL, COMMERCIAL AND SECURITY DIMENSIONS, THE STAKEHOLDERS OF SUCH AN INSTITUTIONAL FRAMEWORK WILL NEED TO ENCOMPASS A COMPREHENSIVE GROUP. THIS GROUP SHOULD NOT BE LIMITED TO POLICYMAKERS WHO DEAL PRIMARILY WITH ENERGY RELATED ISSUES, BUT SHOULD ALSO INVOLVE THOSE FROM THE BUSINESS COMMUNITY WITH RELATED INTERESTS.

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19. IT IS MY HOPE THAT ALL THOSE PRESENT HERE WILL COME AWAY FROM THIS CONFERENCE WITH SOME MEASURE OF REALISATION OF ASIA'S INCREASING IMPORTANCE IN THE "NEW WORLD ORDER", ESPECIALLY PERTAINING TO THE CHALLENGES FACING THE OIL AND GAS INDUSTRY. THEREFORE, I BELIEVE IT IS

ONLY PROPER THAT ASIA ITSELF TAKES ON A LEADING ROLE IN SHAPING AND DRIVING THE OIL AND GAS INDUSTRY INTO THE FUTURE.

20. LESSONS FROM OTHER REGIONS HAVE PROVEN THAT DESPITE INITIAL SETBACKS AND DISAGREEMENTS, THE WILLINGNESS FOR COOPERATION, COLLABORATION AND ALLIANCES WILL MAKE THE STEPS TOWARDS INTEGRATION THAT MUCH EASIER. INTEGRATION STANDS TO BRING MANY BENEFITS AS WELL AS LONG-TERM STABILITY FOR THE ENTIRE ASIAN REGION. FOR A START, FURTHER ECONOMIC INTEGRATION IN ASIA WILL PROVIDE MORE OPPORTUNITIES FOR THE ASIAN COMMUNITY TO LEVERAGE ON EXPANDING OIL AND GAS MARKETS IN THE REGION. I AM OPTIMISTIC THAT THIS CONFERENCE WILL SERVE ITS PURPOSE IN PROVIDING AN AVENUE FOR CLOSER NETWORKING AND INTERACTION THAT WILL LEAD TO MORE MEANINGFUL AND MUTUALLY BENEFICIAL PARTNERSHIPS AND COLLABORATION IN ASIA AND BEYOND.

21. ON THAT NOTE, IT GIVES ME GREAT PLEASURE TO DECLARE THE 10TH ANNUAL ASIA OIL & GAS CONFERENCE OFFICIALLY OPEN. I WISH YOU A PRODUCTIVE AND SUCCESSFUL CONFERENCE AHEAD.

THANK YOU.