

**KEYNOTE ADDRESS BY  
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI  
IN CONJUNCTION WITH THE OPENING OF THE '12TH ANNUAL ASIA OIL &  
GAS CONFERENCE (AOGC): A SHARED FUTURE'  
AT KUALA LUMPUR CONVENTION CENTRE, KUALA LUMPUR  
11 JUNE 2007**

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BISMILLAHIR RAHMANIR RAHIM

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD MORNING

YBHG. TAN SRI MOHD HASSAN MERICAN  
PRESIDENT AND CEO OF PETRONAS

DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. IT IS A GREAT PLEASURE FOR ME TO BE ABLE TO JOIN THIS DIVERSE AND DISTINGUISHED GATHERING OF THE GLOBAL OIL AND GAS FRATERNITY. THE ASIA OIL AND GAS CONFERENCE SERIES HAS CONSISTENTLY PROVIDED A SIGNIFICANT PLATFORM FOR STRATEGIC DISCOURSE ON THE OIL AND GAS INDUSTRY. I AM THEREFORE PLEASED TO HAVE THIS OPPORTUNITY TO SHARE MY THOUGHTS ON SOME OF THE KEY ISSUES AFFECTING THE INDUSTRY.

2. ON THE BACK OF A RESILIENT GLOBAL ECONOMY, ASIA HAS REMAINED A ROBUST ENGINE OF GROWTH. THE REGION IS NOW EXPECTED TO SUSTAIN A RATE OF GROWTH OF 5.2 PERCENT PER ANNUM, ALL THE WAY THROUGH TO 2030. THIS IS MORE THAN TWICE THE AVERAGE GROWTH RATE FOR THE WORLD OVER THE SAME PERIOD, AND SIGNALS A GROWING SHIFT IN ECONOMIC POWER FROM THE DEVELOPED TO THE EMERGING WORLD.

3. INDEED, THIS TREND OF A SHIFTING BALANCE OF POWER CUTS ACROSS MANY LEVELS: FROM THE ECONOMIC TO THE POLITICAL, AS WELL AS THE SOCIAL SPHERES. I BELIEVE THAT WE WILL CONTINUE TO SEE FURTHER EXPANSION AND DEEPENING OF ASIA'S ROLE ON THE GLOBAL SCENE OVER TIME.

4. ENERGY WILL CERTAINLY PLAY A KEY ROLE IN SUSTAINING THE MOMENTUM TO ASIA'S FUTURE GROWTH AND PROSPERITY. THE THEME OF THIS YEAR'S CONFERENCE – "A SHARED FUTURE" – IS THEREFORE MOST APPROPRIATE. I BELIEVE THERE IS AN URGENT NEED FOR US TO WORK TOGETHER TO MAKE THE INDUSTRY SUSTAINABLE, DYNAMIC, AND ACCESSIBLE TO ALL STAKEHOLDERS.

LADIES AND GENTLEMEN

5. THE RAPID GROWTH IN EMERGING ECONOMIES WILL DRIVE A SIGNIFICANT EXPANSION IN GLOBAL DEMAND FOR ENERGY IN THE PERIOD UP TO 2030. MOST FORECASTS PROJECT GLOBAL ENERGY DEMAND TO GROW BY SOME 50 PERCENT, REPRESENTING AN INCREASE OF ABOUT 120 MILLION BARRELS OF OIL EQUIVALENT PER DAY, FROM CURRENT CONSUMPTION LEVELS OF APPROXIMATELY 210 MILLION BARRELS OF OIL EQUIVALENT PER DAY OF ENERGY.

6. THE ASIAN REGION, LED BY CHINA AND INDIA, WILL PLAY A PROMINENT ROLE IN FUELLING THIS EXPANSION. ENERGY DEMAND IS EXPECTED TO GROW BY 3.7 PERCENT PER ANNUM, FAR IN EXCESS OF O.E.C.D. RATES OF 1.0 PERCENT PER ANNUM. IN FACT, CHINA IS NOW THE WORLD'S SECOND LARGEST CONSUMER OF ENERGY. THIS IS A TREND THAT IS SET TO INTENSIFY, NOT ONLY IN CHINA BUT THROUGHOUT ASIA.

7. THIS RECENT DEVELOPMENT IN WORLD ENERGY DEMAND REPRESENTS A MORE LONG-TERM SHIFT. ASIA NOW ACCOUNTS FOR AN INCREASINGLY LARGER SHARE OF GLOBAL DEMAND. INDEED, BY 2015 DEVELOPING ASIA IS EXPECTED TO OVERTAKE NORTH AMERICA AS THE SINGLE LARGEST MARKET FOR ENERGY.

8. GIVEN THE REGION'S RISING PROFILE, ASIA HAS AN HISTORIC OPPORTUNITY TO CHANGE THE DYNAMICS OF THE GLOBAL ENERGY INDUSTRY. AFTER ALL, THE ENERGY INDUSTRY TODAY IS AT A CRITICAL JUNCTURE. I BELIEVE THAT ASIA'S GOVERNMENTS, BUSINESSES AND PEOPLES CAN HELP TO TAKE THE LEAD IN ADDRESSING SOME OF THESE CHALLENGES.

LADIES AND GENTLEMEN

9. IN THE NEAR FUTURE, THE WORLD'S ENERGY PROSPECTS WILL CONTINUE TO DEPEND ON SUPPLIERS PRODUCING MORE OIL AND GAS IN A RELIABLE, AFFORDABLE AND TIMELY MANNER.

10. FORTUNATELY, THE WORLD IS ENDOWED WITH SUFFICIENT RESOURCES TO MEET GLOBAL NEEDS FOR MANY DECADES TO COME. CURRENTLY, PROVEN CONVENTIONAL OIL RESERVES ARE ESTIMATED TO STAND AT 1.2 TRILLION BARRELS. THIS EQUATES TO A RESERVE LIFE OF ABOUT 40 YEARS AT CURRENT RATES OF PRODUCTION. MEANWHILE, WORLDWIDE PROVEN NATURAL GAS RESOURCES HAVE ALSO GROWN BY MORE THAN 80 PERCENT OVER THE PAST 20 YEARS, WHICH LEADS TO ABOUT 70 YEARS' WORTH OF RESERVES AT CURRENT RATES OF CONSUMPTION.

11. HOWEVER, SIMPLY BECAUSE THERE ARE PLENTIFUL RESOURCES FOR THE TIME BEING, DOES NOT MEAN THAT THE ROAD AHEAD WILL BE EASY. WHILE RESERVES ARE PLENTIFUL, ACCESS AND LOGISTICS MAY BE HINDERED BY ANY NUMBER OF OBSTACLES.

12. IN ADDITION TO SUPPLY AND DEMAND DYNAMICS, I BELIEVE THE KEY FACTORS THAT WILL SHAPE THE FUTURE OF ENERGY WOULD INCLUDE: ENERGY INTERDEPENDENCE, MANAGING SUSTAINABILITY, TECHNOLOGY AND INNOVATION, AS WELL AS HUMAN CAPITAL DEVELOPMENT. IN ALL THESE AREAS, COLLABORATION AND COOPERATION WILL PROVE TO BE VITAL. I WILL ENDEAVOUR TO SHARE SOME OF MY THOUGHTS ON THESE ISSUES THIS MORNING.

LADIES AND GENTLEMEN

13. THE ISSUE OF ENERGY SECURITY CONTINUES TO BE A HIGHLY-CHARGED CONCERN. IT REFLECTS NOT MERELY THE MANY LEVELS OF DEBATE OVER THE FUTURE OF ENERGY, BUT ALSO THE MANY LEVELS OF FEAR ATTACHED TO THIS ISSUE. THERE IS FEAR OVER FINITE RESOURCES BEING DEPLETED; FEAR OF DIMINISHED LIVING STANDARDS IF ENERGY SUPPLIES ARE COMPROMISED; AS WELL AS FEAR OVER THE POTENTIAL LOSS OF ECONOMIC INDEPENDENCE FOR

NATIONS RELIANT ON ENERGY SOURCES FROM OTHER NATIONS.

14. FOR INSTANCE, MUCH OF ASIA'S OIL AND GAS SUPPLY WILL CONTINUE TO FLOW FROM POLITICALLY VOLATILE AREAS SUCH AS WEST ASIA. THE HEAVY CONCENTRATION OF OIL AND GAS RESERVES IN THIS REGION – CURRENTLY ACCOUNTING FOR TWO-THIRDS OF GLOBAL RESERVES AND, JUST AS CRITICAL, VIRTUALLY ALL OF THE WORLD'S EXCESS CAPACITY – THREATENS TO COMPROMISE ENERGY SECURITY. HOW THE VARIOUS POLITICAL ISSUES AND CONFLICTS IN THE REGION PLAY OUT WILL HAVE A SIGNIFICANT IMPACT ON ENERGY SECURITY.

15. AT THE SAME TIME, THE INDUSTRY IS ALSO ADJUSTING TO THE GROWING MATURITY OF NATIONAL OIL COMPANIES (N.O.C.'S). THESE N.O.C.'S INCREASINGLY HAVE THE CAPABILITY TO UNDERTAKE COMPLEX PROJECTS ON THEIR OWN, OR THROUGH PARTNERSHIPS WITH OTHER N.O.C.'S. IN A RECENT ARTICLE, THE FINANCIAL TIMES PROCLAIMED THAT A NEW SET OF "SEVEN SISTERS" HAD EMERGED, THIS TIME DRAWN FROM THE RANKS OF N.O.C.'S. I AM PROUD TO NOTE THAT PETRONAS HAS BEEN INCLUDED IN THIS DISTINGUISHED LIST.

16. GOING FORWARD, THE CHALLENGE IS FOR THE N.O.C.'S AND MULTINATIONAL OIL COMPANIES TO FIND NEW WAYS TO STRIKE MEANINGFUL AND MUTUALLY BENEFICIAL PARTNERSHIPS ON A LONG-TERM BASIS.

17. IN ASIA ALONE, TOTAL INVESTMENT OF ABOUT 7.8 TRILLION U.S. DOLLARS WILL BE REQUIRED IN KEY INFRASTRUCTURE ALONG THE ENTIRE ENERGY VALUE CHAIN, IN THE PERIOD FROM 2004 TO 2030. THIS TRANSLATES INTO NEW ANNUAL INVESTMENT OF ABOUT 300 BILLION U.S. DOLLARS. THESE INVESTMENTS WILL REQUIRE GREATER COLLABORATION FROM ALL INDUSTRY PARTICIPANTS, INCLUDING ASIAN N.O.C.'S AS WELL AS THE MULTINATIONAL OIL COMPANIES.

18. IN SHORT, ENERGY SECURITY LIES IN A SHARED RECOGNITION OF OUR ENERGY INTERDEPENDENCE. THIS STATE OF INTERDEPENDENCE SHOULD BE BASED ON THE MULTILATERAL COOPERATION OF PRODUCERS AND CONSUMERS, AS WELL AS GOVERNMENTS AND BUSINESSES. WE NEED TO WORK TOGETHER TO PROMOTE ENERGY SECURITY IN AN EFFECTIVE AND SUSTAINABLE WAY.

19. AT THIS POINT, I AM PLEASED TO NOTE THAT OUR REGION HAS MADE SOME PROGRESS IN THIS MATTER. EARLIER THIS YEAR, THE CEBU DECLARATION ON EAST ASIAN ENERGY SECURITY WAS SIGNED BETWEEN 16 ASIA-PACIFIC COUNTRIES, ACCOUNTING FOR ALMOST HALF OF THE WORLD'S POPULATION. THROUGH THIS DECLARATION, THE COUNTRIES INVOLVED PLEDGE TO COOPERATE TO INCREASE ENERGY EFFICIENCY, REDUCE DEPENDENCE ON FOSSIL FUELS AND GUARANTEE SECURITY OF SUPPLY. THIS REPRESENTS AN IMPORTANT STEP IN DEVELOPING A REGIONAL, MULTILATERAL RESPONSE TO THE ISSUE OF ENERGY SECURITY. HOPEFULLY THIS EFFORT WILL BE THE FIRST OF MANY ON THE ROAD TOWARDS BROADER AND DEEPER REGIONAL COLLABORATION ON ENERGY SECURITY.

LADIES AND GENTLEMEN

20. ONE OF THE ISSUES LOOMING LARGE IN THE PUBLIC CONSCIOUSNESS TODAY IS THE ISSUE OF CLIMATE CHANGE. THIS IS AN ISSUE THAT STRIKES AT THE VERY HEART OF THE SUSTAINABILITY OF OUR WAY OF LIFE: IT CROSSES ALL

BOUNDARIES, IMPACTING INDUSTRY AND GOVERNMENTS, AS WELL AS CONSUMERS IN EVERY PART OF THE WORLD.

21. THERE ARE SOME PREJUDICES AND ILLUSIONS ON THIS ISSUE, AS WELL AS SIGNIFICANT UNCERTAINTIES. BUT WE DO KNOW THAT ATMOSPHERIC CONCENTRATIONS OF CARBON DIOXIDE HAVE RISEN TO THEIR HIGHEST LEVELS FOR OVER 400,000 YEARS.

22. GLOBAL TEMPERATURES HAVE ALSO BEEN RISING. SCIENTISTS REPORT THAT OUR WORLD IS WARMER THAN IT HAS BEEN FOR OVER A MILLENNIUM, WITH THE THREE WARMEST YEARS ON RECORD ALL OCCURRING SINCE 1998.

23. THERE IS NOW A SENSE OF URGENCY THAT WE MUST TAKE ACTION QUICKLY AND DECISIVELY, TO MITIGATE THE RISKS OF CLIMATE CHANGE. WE NEED TO DEEPEN OUR UNDERSTANDING OVER THE CAUSES AND EFFECTS OF CLIMATE CHANGE. AT THE SAME TIME, WE ALSO NEED TO ACT ON THE LEVERS THAT WE ALREADY KNOW WOULD HAVE AN IMPACT ON CLIMATE CHANGE.

24. MOVING FORWARD, WE NEED TO ENSURE MORE EFFICIENT USE OF ENERGY. IMPROVING THE FUEL ECONOMY OF OUR LIGHT DUTY VEHICLE FLEET IS ONE SUCH WAY. REDUCING EMISSIONS FROM COAL-FIRED POWER PLANTS MUST ALSO BE A PRIORITY. INDEED, WORLDWIDE CARBON DIOXIDE EMISSIONS FROM POWER GENERATION ARE CURRENTLY MORE THAN 4 TIMES THAT FROM LIGHT DUTY TRANSPORT.

25. THERE ARE ALSO SIGNIFICANT OPPORTUNITIES TO MAXIMISE ENERGY EFFICIENCY AND REDUCE EMISSIONS IN OUR URBAN ENVIRONMENTS THROUGH SOUND URBAN PLANNING. THIS IS ESPECIALLY IMPORTANT, GIVEN THAT AN ESTIMATED 75 PERCENT OF THE WORLD'S POPULATION WILL BE URBANISED BY THE YEAR 2030.

26. WE ALSO NEED A GLOBAL FRAMEWORK THAT PROMOTES ENERGY EFFICIENCY, ACCELERATES DEPLOYMENT OF EXISTING EMISSIONS-REDUCING TECHNOLOGIES, AND SUPPORTS RESEARCH INTO NEW TECHNOLOGIES. WE MUST PUT GREATER EMPHASIS ON INCENTIVES, RATHER THAN PENALTIES, TO SPUR INVESTMENTS AND COMPLIANCE WITH CARBON EMISSION LIMITATIONS.

27. THE ENERGY INDUSTRY HAS A RESPONSIBILITY TO CONTRIBUTE TO POLICY DISCUSSIONS, AND TO TAKE CONCRETE ACTIONS TO ACTIVELY REDUCE EMISSIONS. INDUSTRY LEADERS CANNOT DELEGATE OR SHIRK THIS RESPONSIBILITY. I BELIEVE THAT WHEN INDUSTRY PARTICIPANTS DISPLAY THE NECESSARY CORPORATE SOCIAL RESPONSIBILITY IN TACKLING THE ISSUE OF CLIMATE CHANGE, ONLY THEN CAN ANY REALISTIC PROGRESS BE MADE.

LADIES AND GENTLEMEN

28. TECHNOLOGY AND INNOVATION WILL CONTINUE TO REVOLUTIONISE THE WAY BUSINESS IS CONDUCTED ACROSS THE ENTIRE OIL AND GAS VALUE CHAIN. THROUGH TECHNOLOGY AND INNOVATION, THE INDUSTRY WOULD BE ABLE TO ENSURE THE PRODUCTION OF ENERGY IN A COST-EFFECTIVE, RESPONSIBLE AND RELIABLE MANNER. INDEED, BOTH IMPERATIVES OF ENSURING ENERGY SECURITY, AS WELL AS SUSTAINABLE ENERGY, WOULD NEED TO BE UNDERPINNED BY ADVANCEMENTS IN TECHNOLOGY AND INNOVATION.

29. TECHNOLOGY IS EXPECTED TO PLAY A CRITICAL ROLE IN FINDING AND UNLOCKING ENERGY RESOURCES, ESPECIALLY IN HARSH AND DIFFICULT ENVIRONMENTS. SOPHISTICATED TECHNOLOGY IS ALSO ENABLING THE INDUSTRY TO DEVELOP PREVIOUSLY UN-ECONOMIC, UNCONVENTIONAL RESOURCES SUCH AS OIL SANDS, HEAVY OIL, AS WELL AS OIL SHALE. THESE WILL ALL PROVE VITAL TO ENHANCING ENERGY SECURITY IN THE FUTURE.

30. TECHNOLOGICAL IMPROVEMENTS WOULD ALSO HELP TO REDUCE THE ENVIRONMENTAL FOOTPRINT OF THE ENERGY INDUSTRY. THIS WOULD INCLUDE IMPROVING THE ENERGY EFFICIENCY OF INDUSTRIAL PROCESSES, AS WELL AS REDUCING CARBON DIOXIDE EMISSIONS. DEVELOPMENTS IN ALTERNATIVE ENERGY SOURCES ARE ALSO VERY PROMISING. SUCH DEVELOPMENTS WOULD HELP TO ENHANCE SECURITY OF SUPPLY, AS WELL AS ADDRESS DEEP ENVIRONMENTAL CONCERNS.

31. TECHNOLOGY AND INNOVATION NEED NOT NECESSARILY COME ONLY FROM THE SUPER MAJORS. ASIAN N.O.C.'S AND OTHER OIL AND GAS PARTICIPANTS IN ASIA SHOULD ALSO INVEST IN TECHNOLOGY AND INNOVATION. I BELIEVE IT IS VITAL FOR ASIAN PARTICIPANTS TO SERIOUSLY PROMOTE AND INVEST IN STRENGTHENING INTERNAL R&D PROGRAMMES, AS WELL AS COLLABORATE BETWEEN THEMSELVES, IF THEY ARE TO REMAIN RELEVANT IN THIS HIGHLY-COMPETITIVE INDUSTRY. IT IS MY HOPE THAT ASIAN ENERGY COMPANIES WILL EVENTUALLY EMERGE AS LEADERS IN THE DEVELOPMENT AND APPLICATION OF NEW TECHNOLOGIES WITHIN THE INDUSTRY.

LADIES AND GENTLEMEN

32. FINANCIAL CAPITAL, ECONOMIC POLICIES, PHYSICAL INFRASTRUCTURE AND NATURAL RESOURCES WILL CONTINUE TO BE KEY DRIVERS FOR THE INDUSTRY. HOWEVER, WE MUST ACKNOWLEDGE THAT IT IS HUMAN CAPITAL THAT WILL TRULY DRIVE THE FUTURE OF THE OIL AND GAS INDUSTRY.

33. THIS WILL BRING OUT NEW CHALLENGES IN DEVELOPING THE RIGHT KNOWLEDGE, CAPABILITY AND EXPERTISE AMONG ASIAN INDUSTRY PARTICIPANTS. JUST AS THE INDUSTRY PLANS OIL AND GAS PRODUCTION ON A LONG-TERM TIMESCALE, I BELIEVE IT IS ALSO NECESSARY TO LOOK FORWARD 20 OR 30 YEARS INTO THE FUTURE, WHEN IT COMES TO HUMAN CAPITAL DEVELOPMENT. INDUSTRY PARTICIPANTS NEED TO PLAN NOW, SO THAT IN 2030 THE ASIAN WORKFORCE WILL BE READY TO MEET THE CHALLENGES AND OPPORTUNITIES OF THAT ERA.

34. IN MALAYSIA, I AM PARTICULARLY ENCOURAGED TO SEE THAT OUR LOCAL INDUSTRY HAS MADE SIGNIFICANT PROGRESS IN BECOMING A REGIONAL CENTRE FOR DEEPWATER EXPERTISE. AS THE COUNTRY EMBARKS UPON THE DEVELOPMENT OF ITS DEEPWATER ACREAGES, THERE IS AN INCREASING FOCUS ON BUILDING THE CAPABILITY OF MALAYSIANS AND MALAYSIAN COMPANIES. THIS WILL ENABLE THEM TO PARTICIPATE IN MORE CHALLENGING AND TECHNOLOGICALLY ADVANCED PROJECTS. IN TIME, I HOPE TO SEE MALAYSIAN SERVICE COMPANIES VENTURING BEYOND LOCAL WATERS TO COMPETE AND SUCCEED IN THE FAST-GROWING GLOBAL DEEPWATER MARKET.

LADIES AND GENTLEMEN

35. WHEN IT COMES TO ENERGY, WE FACE BOTH TREMENDOUS OPPORTUNITIES AND A WIDE RANGE OF CHALLENGES. NO SINGLE GOVERNMENT OR COMPANY CAN FACE THOSE CHALLENGES OR CAPITALISE ON THOSE OPPORTUNITIES BY WORKING IN ISOLATION.

36. THEREFORE, "A SHARED FUTURE" IN AN EVER-CHANGING, INCREASINGLY COMPLEX INDUSTRY MEANS THAT ALL STAKEHOLDERS NEED TO DEVELOP APPROACHES AND SOLUTIONS THAT ARE INCLUSIVE. EFFORTS MUST BE MADE TO INTEGRATE ALL THE VARYING CONCERNS AND NEEDS.

37. IF WE ARE ABLE TO DO SO, I AM CONFIDENT WE CAN REACH THE FUTURE WE SEEK – ONE WHERE OUR ECONOMIES ARE MORE COMPETITIVE, OUR NATIONS MORE SECURE, AND OUR WORLD MORE PROSPEROUS.

38. ON THAT NOTE, IT GIVES ME GREAT PLEASURE TO DECLARE THE 12TH ASIA OIL AND GAS CONFERENCE OFFICIALLY OPEN, AND TO WISH YOU A SUCCESSFUL CONFERENCE.

THANK YOU.