

**SPEECH BY  
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI  
AT THE 3RD INTERNATIONAL PETROLEUM TECHNOLOGY CONFERENCE  
AT KUALA LUMPUR CONVENTION CENTRE  
3 DECEMBER 2008**

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BISMILLAHIR RAHMANIR RAHIM

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH

AND GOOD MORNING

Y.BHG. TAN SRI MOHD HASSAN MERICAN

PRESIDENT AND CHIEF EXECUTIVE OFFICER

PETRONAS

AND EXECUTIVE CO-CHAIRMAN OF THE I.P.T.C. 2008

MR. MARK W. ALBERS

SENIOR VICE PRESIDENT

EXXON MOBIL

AND EXECUTIVE CO-CHAIRMAN OF THE I.P.T.C. 2008

EXCELLENCIES AND DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. I AM PLEASED TO BE HERE TO JOIN SUCH A DIVERSE AND INFLUENTIAL GATHERING OF THE GLOBAL OIL AND GAS FRATERNITY, FOR THIS 3RD INTERNATIONAL PETROLEUM TECHNOLOGY CONFERENCE.

2. I WOULD LIKE TO THANK THE CO-ORGANISERS OF THIS CONFERENCE, PETRONAS AND EXXON MOBIL, FOR GIVING ME THE OPPORTUNITY TO SHARE SOME OF MY THOUGHTS ON THE STATE OF THE OIL AND GAS INDUSTRY WITH THE DELEGATES PRESENT HERE THIS MORNING.

LADIES AND GENTLEMEN

3. IT HAS BEEN A DIFFICULT YEAR FOR THE GLOBAL ECONOMY, TO SAY THE LEAST. WE ARE WITNESSING A FINANCIAL AND ECONOMIC "PERFECT STORM", AND COUNTRIES ARE NOW BRACING FOR WORSE TIMES TO COME. MANY ECONOMISTS ARE NOW PREDICTING THE WORST GLOBAL RECESSION SINCE THE GREAT

## DEPRESSION IN THE EARLY 1930'S.

4. RESOLVING THIS CRISIS WILL REQUIRE CONCERTED EFFORT AMONG GLOBAL LEADERS. MANY GOVERNMENTS HAVE ALREADY INTRODUCED FISCAL STIMULUS PROGRAMMES TO SUSTAIN CONSUMPTION, WHILE WORKING FEVERISHLY TO PREVENT THE COLLAPSE OF KEY FINANCIAL INSTITUTIONS. CENTRAL BANKS ARE ALSO PLAYING THEIR PART, BY SLASHING INTEREST RATES AND INTRODUCING MUCH-NEEDED LIQUIDITY INTO FINANCIAL MARKETS.

5. THERE HAVE ALSO BEEN CALLS FOR GREATER REGULATION AND OVERSIGHT IN THE LONG RUN, AS PART OF A RADICAL REFORM OF THE WORLD'S FINANCIAL ARCHITECTURE. I AM GLAD TO NOTE THAT 2 MALAYSIANS – TAN SRI ZETI AKHTAR AZIZ (GOVERNOR OF BANK NEGARA) AND DR. JOMO KWAME SUNDARAM (U.N. ASSISTANT SECRETARY GENERAL FOR ECONOMIC DEVELOPMENT) – HAVE BEEN ENGAGED BY THE UNITED NATIONS TO DRAW UP RECOMMENDATIONS TOWARDS SECURING A MORE STABLE GLOBAL ECONOMIC ORDER. I TRULY HOPE THAT SUCH EFFORTS WILL BRING US CLOSER TO A MORE STABLE AND SUSTAINABLE GLOBAL ECONOMY. WE MUST LEARN FROM THE MISTAKES OF THE PAST, SO THAT WE MAY FORGE A BETTER, MORE CONFIDENT FUTURE.

## LADIES AND GENTLEMEN

6. IT IS BECOMING INCREASINGLY CLEAR THAT THE WORLD WILL BE GRAPPLING WITH THE REPERCUSSIONS OF THE CURRENT CRISIS FOR YEARS TO COME. THIS WILL POSE A DAUNTING CHALLENGE FOR INDUSTRIES AND BUSINESSES THE WORLD OVER. THIS IS PARTICULARLY TRUE FOR THE OIL AND GAS INDUSTRY.

7. IN THE CURRENT ENVIRONMENT OF SHARPLY REDUCED LIQUIDITY, LOWER DEMAND AND LOWER PRICES, COMPANIES HAVE FAR LESS INCENTIVES TOWARD INVESTING IN NEW ENERGY SUPPLIES. COMBINED WITH STILL-GROWING DEMAND FOR ENERGY, TODAY'S UNDER-INVESTMENT MAY LEAD TO ANOTHER PERIOD OF HIGH OIL PRICE VOLATILITY IN THE FUTURE.

8. THEREFORE, WE MUST UNDERSTAND THAT THE ENVIRONMENT FOR THE OIL AND GAS INDUSTRY IS SET TO GROW MORE CHALLENGING IN THE COMING YEARS. GIVEN THE ESSENTIAL IMPORTANCE OF THIS INDUSTRY TO THE QUALITY OF LIFE FOR BILLIONS OF PEOPLE AROUND THE WORLD, WE CANNOT AFFORD TO SIT ON OUR LAURELS. INDEED, WE MUST ANTICIPATE THE FUTURE, AND PLAN FOR THE DIFFICULT DAYS AHEAD.

9. ON THAT NOTE, I WOULD LIKE TO SHARE SOME OF MY THOUGHTS ON A NUMBER OF KEY CHALLENGES WHICH MUST BE UNDERTAKEN TO SECURE A SUSTAINABLE FUTURE FOR THE OIL AND GAS INDUSTRY.

## LADIES AND GENTLEMEN

10. THE FIRST CHALLENGE: PROMOTING ENERGY SECURITY THROUGH NEW MODELS OF CO-OPERATION. ENERGY SECURITY REQUIRES A SHARED RECOGNITION OF OUR ENERGY INTER-DEPENDENCE. IN TODAY'S HIGHLY INTEGRATED GLOBAL ECONOMY – WHERE MORTGAGE DEFAULTS IN THE U.S.A. CAN TRIGGER A WORLDWIDE RECESSION – ENERGY SECURITY MUST BE BASED ON A COLLECTIVE EFFORT AMONG ALL NATIONS.

11. FOR INSTANCE, RECENT DECADES HAVE SEEN RESOURCE OWNERS ASSERTING GREATER CONTROL OVER NATIONAL ENERGY ASSETS. DURING THIS TIME, THERE HAS BEEN A RE-ALIGNMENT IN MANY PARTNERSHIPS BETWEEN NATIONAL OIL COMPANIES (N.O.C.'S) AND THEIR INTERNATIONAL COUNTERPARTS.

12. THERE ARE SOME THAT PREDICT GREATER MARGINALISATION OF THE INTERNATIONAL OIL COMPANIES (I.O.C.'S) AS COMPETITION INTENSIFIES BETWEEN INDUSTRY PLAYERS FOR LIMITED ACCESS TO RESOURCES. IT IS SAID THAT I.O.C.'S WOULD INCREASINGLY FIND THEMSELVES BEING RESTRICTED TO DIFFICULT FRONTIER REGIONS, WHERE TECHNICAL COMPLEXITY DEMANDS GREATER LEVELS OF EXPERTISE.

13. I BELIEVE THAT SUCH A SCENARIO WOULD BE COUNTER-PRODUCTIVE TO THE FUTURE OF GLOBAL ENERGY SECURITY. INSTEAD, N.O.C.'S AND I.O.C.'S MUST FIND NEW WAYS TO STRIKE MEANINGFUL AND MUTUALLY BENEFICIAL ALLIANCES. INDEED, AS DEVELOPMENT EFFORTS FOCUS ON EXTRACTING RESOURCES IN INCREASINGLY CHALLENGING AREAS, THE ABILITY TO FORGE STRONG PARTNERSHIPS, LEVERAGING ON RESPECTIVE STRENGTHS, WILL BE ESSENTIAL TO THE SUCCESSFUL DEVELOPMENT OF SUCH RESOURCES.

LADIES AND GENTLEMEN

14. THE SECOND CHALLENGE: INVESTING IN TECHNOLOGY AND INNOVATION. THE LONG-TERM SUSTAINABILITY OF THE OIL AND GAS INDUSTRY DEPENDS ON THE WILLINGNESS OF INDUSTRY PLAYERS TO PUSH THE BOUNDARIES OF TECHNOLOGY AND INNOVATION EVER FURTHER.

15. FOR INSTANCE, THE CURRENT LOW PRICE ENVIRONMENT MEANS THAT UNCONVENTIONAL HYDROCARBON RESOURCES, SUCH AS OIL SANDS, MAY SEEM UNATTRACTIVE DUE TO THE HIGH COST OF EXTRACTION. NEVERTHELESS, THE REFINEMENT OF TECHNOLOGIES RELATING TO UNCONVENTIONAL RESOURCES MUST CONTINUE, SINCE CONVENTIONAL RESOURCES WILL EVENTUALLY DECLINE. ONLY THROUGH CONSISTENT INVESTMENTS IN TECHNOLOGY, CAN WE ENSURE ENERGY SECURITY FOR THE LONG-TERM FUTURE.

16. THE OIL AND GAS INDUSTRY HAS TRADITIONALLY FOCUSED ON THE SUPPLY SIDE OF TECHNOLOGY. HOWEVER, DEMAND MANAGEMENT IS EQUALLY IMPORTANT. THE INTRODUCTION OF ENERGY-EFFICIENT TECHNOLOGIES – SUCH AS HYBRID ENGINES AND LOW-ENERGY BUILDING DESIGN – AS WELL AS RENEWABLE POWER GENERATION – SUCH AS SOLAR CELLS AND WIND POWER GENERATORS – WILL CONTINUE TO GROW IN IMPORTANCE. AS IMPORTANT PLAYERS IN THE ENERGY SUPPLY CHAIN, OIL AND GAS COMPANIES SHOULD NOT SHY AWAY FROM INVESTING IN THE TECHNOLOGIES THAT WILL PLAY A CRUCIAL PART IN A POST-PETROLEUM ECONOMY.

LADIES AND GENTLEMEN

17. THE THIRD CHALLENGE: HUMAN CAPITAL DEVELOPMENT. FOR THE OIL AND GAS INDUSTRY, HUMAN CAPITAL DEVELOPMENT IS A CONSTANT CHALLENGE. WE HAVE SEEN HOW THE LOW PRICE ENVIRONMENT OF THE 1990'S SAW AN EXODUS OF CAPABLE HUMAN CAPITAL LEAVING THE INDUSTRY, WHICH WAS NEVER ADEQUATELY REPLACED. THIS CRITICAL SHORTAGE OF HUMAN CAPITAL WAS FELT MANY YEARS AFTERWARDS, AND SHOULD REMIND US OF THE NEED FOR LONG-

TERM PLANNING.

18. IN THIS REGARD, THE INDUSTRY SHOULD PLAY A MORE ACTIVE ROLE IN COLLABORATING WITH ACADEMIC INSTITUTIONS TO SHAPE THE CURRICULUM AND PRODUCE QUALIFIED GRADUATES WHO CAN MEET THE NEEDS OF THE INDUSTRY. PARALLEL TO THIS, THE INDUSTRY SHOULD EXPAND ITS INVOLVEMENT IN EDUCATION SPONSORSHIP, SO THAT THE BEST AND BRIGHTEST WOULD FLOCK TO THE INDUSTRY, AND LATER HELM THE INDUSTRY IN THE FUTURE.

LADIES AND GENTLEMEN

19. THE OIL AND GAS INDUSTRY WILL BE FACING TREMENDOUS CHALLENGES AHEAD. I BELIEVE THAT IT WILL BE CRITICAL FOR THE INDUSTRY TO PLACE GREATER EMPHASIS ON ENERGY SECURITY THROUGH PARTNERSHIPS, TECHNOLOGY INVESTMENT, AND HUMAN CAPITAL DEVELOPMENT.

20. TIME IS OF THE ESSENCE. THE OIL AND GAS INDUSTRY MUST ENSURE THAT THESE IMPORTANT INITIATIVES ARE PUT IN PLACE NOW, SO THAT THE CHALLENGES OF THE NEXT FEW DECADES CAN BE MET WITH CONFIDENCE.

21. IF WE SUCCEED IN DOING SO, I AM CERTAIN THAT WE CAN REACH THE FUTURE WE SEEK: ONE WHERE OUR ECONOMIES ARE MORE COMPETITIVE, OUR NATIONS MORE SECURE, AND OUR WORLD MORE PROSPEROUS.

22. ON THAT NOTE, IT GIVES ME GREAT PLEASURE TO DECLARE THE 3RD INTERNATIONAL PETROLEUM TECHNOLOGY CONFERENCE OFFICIALLY OPEN, AND TO WISH ALL OF YOU A SUCCESSFUL CONFERENCE.

THANK YOU.