

The Luncheon Address "Co-Operation Towards An Environmentally More Friendly And Cleaner Energy"

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It is a pleasure for me to address this annual gathering of distinguished delegates and participants representing a multitude of global, regional and local interests in energy, specifically the oil and gas industry at this 6th Asia Oil and Gas Conference.

2. Energy, in particular that from oil and gas, has been acknowledged as the prime contributor towards economic growth, literally fuelling the development of strategic sectors. Today however, the burning issue is the environment and the pollution resulting from the generation of energy. What is happening in California must hold many lessons for us. Here is a State so concerned about pollution from motor vehicles with internal combustion engines that it has decided to promote zero emission electric vehicles. But now it is facing breakdowns in electric power supply and this must affect the recharging of electric-powered vehicles. Had there been a total ban on petrol vehicles, a major transportation problem would have developed. As it is, the management of energy, power and the environment should bear careful study or we may have a very clean environment with no power. That would be less than ideal.

3. The theme of this Conference "Balance and Stability: Co-operation Among Consumers and Producers" should enable participants to exchange views and have greater understanding on the rationale, causes and effects of the market forces that have set the energy supply-demand equilibrium off tangent and triggered the energy price volatility. The recent oil crisis also amply demonstrated the vulnerability of economies around the world to the unstable relationship between supply and demand. From as low as 10 U.S. Dollar per barrel in 1998 to about 37 U.S. Dollar per barrel in the first quarter of year 2000, the intensity and magnitude of the impact on economies around the globe was enormous. And as usual the poor countries with no domestic oil production suffer most.

4. Fixing the prices of products in the domestic market when crude prices fluctuate violently is one of the major problems faced by governments. Failure to handle this problem adroitly can cause Governments to fall. While the world is always made aware of current crude prices, the world is not informed about product prices in different countries. Yet product prices at the pumps are more important to the man in the street and to industries than crude oil prices.

5. This is because in most instances products' pump prices bear no relation to crude prices. A country which produces oil is expected by the people to sell petrol at low prices. This involves direct and indirect subsidies. The people are happy but such prices distort the cost of transport and industrial production. If the products of the country are exported, it means the country is subsidising foreign consumers. At low prices there will be a lot of wasteful applications e.g. the use of gas-guzzlers for transport. There would be a lot of smuggling out of the country. Then there will come a time when the Government cannot afford to subsidise any more or the Government is instructed by foreign lenders to stop the subsidies. The reaction to such stoppage can be very violent. Riots, property destruction are common. Occasionally Governments are overthrown.

6. Subsidising domestic prices is a dangerous policy. It distorts economic performance and it creates serious social and political problems. For oil producing countries there is no gain. When oil prices are low the subsidies are less but oil income also decrease. When oil prices are high, subsidies absorb a big portion of the increased earnings. Subsidies create a no win situation.

7. Then there are countries which impose high taxes on the products. These naturally are the rich countries and they include oil producers too. The taxes go up as the crude prices go up, giving the impression that the higher cost of products is due to rising crude prices. This is not true of course. But little is done to explain the causes of higher petroleum products to the consumers. It is much easier to blame OPEC.

8. The countries which suffer the most from high crude prices are the poor developing countries with no oil resources of their own. They and their people would have to cut back on using motor vehicles and electricity. Perhaps the oil producing countries should consider some kind of support for these countries. It is entirely possible to do this although there will be some abuse. But this would be a small price to pay, and the rich oil producers can well afford this. Discounts or rebates to these poor countries during periods of high oil prices would go a long way towards alleviating the financial problems of these countries. It is most inequitable that some countries should have a per capita income of only 300 U.S. Dollar while others have more than 20,000 U.S. Dollar.

9. The production of energy must involve some environmental sacrifice. Solar, wind and wave energy may seem to entail no environmental degradation. But they are all inadequate to meet

the needs of human society. Even though at the moment they are quite limited, they already make an impact on the scenery.

10. In the deserts of California where wind is used to produce some electricity, the sight of hundreds of these towers and their slowly rotating vanes make the beautiful desert view a sight for sore eyes. They don't even have the beauty and the grace of the windmills of Holland. They are designed for utility, located just anywhere and have no beauty at all.

11. For solar power to provide energy vast areas would have to be cleared and again the rather unsightly Photo-voltaic panels erected for miles and miles of the countryside. Not only will there be high number of trees to cut down but no landscaping can be done. The arrays of panels would be a most ugly sight. There would never be adequate supply of electricity from solar energy.

12. Wave energy for power generation is still in its infancy. Again in order to generate enough power even for a small community the number required would pollute the seascape.

13. The only renewable non-polluting source of energy is from rivers. Before there were environmentalists and NGOs, hydro power was able to be developed to provide cheap electricity. Most of the countries of the North were able to develop and benefit from hydro power in those days. And with this cheap electricity they were able to industrialise and to develop fast. Those hydro plants are still working today and are still able to provide cheap electricity for the rich north where melting snow provide a constant flow of water throughout the year.

14. Today developing hydro electric power is not only very costly but is plagued by protests by environmentalists and NGOs. The unfortunate thing is that most of the new projects are in the poorest countries, where hydro power would give the cheapest source of much-needed electricity.

15. Developing hydro power not only requires the clearing of forest which would be inundated but also the careful preservation in a permanent basis of the water-catchment area. Of course some people have to be moved out but they can be fairly compensated. The people who will be moved out will usually be poor but they would actually be much richer from the compensation paid to them. Besides it must always be remembered that the project will benefit many more poor people who would be in need of cheap electricity. In a poor country it can mean greater economic development from industrialisation.

16. I cannot really understand why the environmentalists and the NGOs are protesting against the development of hydro power in poor, energy starved countries. I am very suspicious especially of the involvement of NGOs from the rich countries usually responsible for provoking the people in the poor countries and the local NGOs to protest. They must know that they are actually perpetuating the poverty of the poor people in the poor countries. Are they more concerned about the environment and the carbon sink for the rich countries than they are for the well-being of the poor people in the poor countries? Do they want the poor to continue to be poor?

17. Yes. We must care for the environment but not to the point of making the already poor poorer. It is unfortunate that these so-called environmentalists are more concerned about preserving the environment for the rich that they are willing to cheat the poor people into actually protesting against developments for the good of the poor. The local NGOs who take up these issues are more interested in politically embarrassing the Government than they are for the environment. Before they were instigated by foreign NGOs the locals had never given a thought about the environment. Now they are prepared to deny their fellow citizens who are poor in order to prove that they are not behind their wealthy counterparts in the rich countries.

18. I think this is very unfortunate. Hydro power is the most viable and cheapest of the non-polluting source of power. It will reduce the need for thermal power stations which are more polluting and more expensive. Hydro power involves the creation of beautiful lakes and beautiful landscaping which have many spin-offs. A poor country can become rich merely by developing hydro power and selling the excess power that is generated.

19. If we cannot develop our potential hydro power, then we have to turn to burning oil and gas and coal to generate the electricity that we need. Technology has advanced enough to reduce the polluting effect of coal, oil and gas. But unfortunately it costs money to reduce the pollution. And in the end the consumers, some of whom must be poor must foot the higher cost.

20. Burning whatever fuel produces heat. Some of the heat may be converted to other forms of energy, mechanical largely which can be converted to electrical energy. But most of the heat will be dissipated into the surrounding atmosphere eventually. The heat cannot just disappear. Whatever it heats must cool down and the cooling down must transfer heat into the surrounding air.

21. Today some 77 million barrels of oil is burnt daily, apart from gas and coal. Most of this must heat the atmosphere. If we can imagine burning 77 million barrels as open fire we can have some idea of the heat generated. And we do this everyday, for years and years. And we are going to burn more than 77 million barrels daily in the years to come.

22. I am not a fanatic about the environment but I do care about it. The burning of so much fuel daily throughout the world must heat up our surroundings. We observe in Malaysia that when we build up on the cool hills, the atmosphere soon lose its coolness. The burning of huge quantities of fuel everyday in the world must contribute to the heating up of the atmosphere, to the retreat of the ice cap, and to the rise in sea-level which can drown many island nations.

23. It is time I think that we give this high consumption of fuel some thought. The high users should cut down on their consumption. You cannot ask the poor to do this. They don't consume much and their reduction in fuel consumption would not have much effect. Besides they need the heat and the energy for living, not for luxury.

24. The rich must cut back on fuel consumption and change to less heat-generating energy source, hydro power, for example. More money earned from exploitation of oil should be spent on alternative, non-polluting and non-heat generating energy. Alternatively the power generated by the burning of fuel should be more efficient.

25. Throughout I have not mentioned nuclear power. I frankly don't trust nuclear power. I think our knowledge of its use and our nuclear engineering expertise is still very primitive. We hear of too many accidents. And we know that having released the power of nuclear fusion we seem quite unable to stop it. We try to contain it within layers and layers of cement and lead and other materials but Chernobyl is still emitting harmful particles which are disseminated over a very wide area. We don't really know how much damage to how big an area and for how long this disastrous use of nuclear power will cause us. And we see nuclear submarines and ships plying the seas and they have been known to meet with accidents and to sink.

26. Nuclear power is like a malevolent genie which once released from the bottle, cannot be tamed and put back in again. God forbid that the arsenals of nuclear warheads should ever be fired at anyone. As it is we don't really know whether they can be defused, or decommissioned or rendered harmless. Malaysia will not use nuclear power and we hope others will also not build new nuclear power plants.

27. Now we are looking into the use of hydrogen and fuel cells. These hold the biggest promise and Governments as well as the private sector must allocate more funds and manpower to perfect the hydrogen engine and the efficiency of fuel cells.

28. Being oil and gas people I am sure you will focus more on the exploitation of these fossil fuels. For a long, long time, forever, I think we will need to use fossil fuel for much of our energy needs. You will not lose out if new energy sources are developed. Indeed it would pay for oil companies to do the research. Then they would profit from these new energy source. But it is worthwhile to remember that there are still many known sources of energy which have not been exploited fully and efficiently. Oil companies would not lose out if they invest in these sources.

29. If you work out that the world consumes more than 77 million barrels of oil a day, at 20 U.S. Dollar per barrel, it is clear that the oil and gas industry must be the biggest industry in the world. It must also be the richest. It can well afford to spend on ensuring that the environment is not unduly polluted by the use of fossil fuel. More than that it should undertake to actively reduce pollution.

30. The theme of my talk is "Co-operation Towards An Environmentally More Friendly and Cleaner Energy". It is obvious not just about energy from fossil fuel. But since fossil fuel is our major source of energy, and it is at times very unfriendly towards the environment, I am sure you will not be so selfish as to exclusively promote the use of fossil fuel. It is also important to remember that it is a depleting energy source. We must conserve the reserves and make it last as long as possible. Oil companies should therefore invest not just in oil exploration and exploitation but also in finding and operating other sources of energy, using the enormous amount of money at your disposal.

31. I am sure your discussions will point the way to the future for fossil fuel and its role in improving the quality of the environment.

32. I sincerely hope the exchanges during this conference will produce the desired outcome for all delegates and participants.