



CHATHAM HOUSE

Chatham House, 10 St James's Square, London SW1Y 4LE
T: +44 (0)20 7957 5700 E: contact@chathamhouse.org
F: +44 (0)20 7957 5710 www.chathamhouse.org

Charity Registration Number: 208223

Transcript

Investing for the Future in Turbulent Times

His Excellency Ali I. Al-Naimi

Minister of Petroleum and Mineral Resources, Kingdom of Saudi Arabia

**This speech was delivered at the Middle East and North
Africa Energy 2012 conference**

30 January 2012

The views expressed in this document are the sole responsibility of the author(s) and do not necessarily reflect the view of Chatham House, its staff, associates or Council. Chatham House is independent and owes no allegiance to any government or to any political body. It does not take institutional positions on policy issues. This document is issued on the understanding that if any extract is used, the author(s)/ speaker(s) and Chatham House should be credited, preferably with the date of the publication or details of the event. Where this document refers to or reports statements made by speakers at an event every effort has been made to provide a fair representation of their views and opinions, but the ultimate responsibility for accuracy lies with this document's author(s). The published text of speeches and presentations may differ from delivery.

Ali I. Al-Naimi:

Ladies and gentlemen, distinguished guests, good morning.

First of all let me thank Dr Robin Niblett from Chatham House for inviting me to speak at this august institution. It is a pleasure to be here in London.

We live in dynamic times.

Unrest continues in some countries in the Middle East, Europe's economy is facing another challenging year, and the balance of global economic power is increasingly tilting eastwards. Dynamic change is also taking place within the oil industry as the US and Canada increase domestic production, Brazil seeks to unlock its large offshore reserves, and countries such as Iraq and Libya aim to increase production. So dynamic times, but also a time of opportunities. This is true for many countries, including the Kingdom of Saudi Arabia.

I would like to begin, though, by correcting a particular misunderstanding, or misperception, about Saudi Arabia – specifically about its domestic oil consumption and the impact this may or may not have on its position as the world's leading crude oil supplier.

Saudi Arabia is going through a period of rapid and extraordinary economic growth. It has a young and fast-growing population, and a GDP growth rate currently around 7%. Industrialization is increasing and we are witnessing an unprecedented expansion in the country's infrastructure.

So it is true that the Kingdom's domestic energy demands are rising to keep pace. This has been a trend for many years and is normal for any growing economy. The same occurred in Europe, the same is happening in China. But ever-increasing economic growth is not exponential, as Europe and the US are currently witnessing, and neither is increasing energy usage.

Warnings last year about what would happen to Saudi oil exports if current levels of domestic usage were left unchecked were taken as fact. But we are not leaving domestic energy consumption unchecked. I would like to state for the record here in London, that the Kingdom will continue to be a reliable, steady and dependable supplier of energy to the world. Saudi Arabia's domestic growth will not impact on exports now or in the future. Of this, I am very confident.

Ladies and gentlemen, let me set out, here today, the reasons for my confidence as they are linked to the themes of today's event. First, in terms of the ongoing investment we have been making in the oil and gas sector.

Second, let me update you on some of the measures Saudi Arabia is putting in place to promote energy efficiency. And third, let me speak with you about our commitment to renewable sources of energy.

So let me start with investment, and specifically the oil and gas sector.

In 2009, the Kingdom completed a massive program to increase oil production capacity. This investment and effort is aimed at retaining our position as number one supplier of oil to the world and the investment continues. But Saudi Arabia's doesn't stop at oil production.

We are making large investments to increase refining capacity – both at home and abroad – and to broaden the range of refined goods created in the Kingdom, both for use on the domestic market and for export.

In addition to oil, there are four major gas fields under development and Saudi Arabia has also identified potential reserves of 'unconventional gas'. This ongoing focus on gas, for use in domestic consumption, is one of Saudi Arabia's economic priorities.

We have proven gas reserves of 286 trillion cubic feet, the fourth largest in the world, and finding additional gas reserves is one of our top priorities. We have increased gas production from 1.65 billion standard cubic feet per day in 1981 to 10.7 billion in 2011. And we expect overall gas production capacity to be around 16 billion by 2020. This increase will meet a large part of our energy consumption, and will also free up even more oil for export.

There will always be short-term supply issues somewhere in the world but, in my view, it is not supply that will be a problem in the near future, it is demand. Europe faces a difficult time and it is clear that its economic readjustment will result in falling demand for goods and services. This, in turn, will impact on oil demand and imports.

But the world does not begin and end in Europe.

Going forward, I see the potential for real prosperity and growth throughout the Middle East, in Asia, South America and Africa. So dynamic times, yes, difficult times for some, yes, but also a time for optimism.

Ladies and gentlemen, collaboration, discussion and partnership are vital in these dynamic times, and that is certainly true in terms of my second point here today, energy efficiency. The efficient use of energy is as much an issue for Saudi Arabia, with its huge natural resources, as it is for all countries. Increased efficiency makes sense environmentally, but also economically.

And it is only by working together that countries can find solutions to these global problems.

It is clear that the Kingdom's rapid economic growth is creating additional demands on existing energy systems. As such, we have embarked on a number of ambitious programmes to enhance energy efficiency in the industrial, Government, commercial, and residential sectors.

We are striving, also, to raise awareness among the public, and specifically addressing children and schools about the tangible benefits of energy efficiency. And we are investing manpower, and brainpower, in efforts to develop new thinking when it comes to energy efficiency. I would like to particularly mention the Riyadh-based King Abdullah Petroleum Studies and Research Center. We hope and expect that it will rise to the level of an internationally renowned and respected think tank. Also, the King Abdullah University for Science and Technology, near Jeddah, which we anticipate will become a House of Wisdom in the country, region and in global terms. It is already well on the way.

This leads me to briefly touch upon renewable forms of energy, the final part of my talk here today.

Greenhouse gas emissions and global warming are among humanity's most pressing concerns. Societal expectations on climate change are real, and our industry is expected to take a leadership role. We are doing this in Saudi Arabia.

The fact remains that oil will continue to play a major role in the overall energy mix for many decades. It is clear that a petroleum-free transportation system is decades away. And if you look at the vast range of products derived from crude oil, everything from lubricants to asphalt, medicines to plastics, it is clear petroleum is here to stay.

I see renewable energy sources as supplementing existing sources, helping to prolong our continued export of crude oil. And this is why we are investing in solar energy, which we also have in abundance. The Kingdom experiences roughly 3,000 hours of sunshine per year, emitting about 7,000 watts of energy per square metre. Saudi Arabia also features empty stretches of desert that can host solar arrays and it is blessed with deposits of quartz that can be used in the manufacture of silicon photovoltaic cells.

I know that many European countries are investing in solar technology, but that the economics of it are increasingly difficult to justify in these straightened times. It is an area where I see huge potential for collaboration and

partnership between Saudi and European companies – and real potential for job creation.

Ladies and gentlemen, our investment goes far beyond oil and gas, and beyond exploiting additional energy resources. We are investing in industrial parks and clusters which will create added value products from our natural resources – and opportunities for business. Plus, we have invested heavily in the King Abdullah Financial District in Riyadh which, at twice the area of London's Canary Wharf, is set to become a centre for finance in the region.

We know that our ultimate resource is the young people of Saudi Arabia. In this we are no different from any other country, including the UK. We know that pumping oil out of the ground does not create many jobs. It does not foster an entrepreneurial spirit, nor does it sharpen critical faculties.

So our investment is focused on creating jobs and employment opportunities. For many years we have invested billions of dollars educating our young people, investing in vocational training, and building educational establishments within the Kingdom. We are also investing in research and development. I should add that we are also continuing to make further investments in other critical areas, particularly healthcare and physical infrastructure.

I hope you can see how we are investing for the future, for Saudi Arabia's future and the future stability of global oil markets. It is because of our ongoing investment that Saudi Arabia is able to respond to shortages around the world. Take issues with Libyan production last year, for example. And it is because of our investment that any future shortages will be handled.

So let me reiterate my over-arching message here today: Saudi Arabia will continue to be a stable supplier of crude oil to world markets for many decades. We are continually investing in our oil and gas industry, as exemplified by our investment to increase production at our Manifa oil field. We are also making great strides towards diversifying our economy away from its over-reliance on fossil fuels. We are investing in our young people. We are giving them the opportunities they want to play an important part in the future economic prosperity and growth of our nation. We are taking unprecedented steps to ensure greater energy efficiency and we are investing in renewable sources of energy, particularly solar.

Ladies and gentlemen, the modern state of Saudi Arabia was founded in 1932, only a few years before I was born. At that point it was one of the poorest nations in the world. Today it is a member of the G20. Saudi Arabia

has come a long way in a short space of time and is moving forward at a remarkable pace.

In this time of dynamic change, in the region, the world and the oil industry, Saudi Arabia is committed to fulfilling its international role. And it will continue to play its part by providing the energy required to fuel prosperity in the region and the world.

I would like to conclude by quoting that great British leader Winston Churchill, who was buried in a state funeral 47 years ago on this day, because it sums up my view. He said: 'A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.'

Ladies and gentlemen, I am an optimist. I say again that there is a great spirit of dynamism sweeping across Saudi Arabia. And I am sure that this will be a dynamic decade of growth in the region. Of course the world will face many difficulties and challenges over the coming year, but I am confident that, through dialogue, partnership and trust, they can be overcome. And finally, I am sure that together, we can create a lasting legacy of prosperity for the people of Saudi Arabia, the region and the world.

Thank you.