

PETROTECH-2009: Theme Session-1 - “Energy Independence with Global Cooperation: Challenges and Solutions”

Address of Mr. Murli Deora, Minister of Petroleum & Natural Gas

- Mr. BK Chaturvedi, Member, Planning Commission, India
- Mr. Ron Stevens, Deputy Premier & Minister for Industrial Development, Govt. of Alberta, Canada
- Mr. Sarthak Behuria, Chairman, IndianOil
- Senior Officials of the Government of India and colleagues from the Ministry of Petroleum & Natural Gas
- Distinguished dignitaries and delegates to PETROTECH
- Representatives from the Media
- Distinguished Invitees

Ladies and Gentlemen:

Good Morning to you all,

I am happy to be once again amidst you all today morning and indeed delighted to address the first theme session of the conference.

2. India - a country with over 1.1 billion people – is a growing economy, and is a significant consumer of oil and natural gas. We are seeing exciting new developments here, both offshore and onshore, and through PETROTECH, I am confident that the participants will get a feel of India’s dynamic oil industry.

3. The theme of the conference – **“Energy Independence with Global Cooperation: Challenges and Solutions”** – is highly relevant for India since energy independence is vital to achieve our vision of providing sustainable and affordable energy. Our country, along with 189 nations, has adopted the Millennium Declaration and set 2015 as the year for achieving the Millennium Development Goals. And energy independence plays a critical role in enabling the country to achieve these goals.

4. What is meant by Energy Independence? In my opinion, it means - Accessibility, Affordability and Acceptability - of energy sources which meet the needs of the present. This is to be done without compromising the ability of future generations to meet their needs. However energy independence is not possible without focusing on the three pillars of sustainability, that is, economic,

environmental and social. We have to care for the present – though obviously not at the cost of the future.

5. If we look around us in the developing world, we see a large population, who, very unfortunately, do not have access to electricity even for their basic needs of energy. Our country faces a peculiar dilemma. We have large populations scattered in remote areas, which required to be provided energy. It costs to produce and supply energy to such remote locations, and “accessibility” therefore gets inevitably linked with “affordability”.

6. Policy-makers like us, therefore, have to create a harmonious balance of expanding the capacity to supply with the use of the most cost-effective methods of technology, funding and management, so as to match the quality and quantity of supply with “affordability”. It goes without saying that the provision of energy has emerged as the most important tool for the economic development of society.

7. The third A refers to “acceptability”, which addresses the environmental goals and public attitudes. Global climate change has become an important concern. This is one crucial area where the role of developed countries is very significant, especially in the area of development of low-cost and environment-friendly technology, which can be adopted by the developing nations in their efforts to improve accessibility and availability.

8. This brings us to a key question, which our theme underlines, i.e., What role should the developed nations play in making available cost-effective, energy-efficient and environment-friendly technologies to the developed countries to meet their aspirations to provide universal access to energy?

9. Therefore in my opinion, we can work towards energy independence only through interdependence, i.e., cooperation between producers and consumers to assure a bright energy future for the betterment of mankind.

10. Our Government believes that in today’s globalised world, we need to shift from an inward-looking energy policy to a package of effective domestic and overseas energy strategies for ensuring India’s energy security.

11. A popular theory receiving much attention these days, says that there is not enough oil left to fuel a growing world economy in the coming decades. In other words: “The end of the age of oil is at hand.” In my opinion, such talk is not productive because it diverts attention from the real problems ahead. The problem we face is not of oil availability; it is a problem of oil deliverability to consumers.

12. There is an important distinction between availability and deliverability. Plenty of petroleum resources are left to be explored and produced. However we need technological advances to extract the same and deliver it to the consumers. Slowly and steadily, we are witnessing the positive impact of technology in making energy resources available to meet the expected demand.

13. There is no doubt that we will need more energy in the decades ahead. That means there will be a room for greater contributions from coal, nuclear, solar, wind power, natural gas, and other alternatives. Again, it hints to the same theory that the challenges ahead of us are not the challenges of resources or what I call “availability” but it is the challenge of “deliverability”. Deliverability is a measure of the industry’s ability to boost the production capacity, transportation and refining, and delivery of energy to end consumers for their daily lives.

14. Experience has taught us that very low prices and very high prices are not sustainable. During periods of low oil prices, capital tends to move out of energy to sectors offering higher returns. The result is under investment in new capacity across the spectrum of the industry -- including production, transportation, refining, distribution and marketing. At the same time, "low-priced" energy encourages greater consumption. By reducing investment and increasing demand, periods of low prices set the stage for an inevitable corrective rise in prices.

15. Investors in any industry, and the petroleum industry is no different, need stability and predictability. As we all know too well, price volatility is not conducive to either stability or predictability. Global efforts are, therefore, required to address the ongoing price volatility that continues to impact oil markets and often delays investment decisions and it can be achieved only through cooperation between oil producing nations.

16. As regard India, we are working towards developing consistent sectoral policies that will provide reasonable returns, to attract the needed investment in each of these areas. Both the public and private sectors have to play important roles here. We need to develop public-private partnerships in ways that attract the needed investment and provide energy services to the consumers at least cost. We, however, recognise that in many areas and regions, the public sector and the Government will continue to play an important role.

17. Our Government has recently adopted an integrated energy policy. India needs to sustain an economic growth of at least 9 percent over the next 25 years if it is to eradicate poverty and meet its larger human development goals. The primary energy supply (including gathered non-commercial such as wood and dung) must increase at the rate of 5.8% annually for fuelling the growth.

18. Integrated Energy Policy would allow for relative pricing of different fuels taking into account both their efficiency in use and convenience as well as the amount of pollution they generate. Relative pricing, we hope, would result in inter-fuel choices that are socially and economically desirable.

19. A successful implementation of international energy strategies, whether in acquiring upstream assets, pursuing trans-national pipeline projects or expanding bilateral supply contracts, would require close co-operation with not only energy-rich countries but also with energy importing economies.

20. With this in mind, I would like to propose that this august community, under the auspices of PETROTECH Forum, use this opportunity and deliberate upon constraints, which limit our ability to deliver energy at reasonable prices to the world.

21. In conclusion, the more we can do to understand and remove the factors which constrain the global energy supply system and lead to increased market volatility, the better positioned we will be to meet the future energy requirements of a dynamic and growing global economy. We all have a stake in ensuring availability of energy at a reasonable price for future generations.

Jai Hind!

Ref: 1: Integrated Energy Policy 2: PIB Press release on Integrated Energy Policy