



# **Qatar — a leading global energy supplier**

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**Malcolm Brinded** is Vice-Chairman of the Committee of Managing Directors of the Royal Dutch/Shell Group of companies. He has been a Group Managing Director since July 2002. He is the Chief Executive Officer of Shell Exploration and Production and Shell Gas & Power. His other responsibilities are Trading, Information Technology, Procurement and Nigeria, East Asia and Australasia.

He was born in the UK in 1953 and joined Shell after graduating in Engineering from Cambridge University. He has worked for Shell companies in Brunei, the Netherlands, Oman and the UK.

In 1998 he became Managing Director of Shell UK Exploration and Production – responsible for a fifth of the country's offshore oil and gas business – and in 2001 the Director for Strategic Planning, Sustainable Development and External Affairs in Shell International. From 1999 until 2002 he was Shell Country Chairman in the United Kingdom.

He is a Fellow of the Institution of Civil Engineers and of the Royal Academy of Engineering and became an honorary fellow of the Institution of Mechanical Engineers in 2003. Malcolm was appointed CBE in the New Year Honours List of 2002 for services to the UK oil and gas industry.

He is a member of the China Council for International Co-operation on Environment and Development (CCICED) and also of the Shanghai Mayoral International Business Advisory Council.

Malcolm is married to Carola and has three sons. His personal interests include cycling, sailing and music.

**Demand for gas is growing in all the major markets of the world. Qatar is extremely well placed to take advantage of the opportunities presented by that increasing demand. With strong Government support, the pace of the development of a diverse and broad based gas industry in Qatar has been extremely rapid, putting it on course to meet its aspiration of becoming the world's largest LNG exporter. This is complemented by the creation of a Gas to Liquids industry that places the country at the leading edge of an exciting new market for gas. The attractive business and investment climate which has been created in Qatar means that the country has secured a key role as a leading global energy supplier.**

It gives me great pleasure to be here addressing this conference and to have the chance to discuss the exciting developments which we are seeing across the whole economy in Qatar and in the energy sector in particular.

Let me start with the context for those developments. Traditionally, in discussions about the global energy industry the debate has tended to focus on oil. However, that now needs to change to recognise the increasingly important role gas will play in meeting the world's energy needs.

Shell prepares forward looking scenarios which assess the impact of a range of factors on future energy provision and they show our view of the extent of this shift to gas. It is clear that while oil will still be an important energy source, we believe that gas demand could outstrip that for oil as early as 2025.

Gas penetration is increasing in all the major markets of the world. Demand is growing driven by the reduction in costs across the gas chain, by local and global environmental advantages and by availability of supply.

Perhaps one of the most important advantages of gas is that there is no scarcity of resources. And those resources can be found principally in Russia and the Middle East, and in Qatar in particular.

Those resource holders have huge and growing opportunities to extract the value from their reserves. The market for gas, driven in part by the growth in LNG, is becoming increasingly globalised. Indigenous supplies in Europe and the US are declining at the same time as demand is growing both in these markets and in the rapidly growing economies of Asia. That does, of course, present a challenge, because while gas reserves are plentiful, these resources are

not located close to the consuming nations - but that is what makes the gas business so exciting!

Qatar, of course, holding in excess of 900 Tcf or as much as 15 per cent of the world's gas resources, is extremely well placed to seize those opportunities. His Highness the Emir and their Excellencies on this distinguished panel were quick to recognise the value of those reserves and take the action to create the conditions which have put Qatar at the leading edge of the world's gas industry.

In particular, the investment which has been made in LNG in Qatar is going to bring significant rewards. I believe, we are on the brink of a dramatic increase in LNG demand. North America and Europe both have potential markets for imported LNG of more than 12 bcf per day by 2025. This will be in addition to continued growth in demand in Qatar's existing LNG customers in Asia such as Japan, Korea. And then, of course, there is China, where many forecasters believe that overall energy demand will triple in the next twenty years and gas demand will increase by a factor of at least ten. Some of that increase will be met by imported LNG.

The vision of the Emir and his Excellency Abdullah bin Hamad Al Attiyah, the Minister of Energy and Industry, of making Qatar the largest LNG exporter in the world now looks like it will become a reality within the coming years, and their drive to make the country the Gas to Liquids capital of the world is well on course to become a reality.

What is particularly impressive about the approach taken in Qatar is the willingness to explore the full potential of gas and establish a diverse and broad based industry. More impressive still is the increasing pace at which it is being done. With plans underway to add six

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LNG trains of 7.5 million tonnes per annum, Qatar will be meeting more than a quarter of the additional global LNG demand for LNG in the next decade.

And I am delighted that Shell is now playing a part in the development of Qatar's gas industry in its partnership with Qatar Petroleum to build the world's largest Gas to Liquids plant at Ras Laffan.

However, delivering this massive, leading edge \$5 billion project presents formidable technical, construction and logistics challenges. The project is fully integrated offshore and onshore and will require the offshore development of two North Field blocks delivering 1,600 million standard cubic feet per day. Already, just four months after signing our Heads of Agreement we are drilling our first appraisal well in our provisionally allocated area.

The onshore plant will occupy a site as big as 450 football fields and require 1.5 million tonnes of construction materials, and is probably the largest and most complex onshore project ever built by Shell.

We have now awarded the Project Specification Contract for the Onshore plant to JGC. JGC will execute the majority of the \$50 million, 500,000 man hour contract here in the MWKL office in Greenford, London. I believe this contract makes a real contribution to enhancing the commercial links between the United Kingdom and Qatar.

The challenges of delivering the project are significant but I have no doubt that we can meet them because of the strong partnerships which have been established with Qatar Petroleum and with the global contracting community – partnerships which bring together the full range of local and international expertise.

One of the most distinctive features of Gas to Liquids is the way it uses leading edge technology to open up a completely new market, and new use for gas. As many of you will know, the gas to liquids process produces a wide range of liquid products and fuels, including lubricants, chemical feedstocks and probably most exciting, an ultra clean

transport fuel.

Shell has been working with governments and vehicle manufacturers on a number of trials of the GTL transport fuel in California, London, Berlin and Tokyo. The early results have been very encouraging, showing marked reductions in emissions while maintaining good engine performance. This makes it a very attractive fuel to policy makers, drivers and the residents of our increasingly crowded cities

As I mentioned earlier, producing and delivering that fuel to those markets presents considerable challenges. One key factor which I believe is playing a vital part in ensuring that those challenges are met is the increasingly attractive business environment in Qatar.

This is supported by high levels of investment across the public services. Perhaps I can just mention one example of this investment the Qatar Science and Technology Park – in which I am delighted Shell is playing a role. This initiative will build on the country's excellent educational provision and help to provide the highly skilled workforce which is so essential to supporting the leading edge technological developments at the heart of Qatar's energy industry.

This work has all been reinforced by the leadership of His Highness the Emir and his Ministers in developing a constitution and encouraging public participation, which have been important steps in establishing an attractive political and economic climate in Qatar. And that means it is no coincidence that Qatar has one of the highest growth rates in the world. A stable country with clear legal and contractual frameworks is attractive to investors, especially for those investing in long-term, capital intensive projects such as those found in the energy sector.

Qatar has immense riches in its natural resources but the challenge for governments is always to create the climate in which those resources can work for the advantage of the country. That requires clear vision and leadership.

I think we have seen that leadership in Qatar and, as a result, the country can look forward to a very bright future as a leading global energy provider.

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