



## International Gas Union



# GULF COOPERATION

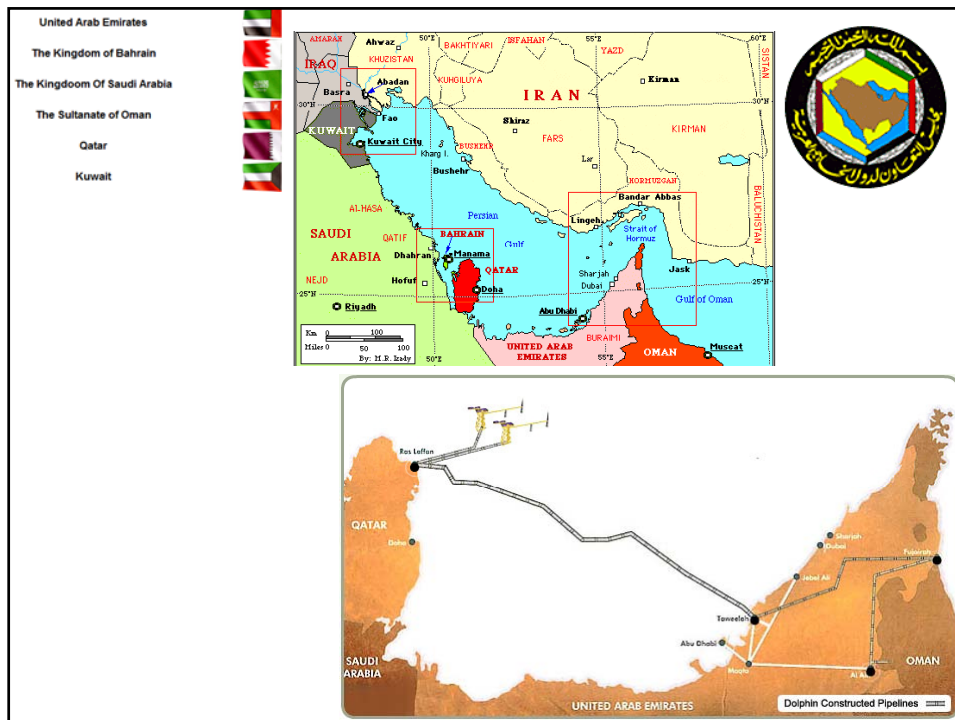


## Main Drivers for cooperation



- Security of supply
  - Locally available fossil fuel reserves are vast
  - But 'easy' oil and gas production is over for now
  - The main supply needs in the Gulf (i.e., GCC countries) include the need for oil lifting: so more gas needs for gas re-injection
  - Major regional shortages of gas
- Rising need for cooperation
  - Gulf has many consumers for oil lift, but future gas production is limited: in need of future sourcing
  - Interconnecting Gulf consumers/producers is key for the short term
- Price structure
  - Regional gas prices are 'cost base', without any global link
  - Present setting is a regional game
- Economic perspective
  - Keeping as much as possible regional pricing and balancing.
  - Long-run developments are *require* full cooperation, also in terms of regional infrastructure
  - So it would be logical to interlinking regional Gulf demand centres vast natural gas resources from the Islamic Republic of Iran.

**Drivers for cooperation are focus purely on economic issues.**



## Main Challenges for cooperation



- A balanced GCC in place
  - The GCC is already based on long-term cooperation
  - Bridging already different GCC countries and
  - Bridging the gap toward the IR of Iran
- Gas market developments are regional.
  - Region is dealing on short term with 'cost' base principles
  - The global value of natural gas is not linked.
  - But future needs have to be committed outside the GCC area.
- Different E & P Policy
  - Internally, the GCC is characterised by diverging policies of different countries
  - But cooperation on economic grounds is possible
  - Policy in a wider Gulf setting is possible (involving Iran).
- Weak regulatory bodies.
  - Regulation is regional and influenced by and subject to OPEC decisions.
  - Here future transparency and predictability are crucial

**Main challenges for cooperation is GCC interconnection in Gulf**



## Energy Policy for Cooperation



- Regulation & Planning
  - The official GCC position is already opening up to Iran
  - Several business cases for cooperation are set and examining the Dolphin project is instructive.
  - Finding practical, pragmatic solutions for cooperation is key.
- E&P investments.
  - Concrete proposals are known and execution is a next step.
  - Security of supply is the main aim for investment.
  - If global energy pricing is taken into account, many pipeline solutions in the Gulf are sound investments in infrastructure
- Supply security
  - The SoS issue is a main topic in the energy policy for the GCC and as a whole for the Gulf region.
  - SoS in term of natural gas is directly interlinked with security of demand in terms of oil income.

**Clear need for an energy policy with an SoS focus**



## Main Drivers for cooperation



- Energy availability
  - Developments of further supply, further regional cooperation
- Economic development
  - Ability to maintain or increase oil production levels (requires the gathering of gas resources in the Gulf).
  - From possible shortages towards security of supply
  - Shifting slowly from regional (subsidised) prices to more global price setting
  - Cooperation essential even under conditions of a financial crisis
- Economic security
  - In national and regional economies a stable flow of income is ensured

### **Benefits of cooperation in the Gulf**

**Providing Security of Supply and supporting the regional economics**



## Conclusions



- Different attitudes and markets, but:
  - Setting security of supply in order to lift oil subject to OPEC quota
  - Regional pricing is maintaining the oil lifting function of gas
  - Long-term, more global pricing will enhance security of supply
  - Enhancing partnership, extending GCC-level cooperation to broader Gulf cooperation
- Integrating process with traditional local setting
  - Gas reserves are vast but the era of cheaply available gas is over
  - Regional infrastructure is needed to interlink the Gulf countries broadly
  - Enhancing investments with a local solution,
  - A major breakthrough is interconnection between Gulf countries and Iran
  - Practical solutions will in time benefit the industry in manner unique to the region

**Benefit for cooperation is keeping oil income in line with budget needs**