



## *Middle East Outlook*

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## Overview

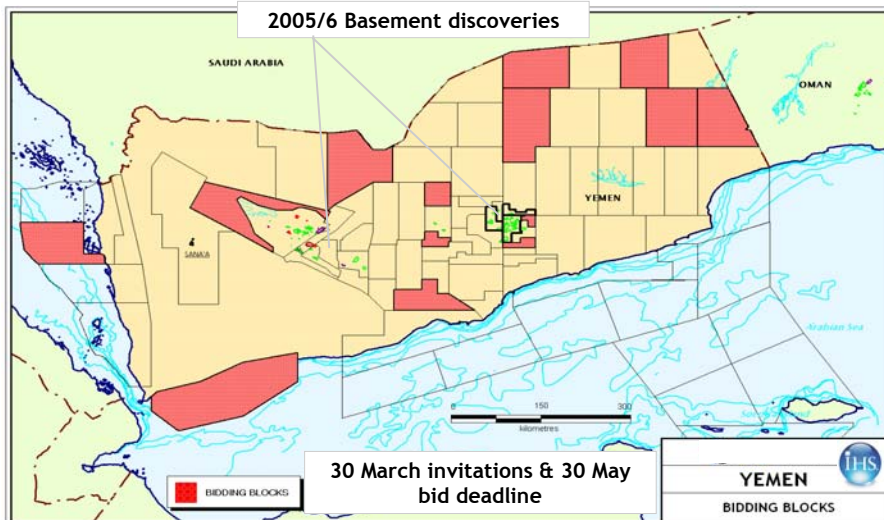


- Current trends / opportunities
- Gas Issues
- Oil Issues
- Summary

## Key Regional Trends

- Changing competitive landscape
  - Asian/Russian NOC/IOC's undeterred by US sanctions
  - Increasing state involvement & pressure to renegotiate existing contracts
  - Companies perception of 'risk' is changing
- IOC competition from regional start-ups
  - IPO's (Aabar PIC, RAK Gas, Dana Gas, Dubai Energy etc.) cash rich
  - Focus on regional opportunities to leverage expertise
  - but.....along with some NOC's 'seeking international opportunities'
- IOC's responding
  - Strategic alliances
  - Increasing investment in Downstream projects
- Gas = equity partnerships to secure long term market access
  - Particularly with LNG schemes
- Field development opportunities emerging with/out equity stake
  - Increasingly expensive
  - Long lead time eg. Project Kuwait
  - SOF initiative in Oman

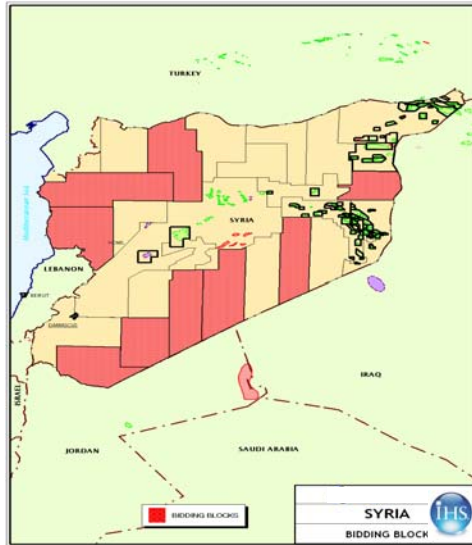
## Competition fierce in Conventional Bid-Rounds



## Syria Bid Round – interest despite threat of sanctions



- 9 Blocks – awards due June 2006
- 23 bids from 13 companies: US, Canada, France, Malaysia, the Netherlands, Russia, Ukraine, India, Holland, Croatia, United Arab Emirates and Qatar
- New Oil Minister, Sofian Allo
- US companies replaced by new entrants: INA Naphta, Tatneft, CNPC, CNODC, ONGC and regional companies HBS, KUFPEC

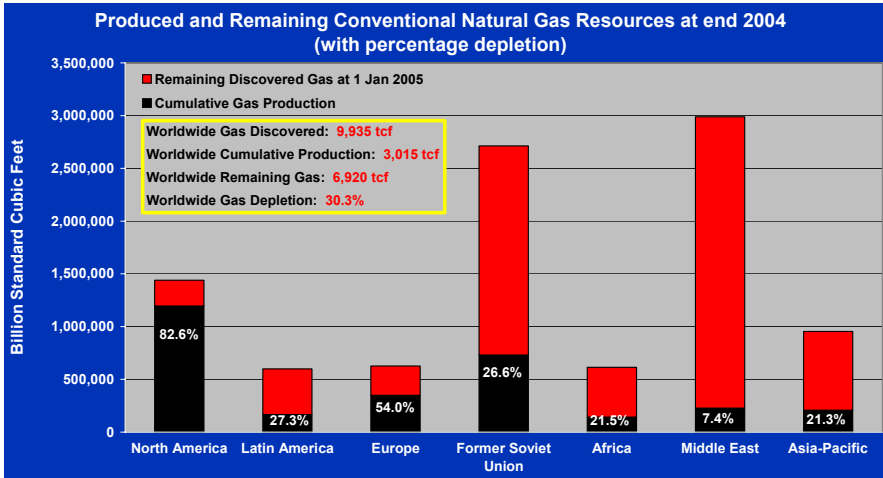


## Gas – upside potential

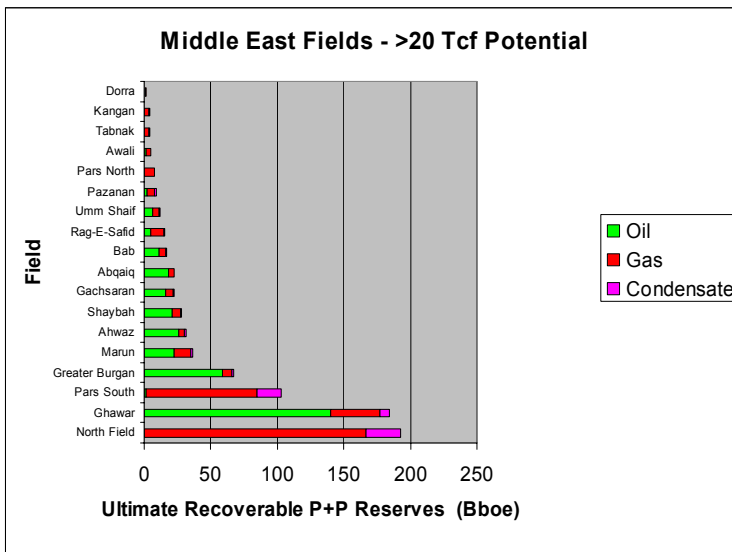


- Historical perspective
- Much discovered gas is associated
  - Gross OPEC oil quotas – gas development frees liquid exports
  - Gas production constrained by oil demand – main driver for deeper exploration to date
  - Upside = eliminate flaring / capture eg. Haradh/Hawiyah
- Already shift utilisation of non-associated > associated reserves for LNG
  - Predicted as second/third stage developments
- Gas rich/gas poor
  - GCC gas network proposed in 1980's – Qatar at hub
  - Closer economic integration
- Major non-associated resource holders rethinking gas position
  - Qatar moratorium LNG/GTL projects/Saudi Arabia
- Others unable to agree
  - *"Iran needs some 1 bcm/d of gas for its own domestic use, which means there is no surplus gas for export gas in the next twenty years"* – Kamal Daneshyar, Chair of Energy Commission of Majlis (07/05) / *"Gas export is one of the objectives to be pursued within the frame of Iran's 20-year prospect plan"* – Roknoddin Javadi, MD of National Iranian Gas Export Company (07/05)

# ME Gas Resources



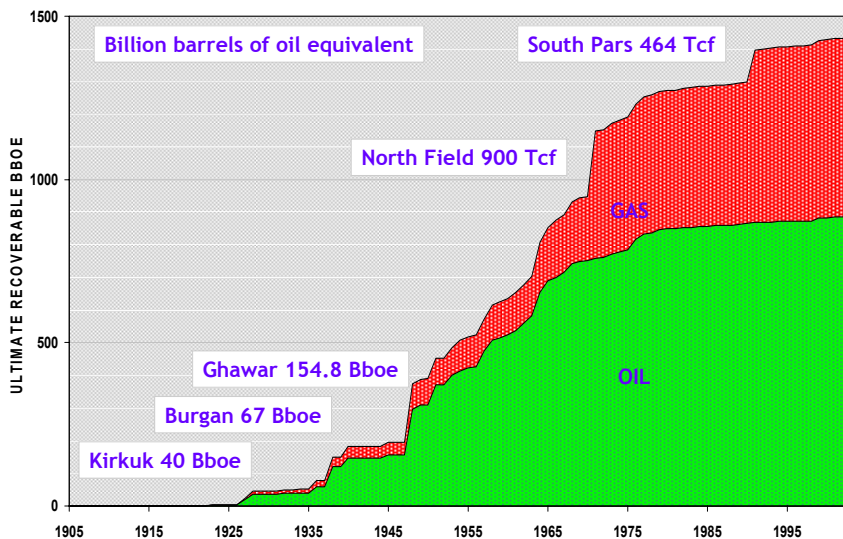
# Non-associated giant gas fields are rare





- Timing of delivery to market not capability is key
- Some countries slow to recognise cost model is changing
  - NOC's reliant upon state funding increasingly expensive schemes
  - Political change, decision process & funding all threaten to delay to development projects
  - TSC's as opposed to traditional PSA's emerging
- Security costs becoming a regional issue
  - Personnel & equipment concerns
- Limited oil exploration by key resource holders
  - Predominantly appraisal & deep gas
  - OPEC production quota constraints
- Mixed messages from consuming countries
  - Question need to invest

## Middle East discovery profile



## Summary



- Primary oil depletion
  - Inevitably give way to costlier IOR/EOR schemes
  - Degradation in crude quality
- Huge gas developments driven by joint venture (NOC/IOC) investment – \*potentially both free-up & yield more liquids than conventional oil developments
  - Gas replacing oil for P&W projects
  - LNG driven by demand growth / cost reduction
  - GTL: majors/super-majors moving away from traditional projects in search of growth
  - Driving development of new technologies & move away from oil
- Signs of an upturn in exploration in key resource holding countries
  - Abu Dhabi / E & W. Saudi Arabia / Iran
- Increased competition from new entrants across all industry sectors
  - Service sector
  - Upstream > Downstream pace picking up
  - Huge petrochemical developments to capitalise on low regional gas pricing

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***Thank-you***

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