Wirth puts case for optimism in energy transition

Chevron Chief Executive Mike Wirth tells the 23rd WPC that optimism is the missing ingredient in the oil and gas industry’s drive to tackle the challenges of the energy transition.

ExxonMobil announces its first net zero targets

European giants ready to lead energy transition
Young Professionals set the scene for 23rd WPC events

The 23rd World Petroleum Congress (WPC) Young Professionals (YP) Program and Global Sustainability Program began with an introduction to our themes and purposes.

With speakers from the 23rd WPC YP Program Committee, Hess, BCG and the World Petroleum Council YP Committee the opening of the program focused on highlighting the importance of investing in our future talent and the responsibility of solving the dual challenge within our industry.

We must work together to collectively lead to a Sustainable Energy Future.

An interesting quote from the OCOchem presenter today: "Industry is changing. From a barrel looking for a buyer, to a buyer looking for a barrel".

At a later session, We Want You, highlighted initiatives led by representatives of the US, Spanish and Polish WPC National committees with their countries and abroad through the WPC YP Committee.

The Industry Odysseys series began with exclusive tours of the Halliburton, Cognite, & bp booths, setting the pace for more exciting industry Odyssey sessions that will occur on Tuesday and Wednesday.

At the daily Afterwork session, attendees were able to engage in fun networking and discussions surrounding the 23rd WPC Theme of Innovative Energy Solutions.

This first day of the 23rd WPC YP Program was an exciting, inspirational, and energetic start to the program. There is much to look forward to for the second day which is full of interesting, insightful and impactful programming.

There will be another, We Want You session (11:00am to 12:00pm) followed by the first Coffee with an Industry Leader session (12:00pm to 1:00 pm). At 1 pm, Hess Chief Operating Officer Mr. Greg Hill will explore the role of oil and gas in the energy transition.

From 2:00pm to 3:00pm, thought leaders from IHS Markit and Independent Project Analysis Inc. will discuss the spectrum of sustainability solutions.

Key challenges in attracting talent and retaining talent in our industry will be explored at 3:00pm in the State of the Young Professionals session.

Another Industry Odysseys session will explore the Hess and ExxonMobil booths (3:15pm).

Lastly, there will be a session exploring the societal and industry challenges faced in the energy transition during the Energy Lessons: Lessons in Achieving a Sustainable Future session (4:00pm to 5:00pm), before a relaxing networking session during the Afterwork session (5:00pm to 6:00pm).

The Sustainable Path Forward – Tapping the Untapped Reserves

More than three years on from the first iteration of the Untapped Reserves report, the World Petroleum Council, in partnership with Boston Consulting Group (BCG), is launching an updated in-depth report today on the need for oil and gas companies to continue to increase workforce diversity.

While certain bright spots have emerged throughout the industry since 2017, more is needed to increase gender diversity.

We need diversity to innovate, and we need a more innovative workforce to drive the energy transition forward.

The Untapped Reserves report will be released this afternoon at the 23rd World Petroleum Congress.

While the need to leverage untapped reserves is crucial to industry innovation and future innovations in energy transition, institutional investors remain a key stakeholder group required to achieve a more sustainable path forward.

New research from BCG details why private investors need to commit eight times more to support a low-carbon economy. In addition, the report says that channeling new technologies, such as Artificial Intelligence, will take a plethora of resources and be crucial to meeting the Paris Agreement goals.

To access the research, go to: https://www.bcg.com/publications/2021/private-investment-in-low-carbon-technologies.

According to a recent BCG survey, investors are on-board, according to the strong level of optimism measured in the near term.

Amidst a backdrop of increasing commodity prices, investors are optimistic that the oil and gas industry can continue to bolster its recent streak of more robust shareholder returns in the short term.

Yet, they also want leadership teams to think through value creation during the looming energy transition to more environmentally sustainable options. Framing the path ahead will be the following sessions designed to highlight the level of support across investors, technology, and companies required to achieve sustainable outcomes in the Energy sector.

• 7 December, 11:00am CT: CO2.AI – The AI Angle in solving the Oil & Gas Emissions Challenge.
• 7 December, 12:00pm CT: Sustainable Finance: Green Investor Survey.
• 7 December, 1:00pm CT: Creating a Transparent, Decarbonized Supply Chain.
• 7 December, 1:45pm CT: Refineries of the Future.
• 7 December, 2:45pm CT: CEO Panel: Untapped Reserves – Driving Diversity in Oil & Gas.

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‘Active role’ for oil and gas in future energy mix

In response to an Upstream survey of leading industry executives, Repsol chief executive Josu Jon Imaz gives his view on topical issues shaping the sector.
Industry eyes clean tech

Oil and gas sector intent on supporting the changing energy landscape, says World Petroleum Council President Tor Fjaeran

THE global market for clean technologies could exceed $23 trillion by the end of the decade, offering profitable opportunities to oil and gas producers, US Deputy Secretary of Energy David Turk said yesterday at the 23rd World Petroleum Congress.

“That’s ‘trillion’, with a T,” Turk said during his Opening Keynote address at the prominent triennial oil and gas industry event, hosted this time by Houston.

That means huge opportunities for your companies, for your workers, in geothermal and carbon capture and advanced nuclear logistics.”

The oil and gas industry “acknowledges the scientific consensus on climate change” and supports the Paris climate agreement, said World Petroleum Council President Tor Fjaeran.

The industry is intent on working to support the changing energy landscape, not opposing it, he said.

“Our interest (is) in succeeding with energy transition being more efficient and decarbonising the production of energy and its products,” Fjaeran said.

Houston Mayor Sylvester Turner boasted of the city’s role as the “energy capital of the world”, and said the city and the businesses that call it home would be at the forefront of the energy transition.

“We have challenged ourselves to not only talk about the energy transition, but to lead the energy evolution,” he said.

“We have a moral obligation to reduce carbon emissions and tackle climate change head on,” Turner said.

“We believe that… we can lead the transition, effectively mitigate climate change, implement resilient strategies to address the needs of vulnerable communities without creating winners or losers.”

Concerns over the new Omicron variant of the Covid-19 virus and what Fjaeran described as “geopolitical issues” prompted some to decide not to turn up at the Congress.

“The consequence (of Covid) is a different and a smaller Congress,” Fjaeran said.

“But WPC is important to create arenas of discussion, for framing the transition (and) addressing how to deliver the energy and its products to the world.”

ACCELERATING SAFETY AND ENVIRONMENTAL PROGRESS

API Energy Excellence is our members’ commitment to enhancing the integrity of operations across the industry, while meeting global demand for affordable, reliable and cleaner energy. API members commit to 13 core elements by applying standards, implementing workforce training and participating in performance initiatives.

Learn more about our pledge to supply energy and protect the environment – today, tomorrow and in the future.

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Visit us at www.apienergyexcellence.org
Learn more about our pledge to supply energy and protect the environment – today, tomorrow and in the future.
Nasser hits out at transition

Aramco chief warns of ‘chaos in industry’

NISHANT UGAL

SAUDI Aramco chief executive Amin Nasser said the world needs a right execution strategy when it comes to the energy transition, with fossil fuels expected to play a key role for a much longer time.

Speaking at the 23rd World Petroleum Congress in Houston, Nasser termed the existing energy transition strategy for the industry as “deeply flawed”, and said it’s worrying that people believe the right strategy is under way.

“Energy security, economic development and affordability imperatives are clearly not receiving enough attention,” Nasser noted.

He said that unless the glaring gaps are filled in the ongoing energy transition strategy, “the chaos in the industry will only intensify.”

Nasser said that new and existing energy sources, including oil and gas, will both need to operate in parallel for a much longer time.

The Saudi state-controlled company is spending billions of dollars to ramp up its oil production capacity to 12 million barrels per day, but has also laid out an ambitious plan to achieve Scope 1 and 2 net-zero emissions by 2050.

Nasser said Aramco remains committed to its climate goals and a net-zero economy but believes that stopping oil and gas investments could prove to be more damaging.

He said more than 99% of the world’s vehicles are still dependent on conventional fuels and the “combined share of solar and wind in the world’s primary energy mix is still less than 2%.”

“The urgent new quest for our industry is to chart a course that will enable us to realistically meet the world’s rising energy needs in a reliable, affordable and sustainable manner.”

Nasser raised concerns over the declining capital expenditure in the oil and gas sector, saying crude supplies have already started to lag.

“Across the industry, upstream capex fell by more than 50% between 2014 and last year from $800 billion to $300 billion,” he said.

He said the declining capex is also hurting spare oil production capacity, which is declining sharply, despite healthy demand.

Nasser added that a majority of key industry stakeholders agree with these realities as far as the energy transition is concerned but are afraid of admitting it in public.

“Publicly admitting that oil and gas will play an essential and significant role during the transition and beyond will be hard for some,” he said.

However, he added that admitting this reality will be far easier than dealing with energy insecurity, rampant inflation and social unrest globally.

Leaders welcome transition challenge

Chevron, ExxonMobil and Halliburton chief executives share with WPC audience how their companies are delivering solutions for energy’s greatest challenges

JENNIFER PRESLEY

Houston

TECHNOLOGY and collaboration have long been the rallying cry for tackling the challenges of the energy transition. However, optimism has now entered the conversation.

“Current conversations have been sorely lacking optimism,” Chevron chief executive Michael Wirth told attendees at the opening plenary of the 23rd World Petroleum Congress yesterday in Houston.

“Optimism: the power of human creativity, imagination and ingenuity. I believe engineering innovation is a means to developing solutions towards progress.

“A recognition of the prospects for the human condition has never been brighter.

“Optimism is the spark of innovation, the catalyst of risk-taking, the impetus of discovery.

“Optimism stirs the imagination. If we can harness this powerful force — human energy — I firmly believe we can achieve our goals,” he added.

Darren Woods and Jeff Miller, chief executives for ExxonMobil and Halliburton respectively, joined Wirth in the conversation, sharing their views on meeting the increasing demand for oil and gas globally while balancing the need to provide those resources in a cleaner, more sustainable way.

Woods noted in his remarks that the growth of emissions-free energy is “good for society, and an objective that [ExxonMobil] supports”.

However, there is a need to “strike the right balance as the world transitions to a lower energy system”, to “continue to meet all practical scenarios, including net zero pathways, oil and natural gas will continue to play a significant role in the society”.

Woods added that the scale and complexity of the challenges facing the energy industry do not have a “simple one size fits all solution” and requires innovation.

“Particular solutions are needed for the carbonised sectors of our economy that account for more than 80% of the world’s energy-related (carbon dioxide) emissions, heavy industry, commercial transportation and power generation. What’s available today is simply not good enough,” he said.

Years of underinvestment in oil and gas along with the global effects from the Covid-19 pandemic have led to an environment of scarcity, Miller said.

“For the first time in a long time, we’ll see a buyer looking for a barrel of oil as opposed to [it] looking for a buyer. That’s the backdrop that frames our strategy at Halliburton.”

He noted that technology advances in electric-powered hydraulic fracturing, automated drilling and the digital transformation are three ways Halliburton is helping its customers meet their energy transition objectives.

However, many of the technologies that will help industry reach the net zero goals have not yet been invented, according to Wirth.

“We can’t wait for future breakthroughs to happen in our industry. It can play a major role in addressing this challenge today,” he said, adding that a diversity of approaches to meeting those needs are needed.

“I leave you with a challenge. Let’s keep accelerating progress. We’re the industry that knows how to solve the toughest problems,” Wirth said.

“For more than a century, this industry has had the courage to do what’s difficult. We do difficult every day. Difficult is an invitation to be great. Let’s prove that to the world once again.”
NORTH AMERICA

ExxonMobil announces its first net zero target

The US supermajor plans to reach net-zero emissions in Permian basin by 2030

NAOMI KLINGE
Houston

EXXONMOBIL has announced that it plans to achieve net-zero emissions in its Permian basin assets in the US by 2030, the company’s first commitment to net-zero emissions.

The plans announced yesterday are part of ExxonMobil’s new emissions reduction targets for 2030, which it accelerated last week when the company said it will reach its initial 2025 targets four years early.

Company-wide, 2030 goals include efforts to reduce upstream greenhouse gas emissions intensity by 40% to 50%, compared to 2016 levels.

The US supermajor said these plans will rely on policies and technology advances that increase the availability and reliability of carbon-neutral power in the region, including wind and solar.

“Our goal of net zero for Scope 1 and Scope 2 greenhouse gas emissions is one of the most ambitious and wide-reaching in the Permian basin,” said ExxonMobil’s senior vice president of unconventional, Bart Cahir.

The plans also include efforts to eliminate routine flaring in Permian basin operations by the end of 2022, ahead of the company-wide goal to eliminate routine flaring by 2030, as well as using low-carbon power sources in the electrification of operations in New Mexico and Texas.

By the end of 2021, ExxonMobil expects flaring volumes in the region to be reduced by 75% compared to 2019 levels.

Low-carbon power used in the electrification of ExxonMobil’s assets include wind, solar, hydrogen, natural gas with carbon capture and storage, or other emerging technologies, the company said.

ExxonMobil recently increased its planned energy transition investments from $3 billion through 2025 to $15 billion through 2027.
23rd WPC hands out Awards for Excellence

Sakhalin Energy, ExxonMobil, Halliburton subsidiary Landmark and Kayrros win awards for social responsibility and technological developments

ExxonMobil and Halliburton’s subsidiary Landmark are among the winners of the 23rd World Petroleum Congress’ Excellence Awards, awarded for high excellence standards in social responsibility and technological developments. World Petroleum Council President Tor Fjaeran presented the awards Monday afternoon.

Sakhalin Energy — the shareholders of which are Gazprom, Shell, Mitsui and Mitsubishi — and ExxonMobil won in the social responsibility category, while France-based data analytics company Kayrros and Halliburton’s Landmark won in the technical developments category.

Sakhalin Energy was recognised for its efforts to work with indigenous groups to mitigate the negative impacts of its oil and gas projects. ExxonMobil was recognised for its efforts to support local economic capacity in Guyana.

Criteria for the social responsibility category included innovative and far-reaching social responsibility initiatives benefitting the community or environment; commitment and involvement of management and employees; co-operation with local communities and stakeholders and development of mutually beneficial relations; feasibility; wide applicability and reproducibility within the petroleum sector; and proved or clearly demonstrable long-term results.

In the technological developments category, Kayrros won for geospatial monitoring for oil and gas, and Halliburton’s Landmark won for its Permedia CO₂ Toolkit, which provides tools for carbon dioxide storage exploration, monitoring and prediction to de-risk the sector.

The criteria for the technological development category were technological breakthroughs in the industry, innovative applications of existing technologies, cost effectiveness, wide applicability for the petroleum industry, and proved or clearly demonstrable and sustainable results for the long term.

Fjaeran also presented an award for young author Pedro Miras, a senior gas balance analyst at Repsol.

The winner was chosen from the abstracts of papers with authors in the industry under the age of 35.
WPC to present second global report on gender diversity in oil and gas

The 23rd World Petroleum Council and Boston Consulting Group will present their second global gender study, Untapped Reserves 2.0 – Driving Gender Balance in Oil & Gas, to show how the industry has progressed in gender equality since the last World Petroleum Congress.

Gender balance in the workforce can lead to major business improvements, as having women in leadership teams drives innovation and rate of returns.

The report has a change in focus since the first one, which was presented at the 2017 World Petroleum Congress. The first report focused on promoting gender balance in the industry, while this year's report aims to drive it.

This year's report can be used as a tool for companies to see where they stand in the process of achieving gender balance.

The report is based on surveys of over 50 companies, more than 2,500 individuals around the world, and eight case studies.

It will also look at how the Covid-19 pandemic and growth in the energy transition has influenced gender diversity in the industry.

Also included in the report are policies, programmes and interventions that can be implemented by companies to drive gender balance in their workplace.

However, the developers of the report stress that every company is different, and the most important thing is to talk to your employees and understand their needs.

The series of reports originally launched in 2017 due to the lack of global data measuring gender discrepancies in the workforce.

The first report showed that women make up just 22% of the industry’s workforce, a lower percentage than almost any other major industry, but many companies were not actively measuring their diversity numbers.

“You actually need to know what’s happening in your company,” said Ulrike von Lonski, the Chief Operating Officer of World Petroleum Council and lead developer of the report.

When questioned for the first survey, many leaders believed they would be able to increase the percent of woman making up the oil and gas workforce to about 35% by around 2025, but they have since realised they will have a greater uphill battle to promote gender diversity.

But since that first report, the developers have seen engagement from companies implementing new programmes and interventions, von Lonski said.

Another key issue facing the industry is women’s lack of access to resources and opportunities in the technical field.

Many of the jobs women hold in the industry are up to mid-level office jobs, but promotions to senior management positions are typically given to people with technical experience.

Driving gender balance in STEM and technical education will help women progress to more leadership positions, and ultimately, benefit oil and gas companies.

“We are here working with all these companies to make this happen,” BCG partner Rebecca Hood said.

Highlights from the report will be presented on 7 December at 2:45pm in room 310 at the George R. Brown Convention Center in Houston.

Diversity: World Petroleum Council Chief Operating Officer Ulrike von Lonski at the Women’s Networking breakfast on Sunday

Photos: TODD BUCHANAN/CORPORATEEVENTIMAGES/UPSTREAM

Halliburton Landmark

Photos: PHIL MCCARTENCORPORATEEVENTIMAGES/UPSTREAM
ONGC in hunt for partners

NISHANT UGAL

INDIA’S state-controlled Oil & Natural Gas Corporation (ONGC) is on the lookout for international partners to carry out exploration in deep-water and other blocks offshore the country’s east and west coasts.

ONGC managing director Subhash Kumar told Upstream on the sidelines of the 23rd World Petroleum Congress in Houston the company is involved in talks with potential international partners for jointly carrying out exploration in Indian waters.

“We have potential cooperation with ExxonMobil in the area of exploration... similarly, we are working with two to three major (international) companies where discussions are at an advanced stage,” Kumar said without naming the companies.

ONGC has ambitious deep-water exploration plans and recently tendered for a major 3D broadband seismic data acquisition campaign across its Andaman and Mumbai basins.

ONGC also plans to carry out offshore exploration in several other basins.

Kumar said the company remains bullish on offshore exploration, but wants to involve international partners as a part of a revamped strategy.

“So this in all likelihood will cut down on the time which is generally taken for the building of relationships,” he said.

Despite the coronavirus outbreak and economic downturn, ONGC is maintaining a robust capital expenditure programme and plans to spend up to $4 billion during the current fiscal year (2021-2022), and has earmarked a similar capex for the next financial year.

Out of the $4 billion target capex, he says up to $3.5 billion is likely to be spent on exploration and exploration drilling this year.

In addition, about $1 billion would be spent on development drilling, while the remaining expenditure would be on project development costs.

ONGC is currently executing the $5 billion-plus KG-DWN-98/2 deep-water development off India’s east coast, which has been delayed due to Covid-19 concerns.

“Due to disruptions in our international supply chain, it appears that the timelines are going to get extended,” admitted Kumar.

However, he remains hopeful that the deep-water project could start producing gas by next year, with oil production expected to begin from 2023.

LEADERS of three leading European oil companies gave their 23rd World Petroleum Congress plenary audience a robust view of their capacity to lead from the front as the world enters an era of energy transition.

Discussing innovative energy solutions, TotalEnergies chief executive Patrick Pouyanne argued that the world will only make a success of energy transition if the duality of the challenge is embraced.

Referring to climate targets enshrined in the 2016 Paris goals, Pouyanne said energy goes to the heart of the challenge of decarbonisation and needs to be reinvented in little more than a decade.

“Energy is one of the greatest challenges of the 21st Century if we are to preserve the planet from the threat of climate change while enabling mankind to get out of poverty and provide the food, heat, light and transport that social and environmental development requires,” he said.

The company’s own strategy includes a targeted 20% decrease in carbon intensity and an overall 30% in energy production.

Anders Opedal, chief executive of Norway’s Equinor, made a clarion call for investing in the new technologies that will propel exponential growth in renewables.

“We need to accelerate the pace of energy transition even further, but this needs political and industrial leadership,” Opedal said.

“The challenges are too big to handle alone, we need collaboration across and between industries, involving also science, government and society at large,” he added.

Equinor’s own strategy includes attaining carbon neutral operations and halving global missions by 2030 and reaching net zero emissions by 2050.

Plans include investing more than $50 billion in a profitable renewables portfolio.

Pouyanne argued that social and environmental objectives are excellent at managing the complexities of the energy transition and clearly energy transition means the energy market needs but this needs political and industry at large, he added.

“Energy is one of the greatest challenges of the 21st Century if we are to preserve the planet from the threat of climate change while enabling mankind to get out of poverty and provide the food, heat, light and transport that social and environmental development requires,” he said.

The company’s own strategy includes attaining carbon neutral operations and halving global missions by 2030 and reaching net zero emissions by 2050.

Plans include investing more than $50 billion in a profitable renewables portfolio.

Opedal said recent price volatility in commodities reveals the risks but required resolution.

“This is a clear signal that we...
need to scale up renewables and low-carbon solutions at an unprecedented pace, but it is also signal that we need oil, and especially gas, for many years to come to secure a stable and balanced transition," OpeUSal said.

As head of BP Americas, Dave Lawler outlined the "momentous changes" taking place at his company as it pursues its own net zero target for 2050.

"We were the first and I think the only company to say openly that we will lower our oil production by 40% as part of this process," he said.

Referring to the recent startup of a ninth floating production system, Argos, in the US Gulf of Mexico as part of a $9 billion development, Lawler said that production from this project will ultimately fund new investment aspirations on the road to becoming an integrated energy company with net zero emissions.

In the Permian basin, BP Americas is currently investing $300 million in electrification, a sum that will rise to $1 billion, Lawler said.

The company’s US investments in renewables cover a 50:50 joint venture with Equinor with $1 billion-worth of initial investment.

"It is an imperative, morally and practically, to work with countries around the world," he said. However, Egypt’s Minister of Petroleum & Mineral Resources Tarek El-Molla noted that while the US and other technologically advanced nations are advocating a quick transition to renewable energy sources, hundreds of millions of people in Africa still have no electricity.

"The transition... should be realistic and doable," he said. "We should be acting responsibly, in a socially responsible manner, so we reach the targets reasonably."

El-Molla discounted the idea of eliminating fossil fuels anytime soon, suggesting they remain a key part of the energy equation despite climate change concerns.

"The world is still in need of fossil fuels," he said. "To transit this period, we need fossil fuels."

"We have to do it in an affordable way. We have to do it reliably. We have to do it, and ministries around the world have so much responsibility on their shoulders because they’re the real-world actors that need to work with industry to make this transition happen at scale," he said.
PAPUA NEW GUINEA

Players eye PNG policy stability for LNG plans

Industry ready to invest in major projects if Papua New Guinea government provides stable environment

RUSSELL SEARANCKE
Wellington

The development of Papua New Guinea’s large stranded gas resources has stalled in recent years due mostly to unsettled policy and Covid-19, but there is no question that operators both large and small are hungry to monetise their significant gas discoveries.

Since the government of Prime Minister James Marape came to power in May 2017 brandishing its “Take Back PNG” economic mantra, the wheels of progress on new gas developments have wobbled.

The subsequent arrival of Covid-19 and the oil price collapse in early 2020 led to a big reduction in government petroleum revenue, and the upstream sector pulling the plug on exploration spending.

Whether or not exploration returns remains to be seen.

What is certain is that the operators of PNG’s new projects – ExxonMobil, Total Energies, Oil Search, Twinza Oil and Arran Energy – want to develop their projects, but they say this will only happen if the policy environment in PNG is stable.

Anthony Smare, the president of PNG’s Chamber of Mines & Petroleum, told last week’s national petroleum conference: “There is considerable uncertainty at present because of ongoing concerns regarding the policy climate generally and the potential impacts of Covid-19 and climate change.

“Some assurance on the part of government of a more stable regulatory and fiscal regime can hopefully lead to a renewal of investor interest in petroleum, and the upstream sector pulling the plug on exploration spending.

“Whether or not exploration returns remains to be seen.

What is certain is that the operators of PNG’s new projects – ExxonMobil, Total Energies, Oil Search, Twinza Oil and Arran Energy – want to develop their projects, but they say this will only happen if the policy environment in PNG is stable.

“Some assurance on the part of government of a more stable regulatory and fiscal regime can hopefully lead to a renewal of investor interest in petroleum and mining activities.”

Marape countered at the same conference that PNG “has never been an uncertain place for investment.”

“We are an oil and gas and mining nation. Whoever is the government, our goalposts remain fixed and static.

“We honour legally binding agreements and provide a supportive legal and fiscal regime.

“ExxonMobil’s PNG managing director Peter Larden said the $1 billion Angore onshore gas project was recently approved to provide new gas supply into PNG’s LNG export facility. There are several other big gas discoveries including Juha and Muruk in the PNG LNG joint venture’s portfolio that are planned to be developed.

These projects are fortunate to already have government agreements in place.

Similarly, Total Energies has the major government agreements in place for the Papua LNG project, but is biding its time until mid-2022 before it begins front-end engineering and design work.

ExxonMobil’s Larden said his company and the government are committed to negotiating the P’nyang Gas Agreement, which will determine the project’s fiscal terms, having come to a Heads of Agreement in September 2021.

Larden said P’nyang will dovetail with the Papua LNG project ‘which could result in nearly a decade of continuous construction activity, [with] potentially more than 65 billion Kina ($US18.4 billion) invested’.

But he added: “The key to achieving this is a robust legislative and fiscal framework that gives an attractive return to the state and confidence to investors.”

PNG’s two smaller operators – Twinza Oil and Arran Energy – have their hands full with the Pasca and Stanley projects, respectively.

Twinza has clashed with the government about a Gas Agreement for Pasca but is hopeful of a resolution in early 2022.

Arran has all the necessary approvals for the Stanley project and is working on project financing.

AUSTRALIAN independent Santos has made new pledges to the Papua New Guinea government as part of its planned merger with Oil Search that will create a company with a balance sheet capitalisation of more than $20 billion (US$14 billion).

Critics of the merger had argued that Santos’ plan to delist Oil Search from the PNG and Australian Stock Exchanges would cause destruction to PNG’s capital markets, as well as disadvantaging PNG shareholders.

In response, Santos said it intends to seek to establish a secondary listing on the PNG exchange for an exempt foreign listing.

“This will importantly allow PNG-based shareholders to trade their Santos shares on the local exchange,” said Santos chief executive Kevin Gallagher, adding there are more than 4000 Oil Search shareholders in PNG.

Under the all-share merger agreement, Oil Search shareholders will own 38.5% of the merged entity and Santos shareholders will own 61.5%.

The idea that Oil Search will disappear is upsetting to many in PNG, but the merger now appears to be a formality.

The merger agreement was due to go to a vote of Oil Search shareholders today and then, depending on the outcome of that vote, for a second court hearing in PNG on Thursday.

It also requires clearance/approval from the Independent Consumer & Competition Commission of PNG.

Oil Search has been in existence since 1929, has its headquarters in Port Moresby, employs about 650 PNG citizens including 25% women, and has been a dynamic and influential company.

Oil Search is the operator all PNG’s oilfields and it has major shareholdings in the PNG LNG project, and the proposed Papua LNG and P’nyang projects.

Oil Search also has undeveloped oil reserves in Alaska, US but Santos’ intentions for Alaska are not yet clear.

It is the PNG asset base that attracted Santos, and the decades of LNG production those assets can underpin. In particular as PNG LNG and P’nyang, there are significant undeveloped PNG gas resources including Murak and Juha that can be tied in to the PNG LNG facilities, and a host of discoveries in the EL-Antelope area including Raptor, Wannah and Wannah South that Santos has future plans for. Santos has been an investor in PNG’s upstream sector for about four decades.
INTERVIEW

Let industry lead transition

In response to an Upstream survey of leading industry executives, Weatherford International chief executive Girish Saligram gives his view on topical issues shaping the sector.

**UPSTREAM:** What impact will the energy transition have on the operations of oil and gas companies over the next five years and beyond?

**SALIGRAM:** Our industry is well positioned to lead the energy transition and help deliver sustainable forms of energy to the market. From an energy services perspective, we expect the energy transition to gain a greater foothold in the coming years, and we are here to support and drive this progression.

We are continuously collaborating with our customers and training our workforce to use our deep domain knowledge and expertise where we operate to advance geothermal production, carbon capture, storage and usage, plug and abandonment, and additional offerings.

We expect that our global footprint, supply chain expertise, technology innovation and process safety discipline will continue to form a core part of the world's energy infrastructure requirements.

**UPSTREAM:** Is natural gas becoming more attractive than oil for companies, and, if so, what implications does that have for the business?

**SALIGRAM:** Natural gas is a crucial driver in the energy transition. While our business currently serves both oil and natural gas operations globally, we are well-positioned to serve our customers' needs today and into the future with our robust technology portfolio.

There are natural advantages for natural gas as a transition fuel and we are actively developing additional technology to help customers drill for and produce gas.

**UPSTREAM:** How can large-scale, multi-billion-dollar conventional oil and gas developments, including in deep waters, continue to compete for capital?

**SALIGRAM:** Future large-scale development will rely on the quality of returns. Developments, such as in deep waters, generally have a low break-even cost, which is validated by today's commodity environment and supports returns on capital deployed.

While capital discipline will continue to play a critical role in our industry, as we look ahead, we believe the carbon footprint of conventional offerings will also be evaluated as a key factor to advance additional large-scale developments.

**UPSTREAM:** Where do you expect the oil price to be by the end of this year? And in five years? What are your hopes and fears for energy transition?

**SALIGRAM:** We are not in the business of predicting the future; however, we remain confident that we are in the early phases of a multi-year upcycle, which is supported by the current commodity market.

During this time, it's vital that we, as an industry, use this time wisely to invest in the energy transition and structure our businesses to make meaningful contributions.

We all have a role to play, and Weatherford is well-positioned to help lead this journey.

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Photo: WEATHERFORD

At the helm: Weatherford International chief executive Girish Saligram

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