

Securing investment is a key challenge for energy sector

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Securing enough investment for output expansion projects is one of the main challenges besetting the energy sector in the long term given the expected big rise in demand, according to a Western oil expert.

Investments in the crude oil sector alone could reach \$6.296 trillion (Dh23.12trn) until 2030 while those in gas are projected at around \$5.452trn, said Noé van Hulst, Secretary-General of the Riyadh-based International Energy Forum (IEF).

In a paper about key global energy challenges presented at an oil conference in India last week, he said the investments are needed to meet a sharp rise in world energy demand and reduce what he called energy poverty in the world.

Besides investments, the other key challenges he mentioned are the availability of energy resources, affordability of oil prices and sustainability.

His figures showed developing countries are expected to be the main investors in energy expansion projects, with an estimated \$3.56trn in the crude sector along.

About \$1.43trn will have to be invested by the Organisation of Economic Cooperation and Development (OECD) and \$1.07trn by East Europe and Eurasia. The rest will be invested in inter-regional transport.

In the gas sector, developing nations are expected to invest \$2.18trn while nearly \$2.28trn could be pumped by OECD. East Europe and Eurasia need to invest around \$859 billion and the rest in inter-regional transport.

"The main challenges facing the global energy sector are availability, deliverability (investment), affordability (oil price level) and sustainability," Hulst said in the paper presented to Petrotech conference in New Delhi.

Citing the International Energy Agency and other estimates, he said energy demand could soar to around 165 billion tonnes oil equivalent (toe) in 2030 from nearly 118 billion toe in 2006.

China, India and the Middle East are expected to drive that growth as their consumption will grow by around three, 3.5 and 3.2 per cent respectively. He estimated growth in OECD at 0.5 per cent and in non-OECD, including Asia, at 2.8 per cent during the same period.

According to Hulst, heavy investments are needed to expand delivery of energy worldwide and eliminate what he termed as energy poverty.

He said energy poverty is causing many deaths every year as nearly 2.5 billion people still depend on biomass, which is an organic material made from plants and animals and contains stored energy from the sun.

"According to latest estimates, nearly 2.5 billion still depend on biomass, of which around

668 million are in India," he said. "Annual deaths from indoor air pollution have largely increased...smoke from biomass causes 1.3 million deaths annually while 1.6 million die from tuberculosis and 1.2 million from Malaria."

He said that in 2005, nearly 412 million people in India did not have access to electricity while their number in Africa was nearly 545 million, more than half the population. In the Sub Saharan Africa, the number of people without access to electricity was as high as 547 million while those with access were 191 million.

Hulst put the world's proven crude oil reserves at around 1.237 trillion barrels at the end of 2007, of which around 61 per cent are based in the Middle East. Gas reserves stood at nearly 177 trillion cubic metres, most of which are based in Russia, Iran, Qatar, Saudi Arabia and the UAE.

But he noted that the Middle East's oil and gas production has remained minimal compared to the region's reserve capability

At the end of 2007, the Middle East's recoverable crude reserves stood at around 755 billion barrels, nearly 61 per cent of the world's total oil resources.

But its production of 25.2 million bpd accounted for only 30.8 per cent of the world's. Its gas reserves of 73 trillion cubic metres accounted for 41 per cent of the world's while gas production of 355 billion cubic metres stood at only 12 per cent.

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