Optimising Industry Partnerships
Challenges and Rewards

Abdul Jaleel Al-Khalifa
The Oil Council, World Assembly
17 November 2011
Industry Landscape

- Governments looking for higher revenues and job opportunities
- NOCs own 80% of oil & gas reserves
- IOCJs have finance and leading performance
- Independents grow production and resources
- Service sectors provide technology
- EPC contractors continue to amass high value contracts but with less impact on local economy development
• One shareholder (the government)
• Long-term interest rather than short-term Wall Street mentality
• Rich oil and gas reserves
• Job holder for locals
• Nationalistic in protecting resources
• Eager to work with industry players in services and technologies
• At times, few NOCs need more transparency and governance control
• Performance varies from high to poor

Motto is to develop local economy and create jobs
• Shareholders drive boards and management
• Short-term Wall Street mentality
• Tight oil and gas reserves
• Rich finance
• Exhibits historical delivery of high performance
• Eager to work with industry players in services and technologies
• At times, few IOCs have poor image at community level

Motto is to lead new frontiers: oil shale, shale gas, deep water and GTL, etc.
Independents’ Culture

• Shareholders drive boards and management
• Short-term Wall Street mentality
• Hungry for growth
• Very sensitive to market spikes
• Eager to partner with similar size
• Seem acceptable to work with NOCs and local community

Motto is to deliver production growth, strike new discoveries in new basins and create quick value for shareholders
Service Companies’ Culture

- Shareholders drive boards and management
- Short-term Wall Street mentality
- Acquisition and integration
- Competing for clients
- Moving into Integrated Project Management
- Investing into niche technologies

Motto is to differentiate, secure market share and move into a more fruity business
Lack of alignment amongst key players

- Not enough trust amongst NOCs and IOCs
- Independents feel restrained due to lack of finance or development assets
- Competition leading to misallocated funds (e.g. Redundant Service spending on same technologies)

Industry is impacted with global economy, uncertain forecast

Industry nature is long-term but market is looking for short-term results
Industry can work together if catalysts are available:

• 2007 SPE Industry Summit resulted in establishing:
  o Talent Council
  o Carbon Storage and Sequestration
• Industry-Academia Joint Consortia are leading examples of incubating new technologies

We need to develop new platforms for collaboration and partnership
Wheel of Success

1. **Industry Leadership Vision**
2. **Define Areas of Partnership**
3. **Stakeholders’ Participation**
4. **Strategy & Operational Model**
5. **Implement the Plan**
6. **Sustain Growth**

**Wheel of Success**

**Oil & Gas Industry**
Shrinkage of value of O&G industry in eyes of local communities

NOCs did not move globally

EPC contractors, mostly non-local

Outsourcing
Future Destiny: Industry Cluster

Production & Sales
EPC Contractors & Services
Global Center of Excellence
Supporting Regional Needs

Business model  People first
NOCs, IOCs, Independents, Service Sectors ad EPC contractors can polish industry image

- Corporate Social Responsibility projects
- Improving local content starting with 20% increasing to 50% in both procurement and engineering
- Create jobs for locals

Result in stable geo-political landscape and more trust amongst all parties
- Dragon Oil has increased production more than 10-fold over 11 years
- 639 million bbls 2P reserves; 3 tcf of natural gas
- Dragon Oil has committed to local content of 20% or more
What We Have Achieved

2011 Exit Production at 70,000 bopd

100,000 bopd production target in 2015

Commencement of the PSA – 7,000 bopd
2000
• 7,000 bopd

2010
• 47,200 bopd

2011
• 67,000 bopd
• Exit production forecast at 70,000 bopd

2015
• 100,000 bopd
• Maintain plateau production for five years
• Potential enhanced recovery through water injection
Total Investment of US$ 2billion over the last 11 years
Future Talent

- 91% of our total manpower are local people
- Our country managers are locals

Dragon Oil Center of Excellence

- Advanced in-house training programmes developed to support national employees
- Knowledge transfer to current talent through partnerships with educational institutes in the region
Way Forward

• Our industry has a strong drive to meeting shareholders’ desires but has to be sensitive to community needs
• Companies can implement their own local content plans
• Partnership is both collaboration as well as constructive competition
• Industry needs to minimize destructive competition
• Petroleum industry can lead other industries