

## INTERVIEW

### Oil Production Capacity of 3.5 Million B/D Will Be Sufficient Over the Medium Term,

Mr. Suhail Mohamed Faraj al-Mazrouei, Energy Minister of the **United Arab Emirates**, tells **AOG**

- ▶ We are aiming for the **optimal ultimate recovery** of our reserves, which implies a reasonable rate of output
- ▶ Renewal of **Adco's** onshore concession: the process adopted by **ADNOC** is transparent and fair
- ▶ UAE's energy consumption: the objective is not to raise prices but to encourage **energy conservation**
- ▶ **Subsidies** for expatriates have to be brought into question if they waste our resources
- ▶ The **diversification of our electricity mix**, on which we have now embarked, is very important
- ▶ **Iran**: if sanctions were lifted, it would require massive investments and a lot of time for the country's oil production and export capacities to be increased significantly.

[Following is the text of an interview with the Minister of Energy of the United Arab Emirates, Mr. Suhail Mohamed Faraj al-Mazrouei. The interview took place in Paris on 12 April. See also the Top of the News section in our 16 December 2013 edition for an article concerning an earlier encounter with Mr. al-Mazrouei in Abu Dhabi, which is accompanied by a brief biography of the Minister, and our section on the UAE on pages 12 - 16 below].

**Arab Oil & Gas (AOG):** *As Energy Minister of the United Arab Emirates, what are your principal objectives and priorities?*

■ **Suhail Mohamed Faraj al-Mazrouei :** My priority is to restructure the **Ministry of Energy** in order to provide a clear vision and guidance for the United Arab Emirates' energy sector in order to ensure energy security, diversify sources of power production, and train and develop our human capital. For that, we have modified the Ministry's mandate in order to give it the right and the means to regulate the sector effectively in coordination with the emirates in the federation and the energy entities concerned. We are working on the restructuring of the Ministry and are drafting new laws, in particular on energy conservation. The aim is to ensure the long-term sustainability of the energy sector.



**AOG:** *The UAE's crude oil production capacity will reach 3.5 million b/d by 2017, and several development projects are underway to achieve that goal. Beyond that date, do you wish to go further than 3.5 million b/d?*

■ **Suhail Al-Mazrouei:** When you undertake projects to increase your production capacity, you do not do it every two or three years. The 3.5-million b/d level should be sufficient in a medium-term perspective. We do not have any other objective beyond that.

This does not mean that we might not produce more. But as we wish to optimize the ultimate recovery rate of our oil reserves, that implies a reasonable rate of output.

**AOG:** *Will the decision on the renewal of the concession of Abu Dhabi Company for Onshore Oil Operations (Adco) effectively be taken towards the end of 2014 or early in 2015?*

## > HE. Eng. Suhail Mohamed Faraj Al Mazrouei

### Minister of Energy

H.E. Eng. Suhail Mohamed Faraj Al Mazrouei was appointed as UAE Minister of Energy on 12 March 2013. The Ministry's functions focus on contribution to sustainable development, coordinating and representing petroleum affairs, minerals, electricity and water and it is charged with the responsibility of assuring that these resources are utilized to support the national economy in a pioneering and exemplary fashion in collaboration with other relevant authorities.

HE Suhail Mohamed Al Mazrouei, in addition to his portfolio as Minister of Energy, has the following duties:

- Chairman of the Board of Directors of the **Federal Electricity and Water Authority**
- Chairman of the Board of Directors of **Mubadala Petroleum Co.**
- Chairman of the Board of Directors of the **Emirates Liquefied Gas Co.**
- Member of the Higher Advisory Committee of the **Supreme Petroleum Council.**
- Member of the Board of Directors of the **Petroleum Development Co.**
- Member of the Board of Directors of the **Dolphin Energy Co.**
- Member of the Audit Committee of **ADNOC.**

Mr Al Mazrouei has excellent experience in corporate administration in different sectors including shipbuilding, defense systems, and the oil and gas services sector. Furthermore Mr. Al Mazrouei has held multiple positions in government as well as in the private sector and has achievements realized in the service of the country and through his career in ADNOC which spanned 10 years before he moved to **Mubadala Company** in 2007. As a petroleum engineer Mr. Suhail Al Mazrouei rose through the ranks till he became the Director of Production and Engineering Facilities for all the companies operating in the offshore area of Abu Dhabi. He managed and coordinated a collective production of more than one million barrels daily. In addition HE Suhail Mohamed Al Mazrouei was seconded between 2004-2005 to **Shell EP** in the Netherlands, where he gained experience in many international projects in Nigeria, the North Sea, Brunei and the Netherlands. During his career in Mubadala Company he succeeded in adding new projects to the company's portfolio assets in Bahrain, Oman and Kazakhstan, which increased the value of the company's shares. He was responsible for the development of new projects as well as investments in exploration and production in Middle Eastern countries and Africa.

Mr. Al Mazrouei graduated in 1996 from the **University of Tulsa** in the United States with a Bachelor's degree in petroleum engineering.

He was born on 01/07/1973 in Dubai and among his hobbies are poetry, letters and history. He is married and has three children.

Source: Ministry of Energy, UAE.

■ **Suhail al-Mazrouei:** The renewal of Adco's concession falls outside my remit. It is an issue that involves the state of Abu Dhabi and not the federal level. The renewal process is being managed by **Abu Dhabi National Oil Company (ADNOC)** and is transparent and fair [Editor's note: Adco is an affiliate of ADNOC]. Pending the renewal, Adco is operating normally and there is no risk of its activities being interrupted, even though the process could take longer than initially expected. I nevertheless hope that this will not be the case.

*AOG: There has been talk of eight to 10 proposals emanating from international oil companies? Which is the right figure?*

■ **Suhail al-Mazrouei:** I do not know at the moment, since the process is being handled by ADNOC. When the national oil company has evaluated all the different bids, it will submit its conclusions to the higher technical committee of the **Supreme Petroleum Council (SPC)**. After they have been examined by this committee, they will be passed to the full SPC for a final decision [Editor's note: The Energy Minister is a member of the SPC].

*AOG: Are the leaders of the United Arab Emirates and its people ready to face significantly higher domestic energy prices in the future?*

■ **Suhail al-Mazrouei:** The object of the exercise is not to raise prices sharply in themselves but to encourage the people to consume energy in a reasonable fashion thanks to energy conservation measures and the elimination of waste. We are thus holding talks with countries that have a lot of experience in this area.

As you know, UAE nationals are in a minority in our country. Those who come here to work and live often consume much more energy than in their home countries. That is an issue that needs to be looked at closely. Subsidies to expatriates should be brought into question if they result in the wastage of our resources.

The issue of energy subsidies is a subject of concern for us. The current level is not sustainable. Furthermore, there is a dual level of subsidies. We subsidize the natural gas that is supplied to thermal power stations, then we subsidize the electricity that is produced by these gas-fired power stations.

The cost of generating electricity is 35 to 40 fels per kilowatt-hour at the moment, whereas prices are far lower than that [100 fels = 1 dirham. U.S. \$1 = Dh 3.67].

*AOG: Many analysts think oil prices could edge down slightly in 2014. What is your opinion on that subject?*

■ **Suhail al-Mazrouei:** When it comes to oil prices, we are not alone. The UAE is a member of **OPEC** and we are working with other member countries of that organization to help bring stability to the world oil market. We will always act individually and collectively in such a way as to meet the market's needs by studying the development of world demand and looking at the contribution that other producing countries can make.

*AOG: Do you think ADNOC should develop its **international presence** as certain other national oil companies have done?*

■ **Suhail al-Mazrouei:** ADNOC's mandate is to operate in the UAE. But we have created

other companies that invest abroad. **Mubadala Petroleum** is involved in oil and gas exploration, development and exploitation activities, especially in Indonesia, Malaysia, Thailand, Vietnam, Oman, Tanzania and Libya. **International Petroleum Investment Company** (IPIC) invests in upstream and downstream projects and has controlling or substantial minority shareholdings in several companies in the hydrocarbon sector and closely-related industries, such as **Cepsa**, **OMV** and **Borealis**. Lastly, **Taqa** [Abu Dhabi National Energy Company] is a major player in power generation and, increasingly, in the upstream oil and gas sector.

These three enterprises are controlled by the state of Abu Dhabi and share information amongst them so as to coordinate their activities in an informal way. Would it be useful for ADNOC to develop its international presence as well and risk finding itself in competition with three other national players? That does not seem necessary to us today.

**AOG:** *ADNOC has concluded **strategic oil storage** agreements with **Japan** and **South Korea**, and a similar arrangement could be put in place with **India**? Is that also an important plank of your policy?*

■ **Suhail al-Mazrouei:** Yes, absolutely. It is a way of contributing to greater energy security. We mainly do it through OPEC, but such agreements also have the same effect. We are concentrating on Asian countries because they are our principal markets. The competition for access to these fast-growing markets is fierce, and this strategic storage policy can give us a competitive advantage.

Such initiatives are also a means of contributing to the stability of the oil markets. We do not want speculators to play with crude oil prices. That is not good either for producers or for consumers.

**AOG:** *Abu Dhabi is the first Arab country to have embarked on a civil **nuclear energy** program, and the UAE is a leader in the area of **solar energy**. **Diversifying your electricity mix** is clearly one of your priorities, as you pointed out at the start of this interview.*

■ **Suhail al-Mazrouei:** It is essential for us to have a more balanced power generation portfolio. There are many unknowns, but we have set ambitious targets for our electricity mix by 2020. At that point, natural gas is due to account for 70%, nuclear energy for 25% through four reactors and renewable sources for 5-7%. Those are estimates, of course, since, depending on the development of gas prices and the costs of renewable energy sources, there will be variations. In any event, this shows that we are going to shift from being 100% dependent on hydrocarbons for the generation of electricity to around 70% in a relatively short period of time, which is quite remarkable. I do not know any other country that has achieved such a substantial change over the same timeframe.

**AOG:** *Are the electricity mix percentages you referred to valid for Abu Dhabi or at the federal level?*

■ **Suhail al-Mazrouei:** Those electricity mix shares will not be very different for Abu Dhabi or the federal level, since Abu Dhabi supplies electricity to the northern emirates and Dubai is also developing ambitious solar power projects. That is why I spoke about 5% to 7% for renewable energies.

**AOG:** *Iran is negotiating with the five permanent members of the **United Nations Security***

*Council and Germany, as well as with the IAEA, over its nuclear program. If western sanctions against Iran were to be lifted in 2014, what might be the consequences for the oil and gas markets and for oil and gas prices?*

■ **Suhail al-Mazrouei:** Iran is a member country of OPEC and it is with us in all the decisions taken by this organization. Furthermore, Iran's oil production is not equivalent to zero at the moment. It is already a major oil producer and exporter. Lastly, it will take substantial investments and a lot of time for the country to upgrade and expand its oil and gas facilities so as to be able to increase its production and exports significantly. That will be difficult, costly and certainly not quick. We also hope that Iran will remain a responsible member of OPEC.

We are not worried about the possible impact on prices of a lifting of sanctions, therefore. Others should be, but not us [Editor's note: other producers with higher costs than the UAE]. And OPEC will continue to strive for market stability.

☞ *See also on the following pages other information on the UAE.*

