

# KAPSARC energy dialogue



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Remarks by Amin H. Nasser, president & CEO, Saudi Aramco

Your Excellencies, distinguished guests, ladies and gentlemen, good evening.

Let me first thank Samer and the KAPSARC team for inviting me to speak at this timely event.

The role of energy in global economic development remains undeniable.

But since KAPSARC was established six years ago, the environment in which we are working has become more challenging and more dynamic than ever before.

And the environmental sustainability of our planet has become one of the defining issues of our time.

So, tonight, I want to discuss these issues, and the leading role that Saudi Aramco is playing in addressing them.

And I want to explain why I believe these challenges present some huge opportunities to KAPSARC.

## Energy and Climate Change: Today and Tomorrow

Ladies and gentlemen, energy is the lifeblood of modern civilization, and a barometer of living standards.

One look at per capita, per year energy consumption, and you will see a direct link with prosperity and affluence.

Today, it is about 5 barrels of oil equivalent for India, 17 barrels for China, and 50 barrels for the United States.

The global average is less than 14.

25 years from now, the global average of energy consumption per capita is expected to remain substantially unchanged from current levels.

This is the effect of rising living standards being offset by increasing efficiency.

By then, however, there will be another two billion people on the planet.

And as a result, global energy consumption, in absolute terms, will actually rise by more than a quarter.

Fortunately, under this scenario, CO2 emissions are projected to grow by less than 14%, or roughly half of the rise in energy consumption.

Nevertheless, the question remains: how do we meet the world's growing energy needs while managing greenhouse gas emissions?

Certainly, climate change is driving the transformation of the global energy system, which is commendable.

But a successful transformation requires alternatives that are ready to reliably and economically shoulder the burden of growing world energy demand.

At the same time, the massive global energy infrastructure needs to be transformed and prepared for alternatives, which is an enormous undertaking.

History tells us that such transformations take a long time.

And this transition must be managed effectively.

The share of oil and gas combined in the world energy mix is expected to fall only by a few percentage points to still roughly half over the next quarter century.

Under one recent worst-case scenario by the World Energy Council, the share of oil in the transport sector – which is the largest and highest growth area for oil – is still 60% in 2060, compared with over 90% today.

So, pragmatism demands that sufficient investments must continue to be made in oil and gas during the long transition.

At the same time strong emphasis needs to be placed on minimizing the carbon footprint of these fuels.

The Global Methane Initiative, Mission Innovation and the Carbon Sequestration Leadership Forum, or CSLF, are just a few examples which show the Kingdom's commitment to the goal of clean energy, and the top priority it places on addressing climate change.

### Saudi Aramco's Efforts and Focus

At the company level, we at Saudi Aramco have a comprehensive carbon management strategy, based on four pillars.

**First**, we are making concerted efforts to shrink the Kingdom's own carbon footprint, such as working closely with the Saudi Energy Efficiency Program which focuses on all end-user sectors.

We are aggressively expanding our gas supplies, and have a long-term ambition of doubling it to 24 BSCFD.

This will increase the share of clean gas in power generation to almost 70%, and will be among the highest in the world.

And in renewables, we have a key role to play in helping the Kingdom become a solar powerhouse.

**Second**, I strongly believe that research and technology are critical if the world is to successfully transition to alternatives and renewables over the long-term.

In fact, the 11 research and technology centers and offices that Saudi Aramco has established in the Kingdom, North America, Europe and Asia powerfully demonstrate our belief in that long-term mission.

Take transport.

Without game-changing advances in legacy fuels and new transport technologies, we will neither manage the transition period successfully nor be ready for full scale deployment of alternatives and renewables.

That is why, instead of focusing on engines alone, Saudi Aramco is working with auto manufacturers on the advanced integrated engine-fuel systems of the future.

**Third**, turning carbon into beneficial products, instead of discharging it into the atmosphere, would clearly be a win-win.

Investments in technologies in this area are critical for solutions to bear fruit. For our part, we recently acquired a U.S. company, Novomer, that specializes in converting carbon dioxide into valuable chemicals.

**Fourth**, collaboration is one of the most important levers the industry has available.

For example, we have joined forces with nine other companies to establish the Oil and Gas Climate Initiative, or OGCI.

OGCI members, who represent 20% of the world's oil and gas production, are part of a wider industry-led response to climate change.

## The Role of KAPSARC

What does all this mean for KAPSARC's role and mission?

Certainly, KAPSARC should be masters of the climate change debate – from climate change economics, policy and sustainable development to clean energy, conservation, and economic growth pathways.

More broadly, KAPSARC should be one of the leading think tanks of the East while also serving as a link to the West.

And besides independent research, I think the low-hanging fruit for KAPSARC is creating greater value for our policy makers through research in a range of areas.

These include monetization and value maximization of the Kingdom's resources, and studies on the economy, energy, climate change, social issues, and trade, as well as new economic sectors.

For example, in terms of petrochemical feedstocks, the Middle East carries nearly half of the world's proven oil reserves (roughly 800 billion barrels), and over 40% of the gas reserves (more than 2,800 trillion cubic feet).

Yet our region's petrochemicals revenues are less than 100 billion dollars, or 2.5% of the world total of four trillion dollars.

The proportion is even less favorable when it comes to jobs, employing around 150,000 people, or less than 1% of the 20 million people employed in the global chemicals and related industries.

Similarly, the region's share of the global market for specialty chemicals does not exceed 2%.

How we bridge the massive gap between today's underperforming reality and our full potential – not just in chemicals but in a range of areas – is a debate that I think KAPSARC should be adding real value to.

Because addressing a glaring local and regional weakness (and in the process helping to make Vision 2030 a reality) will really bolster KAPSARC's reputation here in the Kingdom and across the region.

And it will hasten the day when governments, businesses, and potential investors around the world turn to KAPSARC instinctively for answers to pressing questions like these.

Ladies and gentlemen, let me re-cap my main thoughts.

First, the Kingdom places the highest priority on addressing climate change and is determined to support the objectives of the Paris Agreement.

Second, Saudi Aramco is playing its part by centering its investments on reliable oil supplies and creating cutting-edge technologies to reduce their carbon footprint.

And third, for KAPSARC to establish itself as the go-to think tank for the Kingdom, then it must prioritize the opportunities offered by Vision 2030.

You have incredible resources; now it is time to deliver.

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