

SPEECH BY MR S ISWARAN, SENIOR MINISTER OF STATE FOR TRADE & INDUSTRY AND EDUCATION, AT THE PLATTS TOP 250 GLOBAL ENERGY COMPANY RANKINGS AND LEADERSHIP AWARDS DINNER ON MONDAY, 16 NOVEMBER 2009, 1930 HRS AT SHANGRI-LA SINGAPORE

Mr Larry Neal, President of Platts,

Distinguished guests,

Ladies and Gentlemen,

Introduction

1. I am pleased to be here this evening at this event to acknowledge this year's most successful energy companies.

The Energy Industry in a Post Crisis World

2. It would be an understatement to say the past year has been especially challenging. The world has seen its most severe economic contraction since the Great Depression. And, the energy industry has not emerged unscathed. IHS Cambridge Energy Research

Associates (CERA) estimates that world oil demand in 2009 has reverted to 2005 levels (of about 84 million barrels per day).

3. In recent months, we have started to see some encouraging signs of recovery. The global economy is expanding again, driven in part by a manufacturing rebound due to inventory stocking. The energy and oil industry has a pivotal role in helping to sustain this upturn by ensuring stable energy markets and prices. For the last few months, oil prices have been rising, from a low of \$43 per barrel in February 2009 to about \$80 today. Whilst this might be seen to be broadly consistent with the economic fundamentals of a global recovery, we should continue to be watchful. The International Energy Agency and several international economists have cautioned that a second oil price spike coming quickly on the heels of last year's events could profoundly derail the prospects for a global recovery.

4. Collectively, the energy industry will play an important role in ensuring stability in energy markets, particularly through sufficient investment in capacity. The financial crisis, with its attendant tightening of capital and the slump in energy prices in the beginning

of this year, has had a contractionary impact on investments. The International Energy Agency (IEA) estimates that global upstream oil and gas investment budgets in 2009 were 19 per cent lower than in 2008 – a reduction of over US\$90bn. While there is spare capacity until 2011, there will be a medium term impact on supply if projects continue to be delayed. As such, the industry needs to stay nimble, and initiate investments in tandem with growing confidence in the future. This will also provide much-needed certainty to the markets and ease speculative pressures on oil prices.

Opportunities in Asia

5. Looking ahead, Asia will figure prominently in the global economic recovery and the prospects of the energy industry. The IMF expects global GDP to recover to a respectable 3.1 per cent in 2010 - but emerging Asia is expected to grow at twice that rate.

Rising economic activity in Asia will also mean increased energy demand in the region. In the medium-term, China and India alone are expected to raise their share of global energy consumption from 19 per cent in 2006 to 28 per cent in 2030. Non-OECD countries in

Asia are also expected to see their energy needs more than double over the same period.

6. The majority of Asian countries are heavily dependent on energy imports, and meeting energy demand is a critical enabler of economic growth. Asia stands at the sharp confluence of three driving forces - energy security, economic growth and environmental sustainability. To resolve these inherent tensions, Asia will need to turn to a portfolio of energy sources, including clean energy sources, to meet its growing energy needs. In this regard, the Clean Development Mechanism (CDM) has played a useful role in producing economic incentives for such investments, by creating monetary gains for firms undertaking low carbon energy investments. Asia already provides 70% of all CDM projects, and China and India are currently the world's largest suppliers of Certified Emission Reductions. There is, therefore, tremendous potential for infrastructure investments tied to CDMs in the rest of Asia, including the ASEAN countries.

7. Clean energy sources alone, however, will not be able to meet Asia's energy demands. Many renewable energy sources face scalability issues, and fossil fuels will continue to be a mainstay in the Asian, and indeed global, energy landscape. Contracted and committed gas supplies in South-east Asia are also likely to be insufficient to meet future demand. Supply from new fields, uncontracted sources, and LNG will be needed to plug the gap. The region will therefore need to consider greater investment in LNG transportation and terminal infrastructure.

8. Another key consideration for Asian economies is to make significant improvements to energy-related infrastructure such as the electricity infrastructure. This will help ensure that energy does not become a binding constraint to economic growth. The World Economic Forum's Global Competitiveness Report has ranked the electricity infrastructure of many Asian economies as being below the world average. Hitherto, energy markets within the region have primarily been Government-run. There is merit in considering greater involvement of local or foreign private sector entities in domestic energy markets. This entails a major shift in mindset for many

Governments but new entrants and competition can contribute much-needed expertise, capital and technology, while delivering cost savings to consumers. To engender this, Governments also need to have coherent and transparent energy policies that will provide regulatory certainty to the private sector.

9. Some Asian countries have started to move in this direction. In Singapore, as part of our overall move towards a competitive electricity market, some of our large power generation companies have been divested and are now owned by foreign entities. In the process, we have been able to attract to our market global energy players who bring with them experience and expertise. Indonesia will also be opening up its electricity market, with the passing of an electricity law that allows new entrants to generate, distribute and retail electricity.

10. Another key step is for governments to embark on energy price reforms. Pricing energy correctly will increase the economic incentives for energy investments, while discouraging distortionary or over-consumption of energy. It will motivate companies to undertake

energy efficient investments to avoid being locked into energy inefficient assets, particularly when energy prices are trending higher. Governments that subsidised energy prices encountered significant fiscal strains during the recent oil price spike. Instead of broad based subsidies that distort behaviour, governments should consider targeted assistance for key population segments and economic sectors as part of the energy policy mix.

Opportunities in Singapore

11. Here in Singapore, we continue to explore new avenues to address our own energy issues and challenges. The objective is to attain greater security, sustainability and competition on the supply side while ensuring efficiency and informed choices on the demand side. In that regard, I am pleased to announce that one new measure we have initiated is the Smart Energy Challenge. The Smart Energy Challenge will provide seed money of up to S\$5 million per project for the development of ideas that address Singapore's energy needs. This will encompass innovative solutions in Power Generation, Energy for Transport, and Energy Efficiency for Industry. Through this process, we hope to exploit new technologies and develop

solutions that will catalyse new industries, strengthen our economic competitiveness, and enhance energy security and environmental sustainability.

12. The Energy Market Authority will be providing more details on how researchers and companies can apply for funding under the Smart Energy Challenge. I hope that this initiative will lead to a proliferation of innovative ideas that will make significant contributions to the energy sector and help address Singapore's long term challenges.

Closing Remarks

13. This evening's gathering of industry players will have much to contemplate with regards to the integral role you and the industry will play in meeting Asia's rising energy needs. While the challenges and the tasks that lie ahead can seem quite daunting, I am confident that the resilience and innovative capacity of the energy industry will prevail, as indeed it has time and again in the history of the sector. I would like to thank you for the pleasure of joining you this evening and congratulate all the award recipients on their successes. I wish

you all the very best in your continued journey in this exciting and promising industry.