

OPENING STATEMENT BY A.M. SAMSAM BAKHTIARI

AT PANEL DISCUSSION OF ASPO 2004

THE THIRD INTERNATIONAL WORKSHOP
ON OIL AND GAS DEPLETION

(BERLIN, GERMANY --- MAY 27, 2004)

Mr. Chairman, Ladies and Gentlemen.

The late Comte Alexandre de Marenches, who passed away in 1995, was a most remarkable personality, and also a remarkable mastermind. From 1970 until 1981, he directed the French Secret Services. A genial aristocrat, he had a passion for geography and freely quoted Prince Otto von Bismarck's remark:

"Of all of history's components,
geography is the only one that never changes".

In his headquarters at the 'Caserne des Tourelles' in east Paris, de Marenches had in his bureau a wall-to-wall map of world. At the centre of that map, he had asked his map-designers to place the Pacific Ocean because he believed, back in the 1970s, that the Pacific was where "the future of the world would be decided".

I wonder, if de Marenches was still alive and active today, whether he would not have asked his map-designers for a major change to have the Middle East placed at the centre of his new map.

The Middle East is not only the cradle of our present civilization, but also the original source of modern sciences and the arts. In addition, it is at the very roots of the world's three major monotheist religions.

But, let us forget about the glorious past, and turn to the rather grim present. Today, no less than 90 % of global headlines comes from this small region which accounts for only 5% of the earth's landmass and some 5% of total world population.

It is the frontline of the Third World War; a war that has already influenced every single individual in the Middle East. I seriously doubt that the present war can be confined to that region only; sooner or later, it is bound to overflow and come to impinge on the lives of most world-citizens --- with the exception, as usual, of the super-rich and the super-poor.

This war, which one can see every day on television, has such a momentous importance for all, that I simply cannot find the words to convey the enormity of its final implications --- implications which could still come to upset the whole global appplecart. Because as the great Albert Einstein wisely said:

"The world is a dangerous place,
not because of those who do evil,
but because of those who look on and do nothing"

Now, let us turn from geopolitics to energy resources --- although they are getting so intricately linked that distinction between the two will soon prove to be almost impossible. In energy terms, the Middle East's importance is clearly undergirded by its vast petroleum reserves ---- reserves which clearly dwarf those of other regions, as the 'Oil and Gas Journal' reminds us year in and year out.

It should, however, be borne in mind, that even Middle Eastern oil reserves are limited. Oman's abrupt output plunge of 2002-2003 was but the first warning; Syria has just entered its terminal oil decline; even Yemen seems to have peaked.

Some would argue that these are only minor producers. Correct. But that doesn't mean major producers won't some day follow suit. Even that greatest of all producers, Saudi Arabia, the allegedly unsinkable "producer for all seasons", has its limits.

It was in February 2004 that Mr. Matthews Simmons voiced his doubts about the Saudi oil potential: 'Thinking the Unthinkable'. His ironclad case sounded really convincing, it also came to dovetail nicely with the main simulation results of my own WOCAP model.

Moreover, Mr. Simmons' masterful thesis seems to apply (with minor variations) to other major Middle Eastern producers. And if, these producers, instead of continuing to deny realities, don't tackle existing problems soon, it might end up to the detriment of all --- especially to that of major consumers.

As long as the oil supply is able to follow demand, the world doesn't face a major problem, as it can easily optimize by price. But, if some day, and that day might be not that far off, oil demand does chase supply, then production will have to be optimized --- as every single oil barrel is going to pull its full weight.

Now, in order to achieve a maximal production, the optimisation of resources will be required. Best would be for co-operation between the producers and the oil companies (supermajors, majors, independents and the all-important services companies) as the latter control the technology, the know-how and the management skills necessary to carry out the required projects --- with, among others, the crucial secondary recovery (EOR) projects. But in order to optimize output, you first need peace and security, which brings us back to square one: the war in Iraq.

When I say co-operation I really mean 'mutuality' --- a word coined by that great Oriental scholar, the late Sir H.A.R. Gibb --- to imply that the "two sides should try to understand each others' point of views". Of course, 'mutuality' is tinged with idealism, and the ideal is elusive in a region as imperfect as the Middle East. Usually out there, the choice is between dictators and puppets. Either of these is easier to implement than 'mutuality', and thus more tempting for the powers that be. Maybe the only real incentive for 'mutuality' is in the minimal amount of the bill the Powers will eventually have to pay in the aftermath --- as God Almighty is the most punctilious and ruthless of all accountants.

The Middle East is by far the youngest region on Earth. Unlike most other regions, it is still going through a skyrocketing population growth. Walking on the streets of Tehran, you only see young people. Now, these young men and women will need bread and jobs --- instead of the Roman "*panem et circenses*", rather "*panem et laborenses*". In order to achieve the latter, they only have a single asset: their crude oil reserves.

The Middle East is not for the faint-hearted. It is the most difficult region in the world to come to terms with. In order to be successful there, I think the key word in the 21st century will not be "flexibility" which implies a reaction to some antecedent, but rather "agility" which has undertones of anticipation and sounds more aggressive.

Finally, allow me to conclude with three quotes from a German of genius, who unfortunately died far too young at the age of 46. Of course, I am referring to no other than Friedrich von Schiller, who wrote in '*Die Jungfrau von Orleans*':

"*Mit der Dummheit kämpfen Gotter selbst vergebens*"
[Even the gods fight in vain with stupidity]

And, in his tragedy '*Fiesco*':

"To save all, we must risk all"

Finally, in his inaugural lecture at his Jena University in 1789, he said:

"*Die Weltgeschichte ist das Weltgericht*"
[The world history is the world's judgement]

I now leave you with these profound Schillerian thoughts. And I am left with the hope that the late Comte de Marenches would have agreed with some of the points I have made here today.

Mr. Chairman, Ladies and Gentlemen, thank you for your attention.