



Richard H Jones

Meeting future demand

Richard H Jones, Deputy Executive Director, International Energy Agency (IEA), on measures to boost energy capacity

In recent years, sustaining investment in energy capacity has emerged as one of the main themes in international energy discussions. The IEA publication "World Energy Outlook (WEO) 2008" underlined the extent to which oil production from existing fields is declining and how much annual investment (as much as \$600bn) will be needed to continue to supply the world's energy needs until 2030. Kuwait itself has capacity today of just over 2.8m barrels per day (mbd). Though actual production is 2.22 mbd, in line with Organisation of the Petroleum Exporting Countries agreements, Kuwait's aim is to raise this capacity to 3.5 mbd by 2015 and to 4 mbd by 2020. Whether or not such lofty goals will ever be achieved is anybody's guess, especially given reports of encroaching seawater in some of Kuwait's most important reservoirs. Achievable or not, the effort will certainly require significant capital investment – and would also benefit from the involvement of major international oil companies (IOCs) with enhanced recovery capabilities that would boost recovery rates for major fields and significantly prolong the productive life of Kuwait's oil reserves. For Kuwait, as for many producers, it is a challenge to find the right terms under which to contract with IOCs. However, the general view today is that there are big benefits for both sides in increasing cooperation between IOCs and the national oil companies in the exporting states. Kuwait's own recognition of this was shown earlier in 2009 when it hosted a major international meeting on the topic.

Oil production is not the only area where major investment is in the cards. The economies of oil exporters do not stand still. Arguably they develop faster than the average. Indeed our WEO 2008 forecast to 2030 suggests that the oil states of the Gulf will see faster growth in their own energy consumption than other regions apart from India and China.

Populations are growing rapidly, industries are being developed and domestic populations in oil producing states expect energy to be available cheaply. Electricity demand and gasoline consumption are both grow-

ing very fast. Meanwhile, the region's increasing thirst for water can only be met by desalination.

Kuwait is no exception. But unlike some of its neighbours, Kuwait does not have ample reserves of gas that it could draw on to fuel electricity production. Kuwait has relatively modest 60trn cu ft or so of gas reserves. It has developed some of these recently but is still far from supplying its own needs. It has begun to develop the important offshore gas field of Dorra, which lies on the maritime border with Iran and Saudi Arabia. This is a long-term project. To meet summer demand now, Kuwait will be buying electricity from Qatar through the newly connected northern Gulf electricity grid, and it has contracted for annual quantities of natural gas from Qatar to cover peak summer demand in the future.

Longer term, even successful development of its own gas reserves is unlikely to meet future demand. Like their colleagues in the Gulf Cooperation Council, Kuwaitis are now looking seriously at the possibility of developing a nuclear power capacity. This would help meet electricity and desalination requirements in a low-carbon fashion, while freeing up oil and refined products for export and for more specialised needs.

Renewable energies are also an important consideration. It may seem gratuitous for a major oil exporter to invest in solar power, but potential of this energy source for shaving peak load requirements in the height of a Gulf summer should not be underestimated. Solar power is likely to play a growing role in Kuwait as well as other Gulf states in the medium term.

Lastly we should not ignore the significant potential benefits of a proper energy efficiency strategy. The IEA has developed a list of 25 important energy efficiency measures in seven different areas, which we are currently urging all governments to implement as soon and as effectively as possible. With energy producers in the Gulf including Kuwait beginning to address the same challenges in energy demand that our members have long faced, we do hope that this is an area where we can share experience to the benefit of all concerned.