

# **AAPG 17<sup>th</sup> International Conference and Exhibition**

## **September 11, 2005**

### **Keynote address by Francois Loos, Minister of Industry – France**

Thank you, Mr. (Jean-Marie) Masset. Thank you, Mr. (Peter) Rose. And thank all of you for choosing France to host this event.

This is a great honor for us. The success of this event in France and other countries is confirmed by the presence of many executives from major international oil companies, oil industry service providers and oil geologists from all over the world. Welcome to all of you in France.

This opportunity to speak to you is also a personal pleasure for me. Although not a geologist myself, I started out as a mining and subsoil engineer, mainly in the Alsace region along the German border, to which I remain strongly attached. This symposium gives me, in my capacity as the French Minister for Industry and especially for energy, a rare opportunity to review the topical concerns of many countries with oil set to remain expensive in the years ahead.

Energy is a key issue for our economies and our environment. Growing needs and declining fossil energy resources raise the question of global supply security. Another major concern is the fight against greenhouse gas emissions. Without exception, energy scenarios tend to reach the same conclusion: current fossil energy consumption trends are not sustainable. This is due to both supply reasons (decrease and concentration of fossil energy reserves) and their impact on our climate.

Overall, Europe does not have the resources needed to supply its own energy in the long term. It needs to import fossil energy. Oil, primarily from the Middle East, remains the biggest energy source despite steadily rising crude prices. Natural gas, imported primarily from Russia and North Africa, is used increasingly for power and heat production.

You are all aware of France's energy situation. France is nowadays independent for half of the energy requirements of its economy. The nuclear power program has improved France's supply independence over the last thirty years. Our energy independence ratio has risen from barely 25 percent in the middle of the 1970s to 50 percent today.

As you know, France's oil and gas output is very limited. This said, I invite you to visit our stand at this congress, since the French mining situation offers a few interesting surprises. On the downside, the last French coal mine was closed last year.

While it is true that France produces all its own electricity – of which nuclear power accounts for more than 75 percent – and can even export power to its neighbors, in the transportation sector France, like other countries, is extremely dependent upon foreign supplies and is facing the same supply difficulties: growing tension between global oil supply and demand while hydrocarbon resources are expected to decline in the decades ahead.

Thus France shares the same objectives, i.e. more rational use of energy to achieve sustainable development and to fight the global warming process. Ensuring our supply security, guaranteeing competitive energy prices and fighting the greenhouse effect are increasingly vital economic, social and environmental constraints.

## How does France expect to deal with this critical 21st century issue?

- ✓ 3 First, at the international and European level, by playing the game of cooperation between the producing and consuming countries.

The tensions on the oil market call for cooperation with the oil producing countries: prices need to settle down at a fair level which permits the development of new production capacities – also outside the Persian Gulf – and ensures support for the growth of our economies.

Our supply security also requires long-term cooperation agreements between the oil producing countries and our companies. Our businesses must be able to explore new geographical zones and to exploit new reservoirs in partnership with the oil producing countries.

The key to this is a dialogue ensuring a shared analysis of the market by the oil producing and consuming countries.

France has also built up strategic stocks of hydrocarbons covering 90 days of consumption, in accordance with the rules of the International Energy Agency. These stocks allow us to guarantee supplies and to help stabilize the international oil market.

Cooperation recently came into its own after the devastating impact of hurricane Katrina in the United States. Although the circumstances were highly unfortunate, this cooperation drive contributed significantly to the solidarity shown in favor of the American people.

- ✓ Next, at the level of France, by adopting a framework law.

At a time when oil prices are soaring to historic highs, France has adopted a new framework law on energy policy.

This law sets guidelines for diversifying energy production sources, supply security and environmental protection. These guidelines are tied to ambitious objectives, which make it a benchmark within the framework of European energy policy.

As regards to diversification of energy production sources, France has opted for a broad array of energies, including the continued use of nuclear power and the development of renewable energies – hydropower, wind power, biofuel and solar power.

Contrary to a widespread idea, France is already firmly established in this area. We are the leading European producer of renewable energies, mainly owing to our hydraulic dams and to biofuel. This type of energy already accounts for 15 percent of France's power consumption. There is considerable room for improvement, since these new forms of energy are becoming more and more competitive as fossil energy prices continue to rise.

The new framework law also encourages energy control. The Prime Minister recently recalled the importance of energy savings measures:

- ✓ For private citizens, the new law provides our fellow citizens with direct incentives to adopt savings reflexes (by purchasing clean cars, lowering driving speeds to reduce consumption, installing building insulation, buying energy-efficient heating equipment, etc.),
- ✓ For businesses, the law will give them an incentive to promote energy savings at customer sites in the form of an energy savings certificate, to be launched on 1 January in application of the framework law on guidelines for energy policy.

## **Which hydrocarbon challenges remain ahead?**

The question of hydrocarbon supply security is vital in view of the uncertainty surrounding fossil energy prices and the inevitable increase in demand.

To meet growing demand, it is essential to renew and diversify our resources. To achieve this, the oil industry and oil industry service providers will have to deal with three major challenges in the years ahead:

First, it will be necessary to extend the exploitation of conventional hydrocarbons, e.g. by developing technologies to improve oil recovery from mature fields and from offshore satellite fields. It will also be necessary to discover the last conventional reservoirs not yet surveyed.

Next, it will be necessary to access non-conventional hydrocarbons to diversify the supply and to build future reserves. In this area, the production of heavy oil with high density and viscosity is an important objective given the vast potential resources.

Lastly, it is essential to reconcile the exploitation of hydrocarbons and sustainable development, and particularly to develop inexpensive technologies for the geological capture and storage of CO<sub>2</sub>. If you can stay a few days longer in Paris, France will be hosting an international symposium on this topic next week.

France, although a modest producer of oil and gas, is proud of its leading role in the development of all these oil exploration and production techniques, equipment and services. I wish to pay a tribute to all researchers, engineers and entrepreneurs who have enabled us to build up the second largest oil services industry in the world in terms of export volumes. I hope that fruitful contacts will be established in the next few days.

Lastly, I wish to thank Institut Français du Pétrole for its contribution to the organization of this symposium, and wish you a highly successful congress in Paris.

Ensuring supply security and fighting greenhouse gas emissions are part of the great challenges of the 21st century, but I am convinced that you have what it takes to deal with them. We are all counting on you!