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Under The Patronage of H.H Sheikh Mohamed Bin Zayed Al Nahyan, President Of The United Arab Emirates



أديبك ADIPEC  
نادي الشرق الأوسط للطاقة  
Middle East Energy Club

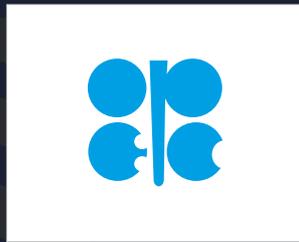
Host



## ADIPEC 2022 LEADERSHIP ROUNDTABLE SUMMARY

The role of oil and gas in a new energy world:  
energy security, climate response, industry  
innovation and future supply perspectives

HOST PARTNER



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# Foreword



## HOSTED BY

**His Excellency Haitham Al Ghais**  
**Secretary General**  
**OPEC**

Amidst the current context of a global polycrisis, inflation pressures, supply chain issues and climate, numerous countries today are grappling with the energy trilemma of security, affordability and sustainability. With these complex and multifold challenges, we must involve all players in building solutions, including the oil and gas industry.

We need to reduce global emissions, that is without question. However, the roadmap towards a low-carbon future must be strategic and inclusive rather than overly emotive.

A skewed focus on only one point of the energy trilemma, such as sustainability, will lead to unintended consequences, including market volatility and energy

shortfalls. There must be progress on climate change. Still, the response needs to be frank about the financial realities, ensuring both conventional and renewable forms of energy are being invested in, and should ensure all voices – including oil and gas players, environmentalists, the finance industry, and those from emerging economies, have a seat at the table. Innovation is also key, including from the hydrocarbon sector, which harbours substantial and essential expertise.

The UN Sustainable Development Goals call for access to affordable, reliable and sustainable energy. However, we will only achieve this by first recognising the complexities of the global energy system and then working together to leverage the resources needed for the just and inclusive energy transition that the world deserves.





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The ADIPEC Leadership Roundtable discussions are held under Chatham House Rule.

# The role of oil and gas in a new energy world: energy security, climate response, industry innovation and future supply perspectives



## MODERATED BY

**Andrew Horncastle**  
**Partner & Head of Energy and Natural Resources**  
**Oliver Wyman IMEA**

This roundtable explored the role of the oil and gas sector in the energy transition, not only as a supplier of traditional fuels that will inevitably be required for decades to ensure global energy access, security and affordability, but also the role the industry can and should play as a legitimate partner in the energy transition progress. Participants discussed the appropriate forums to convene the relevant stakeholders, and the contributions the Middle East, North Africa, and Global South can make. Additionally, with the hydrocarbon sector's long expertise and capabilities operating in challenging environments and implementing some of the world's largest, most complex engineering projects, oil and gas players can offer extensive technological solutions towards greener production.

## Key questions examined during the discussions:

- We are in crisis today – in terms of inflation, rising interest rates, and then energy security, affordability and sustainability – how did we get here?
- How can the world address the energy trilemma – affordability, security and sustainability?
- How do forums such as COP27 and beyond need to evolve? What needs to happen that is not currently happening?
- What role can MENA and the Global South play in contributing to, supporting, and enabling the transition?

Across the globe, developing and developed countries alike are facing challenges across energy security, access, and affordability. While undoubtedly, the Russia-Ukraine conflict and COVID-19 pandemic have exacerbated the macro-economic context – further undermining the ability of nations to respond to their green goals – a long period of underinvestment in oil and gas infrastructure significantly impaired the world's ability to weather the shock.

As one participant put it: “The move away from traditional energy sources ‘overnight’ to renewables imposed unrealistic limitations on the financing of oil and gas and fossil fuels, fueling the results we are seeing now. There was an idealism that the transition would take mere years. Unfortunately, we now know this not to be true”.

This was compounded by, according to several voices at the table, the lack of a clear, realistic and achievable energy transition roadmap, although the industry has long been vocal on the enormity of the challenge ahead and has advocated for continued investment in the oil and gas sector to ensure supply throughout the transition. Referencing OPEC's World Oil Outlook 2022, which forecasts global primary energy demand increasing by 23% through 2045, one participant highlighted that the global oil sector alone would need a cumulative investment of US\$ 12.1 trillion to meet current growth projections.

Several voices underlined the need for sufficient financing for hydrocarbon projects to ensure an adequate energy supply for the current and foreseeable future. This issue is particularly acute in developing countries, which have played a considerably lower role

in global emissions but are among the worst affected by the rapid rise in energy prices and lack of access. One participant outlined that people and economies in the Global South are paying the highest price for the transition in the form it is in today and is struggling in the face of supply gaps and huge price increases. It was noted several times that developing countries – notably in Asia and Africa – need to prioritise urbanisation, job creation, investment opportunities and GDP growth, alongside combatting the worst effects of climate change.

### So, asked the roundtable moderator, where to from here?

Around the table, there was broad agreement that the entire energy mix will be needed to address the challenges posed by the energy trilemma, and that investment is required across a diversity of energy types, including renewables, conventional energy sources, and emerging fuel technologies such as hydrogen.

Supply has dominated the discussions, but as one oil and gas participant asked, how can we bring solutions to the demand side? Several parties agreed that the true cost of transition is not debated enough. To date, we have been missing clear targets, aspirations, metrics, and goals – and the financials underpinning the transition have not been discussed rigorously enough. “Without transmission, there can be no transition. A healthy, safe, efficient operation means we can better support funding the transition – therefore, we need a robust industry.”

Some argued that moving forums such as COP27 and 28 in the MENA region are necessary to include previously excluded players and quieter voices. Based on recent years’ learnings, COP28 in the UAE will be an important opportunity to bring the oil and gas industry to the table and to have a meaningful and constructive dialogue that examines the tradeoffs that need to be considered for delivering a just and equitable transition. “To date, the focus has been leaning green, at the expense of economic, political stability and security, endangering the very transition that we all aspire to.”

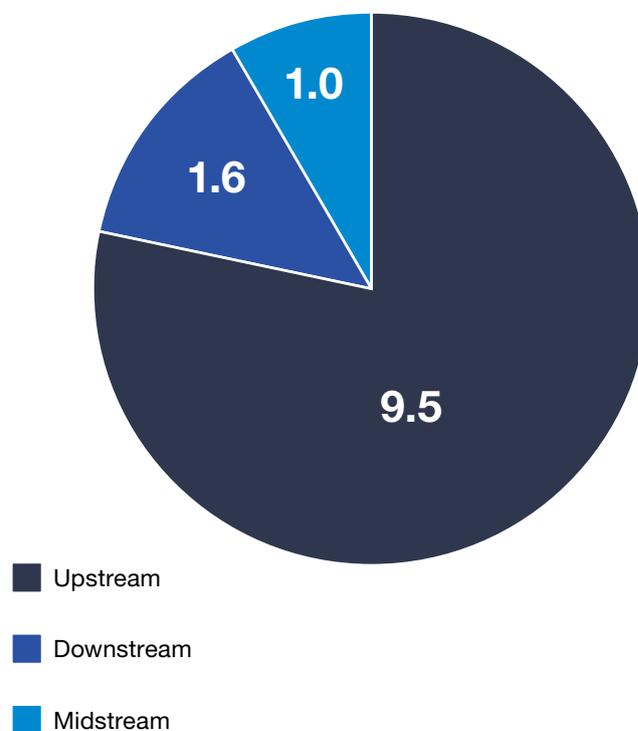
In addition, several company executives pointed to the role that technologies such as digitalisation and artificial intelligence can play in accelerating progress and increasing the transition velocity. “Whereas the [oil and gas] industry has been criticised as not being part of the solution we have valuable capabilities, technology, and expertise.” Innovation in oil and gas is already creating pathways to reduce the environmental impact of production, balancing increased output with greener means of extraction and production. Few sectors have the know-how to manage such complexity.

The hydrocarbon industry was also identified as a source of innovation, with the UAE, Saudi Arabia and other oil producers demonstrating significant decarbonisation activity within the sector. A Middle Eastern executive referenced the vast insights gleaned from water security projects that may be valuably applied. One participant suggested that perhaps the oil and gas sector needs to enunciate better and more clearly its role as an enabler, and the fact that it can contribute complex expertise to be part of the decarbonisation journey while meeting growing energy demands.

And finally, in response to energy policy and financing goals that several participants described as unrealistic, there was consensus that the industry needs to foster dialogue with policymakers, environmentalists and other stakeholders to make it clear that there is no “magic bullet,” as one participant put it, to solve the energy trilemma or achieve a net-zero future. In fact, not recognising this will almost certainly lead to the world failing to achieve its goals.

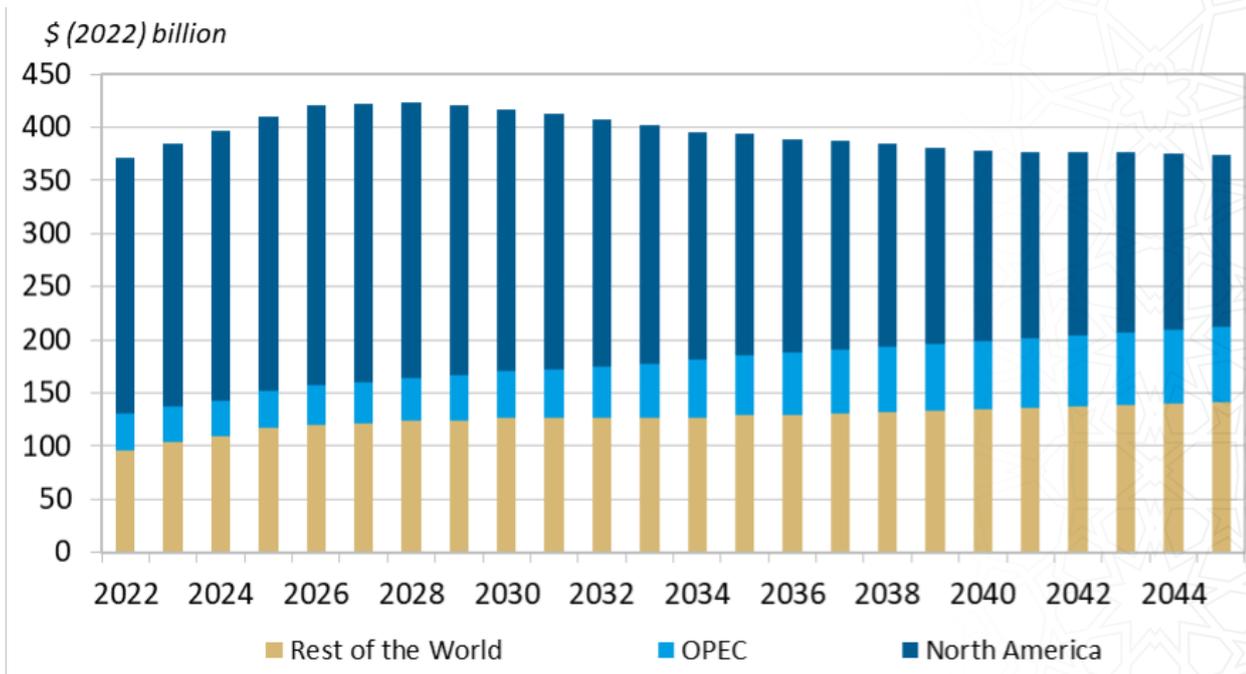
### Cumulative oil-related investment requirements by sector, 2022-2045

\$(2022) Trillion

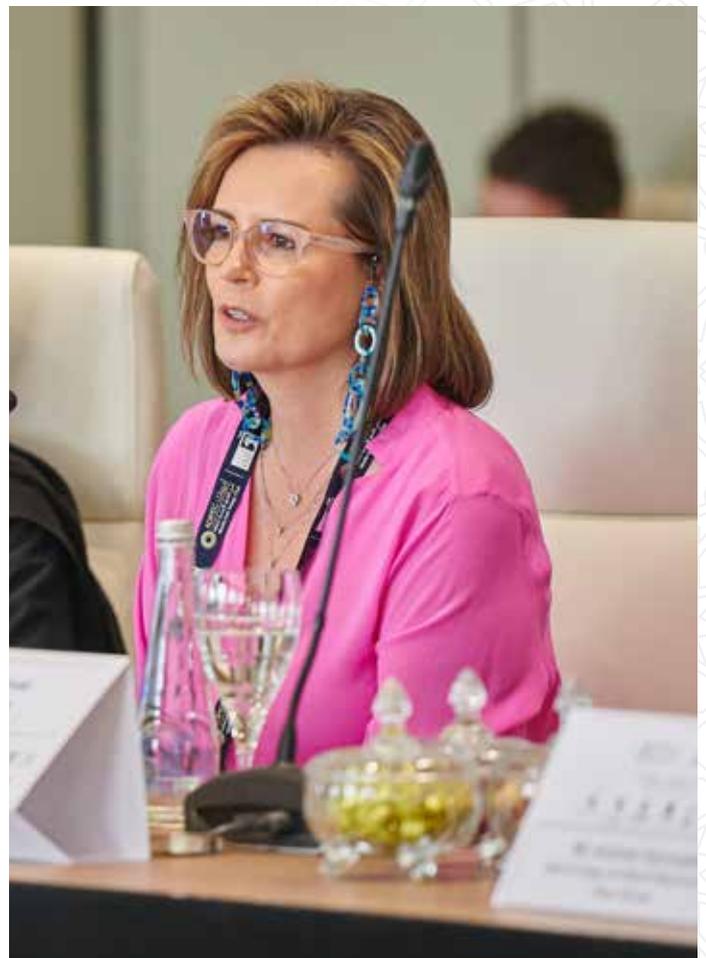


Source: <https://woo.opec.org/chapter.php?chapterNr=313&chartID=1631>

## Annual upstream investment requirements for capacity additions, 2022-2045



Source: <https://wo.opec.org/chapter.php?chapterNr=313&chartID=1632>



## KEY TAKEAWAYS:

- Progress will only come through partnerships: there was consensus that the conversation needs to move beyond the oil and gas 'echo chamber', with the industry becoming more vocal and unified and motivating for a seat at the table of influence with policymakers while also engaging with the public, financial investors, and other stakeholders, including environmentalists.
- The future of energy is mixed – the foreseeable path to the transition undoubtedly depends on the full range of energy sources.
- The industry must also work to change perceptions and explain itself better, clearly defining and expressing its contributions across technological progress, greener production methods, and its expertise.
- Technologies, from digitisation to carbon capture, must be embraced to help reduce the carbon intensity of the energy system.
- There needs to be hard conversations around who will bear the cost, what targets are achievable and who is responsible. Forums such as COP27 and 28 will support this need for open and inclusive dialogue. Where pledges have been made, we now need to move to implementation.
- The tradeoffs of a balanced transition need to be clearly examined to ensure the growth aspirations of developing nations are not penalised. These nations need to be brought on the journey.





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2 - 5 October 2023  
Abu Dhabi, United Arab Emirates

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