



9th Arab Energy Conference  
Doha, 9-12 May 2010

2nd Panel Discussion



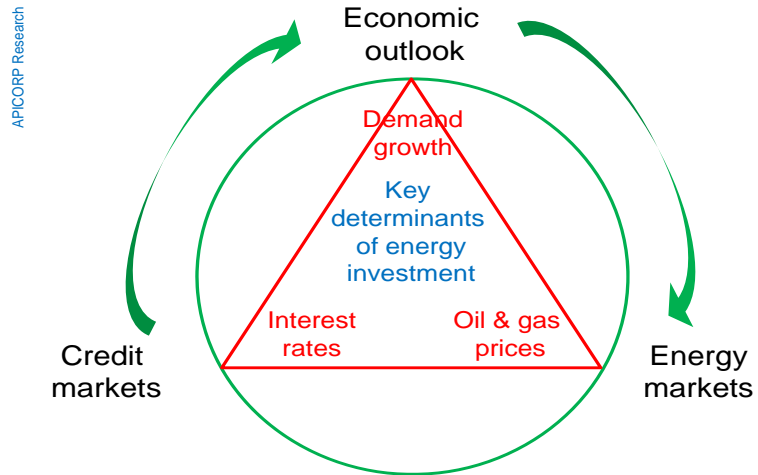
## The Arab Energy Investment Outlook What policies for the “New Normal”?

A presentation by Ali Aissaoui  
Senior Consultant  
Arab Petroleum Investments Corporation

### Forward

- Following a well-established tradition, APICORP has been invited to submit to the 9th AEC a report on the Arab energy investment outlook
- This PPT presentation summarizes, complements and updates the report, and takes a broader view to initiate the 2<sup>nd</sup> panel discussion
- The full report, which is available in the conference documents, and the PPT presentation are being posted on [www.apicorp-arabia.com](http://www.apicorp-arabia.com)
- Further comments and feedback, beyond the panel and audience discussion, may be sent to [aaissaoui@apicorp-arabia.com](mailto:aaissaoui@apicorp-arabia.com)

## The framework of our presentation



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## Main areas and issues of focus

- Are the credit and oil market crises over?
- What impact on economic growth?
- What implications for energy investment?
- What policies for the “New Normal”?

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# Is the credit market crisis over?

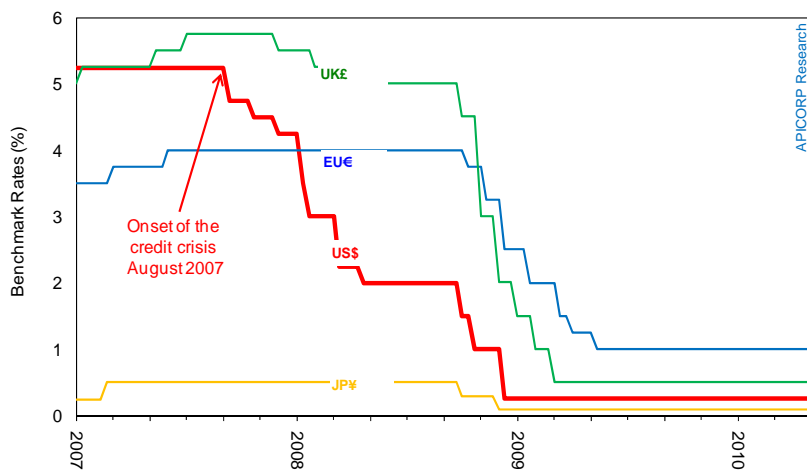
## Focus on interest rates as a key determinant of investment

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# Hyper accommodative US monetary policy has resulted in near zero rates on the Fed Funds market

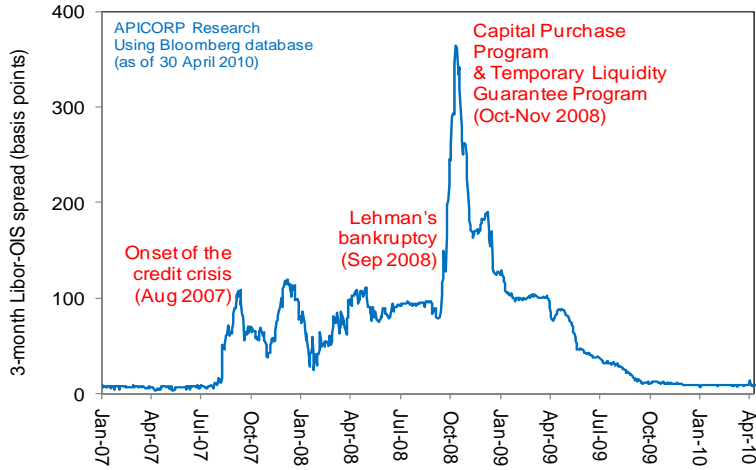


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## Against this backstop and further injections of equity and liquidity the stress in the Eurodollar market has finally been taken out

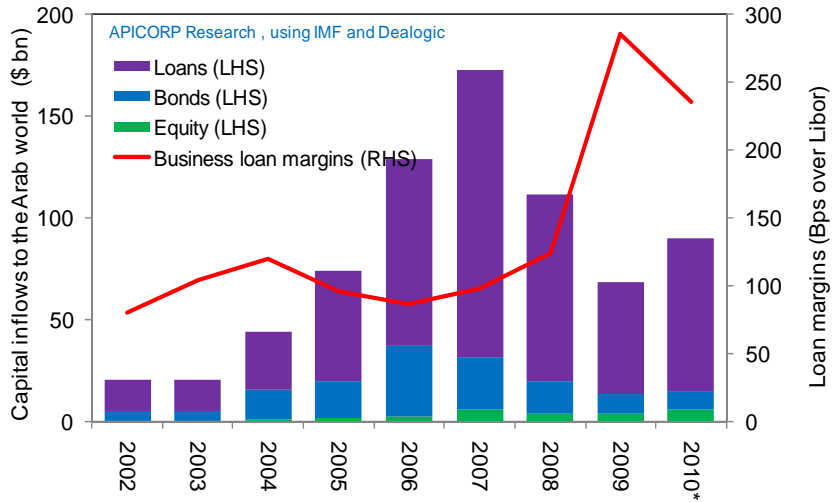


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## But will debt markets ever return to the "old normal"?



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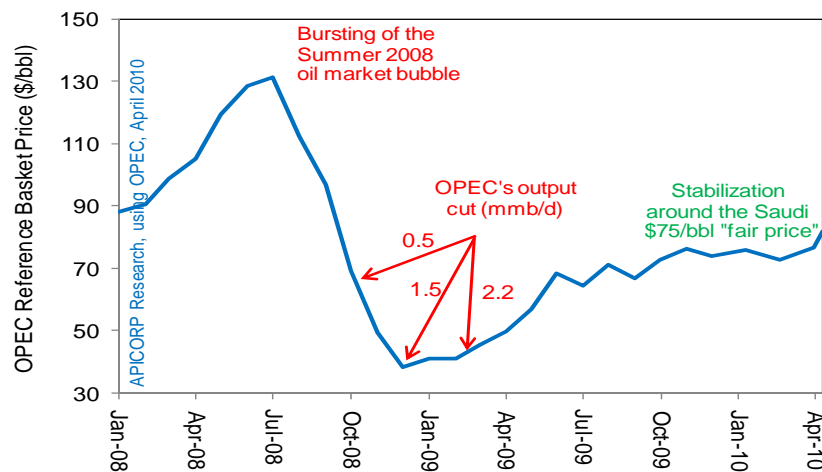
**Is the oil (and gas) market crisis over?**  
**Focus on oil and gas prices as key determinants of investment**

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**OPEC (Saudi Arabia) has been able to anchor oil market expectations around \$75/bbl. For how long?**

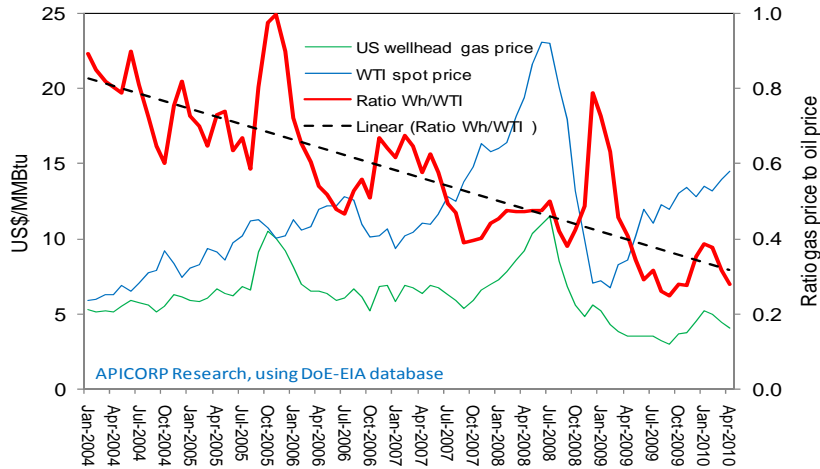


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## Is the US gas market a harbinger of more troubles to come for Arab gas-exporting countries?

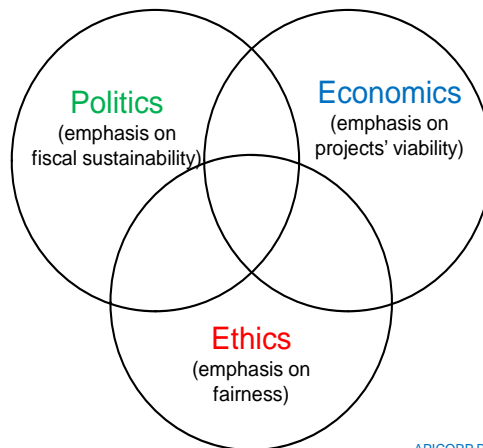


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## Our “adaptive expectation” of oil prices lies in the range of \$70-90/bbl. What about gas prices?



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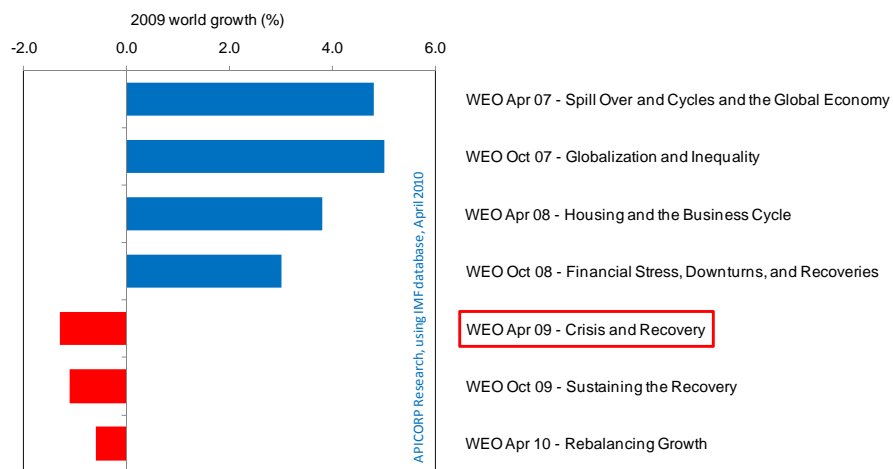
**What impact on economic output?  
Focus on growth as a key determinant of  
investment**

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**The challenging task of economic forecasting :  
The “IMF-DOPPLER shift” of world growth for 2009**

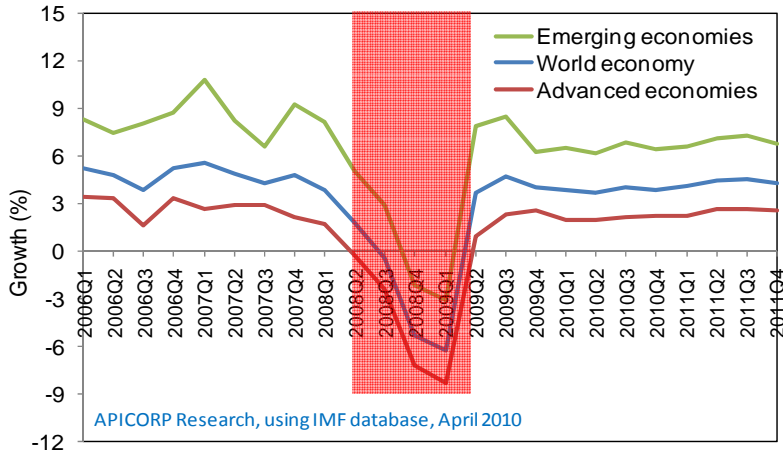


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... and the current voluntary optimism of an ending to the Great Recession. Is the worst really over?

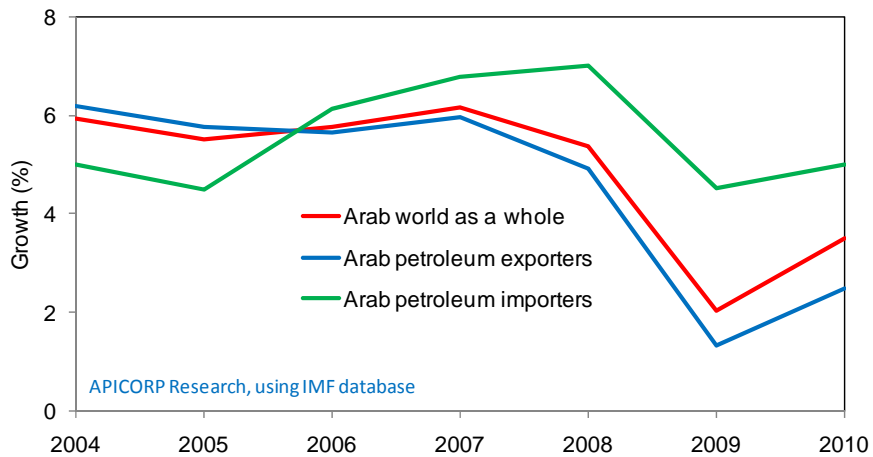


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What is driving Arab growth?  
Oil or non-oil? Government or private-sector?



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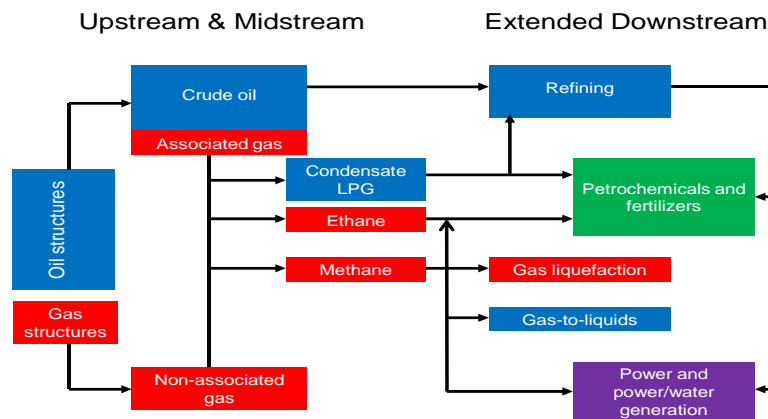
## What impact on energy investment?

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## Our approach : A real-world project-based, along key links of the oil and gas supply chains



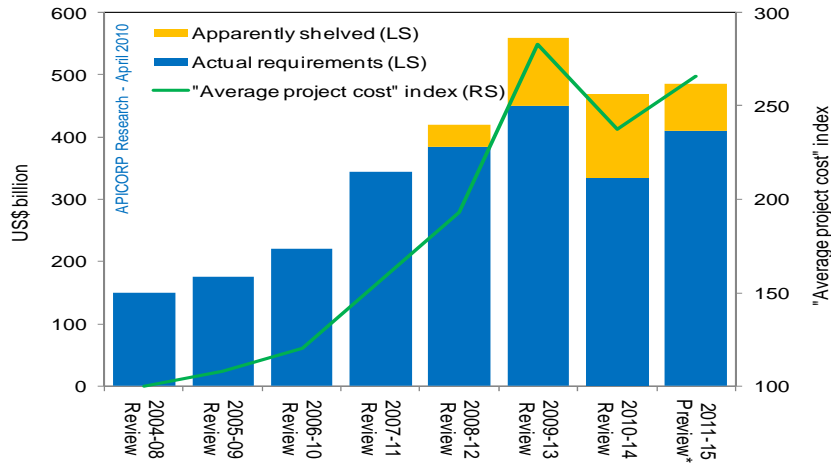
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## Latest 5-year reviews highlight a broken momentum and three challenges: factor cost, funding, feedstock

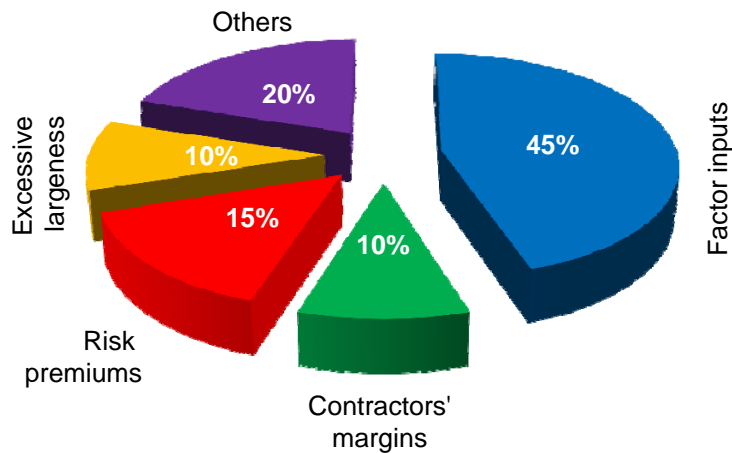


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## Factor cost : Uncertain outlook for key components

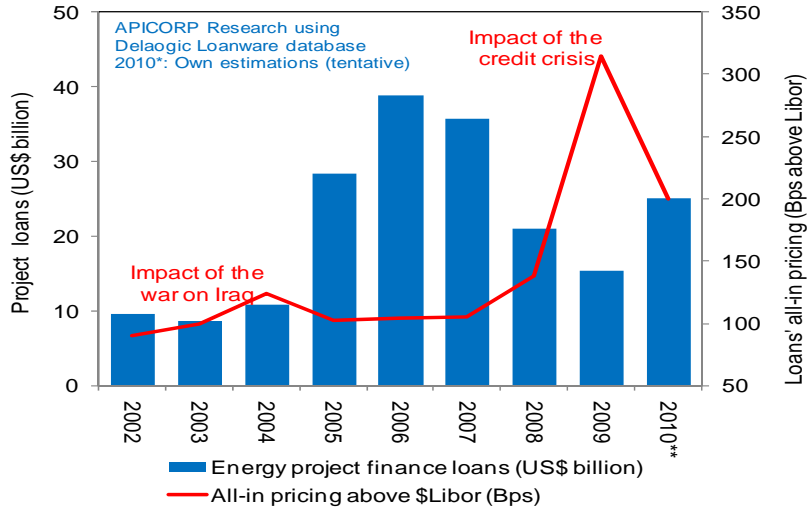


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## Funding : More challenging than any time before

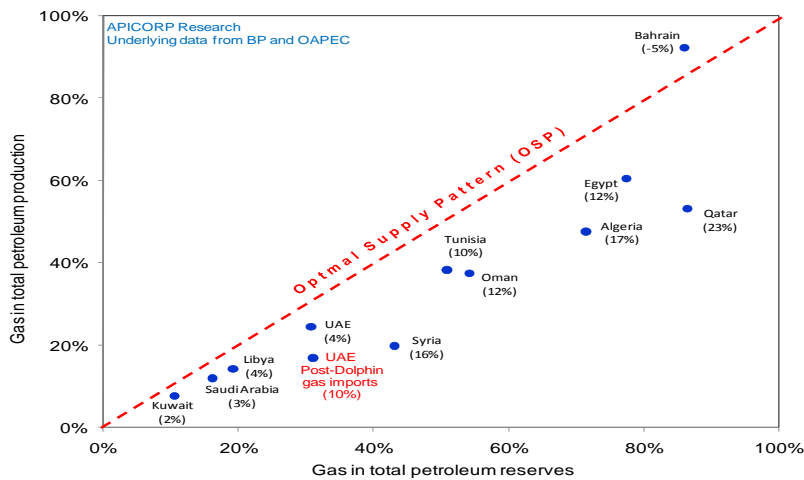


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## Feedstock : Are some Arab countries using more gas than they could afford?



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## Has the energy investment climate deteriorated?

## All sovereign-rated Arab countries have retained stable or improved rating and outlook

	Rated countries	S&P	Moody's	Fitch
Investment grade	Kuwait	AA-	Aa2	AA
	Qatar	AA-	Aa2	nr
	Saudi Arabia	AA-	Aa3	AA-
	UAE	nr <sup>1</sup>	Aa2	nr <sup>2</sup>
	Bahrain	A	A2	A
	Oman	A	A2	nr
	Libya <sup>3</sup>	nr	nr	BBB+
	Tunisia	BBB	Baa2	BBB
	Morocco	BBB-	Ba1	BBB-
	Speculative	Egypt	BB+	Ba1
Jordan		BB	Ba2	nr
Lebanon		B	B2	B-

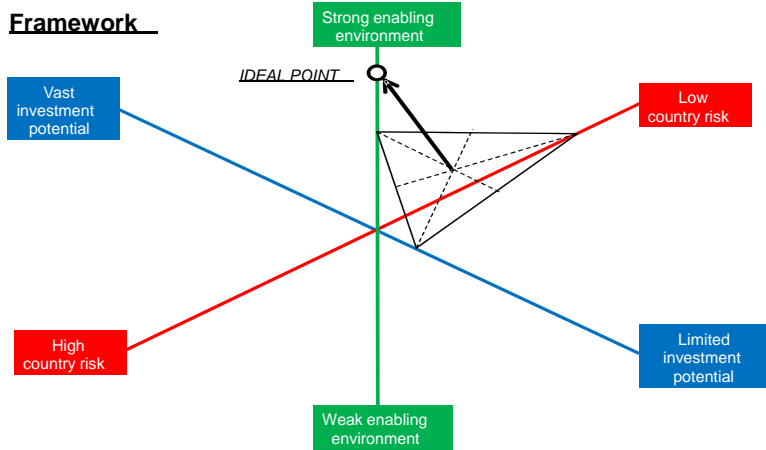
<sup>1</sup> Abu Dhabi (AA) and Ras Al Khaimah (A)

<sup>2</sup> Ras Al Khaimah (A)

<sup>3</sup> Libya was first rated by Fitch in May 2009

APICORP Research - Compiled from CRAs, as of April 2010

## But our region-broader and energy business-focused “perceptual mapping” tells a different story



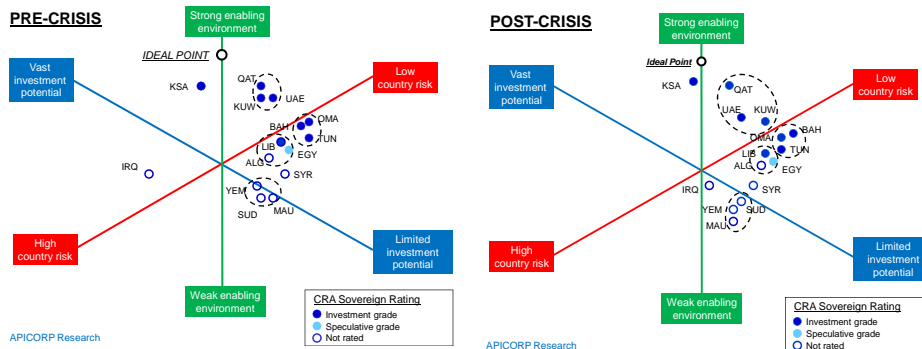
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## A pre- and a post-crisis snapshots point to significant position changes vs. the “ideal point”



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**What energy investment policies  
for the “new normal”?  
A panel discussion starter**

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**We need to better understand what the  
“new normal” is and how to carry on in this context**

- Potential further lagged effects of the financial crisis
- Drivers of growth shifting to key emerging markets
- Traditional energy pricing paradigms challenged
- Debt markets settling at higher equilibrium rates
- Risk-return assumptions and methodologies questioned
- Greater commitment to responsible investing and sustainability
- Requirements for higher governance and transparency standards

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## Some issues for the panel to ponder on

- ✓ Are shrinking capital inflows a demand or a supply problem? If it is supply, can the local currency debt markets fill the gap?
- ✓ How will new gas pricing patterns influence investment decisions?
- ✓ In the current uncertain/confused environment, the value of the “option to wait” continues to be positive for many energy projects
- ✓ Is it the case for the following projects:
  - ✓ Power and power/water?
  - ✓ Regional natural gas pipelines?
  - ✓ Energy efficiency, solar, nuclear and CCS?
- ✓ With lower leverage, shorter maturity and higher cost of borrowing can the private sector still deliver on energy cost effectiveness?