



ACADEMIA ENGELBERG

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Welcoming Address on the Opening of the Conference

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Ladies and Gentlemen

I bid you all a warm welcome to this year's conference in Engelberg.

The global struggle for future energy sources has already started. As the world demand for energy continues to grow at a fierce pace, oil and gas could run out sooner than expected. Those who do not quickly address their sources of energy supply will lose out. Not only in Russia, but all over the world, national and often state-run energy companies are springing up which no longer confine themselves to the exploitation of domestic resources, but compete on the world stage with the old established big boys in private industry - Exxon, Chevron, Total and BP - for production licences, energy sources and companies.

Hugo Chavez, President of Venezuela, wants to win over politicians from neighbouring countries to establish a pan-South American oil company with the aim of driving back companies from the north. In Bolivia, a large opposition party successfully fought for the nationalization of companies that produce oil in the poorest country of South America.

But the greatest momentum in the global market has been building in India and more especially China. The China National Offshore Oil Corporation (CNOOC), which is 70 percent owned by the Chinese state, is engaged in a restless search all over the world for energy sources, either oil or gas fields or companies that have access to such fields. When CNOOC wanted to acquire the Californian company Unocal, which produces oil and more especially gas in America and Asia, it reportedly met with "unparalleled political opposition" from Washington and therefore abandoned its plans. Unocal then sold out to the American company Chevron for less money.

CNOOC is continuing its search. "Money is basically not an issue", says one observer. China has to quench the thirst of its booming industry. The energy consumption of the country increases every three years by an amount that corresponds to the total consumption of the industrial giant Japan. "Technology can be bought. But if you have no reserves, no one can help you any longer", says Fu Chengyu, head of the oil company CNOOC.

Patriotic disquiet is afflicting more and more countries, because oil and natural gas may become scarce more quickly than was previously assumed. Calculated reserves which at first glance appear reassuring underestimate both the dramatically increased appetite of countries such as Russia, China, India and Brazil and also the population growth.



By the middle of this century, there will be another 2.5 billion people on the planet. That is China times two. And to date, there are two billion people without any access to commercial energy. If the fight against poverty is to succeed, these people must be allowed to consume energy.

Reserves do not mean a great deal. Not only is there a tendency to falsify the figures. But a much more relevant measure is the level of production and demand, because if there is a shortage of supply, prices skyrocket. We are currently witnessing a phenomenon where, in spite of high prices, energy-producing countries are hardly able to provide the markets with additional supplies. According to World Energy Council estimates, oil production in non-OPEC countries and some OPEC countries started to decline at the end of the nineties - despite new explorations and deep-sea drilling techniques. The reason is that there is not much of the resource around.

“We have entered the post-oil era”, says France’s Prime Minister Dominique de Villepin. President George W. Bush suggested to the American people that they would simply have to leave their car at home. Observers are realizing now, if they didn’t before, that the situation is serious.

Energy supplies are increasingly taking on a political strategic dimension. A study by the consulting firm Prognos comes to the sobering conclusion that “dependence on politically and economically unstable energy-producing and transit countries is growing. And supply risks are on the increase”.

Internationally ostracized countries and countries forsaken by private energy companies, such as Sudan and Myanmar (Burma), are becoming acceptable, at least to some nations, because of their energy reserves. China is suspected of having promised Sudan weapons in exchange for energy supplies. There are also rumours about a huge deal that China is said to have concluded with Iran, which is the subject of international criticism because of its nuclear energy policy. Along with Qatar and Russia, Iran has the world’s largest gas reserves. The construction of new nuclear power stations is a hot topic. Russia is again leading the pack here.

There is no doubt that the Academia Engelberg Foundation has chosen a highly topical issue for debate this year.



The Programme Committee, under the chairmanship of Dr. Bruno Porro, has put together an extremely attractive programme for this year's conference. It has succeeded in bringing together a group of outstanding experts and speakers, who will accompany us through a diverse and complex subject area over the next three days. But it is not intended as a one-way communication, nor a simple information event. A discourse is called for in which everyone should contribute something. And also very much sought after are ideas for the personal contribution that we as energy consumers can make towards solving a global problem.

Once again, we thank the Engelberg Abbey for its hospitality at this year's conference. With all the global thinking and rethinking of the energy future, it is good to take a glance into this tranquil place of culture and prayer at the start of the conference.

I wish you all interesting and fruitful three days and extend my thanks to everyone who has contributed or will contribute to this event. And with that I declare the conference now open.