Introduction

• I am delighted to have the opportunity to speak to you today. No discussion of energy policy is complete without talking about North Africa and the Middle East. As El Badri has said, this region has, and will continue to play, a critical role in our energy future.

• Last year was a tumultuous one for the region. A year that brought the opportunity for essential political and economic reform, but also had a major impact on the short term investment outlook in these countries. With this in mind, the focus of this conference is very timely indeed.

• As our previous speaker Al-Naimi has said - with change however comes opportunity – the opportunity to create a global energy framework that delivers secure, affordable sustainable energy for decades to come. But to do this, both producers and consumers need to work together to achieve three shared objectives.

• One - Let us be clear - oil and gas will remain essential to the global economy for the coming decades. But high and volatile oil prices are in no one’s interest, and we therefore need to ensure the markets function better through good governance, greater transparency and a better understanding of the implications of global events. The work of institutions such as OPEC and the IEF, and initiatives such as the Joint Organisations Data Initiative are crucial in this context.

• Two - we must invest in our natural resources and new sources of technology to promote cleaner, more efficient, sources of energy, allowing a more diverse and sustainable approach to power our future economies. And to hear a Saudi oil minister devote much of his speech to the role of renewables and energy efficiency is clear evidence of this fact.

• Three - we must recognise that we are all in this together. The commitments made in Durban acknowledged that only a global framework can achieve our shared climate change objectives. It is vital that both energy producers and consumers work together to ensure their energy priorities are met through a transparent global market and stable energy prices.
• Events like this will help achieve these objectives.

**Challenges**

• Events in the last year have reinforced the susceptibility of the oil market to external shocks, be they political, like the so-called Arab Spring, or natural, like the tragic events in Fukushima, Japan. If unmonitored, these events can lead to disruptions to the market and high and volatile prices - leading to slower growth in consumer countries, and uncertain outlook and revenues for producers.

• Our vulnerabilities to external shocks are particularly relevant for the Middle East and North Africa, a region which is predicted to contribute over 90% of the growth in oil production and nearly 30% of the required growth in gas to 2035. If market disruptions were to cause a shortfall in the required oil and gas investment in the region, the oil price is predicted by the IEA to increase from a predicted peak of $110 in 2016 to as much as $150/bl.

• Uncertainty and risk of disruption to Iranian supply is a salient reminder of the challenges we face. But we can point to Saudi Arabia’s recent efforts to counter the loss of Libyan oil exports, and last year’s emergency oil release by the IEA to safeguard the global recovery, as a good example of how producers and consumers can work together to address these challenges to ensure security of supply.

• We must also look to the future, by intensifying our efforts to bring new energy partners into the future energy framework. Iraq, for example, has vast gas reserves and the greatest potential for increasing conventional oil production of any oil-producing country. Maximising this potential will be vital to achieving its ambitious development targets, and will also influence global oil markets over the next decade. To this end, the UK supports projects such as the Southern Corridor pipeline that will transport gas from the Caspian region into Europe, potentially boosting Iraq’s ability to become a major gas producer and exporter in the longer term.

**UK / MENA relationships**

• In addition to oil and gas use, we must also work towards a more ambitious solution – creating additional ways in which to provide our citizens with secure and affordable
energy by using our own natural resources and capital to drive investment in energy efficient and low carbon technologies as part of our future energy mix.

- This is because we live in a time of steadily increasing energy demand and prices. This is driven by both the emerging economies and energy producers, with both facing the challenge of rapidly rising domestic energy consumption with budgetary pressures to generate economic growth.

- To meet this demand will require huge investment in the hydrocarbons industry and energy infrastructure. Indeed, the IEA estimates we need $38 trillion of investment in energy infrastructure by 2035. That's over twice the GDP of the EU, and an increase of over $5 trillion on the IEA's previous estimate made a year ago.

- It is therefore in everyone's interest to accelerate the deployment of new and innovative technologies to ensure our energy needs can be met through a diverse and sustainable range of energy sources. We only need to look at the success of the US. After the development of its shale gas reserves, the US is looking at potentially becoming a net gas exporter within the next five years. Through this, they are achieving both their energy security objectives and greenhouse gas emission reductions.

- In this context, we welcome the renewable energy ambitions of a number of MENA countries, and stress the importance of tackling energy demand. With rising domestic energy consumption across the Gulf, the commercial development of efficient renewable energy such as solar will extend the life of hydrocarbon exports and ensure the long term prosperity of the region.

- Saudi Arabia's decision to build the largest solar-powered water desalination plant in the world in the city of Al-Khafji, and Algeria's decision to become a partner in the Desertec Initiative, to develop large scale solar power in the Sahara, are prime examples of these ambitions. And the UK is continuing to work with the UAE on renewable and alternative energy through cooperation on nuclear energy, Masdar and their investment in the London Array offshore wind project – the largest offshore wind farm currently in operation.

- The adoption of these technologies and others, such as CCS, are also critical to continuing the progress made in Durban, to limit the risk of climate change. In this
respect, I welcome the work the UK is doing with the Kingdom of Saudi Arabia, the Netherlands and Norway through the ‘Four Kingdom’s’ dialogue, and the continued efforts of Qatar Petroleum, Shell and Imperial College London at Qatar’s Science and Technology Park to seek ways to make CCS a reality. I hope the success of Durban will be matched when the Conference of the Parties moves to Doha later this year.

- The potential of CCS is further demonstrated by BP’s work in Algeria with Sonatrach and Statoil on the In Salah CCS project - a $2 billion facility. The site has been identified by the Carbon Sequestration Leadership Forum as one of three worldwide industrial-scale CO₂ monitoring and verification demonstration sites and the results of the project could lead to important advances in our understanding of the best use for this technology in the future. That is why in the UK we are working so hard to demonstrate CCS at commercial scale and encouraging CCS deployment internationally.

**Domestic situation**

- The UK has experience in all these areas. Our energy objectives are: to ensure that our energy supplies are secure, affordable and sustainable. These three objectives are closely interlinked and we need to succeed on all of them.

- As with the wider world, it is clear that oil and natural gas is a critical part of the UK energy mix today and will continue to have a crucial role through to 2030 and beyond. For gas in particular, the UK is well-placed as an entry point for gas imports for onward distribution into the EU, as our gas market is one of the most liquid and well developed in the world, and we have developed a large scale and diverse gas supply infrastructure.

- And our role as a gas corridor to Europe, with access to a wide variety of gas sources and routes - including production from the UK Continental Shelf, imports from Norway and from the Continent, LNG from global markets and gas storage, will likely become even more important as demand for gas increases across the EU.

- But with our indigenous production in decline, the UK will also become increasingly dependent on imports in the future and we must take steps to meet our domestic energy challenge.

- Through our Electricity Market Reform, we are improving our electricity and gas markets to attract appropriate investment in electricity generation and networks, and gas import,
storage and transmission infrastructure is a key part of this process. We are also working hard to increase the role of renewable energy and civil nuclear in our energy mix.

- From the UK’s perspective, we believe the answer is clear: investment and diversification are essential. Innovation is the key and we strongly welcome international efforts to improve energy efficiency and decarbonisation. We believe this can have huge benefits, including in oil and gas rich regions such as the Middle East, and we welcome the opportunity to press home this message when we host the third Clean Energy Ministerial later this year.

**Conclusion**

- And perhaps that is fitting place to conclude my remarks.

- As we look towards a more connected, a more secure and a more diverse energy future, the relationship with our partners in the Middle East and North Africa will remain of the utmost importance as testified by the regular Ministerial visits and engagement that takes place.

- That the Middle East and North Africa has a key role to play in the achievement of our common goals is beyond question. The world will continue to rely on traditional hydrocarbons for the foreseeable future – but how that role evolves will define the fortunes of the region. Now is the time to be addressing these questions.

- Thank you very much.