Peter Odell Wins 2006 OPEC Award

Editor's Note: Long-time IAEE member, Peter Odell, pictured above, was honored with the 2006 OPEC Award. We're pleased to reprint the citation that was carried in the OPEC newsletter together with his response.

Economist, Professor Peter Odel, was the recipient of the 2006 OPEC Award, which he was handed by Nigerian OPEC Governor, Ammuna Lawan Ali, during a special presentation at the Third OPEC International Seminar.

The award, made every two years, was in recognition of his lifetime achievement as an energy analyst.

Ms. Lawan Ali referred to Odell as a "gift to academia" and a legend of the global energy sector. She paid tribute to his "unparalleled commitment and contribution" to the energy industry with over five decades of academic and research excellence in energy economics.

"This is a man who has devoted his whole life to research in petroleum economics," she said.

Ms. Lawan Ali pointed out that Odell was a prolific writer. "He believes in sharing his thoughts and research findings with the larger academic and research community so that knowledge of the industry can be enhanced globally.

In accepting the award, Odell said he wanted to express his appreciation of the honour which OPEC had bestowed upon him in the context of the criteria employed by the Organization's Board of Governors in reaching their collective decision.

"This award to me was totally unexpected and I will endeavour to ensure that my efforts to understand the international oil and gas industry continue to meet the criteria on which the award has been made," he said.

A Professor Emeritus of the Erasmus University in Rotterdam, where he was Director of the University's Centre for International Energy Studies, his research and publications on a broad range of economic and geopolitical issues, relating to global and European energy, date back to the early 1960's.

Odell was born in 1930 in Coalville, Leicestershire, in the United Kingdom, into a family of coal-miners and railwaymen. His lifetime interest in energy emerged from that background.

Following three years with Shell International's Economic division from 1958, he returned to academia via the London School of Economics and subsequently in 1968 to a Chair in the Netherlands School of Economics, now part of Erasmus University in Rotterdam. He retired from his Directorship of the University's Centre for International Energy Studies in the 1990s and now has the status of Professor Emeritus.

In 1991, he was honoured by the International Association for Energy Economics for his "outstanding contributions to the subject and its literature" and in 1994 by the award of the Royal Scottish Geographical Society's Centennial Medal for his studies on North Sea Oil and Gas.

Over the years, he has advised many public and private bodies on energy related issues and has lectured on his research interests at many academic and professional institutions around the world.

[His publication], *Oil and World Power* ran to eight editions and 13 translations between 1970 and 1986. More recently, he has published a two-volume selected collection of 70 of his studies and commentaries, entitled *Oil and Gas: Crises and Controversies, 1961–2000;* and, in 2004, the book, *Why Carbon Fuels Will Dominate the 21st Century's Global Energy Economy.*

Odell offers eight-point insight into future direction of the global energy industry

Taking part in the final panel discussion of the OPEC International Seminar, leading economist and Professor Emeritus Peter Odell, the 2006 OPEC Award winner, set out an eight-point forecast as to what he perceives will be among the most significant elements in the long-term evolution of the energy industry.

First — the current 60 per cent contribution of oil and gas to world energy supplies will be only modestly reduced by mid-century; thereafter, hydrocarbons' contribution to energy demand will slowly decline, but will still account for over 40 per cent in 2100. By then, however, natural gas will be two-and-a-half times more important than oil, though the latter will still be an industry larger than that of 2000, albeit one which will become up to 90 per cent dependent on non-conventional oil.

Natural gas will undoubtedly become the prime energy source by the second quarter of the 21st century (well ahead of renewables) — initially through a near three-fold increase in conventional gas production by 2050 and, thereafter, through the rapid exploitation of prolific non-conventional gas supplies.

Second — the ultimate physical sufficiency of global oil and gas resources is not in doubt so that one can ignore the present-day Jeremiahs. Their predecessors in the 1960s, the 1970s and the 1980s were all quickly proved wrong and a similar fate will overcome the so-called "peak oilers" by the end of the present decade. Any under-achievement in future oil and gas production will be the result of a combination of organizational, economic, political and environmental factors, all of which can be overcome, as they always have been in the past — except for very short-term lapses.

Third — the current generally accepted wisdom favouring globalization, liberalization, market competition and dependence on speculative trading exchanges (such as the NYMEX and the IPE) for price determination will soon fall from favour as a consequence of the turmoil which they have created over the past three years.

This has been to the detriment of consumers the world over and is having adverse impacts on economic and social development in many countries, especially in the developing world. The continuing — albeit modest — expansion of the world's demand for oil now necessitates the establishment of an international oil organization whereby order can be brought to the markets.

The current unacceptability of this by policy-makers in the OECD countries will hardly be relevant beyond the middle of the next decade, in the context of the rapidly declining importance of these countries in the global oil system.

Fourth — oil from non-OECD countries already accounts for almost 80 per cent of world reserves and production, with most of this from state-owned or state-controlled exploration and production facilities. Even the remaining four largest multi-national oil corporations already appear unable to secure significant new production rights, except as minority partners in state-run systems.

This process is unlikely to be reversed, as all the large oil-consuming nations of the developing world view self-sufficiency as a prime objective and will feel assured of this only in the context of nationally owned and operated companies.

Fifth — in such potentially adverse circumstances for the oil majors, the fact that they have in recent years been pursuing policies which hardly endear them to countries in which expanding demands for energy are of the essence, is not helpful for their survival.

The companies are seen as responsible for high prices, leading to high profits, from which extortionate remuneration is paid to their executives and shares are "bought-back" to enhance their stock-markets' status, whilst they make too little investment in new upstream operations, as they cannot count on a rate of return in excess of 20 per cent.

Sixth — as with those majors that have already failed to survive, so those remaining may well be playing out their last few years. A Chinese bid for Exxon and/or Chevron and/or a Russian bid for Shell and/or BP, backed by funds provided by the wealthy Member Countries of OPEC, seem likely to be only a matter of time. With the majors gone, there will be concern in the main OECD countries for future security of supplies.

In this context, one can reasonably forecast a revival and/or the resuscitation of their own state-owned oil and gas industries. The two currently booming and expanding state oil companies in OECD countries (Statoil of Norway and ÖMV of Austria), could thus soon have new bedfellows; for example, a new British National Oil Corporation, a revived Petro-Canada and a de-privatized Total in France/Belgium.

Seventh — above and beyond all these developments, we may anticipate the creation of a UN international energy organization designed to deal with the world's 21st century energy matters. Such an organization will, of course, include a major input from a now more-powerful-than-ever Organization of the Petroleum Exporting Countries (OPEC), given its Members' interests in tomorrow's much-expanded and ordered global oil markets.

Eighth — the world's continuing regionalized gas markets will massively expand. In Europe, the current obsession for liberalization will be inevitably abandoned, as producers wisely insist on long-term contracts to ensure security of demand in the context of importing nations' search for security of supply.

The EU's current commitments to fully liberalized gas markets, in general, and, in particular, the UK's hopelessly failed experiment with "perfect competition" for securing infrastructural developments and low pricing, will not survive the present decade.

Post-2020, an ordered gas market will emerge, with continuing long-term benefits based on the near-limitless supplies available from a range of gas-rich countries from Russia, the Caspian region, the Middle East, North Africa and Norway; and on the consuming countries' overwhelming preferences for natural gas over the high-cost alternatives of renewables and/or nuclear power and the high CO_2 emission levels from the use of oil and coal.

The establishment of a greater European strategic gas authority will be the precursor to similar developments in Latin America, sub-Saharan Africa, south-east Asia and the western Pacific Rim over the first quarter of the 21st century.