

OPEC International Seminar Panel Discussion
Petroleum for Sustainable Development
Remarks by Jim Mulva
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Ladies and gentlemen, our topic today could not be more timely.

The market has taken turns that none of us could have expected. Consider that after stagnating during the 1990s, it took eight years for oil prices to reach a peak of \$147 per barrel last July. But then only eight months to lose more than two-thirds of that value.

Oil demand has experienced its largest decline in more than 25 years. Further, with the world economy in recession, we do not know how long the current weakness will last. Or how deep it will go.

Meanwhile, the oil market faces other challenges. In particular, growing public desire for alternative energy, and for action on climate change. We must be attentive to these challenges. It does not matter whether we are IOCs, NOCs, exporting countries, consuming countries or end-users. We are all vitally invested in society's quest for sustainability.

ConocoPhillips can bring to our discussion today the perspective of a company based in a major consuming nation, the United States. We also bring the perspective of an international oil company. We are a new one, created in 2003 from two regional companies that were a century old.

During the 1990s, a hard decade for the industry, we both realized that we had to change. We had to adapt to the market in order to prosper. We had to grow to improve our economies of scale and financial capability. We did so by combining our strengths, achieving organic growth and conducting acquisitions. In this manner we became a fully integrated, global company. So we are not strangers to a changing business environment.

In a dynamic market like oil, we are compelled to periodically ask ourselves two basic questions. First, how can we best sustain ourselves as a company? And second, how can we best fulfill over the long term our mission of delivering the energy that powers modern life?

In addition, we should all be asking broader questions. Such as, how do we ensure the sustainability of our industry? How do we assure end-users of the long-term availability of petroleum? How do we assure producers of sustainable demand? Or governments of sustainable petroleum revenue?

There is a simple answer, the same one that ConocoPhillips had to recognize. And that is, the time has come to adapt to a changing market. We suggest that there are six steps needed.

First, in order to maintain its sustainability, the industry needs the ingenuity provided by good people. But in the U.S., half of the industry's workforce is approaching retirement. There at least, and perhaps in other places, we must adapt and recruit in new ways, and from new pools of human resources.

Next comes technology. We need new advancements throughout the industry. During the 1990s, we benefited from a technological revolution. It helped mitigate cost pressures. But since then, due to high activity levels and more expensive frontier and unconventional production, the cost pressure has been relentless. We need another infusion of technology to streamline our operations and reduce costs. Particularly in today's depressed price environment.

Third, we must further enhance our environmental performance. This is another area in which new technology can help. We must provide our products in cleaner forms. Meanwhile, we must overcome the environmental challenges associated with unconventional production. And finally, we must use our technology and other abilities to help develop alternative energy and address greenhouse gas emissions. All of these efforts will be essential to improving public acceptance of our industry, our production and our products. They will also help attract potential employees.

Fourth, we will need to make enormous capital investments in the years ahead in order to meet future demand. Despite the current downturn, we must continue our traditional willingness to undertake major development projects, while mitigating risks. The corollary is that government must also adapt to the market's realities. Its role is providing fiscal stability and sanctity of contracts. Both are essential to ensuring a favorable investment climate.

Fifth, within our industry, we need broader attitudes toward cooperation. Tomorrow's projects will entail extremely high levels of financial and physical scale, and technical complexity. The overall demands are often too vast for any one player. We must combine our strengths in new models of cooperation, and in new forms of joint ventures and participation. These should go beyond investment to include utilization of people and knowledge.

And lastly, we face the challenge of helping the public adapt to the market's realities. All of us here recognize that fossil fuels will still supply 80% or more of world energy even in 2030. We realize that they will be needed as bridging fuels for decades to come. We know too that there are no fast, easy or inexpensive replacements. And that the alternatives will pose their own environmental challenges. But the public views fossil fuels as stumbling blocks on the path to alternative energy. We must address these misperceptions by educating society.

In conclusion, once again, if we are to be seen as providers of solutions, we must take these six steps:

- Enhance our ingenuity,
- Develop new technology,

- Improve our environmental performance,
- Commit our capital,
- Form new models of cooperation,
- And engage with the public.

The market is changing, and it requires us to adapt in order to ensure our sustainability, as well as that of petroleum.

Thank you.

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