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Conference Services

**OSCE Special Expert Meeting on Assessing the OSCE's Future
Contribution to International Energy Security Co-operation**

Vilnius, 13 – 14 September 2010

Session III

Ensuring the necessary conditions for the development of the energy sector

Presentation by Ms. Karin Kneissl, Energy Expert, Webster University Vienna

Who runs energy-policy: Governments or Companies?

By Dr. Karin Kneissl/Webster University
Vienna/Austria.
www.kkneissl.com

“The oil business is too important to leave it to the oil people”

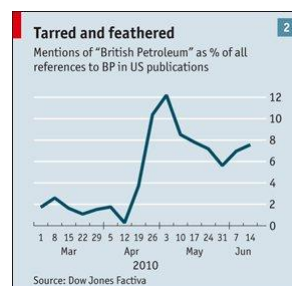
- Who controls whom? Both in world of state companies and shareholder oil companies
- Who sets out the main criteria?
- Interested parties: the military, the investment banks (future contracts)
- Which political and legal framework?
- Which institutionalization of national/European energy politics?
- In most EU-MS: highly fragmented
- 90% of known oil and gas reserves controlled by NOC (National Oil Companies)
- IOC (International Oil Companies) go offshore
- The growing role of the corporate business

A global phenomenon: ambiguous relations between the corporate and politics - a brief selection

- USA 1974 : Kissinger: oil is a strategic topic – DOE. Tradition of swaps between White House and head offices of oil companies
 - Gulf of Mexico oil spill: helpless gvt in need of technology for cleanup.
 - Harsh criticism of Pres. Obama: “The collapse in BP’s share price suggests that he (Pres. Obama) has convinced the markets that he is an American version of Vladimir Putin, willing to harry firms into doing his bidding. “ The Economist, July 17th., 2010
- RF: Gazprom considered as prolonged arm of Kremlin. But does it differ from other countries’ division of labour in energy-matters?
- France: “pantoufler” betw. Government offices and Total.
- Germany: interesting bras-de-fer betw. Gvt and energy companies: nuclear plans
- Austria: for Nabucco: OMV longs for Kurdish natural gas, gvt. claims to remain committed to Iraqi territorial integrity.
- PRC: the companies propose to Development and Reform Commission where to drill

When the company is linked to the nation behind

- Case of BP: Beyond Petroleum or still British Petroleum?
- ENI: Italian gvt and Libya – when all kind of politics are intertwined
- Russian monopoly on gas for Europeans?
- Chinese-US rivalry on the African continent



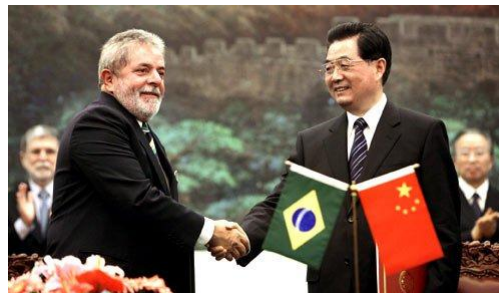
Relations between NOC and IOC

- From powerful club of “Seven Sisters” to status of client: the role of IOCs
- Technology leaders?
- NOC and the accusation of “commodity diplomacy”
- Issue of upstream investments in NOCs
- Competing for “physical access to fields”



AP april 2004

Energy alliances are more stable than catholic marriages. (Z.Yamani)

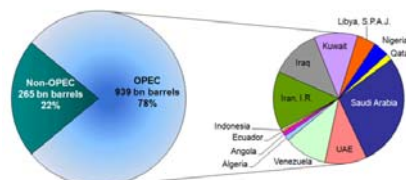


Working for a multipolar order....

Their oil, not ours. That's the key to understanding the role that IOCs can play in the global game that is 21st Century Oil
 OPED by Paolo Scaroni, CEO ENI. WSJ Febr. 19th, 2010

- “NOCs are sitting on 90% of global oil reserves, while all the IOCs put together only hold 10%. That means Exxon, the largest IOC, is in fact ranked only 21st globally as measured by reserves.
- Secondly, companies like Saudi Aramco of Saudi Arabia, Brazil's Petrobras and Malaysia's Petronas now have the internal expertise required to develop much of the oil in their home countries without the help of the IOCs.
- And finally, some national oil companies now have the skill to go global. Some, like Petrobras, Petronas and Russia's Gazprom, are expanding from a strong domestic presence. Others, like Chinese oil and gas companies CNPC, Sinopec and CNOOC, were conceived to compete for resources abroad.”

OPEC Share of World Crude Oil Reserves (2007)



Conclusion

- First, industry should understand that government is not by nature an adversary.
 - Effective government regulators are business partners providing oversight. But instead of cooperation, industry offers lobbyists.
 - We see revolving doors between Wall Street, Companies and Governments.
 - Corruption of the relationship between market actor and market regulator.
- Second, we have a complete breakdown in the relationship between public risk and corporate reward.
 - Corporations must assume full responsibility for their errors, in particular, when the costs of those errors are borne not only by their customers and shareholders, but by completely innocent bystanders. See model of airline industry – constant control and internal revision.
- Third, subsidies provoke confusion: see subsidies both for conventional and renewable types of energy.

Legal framework, long-term thinking and planning and professional recruitment are urgently needed in order to establish a true energy-policy.