

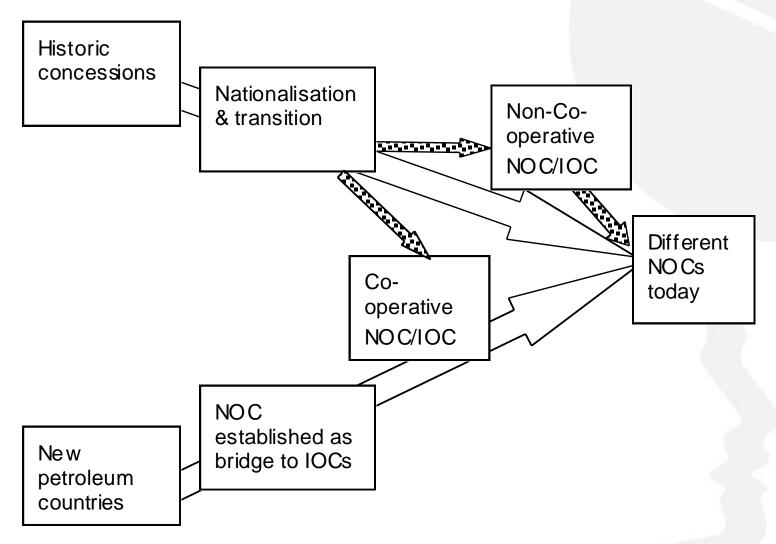
Mapping out the NOC Landscape

Valerie Marcel & Paul Stevens

Chatham House

Setting Up a National Oil Company in Timor Leste Dili, 28-29 May 2009

Different paths





Landscape of NOCs

NOCs change as capacity grows

- Non-operating stake in JVs [NNPC, Libyan NOC]
- Custodian of the sector
- Operator in JV: [ADNOC, Sonangol, Ecopetrol]
- Monopoly operator: Saudi Aramco, KPC, NIOC, Pemex, Pdvsa
- Integrated operator (own marketing, refining, transport): Saudi Aramco, KPC, PDVSA, Pemex, Sonatrach, Petronas
- Internationalization: non-operating stake in JV: Sonatrach, KPC, Sonangol
- International operator: Petronas, CNOOC, Petrobras, StatoilHydro
- Partial listing: CNOOC, Petrobras, StatoilHydro, KMG EP



The drivers of the evolution



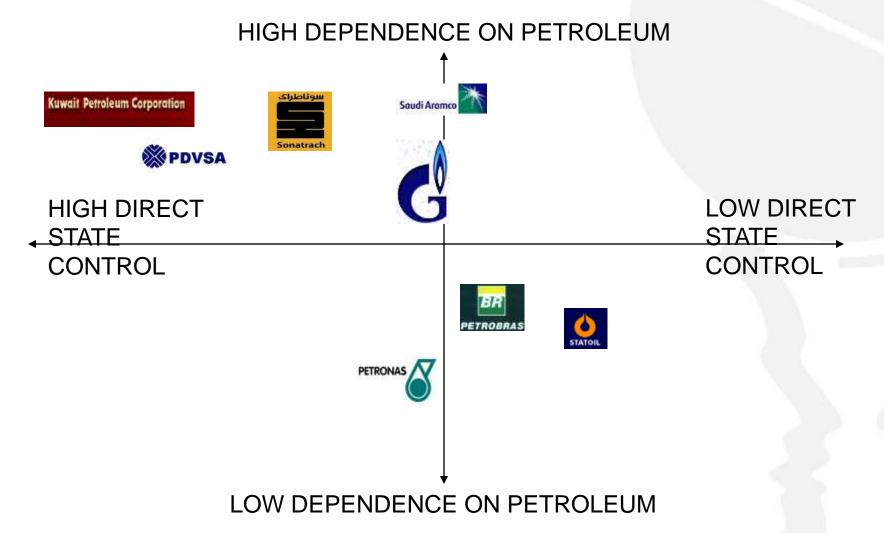


The importance of the national context

NATIONA L CONTEX T	HIGH		LOW
Centralisation of institutional power			
Public trust in state institutions			
Level of economic development			
National prosperity			
De pendence on petroleum			
Pressure of population			
Competence of NOC			
Dominance of ministry of petoleum			
State control of resources			
International obligations (OPEC, WTO)			
Clear & detailed legal framework			
Weight of history			



Different relationships to government





NATIONAL CONTEXT		NOCs		
Mineral Rights	Exclusive	Saudi Aramco/oil, NIOC, Pemex, KPC		
	Shared with IOCs	Sonatrach, NNPC, Sonangol, PDVSA		
Marketability of production	Difficult crudes	KPC, PDVSA		
	Large production	Saudi Aramco		
	Easy crudes	Saudi Aramco, ADNOC, Sonangol		
Reserves	Large	ADNOC, NIOC, Saudi Aramco, KPC		
	Small or declining	Petrobras, Statoil, Sonatrach, Petronas		





Good governance of the national petroleum sector

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Setting Up a National Oil Company in Timor Leste Dili, 28-29 May 2009

Principles of good governance

1	Clarity of goals, roles and responsibilities
2	Sustainable development for the benefit of future generations
3	Enablement to carry out the role assigned
4	Accountability of decision-making and performance
5	Transparency and accuracy of information



The roles of the principle actors

	Governance Functions				
Actors	Policy	Regulation	Strategy	Operations	
People/Society/ Parliament State/			•		
Investor/ Operator					

	= executive authority		
= proposals & approvals			
	= input & feedback		



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Defining the NOC mission

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How do you define the NOC's mission?

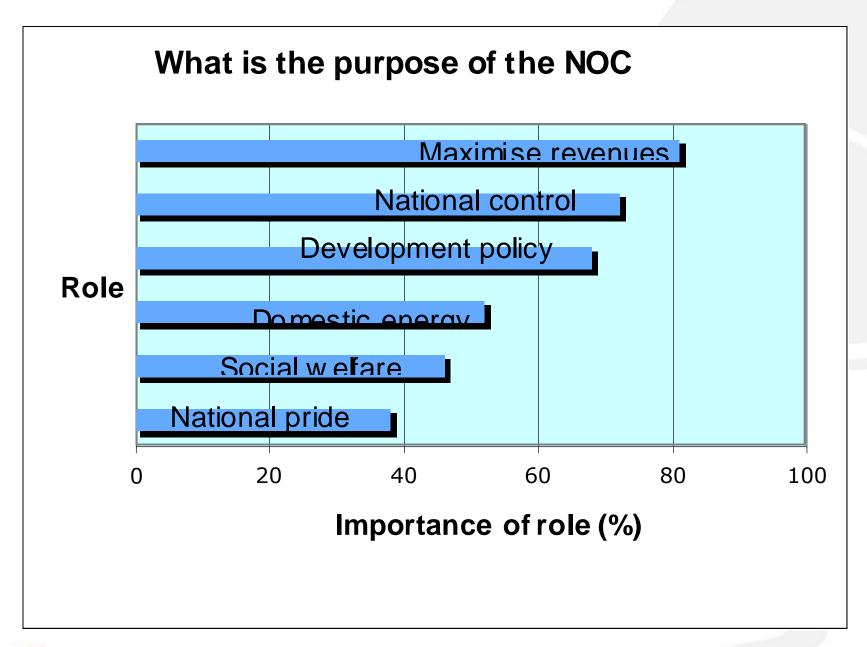
Do you want a **narrow** or **wide** mission?

narrow

- Explore and produce hydrocarbons
- Optimise development of resources
- Behave commercially
- Maximise oil rent
- HSE standards
- Supply world markets
- Supply domestic market (at socially acceptable prices)
- Acquire technology
- Employment and training for nationals
- Promote national economy and favour local companies
- Develop infrastructure

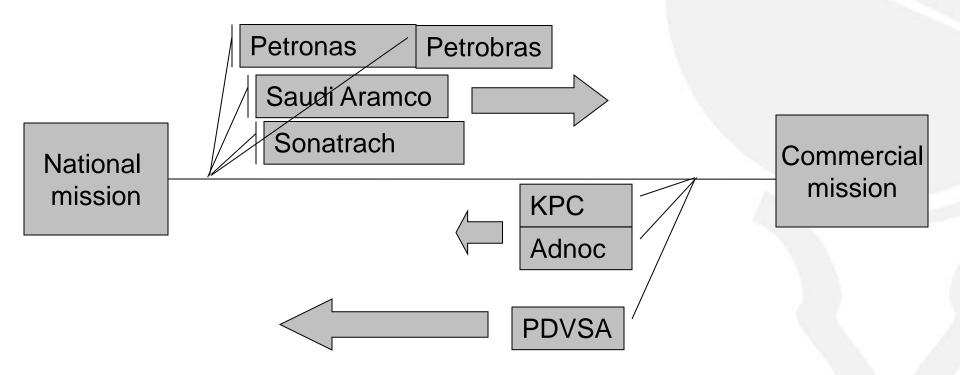


wide





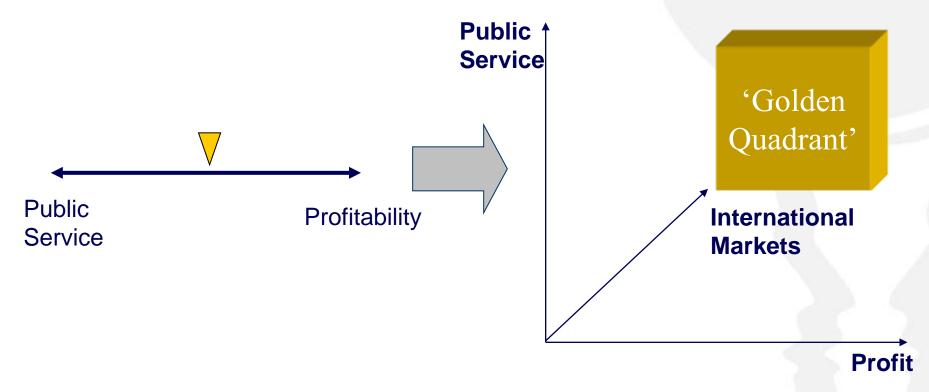
Examples of changing NOC missions





Saudi Aramco's view

A balancing act between public service, profitability and (for OPEC) international market obligations







Financial freedom

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Dili, 28-29 May 2009

Fiscal processes

Seeking a fiscal structure that increases efficiency and rent transfer AND provides capital for investment

- A) Formulas for state control:
- NOC must request funds

Issues: - reduces NOC productivity, initiative

- investment capital sacrificed to state's short-term needs
- B) Formulas for NOC budgetary autonomy:
- NOC retains a share of profits (eg, after royalties, taxes and dividends)

Issue: - Possible rent absorption



Does the NOC retain earnings?

System with government control

System with NOC autonomy

