

**Third OPEC International Seminar on “OPEC in a new energy era: Challenges and Opportunities”,  
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KEYNOTE ADDRESS BY MINISTER MURLI DEORA

ON

“PETROLEUM AND  
SUSTAINABLE DEVELOPMENT”

Mr Chairman, Excellencies, Distinguished guests, Ladies and Gentlemen.

2. It is a pleasure to be in this beautiful city of Vienna in autumn and an honor to participate in this OPEC Seminar whose agenda is of profound importance to our well-being.

3. At the turn of the new century, we are witnessing several changes signaling the dawn of a new era in the global hydrocarbon economy. The rise of Central Asia, Latin America and Africa as the new axis of production is one such important change. Asia, accounting for two-thirds of the incremental global demand, is another development which is defining the new era. An upward shift in the oil cost curve driven largely by incremental production, coming from geologically complex and technologically challenging regions, is yet another characteristic. The emergence of Natural Gas as the preferred fuel and a world-wide thrust on non-conventional energy sources to secure sustainable development are the other defining features of the times to come.

4. Amidst these changes sweeping the global hydrocarbon economy, OPEC has remained rock-steady contributing significantly to the growth and stability of the oil market. The Middle East countries supply about 70% of Asia's oil consumption. Asia accounts for about 65% of total exports from the Middle East. In the emerging oil world order where the Asian economic growth is widely acknowledged to play a pivotal role, there are major opportunities for OPEC. Forging partnerships in developing knowledge base in Asia for optimum exploitation of hydrocarbons, for expansion and modernization of refineries, for augmenting regional oil and gas transportation infrastructure and exchange of information, are examples of such new opportunities for OPEC. We are confident that OPEC will utilize these opportunities for betterment of the global economy.

5. OPEC is expected to have an equally challenging role in ensuring stability and sustainability of the global oil market. Prolonged market volatility and high oil prices can jeopardize the global initiatives for sustainable development. As is well known, India strongly supports the idea of greater inter-dependence, of cross investments in energy markets to promote the shared interests of the energy producers and consumers.

6. Historically, India has a very close and cordial relationship with the OPEC countries and we look forward to OPEC's valuable support in strengthening India's oil security. Over the last few decades our relationship has grown not just in terms of energy flows, but also in terms of labor, trade, and investment. We see these ties strengthening over the longer term.

7. The role of oil in shaping the socio – economic history of the 20<sup>th</sup> century is well documented. Energy in general, and petroleum in particular, continues to be the prime driver behind global progress. But it has its major costs, environmental pollution and ecological imbalance being the most noticeable. Thus, development to be sustainable over a longer period has to meet social and environmental needs of human life, in addition to its economic needs.

8. The global movement for sustainable development and efforts at national and international levels led to the 1992 Rio Earth Summit in which the UN member countries broadened their focus from environmental pollution to human poverty.

9. The Millennium Development Goals or the MDGs marked a watershed in our approach to sustainable development. These set parameters and targets for eradication of poverty, promotion of gender equality, provision of basic amenities to the vulnerable groups so as to ensure sustainable environment. The challenge before us then is to reverse the trends of expanding international inequalities and shrinking assistance programmes.

10. Energy is key to development. It shapes the socio-economic quality of human life. Energy in the form of electricity and cooking fuel contributes to the basic human needs of lighting, warmth and nutrition. Yet worldwide, an estimated 2.4 billion people comprising half of all households and 90% of rural households do not have adequate access to commercial energy resources<sup>1</sup>. Without scaling up the availability of affordable and sustainable energy, not only will the MDGs(Millennium Development Goals) not be achieved, but by 2030 another 1.4 billion people will risk being left without modern energy services.

11. Hydrocarbon fuels now constitute 60 % of the total world commercial energy supply and are likely to maintain their pre-eminent position in the foreseeable future. Thus, a sustainable energy supply, particularly of petroleum, remains at the core of the sustainable development debate.

12. The UN-Energy has observed that the current availability of energy services fail to meet the needs of the poor. “This situation entrenches poverty, constrains the delivery of social services, limits opportunities for women, and erodes environmental sustainability at the local, national and global level”. Thus by scaling up the availability of affordable and sustainable energy services, there is a greater chance of achieving the Millennium Development Goals or MDGs. Energy services have a multiplier effect on health, education, transport, safe water, and sanitation. Such availability enhances the productivity of income-generating activities in agriculture, industry and tertiary sectors.

13. India is fully committed to bringing about all-round prosperity and happiness for a billion Indians through multi pronged strategies outlined in the Common Minimum Programme (CMP) of the United Progressive Alliance (UPA) Government. The targets and measures being pursued by the Government are in line with those of the MDGs, signifying India’s unwavering commitment to sustainable development.

14. The Indian economy has now been growing at around 8% per annum. We all know that there is a clear link between a high human development index and per capita energy consumption. India’s per capita energy consumption is just one fifth of the world average. India still has a high dependence on traditional energy sources in rural areas. Moreover, one fifth of India’s population has no access to electricity.

15. Providing energy at affordable prices to our people is crucial to achieving India’s development objectives and has become the stated goal of our government. We are committed to consolidating growth and reducing disparities which are holding our economy back from achieving its full potential. However, there are formidable challenges to overcome.

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<sup>1</sup> Report of the Commission on Sustainable Development, Economic and Social Council, United nations, May 2006.

16. Poverty reduction remains the greatest challenge of our development efforts. There has been a significant decline in the percentage people below poverty line, from over 51 per cent in 1977-78 to about 26 per cent in 1999-2000. Yet, there are large variations in the incidence of poverty among the States and the rural-urban divide. The Government is working towards reduction of poverty levels by 15 percentage points by 2012.

17. We recognize that the process of economic growth should be broad-based and more inclusive and caring for the people getting marginalized in the development process. In pursuing this approach, the Government is implementing a number of schemes for providing wage - earning employment, credit, housing to the rural poor, and for providing basic services such as primary health, primary education, drinking water, sanitation, roads and electrification in the rural areas.

18. The high growth trajectory that India plans to achieve has to be underwritten by commensurate energy availability. India's dependence on import of oil and gas renders economic progress more vulnerable to international oil market turmoil. Therefore, we attach high priority to effective management of oil security issues.

19. India has put in place a multi-pronged strategy to secure energy for its people at affordable cost and ensure continued development. This strategy includes accelerated exploration of our domestic basins, a conducive policy framework for inviting more foreign investment in exploration and production of hydrocarbons domestically, encouraging acquisition of equity oil and gas abroad by our companies and providing greater focus on energy efficiency and fuel conservation measures. Another notable initiative has been to convert the entire public transport fleet in our cities, including Delhi and Mumbai, to compressed natural gas. Additionally, auto LPG has been introduced in some large cities. These have not only made public transportation less expensive but have also led to better environment and reduced pollution.

20. As a major sugar cane producing country on the global arena, we are encouraging blending of ethanol in gasoline in India. Ethanol is a renewable alternative fuel which is environmentally benign and has the potential to put more disposable income in the hands of the farming community. Yesterday, when our Prime Minister was in Brazil, an agreement was signed for expanding use of ethanol and for promoting the market of this energy source.

21. It is widely perceived that one of the reasons for high oil prices is demand explosion in India. The reality is that demand growth in India during the last five years was merely 2.7% per annum. In fact during the last financial year, the demand growth was less than 1% which is less than global demand growth rate. Further, India accounts for 17% of world population but contributes only 4.2% in total world greenhouse gas emissions. Yet, India is taking all possible steps to reduce energy intensity and improve environment standards at considerable cost.

22. Oil security is not just oil supply security. Even with a secure oil supply source, a developing country may not be in a position to procure adequate oil unless the price is affordable. Oil prices have soared from an average price of 12 dollar per barrel in 1998 to around 70 dollars per barrel last month. So, price stability has become an important constituent of oil security. Given the vital role of energy prices in the economic and social well being of the common man, it is imperative that we are able to provide oil at affordable prices and this is becoming increasingly difficult given the present oil price scenario.

23. In order to shield the growing economy and the people from the adverse impact of oil price hike, the Indian Government and the national oil companies are absorbing over 85% of the difference between the cost of imports and domestic oil prices. The life-line fuels for the bulk of the population, namely domestic LPG and Kerosene supplied through the Public Distribution System, remain heavily subsidized to ensure their availability to the most vulnerable sections of the population. This subsidy puts a strain on social sector outlays, which are crucial to eradication of poverty. Unless corrective measures are taken immediately, such financial hemorrhage in oil importing developing countries can retard their plans for sustainable development.

24. We believe that the imperative of sustainable development requires greater global energy security in which OPEC has a seminal role to play. Working together, consumer and producer governments can meet common challenges. The need of the hour is to develop a consensus based approach that not only optimizes use of energy, looks at cleaner technology but also ensures that developing nations have access to it in line with the MDGs. The aim should be to create a model that does not impede progress but enhances it while ensuring energy security and energy efficiency.

25. We cannot, as responsible global citizens, avoid the issue of link between petroleum use, carbon emissions and climate change. The world has now moved beyond economic interdependence to ecological interdependence.

26. The Third Assessment Report (TAR) of the Inter Governmental Panel for Climate Change(IPCC) came to the conclusion that: “The impacts of climate change will fall disproportionately upon developing countries and the poor persons within all countries, and thereby exacerbate inequities in health status and access to adequate food, clean water and other resources.” In this context, it is imperative that the OPEC Fund for International Development uses its resources to deepen its engagement with the Least Developed Countries (LDCs) and the other oil importing developing countries to invest in energy efficient technologies and in renewable energy sources.

27. It is a fact that most oil producing countries fight a similar cause – underdevelopment. It is imperative to use the oil revenues to promote development. This is the critical integration of sustainable development and petroleum.

28. I thank you, particularly the OPEC President, for inviting me to participate. I am sure, deliberations and conclusions arrived at in this meeting will lead our search to a durable strategy for ensuring stability of petroleum markets in the world which can pave the way for sustainable development globally.

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