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**Contributions of Petroleum to Sustainable Development:
The View of an International Oil Company**

Third OPEC International Seminar

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**David J. O'Reilly
Chairman and CEO
Chevron Corp.**

Mr Chairman, Excellencies, Ladies and Gentlemen, I'm delighted to join you today, and I want to thank OPEC for the opportunity to speak at this seminar.

This event has become an important venue to exchange ideas. I want to congratulate OPEC President Daukoru for another successful seminar. Collaborative thinking between producing and consuming countries and between IOCs and NOCs is more important than ever.

We have been asked to address the subject of "Petroleum and Sustainable Development."

In a world that is becoming more connected and interdependent than ever before, sustainable development is not an option. It's an imperative.

The contributions of petroleum to sustainable development would be a compelling topic at any point in time. But it's particularly relevant in this time of dramatic change in the world's energy industry.

Growing demand and increasingly complex operating environments are making the delivery of reliable, affordable energy one of the biggest challenges of today.

At the same time, regions of the world where energy resources are concentrated are often most in need of sustained economic development.

Our industry has a responsibility to foster sustained development, and to do so in ways that provide energy efficiently as well as contributing to economic and human progress.

This is a steep challenge in a world where the population is growing and the gap between rich and poor is wide.

The UN recently estimated that the poorest 40 per cent of the world population – the 2.5 billion people who live on less than \$2 a day – account for five percent of global income, while the richest 10 per cent account for 54 percent.¹

This is not a sustainable equation.

The world's growing population will expect a range of energy-related products, whether it is a simple gas burner . . . a light switch . . . a computer . . . a refrigerator . . . or a car.

They will also expect something more intangible but critically important . . . opportunity. Opportunity for education. Opportunity for employment. Opportunity to start a business. Opportunity for a better life.

Our industry can and does play a role in providing this kind of opportunity by building economic and social value in the communities where we operate.

Let me discuss 5 elements of a model for sustainable development.

¹ UN Development Programme, 2006 Annual Report

The first is business investment. Second, building a local work force. Third, enabling local supply chains. Fourth, investing in the community . . . and fifth, supporting policies that promote economic growth and a stable investment environment.

Let me talk a little bit about each.

First, the basis of any sustainable business or economy is investment. Sustained growth requires investment in current operations as well as future opportunities. And, propelled in part by soaring demand and constrained supplies, our industry is making enormous investments.

New investment by the five major international oil companies alone surpassed \$70 billion in 2005, an increase of nearly 20 percent over the previous year.² Double-digit increases in capital and exploratory spending in 2006 and 2007 are likely.

These investments are being made along the entire oil and gas value chain – exploration and production, refining and transportation. This investment is a tremendous platform to stimulate broader economic growth wherever we do business.

Second, this investment must be leveraged into the creation of a trained and skilled workforce.

Leveraging core investment to create jobs in local markets has a powerful multiplier effect throughout the local economy, as well as providing companies with a committed workforce.

In Nigeria, Chevron Nigeria Limited provides about 2000³ jobs locally and 90 percent of these jobs are held by Nigerians.⁴

In Indonesia, Chevron employs over 7000 people. The vast majority of our workforces are nationals from Indonesia. This is also true in Kazakhstan, Saudi Arabia and indeed throughout our international operations.

Third, investment by IOCs can be strategically directed toward the development of local supply chains, which expands job opportunities and stimulates the local economy.

In the Republic of Kazakhstan, for example, where Chevron has stakes in the country's two largest producing oil fields, we've partnered with the government to increase the use of goods and services supplied by Kazakh companies.

² Ernst & Young, Investment and Other Uses of Cash Flow by the Oil Industry, February 2006

³ Chevron's Second Quarter 2006 Employee Staffing Report, including all Employment Categories (full-time, seasonal, co-op, summer and part-time employees) lists an employee count of 1996 people working in Nigeria during Q2 2006.

⁴ Chevron Corporate Responsibility Report 2005, page 16.

Tengizchevroil, our joint venture operating the Tengiz oil field, spent \$800⁵ million for Kazakh goods and service in 2005. This was well above our target of \$570 million and demonstrates the ability of the local marketplace to respond to the stimulation of investment.

The fourth component for sustained development is community investment – or community engagement.

At the center of our community engagement programs is capacity-building – that is, making investments to strengthen the basic building blocks of a prosperous society. Those building blocks include education and training, job creation and health care – all of the things that contribute to a healthy society, and a healthy business environment.

For example, an alliance between Chevron and the Discovery Channel Global Education Partnership helped establish learning centers in Angola, Venezuela and South Africa that are using technology and teacher training to expose students to a world beyond their own.⁶

Capacity-building protects and leverages the value of a core business investment.

All of these things together – robust business investment, local jobs and local content, and community development – are fundamental components of sustainable economic growth.

But the economic needs in many of the countries where we operate are far too large for a single company or industry to address.

Sustainable development also requires a fifth component -- the right set of policies to encourage energy investment as well as broader investment across the full economic and social spectrum. This is primarily the role of government. The greatest national resource of producing countries is not the oil: it is the people.

We're seeing an encouraging trend toward more cross-border investment. For example, Saudi Arabia has taken major strides to open its economy to much greater trade and investment.

The United Arab Emirates has embarked upon economic diversification by reinvesting oil and gas revenues to build up sustainable economic sectors such as tourism and financial services.

Qatar has opened up its energy sector to significant foreign investment in its natural gas resources, and is using those revenues to invest in infrastructure, education and health care.

Libya has opened up its oil and gas sector to outside investment, which can help create a platform for broader economic development for that country.

⁵ EBU

⁶ Chevron Corporate Responsibility Report 2005, Supplementary Materials.

So there's a lot of good going on. There are, however, also risks to stable fiscal and regulatory systems needed to attract investment. Recently there has been a trend both in the developed and developing world to revise terms. It is natural that governments seek greater share of the economic pie in good times.

However, it is very important that changes be carefully considered in the light of increasing costs, more sophisticated technology and the inevitability of a cyclical down turn in prices at some time in the future. Stable, predictable and reasonable terms are needed to ensure that investment continues to flow.

Let me sum up: as an industry, then, we are uniquely and powerfully positioned to deliver what millions of people worldwide long for -- investment . . . jobs. . . a stable environment . . . healthy communities . . . and a vibrant economy.

I am an optimist. I believe that the petroleum industry can help millions of people realize a more healthy, environmentally sound and prosperous life.

But that cannot happen unless there is responsible and accountable leadership from everyone in the energy value chain – producing countries, consuming countries, national and international companies, policy makers and communities.

This leadership must be rooted in action, not words. It is only through accountable, responsible leadership that the economic benefits of the energy we discover and produce will flow to all stakeholders.

Working together, we can all help build a sustainable future for many millions of people – a future in which all of us can be proud.
Thank you.

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