

OPEC

A Champion of Stability in Uncertain Times

Celebrating its 50th anniversary this year, OPEC looks at the achievements of the past and the challenges of the future.



The world was a very different place when representatives of a small group of developing countries sat down together in Baghdad in 1960 to form the Organization of Petroleum Exporting Countries (OPEC).

Western interests controlled how much oil was extracted from producing countries and also decided how much was sold, and to whom. There have been a lot of changes in half a century.

Today, as the world tentatively recovers from the worst recession in decades, energy security and sustainability top global agendas, and OPEC's current Secretary General Abdalla Salem El-Badri is facing a very different, if similarly challenging, outlook.

If El-Badri needs any encouragement in the years ahead, he need only look to OPEC's remarkable past. "This milestone is an extraordinary accomplishment and epitomizes the will, determination, and lasting success of an organization that has worked tirelessly towards protecting the sovereign interests of its member countries in securing a steady income for their peoples, as well as ensuring efficient and regular supplies of petroleum to the consumers at prices that are fair and acceptable," he says.

As the global economy gradually recovers from recession, OPEC has predicted a rise in oil demand growth of around 950,000 barrels per day (bpd) this year. "We are seeing a global economic recovery. But what is uncertain is the pace of this recovery," explained El-Badri.

OPEC's 12 members—Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela—have some of the fastest-growing economies in the world. But the events of recent years have taken their toll.

In recent times, it is essential we do not forget the price extremes that were witnessed only a short time ago.

"The price swings in oil markets saw days when the price of crude oil fluctuated by as much as U.S.\$16 a barrel. This cannot be justified by fundamentals.

"It was obvious and clear that it was speculative activity, as the regulatory



Abdalla Salem El-Badri, Secretary-General, OPEC

"OPEC has gained the maturity, respect, and responsibility that comes with age." Abdalla Salem El-Badri, SG, OPEC

Speaking at the 12th International Energy Forum Ministerial Meeting, in Cancun, Mexico in March, El-Badri said: "It is my hope that the large price swings and the extreme volatility that we have witnessed in 2008 and 2009 are consigned to the past.

"These types of events are detrimental to both producers and consumers. While markets have been more stable

proposals and measures under way in financial markets today suggest."

Today's increased global economic interdependence and the pressing need to maintain oil prices at reasonable and sustainable levels mean OPEC is faced with a new set of challenges as it steers a path towards lasting market stability and plentiful and affordable oil—not least the security of supply and demand.



**Sheikh Ahmad
Abdullah
Al-Ahmed Al-Sabah
Minister of Oil
Kuwait**

Demand for oil and gas will increase markedly in coming years and OPEC's member countries will be called upon to meet the lion's share of incremental oil demand in the next 25 years, when

global energy use is expected to expand by some 50%. This will require huge levels of investment to make sure the oil is readily available when required.

El-Badri is confident OPEC members will continue to grow together. "Now approaching 50, OPEC has gained the maturity, respect, and responsibility that comes with age.

"OPEC stands as a unified and well-meaning organization that has at its heart the interests of all the stakeholders in the oil industry. It has gleaned extensive experience of petroleum issues and has an acute awareness of the realities and sensitivities of performing on the world stage."

Working Together

Volatile markets and high oil prices have caused more than half of OPEC members to boost their output outside the OPEC-recommended targets, which has led to an oversupply.

For Sheikh Ahmad Abdullah Al-Ahmed Al-Sabah, Kuwait's Minister of Oil, the only way to safeguard future production, prices, and supply is for OPEC to encourage higher compliance rates.

"Kuwait is an active member of OPEC and we do comply with quotas. The compliance rate is around 50%, which partly affects the price. Currently, other factors are contributing to the effect, such as the Greek debt crisis, and the potential spill over to other countries, such as Spain and Portugal. OPEC needs to elevate compliance levels—which used to stand at 75%—as this would contribute to it working better."

With an economy that is 95% dependent on oil revenues, the Middle-

Eastern kingdom pumps around 2.2 million bpd, with a growing amount being shipped to China and India.

"Growth levels are very high in Asia, so the price of oil is more favorable there than in Europe or the U.S. We are talking about a difference of U.S.\$4 a barrel," Sheikh Ahmad Abdullah Al-Ahmed Al-Sabah continues.

"We have joint ventures, such as a 300,000 bpd refinery in China and a 200,000 bpd funnel capacity in a petrochemical complex, as well as several downstream projects with China and Vietnam. There has been an increase in demand for Kuwaiti oil, and these types of joint ventures are a good way to secure markets in this part of the world."

The Kuwaiti government has signed a five-year deal with Shell for gas exploration, and it has anticipated that several international oil companies (IOCs) will follow suit:

"Previously, [IOCs] thought it was hopeless to consider opportunities in Kuwait, but this deal has opened new doors," the oil minister says. "There is great potential to concentrate on heavy oil. We need to work in that area, as there will be a spill-over effect from the oil industry to other sectors of the economy."

Support For All

Ecuador, which, with an output of 500,000 bpd, is OPEC's smallest oil producer, rejoined the organization after a 15-year break in 2007 and participates as a full member. In an uncertain climate, membership of OPEC provides security for the country's oil industry.

Rear admiral Luis Jaramillo Arias, executive president of state petroleum company Petroecuador, says: "Being a member of OPEC gives us the guarantee of their support during a crisis. If we did not have OPEC's support, we could not sell our oil, or we would get low prices and be the lone ranger in a stormy sea.

"Membership in OPEC allows us to have a series of opportunities, so all these giants who participate in the industry will hold our hand and help us."

Jaramillo Arias, who came to the post in 2008, recounts how a long period of

under-investment threatened to render Ecuador a non-oil producing country by 2015, but that now, resources are forecast to last to 2035.

"When I started working here, Petroecuador had just two drilling towers, but in a short amount of time, we have nine towers and drilled 58 wells, increasing oil production from 152,000 bpd to 186,000," he notes proudly. "We have broken the paradigm of mediocrity and taken the steps required—and given the government what it has never had before.

"We requested OPEC's help in providing consultation services, and they did not let us down. They are proposing alternatives to alleviate the world crisis and are committed to helping every member country improve its conditions. We are privileged to be part of this organization, which is characterized by its firm, credible, and transparent approach."



Petroecuador is moving towards
an international projection

NIGERIA

Unlocking the Potential of a World-Class Economy

An OPEC member since 1971, Nigeria, the 10th largest oil producer in the world and the most prolific in sub-Saharan Africa, is still growing.

Celebrating 50 years of independence this year and a new president in Goodluck Jonathan, Nigeria is embarking on a new and exciting chapter in its history as it works toward an increased global reach.

The African continent's most populous country, with 152 million citizens, Nigeria boasts plentiful hydrocarbon resources that are the mainstay of its economy. The oil sector accounts for more than 95% of foreign exchange earnings and 85% of government revenues. A renewed commitment to good governance, electoral reform, and the fight against corruption will be pursued "with greater vigor" by Jonathan, who has also pledged to secure the unstable Niger Delta region, which pumps out two million bpd, as a priority.

All of this is good news for international oil companies and local partners who are already benefiting from oil and gas reforms introduced over recent years. With around 40 billion barrels of proven reserves, and the capacity to produce around 2.7 million barrels of oil per day, there are excellent opportunities for joint ventures in oil, gas, and other energy-related sectors, to reap the rewards in a changing industry.

Energy Players Celebrate Success

Incorporated in 2007, B&V Energy Offshore Services Ltd. is a Nigerian success story. Run by managing director Gliffeth Wonuigwe, the dynamic firm has partnered with *Fortune* 500 giant Black & Veatch to provide world-class oil and gas services in Nigeria.

Providing comprehensive consulting, engineering, and construction/commissioning services to the offshore/onshore oil and gas industry, B&V has carried out thousands of projects in the Middle East, the Asia Pacific region, Southern Europe, and the North Sea. It combines experienced staff with state-of-the-art tools and processes to solve technical and commercial problems and improve its clients' business. B&V's extensive client list includes all the major multinational operators, national oil companies, and regional smaller independent operators.

"Investors need to find a local partner with integrity," Wonuigwe says. "We know that the best way to deal with foreign clients is to understand them and support them through the whole process."

Meanwhile, the Nigerian insurance sector has come a long way in recent years, as people become more risk aware. Since it was deregulated, the sector has grown, but one company founded a unique underwriting niche in energy insurance and has never looked back.

International Energy Insurance plc (IEI) was formed in 2003 and is primarily a financial services group. Originally the Nigeria Exchange Insurance Company Limited, established in 1969, IEI decided to focus its core business on energy insurance, and in a short amount of time has grown exponentially to become the most trusted name in the market in Nigeria, providing solutions in onshore and offshore risk and general insurance.

Demonstrating innovation and an aggressive business development approach, IEI is backed by a consortium of local and foreign reinsurers together with technical partners

POWERFUL BUSINESS

B&V Energy Offshore Services Ltd. combines the best engineering talent, world-class processes and cutting-edge technology expertise to lead in the development of high-quality products and services to provide engineering, procurement, and construction management services to Nigeria's wide range of oil, gas and petrochemical industries.



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Marsh U.K. and AON Corporation, one of the world's biggest global reinsurance brokers. "We cover about 90% of the oil and gas market, and in recent years have built competence by converting engineers and others within the field into underwriters," says chairman Pat Sule Nduka Ugboma.

"Although IEI is young, we have been able to determine the core competences necessary for success. We understand the business environment and evaluate the risk in each individual project. We are supported by our group structure. All this is what differentiates us from the competition."

Entrepreneur Jacques Roomans arrived in Nigeria in 1968 as the country representative of a large British insurance company. After a short time, he set up his own insurance brokerage company, with the name of Roomans, Eneli & Flynn, which has become a hugely successful commercial insurance broker.

In the late 'Seventies, Roomans bought a landing craft from a large French contractor which he promptly chartered to Shell which, at that time, was exploring and developing its many oil and gas discoveries in the Delta region. This is how the Sea Trucks Group was established in Nigeria. Over the years that followed, Sea Trucks became—and continues to be—the biggest vessel operator in the Niger Delta.

In the mid-'Nineties, Sea Trucks Group entered the offshore market as it started to build an anchor handling tug supply fleet, which today comprises approximately 25 vessels operating

along the West Africa coast.

Building on the success of this small vessel fleet, in 2002, Sea Trucks Group created the conceptual design for a very large and uniquely equipped pipelay and construction vessel *Jascon 5*. The vessel was the first to combine the capability of a large crane and rigid pipe-laying capacity, both required in the high volume markets for oilfield construction at continental shelf water depth, along with the dynamic positioning systems and large

"We are busy expanding the foundations of our business."

Jacques Roomans, Owner & CEO, Sea Trucks Group

open deck areas required to support similar work in the strongly emerging deepwater oilfield construction market. It was a unique move, resulting in the development of a new building vessel program for seven DP3 offshore construction vessels, with a total capital investment of U.S.\$1.6 billion.

"We are creating not only an entirely new fleet of vessels to support the oilfield construction market worldwide, but a fleet which offers a completely new combination of capacity and flexibility," Roomans says. "The response from our customers to date has been even better than expected, with almost full utilization of every vessel delivered."



Delivering the Difference



www.seatrucksgroup.com



Adekunle Ajala
MD, SPOG
Petrochemicals Ltd.

“Of course, to complement our capital investment, we are concentrating equally on building up our project management and engineering capacity, and on the task of taking our company to the various new world markets where our vessels are in demand, so we are as busy expanding the foundations of our business as we are in delivering the new fleet.”

These are busy times indeed for the Sea Trucks Group, and if Jacques Roomans’ record of growth and achievement is maintained, Sea Trucks Group looks set to be a company to watch closely in the coming years.

Solutions For All Aspects

Specializing in innovative solutions for the downstream sub-sector of Nigeria’s oil and gas industry, SPOG Petrochemicals Ltd. is a well-capitalized energy and derivatives company enjoying huge success in the energy sector.

Founded in October 2005, SPOG has quickly established itself as a leading provider of integrated commercial activities, as it takes advantage of the investment opportunities generated by the deregulation and liberalization of the sector.

Industry analysts have identified Nigeria as a major source of petrochemicals and related products. This potential has

prompted government ministers to target the sector for privatization, as they look to improve efficiencies and add value to the nation’s oil and gas output. Having compiled a team of highly dedicated professionals and invested huge sums in state-of-the-art technology and facilities, SPOG is exploiting the many opportunities that exist throughout the downstream market.

Among the company’s wide range of integrated commercial activities are the supply of automotive gas, oil, low-pour fuel oil, dual-purpose kerosene, and petroleum motor spirit. SPOG also handles product delivery, storage, and stock management, and offers energy consultancy services.

SPOG is led by an experienced businessman, Adekunle Ajala, who has enjoyed many years of success in a range of industries and countries. As managing director, Ajala has overall responsibility for SPOG’s strategic business model and is entrusted with ensuring the petrochemicals supplier continues to grow and improve to meet the needs of its clients.

“SPOG aspires to be the reference point for the sector,” he says. “The downstream oil and gas sector in Nigeria has many fragmented attributes, which means it is difficult for the government to bring in policies that can be shaped to address basic issues affecting the industry.”

Ajala, a member of the United Kingdom’s Institute of Directors and the Royal Economic Society, says that to protect against market volatility and price shocks, SPOG is spending



more money on facilities and equipment. "We are investing more heavily in infrastructure such as tank farms, tanker trailers, vessel tankers, and petrol stations in order to mitigate against price shocks and increase our value to stakeholders," he explains. "We've bought 20 new tanker trailers and have acquired various areas of land on which we will build gas stations with the sole objective of establishing a unique and sustainable brand to our numerous customers in strategic locations across Nigeria.

"We have also acquired 90,000 sq. meters of land in the Lekki Free Trade Zone that will be used to store all types of petroleum products. It should be completed by 2012."

SPOG is also committed to developing its most important asset: its workforce. "We believe in the three Ps—people, partnership, and performance," Ajala says. "This is why we are investing in our staff through initiatives like our in-house training program, and why we regularly invite experts and consultants to our offices to share the latest developments."

Ajala is convinced this forward-thinking and proactive approach has won SPOG many plaudits as well as a wave of new orders. "We have a good standing with all our stakeholders—customers, banks, staff, industry, and government. Our ranking in the market can be assessed from the patronage we receive from each of these quarters."

The Ikoyi-based firm is focused on extending its reach across

the country. "We have a presence all over Nigeria and have started placing retail outlets in Lagos, Ibadan, and Ilorin," Ajala adds. "We are about to move to Abuja and Kano and plan on achieving a sizeable number of outlets by the end of 2010."

With such a successful track record and an ambitious expansion plan amid fierce competition, Ajala sees a bright future for SPOG and the gas and oil sector as a whole, although he concedes that massive government spending on infrastructure is needed if the industry is to achieve all its goals.

"We have already overtaken a number of our competitors."

Adekunle Ajala, MD, SPOG

"There are many service providers in our industry, but we have begun well and have already overtaken a number of our competitors," Ajala says. "The storage facility and retail outlets are at the hub of our downstream marketing. These two essentially relate to the two ends of the chain between the suppliers and the consumers.

"We are tempted to diversify into every sector of downstream marketing, but believe that what is worth doing is worth doing exceedingly well. Therefore, we will continue to take our time and go step-by-step."

Downstream . Down to earth

Over the years, SPOG Petrochemicals has emerged a formidable player pioneering innovative thinking in the **downstream** sector of the Nigerian Oil & Gas, aspiring to be the reference point in the industry. We cover every facet of the downstream market from energy consultancy to procurement, storage, marketing and through to distribution of energy products. We invest constantly not only in energy solutions, but also building strong brands that deliver unique values to our stakeholders, partners and customers alike, both locally and globally. Driven by our most valuable asset - People, we create possibilities through Partnerships and deliver outstanding Performance that comes naturally. **Down to earth!**

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The energy to care

Stonebridge: Leading By Example

The oil and shipping firm represents a new generation of local businesses that is helping Nigeria achieve greater credibility in world markets.

Specializing in petrol tanker chartering for the transportation of clean and dirty refined petrol product cargoes, Lagos-based Stonebridge Maritime Services Ltd., part of Stonebridge Holdings Ltd., is one of a new generation of indigenous companies injecting greater transparency and corporate governance in Nigeria's oil and gas sector.

Leading by example, the oil and shipping giant is prepared to open its books to any potential investors, with a view to gaining investor confidence—something Samuel Owa, managing director, knows a lot about. A former investment banker specializing in oil, gas, and shipping, Owa undertook a course at a maritime school overseas to understand more about the specifics of the sector.

"Shipping is not like other businesses in Nigeria, because what you do requires meeting international standards. I went to London to equip myself for the business of shipping, and was able to create a very strong network for myself within the international industry," he says.

After establishing the company, Owa went into partnership with Val Shipping and Oil. "I started the business by getting vessels on lease from different companies and along the line, encountered some teething problems with engineering aspects and getting the right crew," he says. "I was introduced to Val Shipping and Oil, which has an office in Lagos, and through them we were able to acquire our first vessels. We have been growing ever since."

A Strong Ambition

As well as petrol product transportation, the company provides ship-to-ship transfer, tugboat and mooring, vessel bunkering, and marine and technical services. It hopes to become "the leading tanker chartering and vessel brokerage company in West Africa by providing in-class, internationally acceptable coastal petroleum tankers to the West African downstream petroleum industry."

Stonebridge is positioning itself to move to the next level of service, which will allow it to provide technical assistance. As Owa says: "We want to be one of the companies that will lift Nigerian crude oil because—and this is one of the things the Indigenous Shipowners Association of Nigeria (ISAN) has been fighting for—it is being lifted by foreign companies, with no

local participation. ISAN has established a company whereby, because of the volume of capital involved, the ship owners have come together to buy new, larger-sized vessels.

"We are moving into that direction so that by the time we are called upon, we won't be found wanting. We are not just looking at Nigeria, but beyond," he says.

The oil and gas arm of Stonebridge deals with bulk purchase, and serves multinationals such as Total. Once again, the forward-thinking Owa has a strategy. "We are moving toward acquiring our own storage facility, a tank farm, within the next 24 months, as this will put us in good stead when the industry is deregulated. At a future date, we would also like to have our own refinery because Nigeria expends a lot of money buying these products and it is just a waste to the nation.

"Our legal system is stronger because that's what investors need."

Samuel Owa, MD, Stonebridge Holdings Ltd.

"It will surprise many to learn that after the deregulation, most multinationals will go into refining because it is highly capital intensive, but the issue is this: As it is now, most companies are not willing to build refineries because as businessmen, they know they have to make a guaranteed return on investment."

Demonstrating his unwavering ambition once again, Owa divulges where he would like Stonebridge to be in five years' time. "Today, we are strong in oil and shipping, but in time, we want to be strong in the gas industry," he says.

He is equally optimistic about the new Nigeria. "The government has taken steps to ensure the Niger Delta issue is settled, and our oil capacity is going to increase now," he says. "Democracy is here to stay and our legal systems are stronger and of higher integrity because that is what investors need.

"We want serious-minded people who will move at our speed. Nigeria has changed and the atmosphere for investment has definitely improved. We are now generating approximately 4,000MW of electricity; this is of prime significance and a huge step forward. Nigeria is a large country and, with our people, our resources, and our land, we have the potential to become a great country."



Maritime Services

- Tanker Chartering and Brokerage
- Ship Management
- STS Coordination
- Tug Boat and Towage
- Barge Operations
- Sales and Purchase of vessels

Innovation driven by Expertise



Oil Services

- Importation of Oil Products
- Product Sales and Delivery to Oil Majors
- Storage Facility
- Mid Stream Delivery
- Offshore Services

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Suncraft offers the best in naval vessel engineering

With a 'nothing is impossible' philosophy, Suncraft International pushes the boundaries of technology, performance, and customer support.

As a leader in its field, Suncraft International prides itself on being one of the most versatile and innovative producers of hi-tech, small-to-medium sized naval vessels in the world. Dedicated to supporting the industry, Suncraft creates real added value for customers.

In an industry where excellence is a requisite and not just a goal, Suncraft has always succeeded in meeting the rigorous demands of its clients, thanks to its team of highly committed and professional personnel. The company actively seeks out collaborations with leading organizations in various industries so its clients can fully benefit from the incorporation of the highest quality equipment on their marine platforms.

Suncraft is proud to offer a line of naval vessels that meets the surging demand in evolving maritime environments, including hostile threats and piracy.

Ideal for multipurpose naval operations, the Suncraft range of naval vessels has been generally designed to reach speeds in excess of 30 knots, with superior maneuverability, shallower draft restriction, increased stability, and better handling in adverse water conditions.

Award-Winning Technology

Suncraft offers clients a wide array of tactical communication equipment to be integrated on the marine platforms.

The company's state-of-the-art marine platforms also come equipped with various grades of armaments, surveillance and autonomous tracking systems, depending on specific mission requirements.

Ballistic protection and blast resistant systems are also available to clients who prefer to have them implemented at various levels within the vessel.

Suncraft utilizes the Arrow System Design (ASD), an innovative breakthrough in hull shape design used on the company's flagship Manta and Piranha vessels. Named "best technological innovation in all industrial fields" by Italy's University of Udine, the hull shape greatly reduces the limitations faced by high-speed boats. Boats engineered with this award-winning design have reached speeds of 86 knots (100 mph).

To help ensure client satisfaction, Suncraft is committed to offering timely and responsive support throughout the operational life of all its products. This service includes:

Advice/Consultation: Expert counsel on operational needs and requirements to help identify the best system mix in fulfilling the preferred operational concepts of clients.

Feasibility Studies: Suncraft applies military standards to derive highly accurate predictions on the reliability and maintainability for its clients' chosen platform and system mix. Lifecycle Cost Analysis will also be performed to ensure consistent relevancy.

System Integration and Testing: The firm's technical support services will ensure a hassle-free onboard systems setup.

Maintenance Planning: Suncraft develops all anticipated maintenance requirements for its products, its repairable assemblies and STE in advance. It will also train personnel to do the required maintenance tasks and establish maintenance levels for achieving, restoring, and maintaining operational capability of the system.

Supply Support Analysis: Suncraft provides clients with detailed and comprehensive listings of all anticipated spares, repair parts, consumables and raw material needs to support the product throughout its intended life cycle.

Boats engineered with the award-winning Arrow System Design reach speeds of 100 mph.

Training and Training Support: Systematic training will be developed for clients, ensuring operators and base personnel have the technical know-how needed to maintain and modify the system throughout its lifecycle.

Maintenance and Repair Services: To enhance operational reliability and ensure the prolonged lifespan of all its products, Suncraft offers clients value added overhaul and repair services throughout the warranty period. Excellent post-warranty services are available to all clients at affordable prices.

Logistics Support: Although ensuring clients are fully trained to conduct various levels of maintenance by themselves, Suncraft also strives in tandem to provide valuable interim product logistics support in the initial phases to ensure a smooth transition.



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