



Mapping out the NOC Landscape

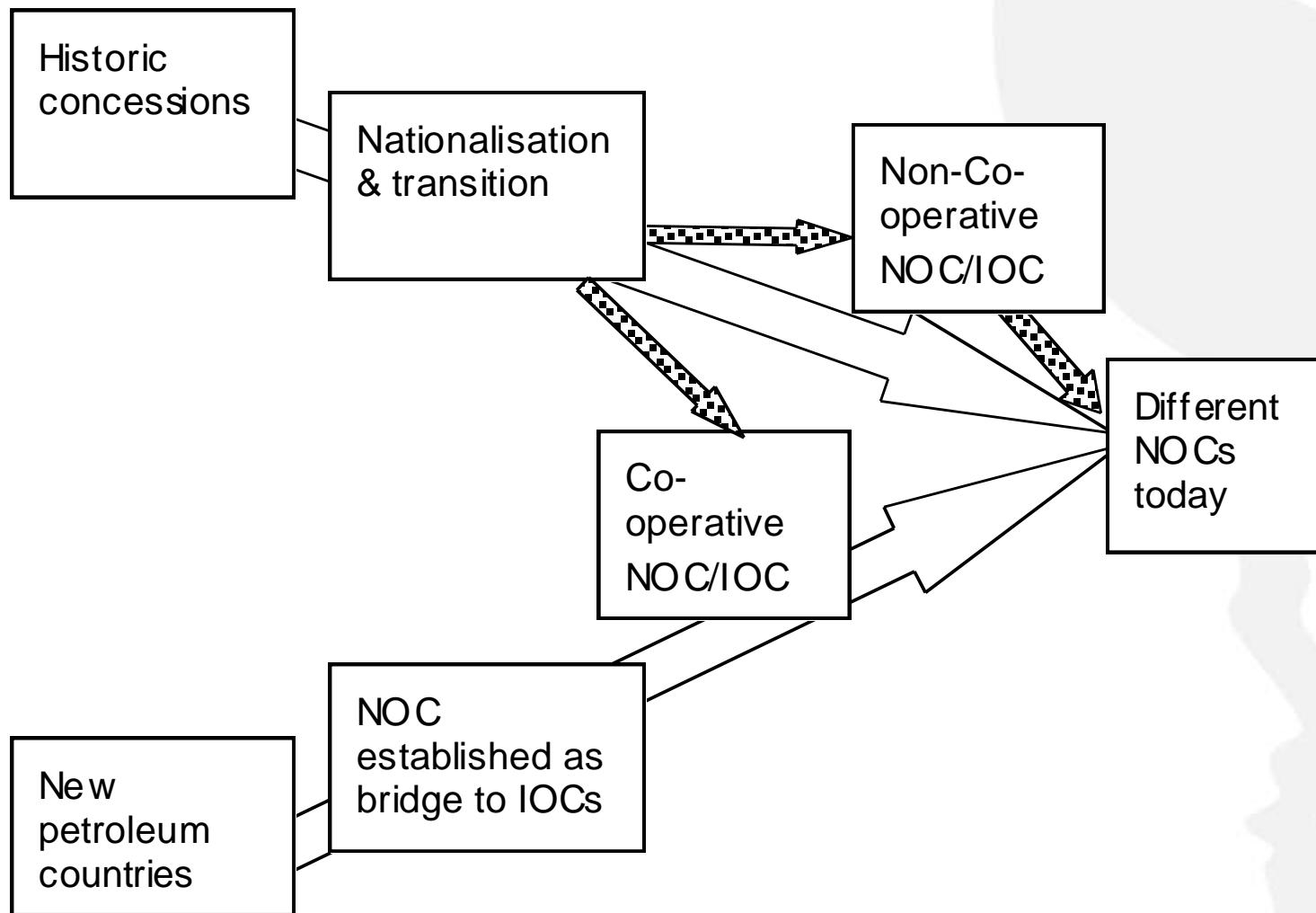
Valerie Marcel & Paul Stevens

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

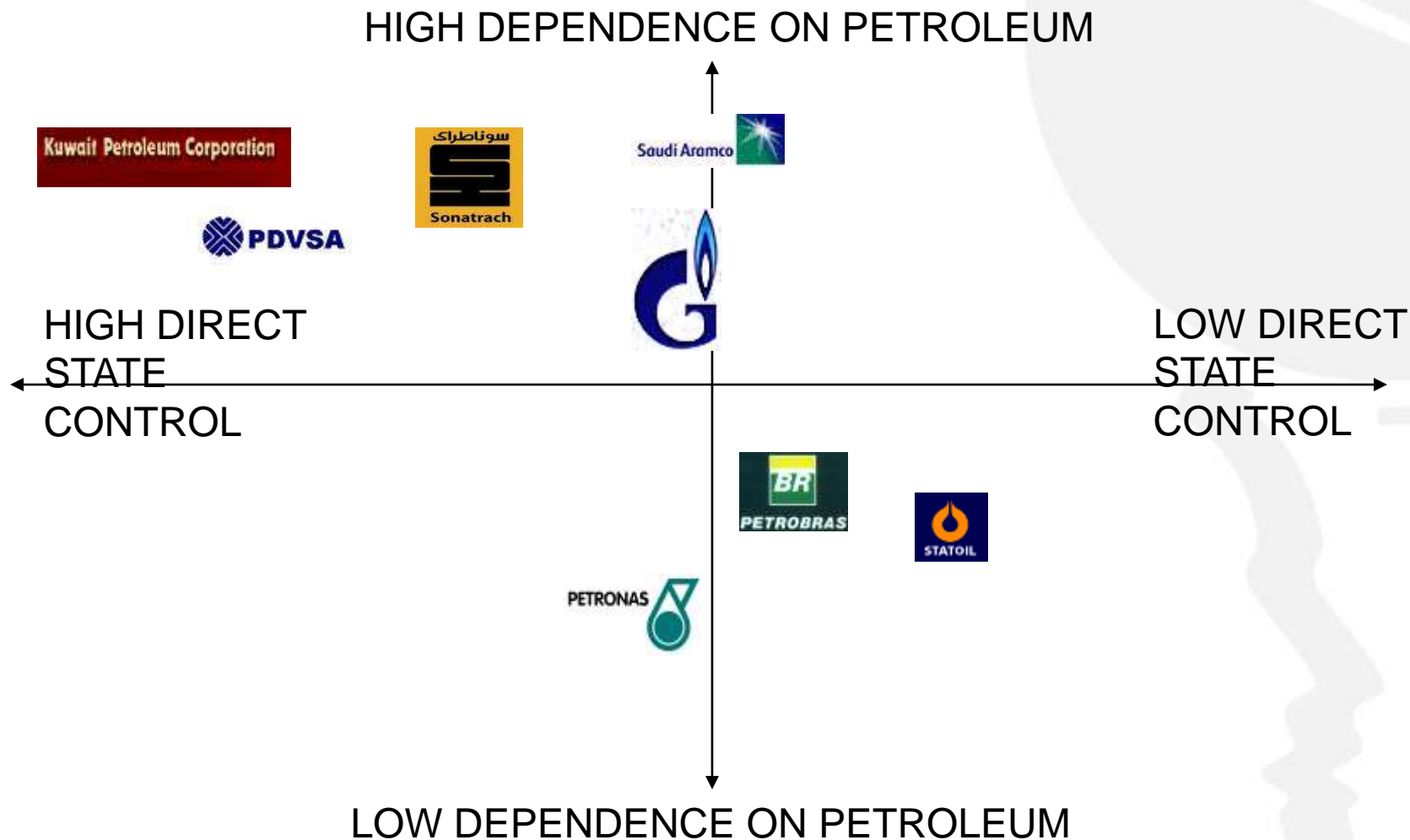
The drivers of the evolution



The importance of the national context

NATIONAL CONTEXT	HIGH				LOW
Centralisation of institutional power					
Public trust in state institutions					
Level of economic development					
National prosperity					
Dependence on petroleum					
Pressure of population					
Competence of NOC					
Dominance of ministry of petroleum					
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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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/ Government  Investor/ Operator				
	----->	----->	----->	----->
	----->	----->	----->	----->
	----->	----->	----->	----->

----->	= executive authority
----->	= proposals & approvals
----->	= input & feedback

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Defining the NOC mission

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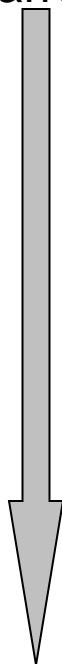
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How do you define the NOC's mission?

Do you want a narrow or wide mission?

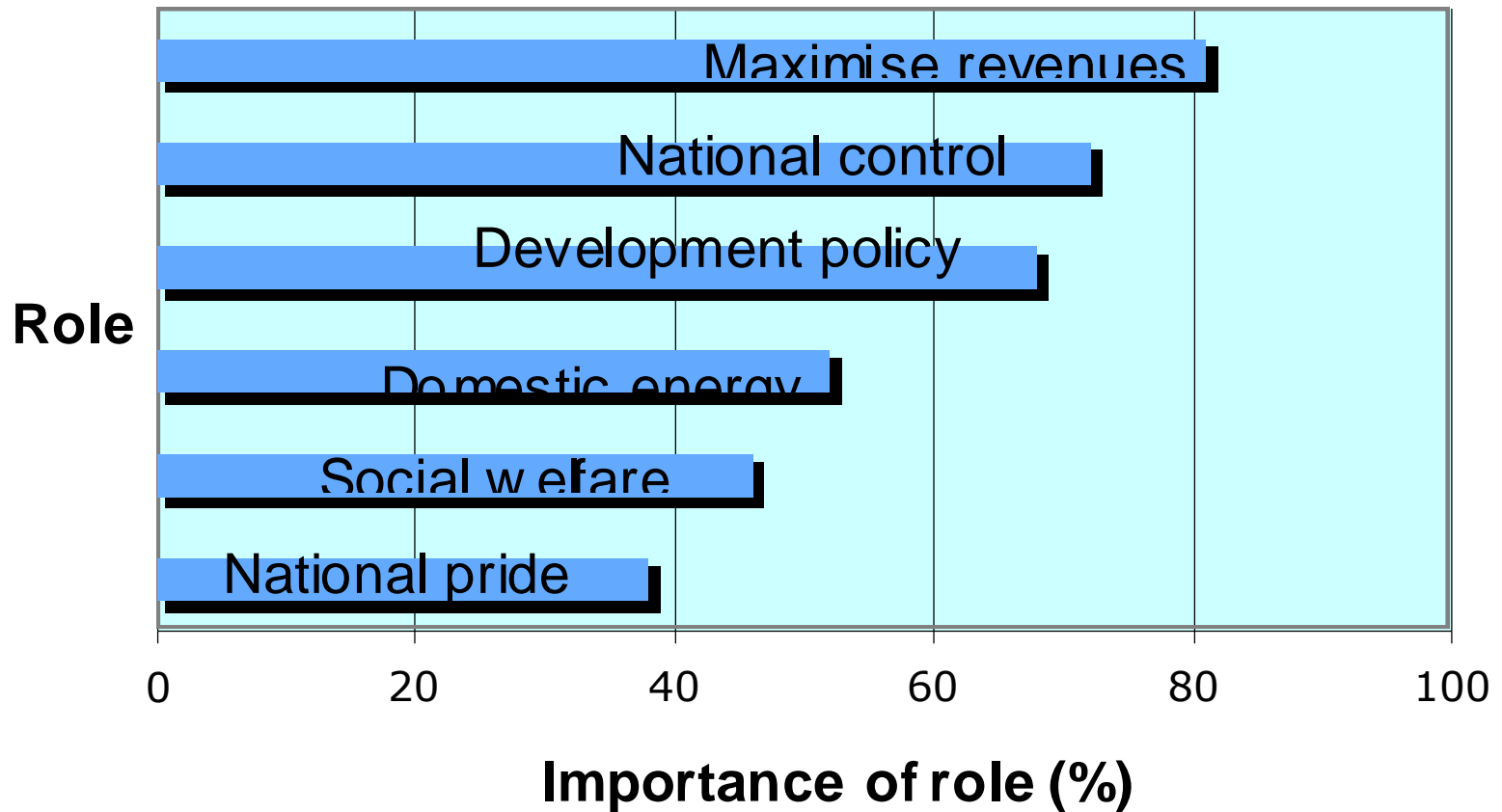
narrow



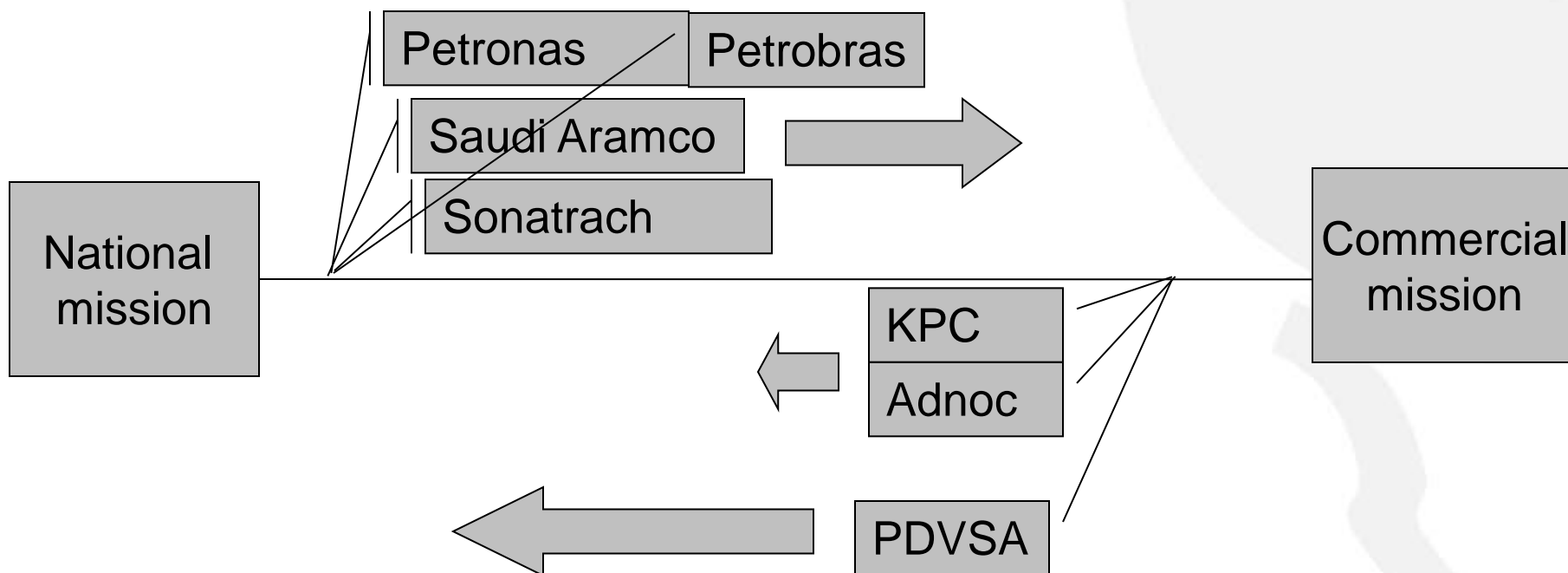
wide

- 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

What is the purpose of the NOC

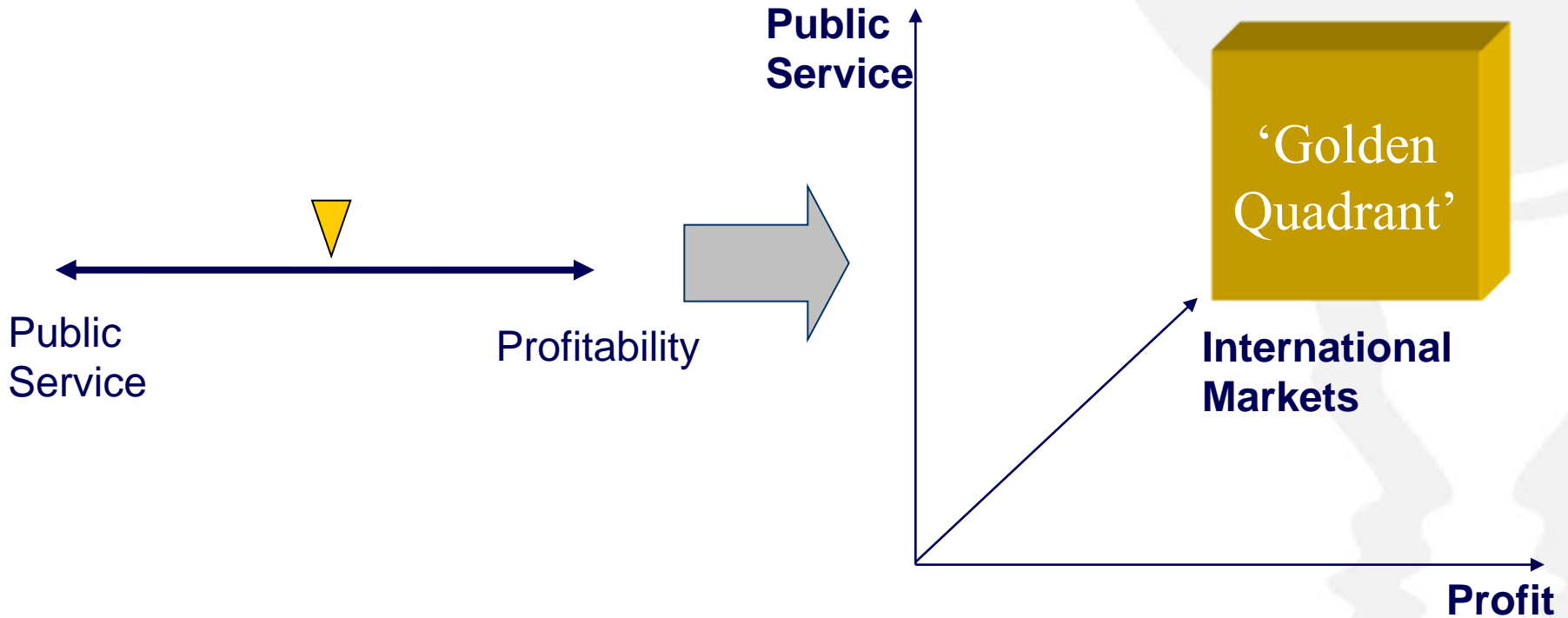


Examples of changing NOC missions



Saudi Aramco's view

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





Financial freedom

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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

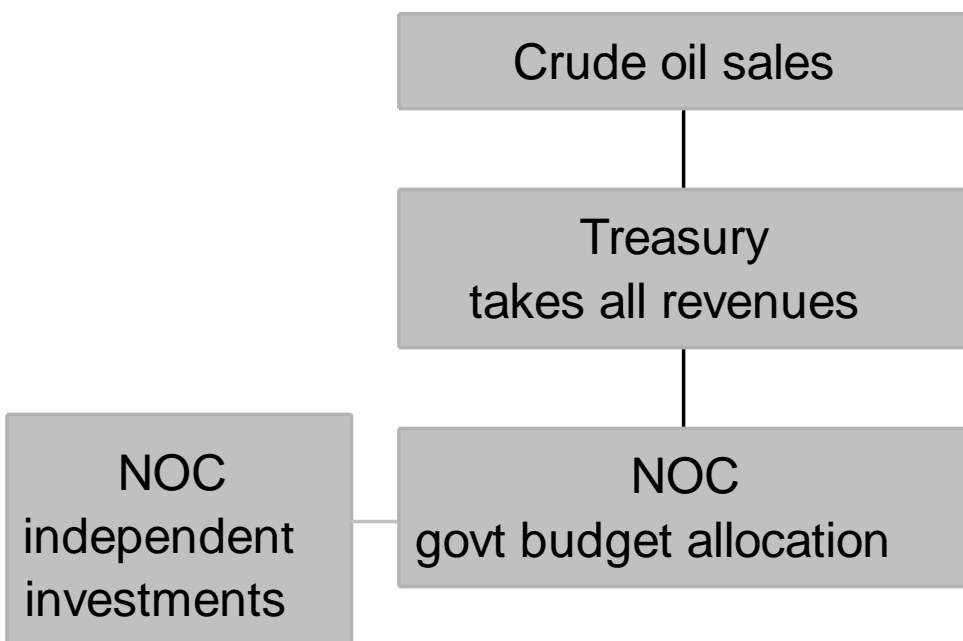
B) Formulas for NOC budgetary autonomy:

- 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

