

Shale gas is U.S. energy "game changer" says BP CEO

Reuters

DAVOS, Switzerland (Reuters) - New technologies to extract gas from shale rock have altered the U.S. energy outlook for the next 100 years, Tony Hayward, chief executive of BP, said on Thursday.

Energy chiefs speaking at the World Economic Forum differed about the prospects for future oil supplies -- with Iraq placed to account for up to 10 percent of that -- but agreed new "unconventional gas" would be a huge fillip.

Unconventional gas includes natural gas extracted from shale and methane reserves in coal mines, which together are set to play a huge role in satisfying rising global energy demand.

"(It's) a complete game-changer in the U.S. It probably transforms the U.S. energy outlook for the next 100 years," said Hayward.

Peter Voser, chief executive of Royal Dutch Shell, said such new reserves were "global and necessary."

IRAQ OIL

BP's Hayward also expected Iraq to play a major role in filling energy demand.

"We are cautiously optimistic about the potential that Iraq can play in providing a new source of supply to global oil markets," he said.

"The reality is, absent any unforeseen political events ... the resources there are relatively easy to bring on-stream and there is no reason to believe that Iraq can't be producing 10 million barrels per day by 2020 or so."

That would require massive investment, however, Voser cautioned.

"According to official estimates, we will need \$27 trillion to get to the point Tony described," he said. "This money needs to be earned ... Iraq can bring some stability (to markets) but it needs to be developed and the money needs to be earned, so we can actually finance these \$27 trillion over the next 20 years."

Thierry Desmarest, chief executive of French group Total, agreed Iraq would play a key role but he too said investments in the country needed to deliver an adequate return.

"We have seen a lot of excitement in the industry on these projects. We are a bit

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less enthusiastic -- our priority is to bring returns to shareholders in line with their expectations," Desmarest said.

Hayward told Reuters he expected oil to trade within a range of \$60 to \$80 per barrel through the remainder of 2010.

"I think that OPEC have done a very good job in balancing the market -- demand for oil has fallen 2 million barrels per day since 2007, they've taken around 3 million bpd off the market, they've brought supply and demand back into balance," he said.

Hayward felt that long-term declining oil product demand in developed countries would be offset by emerging economies.

"None of us will sell more gasoline than we sold in 2007 (to developed markets). That's, however, being offset by very strong ... markets of the East and particularly China (where) last year 13 million cars were sold."

(Writing by Gerard Wynn, Editing by Mike Peacock)

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