



## The Challenge of a New Global Competitive Environment

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### Abstract

For the past 20 years the numbers of giant discoveries (> 500 MMboe) have declined and discovery size has decreased while demand has continued to rise. While giant discoveries in the last 5 years have been in Kazakhstan and the Middle East, recent successes in India, China and Myanmar may refocus activity to the Far East.

International Oil companies (IOC's) are encountering new challenges for acquiring these reserves in a more competitive global energy sector. Chinese and Indian National Oil companies (NOC's) are effectively competing with IOC's for access to resources outside their borders because of their need to meet growing energy demand. In addition to their acreage in the Far East, these NOC's have substantial acreage positions throughout Africa and are moving to Latin America. Far East NOC's have displaced IOC's in bid rounds in Libya by bidding higher State production take, uneconomic to IOC's, and in deep water Nigeria by including substantial downstream developments as part of their bids.

With current high prices and tightening fiscal regimes, giant discoveries may be ultimately less attractive in countries with onerous fiscal terms, as well as nationalistic and anti industry sentiments than substantially smaller fields in industry friendly regimes. For example, the new economic limits of 100 MMBO for deep water prospects in India and 20 MMBO for onshore prospects in Colombia and Peru may help refocus IOC's interest in countries with lower above ground risk.