Major can bring to a host country and creating new opportunities.

What are these new stakes? Respecting our environment is not new but its importance today and tomorrow is even greater than before. Carbon dioxide management may well become a distinct advantage in the competition for hydrocarbons. Total's efforts in R&D address this issue with our ongoing pilot project in the Southern part of France to capture and store CO_2. For a true sustainable hydrocarbon development process, we have to listen to the NOCs, each with its own drivers and expectations. Some of them have an appetite for international diversification and here the IOCs' experience around the world and exposure to various cultures can be of very high value. Developing together the local refining or petrochemical industries, as Total do for instance in Qatar or in Algeria, creates jobs and value in producing countries and represents a real value in the eyes of many host governments. True sustainable value requires such projects to be also evaluated on their own merits in accordance with usual industrial and commercial criteria. Beyond the oil and gas industry, the contribution to job creation in the local communities is also a criterion that countries can use in evaluating the benefits of partnering with IOCs in developing national resources. Training and development of a company's employees has long been an expectation by the authorities as well as a benefit to the company.

> "the classic paradigm linking resources with the ability to best develop such resources remains a very valid one and will remain so for many more years"

Major IOCs, in addition to continuing and reinforcing their commitment toward this goal, can also expand their role as we do in Total by investing in local scientific institutions or by providing student scholarships abroad. The new programme for Université Total students, Total Summer School, is part of the same process of introducing people to our businesses and brainstorming with young graduates about issues that concern the future both of a company like Total and of society as a whole. Examples of socially responsible behaviour are numerous and the list is too long to be exhaustively reported here.

Obviously, initiatives must target real needs and respect sound global economic criteria. Appropriate competencies must be available and mobilised in or by IOCs to ensure efforts will be efficiently oriented and implemented. A proper balance has to be maintained between the role of private ventures towards the people of the country where they operate and the specific duties of a state vis-à-vis its citizens. Initiatives will have to be individually and globally evaluated and monitored over time, always keeping the proper level of communication and cooperation between all parties involved including local, regional and national authorities.

Our view in Total is that IOCs have to look for a more comprehensive offer than the classic money, technology and management combination in order to negotiate access to new resources. We are building on our historical strengths to develop a global approach to our role in the twenty-first century. Technology and project management remain core values, as have been and continue to be our capability and willingness to dialog with our partners. We collectively share the responsibility of meeting global energy demand. Proper results will be achieved by working together with the confidence gained from reinforced and renewed mutual understanding and respect.

Angola's Entry in OPEC: a win-win move?

Sadek Boussena

Despite (it would appear) advice to the contrary by some of its major oil company partners, Angola has become a member of the Organization of the Petroleum Exporting Countries (OPEC) since the beginning of the year. While Angola (along with other producers) had participated in OPEC meetings as an observer for several years, this announcement nevertheless came as something of a surprise.

Will Angola's entry in OPEC lead to a shift in the balance of forces in world oil? What will be the consequences of this move for the principal players?

Angola has altered the OPEC/non-OPEC Balance of Forces

Angola is not just an ordinary oil producer. In a few short years, it has become one of the largest exporters and one of the stars in the so-called 'non-OPEC' region. With production of 1.5 mb/d and, most importantly, an outlook for a rapid expansion to the 2 mb/d level within one to two years, and an ambitious objective of 3 mb/d before 2010, Angola represented – along with the Former Soviet Union (FSU) countries – the bulk of the potential increase in non-OPEC production.

Since 1 January 2007, the weight of OPEC has therefore increased by 1.5 mb/d while the weight of the non-OPEC producers has fallen by the same amount. It will therefore be necessary to reconsider the manner in which oil statistics are interpreted. A forecast of a 1.3 mb/d increase in non-OPEC production associated with a roughly equivalent increase in world demand implied that the need for additional OPEC production will be virtually zero. Now that Angola is an OPEC Member Country the same demand increase will require an increase in OPEC production.

What are the Advantages for Angola of OPEC Membership?

Angola will probably face a few challenges as a result of its entry into OPEC. However, it apparently seems convinced that choosing this strategic option will prove profitable.

A few disadvantages ...

On the one hand, in geopolitical terms, the United States (even if it has not reacted officially) cannot be pleased with Angola's entry into OPEC, despite the fact that the two countries enjoy good relations. This is all the more the case with the current Bush administration, for which Angola had been an important part of its strategy of reducing the United States addiction to Middle Eastern oil.

On the other hand, in purely oil terms, Angola, as a non-OPEC producer, could up until now produce at full capacity and therefore potentially behave, in the words of economists, as a stowaway or a free rider (benefiting from OPEC actions without having to sacrifice a portion of its production). It will now possibly have to submit to the quota system at some point in the future, in the same manner as the other members of OPEC. Of course, everything will depend on the timing and rigour of the application of such a measure. Nevertheless, this could potentially pose problems, including in connection with the foreign oil companies operating in the country. In this case, why did Angola put itself in such a position? What are the Angolan government's objectives?

... offset by the expected benefits?

The first benefit is certainly, as was explicitly stated by the Angolan minister himself, financial in nature. Angola is seeking to defend the price of what will become its principal source of hard currency for decades, in the same manner as the other members of OPEC.

Additionally, this move has probably been an occasion for the Angolan government, whose position has been strengthened by the comfortable level of oil revenues and the improvement in the domestic political situation, to demonstrate its autonomy vis-à-vis its major oil company partners. Angola has a tradition of militancy, and its current objectives include having the national oil company Sonangol play a very active role in the development of the hydrocarbon sector. The government is also seeking to accelerate the development of the Angolan economy and to boost the country's role in Africa.

The decision to join OPEC also probably involved political motivations, reflecting the expected benefits in terms of prestige that should come from joining an organisation that is considered to have the power to influence the prices of an eminently strategic product. Looking back over the history of the international oil sector, certain producing countries have successfully used their membership in OPEC to their advantage. On the domestic level, OPEC membership is often considered as a sign of international recognition that flatters national pride.

Finally, there is the sentiment of being better protected and carrying more weight when one belongs to a group whose strategic importance is once again being recognised given the expectation that international oil supplies will become tighter in the future. This could improve Angola's bargaining strength and even protection in discussions with foreign governments (above all those interested in exploiting the country's natural resources) and with the other sector heavyweights such as the major international oil companies that pump Angola's oil.

Granted, Angola could potentially face the necessity of reducing its production or at least slowing the rate of its increase. The Angolan government was obliged to evaluate the pros and cons here. Joining OPEC was therefore a thought-out decision.

The Long-term Imperative

It could also be imagined that Angola is seeking to position itself in a longer-term perspective. In effect, even if it possesses highly promising oil acreage (above all in deep water), Angola still has relatively modest reserves (close to 9 billion barrels) compared to the other OPEC members. From this viewpoint, certain observers are expressing surprise at the rhythm at which production is slated to increase (3 mb/d by 2010?) and the very rapid arrival at peak production for such a new entrant on the international oil scene. We cannot rule out, therefore, the possibility that the Angolan authorities will reconsider the best way to manage its reservoirs in case reserves do not increase as expected. In this case, it would be better to be a member of OPEC.

A Good Deal for OPEC?

Current conditions are facilitating Angola's entry. Demand for oil is trending upward, mainly in the emerging economies, and the improvement in member countries' revenues is providing the manoeuvring room needed to give OPEC time and flexibility in its negotiations for the full integration of Angola. For OPEC, Angola has thus become without much ado an additional card to play in order to influence the oil markets.

OPEC has already suspended its quota system for the last two years. The decisions to reduce the production ceilings taken at the end of 2006 were based on the OPEC members' actual production levels. This enabled OPEC to avoid the quota problem in a pragmatic manner. The OPEC members do not appear to be too much preoccupied today by potential market share losses. Consequently, negotiations concerning new quotas (even if scheduled) are not an urgent priority for OPEC. The Organisation's new Secretary General has just reconfirmed this. In addition he stated that Angola will continue to be regarded as a non-OPEC country as regards production in 2007.

One could suppose that internal discussions will continue during this interval in order to resolve the delicate question of whether OPEC will allow Angola to reach the 2 mb/d level before having to come into line with the quota system. However, it can be assumed that, except in the case of a significant deterioration in market conditions requiring cuts in production, OPEC will take its time in resolving the quota question. It could even integrate this issue into the overall discussion of new quotas for all its members.

In any case, OPEC has nothing to lose.