



Cambodian National Petroleum Authority

SUMMING UP / CLOSING REMARK

delivered by

**H.E. TE DUONG TARA,
Director General of CNPA**

**during the International Conference on
Fuelling Poverty Reduction with Oil and Gas Revenues
Comparative Country Experiences
26th – 28th March 2008
Intercontinental Hotel, Phnom Penh
Kingdom of Cambodia**

Phnom Penh, March 28th, 2008

- **Honorable Members of the Cambodian National Assembly and Senate,**
- **Excellencies Ministers, Secretaries of State, Governors and Secretaries General, Directors General, Directors, Senior Officials,**
- **Mr. Hans Peter Christophersen, Senior Adviser Norwegian Agency for Development Cooperation (Norad),**
- **Dear Mr. Jo Scheuer, UNDP Country Director,**
- **Distinguished Guests of Honor,**
- **Distinguished Chairs, Speakers and Panelists**
- **Excellencies, Ladies and Gentlemen,**

Congratulations for the success and fruitful results of the International Conference on Fuelling Poverty Reduction with Oil and Gas Revenues : Comparative country Experiences !

From 26 to 28 March 2008, the Royal Government of Cambodia, in collaboration with the Government of Norway and United Nations Development Programme, hosted an International Conference to compare country experiences in effective hydrocarbon management aimed at achieving economic growth and poverty reduction. The objective of the Conference was to bring together Cambodian policy makers, practitioners and national and international experts with their counterparts from other countries in order to share valuable knowledge

and experiences that will assist Cambodia in the successful development and management of its emerging oil and gas sector.

Over 350 participants attended the conference including officials from the national government as well as provincial governors, representatives from NGOs, Cambodian civil society, local universities, and private sector companies from Cambodia and abroad. Presentations were made during the 2 ½ -day conference by international experts from Europe, Asia and North America, in addition to experienced practitioners from Thailand, Indonesia, Malaysia, Sao Tome and Principe, Uganda, Papua New Guinea, and Mongolia who provided valuable insights into how their governments had approached oil management issues.

The meeting was officially opened by H.E Deputy Prime Minister Sok An, and Chairman of the Cambodian National Petroleum Authority on behalf of **HE. Samdech Aka Moha Sena Padei Techo HUN SEN, the Prime Minister of the Kingdom of Cambodia** who has been occupied with his heavy workload. He noted that the government sees the development of the oil and gas sector as a as a vital step which can contribute to the country's sustained economic growth, by generating government revenues, providing employment opportunities for Cambodians citizens, as well as hopefully providing a more secure energy source for industrial and domestic production. The Norwegian Ambassador to Cambodia, H.E. Merete Fjeld Brattested, highlighted in her opening remarks, the importance that her Government attaches to development cooperation for oil and gas management in light of Norway's own historical experiences beginning in the 1960s. Mr. Arne Walther from the Norwegian Ministry of Foreign Affairs, and Former Secretary-General of the International Energy Forum provided an overview of trends in international oil markets and the growing importance of inter-Asian oil and gas trade. Mr. Jo Scheuer, Country Director for UNDP, highlighted the enormous opportunities facing Cambodia while also cautioning on the challenges in light of country experiences elsewhere.

Overall, an immense amount of valuable knowledge and experiences were shared in fourteen key subject areas critical to the successful development and management of petroleum sectors in various participating countries.

A major achievement of the conference has been the initial setting up of a network of high level experts and practitioners from developed and developing countries that Cambodia can now access in further development and management of its emerging petroleum sector.

Conference Proceedings :

During the course of the 2 ½ days of discussion, the conference participants explored a wide range of topics vital to effective oil and gas management. On the first day, discussion topics included professionally detailed resource assessment methods, legal and contractual issues for negotiating oil and gas contracts, and fiscal models for maximizing resource flows to both government and concerned oil governments. The first day's discussion also included a panel on legal approaches to addressing overlapping jurisdictional claims to hydrocarbon resources, a challenge now confronting Cambodia and Thailand.

During the second day of discussions, the conference turned to an examination of macroeconomic policy and oil revenue management, options for the creation of national oil funds, as well as environmental and social considerations in oil management, including corporate social responsibility. The second day's discussion also examined other issues such as the rationale for establishing national oil companies and other downstream oil and gas operations, and maximizing "local content" to promote the Cambodian private sector. On the third day of the conference, panelists examined different regulatory models that might be applicable in the Cambodian context.

Some Broad Findings and Conclusions:

During the course of the three days of discussion on comparative country experiences, a number of key points and relevant conclusions emerged from the presentations and debate that may assist the Cambodian Government's in the development and management of the emerging hydrocarbon sector. Some of these findings and conclusions included:

- Cambodia has made major strides towards establishing the legal, policy and regulatory framework to manage the oil sector. However, based on other country experiences, clearly there is more to be done and there are also some major institutional capacity limitations that need to be redressed. This includes further improving the processes and capacities for negotiating oil contracts in order to maximize revenues for the country while ensuring a fair rate of return to petroleum companies. Contracts also need to ensure effective environmental and social oversight

of oil operations. There is a need to prioritize among the competing demands for training and capacity building.

- Based on other country experiences, an important policy and management challenge facing the Cambodian Government will be to ensure that eventual petroleum revenues are wisely managed and invested so as to contribute to longer-term equitable and sustainable socio-economic development with stability. As other country experiences have demonstrated, advance planning is needed even before the arrival of the first oil revenues. Oil revenues alone are neither a necessary nor sufficient condition to achieve sustainable and equitable economic development and safeguard the environment.
- As is the case with other newly emerging oil exporting developing countries, Cambodia faces several potential macroeconomic challenges:
 - Ensuring continuous and prudent economic management to avoid major economic distortions caused by petroleum revenues and international oil price fluctuations
 - Making strategic investment decisions in the use of oil revenues that bring sustainable economic and social benefits
 - Encouraging long-term policy and investment decisions that put the wider economy on the path towards successful integration into the globalized economy.
- Conference experts and practitioners compared various country experiences with the flow of petroleum revenues and various options for Petroleum Funds or Natural Resource Funds (NRFs). An ideal flow of funds schematic was considered for oil exporting countries. Well-designed and transparent petroleum funds can play a valuable role within the context of broader public sector finance reform.
- Judging from other country experiences, ensuring that the broader government and public are educated on the various issues is also critical to managing expectations and ensuring successful development of the petroleum sector for the broader well being of the country and people.
- The various panel members and speakers emphasized the importance for governments in emerging oil exporting countries to articulate legislation and policies for the oil sector that clearly define in a rational and efficient manner the respective roles, responsibilities and obligations of various government institutions

as well as private oil company partners. This is key for building long-term mutual respect and confidence between the Government and its international oil partners, and for the Government to achieve the maximum benefit from the country's hydrocarbon resources.

Some Recommendations

The Cambodian and international participants expressed their appreciation to the conference organizers for the opportunity to share their experiences and to learn from each other. There was general consensus on the importance of the continuing the discussions in a way that would lead to concrete recommendations and follow-up actions.

Some immediate follow-up proposals are as follows:

- A more details summary note of key findings and conclusions of the conference will be prepared for the government leadership of Cambodia;
- Conference organizers will also prepare a full conference proceedings with brief reader-friendly executive summary for sharing findings and implications more broadly;
- A website space will be set up where the conference proceedings and all materials of the conference will be easily accessible to all;
- The Cambodian National Petroleum Authority in collaboration with its development partners will set up appropriate mechanism to oversee and conduct a needs assessment to prioritize and rank-order the training and institutional support requirements and further assistances in the most cost-effective manner.
- Along with this, the appropriate mechanism is to map out a strategy to improve Cambodia's legal framework and contracting and negotiating capacities for petroleum sector. Particular attention should be given to the kind of overall petroleum law, if any, is appropriate in the Cambodian context;
- A mechanism to review and ensure that government policies and institutions will effectively encourage pro-poor growth in the non-oil sector and avoid the macro-economic distortions commonly associated with "Dutch Disease".
- A process for developing specific revenue management options in anticipation of eventual oil windfall revenues. Within the Cambodian context, the possible EITI mechanism that fit for Cambodia may consider as the tools of discussions and

exchange of views in order to build the basis of transparency and accountability for oil revenue fund and information related.

- A mechanism to improve the Government environmental and social planning function in the oil and gas sector and other extractive industries, and to include government policies for corporate social responsibility.

Once again, allow me to express our congratulation and sincere admiration to all our partners, the Government of Norway, including Norad, Petrad, NDP and UNDP's Insight for Action Initiative and SNEC whose hard working staff have made their great efforts jointly with CNPA Staff in organizing successfully this important International Conference with productive results and further follow-up actions for a win-win all parties solution.

Finally, on behalf of the CNPA and my own behalf, I would like to extend our sincere thanks and best wishes to all participants, Distinguished Guests of Honor, chairs, speakers, panelists, Excellencies, Ladies and Gentlemen to have good health as well as further successes in your work and business

THANK YOU FOR YOUR KIND ATTENTION