FINANCIAL TIMES

Subscribe

myFT

Subscribe

A new world is possible. Let's not go back to what wasn't working anyway.

+ Add to mvFT

Fixed income in DC plans:

methods fall short

Learn more

Exxon Mobil Corp

century later.

Q

in

Save

When traditional risk assessment

If you think the same, join us

western rivals

HOME WORLD US COMPANIES TECH MARKETS CLIMATE OPINION WORK & CAREERS LIFE & ARTS HOW TO SPEND IT

Carola Hoyos MARCH 12 2007 **Receive free Exxon Mobil Corp updates**

We'll send you a myFT Daily Digest email rounding up the latest Exxon Mobil Corp news every morning.

The new Seven Sisters: oil and gas giants dwarf

Enter your email address Sign up When an angry Enrico Mattei coined the phrase "the seven sisters" to describe the Anglo-Saxon companies that controlled the Middle East's oil after the second world war, the founder of Italy's modern energy industry could not

have imagined the profound shift in power that would occur barely half a

As oil prices have trebled over the past four years, a new group of oil and gas companies has risen to prominence. They have consolidated their power as aggressive resource holders and seekers and pushed the world's biggest listed energy groups, which emerged out of the original seven sisters – ExxonMobil and Chevron of the US and Europe's BP and Royal Dutch Shell – on to the sidelines and into an existential crisis.

The "new seven sisters", or the most influential energy companies from countries outside the Organisation for Economic Co-operation and Development, have been identified by the Financial Times in consultation with

numerous industry executives. They are Saudi Aramco, Russia's Gazprom, CNPC of China, NIOC of Iran, Venezuela's PDVSA, Brazil's Petrobras and Petronas of Malaysia. Overwhelmingly state-owned, they control almost one-third of the world's oil and gas production and more than one-third of its total oil and gas reserves. In contrast, the old seven sisters – which shrank to four in the industry

consolidation of the 1990s - produce about 10 per cent of the world's oil and gas and hold just 3 per cent of reserves. Even so, their integrated status – which means they sell not only oil and gas, but also gasoline, diesel and petrochemicals – push their revenues notably higher than those of the newcomers.

Robin West, chairman of PFC Energy, an industry consultancy, says: "The

reason the original seven sisters were so important was that they were the rule makers; they controlled the industry and the markets. Now, these new seven sisters are the rule makers and the international oil companies are the rule takers." Peaking non-Opec production Million barrels of oil production per day 1.8% annual average forecast Non-Opec natural gas liquids Non-Opec oilsands e growing differential between

non-Opec supply capacity and

20

prices are falling below its comfort level.

10 Demand expected to be filled primarily by Source: PFC Energy Saudi Aramco, Pdvsa, Nioc and Inco © Financial Times The International Energy Agency, the developed world's sectoral watchdog, calculates that 90 per cent of new supplies will come from developing countries in the next 40 years. That marks a big shift from the past 30 years, when 40 per cent of new production came from industrialised nations, most of it controlled



International oil companies and the leaders of the main consuming nations

have come to accept Saudi Aramco's dominance. But the recent shift in the

international influence of smaller national oil companies has been harder to

PetroChina (88 per cent owned by CNPC) had pushed their way into second

ExxonMobil, perhaps the only energy company from the developed world that

can match the new batch in overall influence, now remains alone at the top.

leading positions on the world's stock exchanges: Russia's Gazprom and

and third place among the biggest listed energy groups.

swallow. By the end of last year, companies such as BP and Shell had lost their

Gazprom, Petrobras of Brazil and PetroChina have also outshone the others in share price gains. The main reason for this shift in power has been a resurfacing of the resource nationalism that began in Mexico in the 1930s, spread to the Middle East in the 1970s and abated – and in some cases went into reverse – when oil prices cooled in the late 1980s and 1990s. Groups including Mattei's Eni are having to accept new contract terms in countries such as Russia and Venezuela, where

national energy companies are systematically clawing back control of fields.

Venezuela this month enacted a law that will give PDVSA majority control of

the Orinoco belt's heavy oil fields, the largest such resource in the world. In

Russia the Kremlin wrested control of Shell's \$20bn (£10bn, €15bn) natural

gas project on Sakhalin Island at the end of last year and announced Gazprom

would lead the development of the vast Arctic Shtokman gas field, relegating

This month Lord Browne, BP's chief executive, travelled to Moscow to try to

head off becoming the latest Gazprom victim. He proposed that BP marketed

the Russian company's future liquefied natural gas abroad in an effort to stave

off Gazprom's ambitions to take control of the Kovykta gas field, one of BP's

The impact of today's nationalism is different from that of the 1970s. In 1975

international oil companies to service providers.

key Russian assets.

US cents a litre.

within a decade.

Gulf, one of the original seven sisters and now part of Chevron and BP, shifted all its movable investment dollars out of the developing world and back to North America and the North Sea. This time international oil companies are finding no new fields to escape to. In fact, they have discovered nowhere capable of pumping more than 1m b/d since 2000, when Kazakhstan's Kashagan field became the biggest find in 30 years. Meanwhile, national oil companies are banding together to help to develop

each other's reserves, leaving growth in the oil and gas industry – and the

resources for world economic development – in the hands of the new seven

hardly be more profound. Fatih Birol, chief economist at the IEA, estimates

needed to ensure adequate energy supplies for the next 25 years.

sisters and the governments that control them. The consequences of this could

that the world is falling 20 per cent short of making the \$20,000bn investment

Governments' unwillingness to allow their national oil companies to reinvest

their recent windfall profits back into the industry lies at the root of many of

the worries about future supplies. Instead, those governments use the money

for social ventures or it is wasted. President Hugo Chávez, of Venezuela, spends two-thirds of PDVSA's budget on his populist social programmes, with almost \$7bn being funnelled in that direction by 2005, compared with the \$77m spent in 1997 by the previous government, the Rice University report found. Meanwhile, in Russia too little of Gazprom's earnings goes towards upgrading Russia's antiquated, leaking pipeline system, 30 per cent of which needs replacing, the IEA warns. In Iran, NIOC is still a gas importer despite controlling South Pars, the world's biggest gas field. It is hindered from boosting its oil production or fixing its refineries

because of the burden of financing subsidies that keep petrol prices at just 10

But the poster child of what happens when a government restricts foreign

Mexico. Pemex's decline has excluded it from the FT list of the developing

The most pessimistic forecasters say the rapid ageing of Mexico's giant

world's most influential energy companies.

- highlighting the issue of energy security.

investment while using its national oil company as a bottomless piggybank is

Cantarell field will turn America's third largest oil supplier into a net importer

"The x-factor is [Mexico's] Congress, with Pemex constantly locked in a battle to secure sufficient funding and a reasonable fiscal regime, the company cannot plan on a long-term horizon with great certainty, handicapping its ability to manage declines," says Ryan Todd, an analyst at Deutsche Bank. This would contribute to a "severe problem" in world oil supplies within the next three to five years. For Mexico, it would mean the gradual loss of 40 per cent of its tax revenue. International oil companies are, however, competing not only with resource

holders but also with national oil companies that have turned resource seekers

passed the most sweeping energy legislation in the country's history, says in an

interview that energy insecurity is "still a major issue and will be increasingly a

crisis situation in the years to come". The present situation differs from the one

he tackled in one main respect: "Today we are experiencing on a global basis

competition from China and India that I didn't know when I was president."

The biggest of those competitors is CNPC. It has a solid foothold in China's

large reserves, owning 88 per cent of PetroChina. But it is its rapid push to

Backed by Beijing's feverish quest to secure the energy it needs for China to

develop, CNPC has fanned out across the globe into about 20 countries from

Azerbaijan to Ecuador. It has pumped more than \$8bn into the oil industry of

secure international reserves that makes it so powerful.

keeping international energy executives awake at night.

ExxonMobil in Angola as well as the US Gulf of Mexico.

of 20 years ago".

reserves'."

ageing.

Sudan.

become far from assured.

SAUDIS HEAD A RICH FIELD

more than half of which it runs, Rice University's report notes.

Jimmy Carter, who as US president during the oil shocks of the late 1970s

war-torn Sudan, when concerns over human rights deter others in the industry from involvement with Khartoum. "CNPC are the rule makers on access to new reserves in new markets and they are changing the competition for resources, services, capital and markets," says Mr West.

Nor is CNPC the only company changing the rules in the race to secure assets.

Petrobras, for example, has been at the forefront of the technology needed to

pull oil out of ultra-deep waters, such as those that abut Brazil's shores. The

Malaysia's Petronas has also spread out internationally, notably into Sudan

and Burma. It receives about 30 per cent of its corporate revenues from abroad

and operates in more than 26 countries, producing oil from about 50 projects,

company is now using those skills to compete head-on with the likes of BP and

Smaller national oil companies such as Petrobras and Petronas are also

Companies such as Petrobras and Petronas have the advantage that they can more easily woo fellow resource-rich national oil companies. International oil companies continue to suffer from their 1980s and 1990s reputation as haughty and patronising business partners. Malcolm Brinded, head of Shell's exploration and production, acknowledges this when he says international oil companies need to ask themselves, "How are we going to make this marriage work?" He describes Shell and other international oil companies as "much less paternalistic than in the partnerships

Examples of this include anything from the tone the international groups use

infrastructure, such as desalination plants, even though it might not be needed

International oil executives are making these concessions because they believe

Margerie, chief executive of Total and the man who made his mark brokering

deals with national oil companies in the Middle East and Africa, says: "I think

this new world will stay even if the price of oil drops a little bit. People will keep

Petrobras

Saudi Aramco

National asset holders

in their soul that they have this power – it will take time before they change."

today's power balance is unlikely to change any time soon. Christophe de

in negotiations, to employing and training local engineers and building

for the project in which the company is involved.

Who are the national oil companies?

Entrepreneurial NOCs

Strategic resource seekers security seekers Challenged NOCs Resources **Expanding production** iource: PFC Energy © Financial Times

But he adds that his optimistic side believes that eventually national oil

companies, many of them battling declining fields and other technical and

managerial challenges, "might be forced to consider, 'well, whatever we said,

those people are worth working with because we need them to develop our

The wish expressed by Mr de Margerie could not be further from the self-

assured position his predecessor at CFP, Total's ancestor, used to enjoy 60

years ago. Yet it is a worry not only for Mr de Margerie and his peers. If the

economic growth, China's development and the west's comfort and wealth will

With 25 per cent of the world's oil reserves and the capacity to produce nearly

successful national oil company. The House of Saud dictates energy policy but

leaves day-to-day strategy to the capable technocrats who run it. Saudi Aramco

is investing \$50bn (£26bn, €38bn) over 15-20 years but its biggest fields are

triple the amount of any other group, Saudi Aramco is the world's most

new seven sisters do not live up to their potential, the world's continued

Petronas

Gazprom No other company keeps Europe, and increasingly Asia, on tenterhooks more than Gazprom. As a tool of the Kremlin, it has been involved in a gas dispute with Ukraine and a debate with Japan and China over competing pipelines from Siberia as well as the grab of Royal Dutch Shell's majority stake in the Sakhalin II liquefied natural gas project. Gazprom has increased its influence with upstream deals in central Asia, including Iran. Downstream, its

CNPC/PetroChina All three of China's top oil companies have been making

ambitious moves abroad. But China National Petroleum Corporation, with its

88 per cent owned PetroChina as a listed subsidiary, is the biggest and has the

Azerbaijan to Ecuador. CNPC retains sole control of its controversial assets in

NIOC Iran is one of the few Middle East countries with massive hydrocarbon

wealth that is open to investment by foreign energy companies. National

Norwegian companies and collaborates with Chinese and Russian groups.

Iranian Oil Company has partnerships with Italian, French, Dutch and

widest international reach. PetroChina holds most of its overseas assets in a

joint venture with its parent and is active in about 20 countries from

push into the European market has set off moves to limit its access.

Yet South Pars, the world's biggest gas field, remains so untapped that Iran is a net gas importer. PdvsaPresident Hugo Chávez this year signed a law that allows Pdvsa to seize

control of the \$30bn Orinoco Belt heavy crude oil projects. Pdvsa's production

PetrobrasThe strength of Petrobras is in finding and producing oil from deep

waters. Expertise gained in Brazil's waters is being applied in offshore west

Africa and the Gulf of Mexico, where its Cottonwood field is in production.

is shrinking but it is still important to the fortunes of international energy

groups, many of whose contracts are being rewritten.

Copyright The Financial Times Limited 2022. All rights reserved.

The FT View The editorial board

Coronavirus has provided a

wake-up call for workers

Latest on Organisation for Economic Co-operation & Development

Petronas risks falling behind the oil groups of Qatar, Nigeria and Indonesia. Get alerts on Exxon Mobil Corp when a new story is published **Get alerts**

2021: the year of the

The FT View **The editorial board**

unbalanced recovery **Global Economy** Omicron threatens to intensify

OECD warns



FT Financial Literacy and Inclusion

Against the odds: the struggles

of migrants to build a business

Campaign

COP₂₆ Rich countries scramble to hit \$100bn climate finance target privileged

Fixed income in

PARTNER CONTENT by JANUS HENDERSO

retirement plan line-ups: Spotlight on diversification Learn more

Oil & Gas industry **Exxon Mobil Corp Royal Dutch Shell PLC Chevron Corp BP PLC**

+ Add to myFT



Petronas Malaysia's national oil company has been described as the role model others would like to follow. Though a top-three exporter of LNG, **Reuse this content** Comments

The Road to Recovery **OECD** warns Omicron could 'delay return to normality' supply shortages and inflation,

Legal & Privacy Terms & Conditions Privacy Policy Cookies Copyright

Support

View Site Tips

Help Centre

Contact Us

About Us

Accessibility

myFT Tour

Careers

Comments have not been enabled for this article. Services Share News Tips Securely Individual Subscriptions Group Subscriptions Republishing Contracts & Tenders Executive Job Search

Advertise with the FT

Tools Portfolio Today's Newspaper (ePaper) Alerts Hub Business School Rankings **Enterprise Tools** News feed Newsletters

Community & Events More from the FT Group > FT Community

A Nikkei Company

Follow the FT on Twitter **Currency Converter** Markets data delayed by at least 15 minutes. © THE FINANCIAL TIMES LTD 2022. FT and 'Financial Times' are trademarks of The Financial Times Ltd. The Financial Times and its journalism are subject to a self-regulation regime under the FT Editorial Code of Practice.

FT Live

FT Forums

Board Director Programme

FT Transact Secondary Schools

Slavery Statement & Policies