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vicinity has already occurred. Onshore, particularly in the marshlands of the Khuzestan area, it is imperative that all operations are conducted in an environmentally sensitive manner. The marshlands are on the World Wildlife Fund's list of top 200 World Nature Sites. Shell Iran is acutely conscious of its responsibilities in this area and its environmental performance will conform to the highest international norms.

The final contribution to sustainable development is social input. Shell maintains a strict policy of non-involvement in politics. We do not seek in any way to have any impact on social or political developments in Iran. We understand why, in view of past history, there are those who view the return of international oil companies with concern.

I can only say to them that circumstances are now different. Just as you have changed, we have changed. Many mistakes were made in the past and I think we all now have a clearer understanding of them. But, that does not mean we cannot go forward together in the future.

As I hope I have described, Shell is looking for a true partnership, a long term, and mutually profitable co-operation. We seek to build the type of relationship: which brings true benefits and progress to the Iranian people, which allows growth of mutual understanding and knowledge, and, which incorporates continuing training and development.

Short-term forces drive the current arrangements. Companies are invited to perform a task and then step away. This short-term approach, whilst

understandable as international companies and Iran re-engage, does not foster the tremendous economic and social benefits, which could be achieved through long-term partnership.

There may be more effective and desirable solutions for both Iran and multinational companies. We live in a digital age - of instant global communications. We are witnessing, and taking part in, the evolution of new business mechanisms - such as E-business - which are likely to cut costs and squeeze margins. Price volatility - particularly for natural resources - appears to have become the norm. Meanwhile, national borders are no longer what they used to be - particularly for young people.

Flexibility and adaptability are at a premium. To get projects off the ground faster we need to be able to move people in and out much more quickly. At present, rules controlling work permits and visas are restrictive. They need to be updated to take account of how modern business works.

There is also scope to create greater transparency in the tax system. This, in turn, will further enhance the attractiveness of the sector to international partners. In this evolving environment it is clear that alliances and partnerships assume new value. Both for international companies such as Shell, and major resource owners, such as Iran, clear advantages are to be gained from developing such alliances.

As I mentioned at the very beginning, Shell can bring relatively large amounts of capital, management and technological expertise to the table. Iran brings relatively large amounts of

resources and educated workers, who only need further exposure to international practices. There is an obvious fit there.

As with other ambitious national oil companies, NIOC is increasingly looking to compete in the international arena. Again, alliances or joint ventures with Shell would, I believe, be advantageous. World energy demand is going to grow significantly over the coming decades. To meet that demand and build relationships with a broad range of customers, many new skills will be needed. The opportunity to acquire those skills and build those relationships exists today - but the window of opportunity may not stay open indefinitely. Things move on - at an ever-increasing pace.

Ladies and Gentlemen: Hydrocarbons have played a crucial role in the modern history of Iran. Much of that impact - sadly - has been negative. I am always conscious that Iran is one of the great civilisations of the world, going back thousands of years. Moving into this century we - all of us - are part of a very rapid transition - technological, political and social.

Adaptation to those changes will not be easy - for anyone. But, compared to the seemingly endless turmoil and conflicts of the 20th century, there now appears to be a new opportunity for development. Can we work together for our mutual benefit? I believe so. I believe that, by building solid, long-term relationships in Iran, Shell is making a contribution to sustainable development. Iran can benefit. Shell can benefit. Nothing could be a better basis for business. ■

**We feel that
we can build a long-term, sustained
and mutually beneficial relationship with Iran**

meeting, any of these requirements. Indeed they fit in well with our Shell Group commitment to contribute to sustainable development.

Shell always has been, and firmly intends always to be, a long-term business partner - a reliable colleague for major projects, extending over decades. That is what we are and want to be. And, that is how we want people to see Shell.

How does that manifest itself on the ground in Iran? As part of the Nowrooz/Soroush project, we have allocated eight million dollars for the training of NIOC staff. Throughout the project NIOC staff will be involved and will gain skills and capabilities. We hope this will build our partnership and strengthen mutual understanding and friendship.

As I speak, negotiations are underway for the upgrade of the National Iranian Drilling Company's jack-up rig, the Shahid Rajaie after which it will be used in the Nowrooz field. It is expected that the upgrade work, which is financed by Shell, will be carried out in an Iranian yard. After drilling is completed in the Nowrooz field, we fully expect the Shahid Rajaie will be able to compete in international markets.

Iranian staff are being recruited - a process which is likely to continue, at various levels, throughout the project. We are providing the jobs that Iran wants. Already 20 staff have been hired and considerable effort will be made to ensure that we recruit as many Iranian staff as possible. Again, this is in accord with Shell Group practices across the

globe. Wherever possible we use local staff - not only because that is good for the country of operation, but also because relying on expatriates is just not cost effective.

So, given that we invest long-term and that there is a good chance of more projects, there are solid operational reasons for building up a skilled and reliable local workforce. Shell will achieve that through substantial and usually intensive training programmes. Every employee will be trained according to his or her skills and aptitudes. They will be offered opportunities at every level - which will not be restricted to just Iran.

Examples of how Shell has done this successfully can be seen in Oman and Malaysia. We have long-standing, deep relationships with both countries. Clearly the first aim in Iran will be to build up the local project workforce. But, we want to go further - attracting young, educated people with skills who might like to make international careers with Shell.

Our aims in Iran are, therefore, quite broad and very long-term. We definitely do want to become the preferred partner for the National Iranian Oil Company. We are working seriously at that, and will continue to do so. But, we want even more than that.

Through our efforts: the spending on training and the development of a skilled and capable local workforce - with excellent opportunities - Shell in Iran wants to become an international company with an Iranian heart and mind. That may sound a little far-fetched at the moment. But I have

worked in other Shell Group companies in other countries. Each is fiercely proud of the contribution it makes to its own country. So I know Shell Iran can become truly Iranian. We have already made striking progress.

The latest plans for Nowrooz/Soroush project indicate that the target of 30 per cent Iranian content can be reached and will hopefully be exceeded. However, more than just treating this as a statistic, we are seeking to increase the capabilities and quality of each of these suppliers, as we engage in commercial activity with them. As mentioned earlier, as part of its Statement of General Business Principles the Shell Group has made a commitment to contribute to sustainable development. This commitment covers economic, social and environmental performance - publicly reported on annually in the Shell Report.

These contributions are well aligned with the ambitions of the Iranian government: The generation of economic wealth is clear. It must be created for the Iranian business sector and community, as well as, of course, for our shareholders. That we are achieving by hiring Iranians, using Iranian sub-contractors and, not least, paying all government taxes and levies.

The environmental contribution will be made by strictly limiting the environmental impact of our own activities and, where feasible, repairing environmental damage caused by earlier activity. The environmental impact assessment being prepared for the Nowrooz/Soroush project indicates significant pollution of the waters in that

Iran is opening up to the world and playing an increasingly important role on the international stage

offered by the new world, continual adaptation, new thinking and flexibility is necessary. As we all know, while promising great benefits, such a dramatic pace of change can also be extremely threatening. I believe that, for a country like Iran to weather this storm of change, a partnership with industry is an invaluable tool.

In Shell, we believe that, to prosper in this new world, we will have to work with a greater number of people; form new alliances; build new networks. Major international companies like Shell have, by necessity, had to embrace the opportunities the New World offers. Competitive pressures have made sure that we have honed our skills and will continue to do so. We believe similar imperatives will apply to all serious players - corporate or national.

Iran has come a long way recently. We feel that there is a lot of opportunity in Iran and that we, in Shell, can reciprocate by providing the services, know-how and technology that is required. We feel that we can build a long-term, sustained and mutually beneficial relationship with Iran.

Shell has been in Iran since 1954. A new office was opened in Tehran in 1993. In November last year an eight hundred million dollar agreement was signed for the development of the Nowrooz and Soroush fields offshore Kharg Island.

That development - by far, the biggest Shell undertaking in Iran today - is going well. It is within budget and on schedule.

Three-dimensional seismic and offshore surveys are in the process of

being acquired. Contracts have been awarded for oilfield tubulars, supply vessels, and the onshore supply base. We are delighted with the progress to date and we hope this development will be the forerunner of many other projects.

We are currently also involved in three major industry studies. The first, with KEPCo, LASMO and Veba, is on south Caspian exploration. The second, with the National Iranian Oil Company and eight others, is on possible development paths for the gas industry. Iran's gas resource is the second largest in the world and, properly developed, could generate wealth for generations to come. The third project, with NPC and Elenac, is known as the Olefins-8 feasibility study. Finally, we have recently proposed to the government a joint scouting study into the development in Iran of a second-generation plant for Shell's Middle Distillate Synthesis Process.

We hope these studies will lead to many new opportunities for developments.

To be successful in this partnership, Shell does NOT simply want to be a 'foreign' partner. We want to work with the Iranian people, building a company that is true to the country and the culture. To do that takes time and effort. Trust and confidence have to be built: relationships formed, nurtured and tested. We think we have already taken some major steps - and we are committed to doing even more.

In Iran, as in the most other resource owning countries, the relationship with the primary customer -

the national government - is crucial. To date we are pleased - very pleased - with the reception we have received in Tehran.

Our relationship with the National Iranian Oil Company is also extremely important. The NIOC is a highly professional organisation with a track record which would do credit to any company, in any part of the world. They can be proud of what they have achieved over the last few decades, often under adverse international circumstances. Self-reliance has spurred considerable innovation, which has led to creative solutions to a variety of large-scale and daunting challenges.

Across the globe Shell has numerous alliances and joint ventures with nationally owned companies. From experience, we know that the two most important elements we can bring to the table in these relationships are technical expertise and access to capital. Broadly speaking, we can make contributions in those areas with relatively little difficulty.

But, quite understandably, most companies and their governments desire a broader technological and social contribution. In Iran it has been made clear that the government is looking for assistance and support for NIOC subsidiaries wishing to compete in international markets, employment for the large, young and well educated population, Access to technology and project management skills, and that a significant part of the benefits of these projects accrue to Iranian private enterprise, through Iranian participation in sub-contracts.

Shell has no difficulty agreeing to, or



Shell in Iran: A Partnership for the Future

Robert Weener, Chief Executive, Shell Development Iran

Keynote address to Iranian Oil, Gas & Petrochemicals Forum 12-14 July 2000, London.

Ladies and Gentlemen: I am honoured to be here today and to be able to take part in this forum with you. It is a good time to be part of the energy industry. Prices are strong, a lot of new technology is coming on stream and the emerging digital economy is opening up fascinating new business opportunities.

At the same time we are seeing gradual, but fundamental, improvements in relationships between the various regions of the world. Asia has recovered strongly from its financial crisis. The two Koreas are talking. The division of Europe is gradually being erased and

the EU continues to expand. Free trade zones have sprung up around the world as more and more countries decide that it is to their advantage to join the global economy.

Iran also is opening up to the world and playing an increasingly important role on the international stage. These geopolitical improvements have been matched, and even outpaced, by the continuing knowledge explosion. Just a few weeks ago the first rough draft of the human genome was completed. One-gigahertz computer chips are now on the market. The Internet is remaking business relationships. As computing

power expands exponentially, problems once thought intractable are being seriously tackled.

A new world beckons - one in which many diseases are cured, productivity is massively increased and prosperity spreads to an ever-greater number. It is no longer a question if one should partake in this New World. It is more a question of: how long one can survive as a viable entity if one ignores these changes.

Making the initial decision to take part is hard enough - for any country or even companies. But, that decision is just the beginning. To win the prizes