OPEC's perspective on the world oil market

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Acting for the Secretary General

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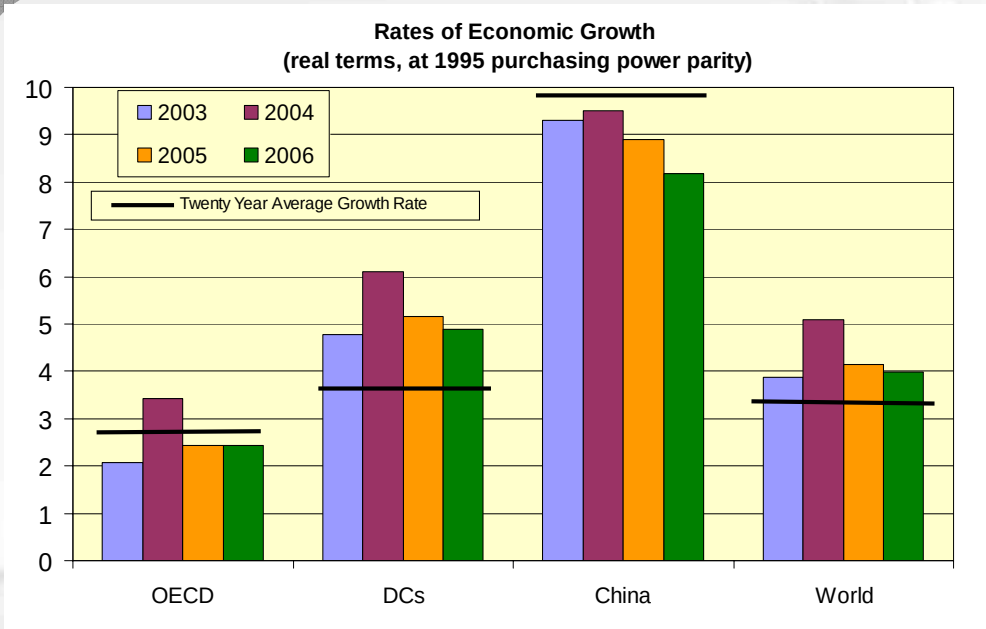
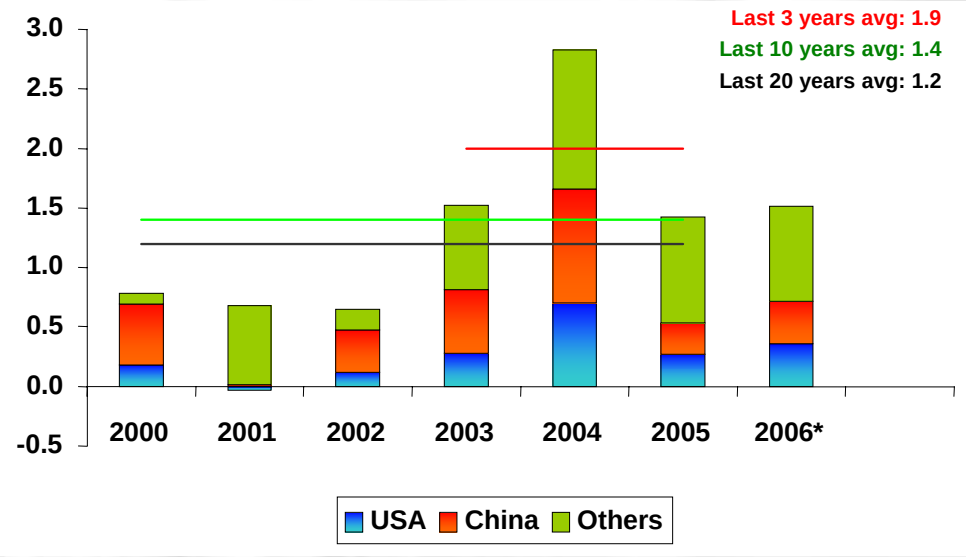
Economic & oil demand growth

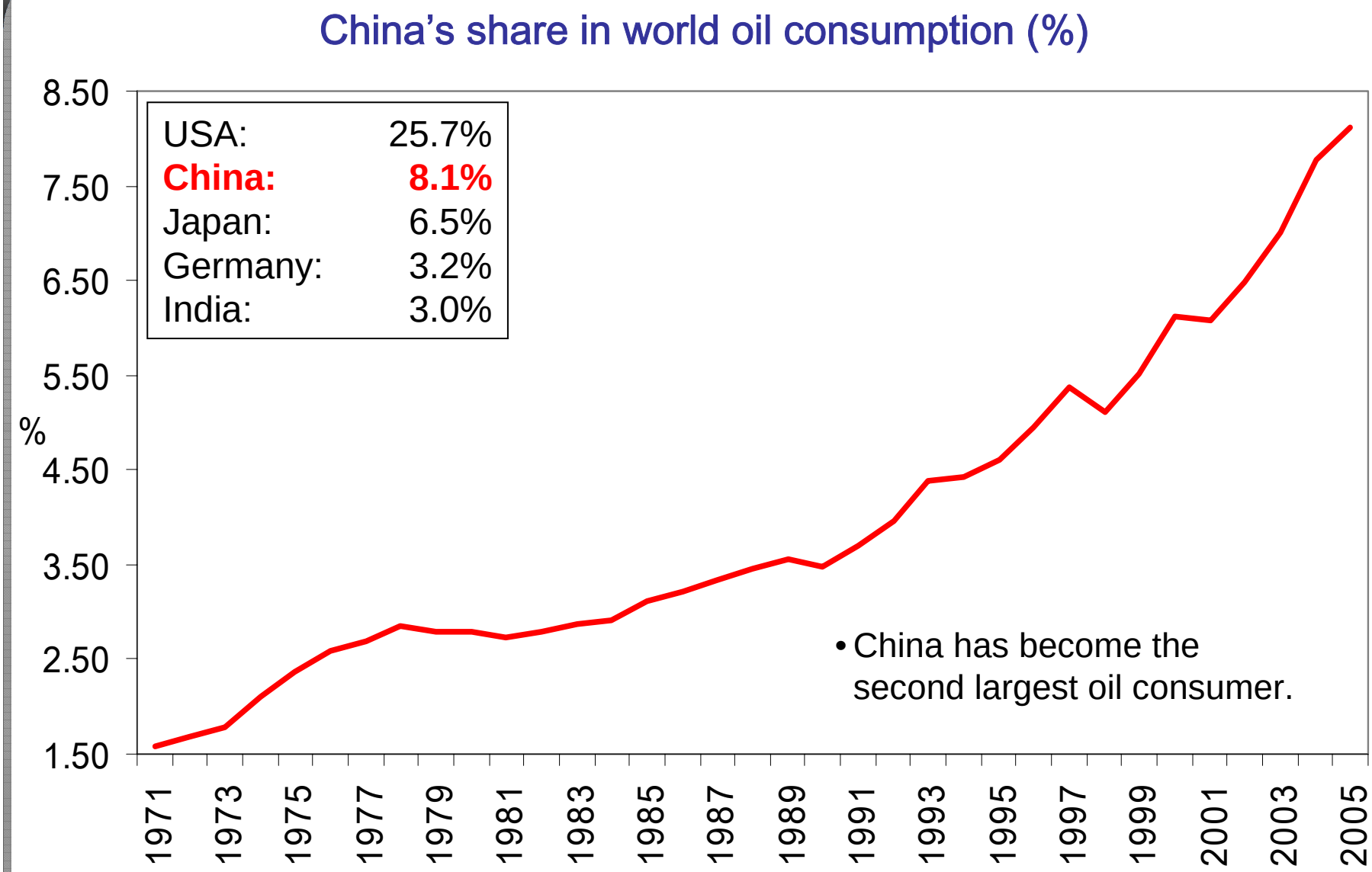


- Strong economic growth in DCs (e.g, China, India): growing faster than the world with increasing share in global GDP
- Globalization process (export-led growth, increasing role of FDI)

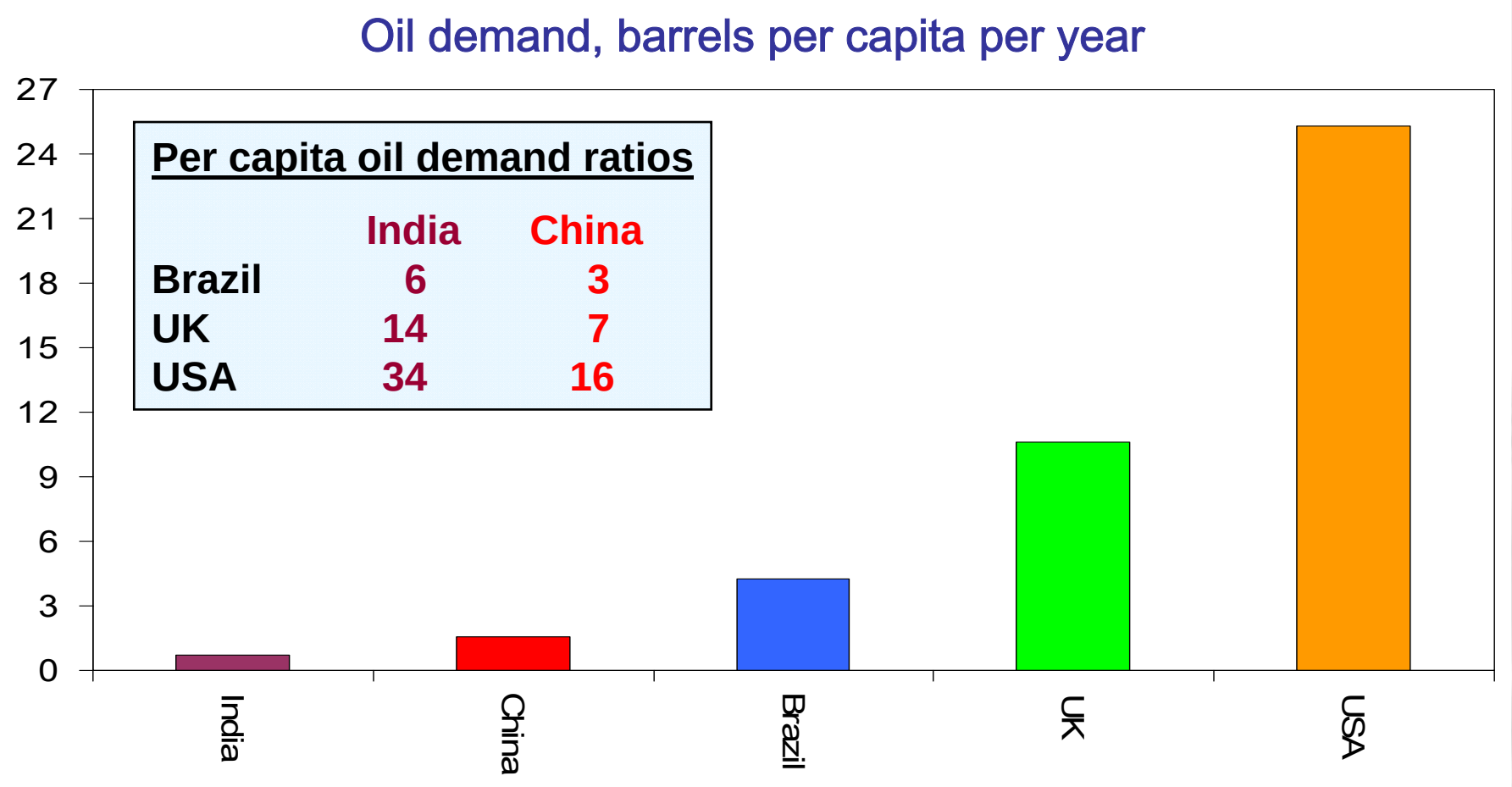
- Robust oil demand growth (particularly in Asia)
- China has become the 2nd largest consumer
- Expected growth is higher than historical trend (**last 10 years avg:1.4 mb/d**), but lower than the average for last 3 years **(1.9 mb/d)**



Strong growth in Chinese oil demand



Strong growth in Chinese oil demand

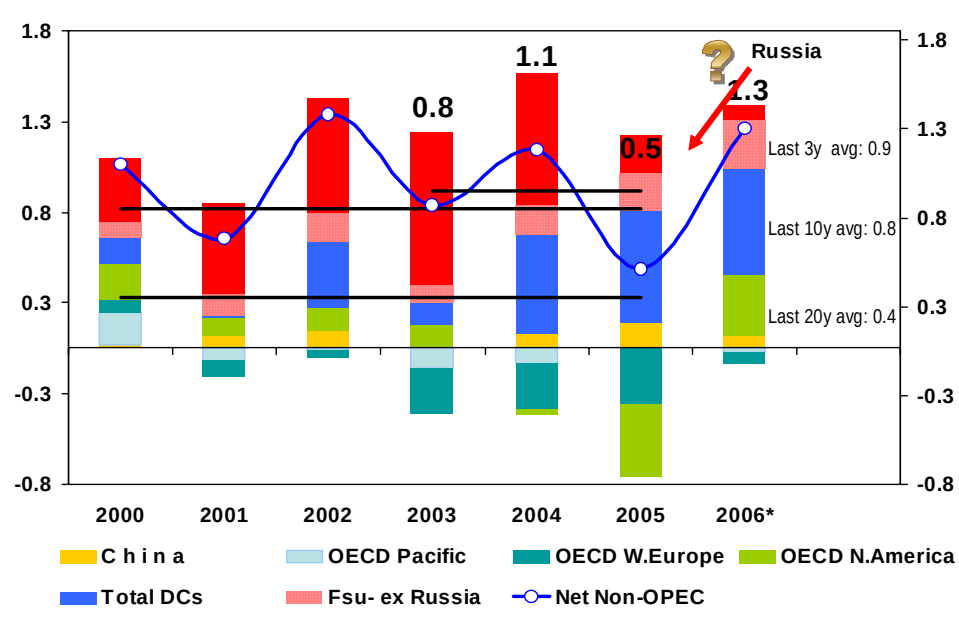


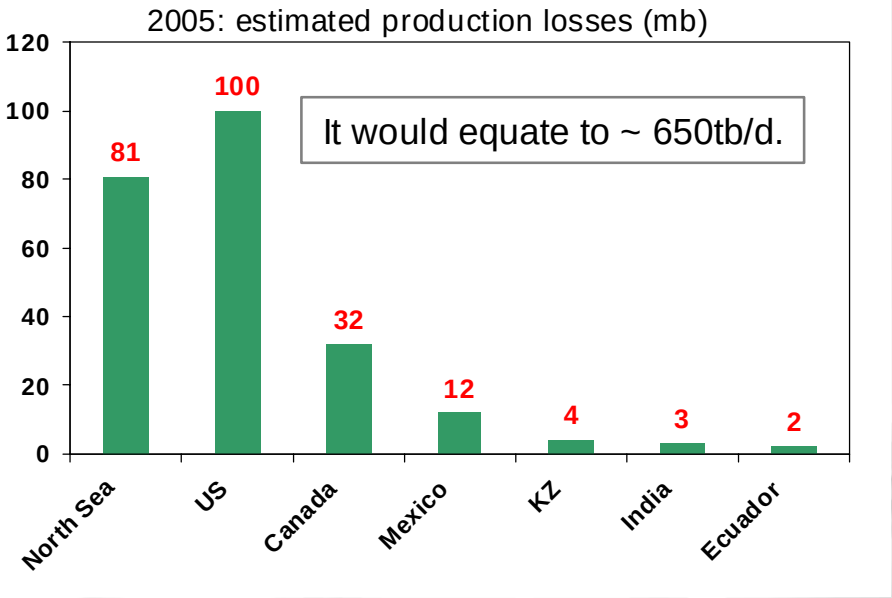
Per capita oil demand ratios

	India	China
Brazil	6	3
UK	14	7
USA	34	16

- Structural change in the economy - growing faster than the rest of the world, fueled by strong growth in oil
- Long-way to go: in line with rising per capita income levels, low per capita oil demand is yet to approach levels of other countries!

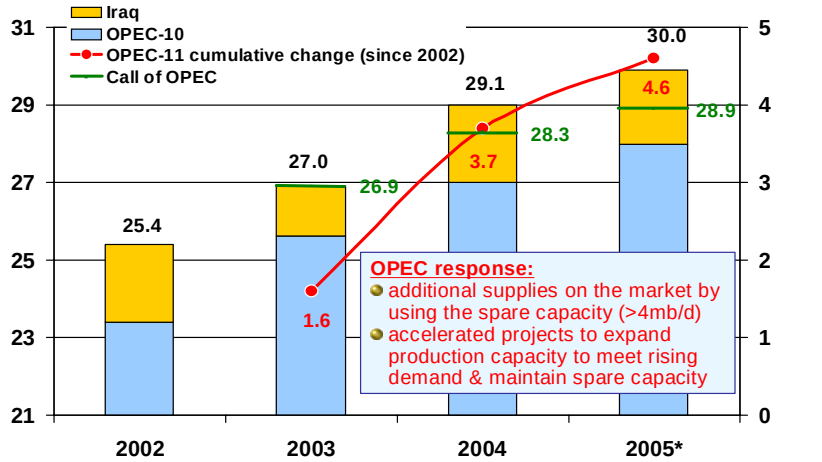
Non-OPEC supply
year-on-year change, mb/d





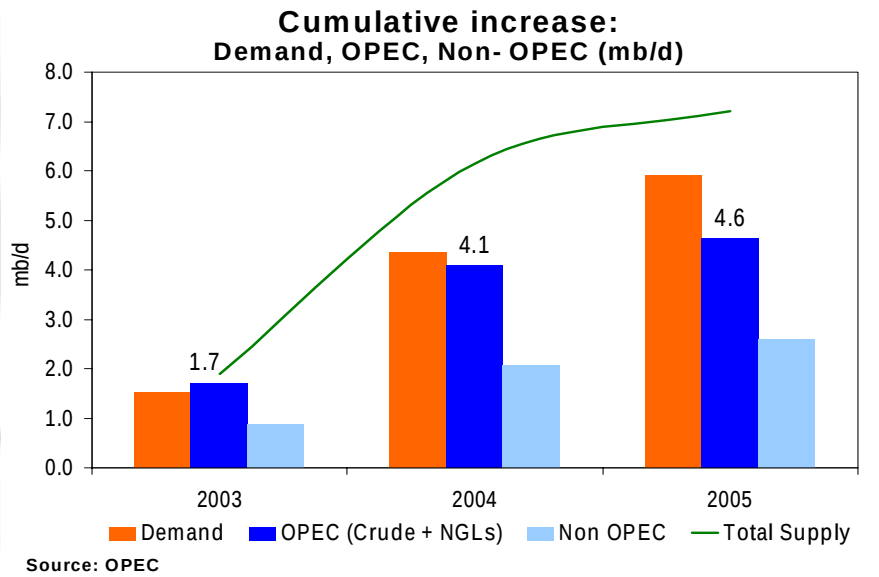
- While growth in non-OPEC supply up to 2003 were exceeding that of demand, since then had been significantly below demand growth
- However, Non-OPEC supply in 2005 has been affected by unplanned shut-downs & a lower rate of growth from Russia
- Gradual recovery & growth in West Africa, Brazil, Canada & FSU

OPEC response:
higher production leading to significant stock build up



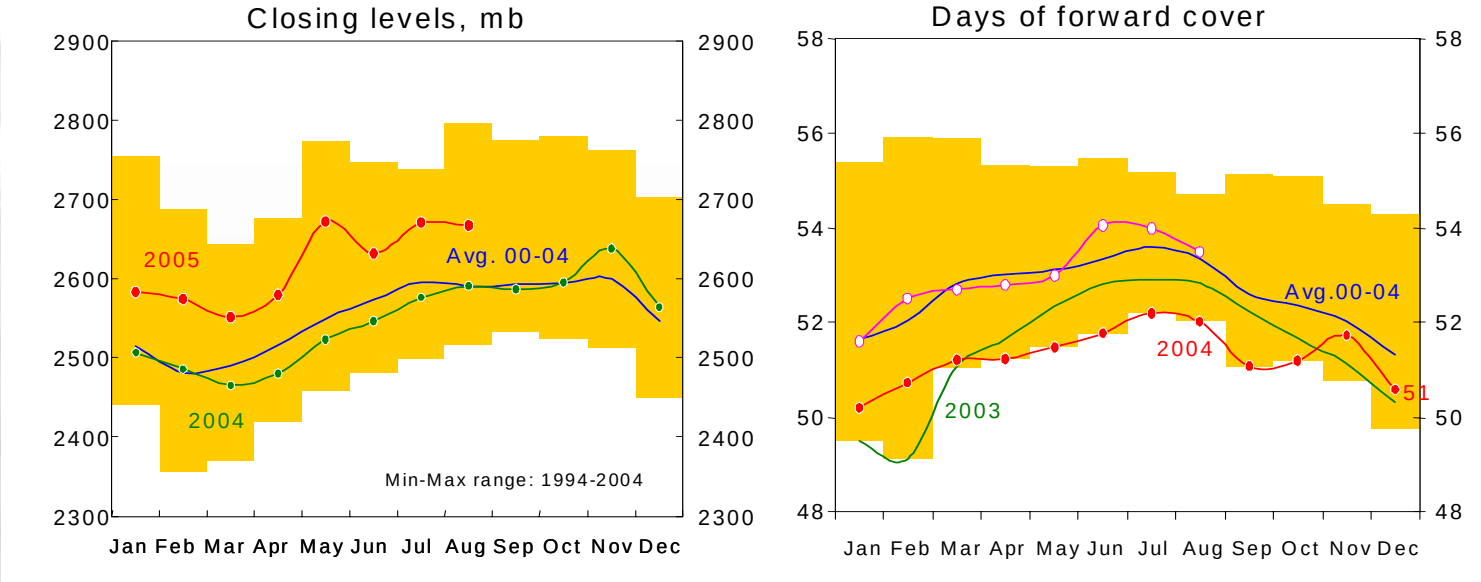
Note: OPEC production excludes OPEC NGL & non-conventional oil (estimated to be 4.3 mb/d in 2005).

*/ based on actual OPEC production until September and then maintaining September levels for the rest of the year.

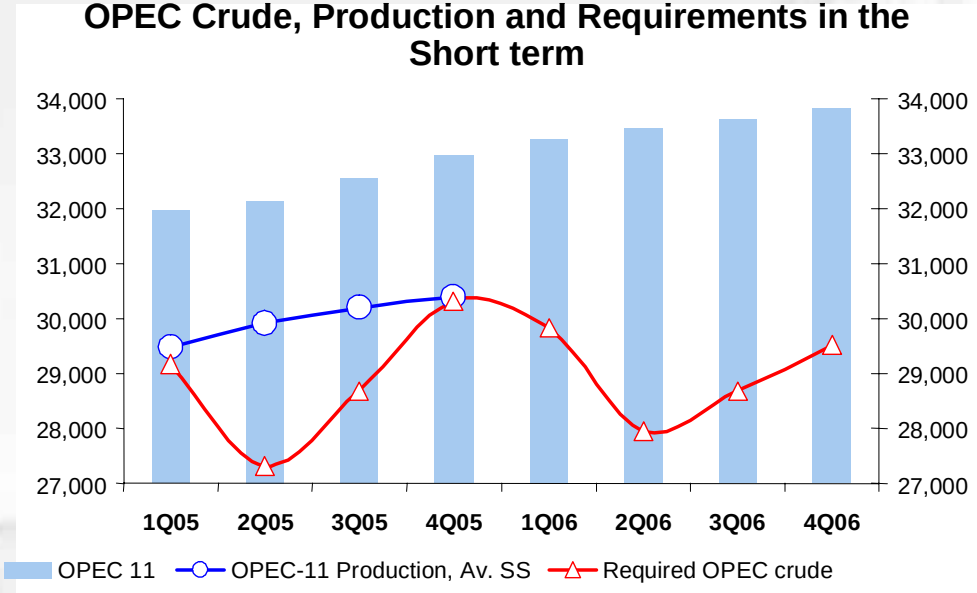


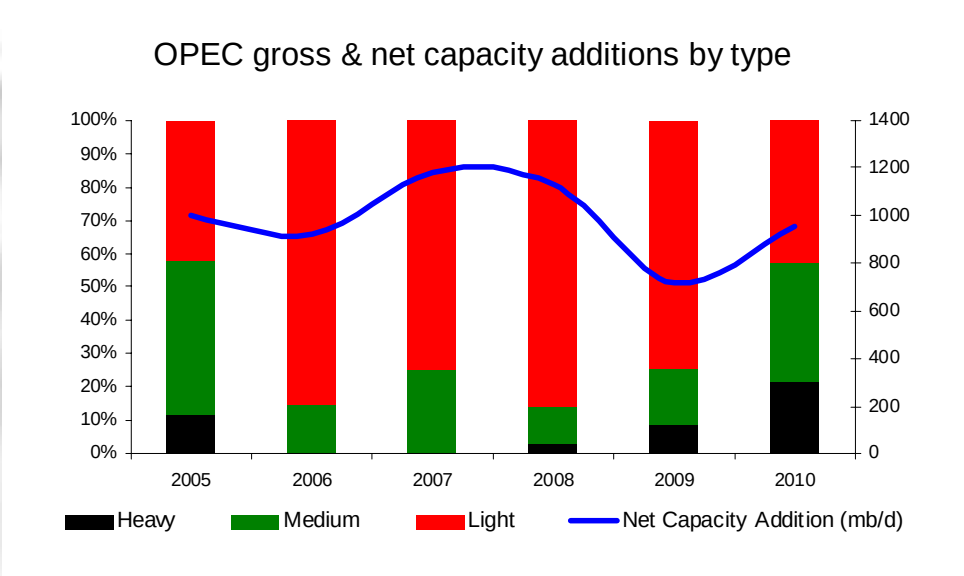
Source: OPEC

OECD commercial oil stocks

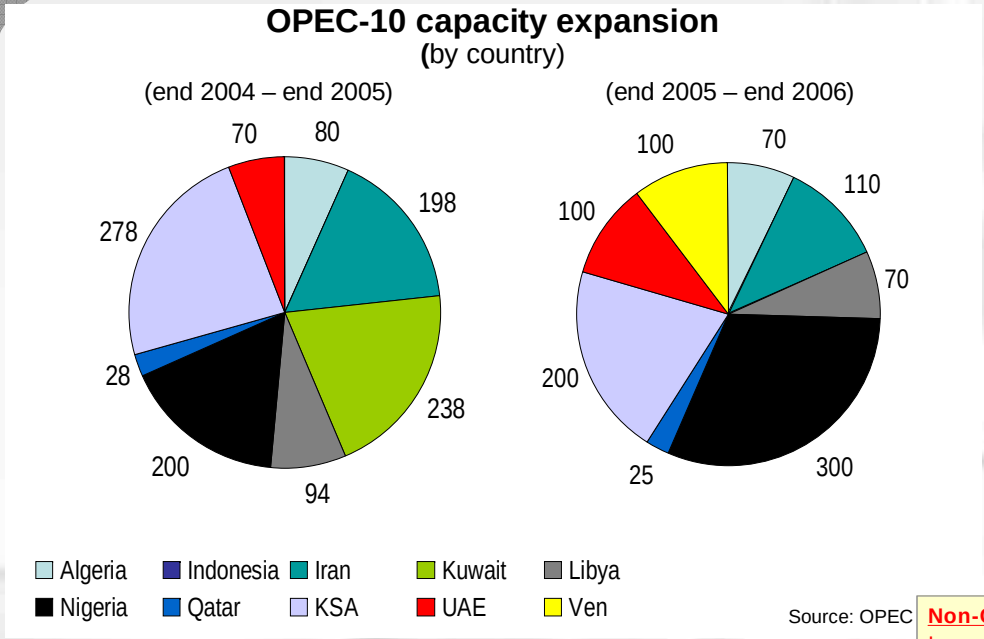


OPEC capacity additions: lighter streams





Accelerated OPEC capacity expansion plans

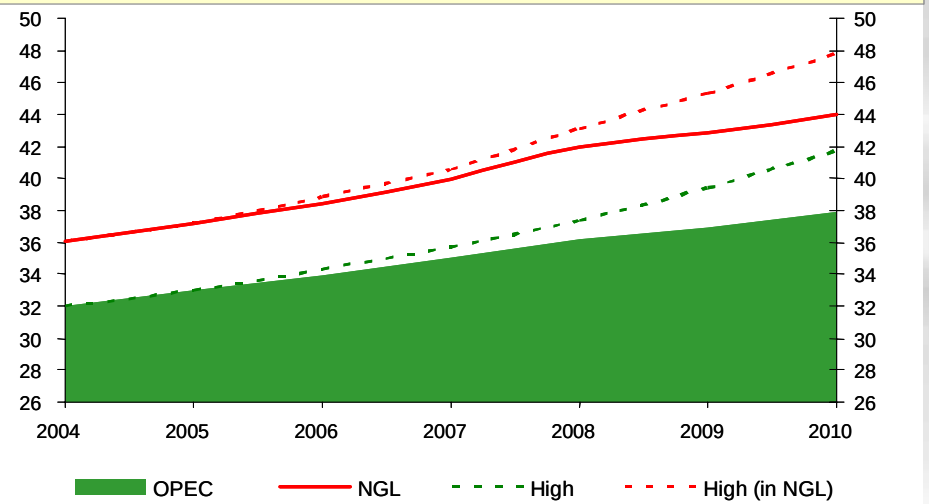


Source: OPEC

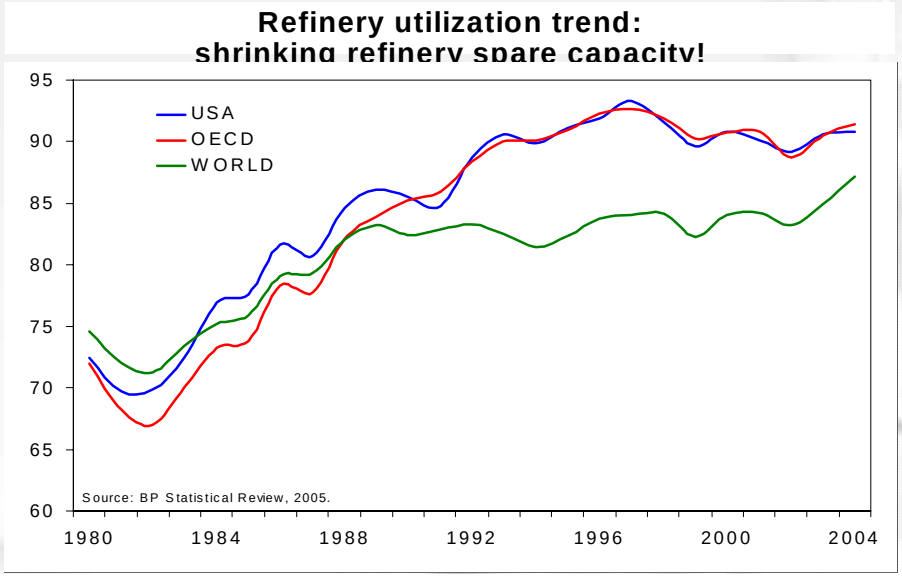
Non-OPEC supply :

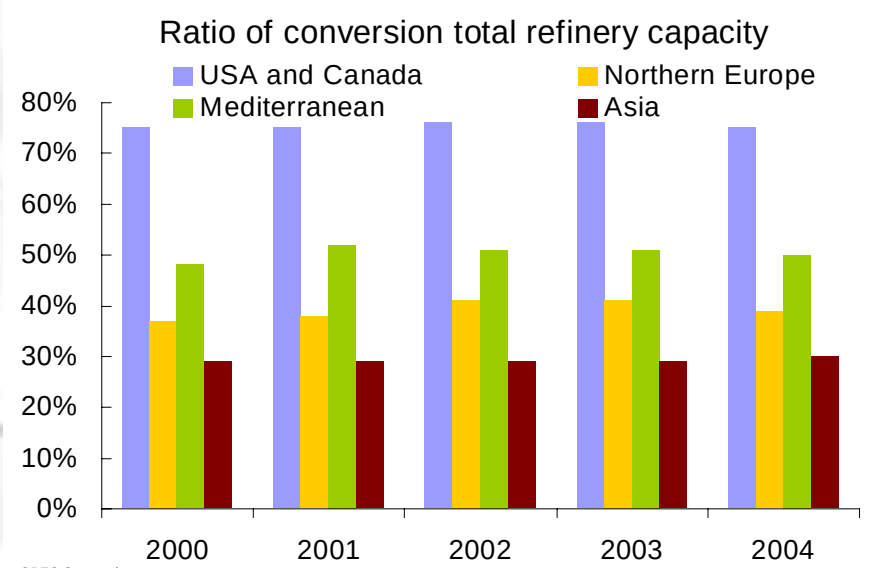
Increase in non-OPEC supply up to 2010 is expected to be ~5 mb/d, or even more according to some other sources.

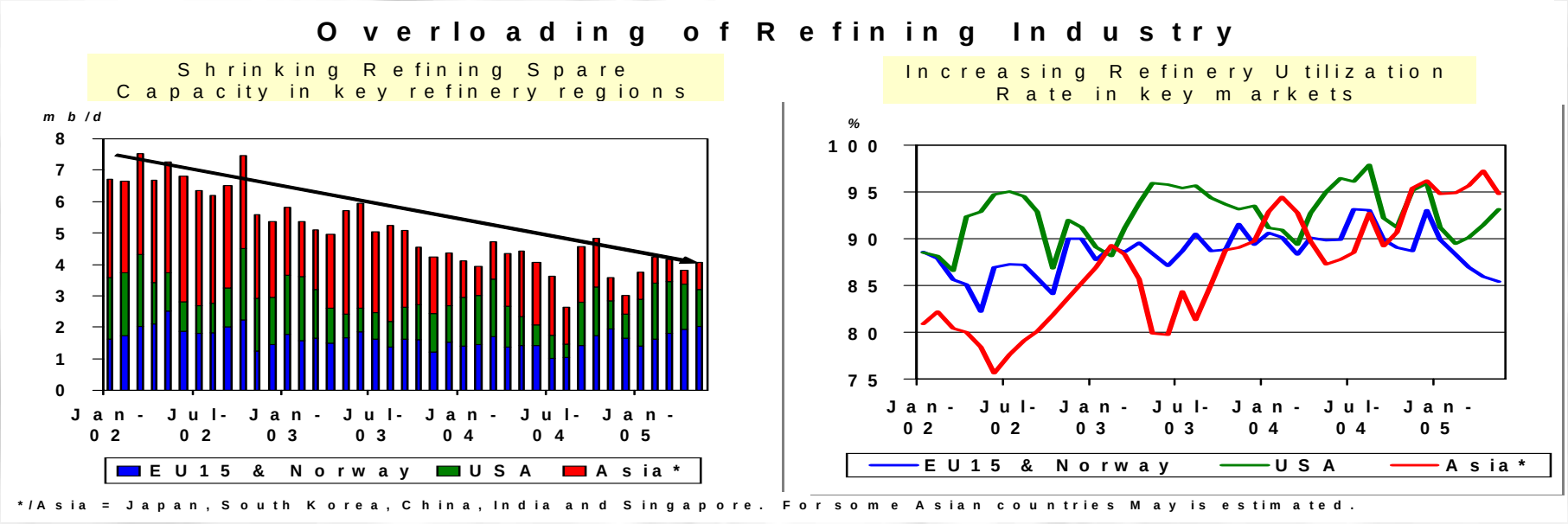
- Accordingly, increase in total oil supply capacity is expected to reach ~12 mb/d, or more.



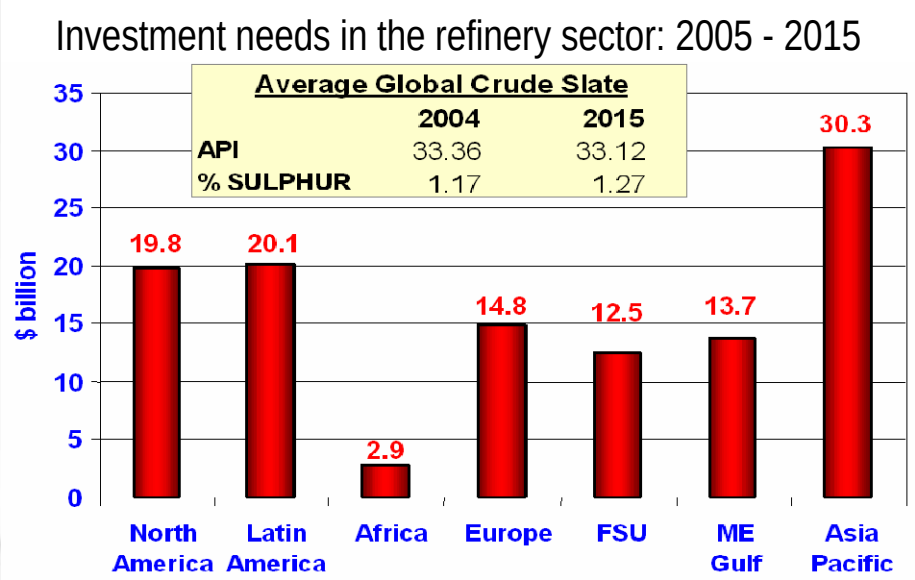
Tightness in global refinery system



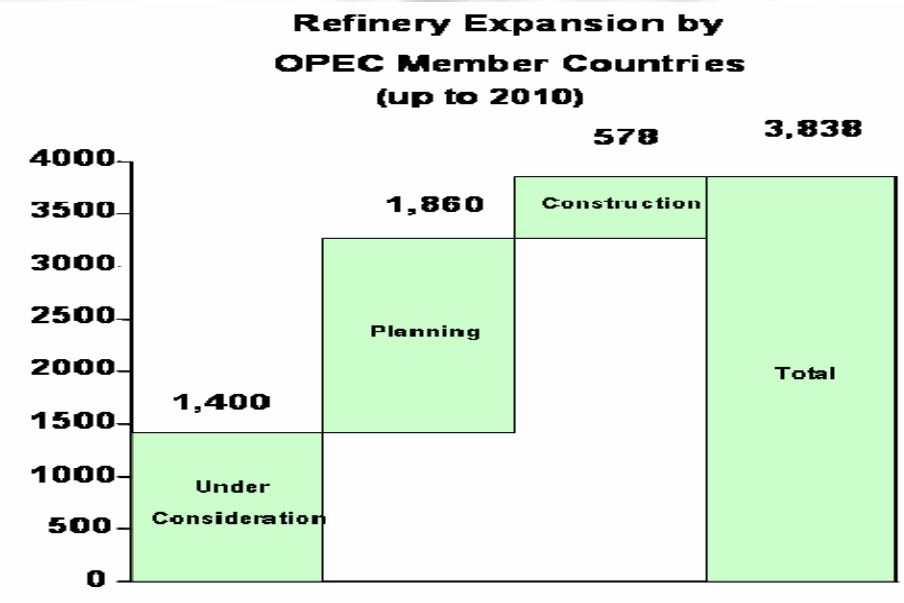


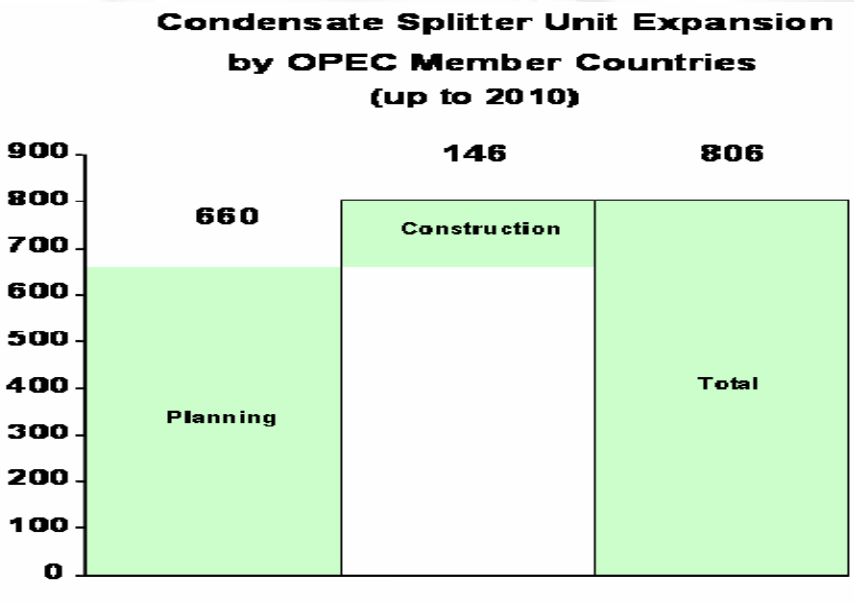


Downstream challenges



- OPEC is attending to rising product demand both domestic & Asia-pacific region, as well as to meet higher product specifications
- Pursue global downstream investments, particularly in Asia-pacific region
- By implementing of these plans, they would be able to install over 4.6 mb/d new capacity (i.e. about 3.8 mb/d refinery capacity and 800,000 b/d condensate splitter).
- Major part of these new capacities will be invested by Saudi Arabia and Kuwait. Similarly most of these projects would be either in the Middle East or in Asia.

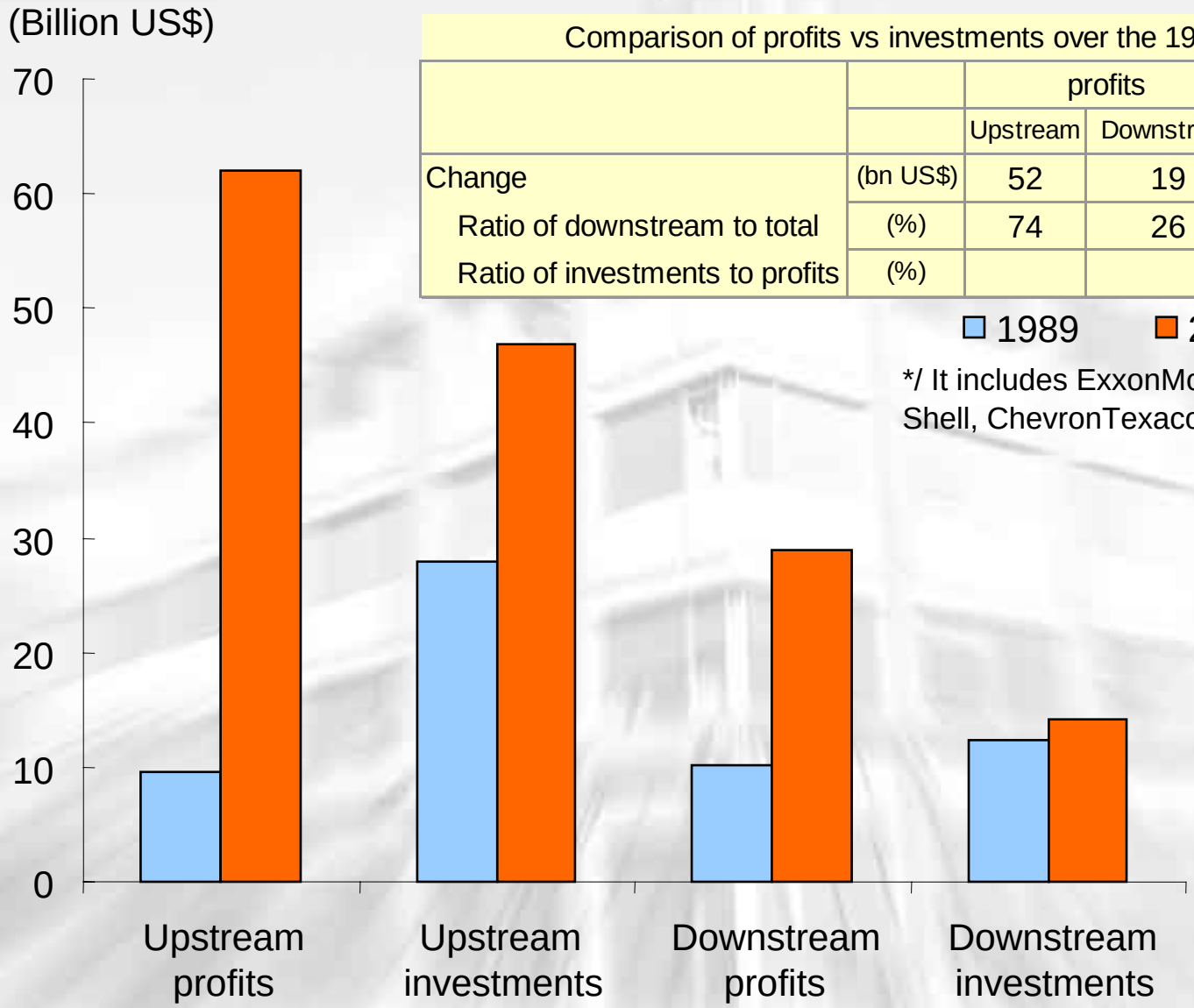




Comparison of profits vs investments of major international oil companies* (1989 - 2004)

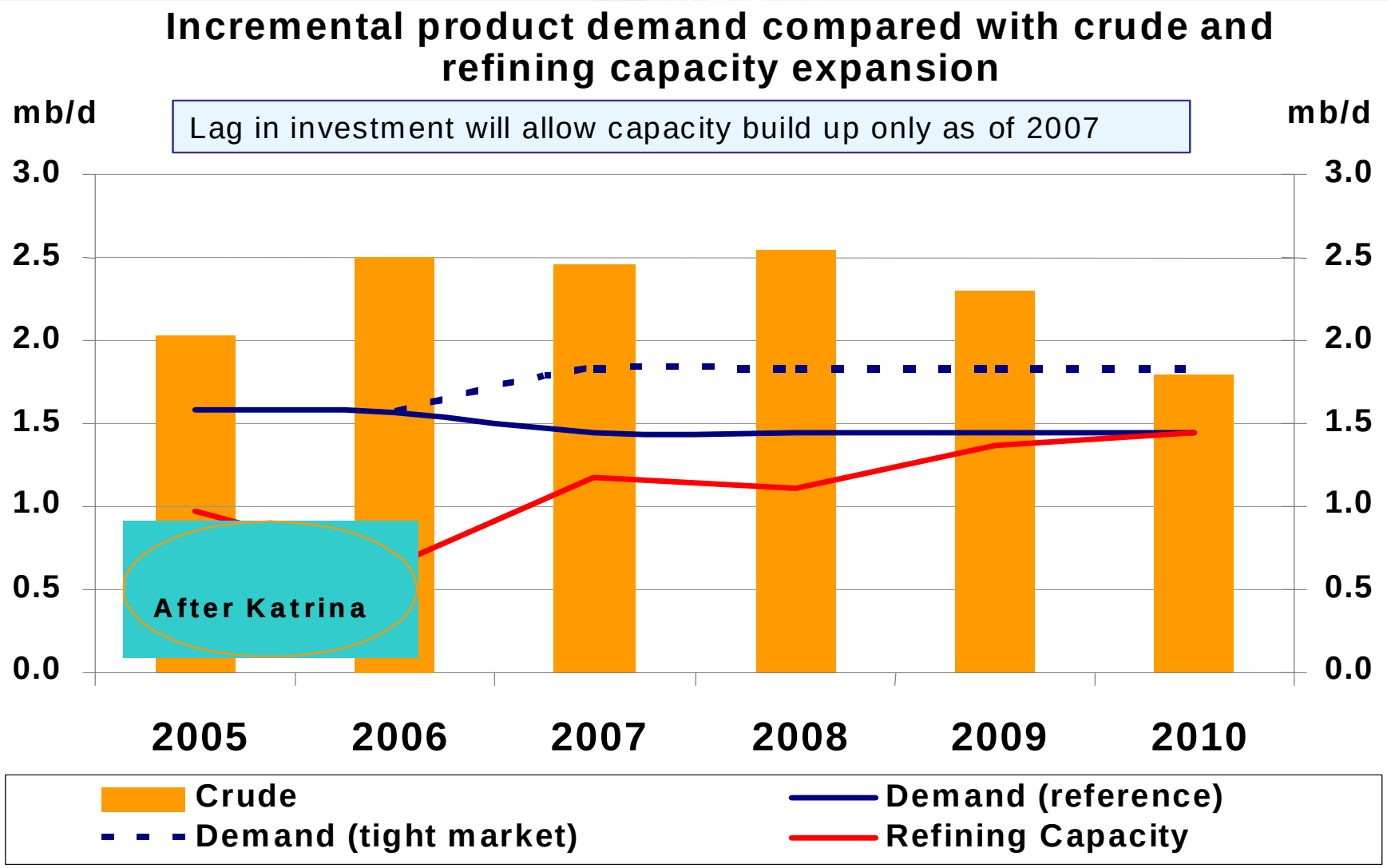
Comparison of profits vs investments over the 1989-2004 period

		profits		investments	
		Upstream	Downstream	Upstream	Downstream
Change	(bn US$)	52	19	19	2
Ratio of downstream to total	(%)	74	26	91	9
Ratio of investments to profits	(%)			36	10



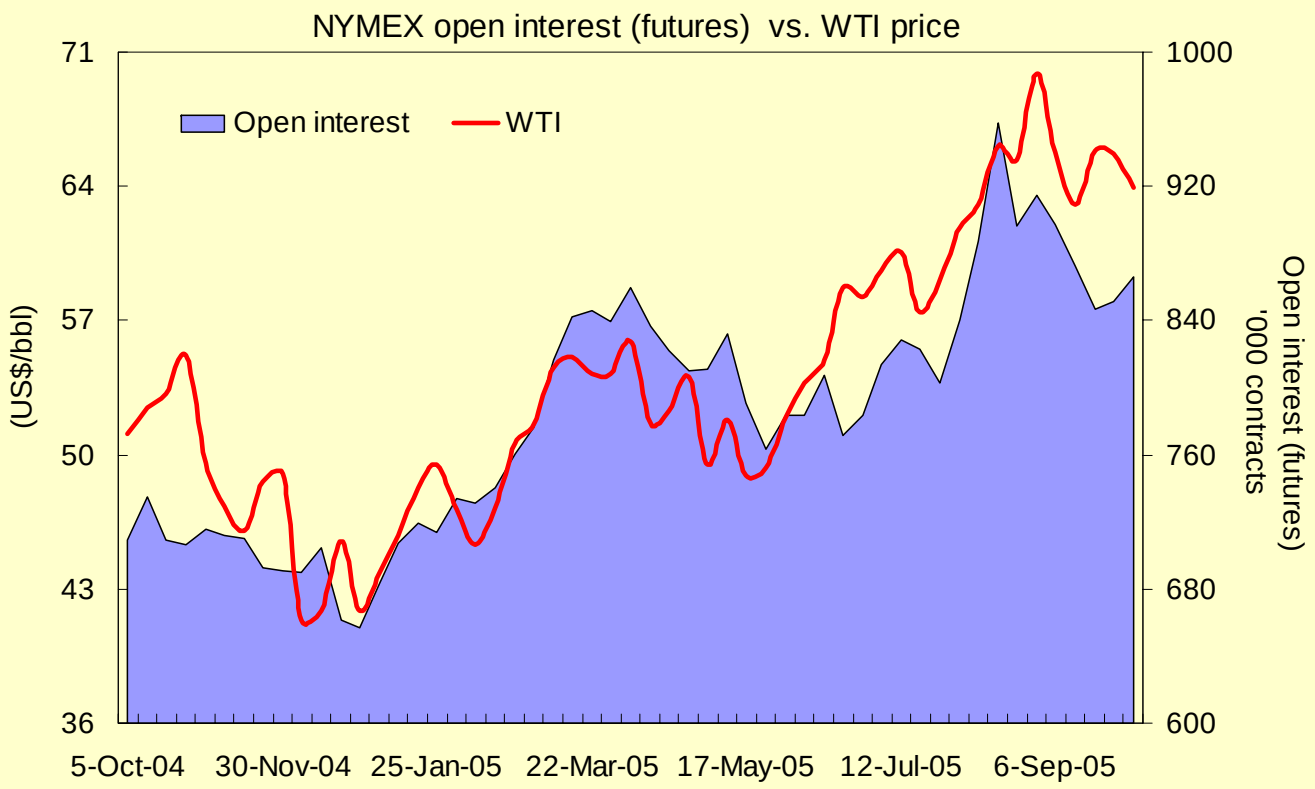
*/ It includes ExxonMobil, BP, Shell, ChevronTexaco, Total.

Refinery expansion lagging behind demand growth



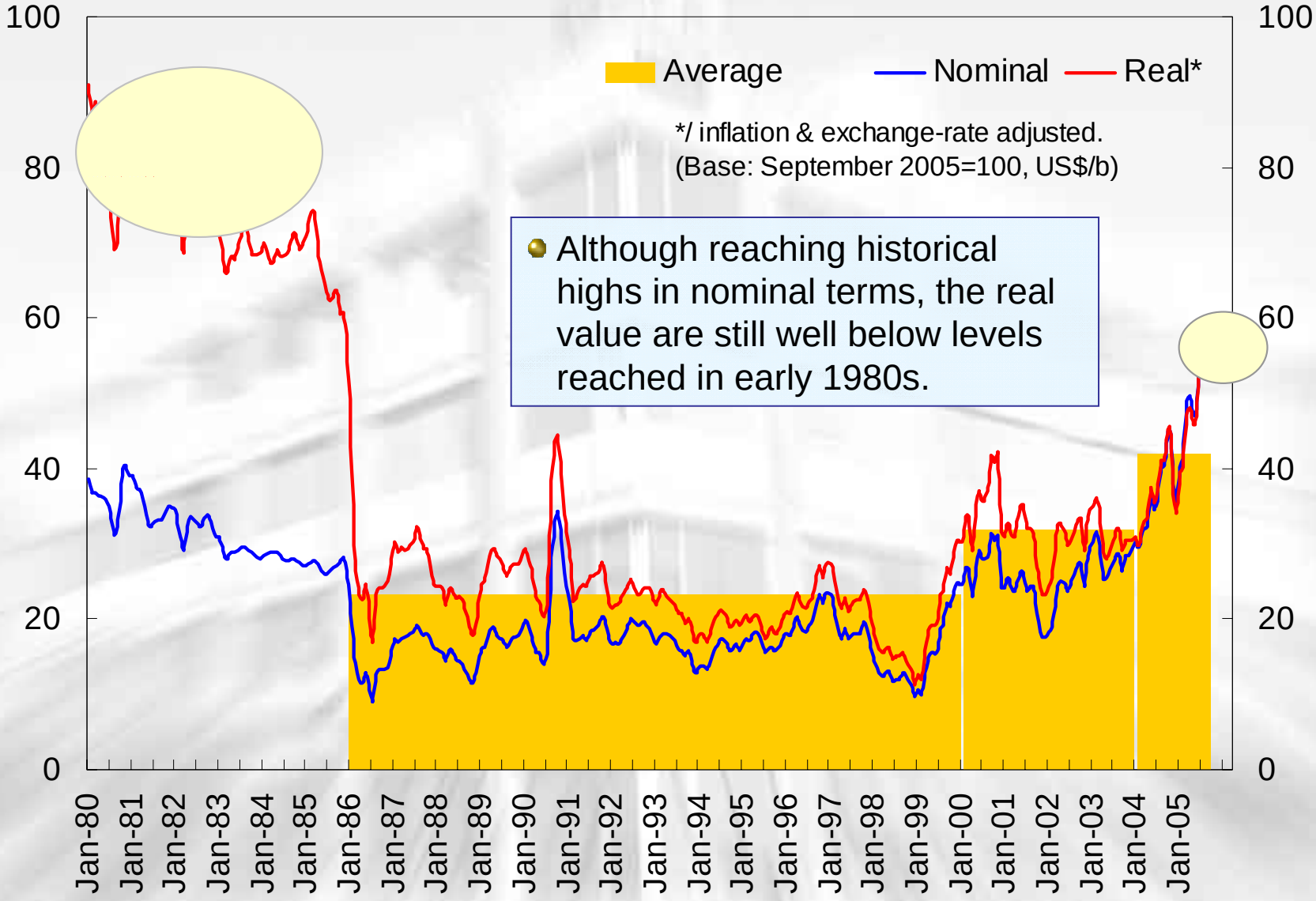
Sources: Capacity estimates based on published reports by different sources as well as Secretariat assessment

Increasing activity in the Futures market



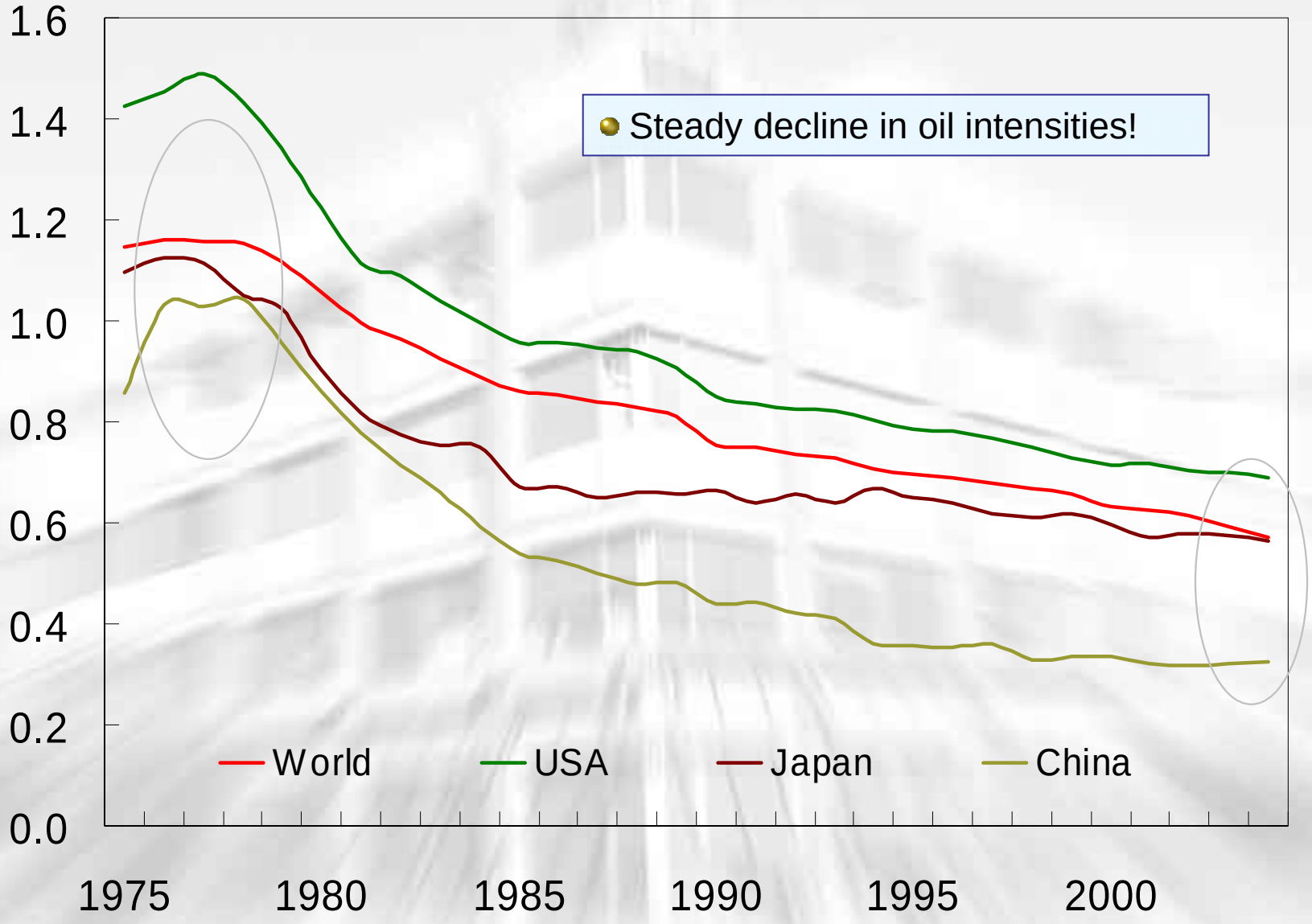
- Growing use of oil futures as a form of financial instrument
  - NYMEX hit a record high in 2005 surpassing the record in 2004.The average volume of contracts rose in 2005 to 237 million contracts compared to 179 million contracts in 2003
  - OPEN interest also shows a higher record in 2005 of 792 million contracts compared to 542 million contracts in 2003

The price of oil: distinguishing between nominal and real, (US$/b)



- Although reaching historical highs in nominal terms, the real value are still well below levels reached in early 1980s.

Declining oil intensity
boe / PPP - $1,000 (1995) GDP

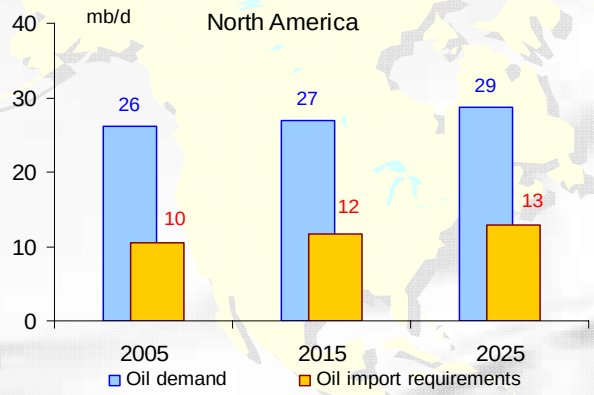


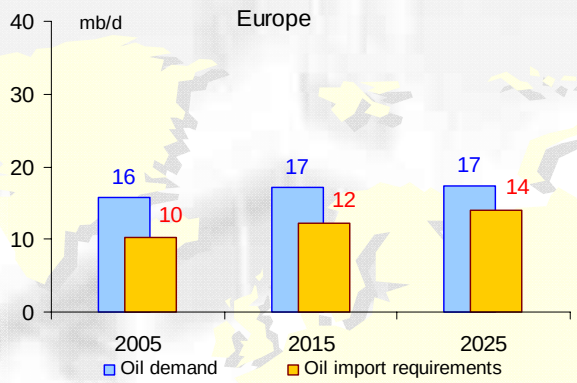
Oil Demand Outlook, mb/d

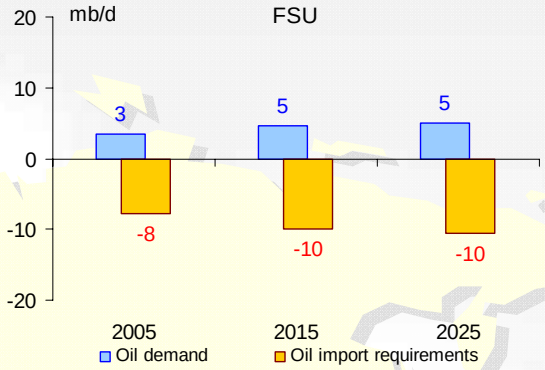
Reference	2010	2015	2020	2025
OECD	**51.4**	**52.7**	**53.8**	**54.7**
DCs	**34.4**	**40.3**	**46.4**	**52.8**
Transition economies	**5.1**	**5.4**	**5.7**	**5.9**
Total World	**90.9**	**98.4**	**105.9**	**113.4**
Tight market scenario	**93.1**	**101.9**	**111.2**	
Soft market scenario	**89.2**	**94.4**	**99.0**	

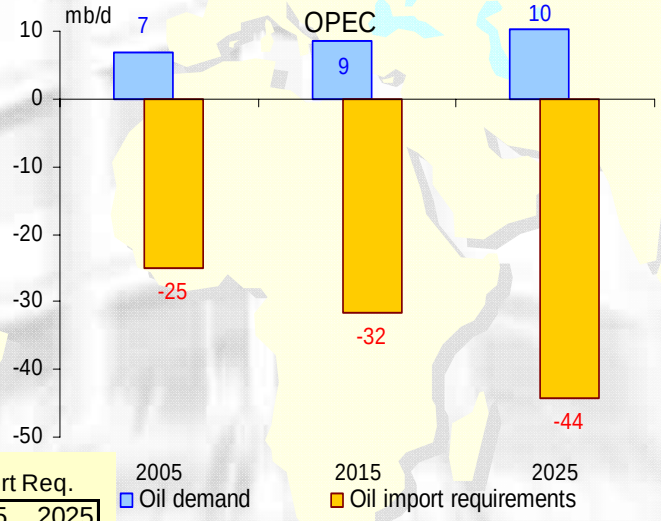
- "Four-fifths of the increase in demand of 30 **mb/d over the period 2005–2025** comes from developing countries
- **Transportation** continues to be the dominant source of growth (~60 %)
- Many **uncertainties**: GDP, technology, policy – *substantial downside risks*

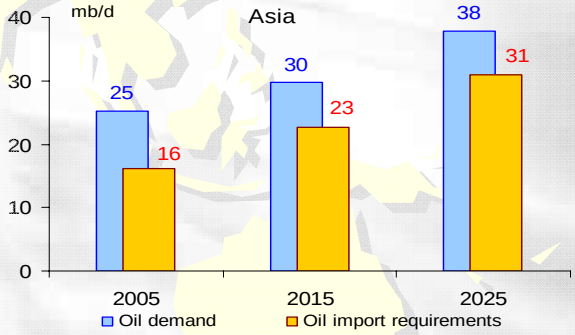
Regional oil demand & net import requirements (mb/d)







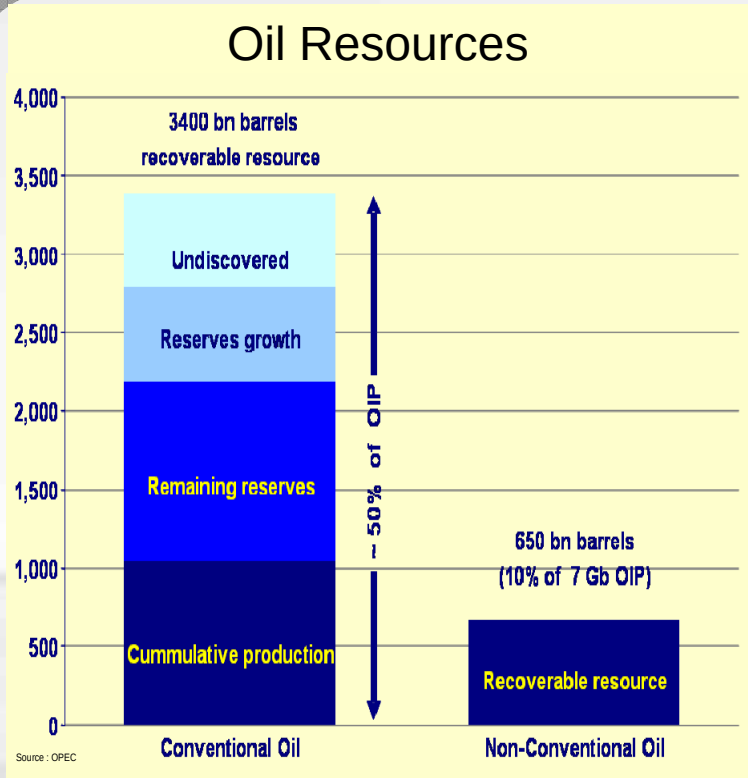


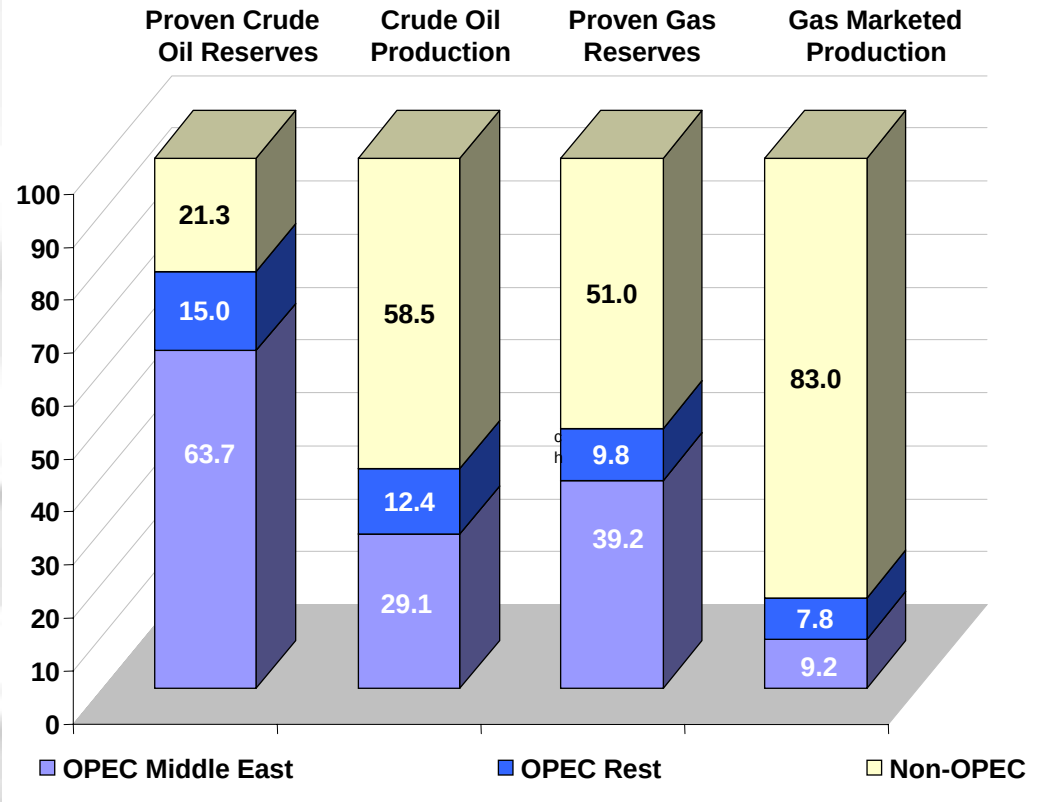


(mb/d)	Oil Demand			Net Oil Import Req.		
	2005	2015	2025	2005	2015	2025
North America	25	27	29	10	12	13
Latin America	5	6	7	0	0	1
Europe	16	17	17	10	12	14
FSU	4	5	5	-8	-10	-10
Asia	23	30	38	16	23	31
China	7	10	13	3	6	10
M.East & Africa	3	4	5	-3	-3	-2
OPEC	7	9	10	-25	-32	-44

M.East OPEC contribution to world oil trade is expected to increase from ~30% to ~40% in 2025.

Oil resources and availability





- **Proven reserves** 891 billion barrels ***78% of world figure***
- **Production** > 30 million barrels a day ***~ 40% of world figure***
- **Exports** > 21 million barrels a day ***~50% of world figure***

  - Cheaper to exploit than non-OPEC oil
  - Increasing call on OPEC oil in coming years
  - ***>50% world oil market projected for 2025***

Thank you