



Global energy industry — current challenges and opportunities

Mohammed Barkindo
Acting for the Secretary General

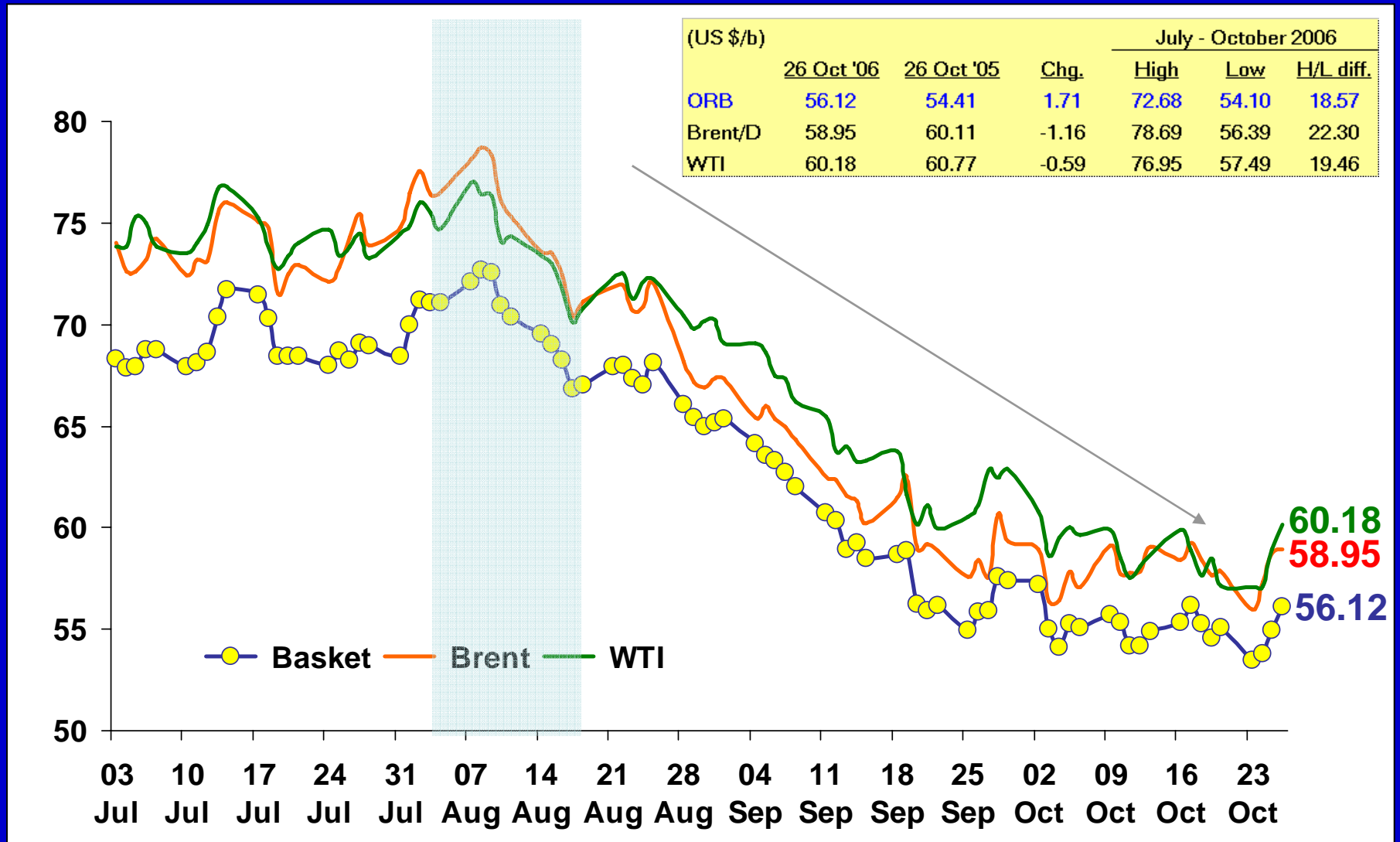
Sixth Russian Oil and Gas Week

Moscow, Russia

30 October – 2 November 2006



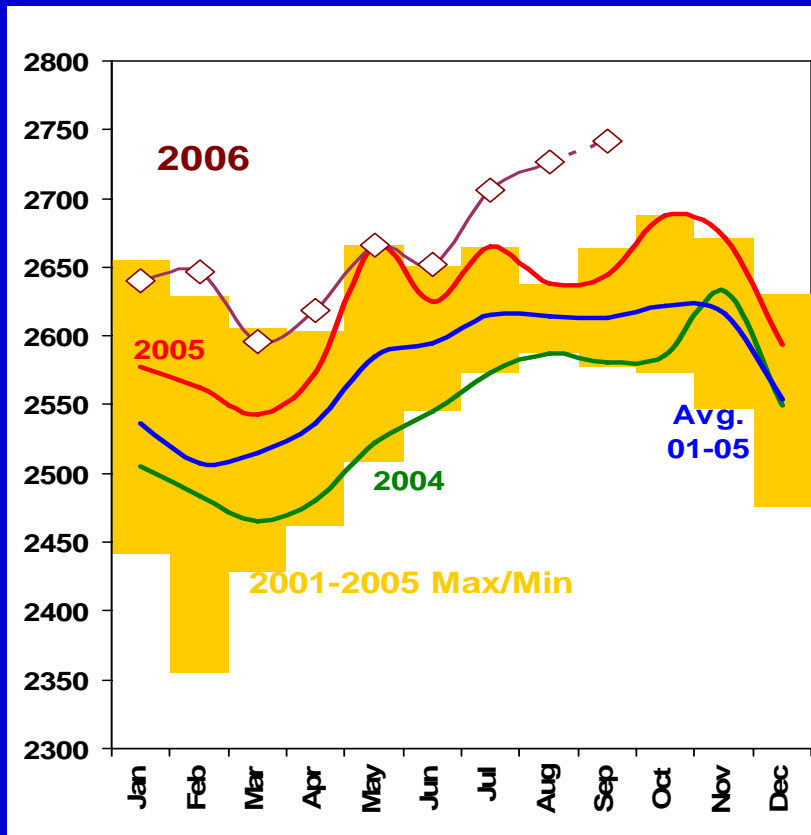
Oil price movements, Jul–Oct 2006, US \$/b



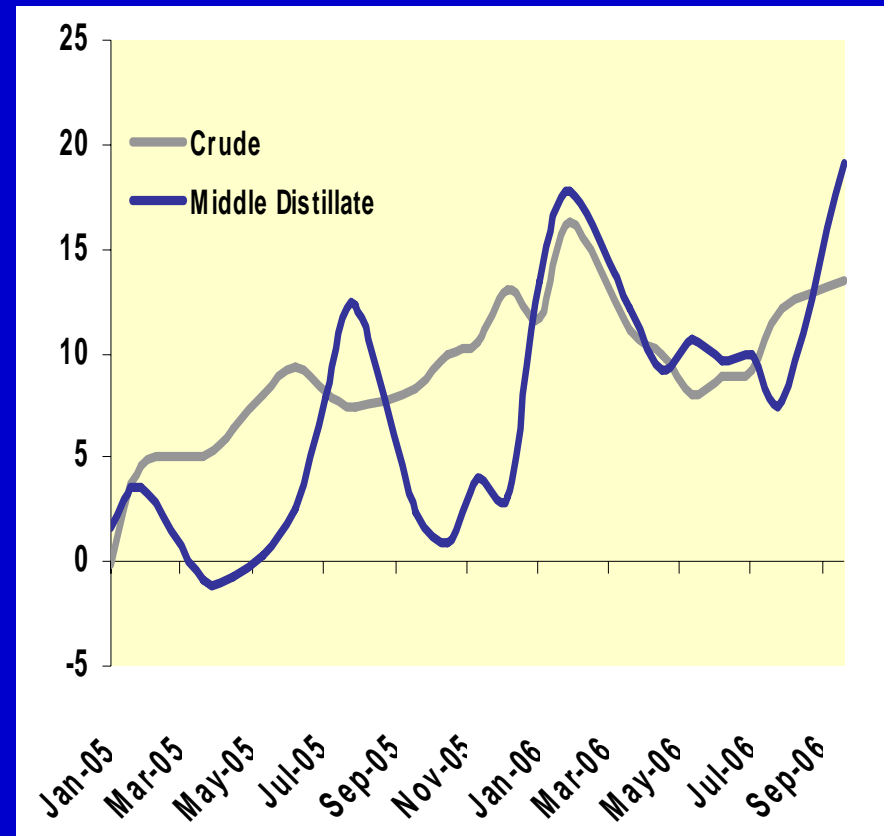


High oil stocks: above five-year average

OECD commercial oil stocks (mb)

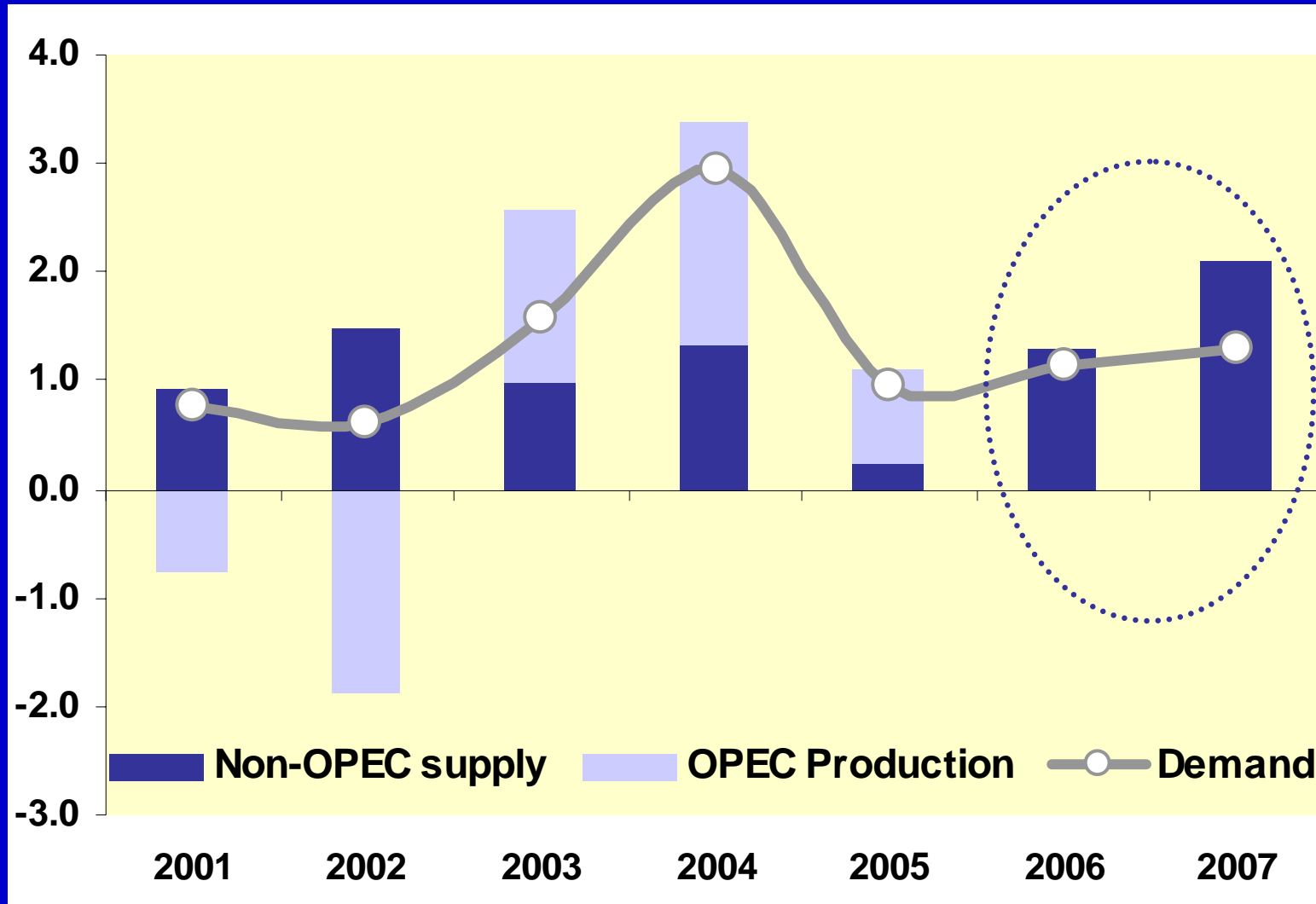


US oil stocks: deviation from 5-year avg. (%)





World oil demand and supply growth, *mb/d*





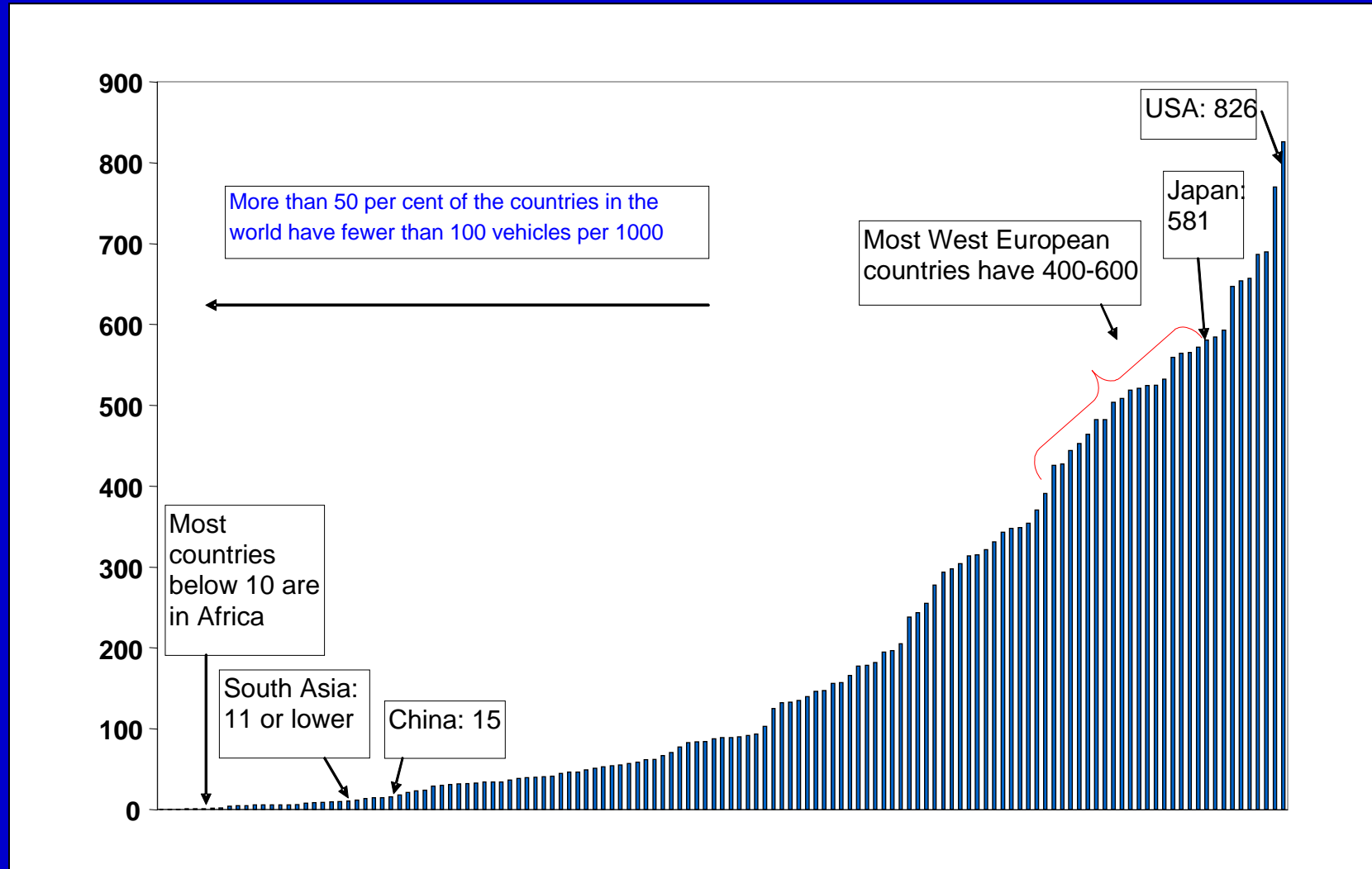
Long-term oil demand outlook, *mb/d*

	2005	2010	2015	2020	2025
OECD	49.8	51.5	52.8	53.8	54.6
DCs	28.7	34.2	40.0	46.3	52.9
Transition economies	4.7	5.0	5.3	5.5	5.7
World	83.2	90.7	98.0	105.6	113.1

- World economic growth averages 3.5% pa over next two decades
- "Dynamics-as-usual": no new strong policy drives
- Oil demand increases by 30 mb/d by 2025, or 1.5 mb/d annually
- Four-fifths of increase in demand comes from developing countries
- Transportation continues to be dominant source of growth (~60 %)

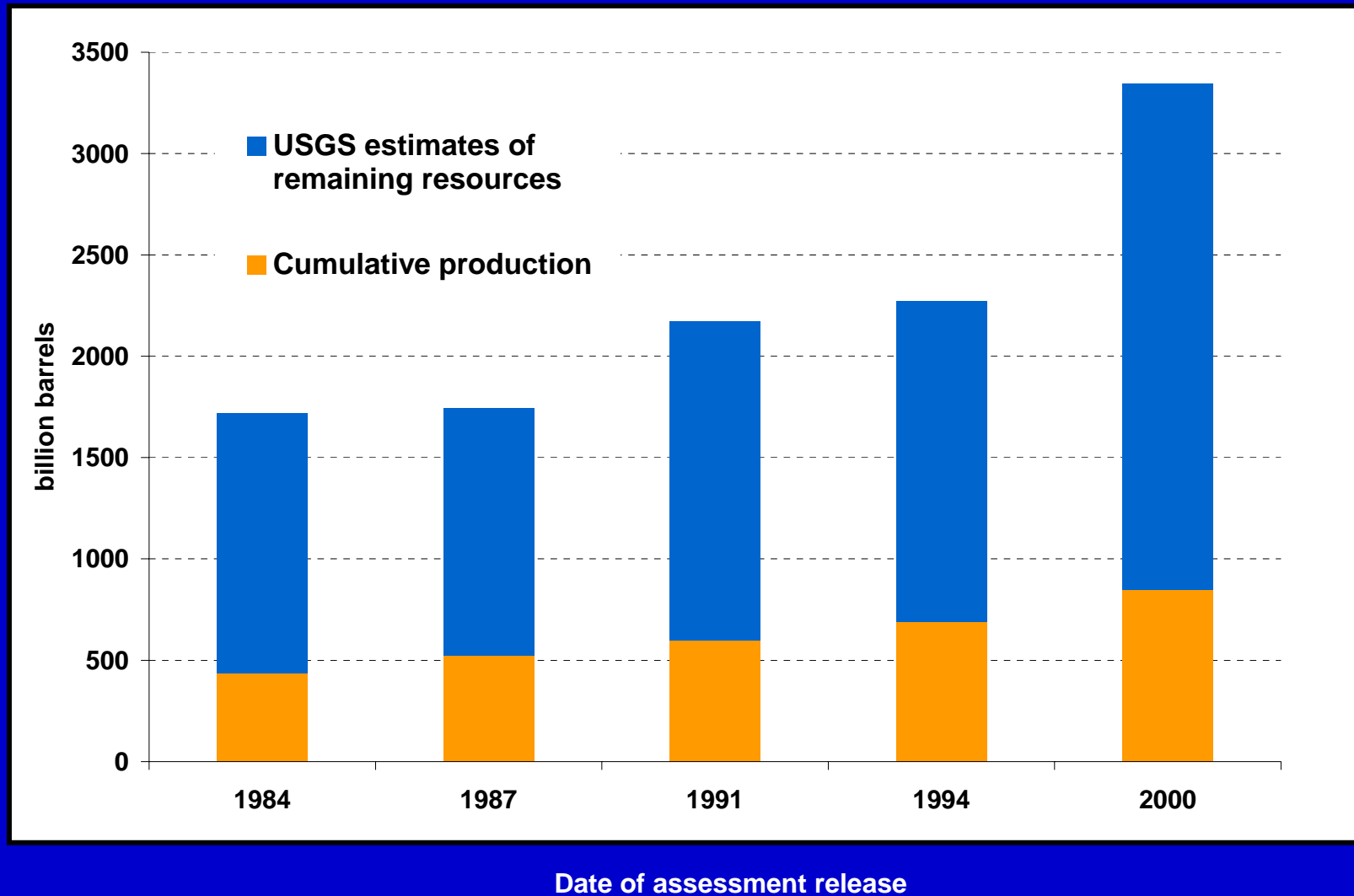


Vehicle ownership per 1,000 inhabitants, 2003





Conventional liquid resource base is sufficient





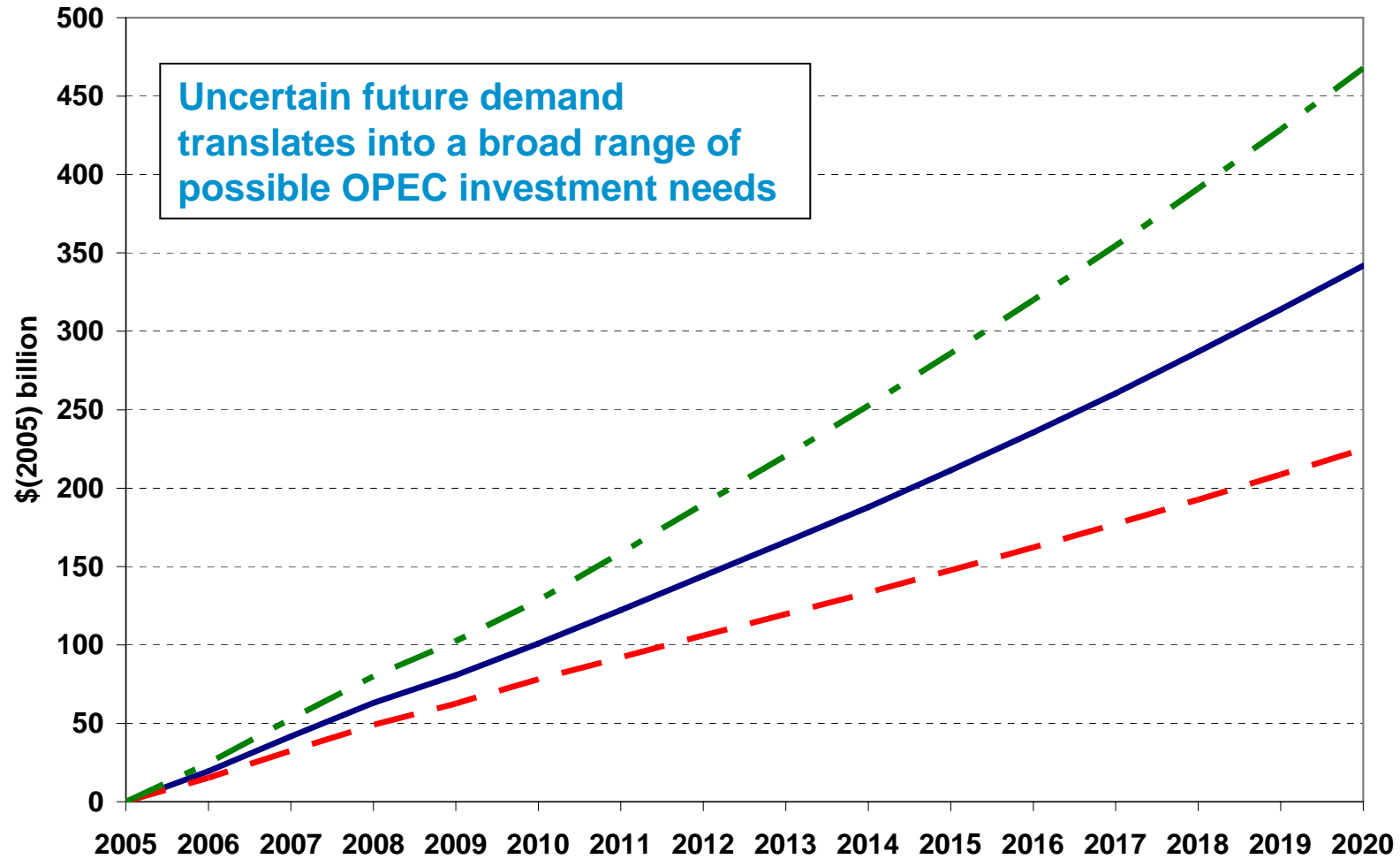
Long-term oil supply outlook, *mb/d*

	2005	2010	2015	2020	2025
OECD	20.5	20.6	20.7	20.5	19.5
DCs, excl. OPEC	16.1	18.6	19.7	20.0	19.9
Transition economies	11.7	14.4	15.5	16.1	16.5
Total non-OPEC	50.1	55.8	58.3	59.4	58.9
OPEC (incl. NGLs)	33.1	34.9	39.7	46.2	54.3
World	83.2	90.7	98.0	105.6	113.1

Non-OPEC increases: Latin America, Africa, Russia, Caspian



Cumulative investment in OPEC: three scenarios





Addressing climate change concerns

Collective approach required from world community

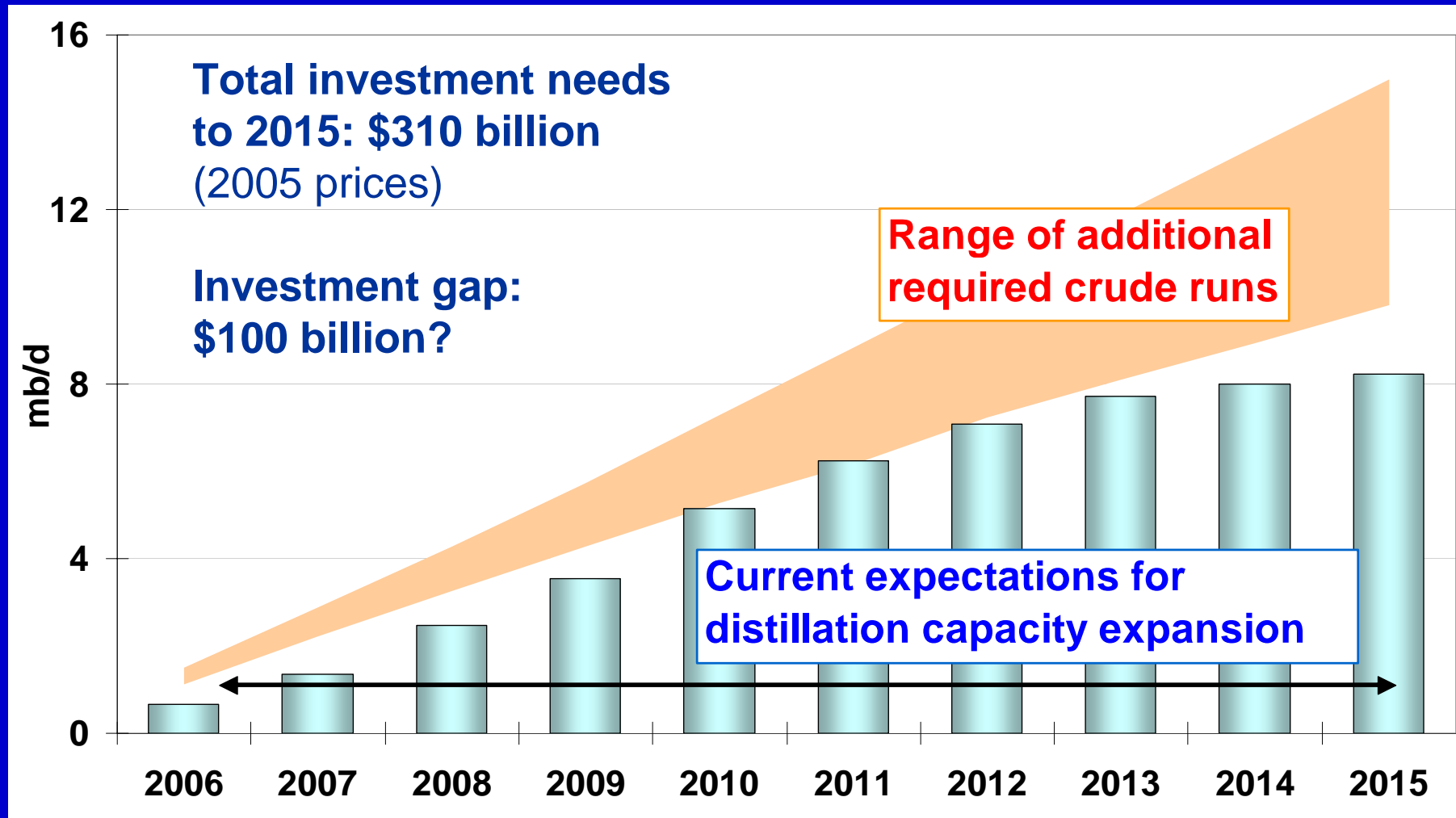
Heavy reliance on fossil fuels unsustainable without CCS

Carbon capture and storage (CCS)

- Technology already exists
- ‘Win-win’ opportunity
 - In conjunction with CO₂-enhanced oil recovery
- Developed countries should take the lead with cleaner oil and gas technologies
 - Large-scale demonstration projects
 - Clean development mechanism
 - “Common, but differentiated responsibilities”



The downstream is also important

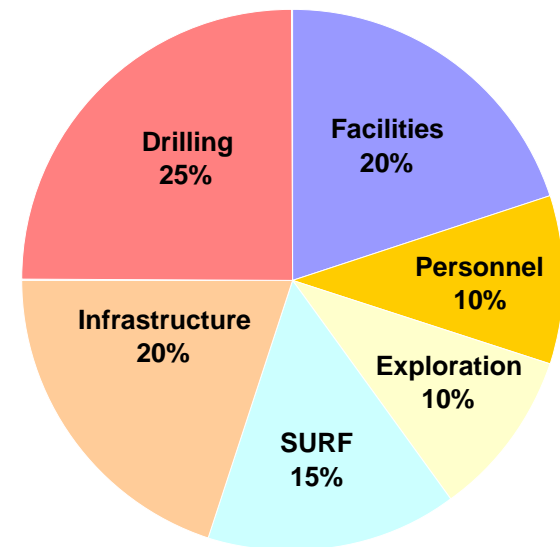
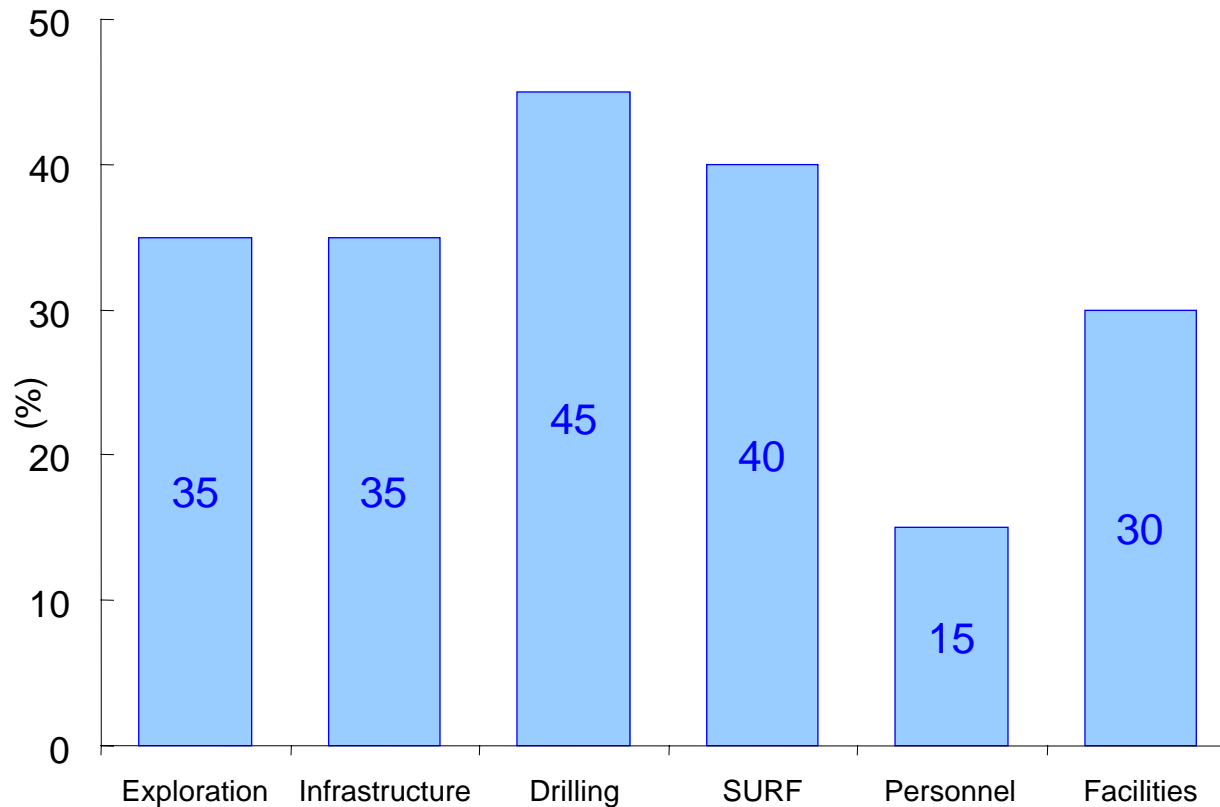




Indicative cost increases

- 3D seismic costs have doubled in the last 24 months
- Deepwater drilling day rigs up at least 50% in 12 months. Contracts at \$500/d for 2008.
- Wage pressure is escalating with growing shortage of skilled labour (~15% rise in 2005)
- Steel is a major component of infrastructure and facilities, with prices up 40% since 2004.

Cost split for a typical deepwater development



Source: Goldman Sachs, OPEC Secretariat



Concluding statement

The challenges facing the oil industry in the coming decades are substantial and require a concerted effort from all parties if the industry is to evolve in an orderly, stable manner.

The opportunities are there for us to meet these challenges and we must all play our part to ensure that we use them to the full, to the benefit of producers and consumers alike and of the development of mankind generally.



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