OPEC and non-OPEC

Mohammed Barkindo
Acting for the Secretary General

Balancing the interests of consumers and producers
11th Annual Asia Oil and Gas Conference
Kuala Lumpur, Malaysia
11–13 June 2006
Outline

Current market situation

OPEC and non-OPEC
  Relationship
  Present role
  Future role

Long-term oil outlook

Concluding remarks
  Investment
  Dialogue and cooperation
  Meeting future challenges
OPEC Reference Basket price (nominal and real) and non-energy commodity prices

The real price is still well below historical highs

Non-energy commodity prices have also risen

Nominal ($/b)
Real ($/b base March 2006)
Recent oil market developments: high demand growth

**Table: Oil demand growth (mb/d)**

<table>
<thead>
<tr>
<th>Region</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1.0</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td>North America</td>
<td>0.8</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Others</td>
<td>0.4</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Middle East</td>
<td>0.3</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Other Asia</td>
<td>0.4</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.9</strong></td>
<td><strong>1.0</strong></td>
<td><strong>1.4</strong></td>
</tr>
</tbody>
</table>

**Diagram Description:**

- **Other Asia:**
  - 2003
  - 2004
  - 2005
  - 2006

- **Middle East:**
  - 2003
  - 2004
  - 2005
  - 2006

- **Others:**
  - 2003
  - 2004
  - 2005
  - 2006

- **North America:**
  - 2003
  - 2004
  - 2005
  - 2006

- **China:**
  - 2003
  - 2004
  - 2005
  - 2006

**mb/d:**

- 0.0
- 0.5
- 1.0
- 1.5
- 2.0
Supply chain tightness: non-OPEC supply

- China
- OECD Pacific
- OECD N.America
- Total DCs
- Russia
- Total non-OPEC supply

2003 2004 2005 2006
Supply chain tightness: downstream bottlenecks

Refinery capacity utilization rates

**Chart:**
- **x-axis:** Months from Apr 04 to Apr 06
- **y-axis:** US$/bbl
- **Lines:**
  - WTI/US Gulf
  - A. Heavy/US Gulf
  - Brent/Rotterdam
  - Dubai Singapore
Increasing activity in futures market

- A new inflow of capital movement by hedge and pension funds into the futures market
- Open interest passed one million contracts now!

<table>
<thead>
<tr>
<th>Year</th>
<th>Open Interest ('000 contracts)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003 (end)</td>
<td>587.4</td>
<td>6.6</td>
</tr>
<tr>
<td>2004 (end)</td>
<td>656.5</td>
<td>69.0</td>
</tr>
<tr>
<td>2005 (end)</td>
<td>818.8</td>
<td>162.4</td>
</tr>
<tr>
<td>2006 (May)</td>
<td>1068.8</td>
<td>250.0</td>
</tr>
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</table>
OPEC’s objectives

- Ensuring the stabilisation of prices in international oil markets, with a view to eliminating harmful and unnecessary fluctuations.

- Securing an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on their capital to those investing in the petroleum industry.

*OPEC Statute, 1961*
OPEC crude oil supply has risen by 4.5 mb/d since 2002
OPEC crude capacity continues to expand
OPEC share of world crude oil production, %

- 1960: 41.2%
- 1970: 51.4%
- 1980: 44.4%
- 1990: 37.3%
- 2000: 42.2%
- Current: 41.7%

OPEC Annual Statistical Bulletin, 2004
OPEC share of world crude oil exports, %

<table>
<thead>
<tr>
<th>Year</th>
<th>OPEC's % share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>89.1</td>
</tr>
<tr>
<td>1970</td>
<td>85.8</td>
</tr>
<tr>
<td>1980</td>
<td>75.6</td>
</tr>
<tr>
<td>1990</td>
<td>58.8</td>
</tr>
<tr>
<td>2000</td>
<td>52.9</td>
</tr>
<tr>
<td>Current</td>
<td>50.6</td>
</tr>
</tbody>
</table>

OPEC Annual Statistical Bulletin, 2004
## World crude oil production, 2004

### mb/d

<table>
<thead>
<tr>
<th></th>
<th>Production (mb/d)</th>
<th>% world</th>
<th>% non-OPEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEC</td>
<td>29,577.7</td>
<td>41.9</td>
<td></td>
</tr>
<tr>
<td>Non-OPEC</td>
<td>40,997.7</td>
<td>58.1</td>
<td>42.9</td>
</tr>
<tr>
<td>DCs</td>
<td>17,598.8</td>
<td>24.9</td>
<td>42.9</td>
</tr>
<tr>
<td>Others</td>
<td>23,398.9</td>
<td>33.2</td>
<td>57.1</td>
</tr>
<tr>
<td>World</td>
<td>70,575.4</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

_OPEC Annual Statistical Bulletin, 2004_
OPEC/non-OPEC relationship

- No impenetrable line between OPEC and non-OPEC

- Softening of divides over many years
  - Major advances in dialogue and cooperation
    - Encouraged by OPEC
  - Non-OPEC support for OPEC stabilisation measures
Regional crude oil production, 1984–2004

mb/d

North America

Latin America

Eastern Europe

Western Europe

Non-OPEC

OPEC

OPEC Annual Statistical Bulletin, 2004
Regional crude oil production, 1984–2004

OPEC Annual Statistical Bulletin, 2004
Long-term oil demand outlook, $mb/d$

- 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 %)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD</td>
<td>49.8</td>
<td>51.5</td>
<td>52.8</td>
<td>53.8</td>
<td>54.6</td>
</tr>
<tr>
<td>DCs</td>
<td>28.7</td>
<td>34.2</td>
<td>40.0</td>
<td>46.3</td>
<td>52.9</td>
</tr>
<tr>
<td>Transition economies</td>
<td>4.7</td>
<td>5.0</td>
<td>5.3</td>
<td>5.5</td>
<td>5.7</td>
</tr>
<tr>
<td>World</td>
<td>83.2</td>
<td>90.7</td>
<td>98.0</td>
<td>105.6</td>
<td>113.1</td>
</tr>
</tbody>
</table>
Conventional liquid resource base is sufficient
## Long-term oil supply outlook, $\text{mb/d}$

<table>
<thead>
<tr>
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<th>2015</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD</td>
<td>20.5</td>
<td>20.6</td>
<td>20.7</td>
<td>20.5</td>
<td>19.5</td>
</tr>
<tr>
<td>DCs, excl. OPEC</td>
<td>16.1</td>
<td>18.6</td>
<td>19.7</td>
<td>20.0</td>
<td>19.9</td>
</tr>
<tr>
<td>Transition economies</td>
<td>11.7</td>
<td>14.4</td>
<td>15.5</td>
<td>16.1</td>
<td>16.5</td>
</tr>
<tr>
<td>Total non-OPEC</td>
<td>50.1</td>
<td>55.8</td>
<td>58.3</td>
<td>59.4</td>
<td>58.9</td>
</tr>
<tr>
<td>OPEC (incl. NGLs)</td>
<td>33.1</td>
<td>34.9</td>
<td>39.7</td>
<td>46.2</td>
<td>54.3</td>
</tr>
<tr>
<td>World</td>
<td>83.2</td>
<td>90.7</td>
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Non-OPEC increases: Latin America, Africa, Russia, Caspian
Oil demand growth uncertainties

- Higher or lower economic growth
- Technological developments, especially transportation sector
- Consuming country energy and environmental policies

![Graph showing OPEC Production with three scenarios: Reference Scenario, High Growth, and Low Growth. The graph indicates OPEC Production reaching 10.5 million barrels per day by 2025.]
Dialogue and cooperation

- Continued cooperation & genuine dialogue: underlying consensus on handling major issues of mutual concern for the benefit of all.
  - International Energy Forum; International Energy Agency;
  - EU-OPEC Energy Dialogue; OPEC-China Energy Dialogue;
  - OPEC-Russia Energy Dialogue; Asian Oil & Gas Ministers Round Table; Non-OPEC at OPEC Conferences; OPEC & Non-OPEC experts meetings ...

- Effective engagement on all interrelated issues:
  - Security of supply and demand
  - Price stability
  - Energy policies
  - Multilateral issues
  - Technology
Concluding statement

The huge advances in dialogue and cooperation of recent years in an interdependent global oil industry will help OPEC and non-OPEC producers become better-equipped to meet the future challenges and find a better balance of interests between producers and consumers.