OPEC’s View on the Outlook for Oil Supply/Demand

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Acting for the Secretary General

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Introduction

- Energy security must be seen from many perspectives
- Security of supply and security of demand go hand in hand
- Recent price behaviour has moved the issue of energy security high up on the agenda
- Non-energy commodity prices have also risen
- Perceptions of capacity availability exacerbated by disruptions to the supply system and other factors
- OPEC’s recent responses demonstrate the commitment to support energy supply security
Resource base is sufficient

USGS estimates for oil resources

Cumulative production

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OPEC crude oil supply has risen 4.5 mb/d since 2002.
OPEC capacity expansions up to 2010 should lead to growing spare capacity.
But the downstream is also critical

- Supply security relevant along entire supply chain

- Inadequate investment in refining capacity an important factor behind recent price movements

- Increasingly stringent product specifications

- OPEC NOCs are undertaking part of the investments needed in the downstream

- But the major responsibility lies with the consuming countries and international oil companies
OPEC’s Long-Term Strategy underlines uncertain oil demand growth
Vehicle ownership per 1000 inhabitants in 2003

- More than 50% of the countries in the World have fewer than 100 vehicles per 1000 inhabitants.
- Most West European countries have 400-600 vehicles per 1000.
- CIS and central European countries tend to be 200-400 vehicles per 1000.
- Latin America, S. E. Asia and Middle East: typically 50-200 vehicles per 1000.
- Most countries below 10 are in Africa.
- Probably >40% below 50 vehicles per 1000.
- China: 15 vehicles per 1000.
- South Asia: 11 or lower vehicles per 1000.
- USA: 826 vehicles per 1000.
- Japan: 581 vehicles per 1000.
Poverty eradication

• Over 1 billion people live on less than $1 per day

• Millennium Development Goal number 1: poverty eradication

• Access to modern energy services must be improved upon

• Eradicating poverty close to heart of OPEC MCs

• Developed countries have commitments to fulfil, such as capacity building, technology transfer and financial resources
Other sources of uncertainty

• Technological developments and diffusion especially in transportation sector
  – Efficiency improvements in conventional engines
  – The possible growth of hybrid vehicles

• Uncertain effects of changes in demographic structure

• Consuming country policies - energy policy discriminates against oil

• Environmental policy
  – Adds to uncertainty over oil demand growth
  – Need for cleaner fossil fuel technology
Energy security and protection of the environment

- Climate change: OPEC welcomes entry into force of Kyoto Protocol

- Provisions to minimise negative economic impacts of policies and measures on fossil fuel exporters embedded in the UNFCCC

- Annex-I countries should give concrete realisation to these commitments

- Carbon capture and storage (CCS) is a promising technology

- Need for large-scale CCS demonstration projects
Cumulative investment needs in OPEC: 3 scenarios

Uncertain future demand translates into a broad range of possible OPEC investment needs
• OPEC continues to engage in dialogue and co-operation

• Later this month, 10th International Energy Forum (IEF), Doha, Qatar, is an important meeting

• IEF Secretariat opened in Riyadh, Saudi Arabia

• OPEC a leading participant in the Joint Oil Data Initiative

• Need for better data on demand and stocks

• OPEC sees dialogue and co-operation among all parties as the way forward with regard to security of supply and demand
Security of demand: a real issue

• Security of demand and security of supply are mutually supportive

• Security of demand is a legitimate concern of producers

• Uncertainty over future demand translates into a broad range of potential levels of demand for OPEC oil

• Investment requirements are large, subject to long lead-times and pay-back periods

• More transparency in evolution and implementation of policies is key

• Improved data availability and quality needed for demand and stocks, as well as other demand variables
Thank you

Stability in the oil market