

MENA Energy 2016, Power, Security and Energy Markets

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Energy Markets, Political Developments and Security Challenges **Opening Address: Oil Market Outlook**

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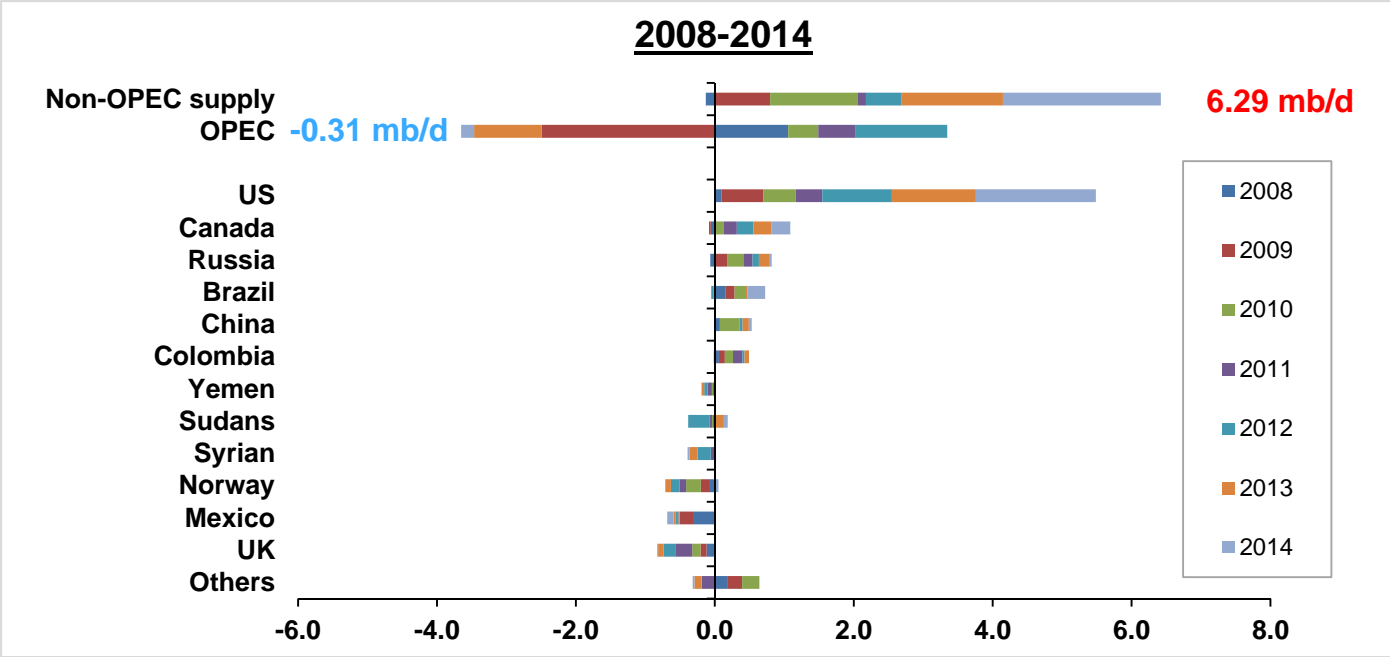
The current oil market environment



- **The market is currently going through a significant readjustment, since July 2014:**
 - prices have fallen by around 70%
 - many investments have been deferred and some cancelled
 - manpower has been laid off
 - supply has been greater than demand
 - stocks have risen above their five-year average
- **The market has been searching for balance:**
 - how did the current situation evolve?
 - how can it be resolved?

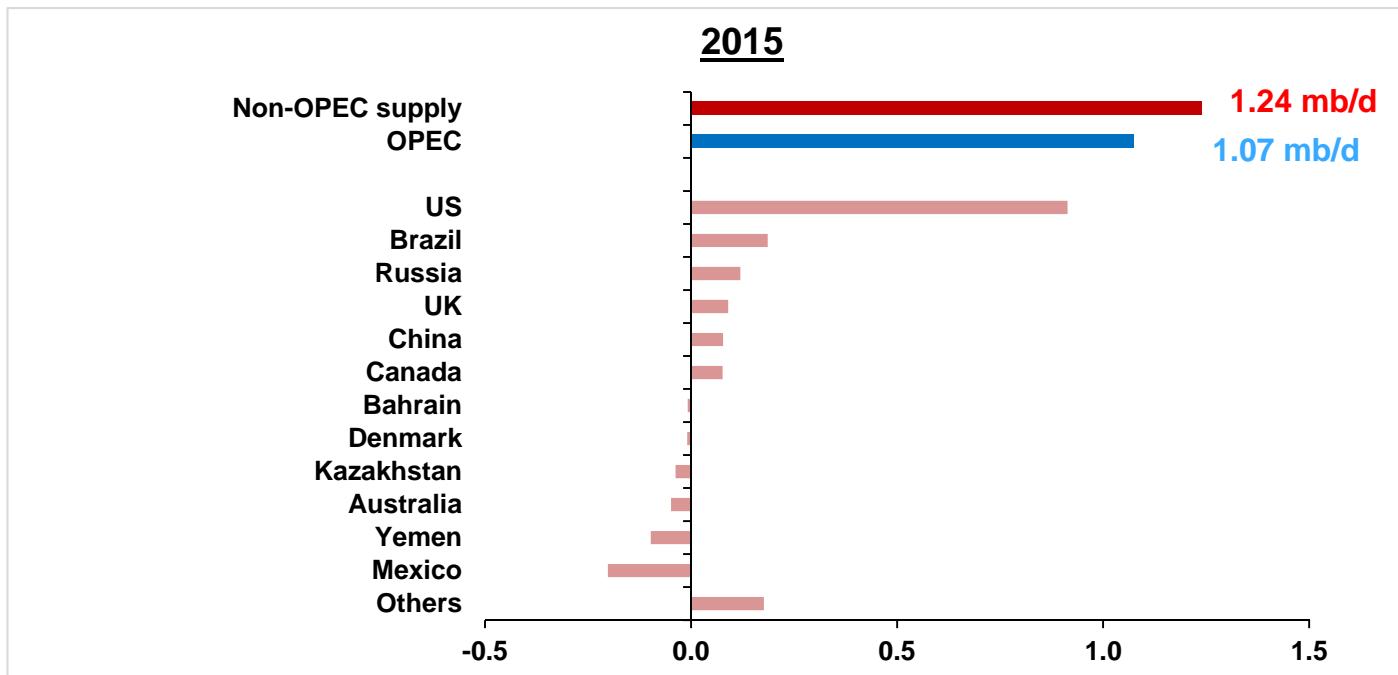
World oil supply growth, 2008-2014

y-o-y change, mb/d



From 2008 to 2014, non-OPEC supply grew by 6.29 mb/d, while OPEC production decreased by 0.31 mb/d

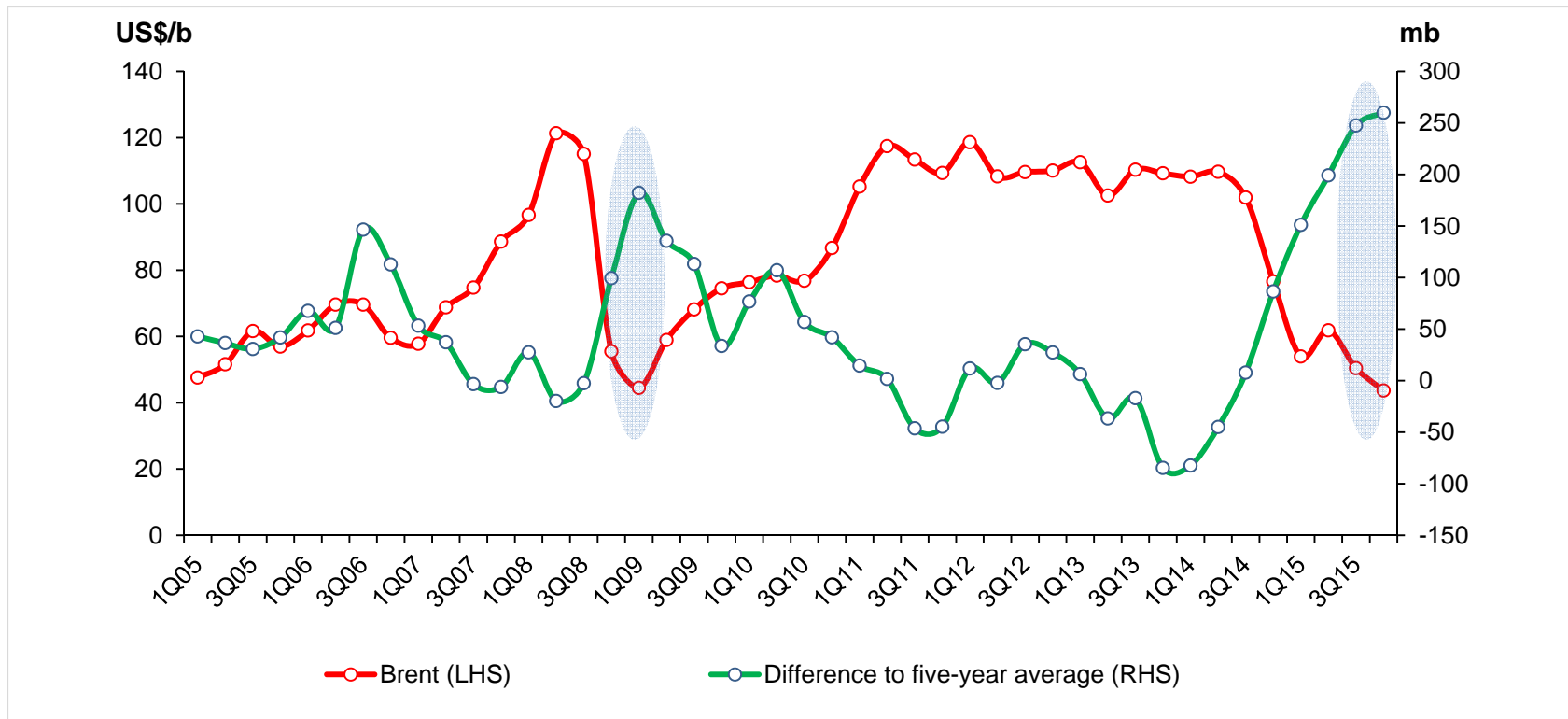
World oil supply growth, 2015 *y-o-y change, mb/d*



Non OPEC supply in 2015 rose by **1.24 mb/d**, compared to year earlier, while OPEC production increased by **1.07 mb/d**

OECD commercial stocks vs. crude oil prices

Excessive stock surplus strongly impacts crude prices

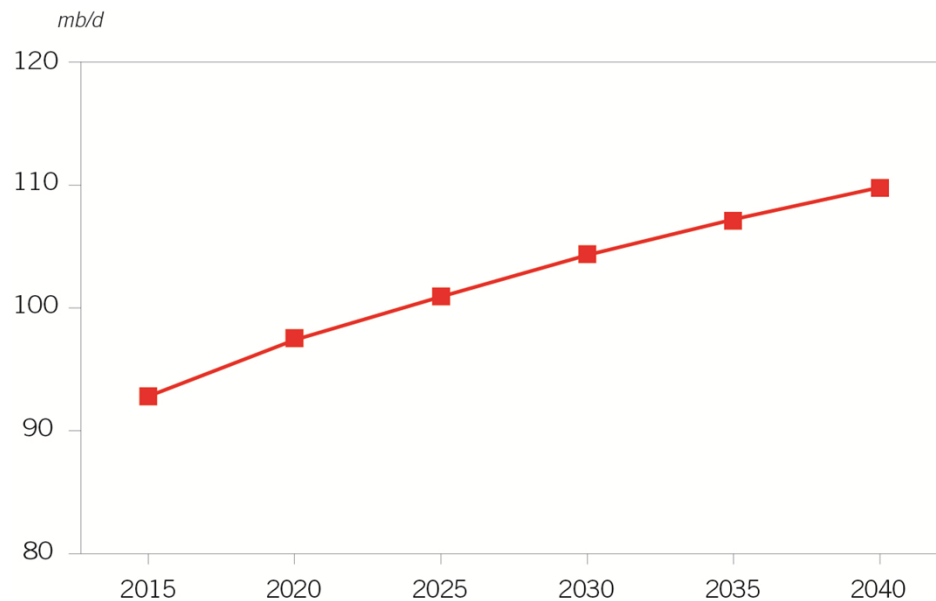


Long-term oil demand outlook

Major investments needed



Global oil demand outlook



- Oil demand increases by around 17 mb/d between now and 2040
- Oil-related investment requirements are estimated to be around \$10 trillion over this period
- At current price levels, not all of the necessary future investment is viable
- Extreme prices – either too high or too low – are not in the interests of either producers or consumers

The environment and climate change



- **We welcome the ‘Paris Agreement’ to reduce climate change**
- **We need to be practical, realistic and equitable**
- **We need to continue to develop renewables, but they cannot be seen as a replacement for fossil fuels in the coming decades**
- **We need to continue to use energy more efficiently, but we need to remember that some people still have no access to modern energy services**
- **There are environmental concerns regarding fossil fuels, but there are ways that these can be met and overcome**

A sustainable energy future for all



- **The best way forward is for all industry stakeholders to continually work towards achieving more balance for our industry in the short and long-term**
- **This will help us deliver a sustainable energy future; for all producers and for all consumers too**
- **Market forces, as well as cooperation among producers, will eventually lead to the return of stability/balance**
- **I remain optimistic about the industry's future**



Thank you



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