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?
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

- 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