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OPEC Secretary General

‘Adapting to new resource realities’

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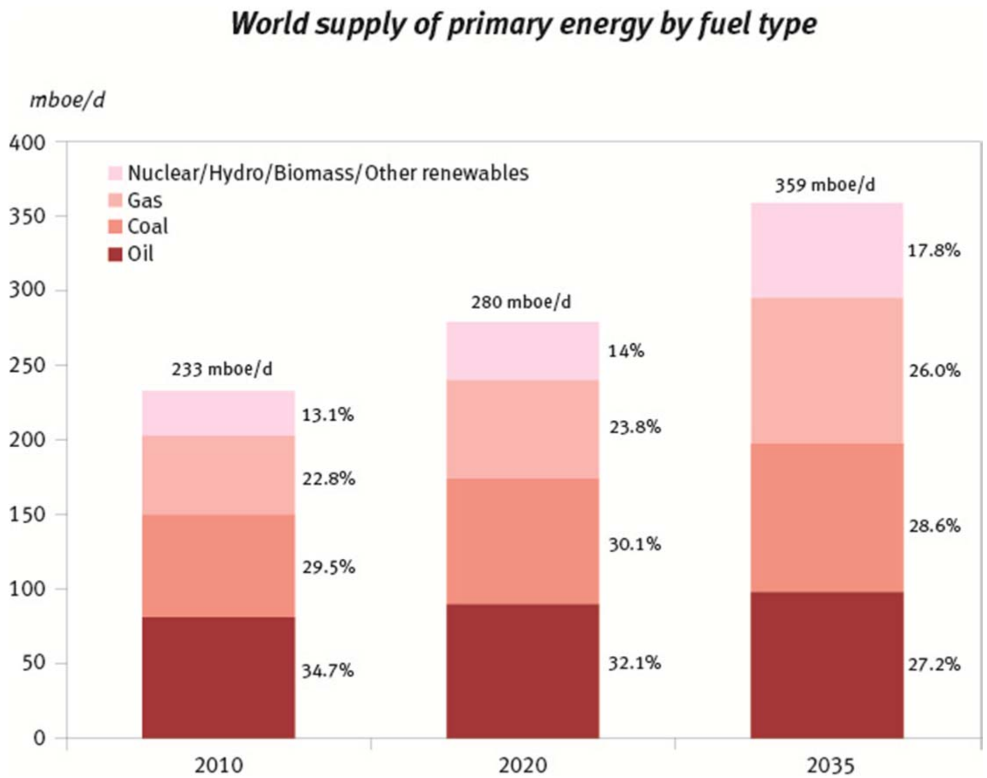
Adapting to new resource realities

- We hear less and less from those that espouse impending peak oil – it will come one day, but not for the foreseeable future
- The growing role of unconventional oil and gas, particularly tight oil and shale gas in the US
- The ever expanding nature of our energy interdependence – we are all interlinked
- Fossil fuels will remain central to the world’s energy mix for the coming decades

World energy demand in OPEC's Reference Case



- **Energy demand increases by 54% by 2035**
- **Fossil fuels will continue to satisfy the major share of energy needs**
- **Oil demand grows by more than 20 mb/d by 2035, but oil's share in the overall energy mix declines**
- **Plenty of available resources, but availability is nothing without deliverability**

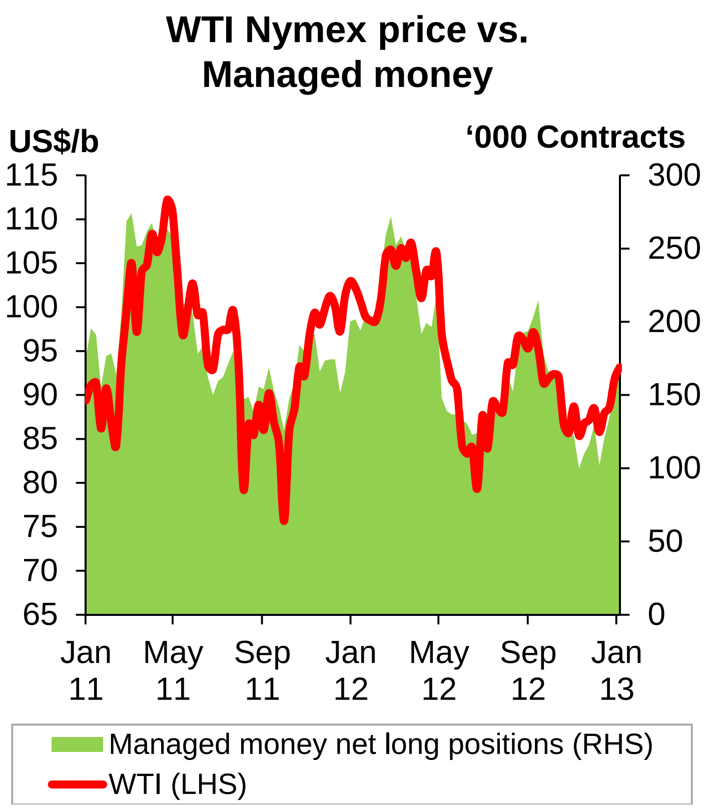
The oil price

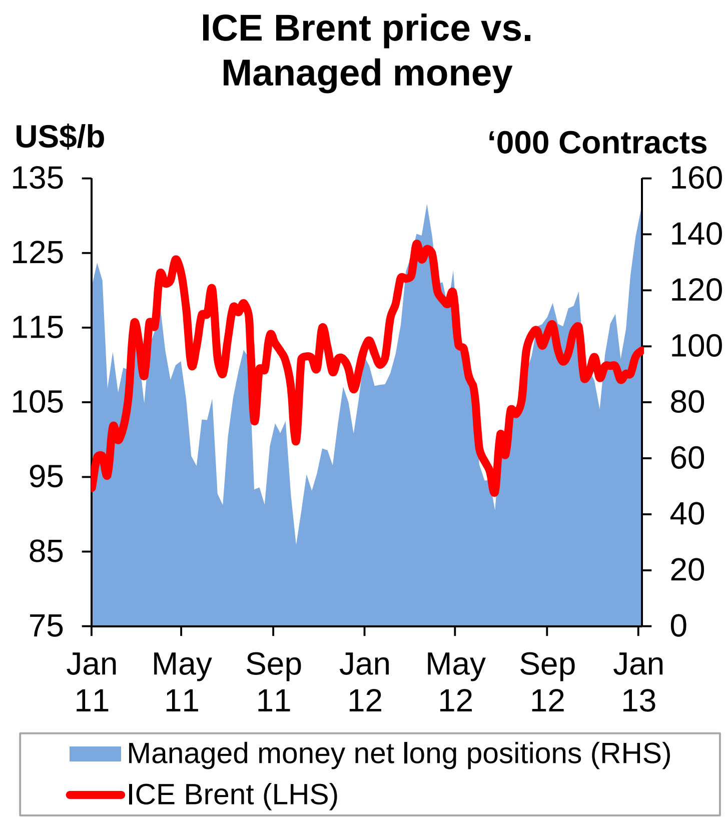
- **Factors that lie behind the fear of oil price weakness:**
  - A slowdown in the global economy
  - Supply outstripping demand
  - Expanding oil inventories
  - Increasing spare capacity

- **Factors that might lead to possible price rises:**
  - Geopolitics
  - A stronger than expected economic recovery
  - Investments and supply not materializing as fast as expected

At present we believe the market is well balanced, but it is important to understand how these issues are perceived by some in the market

Excessive speculation and price volatility



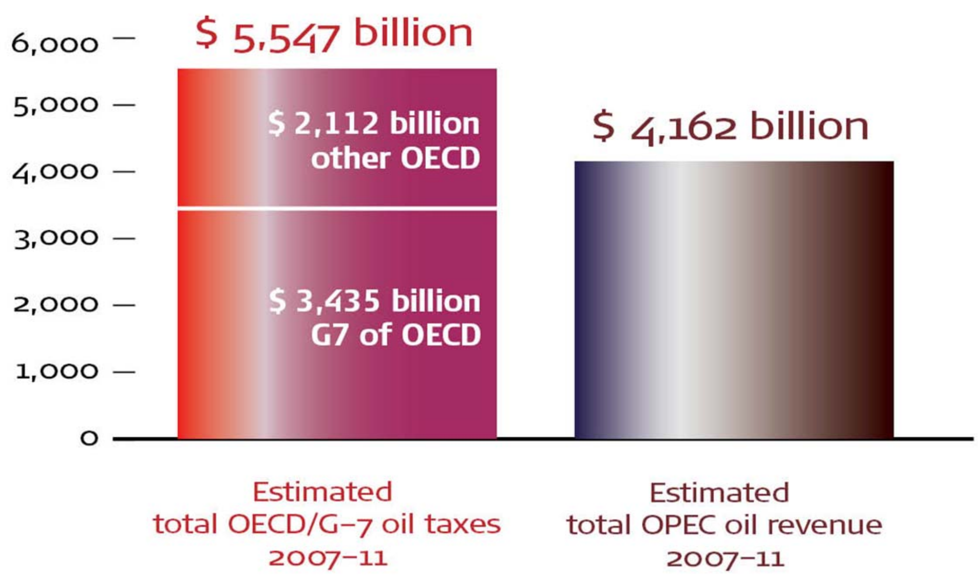


- **20-30% change in prices last year has occurred despite the market being well-supplied**
- **Strong co-movement between WTI/Brent and net long positions – clear sign of speculative activity**
- **Speculative investment flows can contribute to distortions in the price of crude**

Petroleum revenues

- **Potential implications of falling prices: lower petroleum revenues**
  - Over 75% of OPEC’s total export revenue came from petroleum in 2011
  - Central to provision of healthcare, education and basic economic infrastructure
  - Any reduction will clearly have an impact – this will vary from one Member Country to another – as it would for any government/country who saw a reduction in revenues/tax take

- **Petroleum revenues in context**
  - From 2007-2011, OPEC Member Countries received close to $4.2 trillion in revenues from oil sales
  - Over the same period, the OECD received over $5.5 trillion from oil taxes
  - Revenues earned by OPEC Member Countries must also cover high costs of exploration, production and transportation



Other implications of low prices

- **Potentially impact the entire oil market – if global investments are put on hold or cancelled altogether**
- **Every energy, and every investment project, has a break-even cost associated with it**
- **Such outcomes could sow the seeds for extreme high oil prices in the future. This has happened in the past**
- **Less recycling of OPEC Member Country income globally**

It underscores the importance of a fair and stable price for all. Extreme prices – either too high or too low – affect producers, consumers and the global economy

Stability is the key

- **One simple word each for producers, consumers and the market as a whole: 'stability'**
- **Stability for producers to allow them to earn a fair return from the exploitation of their exhaustible natural resources**
- **Stability for economies around the world so they may grow**
- **Stability for investments and expansion to flourish**
- **The best means of safeguarding all of our interests**

Thank you

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