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Plenary Session One

‘The New Geography of Energy: Business as Usual or a New Era for Energy Supply and Demand?’

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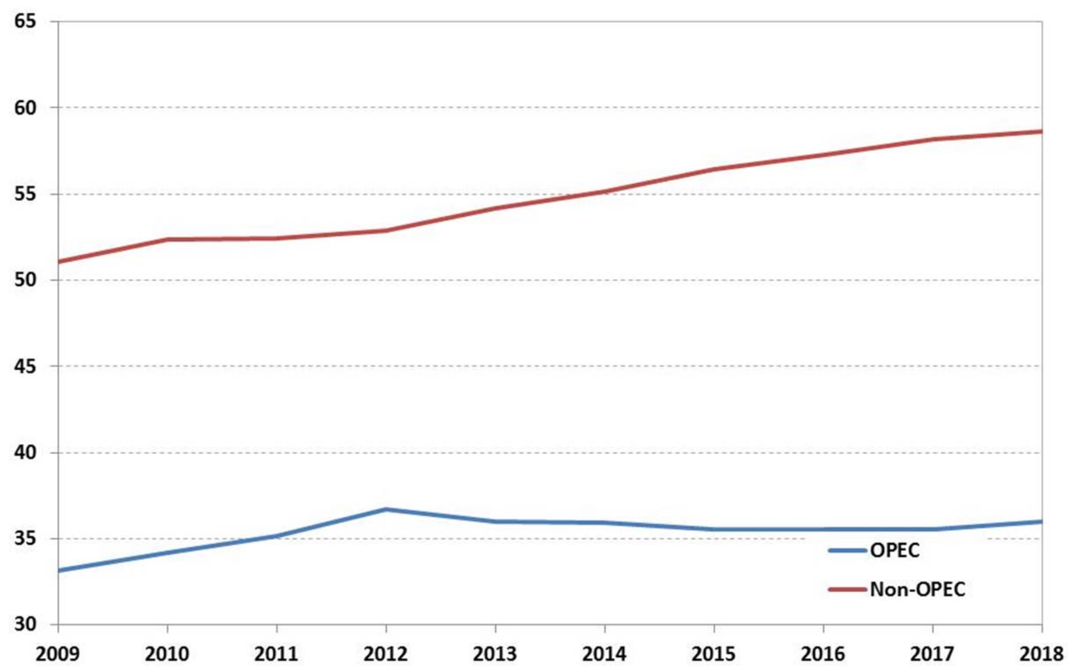
The current oil market outlook

- **The market is relatively balanced**
  - Steady demand growth
  - Enough supply to meet demand
  - Stocks and spare capacity at comfortable levels
- **OPEC's crude production is close to 30 mb/d, which is what the market currently requires**
- **We expect the market to remain balanced for the rest of 2014**
- **Prices are fairly steady, and have been for the past two years or so. Less price volatility has been beneficial to all**

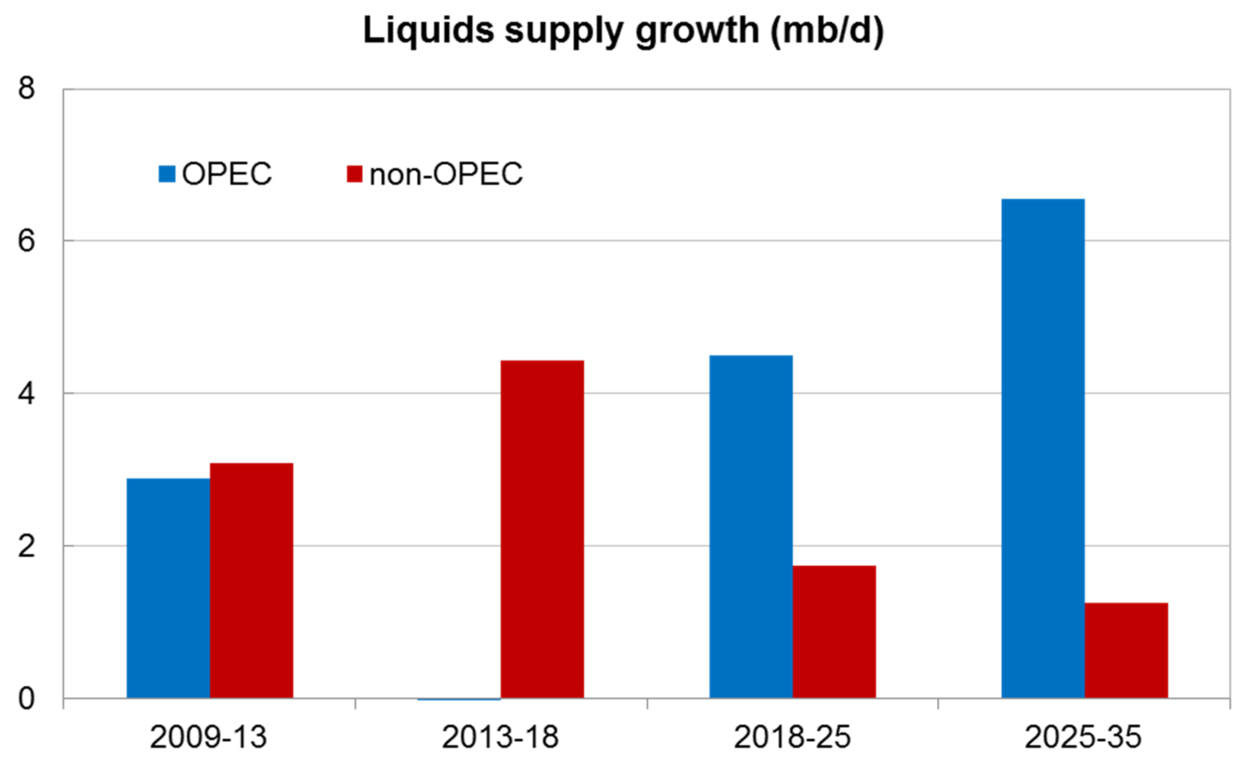
The medium-term liquids supply outlook

Liquids supply 2009-2018 (mb/d)



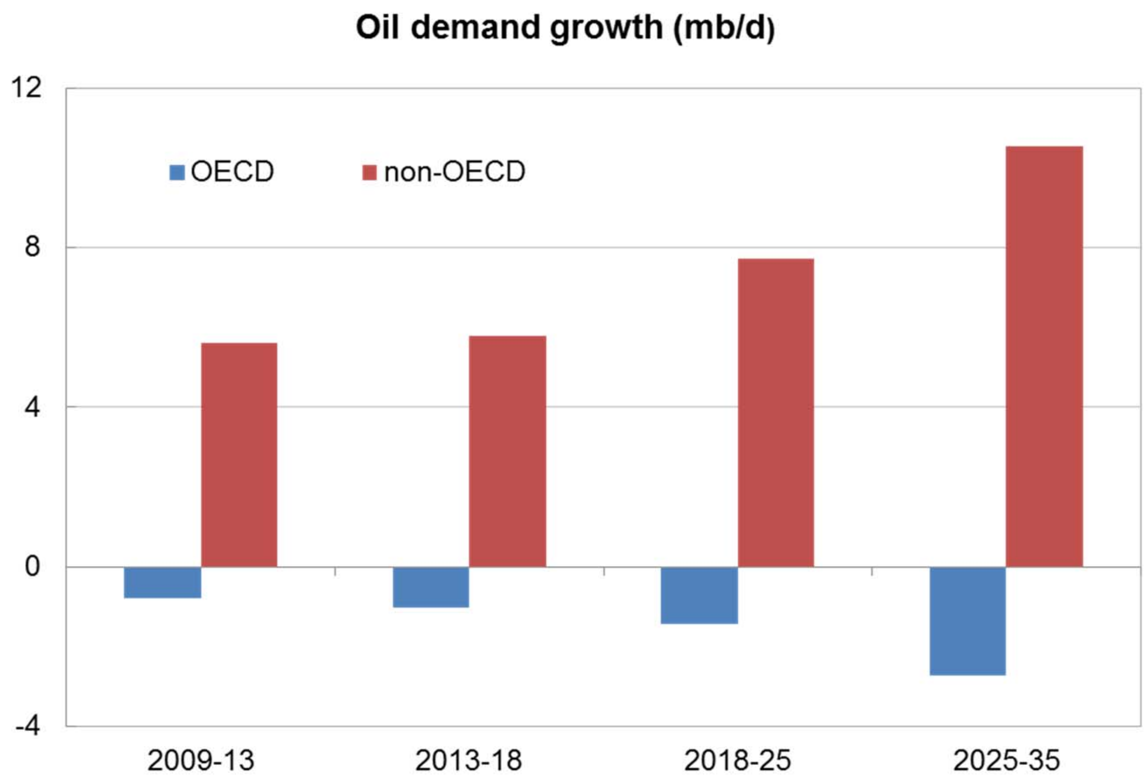
- **Both OPEC and non-OPEC saw liquids production increase by close to 3 mb/d between 2009-2013**
- **From 2013-2018, non-OPEC will expand by over 4 mb/d, while the call on OPEC liquids is fairly stable**
- **Tight oil adds depth and diversity to the market, but questions remain over long-term sustainability**
  - North America tight oil (including NGLs) will reach 4.9 mb/d by 2017/2018, before declining thereafter
- **The medium-term supply outlook should be viewed as a 'periodic shift'; in the long-term…**

OPEC will supply much of the additional liquids beyond 2018



- **OPEC to supply around 11 mb/d of additional liquids between 2018-2035, with non-OPEC adding about 3 mb/d**
- **The long-term oil supply picture could be deemed 'business as usual'**
  - Investments required from OPEC and non-OPEC
- **The MENA region remains the major global oil supply hub; ideally positioned for growing Asia demand**

Long-term oil demand growth: trends and implications



- **Global oil demand to increase by around 20 mb/d between 2012 and 2035, with over 88% of the expansion in developing Asia**
- **Non-OECD oil demand expected to surpass OECD in second half of 2014, although oil use per head in non-OECD remains much lower**
- **Implications of these trends could significantly alter oil trade and downstream landscapes**

Significant investments require a stable market environment

- **Cumulative upstream, midstream and downstream investment requirements are expected to be around $8 trillion by 2035**

- **Investments require a stable market environment**

- **Need to continually look to mitigate extreme price volatility and excessive speculation**
  - OPEC has been discussing the interaction of physical and financial markets in workshops with the IEA and the IEF

- **Important to understand the relationship between the price and the marginal barrel**
  - Specifically at what price levels costlier projects become unworkable
  - It is evident that for some projects – deepwater, Arctic, tight oil and oil sands plays – such a price may not be far below current price levels
  - There is a delicate balance between prices, the cost of the marginal barrel and future supplies

Key takeaways

- **Of course, the market will face uncertainties in the years ahead, both 'known' and 'unknown'**
- **But we can underscore a number of key takeaways about the future oil market:**
  - OPEC and non-OPEC oil supply will both be required in the long-term
  - Supply will come from a wide diversity of sources, and there is plenty of it
  - The MENA region will remain the world's major oil supply centre
  - Oil demand and trade will continue their shift to the East
  - The downstream is likely to witness a shift in capacity from OECD to non-OECD regions, specifically the Middle East and Asia
- **It all points to a future of increasing interdependence, and the need to continually enhance dialogue and cooperation**
- **We need to continually strive for market stability – to help deliver the goal we all desire: sustainable energy for all**

Thank you

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