Organization of the
Petroleum Exporting Countries

SESSION: US Climate and Energy Policies
Post-Elections

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Thank you for the kind introduction.

As both Madame Moderator and **Professor Stern** have mentioned, the task of the distinguished group of experts assembled here is to briefly explore climate and energy policies, particularly in regards to the United States.

These are, however, internal matters of that country. Furthermore, we have the expertise of others on this panel who may better address such topics – and who can ably describe the policy shifts that may occur and how they may be addressed.

It may be worth, however, briefly reviewing how we got here – and how OPEC views recent climate change negotiations.

The **Paris Agreement** entered into force much earlier than originally anticipated. It seeks to enhance implementation of the United Nations Framework Convention on Climate Change by calling for stabilization in the rise of global average temperatures to well below 2°C above pre-industrial levels. It also calls for efforts to enhance the temperature target even further – to 1.5°C.

The Agreement also calls for 'equity' among all Parties, with each country to develop in a sustainable manner, guided by the **principle** of 'common but differentiated responsibilities and respective capabilities'.

The implementation of the Paris Agreement is now expected to affect the world's economies as well as future energy demand and the overall energy mix.

OPEC Member Countries welcomed the Paris Agreement. In fact, they played an **important role** in helping to draft the Agreement – and will also play a role in its implementation.

In our recent ***World Oil Outlook,*** we noted several interesting related developments.

The Paris Agreement, for example, somewhat **blurred the distinctions** between 'developed' and 'developing countries'.

We also considered the implications of ongoing developments in climate change negotiations in a Reference Case, while taking a closer look at the Parties' Intended Nationally Determined Contributions – or INDCs – in two divergent scenarios.

In general, however, our projections point to lower long-term global energy demand based on the **assumption of stricter climate policies**.

We also see a further **shift towards renewables in the composition of the energy mix.**

Our ***Outlook*** also explored the **implications of potential policy changes** – and their possible impact on both future energy demand and the energy mix.

We based our ***Outlook*** on an **approach relying on two scenarios**, which consider different policies and targets with varying timelines.

The **first scenario** depicts a situation in which policies targeting emission reductions are associated with stronger technological developments. Although investments are assumed to be lower in this scenario, the reduction in overall energy demand is limited.

The **second scenario** is far more carbon-restrictive, with the assumption that technological developments are supported by adequate investments. Combined with intensified improvements in energy efficiency and greater fuel substitution, this leads to a stronger reduction in overall energy demand.

This second scenario also assumes faster progress in the development of **oil-related technologies** – such as the accelerated penetration of alternative vehicles, higher efficiency improvements in conventional engines and energy-saving measures across other sectors.

Overall, **demand for all fossil fuels** at the global level is projected to decline in both scenarios. At the same time, the share of renewable energy sources –

including nuclear energy – is seen as increasing. This partially compensates for the decline in energy demand from fossil fuels, though most of the substitution in fuels is directed to coal and gas in electricity generation.

Let us now consider the **implications for oil demand** as seen by our friend, Dr. Fatih Birol, Executive Director of the IEA.

His organization's outlook complements our own. In OPEC's **first scenario, oil demand** in 2040 will reach 106.9 mb/d, which is 2.5 mb/d less than in our Reference Case.

This is mainly a result of efficiency improvements in all sectors of consumption. Furthermore, between 2030 and 2040 demand growth decelerates significantly so that demand actually plateaus at the end of the forecast period.

In OPEC's **second scenario, oil demand** peaks in 2029 at 100.9 mb/d and then declines to 98.3 by 2040. This is 11.1 mb/d lower than in the Reference Case.

Regionally, OECD countries will account for around 40% of this drop. Within the OECD, OECD America – which is the largest market – sees the biggest decline with a drop of 2.6 mb/d by the end of the forecast period.

Meanwhile, oil demand in developing countries is 1.6 mb/d lower by 2040. Similar to the OECD region, the lower oil demand in developing countries is mainly due to further efficiency improvements in sectors like residential, commercial, agriculture – and, in particular, the road transportation sector.

Nevertheless, despite all these analytical scenarios, we have to recognize that the Paris Agreement is coming into force at a time of numerous global challenges and uncertainties.

We are, for example, continuing to see the **weakening of some of the key principles** of the UN Framework Convention on Climate Change. This is a significant source of uncertainty.

There have also been some questions emerging around the provision of response measures on developing countries.

The **overall implications** of all this point to uncertainty for both developed and developing countries.

While OPEC's ***Outlook*** provides some insights to understand how these different priorities may impact the industry, more needs to be done.

It further underscores the **uncertainties and challenges** surrounding the actual implementation of the Paris Agreement – and highlights the possible impacts that it will have on the global energy mix.

I want to be clear: OPEC has welcomed the Paris Agreement and its early enforcement. At its recent 171st Ministerial Conference, the Organization even stressed its commitment to the Agreement's successful and comprehensive implementation.

However, it is important to remember that implementation should continue to be guided by the **principles and provisions** that were provided for in the UN Convention. This should not change.

We sincerely hope that the same cooperative and positive spirit that led to the successful adoption of the Agreement will be maintained during its implementation stage.

The unique situation of **developing countries**, in particular, should be given the priority it deserves. As the head of an organization whose members are all **developing countries**, I would like to be clear: It is critical for us to ensure that less developed countries – and future generations in those countries – have equitable access to development and growth opportunities.

Overall, **OPEC remains committed** to this process. OPEC's Member Countries have been **active partners** in climate negotiations from the beginning. They joined the **global consensus** to help move the entire process forward.

However, we need to make sure that the interests of countries like ours are respected in future stages of this process. Although there are shifting policy priorities in oil consuming countries, I am sure close communication among energy stakeholders – and frequent dialogue between producers and consumers – will help. This is the global conversation that OPEC is always ready and willing to engage in.

Thank you.