



Iraq Post ISIS – Towards an Effective Energy Sector and Economic Diversity

The 3rd Iraq Energy Forum

**H.E. Mohammad Sanusi Barkindo
OPEC Secretary General**

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OPEC is born quietly in Baghdad, 1960



The five Founding Fathers:

- Dr. Fuad Rouhani, Iran
- Dr. Tala'at al-Shaibani, Iraq
- Ahmed Sayed Omar, Kuwait
- Abdullah Tariki, Saudi Arabia
- Juan Pablo Pérez Alfonzo, Venezuela



August 2016: the need to return market stability



- Recognition that stability on a sustainable basis had been absent for far too long – to the detriment of all industry stakeholders, as well as the global economy
- The depth and duration of the downturn was substantial and so were the impacts:
 - Huge stock builds
 - Massive job losses
 - Investment contractions

Global exploration and production spending (2014/15/16)					
<u>(by region)</u>	Spending (billion US\$)			Change (%)	
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2015-2014</u>	<u>2016-2015</u>
North America	205	133	84	-35.2	-37.0
Latin America	70	55	36	-22.4	-33.5
Europe	38	28	23	-25.7	-16.3
Middle East	44	41	43	-5.8	3.3
Africa	26	22	18	-16.9	-16.8
India, Asia & Australia	108	79	68	-27.1	-13.5
Russia/FSU	49	38	35	-23.6	-5.8
Worldwide E&P	670	494	383	-26.3	-22.4

Source: Barclays Research

Oil price cycles: unparalleled drop in 2014-2016



Unprecedented **80% price drop** from June 2014 – January 2016

Episodes in OPEC Reference Crude Oil Price

	High		Low		Change		Recovery	
	Date	US\$/b	Date	US \$/b	US\$/b	(%)	Date	Duration
1985-1987	25-Nov-85	28.7	28-Jul-86	8.3	-20.4	-71	4-Sep-90	50 months
1990-1991	28-Sep-90	38.9	1-Apr-91	15.9	-23.0	-59	2-Aug-04	160 months
1997-1999	3-Oct-97	20.9	10-Dec-98	9.1	-11.8	-56	7-Sep-99	10 months
2000-2001	7-Sep-00	33.8	19-Nov-01	15.9	-18.0	-53	30-Apr-04	30 months
2008-2009	11-Jul-08	139.9	24-Dec-08	33.4	-106.5	-76	13-Mar-12	51 months
2014-2016	20-Jun-14	110.5	16-Jan-16	22.5	-88.0	-80		

OPEC landmark decisions in 2016



Restoring oil market stability



- **Focus on the implementation of the voluntary production adjustment decisions**
- **Monitoring mechanism through a Joint Ministerial Monitoring Committee (JMMC) and the supporting Joint Technical Committee (JTC)**
- **Openness and transparency is key to the process**

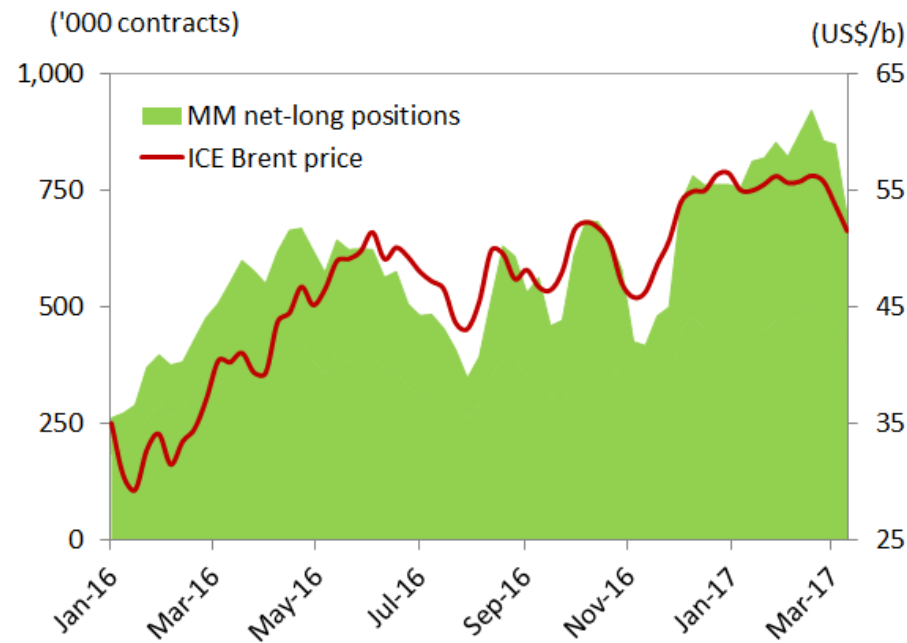
- **Conformity with the decisions has been positive: 86% in January, 94% in February**
- **Firm goal is 100% conformity**

- **Overall commitment towards ensuring a sustainable stability in the market beyond the short-term**

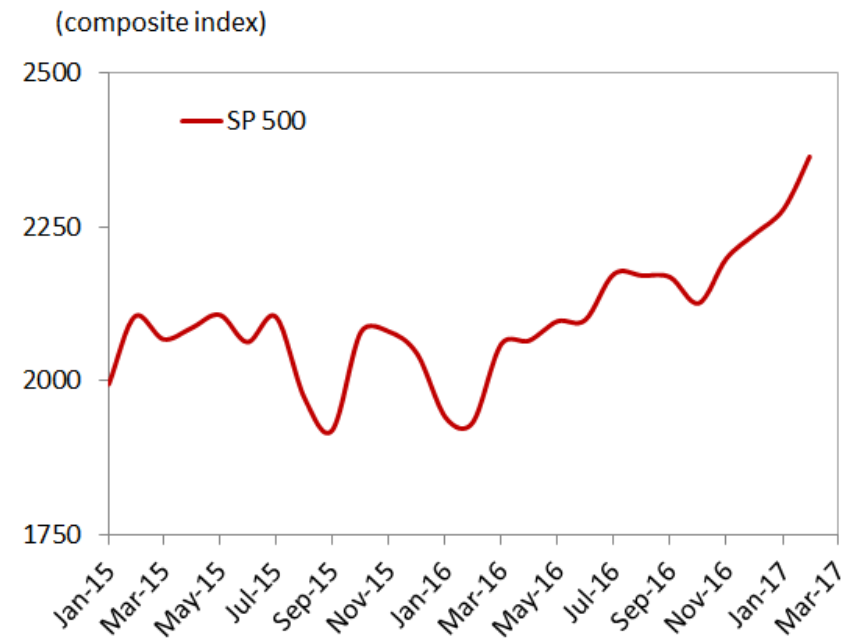
Confidence is returning to the sector



Money managers' net-long positions (NYMEX + ICE)



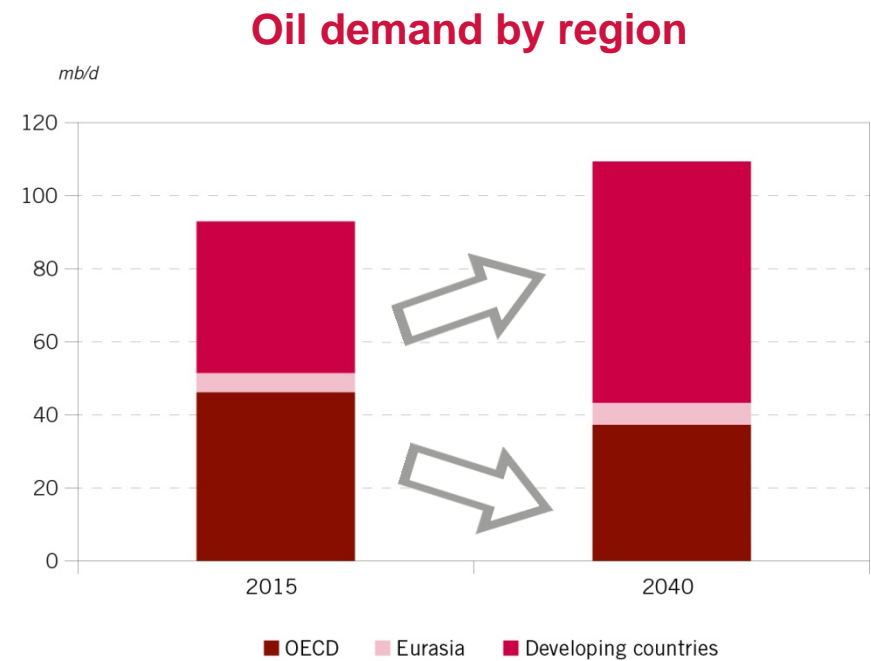
Standard & Poor's composite 500



Steady rise in long-term oil demand



- Oil demand increases by **16.4 mb/d** to reach **109.4 mb/d** in 2040
 - Growth is driven by developing countries
 - **One-third** of total growth comes from the **road** transportation sector
 - Oil-related investment requirements of around **\$10 trillion** over the period to 2040



Iraq's huge potential



- Investments in Iraq's oil industry has seen the country make significant progress in raising its **production capacity**
- The world looks up to resource rich countries, of which **Iraq is a leading one**, to continue to **invest** in order to meet current and future oil demand

Iraq crude oil proven reserves and production

		<u>Volume</u>	<u>% in OPEC</u>	<u>% in World</u>
Reserves	billion bbl, 2015	142.5	11.8	9.5
Production	mb/d, 2016	4.38	13.5	5.9

Source: OPEC ASB, MOMR

- **Iraq post-ISIS, and with a stable oil market in place, will have the opportunities to fill its great economic and energy potential**



Thank you

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