OPEC: Vision, Mission and Development
World Oil Outlook to 2025

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Indonesian Governor for OPEC
Acting for the Secretary General

Indonesian National Committee, World Energy Council
Jakarta, Indonesia
29 July 2004
<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Islamic Republic of Iran</td>
<td>1960</td>
</tr>
<tr>
<td>Iraq</td>
<td>1960</td>
</tr>
<tr>
<td>Kuwait</td>
<td>1960</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>1960</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1960</td>
</tr>
<tr>
<td>Qatar</td>
<td>1961</td>
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<tr>
<td><strong>Indonesia</strong></td>
<td><strong>1962</strong></td>
</tr>
<tr>
<td>Socialist People’s Libyan Arab Jamahiriya</td>
<td>1962</td>
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<td>United Arab Emirates</td>
<td>1967</td>
</tr>
<tr>
<td>Algeria</td>
<td>1969</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1971</td>
</tr>
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</table>
The Organization shall devise ways and means of ensuring the stabilisation of (oil) prices in international markets, with a view to eliminating harmful and unnecessary fluctuations.

Due regard shall be given at all times to the interests of the producing nations and to the necessity of securing: a steady income to the producing countries; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on their capital to those investing in the petroleum industry.
OPEC’s landmark declarations

Declaratory Statement of Petroleum Policy in Member Countries
Vienna, 1968
Inalienable right, as expressed by the UN, of all countries to exercise permanent sovereignty over their natural resources in the interests of their national development

Conference of Sovereigns and Heads of State of OPEC Member Countries
(First Summit) Algiers, 1975
First “Solemn Declaration”. Led to establishment of:

OPEC Fund for International Development
US $7.0 billion committed*
US $4.7 billion disbursed*
*Since 1976

Second Summit of Heads of State and Government of OPEC Member Countries
Caracas, 2000
Second “Solemn Declaration”
OPEC’s development

1960
Five Founder Members
OPEC formed to safeguard legitimate national interests, when petroleum industry dominated by established industrial powers

Intervening years
New Members
OPEC faced formidable challenges, impacting across spread of pricing spectrum and compounded by factors far removed from simple market economics

Today
Vast experience of petroleum issues
Acute awareness of realities and sensitivities of performing on world stage
Production agreements make major contribution to market stability
Cooperation within OPEC

OPEC founded on premise of cooperation

“The principal aim of the Organization shall be the unification of petroleum policies for the Member Countries and the determination of the best means for safeguarding the interests of Member Countries, individually and collectively”
OPEC/non-OPEC cooperation

Big advances since mid-1980s
Support for OPEC’s market-stabilisation measures
Many other benefits for oil industry
Producer-consumer dialogue

Big advances since 1990

International Energy Forum
OPEC’s prominent role in development
Saudia Arabia hosts 7th Forum
Secretariat in Riyadh
OPEC Member of Executive Board
Joint Oil Data Initiative

International Energy Agency
Closer working relationship between OPEC and IEA
First joint press conference in 2002
Two Joint Workshops on Investment
Informal discussions calmed oil market in early 2003
Cooperation will better prepare the industry to meet the challenges that lie before it in the early 21st century.
Today’s oil market

OPEC concerned about high oil prices

Market well-supplied with crude, but higher-than-expected demand, geopolitical tensions, downstream bottlenecks, speculation

OPEC seeking to restore order and stability

2-stage OPEC-10 output ceiling rise

- 25.5 mb/d from 1 July
- 26.0 mb/d from 1 August

Support needed from non-OPEC and other parties
G-7 Economic Growth Rates
(Y-o-Y % change)

World economic growth rates (%):

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
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<tr>
<td>2001</td>
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<td>2003</td>
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<tr>
<td>2004</td>
<td>4.8</td>
</tr>
<tr>
<td>2005</td>
<td>4.3</td>
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## Regional economic growth rates
(percentage change from previous year)

<table>
<thead>
<tr>
<th>Region</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>Estimate</th>
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<th>Forecast</th>
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</table>

Source: OPEC Secretariat

*/ As presented to the 131st (Extraordinary) Conference in June, 2004.
Range of quarterly oil demand estimations
(year-on-year change, mb/d)
Growth in global oil demand and non-OPEC supply in 2005

-1 0 1
Demand
Non-OPEC Supply
Demand - Non-OPEC Supply

Range of forecasts
Mean (exc. OPEC)
OPEC
### World oil demand & supply balance (adjusted) (mb/d)

<table>
<thead>
<tr>
<th>Year</th>
<th>1Q04</th>
<th>2Q04</th>
<th>3Q04</th>
<th>4Q04</th>
<th>2004 04/03</th>
<th>2005 05/04</th>
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<tr>
<td>Demand (a)</td>
<td>78.8</td>
<td>81.0</td>
<td>79.0</td>
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<tr>
<td>Non-OPEC (b)</td>
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<td>49.7</td>
<td>49.6</td>
<td>49.9</td>
<td>50.9</td>
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<tr>
<td>OPEC Crude oil</td>
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<tr>
<td>a-(b+c)</td>
<td>26.4</td>
<td>27.4</td>
<td>25.5</td>
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<td>Balance</td>
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<td>Seasonal stock chg (1999-2003)</td>
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</table>
OPEC production versus capacity

*mb/d*

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1998 1999 2000 2001 2002 2003 2004* 2005*

* 2004 production reflects the 1st half '04, while the ranges for '04 & '05 are based on required OPEC crude production for the balance from the survey of forecasts.
Real oil price assumption, $(2003)/b
Oil Outlook to 2025

Underlying assumptions:

**Prices:**
- initial years see the OPEC basket price at $25/b,
- long-term real oil price $20/b (2003 prices).

*Implies fundamental perceptions:*
- sufficient oil resources
- sustainable price level (does not generate boom-bust supply cycles)
- sufficient to mobilise necessary resources
- would be supportive of the prospects for robust economic growth (both for producers & consumers)

**GDP growth rates:**
- average world economic growth of 3.6% pa over the period 2003-2025,
- uncertainties over OECD productivity growth and the Chinese economy.
Average annual real GDP growth rates (PPP), % pa

<table>
<thead>
<tr>
<th></th>
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<td>3.7</td>
<td>3.6</td>
<td>3.4</td>
<td>3.6</td>
</tr>
</tbody>
</table>

- **Average growth in the OECD** economies of 2.5% pa over the period 2003–2025.
- **For developing countries**, with low capital stock bases and considerable technological catch-up potential, GDP growth rates are expected to be higher, but large uncertainties exist.
- **China** is a significant uncertainty but expected to remain fastest growing region.
- Developing countries expand at an average 5% pa.
- Economies in transition have considerable scope for productivity “catch-up.”
- **Thus, economic growth in the reference case is relatively optimistic regarding the long-term health of the world economy.**
## World oil demand outlook in the reference case

*million barrels a day*

<table>
<thead>
<tr>
<th>Region</th>
<th>2002</th>
<th>2010</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD</td>
<td>47.7</td>
<td>51.2</td>
<td>54.5</td>
<td>55.8</td>
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<td>DCs</td>
<td>24.7</td>
<td>32.3</td>
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<td>52.5</td>
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<td>Transition economies</td>
<td>4.5</td>
<td>5.3</td>
<td>6.0</td>
<td>6.3</td>
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<tr>
<td>World</td>
<td>77.0</td>
<td>88.7</td>
<td>105.8</td>
<td>114.6</td>
</tr>
</tbody>
</table>
Growth in oil demand – 2002-25

*million barrels a day*
Annual global growth in oil demand by sector

million barrels of oil equivalent a day
<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2010</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-OPEC</td>
<td>47.8</td>
<td>54.6</td>
<td>56.9</td>
<td>56.3</td>
</tr>
<tr>
<td>OPEC (incl. NGLs)</td>
<td>29.2</td>
<td>34.1</td>
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<tr>
<td>World</td>
<td>77.0</td>
<td>88.7</td>
<td>105.8</td>
<td>114.6</td>
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<tr>
<td>OPEC market share %</td>
<td>37.9</td>
<td>38.4</td>
<td>46.2</td>
<td>50.9</td>
</tr>
</tbody>
</table>
OPEC and non-OPEC oil production

*million barrels a day*
More investment in production capacity needed:

to meet forecast rise in demand

to replace exhausted reserves

to cover sudden, unexpected shortages
Uncertainties over future economic growth, government policies and technological progress raise questions over scale of investment
Cumulative OPEC investment requirements: how much is needed to provide market stability?

If OPEC balances the market, the uncertain volume requirements translate into huge ranges of anticipated capital outlay needs.

Already by 2010 an estimated gap of $25 billion exists between the reference case and the low economic growth case.

This a central concern: where lies the onus of maintaining sufficient spare capacity?
Starting-point for sound investment strategy is market order and stability today, with reasonable, predictable prices
Collective responsibility

OPEC’s agreement are necessary for healthy market — present and future

Non-OPEC must actively support OPEC’s measures

All parties benefit from cooperation
World’s oil resource base sufficient to meet forecast rise in demand in early 21st century

Increasing reliance upon OPEC oil

OPEC committed to meeting demand in orderly manner

- stable markets
- reasonable prices
- steady revenues
- secure supply
- fair returns for investors
BACK UP SLIDES
Commercial oil stock levels in the USA
week-ending, mb

Crude Oil

Min-Max range: '94-'03

Products

Min-Max range: '94-'03
Comparisons of world oil balance: supply – demand, (mb/d)