Outlook for Oil &
the Role of OPEC

by

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Indonesian Governor for OPEC
Acting for the Secretary General

An address to the
Ministry of Energy of the Philippines
and industry representatives

Manila, Philippines, 2 December 2004

Real GDP in 1995 prices and exchange rates

Billion US $
GDP versus energy growth (world): 1971–2002

Total primary energy requirement (mtoe)

Real GDP (US $ billion)
Energy consumption for OECD and DCs: 1971–2003

mboe/d
Energy consumption by primary source: 1960–2003

OECD

DCs

mboe/d
Appeal of petroleum

Unique combination of attributes
Sufficiency, accessibility, versatility, transportability
Low costs in many areas
Established infrastructure
Ever cleaner, safer and more efficient
The resource base is not a constraint

Cumulative production, as a percentage of the estimated resource base, has been relatively stable
OPEC crude oil

Proven reserves **891 billion barrels**
78.3% of world figure

Production **29 million barrels a day**
40.1% of world figure

Cheaper to exploit than non-OPEC oil

Increasing call on OPEC oil in coming years

*51% world oil market projected for 2025*
## World energy mix

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2010</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>40.1</td>
<td>38.7</td>
<td>36.9</td>
</tr>
<tr>
<td>Gas</td>
<td>23.3</td>
<td>25.7</td>
<td>29.9</td>
</tr>
<tr>
<td>Solids</td>
<td>26.0</td>
<td>25.8</td>
<td>25.2</td>
</tr>
<tr>
<td>Hydro/nuclear/renewables</td>
<td>10.6</td>
<td>9.8</td>
<td>8.0</td>
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</table>

OPEC World Energy Model, 2004
World oil production outlook in the reference case (million barrels a day)

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-OPEC</th>
<th>OPEC (incl. NGLs)</th>
<th>World</th>
<th>OPEC market share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>47.8</td>
<td>29.2</td>
<td>77.0</td>
<td>37.9</td>
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<tr>
<td>2010</td>
<td>54.6</td>
<td>34.1</td>
<td>88.7</td>
<td>38.4</td>
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<tr>
<td>2020</td>
<td>56.9</td>
<td>48.9</td>
<td>105.8</td>
<td>46.2</td>
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<tr>
<td>2025</td>
<td>56.3</td>
<td>58.3</td>
<td>114.6</td>
<td>50.9</td>
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</table>
Annual growth in oil demand: 2002–25

million barrels a day

Asia: 65% of DCs increase, especially China & India
huge potential (e.g. low vehicle ownership)
But possible constraints: infrastructure, policies

OPEC World Energy Model, 2004
Annual global growth in oil demand by sector

million barrels of oil equivalent a day
OPEC’s objectives

Stable markets
Reasonable prices
Steady revenues
Secure supply
Fair returns to investors
Short, medium and long terms
Investment in production capacity

To meet increase in overall demand
To replace exhausted reserves
To cope with unexpected shortages

Oil must be cleaner, safer and more efficient

**Security of demand** is AS IMPORTANT AS **security of supply**
Cumulative OPEC investment requirements: effect of 1% lower world economic growth

- If OPEC balances the market, the uncertain volume requirements translate into huge ranges of anticipated capital outlay needs.
- Already by 2010 an estimated uncertainty 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?
Today’s oil market

OPEC concerned about high oil prices and volatility

Note: orange rings denote OPEC Conferences.
Today’s oil market

Market well-supplied with crude

but

Higher-than-expected demand

Downstream bottlenecks

Geopolitical tensions

Speculation
Increasing tightness in world refinery capacity
Inter product spread
(Light products prices difference vs. fuel oil) - US$/bbl

- Regular Gasoline Unl.87
- Gasoil (0.2% S)
OECD Commercial Oil Stocks (mb)

- **Avg. 99-03**
- **2002**
- **2003**
- **2004**

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
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<tr>
<td>2300</td>
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<td>2600</td>
<td>2500</td>
<td>2400</td>
</tr>
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Factors in oil price movements

WTI (Nymex)
Objective: reasonable prices and stability

Three-stage OPEC-10 output ceiling rise from 23.5 mb/d to:

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

Total rise 3.5 mb/d

*Agreements made at OPEC Conferences in Beirut on 3 June and Vienna on 15 September
OPEC crude oil production and capacity

* The production ranges for '04 & '05 are based on required OPEC crude production for the balance from the survey of forecasts.
Dialogue and cooperation

Big advances in recent years

The industry is much better off if there is an underlying consensus on such major issues as price stability, security, investment, the environment and sustainable development
Rising to the challenges

Globalisation
Technology
Environment
Sustainable development
Thank You