Energy and Economic Interdependence between East and West Asia

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Energy and economic interdependence

**Complementary strengths of East and West Asia:**

- Geographical advantage
- Peaceful co-existence between the regions
- Close trade ties
- Technology expertise
- Shared oil supply and demand perspective
Asia will be the major center of oil demand growth (mb/d)

- World oil demand is expected to climb to 118 mb/d in 2030, 1.4 mb/d annually.
- Developing Asia accounts for 64% of DCs growth, and 54% of world increase.
- Asia key to that growth, rising by nearly 18 mb/d (2007-2030).

World economic growth rates
(percentage change from previous year)

- Strong growth in Asian economies: growing faster than the world with significant contribution to the global GDP (47% to world economic growth in 2006)
- Globalization process (export-led growth, increasing role of foreign direct investment)
OPEC oil & gas reserves vs. production

- Proven reserves 913 billion barrels > 79% of world figure
- Production > 31 million barrels a day > 44% of world figure
- Exports > 23 million barrels a day > 50% of world figure
- Rich in natural gas as well!

![Diagram showing the proportion of oil and gas reserves and production by region: OPEC ME (West Asia), Rest OPEC, Non OPEC]
**Complementary & mutually supportive positions:**

- Almost 50% of OPEC oil exports goes to Asia
- OPEC’s contribution to world oil trade is expected to increase steadily to accommodate the rising oil requirements of Asia.
- Main suppliers to Asia will be OPEC Member Countries, particularly those to the East

*Note: OPEC Members are excluded in their regions to show it explicitly.*

**Table of Oil Demand and Net Oil Import Requirements (mb/d):**

<table>
<thead>
<tr>
<th>(mb/d)</th>
<th>Oil Demand</th>
<th>Net Oil Import Req.</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2020</td>
</tr>
<tr>
<td>North America</td>
<td>26</td>
<td>28</td>
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<tr>
<td>Latin America</td>
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<tr>
<td>Asia</td>
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<td>34</td>
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<tr>
<td>China</td>
<td>9</td>
<td>12</td>
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<tr>
<td>M.East &amp; Africa</td>
<td>3</td>
<td>5</td>
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<tr>
<td>OPEC</td>
<td>7</td>
<td>9</td>
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**Source:** OPEC, OWEM 2007.
Strong link between energy sources and uses: “integration”

The role of oil is equally important to the economic growth and prosperity of consuming-importing countries as well as to the development and social progress of producing-exporting countries.

Evolving understanding on energy security

It is critically important for both sides to take into account supply as well as demand perspectives.

Consumers: secure and predictable flow of oil at reasonable prices

Producers: predictable demand, non-discrimination against their products, reasonable and stable prices for their socio-economic development
But there are major uncertainties...

...concerning required OPEC crude volumes...
(the range by 2020: 32.0 mb/d to 40.7mb/d)

...and OPEC investment needs...
(the cumulative range by 2020: $230 to 500 billion)

Huge investment requirements: upstream investments up to 2030: $2.4 trillion with OPEC’s share of $685 billion

Sharing the risk and burden: the need and opportunities for joint investments

More transparency in energy sector policy making: vital for confidence in investments
The uncertainties also impact the downstream, currently witnessing much tightness.

Refinery investments up to 2020: $685 billion (for new process units $220 billion and for maintenance/replacement)

Importance of cross investments
The role of NOCs & IOCs: enhanced cooperation

**Many common objectives & challenges:**

- **Important to enhance relationships among NOCs, as well as between NOCs and IOCs**

- **On such issues as the environment, the development of new technologies, such as Carbon Capture and Storage (CCS), and helping the development of manpower and training (local content)**

- **Such cooperation can also help bring down the high costs of services, which are creating further pressure on well-devised output expansion strategies**

- **Aid further information exchange, as well as help evolve larger and more developed research networks**

- **Support broader socio-economic development and diversification**
In depth dialogue & cooperation

Natural lead of Interdependency: towards broader & more effective cooperation

- Convergence on issues of mutual concern: security of supply and demand, market stability, upstream and downstream investments, technology

- OPEC continues to expand dialogues as the way forward with regard to security of supply and demand

- Formal energy dialogues exist between OPEC and the EU, China, Russia, the IEA

- OPEC is broadening its talks in Asia: ASEAN (Asian refinery community), Japan

- The International Energy Forum promotes the producer-consumer dialogue
  - OPEC played a significant part in the development of JODI
  - Enhances transparency
Thank you

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Stability in the oil market