



***Energy and Economic Interdependence  
between East and West Asia***

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## Complementary strengths of East and West Asia:

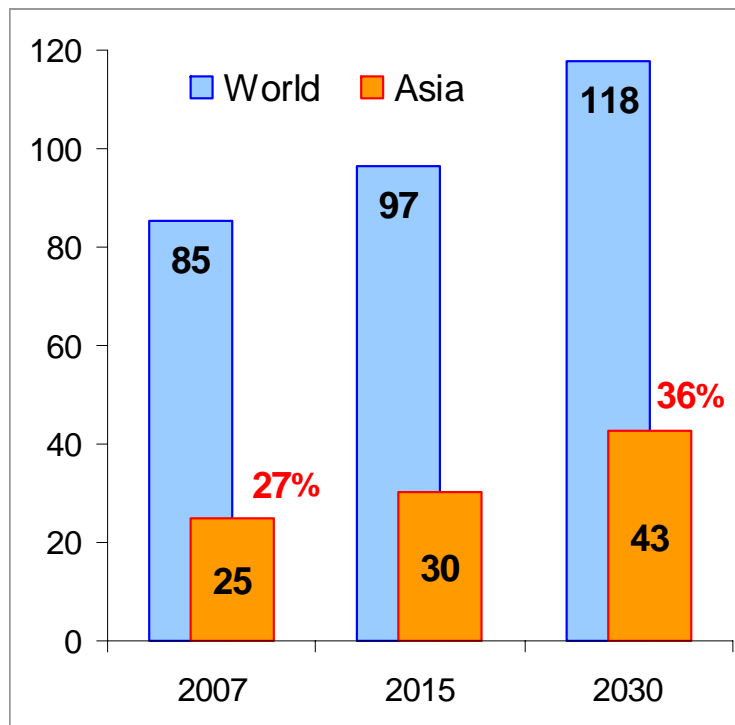
- **Geographical advantage**
- **Peaceful co-existence between the regions**
- **Close trade ties**
- **Technology expertise**
- **Shared oil supply and demand perspective**

# Asia will be the major center of oil demand growth (mb/d)

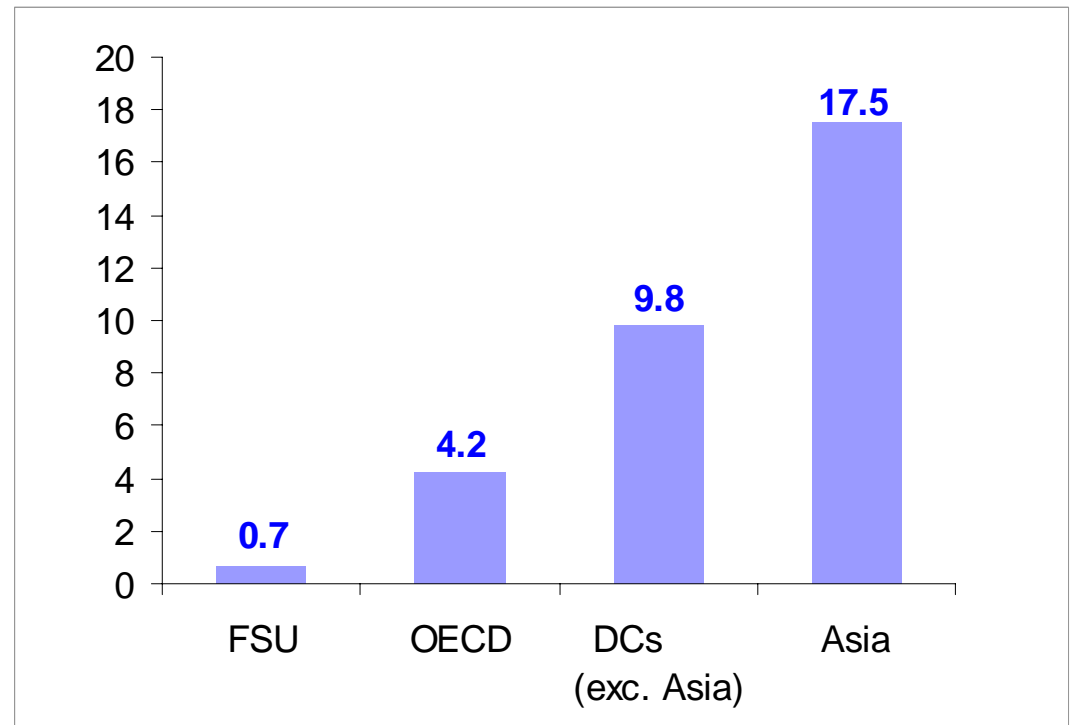


- World oil demand is expected to climb to 118 mb/d in 2030, 1.4 mb/d annually
- Developing Asia accounts for 64% of DCs growth, and 54% of world increase
- Asia key to that growth, rising by nearly 18 mb/d (2007-2030)

Asian oil demand



Annual growth in oil demand, 2007-2030

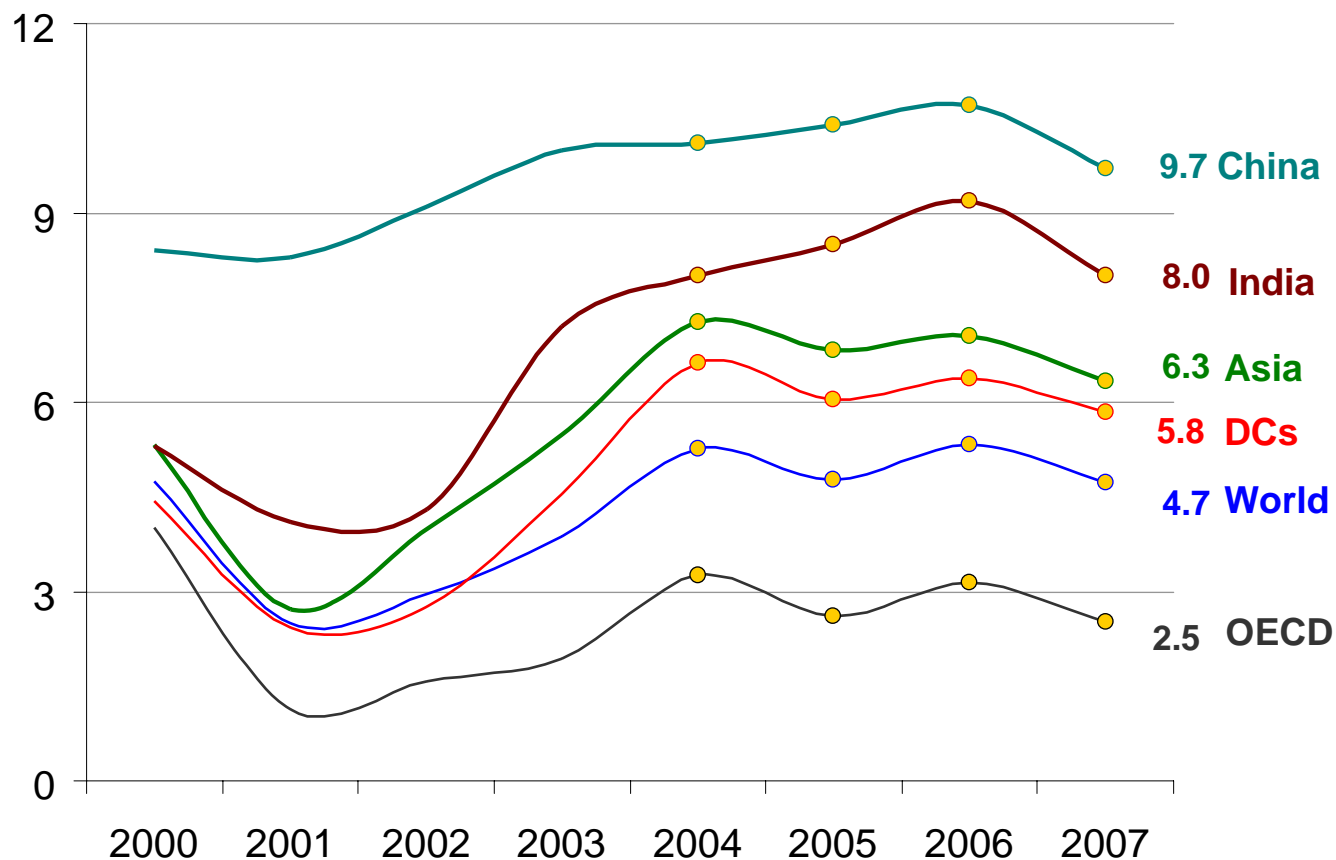


Source: OPEC, OWEM 2007.

# World economic growth rates (percentage change from previous year)



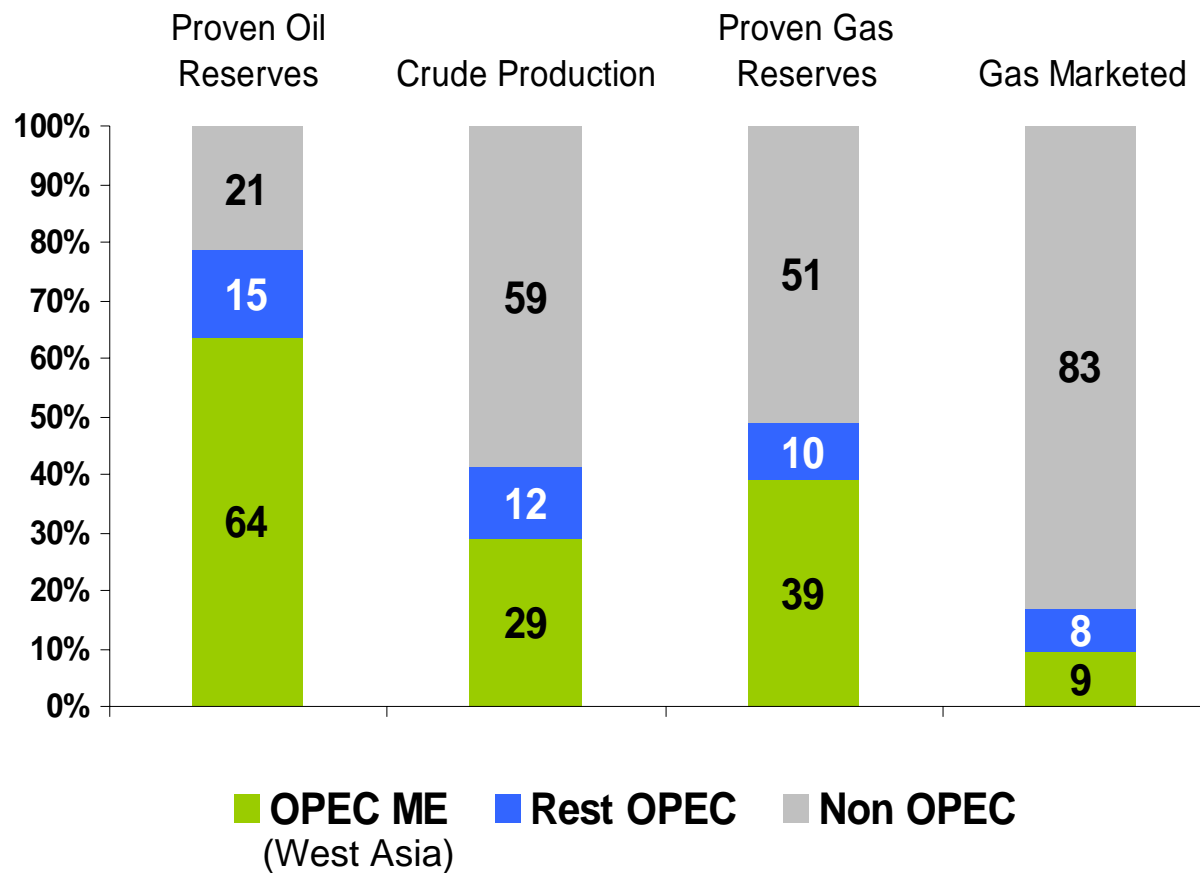
- **Strong growth in Asian economies: growing faster than the world with significant contribution to the global GDP (47% to world economic growth in 2006)**
- **Globalization process (export-led growth, increasing role of foreign direct investment)**



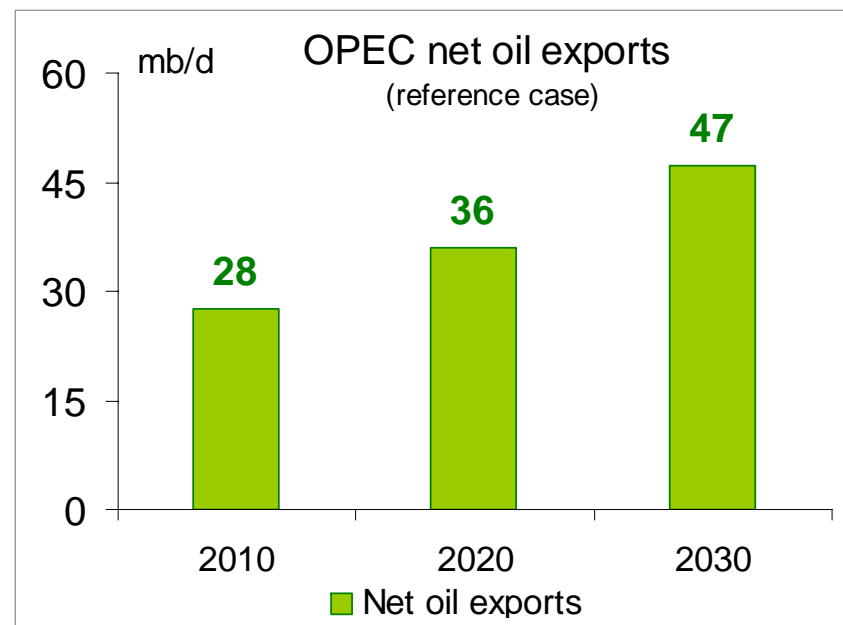
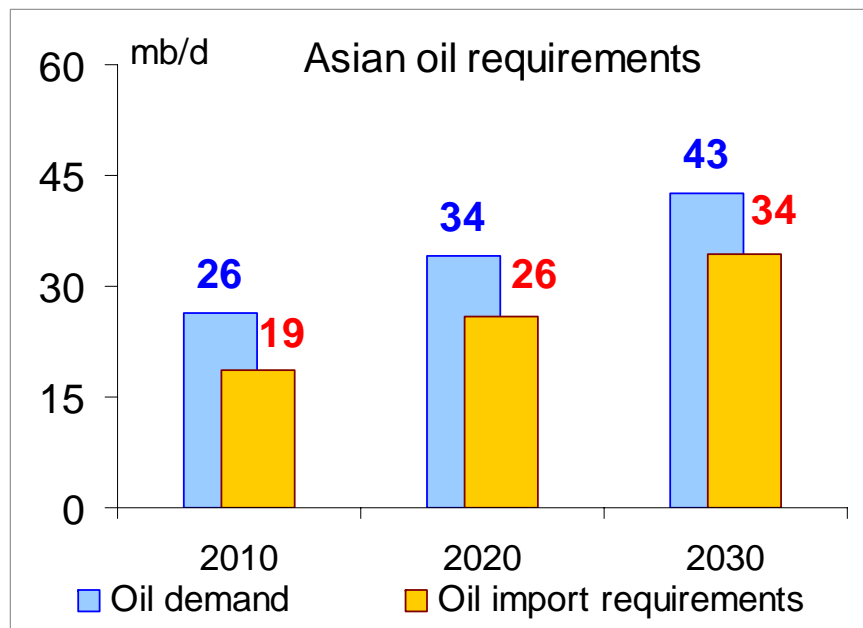
# OPEC oil & gas reserves vs. production



- 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!



# Asian oil demand & net import requirements (mb/d)



Source: OPEC, OWEM 2007.

## 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**

(mb/d)	Oil Demand			Net Oil Import Req.		
	2010	2020	2030	2010	2020	2030
North America	26	28	29	11	12	13
Latin America	5	6	7	0	0	0
Europe	17	17	17	11	13	14
FSU	4	4	5	-10	-11	-12
<b>Asia</b>	<b>26</b>	<b>34</b>	<b>43</b>	<b>19</b>	<b>26</b>	<b>34</b>
China	9	12	16	5	8	11
M.East & Africa	3	5	6	-2	-1	1
<b>OPEC</b>	<b>7</b>	<b>9</b>	<b>10</b>	<b>-26</b>	<b>-34</b>	<b>-47</b>

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

# East & West Asia: Energy Interdependent

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## 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...



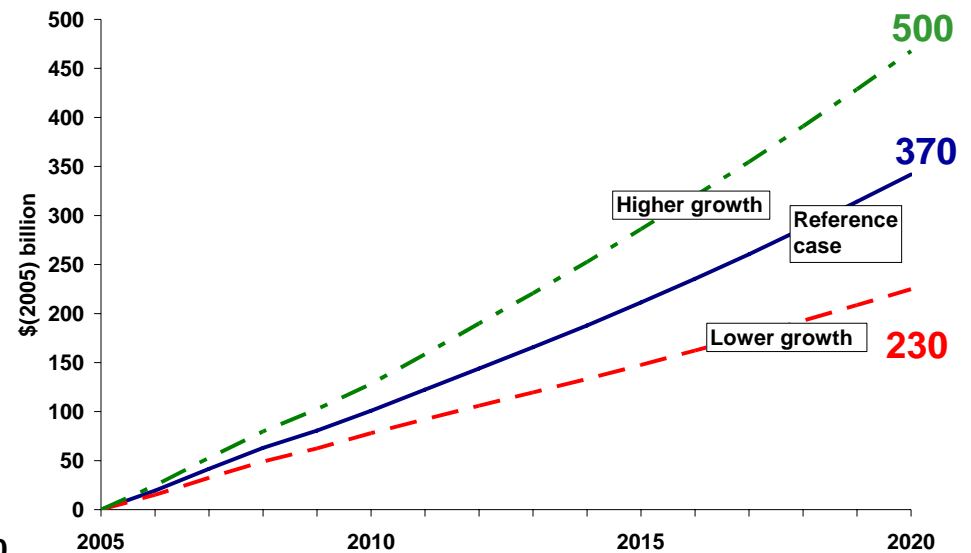
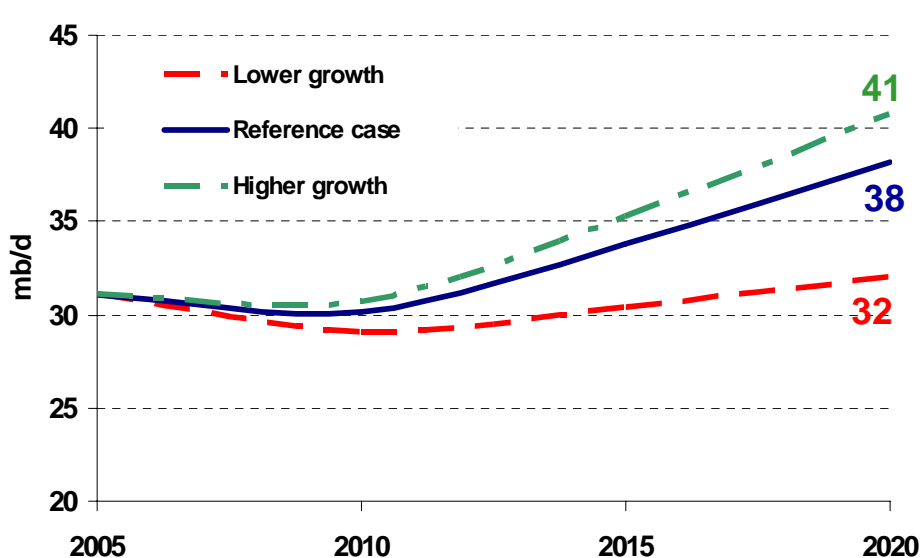
...concerning required OPEC crude volumes...

(the range by 2020: 32.0 mb/d to 40.7mb/d)

...and OPEC investment needs...

(the cumulative range by 2020:

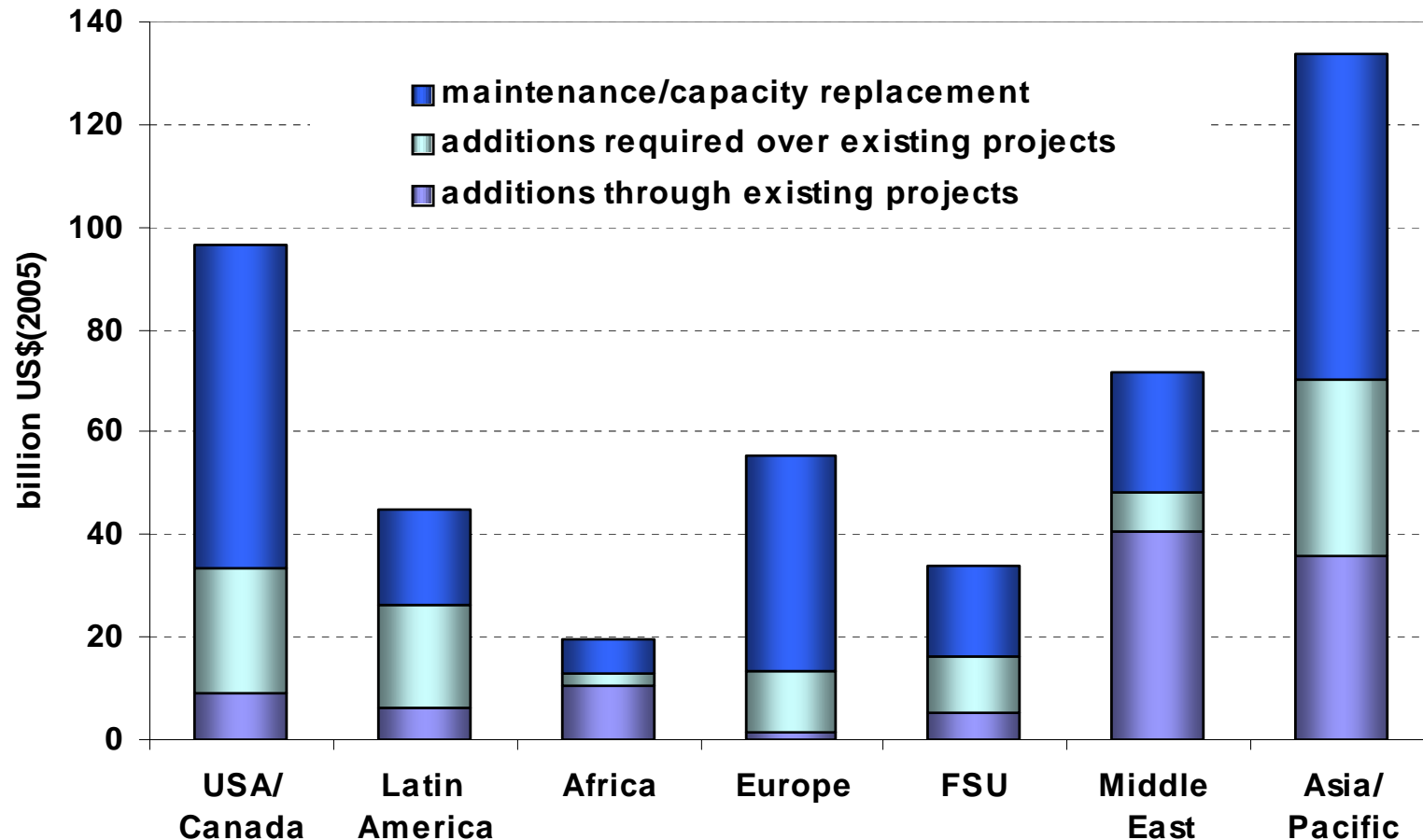
\$230 to 500 billion)



- **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**



# Refinery investments, 2006-2020



- 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

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## 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



## 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**



# OPEC

**Thank you**

[www.opec.org](http://www.opec.org)



*Stability in the oil market*