The challenges in the oil industry: an OPEC perspective

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8th International Oil Summit
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Energy demand by fuel type

- Fossil fuels will continue to provide >90% of commercial energy needs
- Oil continues to have the greatest share
Outlook for the global oil demand (Reference case)

Strongest demand growth in DCs

Key sector: transportation
But there are major uncertainties...

...concerning required OPEC crude volumes...

...and OPEC investment needs
Alternative transport fuels use in USA: the impact of the new EPA proposed targets

EPA targets based on Alternative Fuels Standard Programme (March 2007 proposal)

OPEC reference case:
- Biofuels
- CTL

mb/d

Year

Average automotive diesel price and tax in Europe*

*Weighted by road transport consumption for Germany, France, Italy, Spain and UK. Weights for 2005 and 2006 are estimated.
Cumulative distillation capacity additions vs. incremental refinery runs

Downside risks on projected incremental crude runs are increasing

![Chart showing distillation capacity additions vs incremental refinery runs]
Upstream costs have been soaring...

IHS/CERA Upstream capital costs index

- Q3–2005: 126
- Q1–2006: 148
- Q3–2006: 167

Source: Cambridge Energy Research Associates
Confusion... or bias?

March 1999
Price $10
Too Much Oil

October 2003
Price $45
Running out of Oil

August 2005
Price $65
Addicted to Oil

Source: Dr. Majid Al-Moneef
OPEC crude production capacity is increasing
Oil “dependency”: a two-way street

Net oil imports as percentage of demand

OPEC oil exports as percentage of total exports

Data for 2006
Huge progress has been made in addressing local pollution concerns

Evolution of pollutant emissions (individual cars)

Source: IFP
CO$_2$ capture and storage: a win-win technology

- CCS has enormous potential to reduce CO$_2$ emissions
- CCS offers a relatively low-cost mitigation option, without costly dislocation of the current energy system
- Need for large-scale demonstration projects
  - provide data and experience in modelling storage mechanisms and leak remediation technologies
  - further reduce costs through RD&D
  - improve public acceptance
- CCS projects should be eligible for financial support, including CDM
Dialogue and co-operation

- Interdependency points to the need for cooperation
- 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:
  - ASEAN
  - Japan
- The International Energy Forum promotes the producer-consumer dialogue
  - OPEC played a significant part in the development of JODI
Some final words...

- Sustainable development: a key criterion in decision-making
- Sustainable development means different things to different people
- The first Millennium Development Goal: poverty eradication
- Access to modern energy services must be improved
- Oil will help fuel the growth of today’s developing nations, just as it did/does for today’s industrialised countries
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