Oil Outlook: Challenges and Opportunities

Keynote Speech

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Acting for the Secretary General

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• Energy security must be seen from many perspectives
• Recent price behaviour has moved the issue of energy security high up on the agenda
• Non-energy commodity prices have also risen
• Perceptions of capacity availability exacerbated by disruptions to the supply system and other factors
• Security of supply and security of demand are two sides of the same coin
• OPEC’s recent responses demonstrate the commitment to support energy supply security
OPEC crude oil supply has risen 4.5 mb/d since 2002.
OECD commercial stocks, month-ending

### Million Barrels

- **2001-2005 Max/Min**
- **2004**
- **2005**
- **2006**

### Days of Forward Cover

- **2001-2005 Max/Min**
- **2004**
- **2005**
- **2006**

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OPEC capacity expansions up to 2010 should lead to growing spare capacity

- Call on OPEC crude
- OPEC capacity (end year)

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<th>Year</th>
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<td>2006</td>
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• Supply security relevant for entire supply chain

• Inadequate investment in refining capacity a key factor behind recent price movements

• Increasingly stringent product specifications

• OPEC NOCs are undertaking part of the investments needed in the downstream

• But the major responsibility lies with the consuming countries and international oil companies
Fossil fuels will continue to provide the energy needed for socio-economic development.
But oil demand growth is uncertain
Cumulative investment needs in OPEC: 3 scenarios

Uncertain future demand translates into a broad range of possible OPEC investment needs
Security of demand: a real issue

- Security of demand and security of supply are mutually supportive
- Security of demand is a legitimate concern of producers
- Uncertainty over future demand translates into a broad range of potential levels of demand for OPEC oil
- Investment requirements are large, subject to long lead-times and pay-back periods
- More transparency in evolution and implementation of policies is key
- Improved data availability and quality needed for demand and stocks, as well as other demand variables
Gulf of Guinea is now the main supplier of sweet crude

Crude supply from West Africa and North Sea, 2000-2006
Dialogue and co-operation

• OPEC continues to engage in dialogue and co-operation

• Later this month, 10th International Energy Forum (IEF), Doha, Qatar, is an important meeting

• IEF Secretariat opened in Riyadh, Saudi Arabia

• OPEC a leading participant in the Joint Oil Data Initiative

• Need for better data on demand and stocks: higher quality, timely

• OPEC sees dialogue and co-operation among all parties as the way forward with regard to security of supply and demand
Poverty eradication

• The other two pillars of sustainable development are also crucial: economic development and social progress

• Over 1 billion people live on less than $1 per day

• Millennium Development Goal number 1: poverty eradication

• Access to modern energy services must be improved upon

• NEPAD spearheads efforts to alleviate poverty in Africa

• Developed countries have commitments to fulfil, such as capacity building, technology transfer and financial resources
Thank you