

Energy supply and demand security

by

Mohammed Barkindo
Acting for the Secretary General

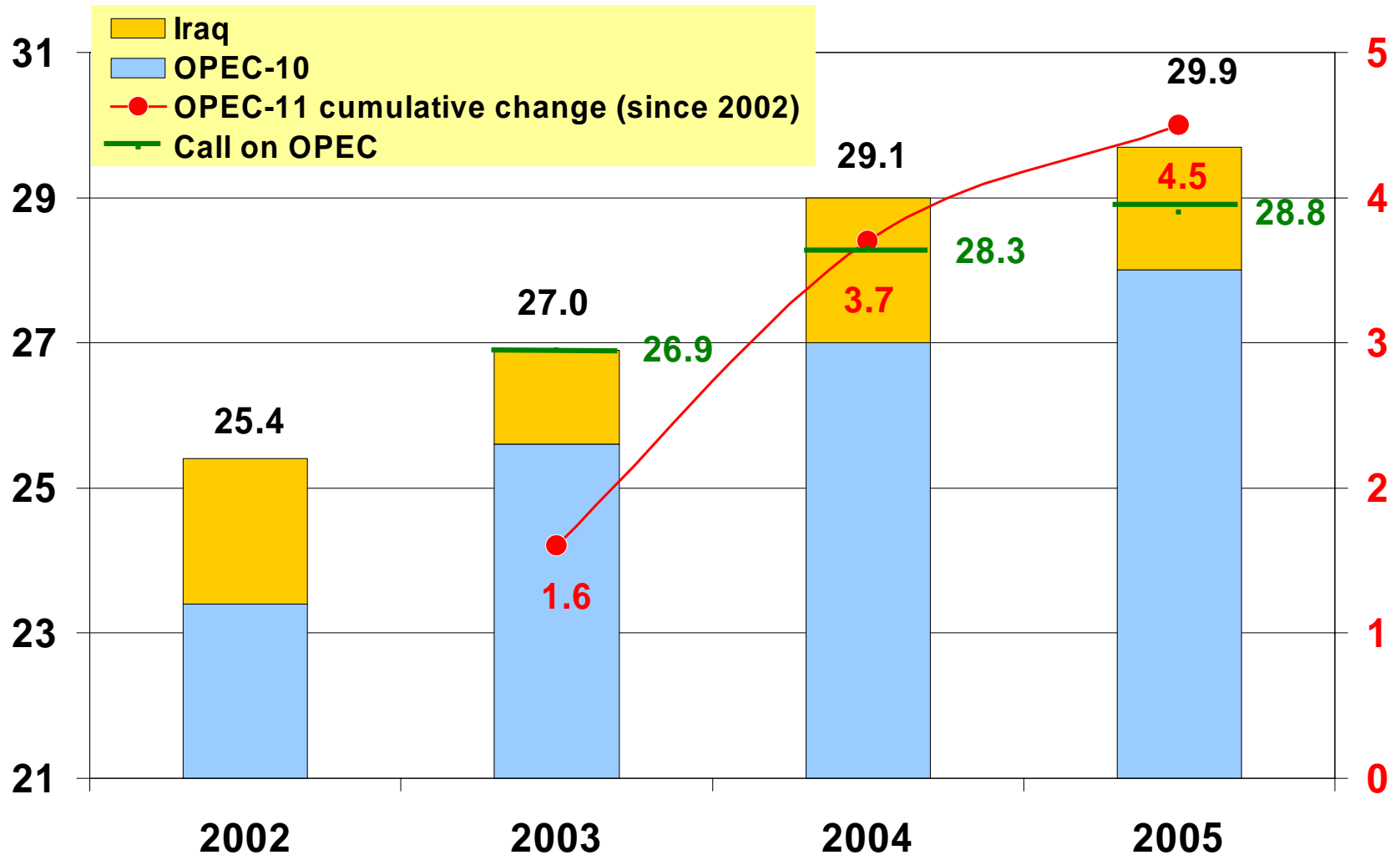
Delivered by
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“The Organization shall devise ways and means of ensuring the stabilisation of (oil) prices in international markets, with a view to eliminating harmful and unnecessary fluctuations

“Due regard shall be given at all times to the interests of the producing nations and to the necessity of securing: a steady income to the producing countries; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on their capital to those investing in the petroleum industry”

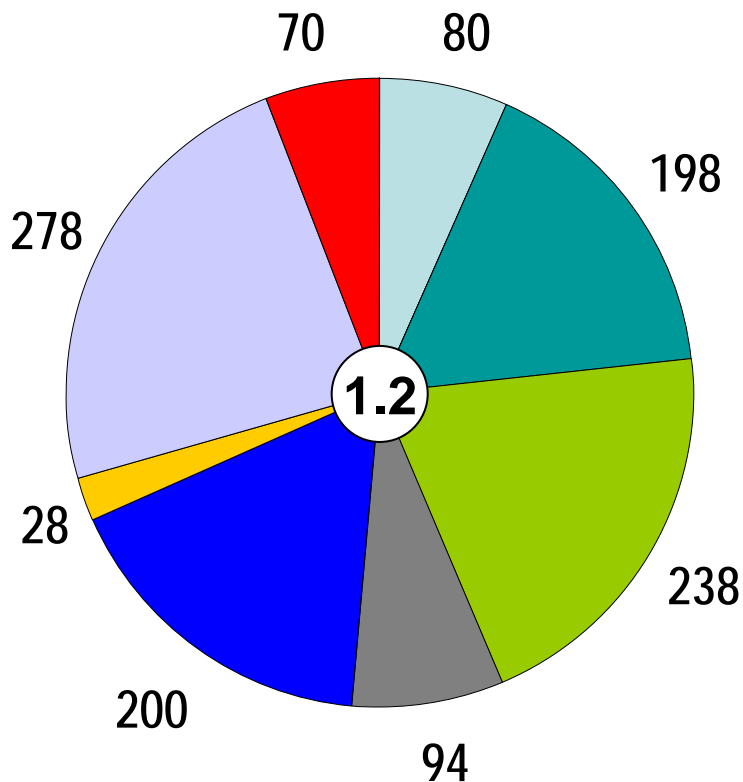
The OPEC Statute was first adopted in 1961.



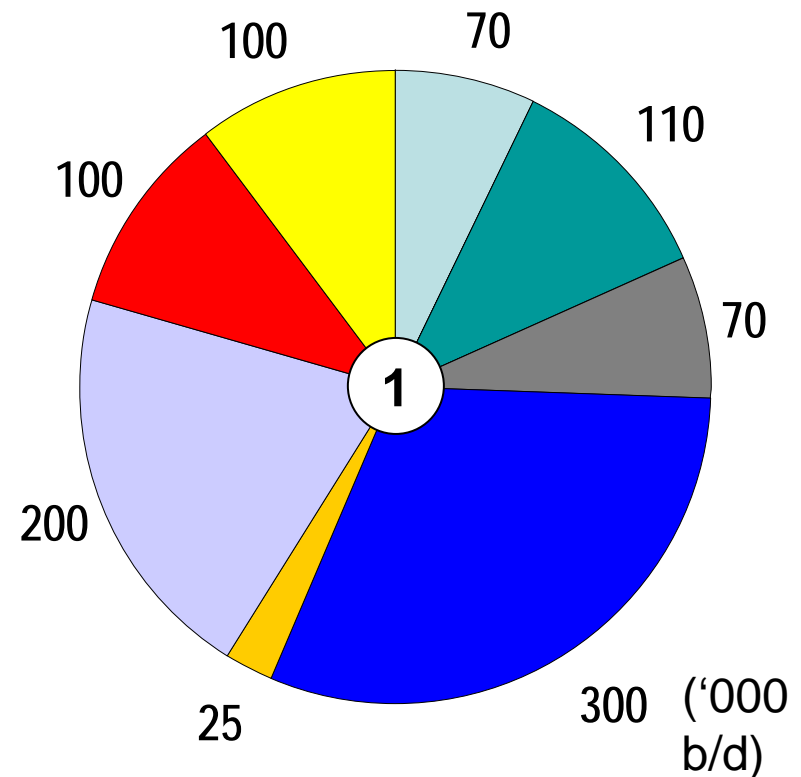
Accelerated capacity expansions — 2005-06

- Several projects in 2004/05 delivered ahead of scheduled
- Capacity increase of 2 mb/d – end 04 to end 06

End 2004 to end 2005



End 2005 to end 2006

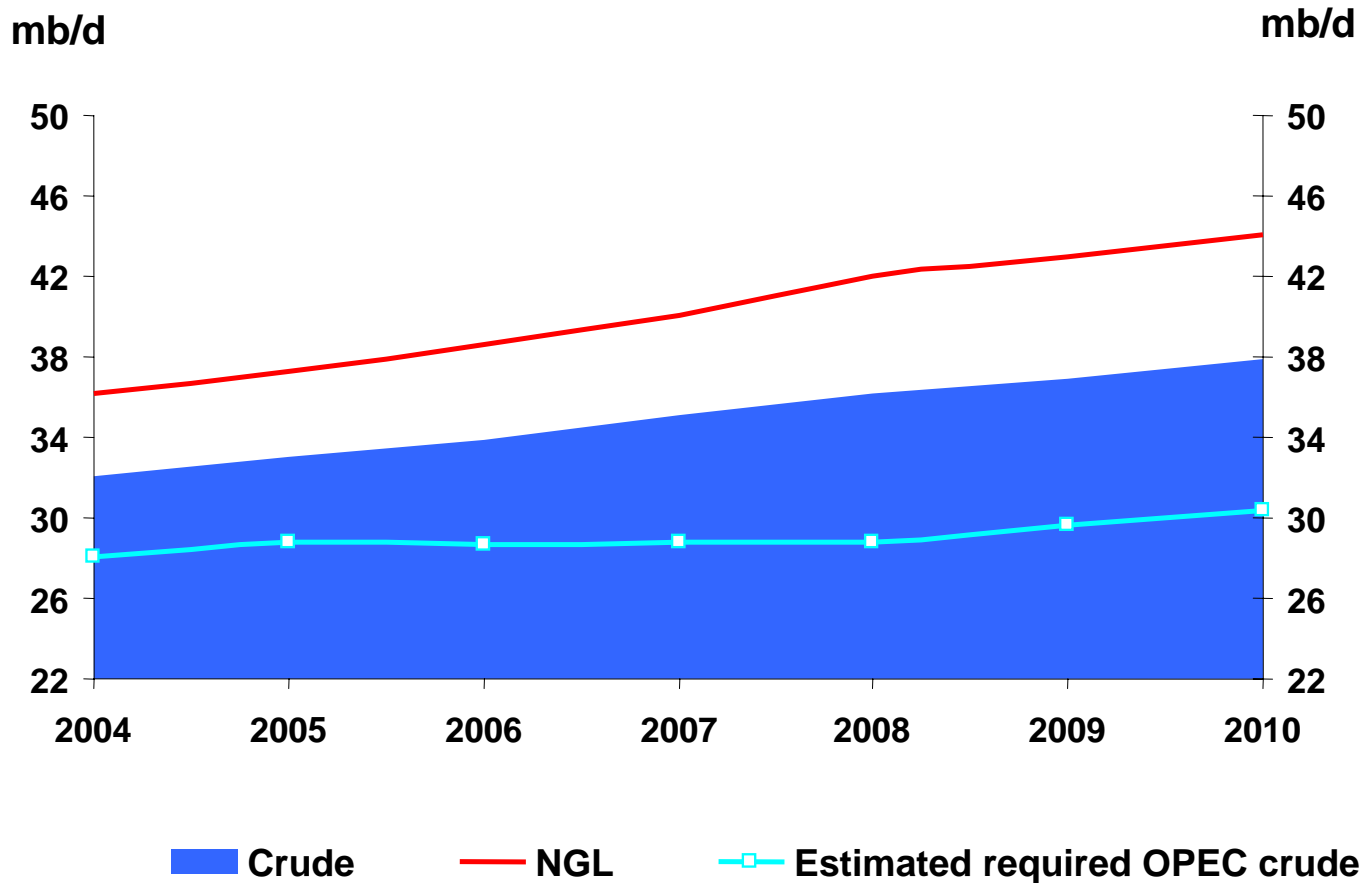




OPEC

Medium term — OPEC expansions up to 2010

Upstream: global supply in excess of expected demand



World oil supply demand balance (mb/d)

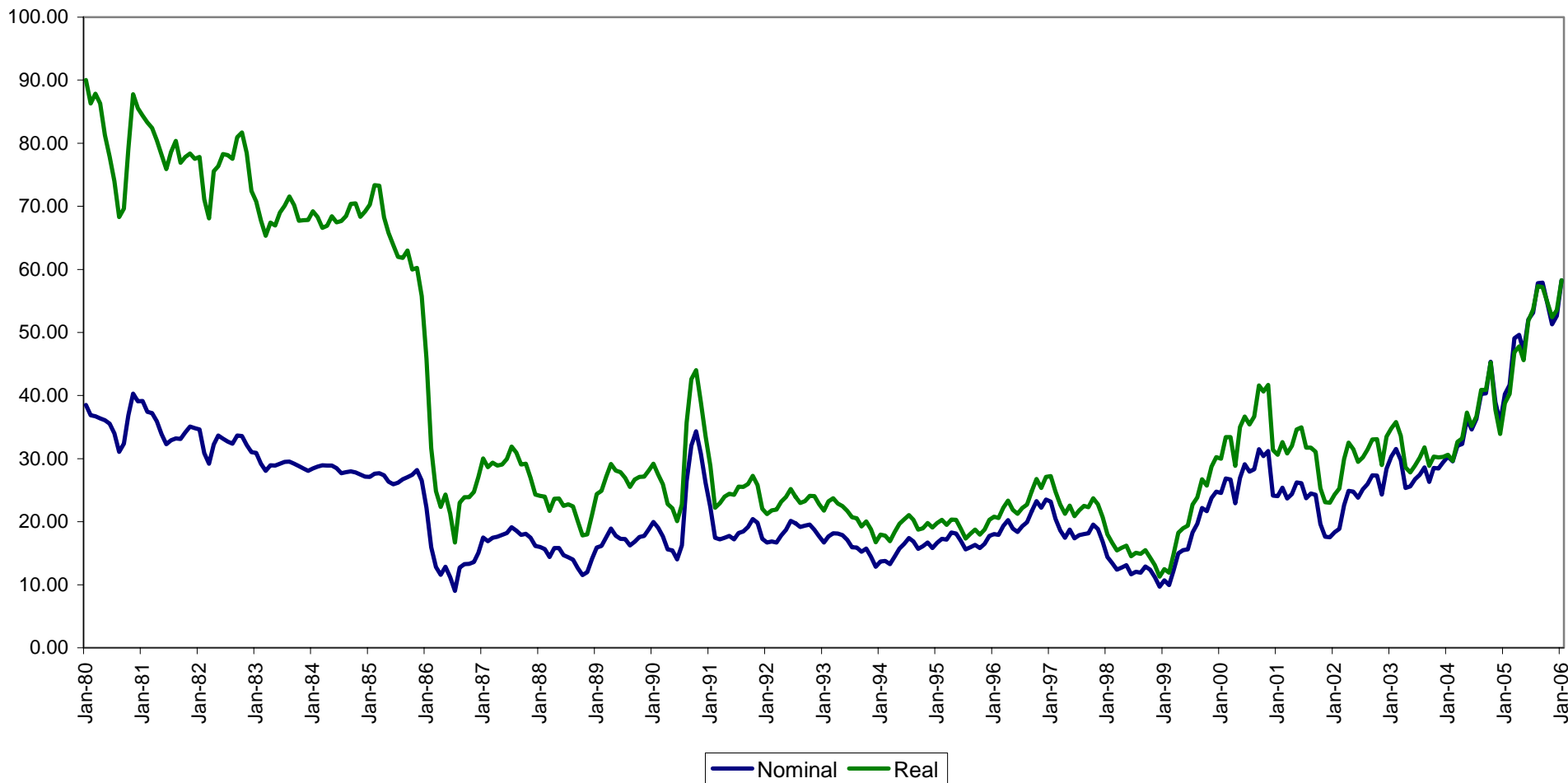
	<u>2004</u>	<u>1Q05</u>	<u>2Q05</u>	<u>3Q05</u>	<u>4Q05</u>	<u>2005</u>	<u>05/04</u>	<u>1Q06</u>	<u>2Q06</u>	<u>3Q06</u>	<u>4Q06</u>	<u>2006</u>	<u>06/05</u>
<u>Demand (a)</u>	82.1	83.7	82.1	82.6	83.9	83.1	1.0	85.3	83.4	84.0	85.8	84.6	1.6
Non-OPEC (b)	49.9	50.3	50.5	49.7	50.0	50.1	0.2	50.7	51.2	51.5	52.7	51.5	1.4
OPEC NGL (c)	4.1	4.2	4.3	4.3	4.4	4.3	0.2	4.5	4.6	4.7	4.8	4.6	0.3
OPEC Crude oil	29.1	29.5	29.9	30.2	29.9	29.9	0.8	29.8	29.9	29.9			
a-(b+c)	28.1	29.2	27.3	28.6	29.5	28.6	0.5	30.2	27.6	27.9	28.3	28.5	-0.1
<u>Balance (Actual)</u>	1.0	0.3	2.7	1.6	0.4	1.3	0.3	-0.4	2.3	2.1			
<u>Seasonal stock chg</u> (2000-2004)		-0.7	0.9	0.3	-0.6								
<u>Stock change:</u>													
OECD Commercial (e)	0.1	-0.1	0.9	0.2	-0.5								
OECD SPR (f)	0.1	0.1	0.4	0.0	-0.1								
Oil in Water (g)	0.1	0.3	0.0	-0.1	0.4								
<u>Remaining to Balance</u> (d-e-f-g)	0.6	0.1	1.4	1.5	0.7								

Scenario Actual:

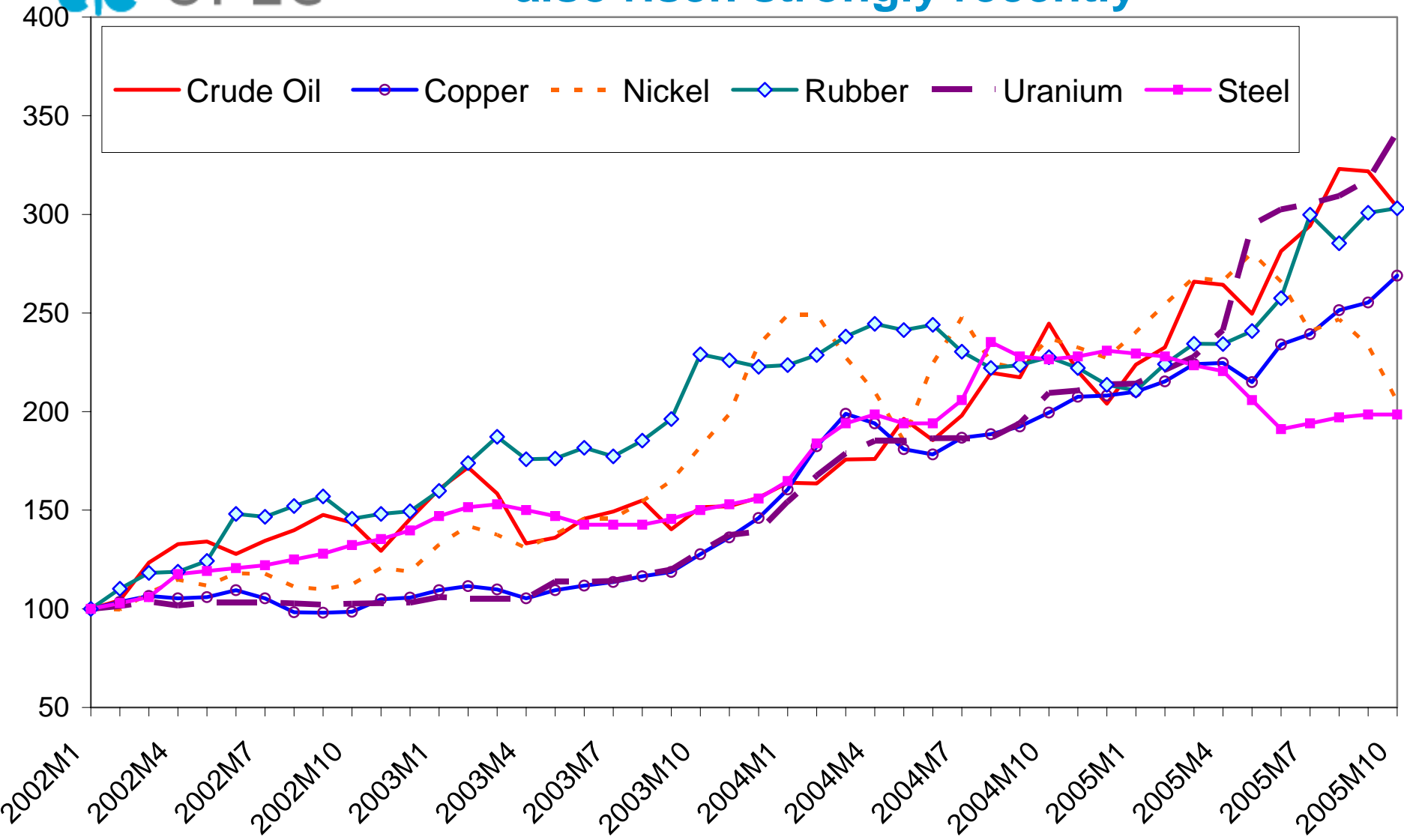
OPEC Crude oil production assumptions: As of February 2005, OPEC-11 production is assumed to be at 4Q05 level of 29.9 mb/d

The price of oil: in nominal and real terms

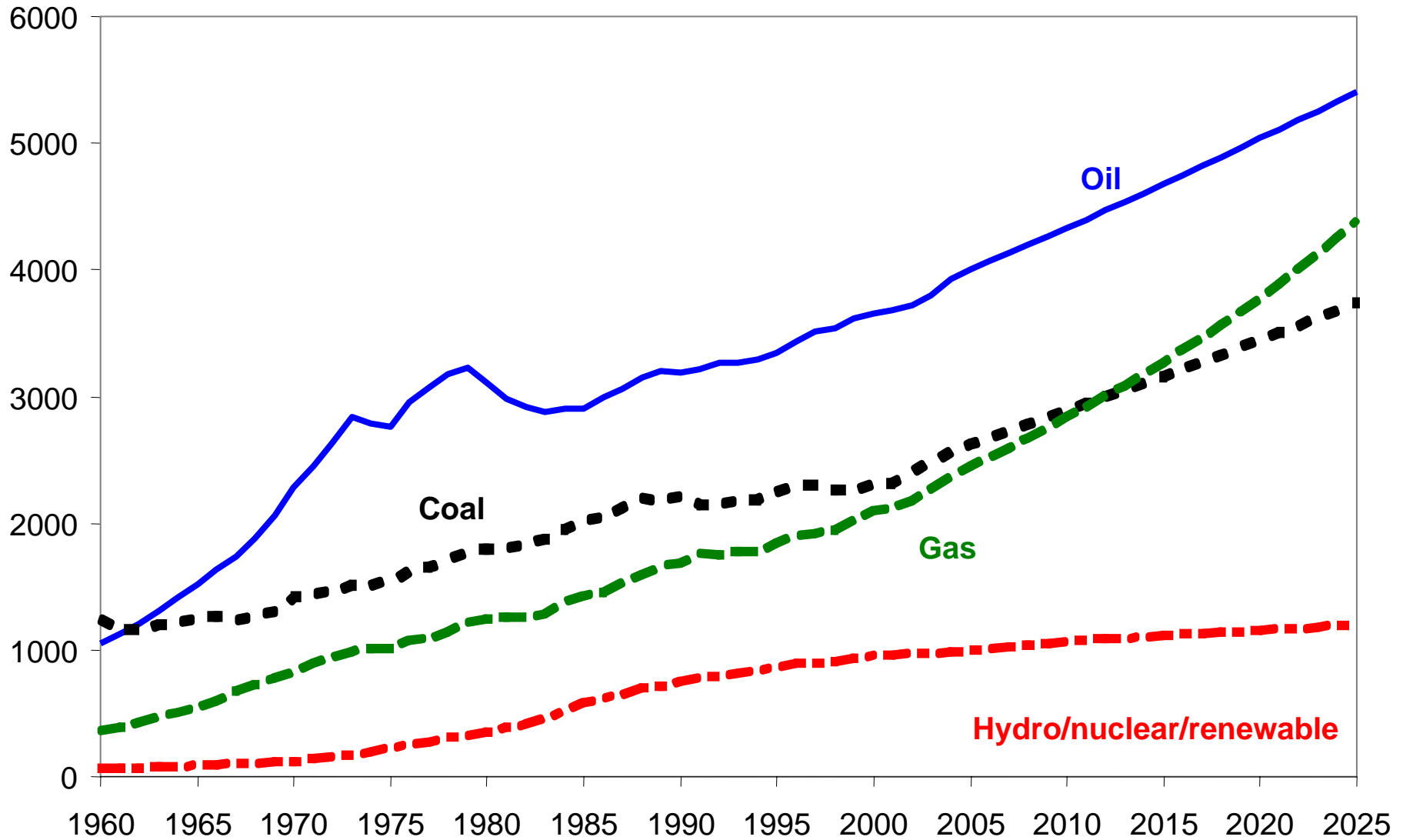
Base: January 2006



But other commodity prices have also risen strongly recently



World energy demand by fuel type (mtoe)



Reference	2005	2010	2015	2020	2025
OECD	49.8	51.4	52.7	53.8	54.7
DCs	29.0	34.4	40.3	46.4	52.8
Transition economies	4.8	5.1	5.4	5.7	5.9
Total World	83.6	90.9	98.4	105.9	113.4

- World economic growth averages 3.5% p.a. over next two decades
- “Dynamics-as-usual”: observed patterns, no new strong policy drives
- Oil demand increases by 30 mb/d by 2025, or 1.5 mb/d annually
- Four-fifths of the increase in demand comes from developing countries
- Transportation continues to be the dominant source of growth (~60 %)
- Many uncertainties: GDP, technology, policy

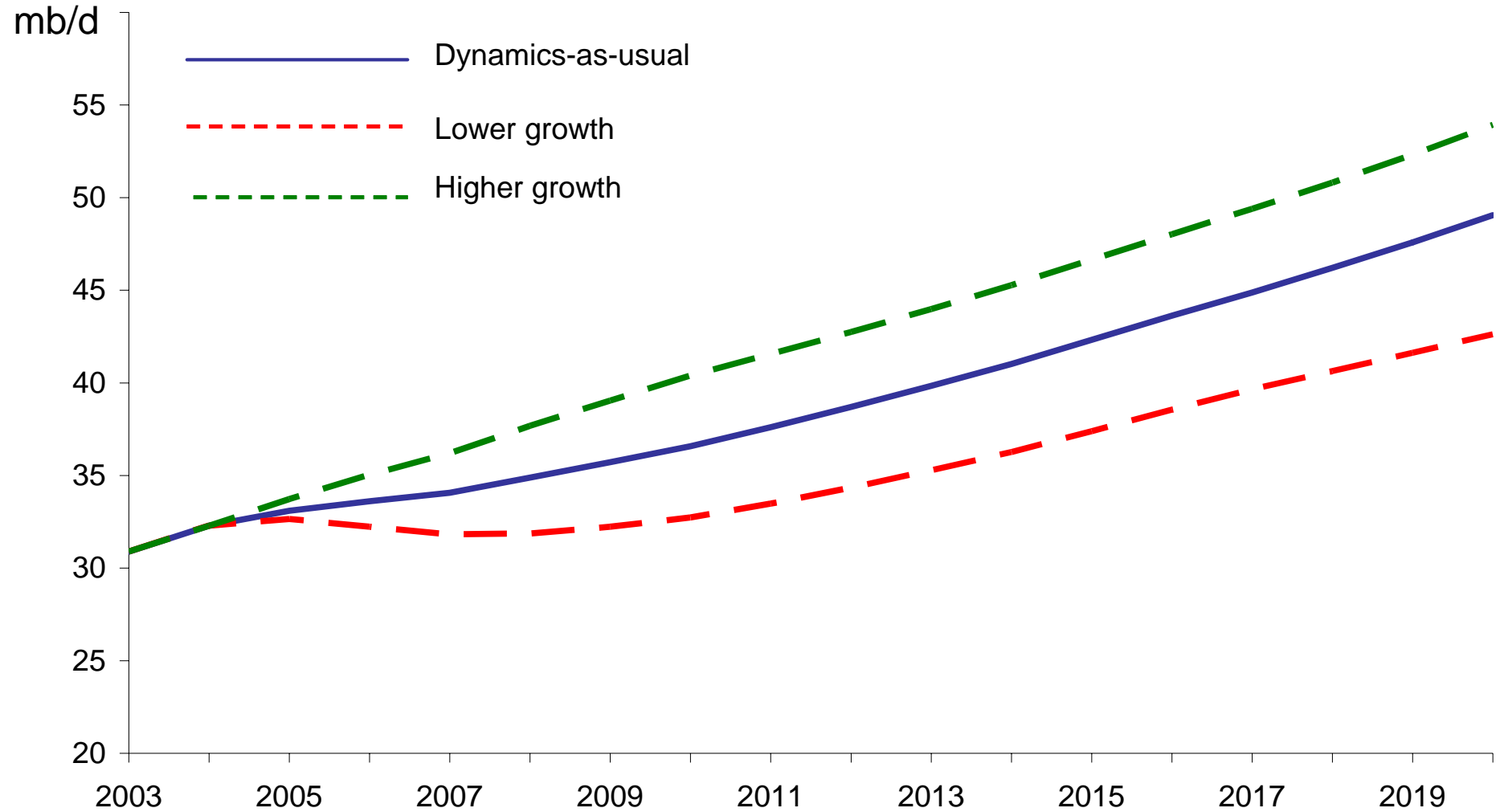


OPEC Oil production outlook, *mb/d*

Reference (DAU)	2005	2010	2020	2025
OECD	20.9	20.9	19.9	19.3
DCs excl. OPEC	16.1	18.2	19.4	18.9
Russia & Caspian	11.7	13.1	14.9	15.3
Non-OPEC	50.5	54.3	56.8	56.4
OPEC (incl. NGLs)	33.1	36.6	49.1	57.0
World	83.6	90.9	105.9	113.4
<i>OPEC market share %</i>	40	40	46	50



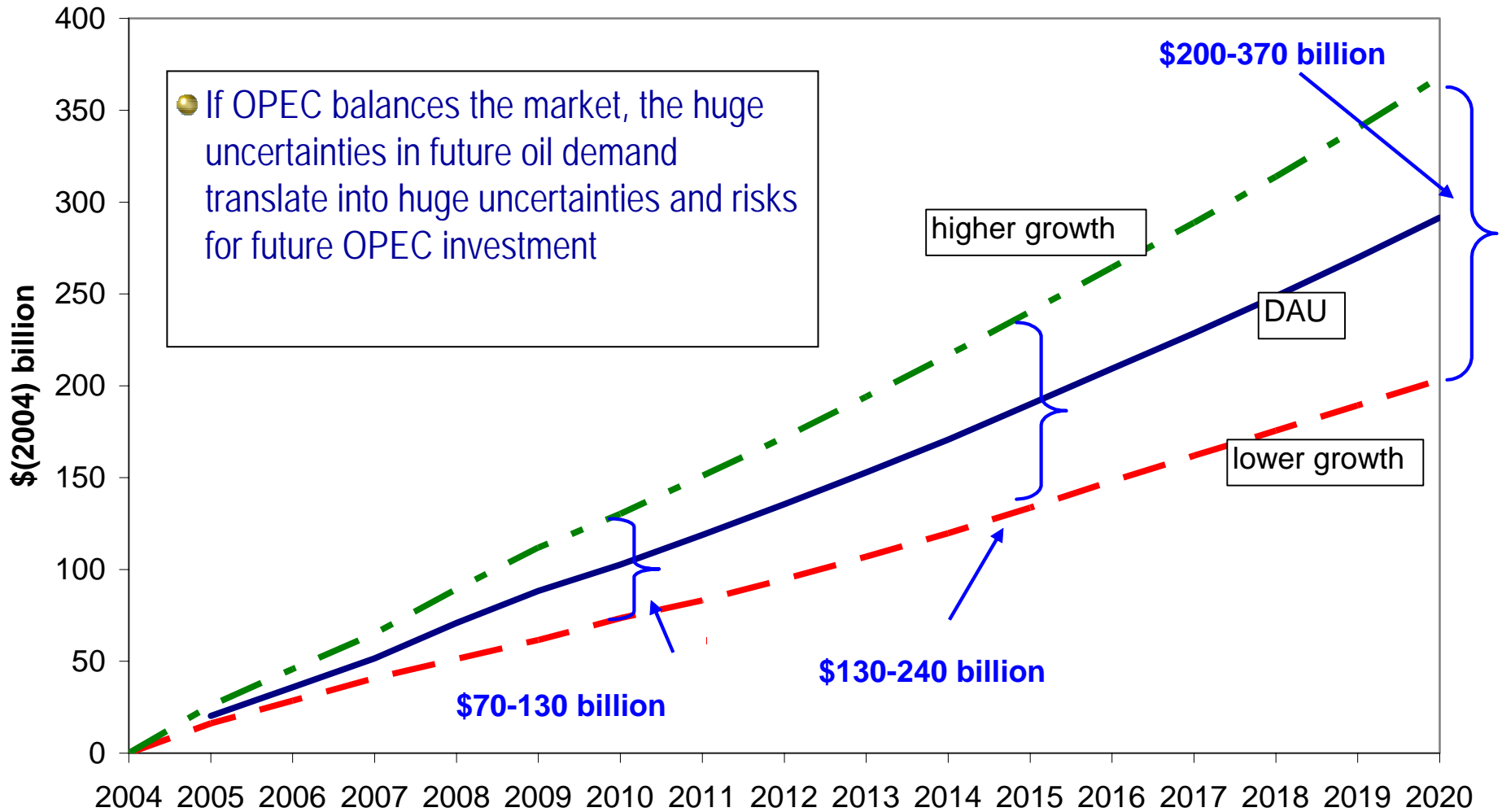
But there is considerable uncertainty over how much oil OPEC will need to produce





OPEC

Cumulative OPEC investment requirements: how much is needed to provide market stability?



Energy security: to be seen from both supply and demand perspectives

Uncertainty over future demand translates into large uncertainties over the amount of oil that OPEC will eventually need to supply

Investment requirements are large, subject to long lead-times

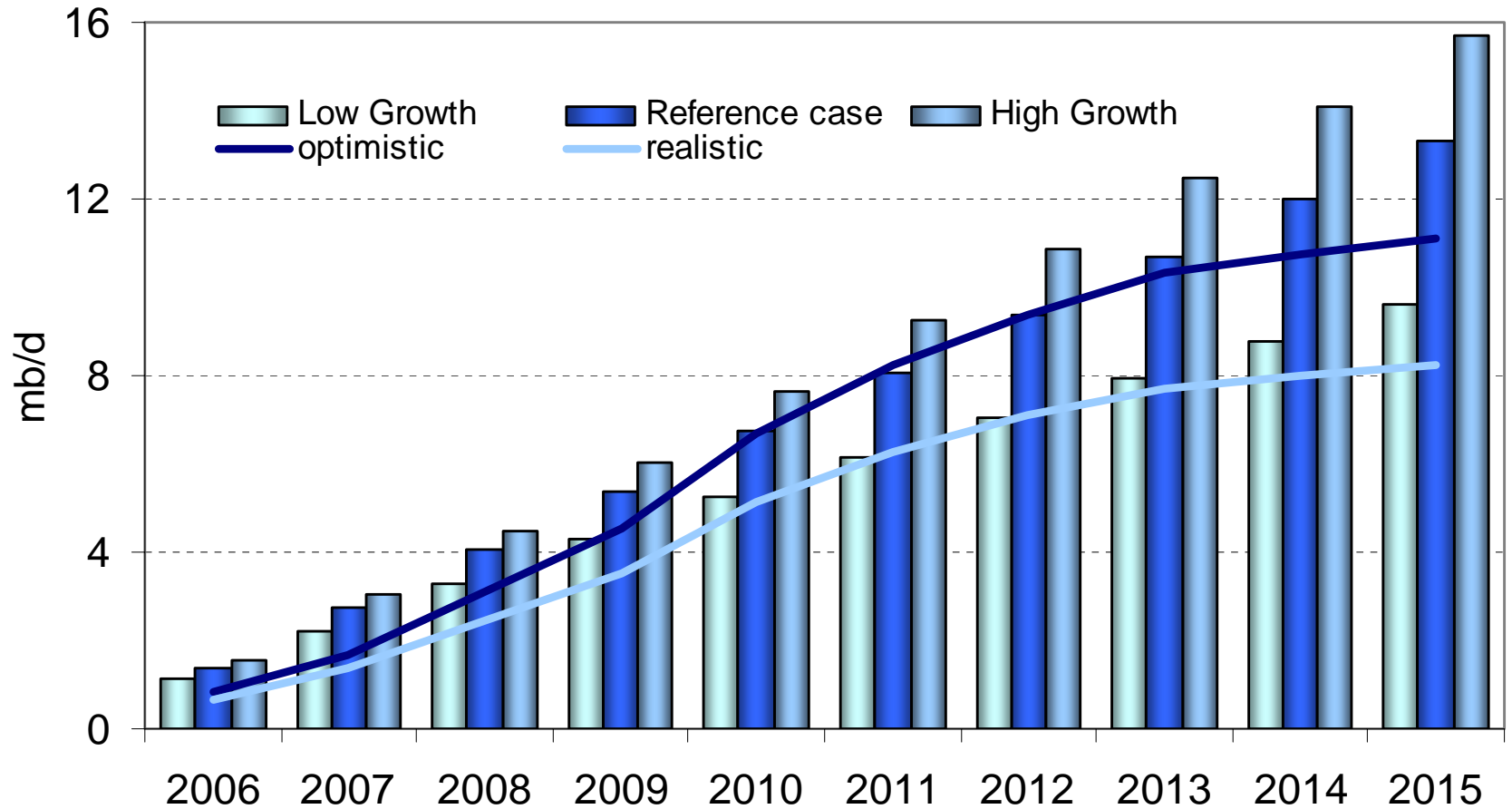
The call for a "road-map" for oil demand

The need for security of demand is a legitimate concern of producers

More transparency in the evolution and implementation of policies

Lends support to making appropriate capacity expansion decisions, while at the same time not wasting precious financial resources.

Distillation Capacity Additions vs Incremental Crude Runs



Bars: additional crude runs; Lines: distillation capacity additions



Dialogue and cooperation

OPEC has encouraged dialogue and cooperation over the past two decades

2005 — launch of formal Energy Dialogues between OPEC and: European Union; China; and Russia

April 2006 — 10th International Energy Forum, Doha

Dialogue and cooperation are the way forward for the industry to evolve in an orderly manner in the early 21st century with security of supply and demand



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