

Oil market stability and its importance to OPEC and the oil industry

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Outline

Recent market behaviour

Factors behind price increases:

Demand, supply, downstream tightness, speculation

OPEC responses

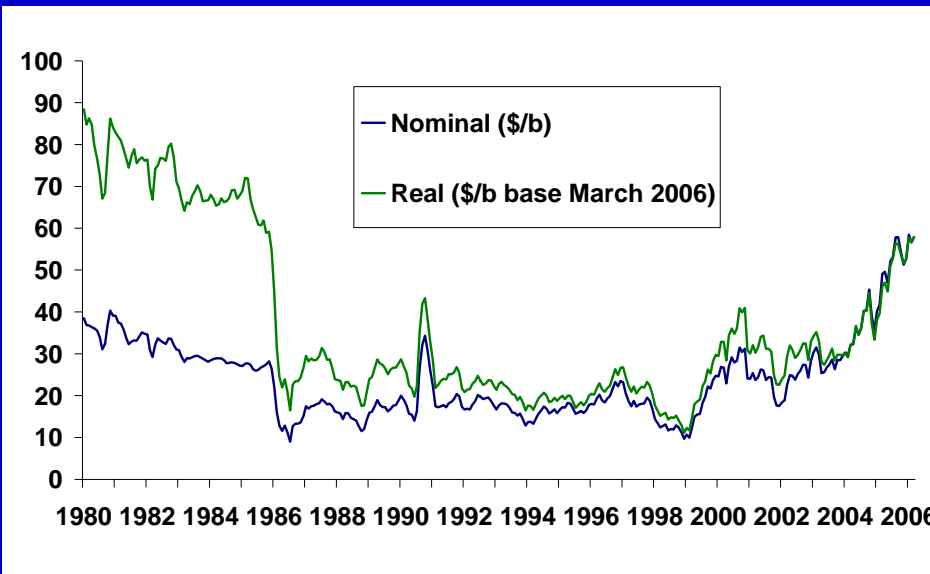
Long-term oil outlook

Uncertainties over future oil demand

Downstream investment needs

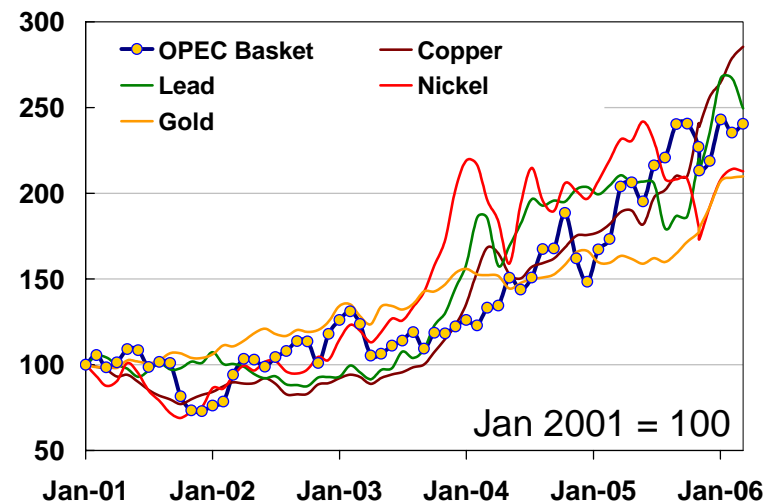
Concluding remarks

OPEC Reference Basket price (nominal and real) and non-energy commodity prices

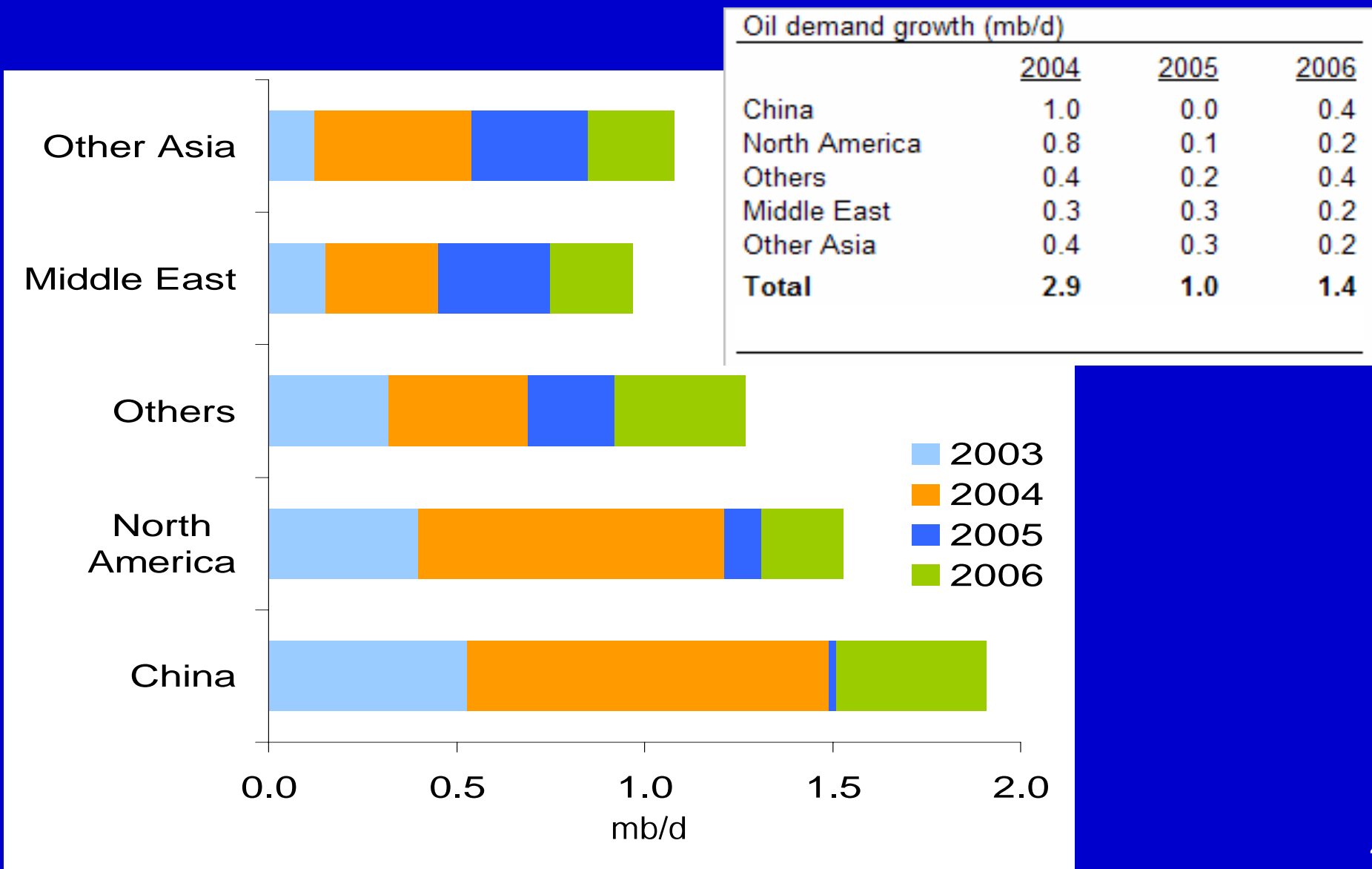


← The real price is still well below historical highs

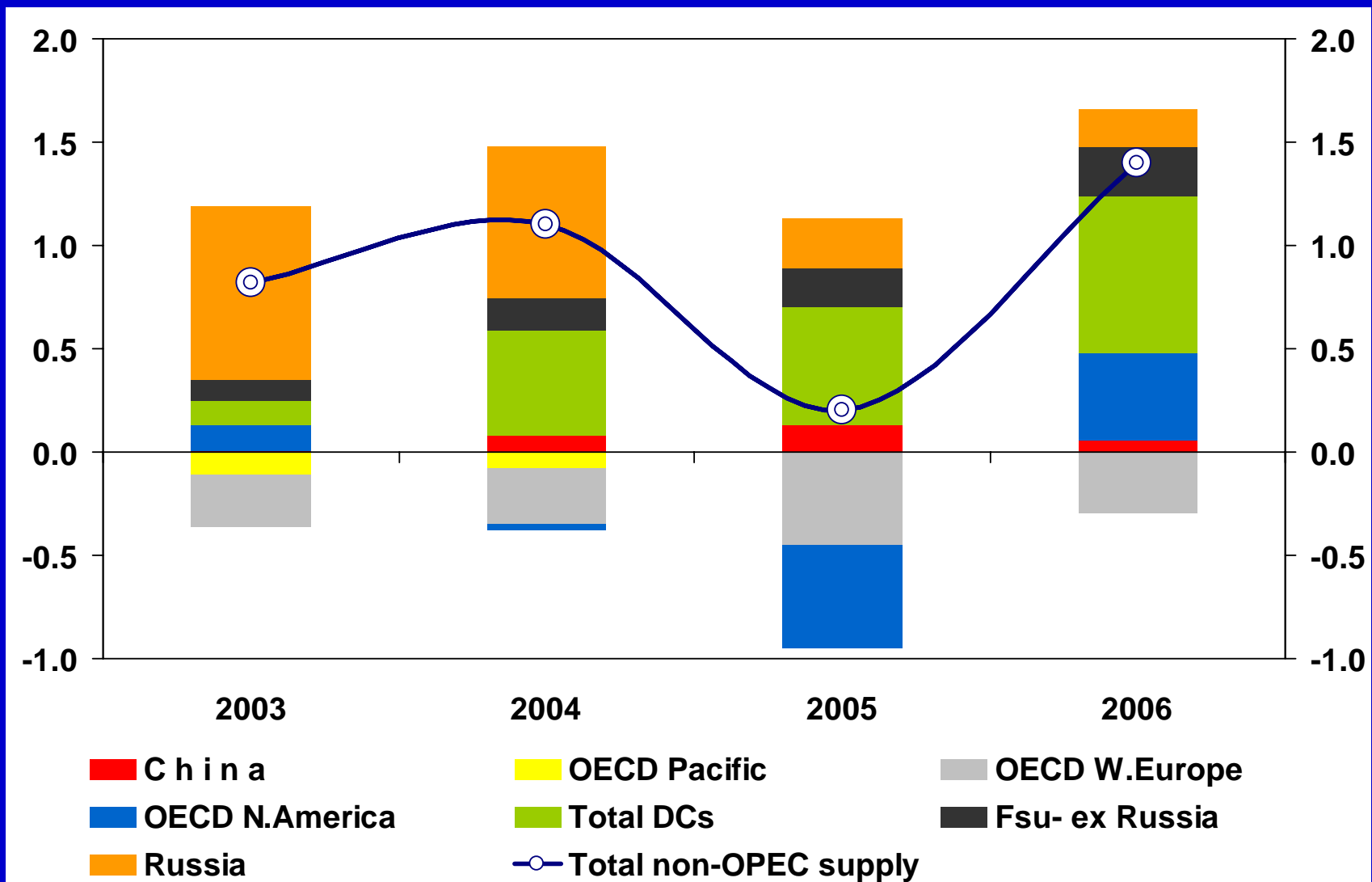
Non-energy commodity prices have also risen →



Recent oil market developments: high demand growth

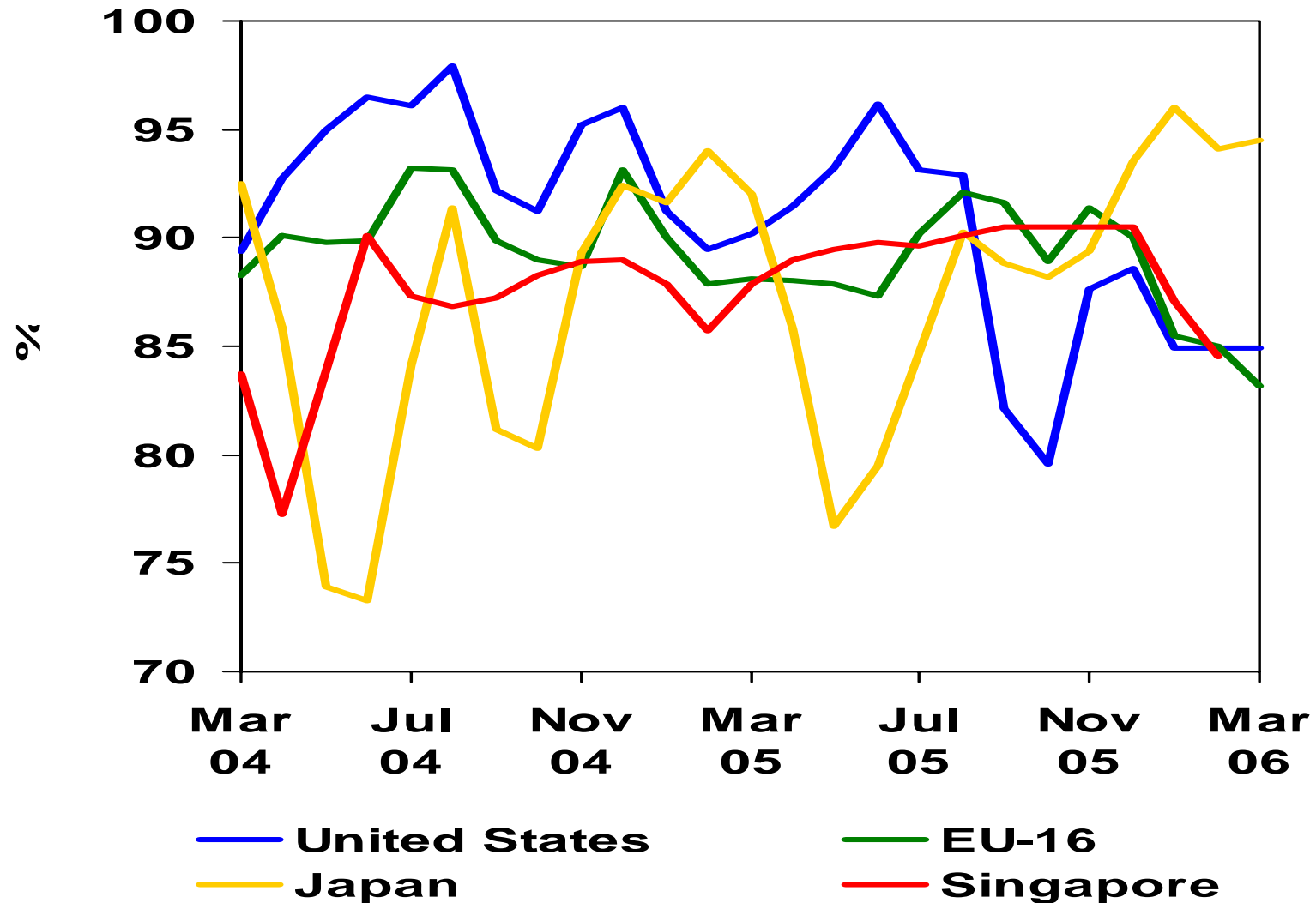


Supply chain tightness: non-OPEC supply



Supply chain tightness: downstream bottlenecks

Refinery capacity utilization rates



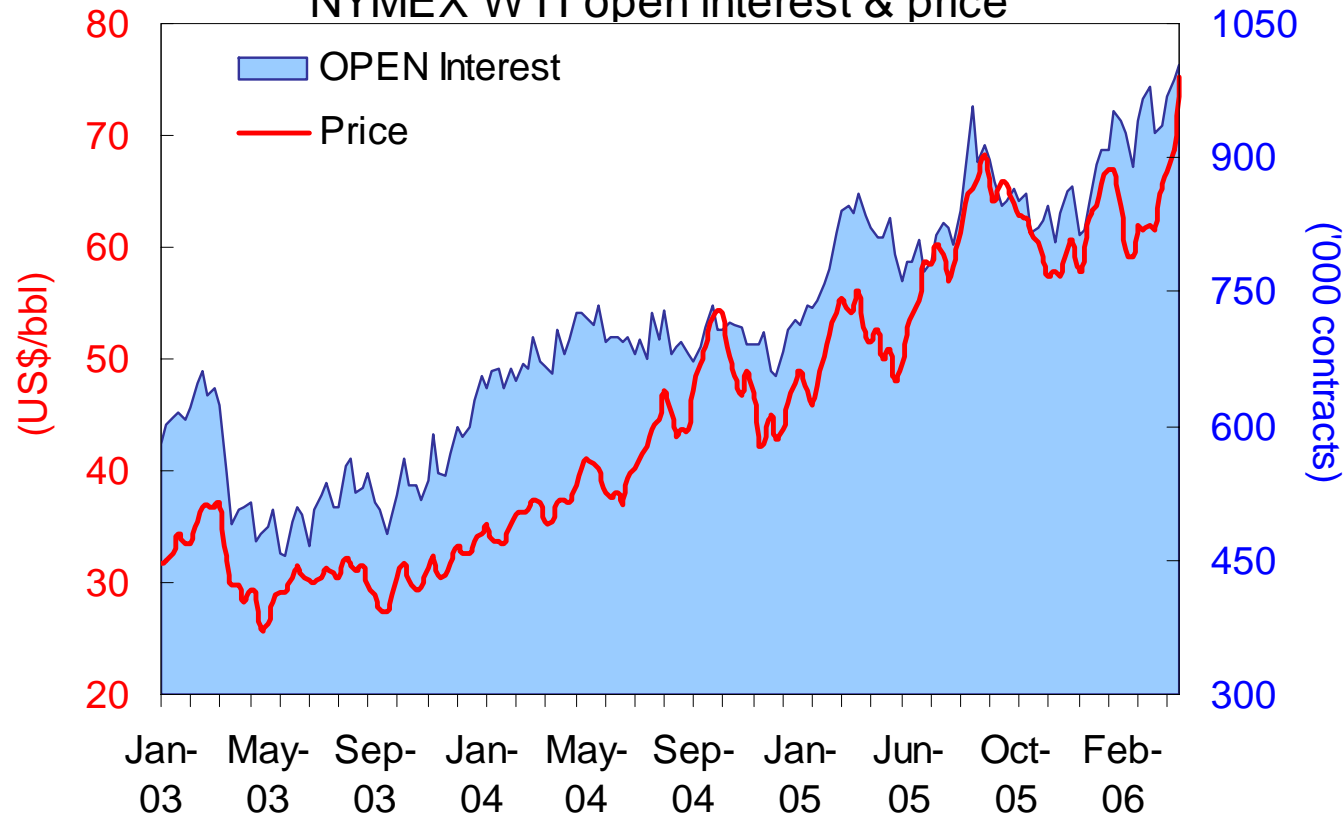
Increasing activity in futures market

- ◆ A new inflow of capital movement by hedge and pension funds into the futures market
- ◆ Open interest passed one million contracts now!

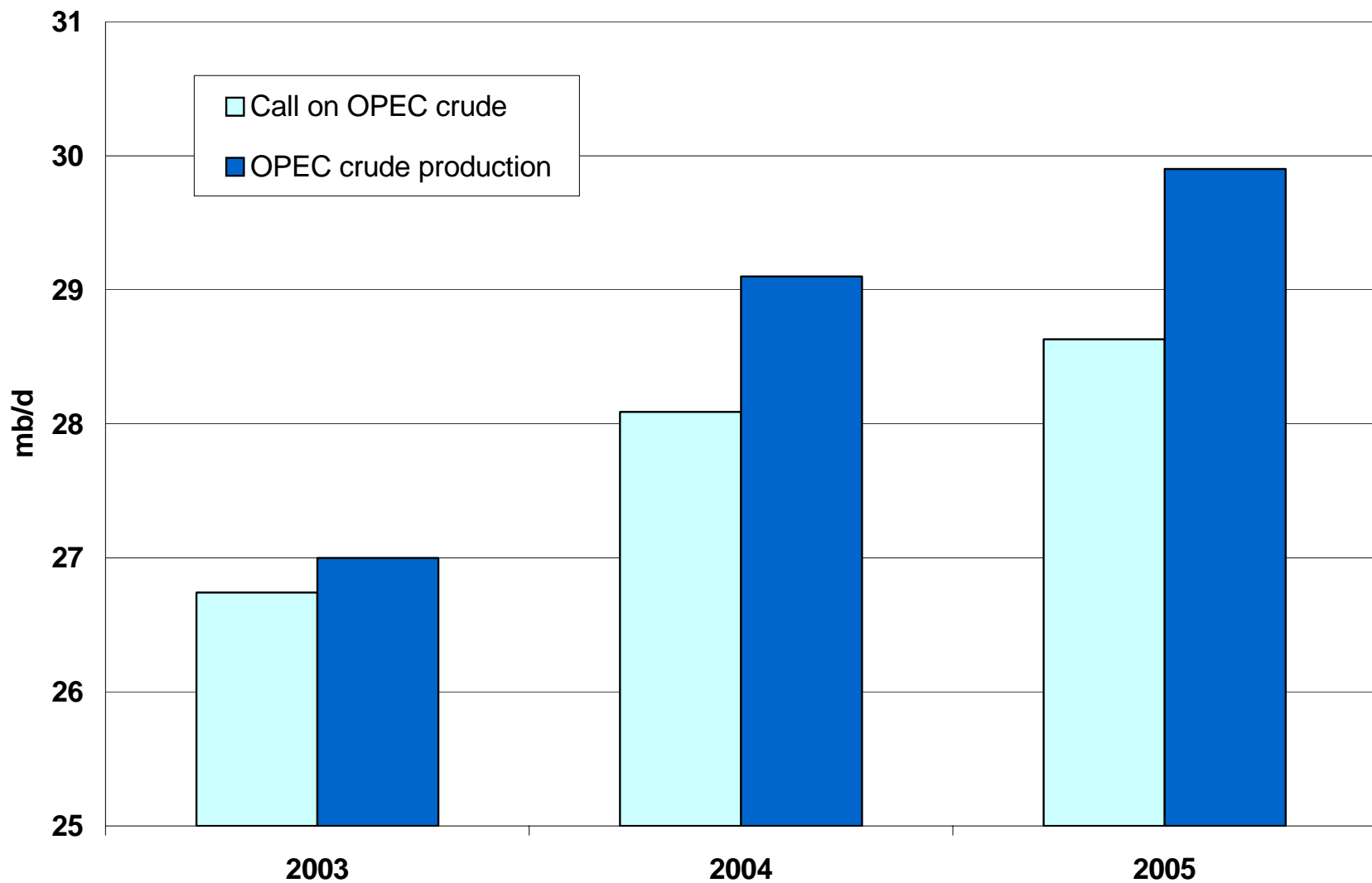
	<u>Open interest</u> ('000 contracts)	<u>Change</u>
2003	587	7
2004	656	58
2005	819	136
2006 (Ytd)	1003	169

21 April, 2006

NYMEX WTI open interest & price



OPEC crude oil supply has risen by 4.5 mb/d since 2002



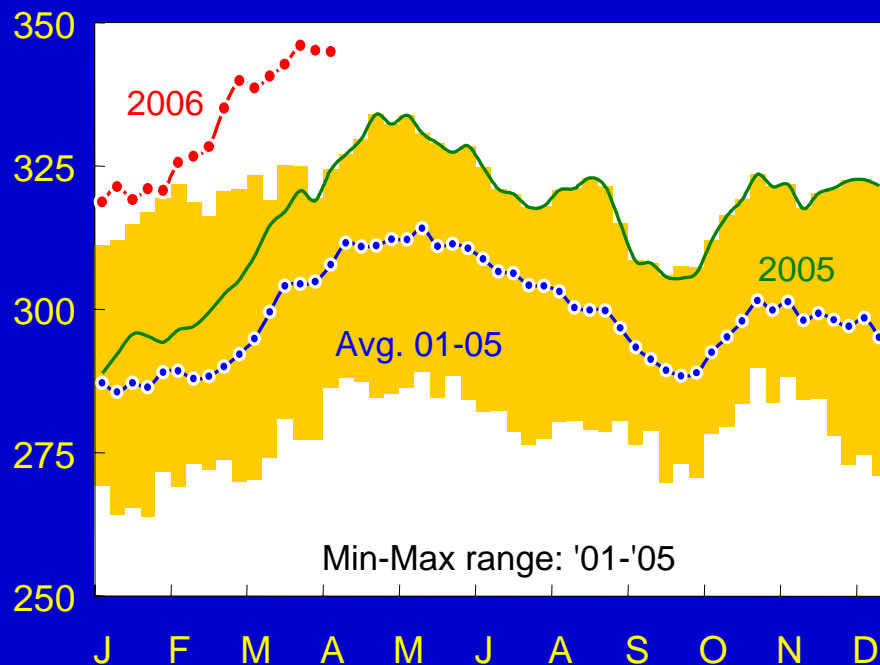
OPEC's objectives

- ❑ Ensuring the stabilisation of prices in international oil markets, with a view to eliminating harmful and unnecessary fluctuations.
- ❑ Securing 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.

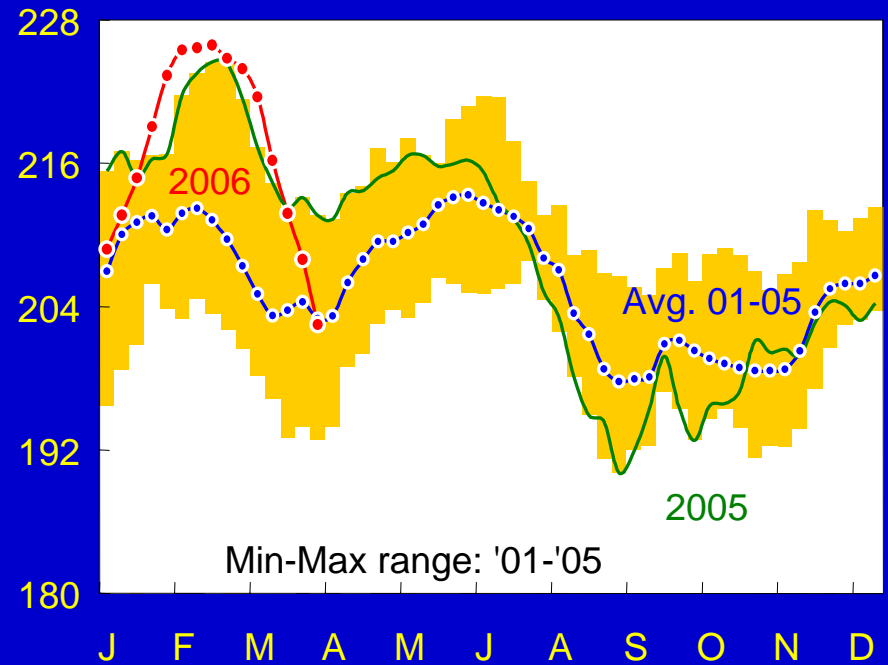
OPEC Statute, 1961

High crude oil stocks in the USA but concerns over gasoline, *mb*

Crude oil stocks



Gasoline stocks



Long-term oil demand outlook in the reference case

mb/d

	2005	2010	2015	2020	2025
OECD	49.8	51.5	52.8	53.8	54.6
DCs	28.7	34.2	40.0	46.3	52.9
Transition economies	4.7	5.0	5.3	5.5	5.7
World	83.2	90.7	98.0	105.6	113.1

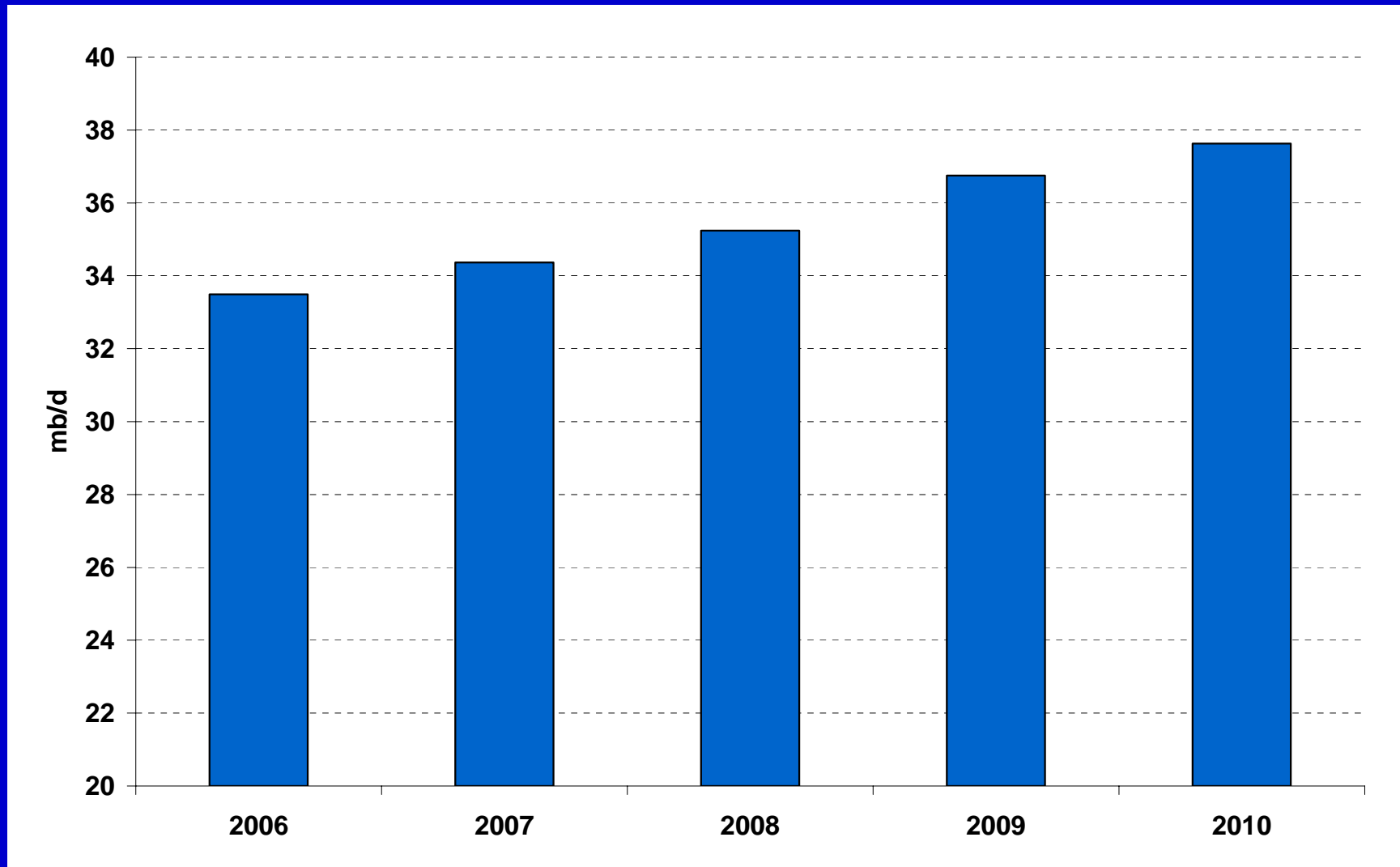
- World economic growth averages 3.5% pa over next two decades
- “Dynamics-as-usual”: no new strong policy drives
- Oil demand increases by 30 mb/d by 2025, or 1.5 mb/d annually
- Four-fifths of increase in demand comes from developing countries
- Transportation continues to be dominant source of growth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

Long-term oil supply outlook, *mb/d*

	2005	2010	2015	2020	2025
OECD	20.5	20.6	20.7	20.5	19.5
DCs, excl. OPEC	16.1	18.6	19.7	20.0	19.9
Transition economies	11.7	14.4	15.5	16.1	16.5
Total non-OPEC	50.1	55.8	58.3	59.4	58.9
OPEC (incl. NGLs)	33.1	34.9	39.7	46.2	54.3
World	83.2	90.7	98.0	105.6	113.1

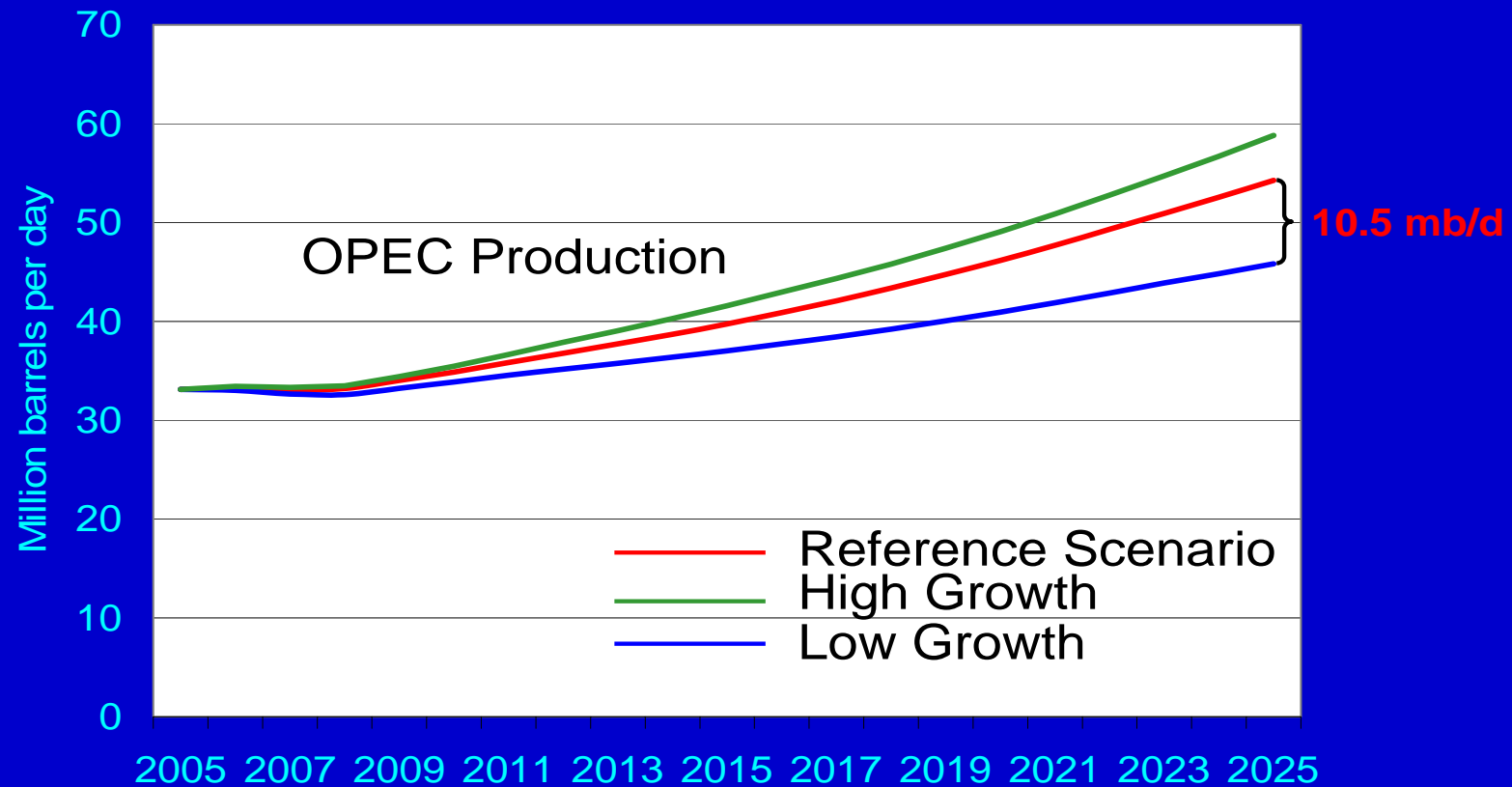
Non-OPEC increase: Latin America, Africa, Russia, Caspian

OPEC crude capacity continues to expand

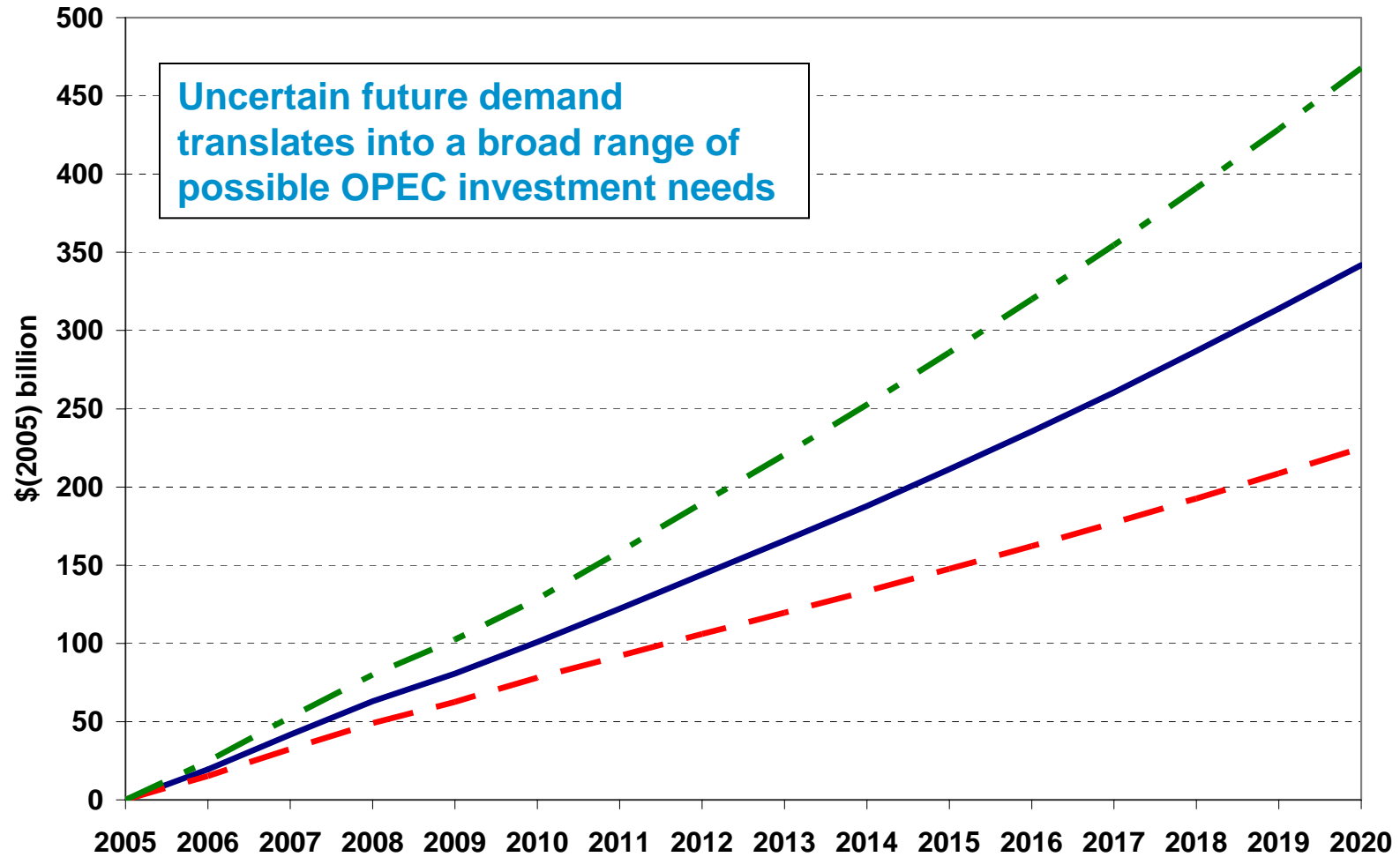


Oil demand growth uncertainties

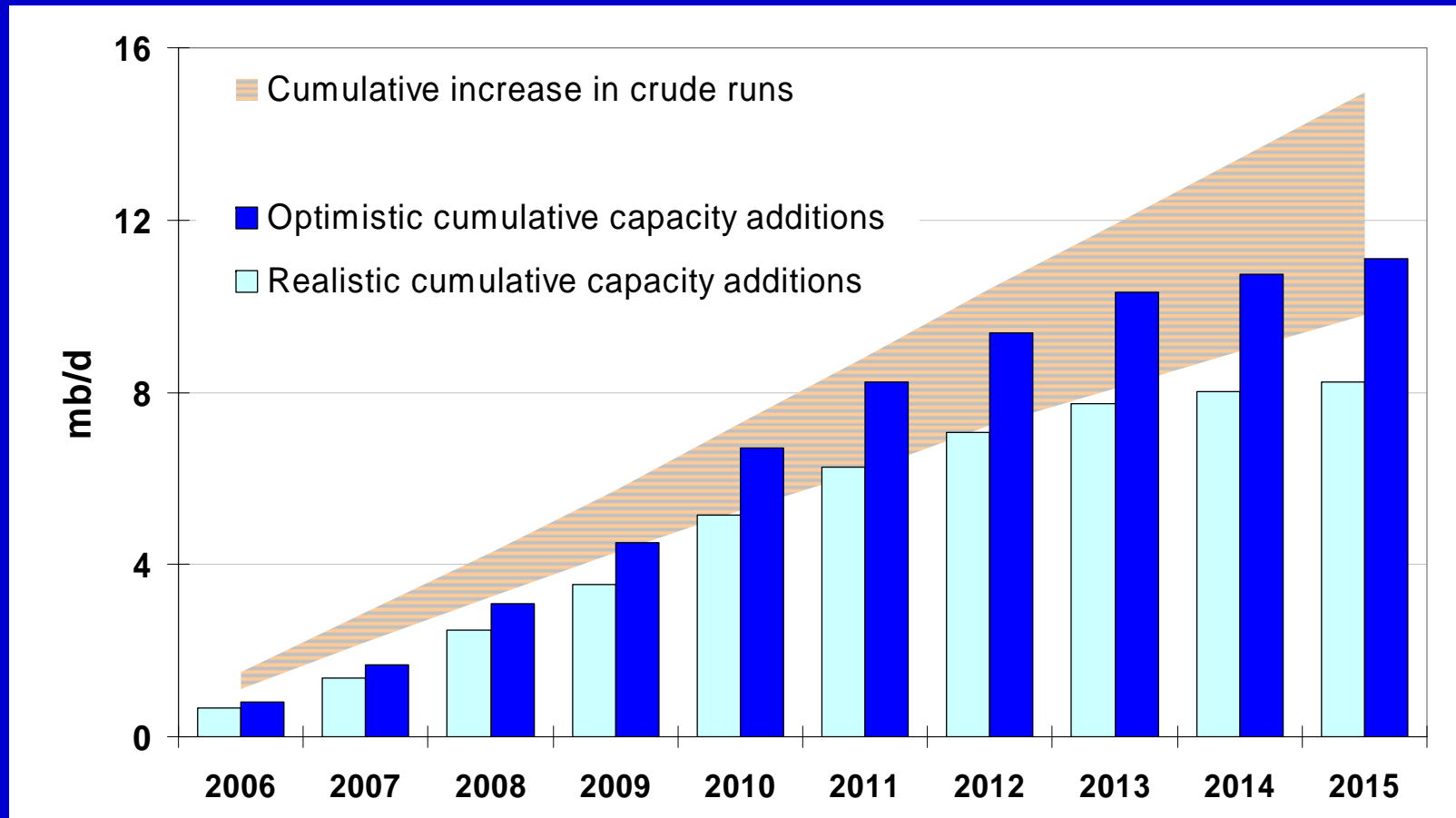
- ❑ Higher or lower economic growth
- ❑ Technological developments, especially transportation sector
- ❑ Consuming country energy and environmental policies



Cumulative investment in OPEC: three scenarios

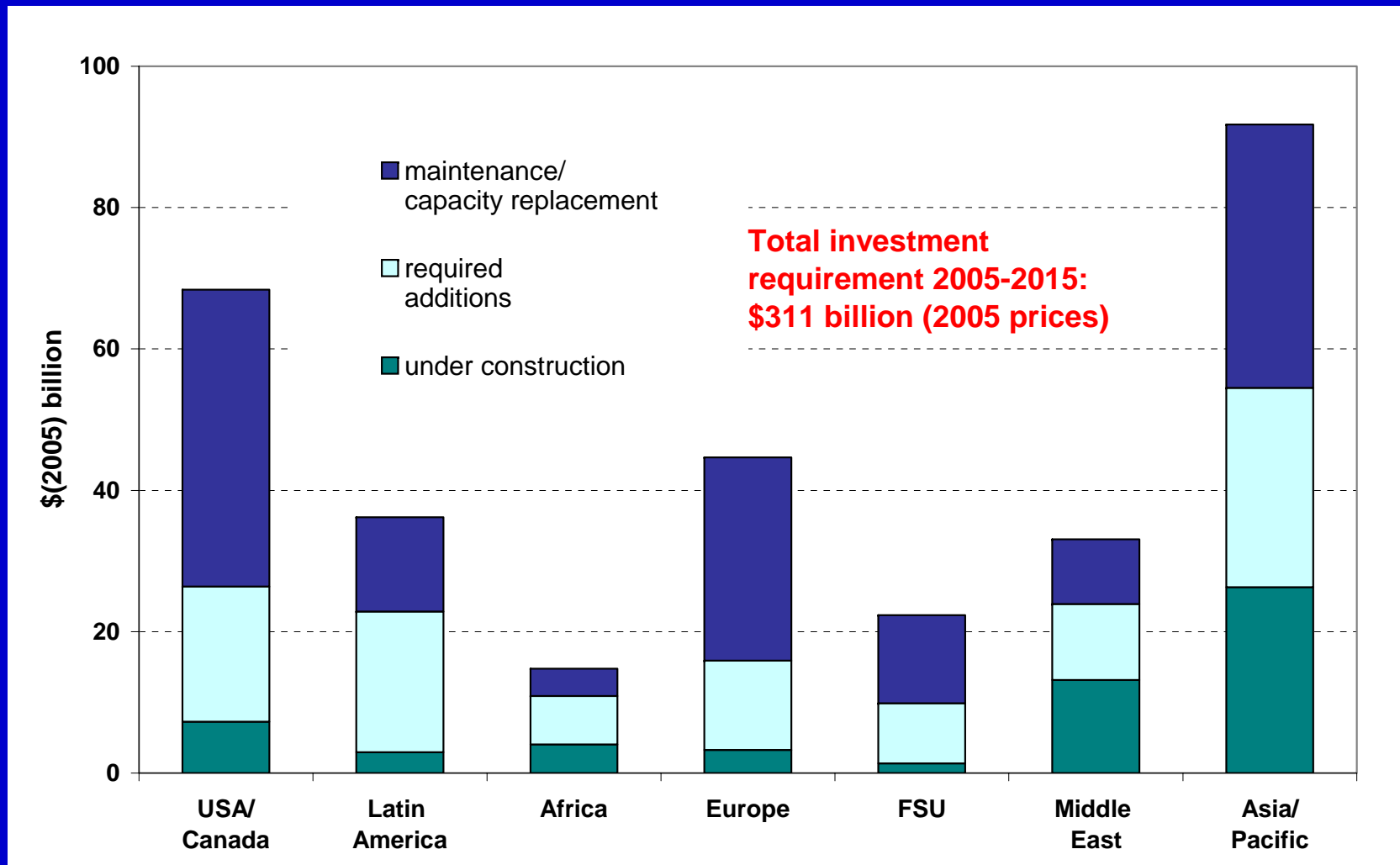


Distillation capacity additions vs incremental crude runs



Cumulative increases from 2005

Refining investment in the reference case 2005-15



Concluding remarks

- **Energy security is fundamental**
- **Security of supply *and* security of demand**
- **Security applies across entire supply chain**
- **Poverty eradication: first UN Millennium Development Goal**
- **Comprehensive and balanced approach to the three pillars of sustainable development: economic growth, social progress and protection of the environment**
- **The way forward: dialogue and cooperation among all players**



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