



World oil market developments: challenges and opportunities

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Acting for the OPEC Secretary General

**New developments in world oil and gas:
challenges and opportunities**

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Islamic Republic of Iran as OPEC Member

Contribution to world civilisation

- 5,000- year historical heritage
- 1979 revolution

Major player in both oil and gas

- 2nd-largest proven reserves
- 4th-largest producer

Founder Member

- Major role in creating OPEC
- Landmark Conferences



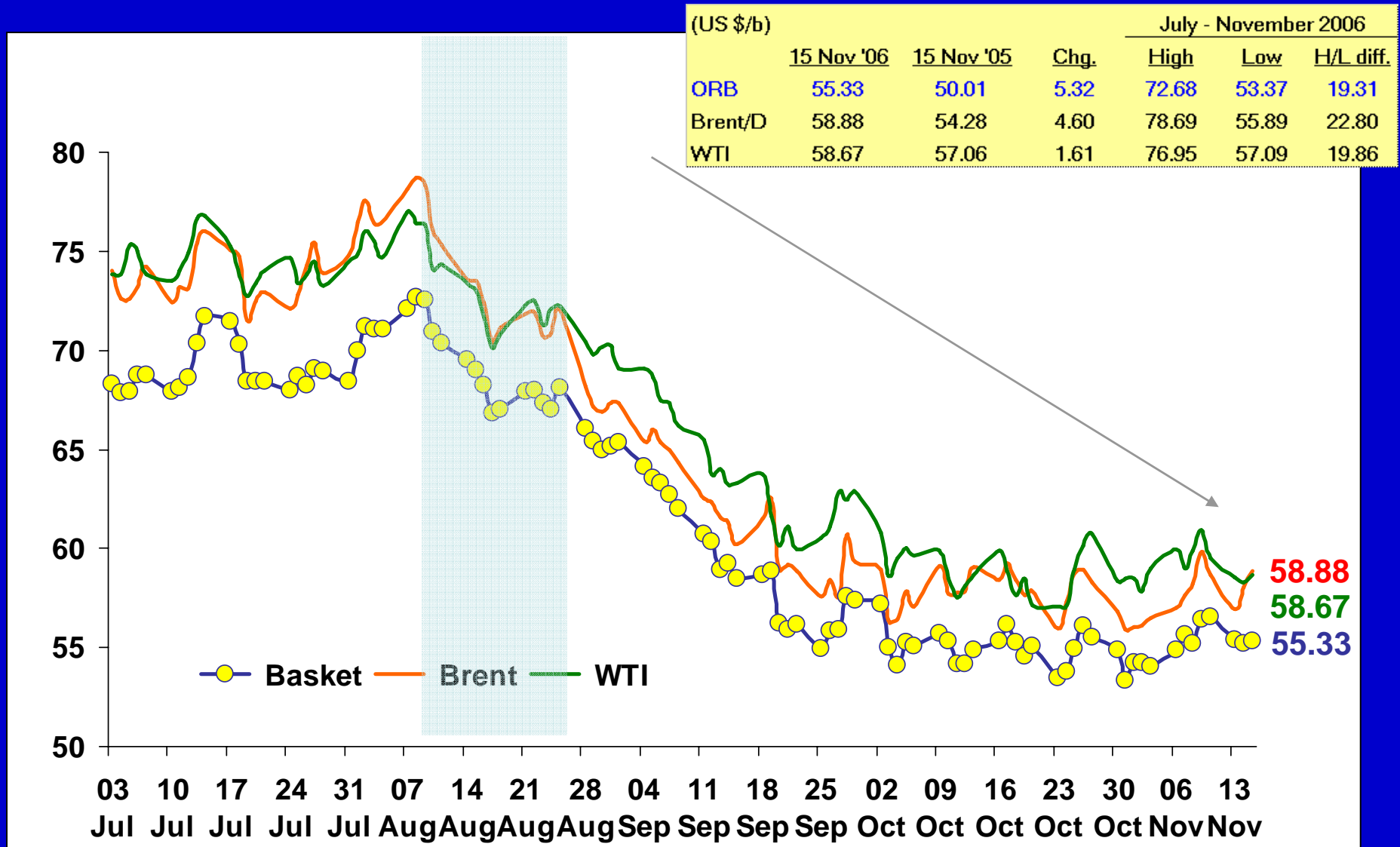
OPEC commitment

It is very important to have the total commitment of all our Members to handling the challenges and opportunities that face us in the international oil market, as we seek to ensure that it functions in a stable and orderly manner at all times, in the interests of producers and consumers alike.

It is a constantly shifting landscape, requiring continuous monitoring and the readiness and capability to take timely remedial actions as and when the need arises.

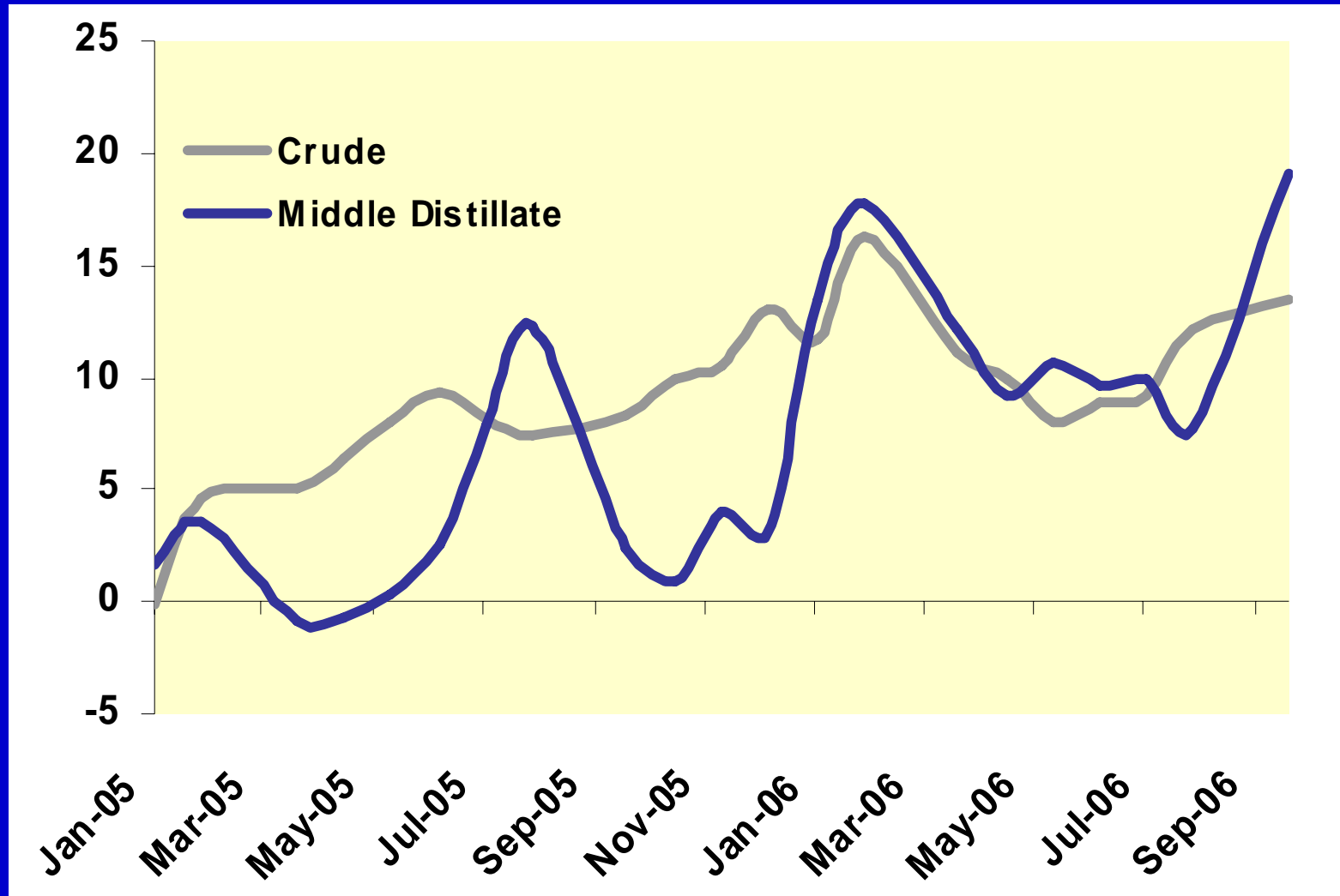


Oil price movements, Jul–Oct 2006, *US \$/b*



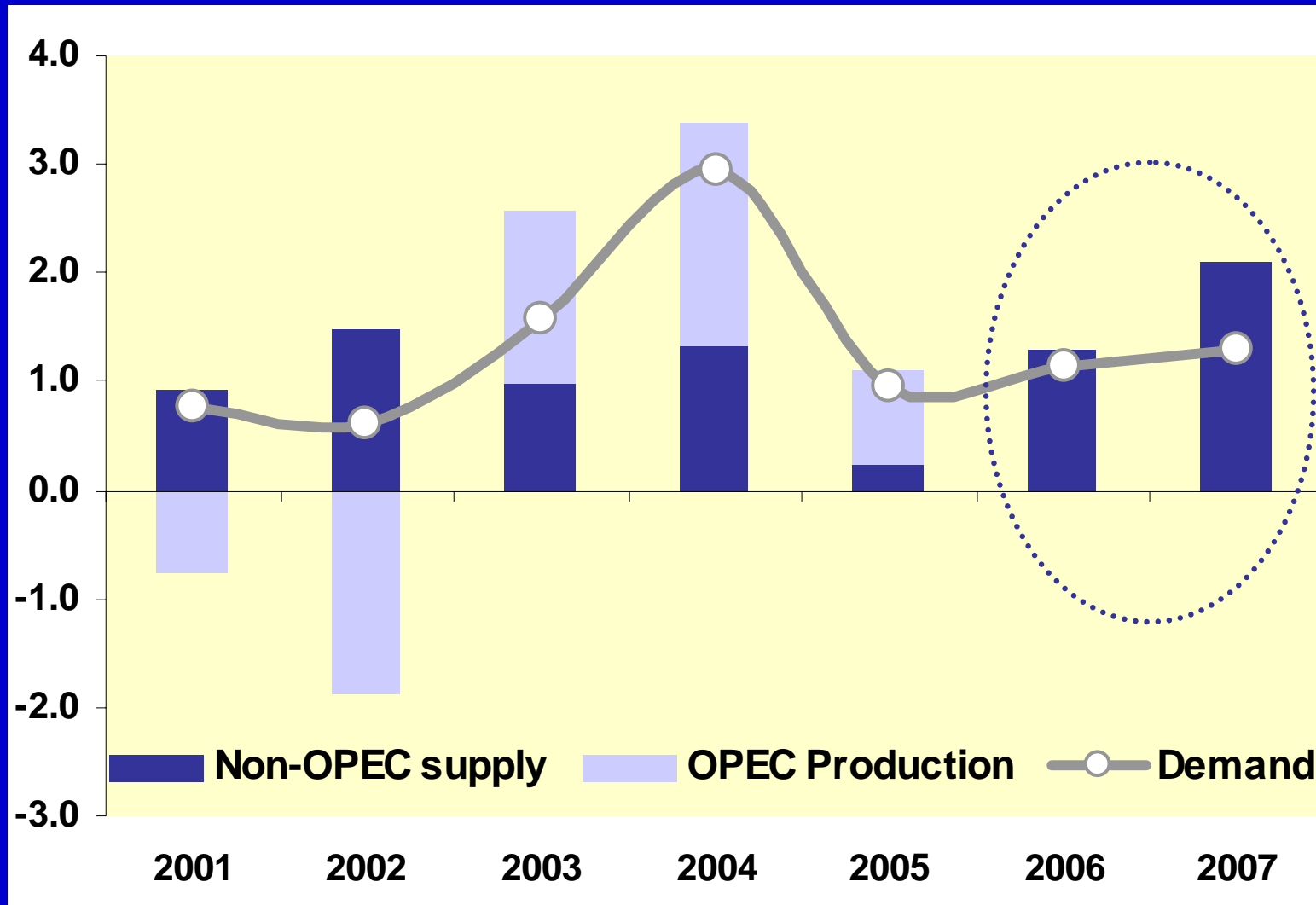


US stocks, deviation from five-year average *per cent*





World oil demand and supply growth, *mb/d*





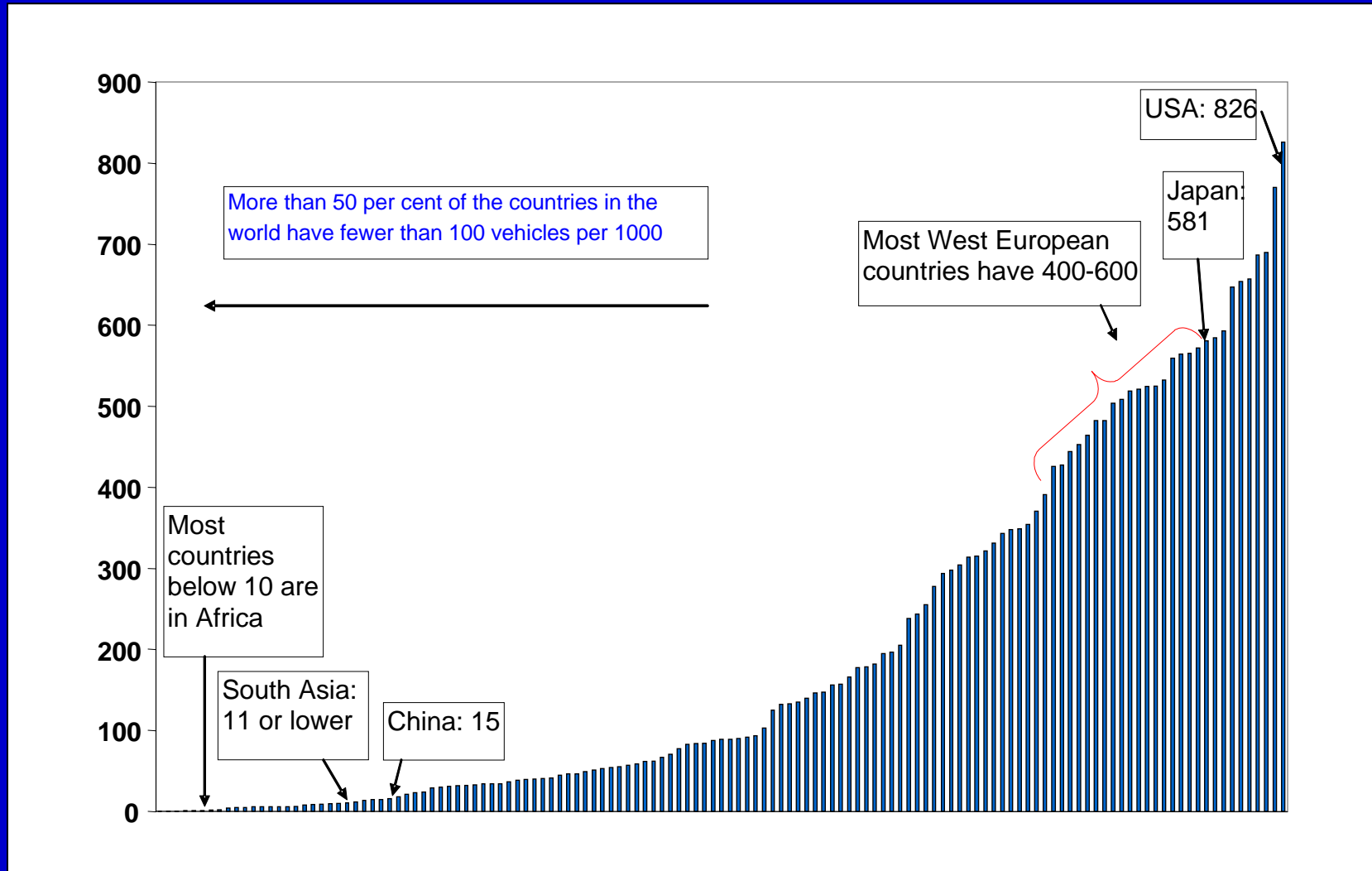
Long-term oil demand outlook, *mb/d*

	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 %)

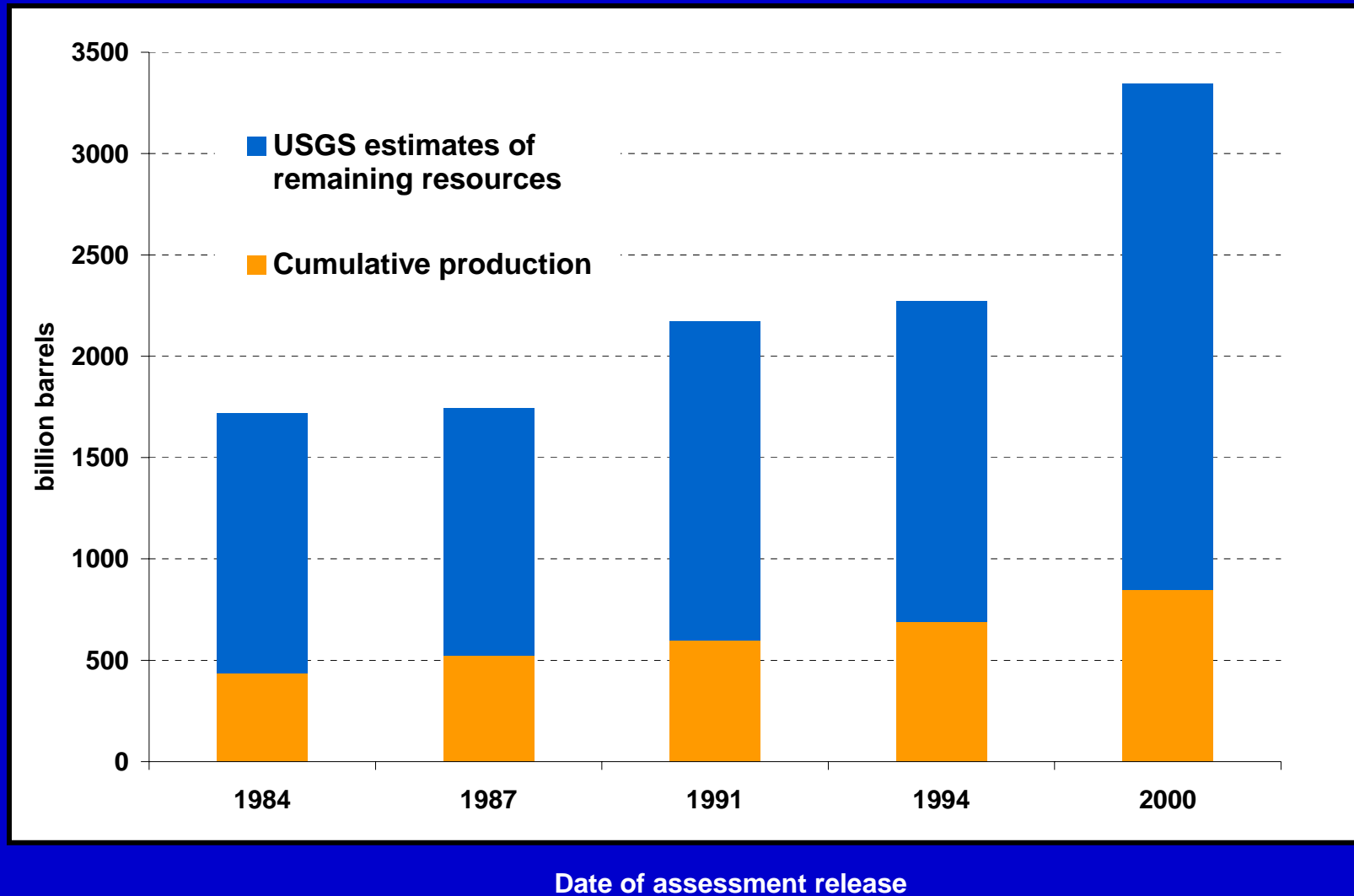


Vehicle ownership per 1,000 inhabitants, 2003





Conventional liquid resource base is sufficient





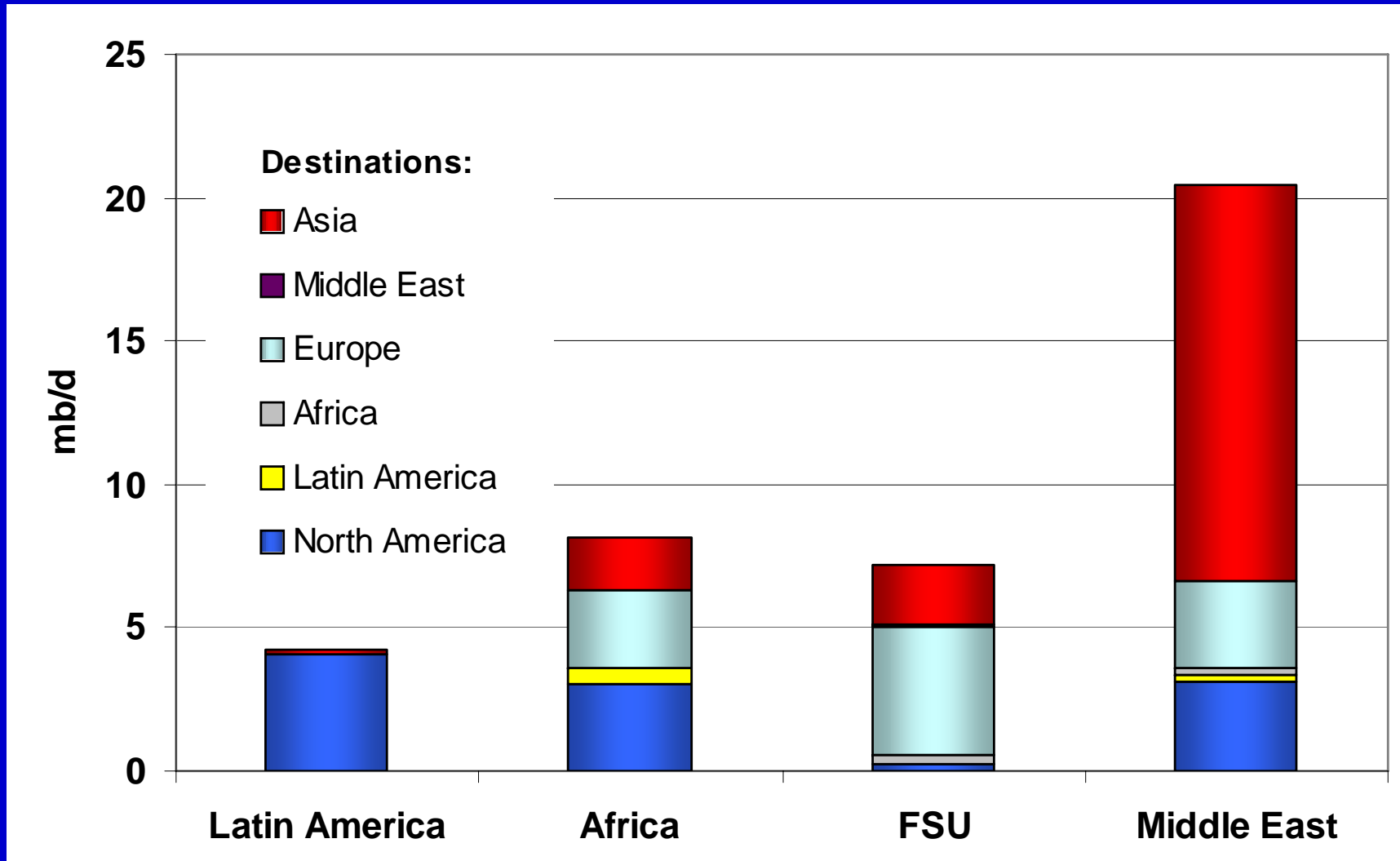
Long-term oil supply outlook, *mb/d*

	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 increases: Latin America, Africa, Russia, Caspian



Expected major crude oil exports, by destination 2015





Oil and gas in Islamic Republic of Iran, 2005

Crude oil

Proven reserves: 136 billion barrels

World share: 11.8 per cent

Production: 4.1 million barrels a day

World share: 5.7 per cent

Natural gas

Proven reserves: 28 trillion cubic metres

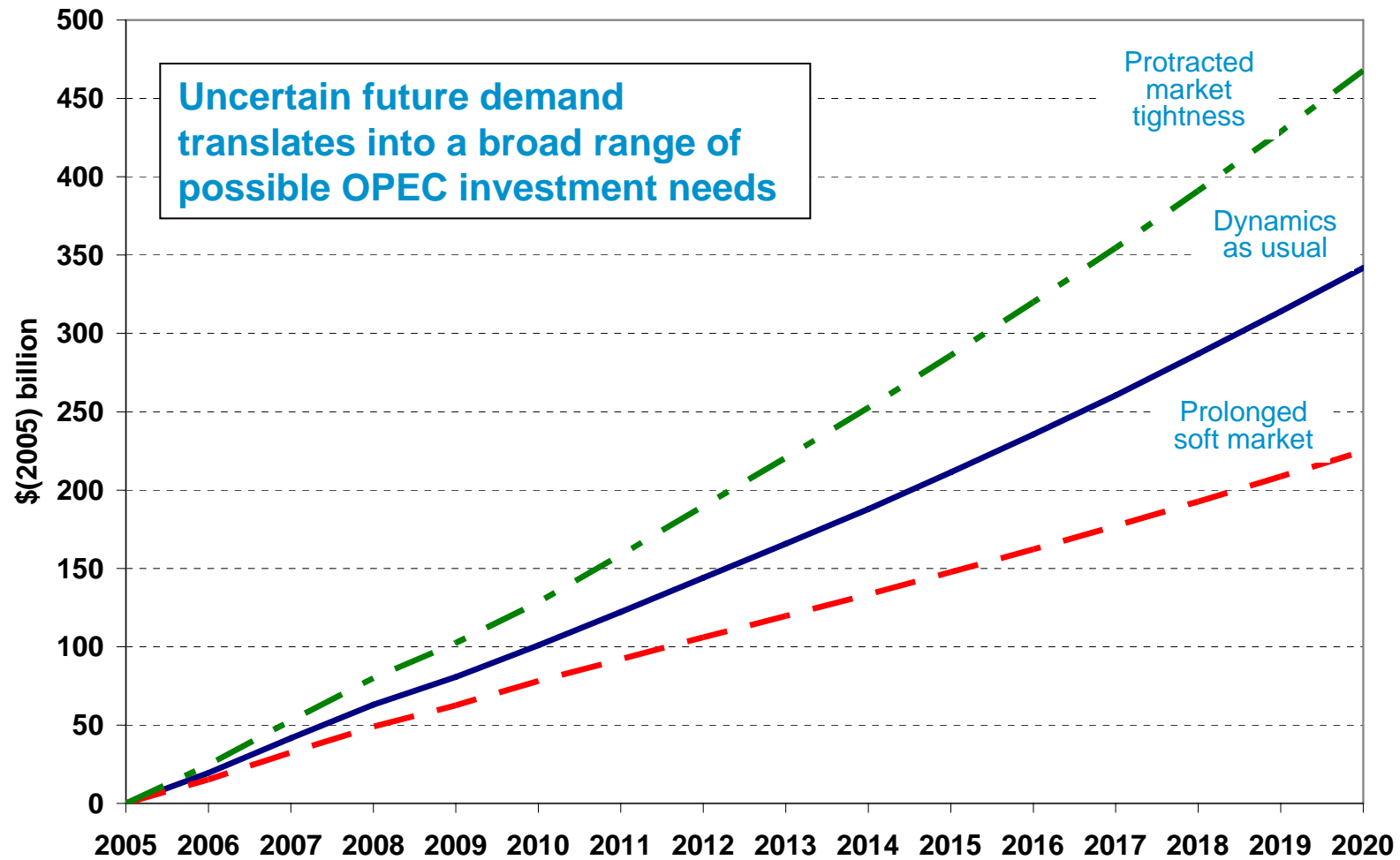
World share: 15.3 per cent

Marketed production: 95 billion cu m a year

World share: 3.3 per cent



Cumulative investment in OPEC: three scenarios

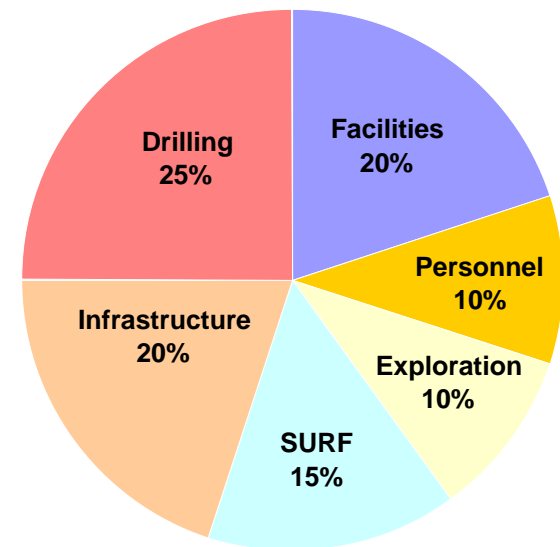
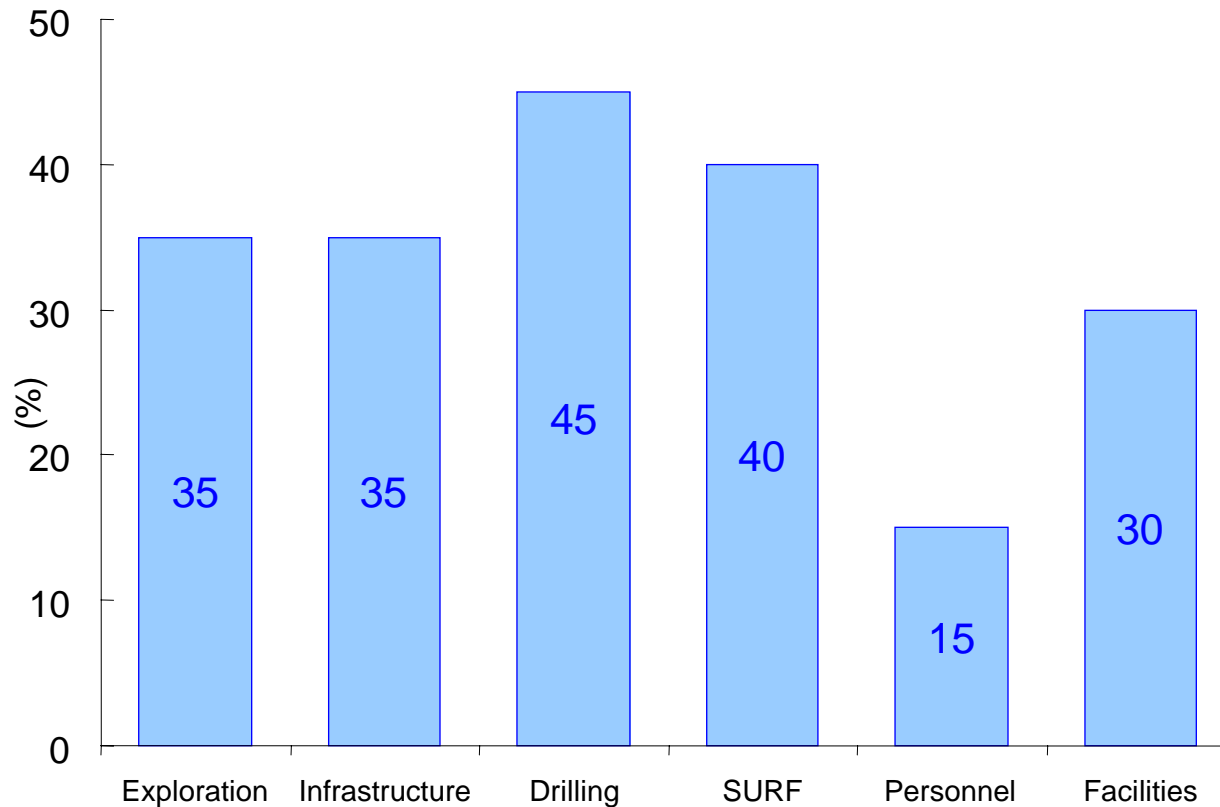




Indicative cost increases

- 3D seismic costs have doubled in the last 24 months
- Deepwater drilling day rigs up at least 50% in 12 months. Contracts at \$500/d for 2008.
- Wage pressure is escalating with growing shortage of skilled labour (~15% rise in 2005)
- Steel is a major component of infrastructure and facilities, with prices up 40% since 2004.

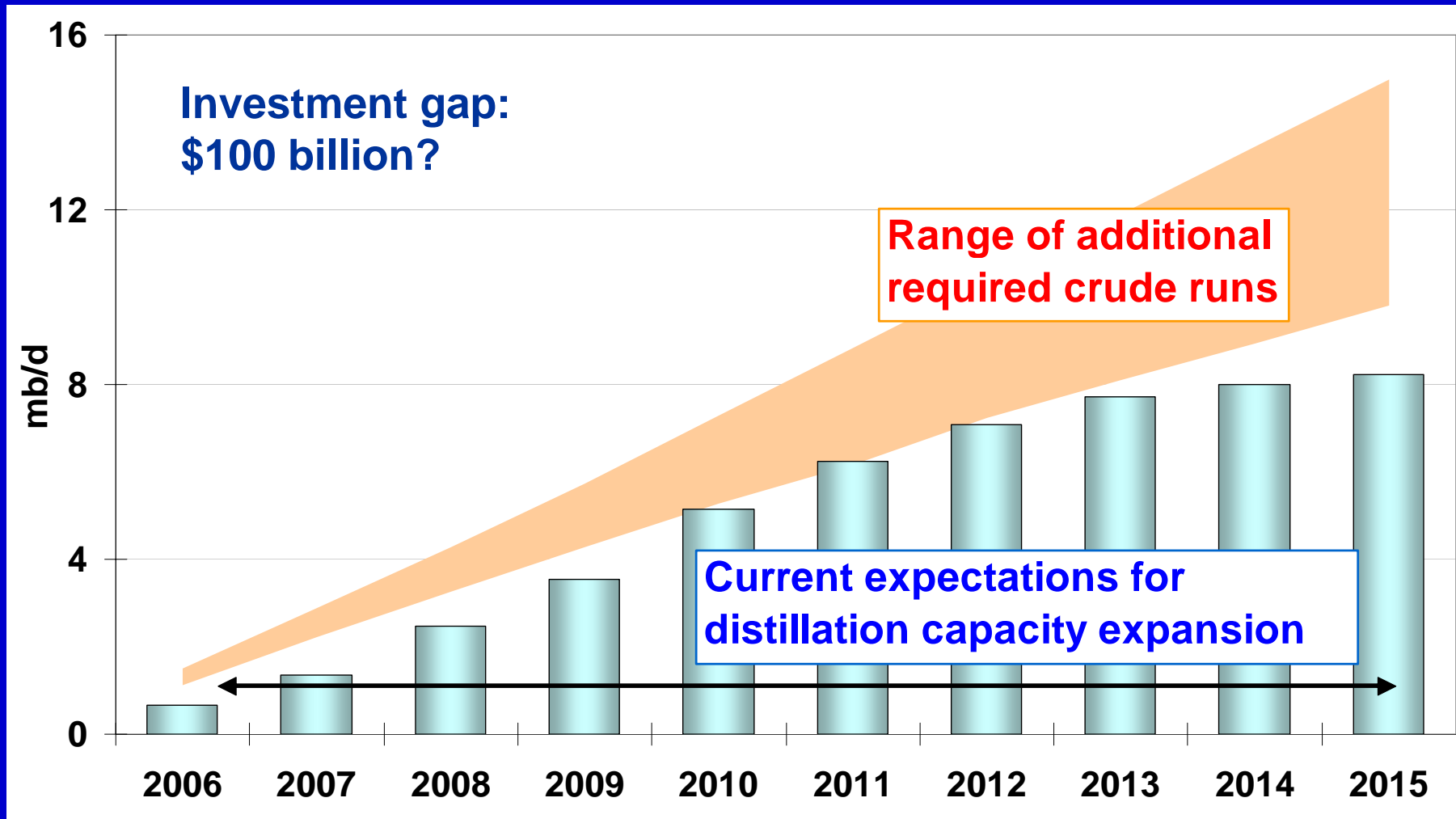
Cost split for a typical deepwater development



Source: Goldman Sachs, OPEC Secretariat

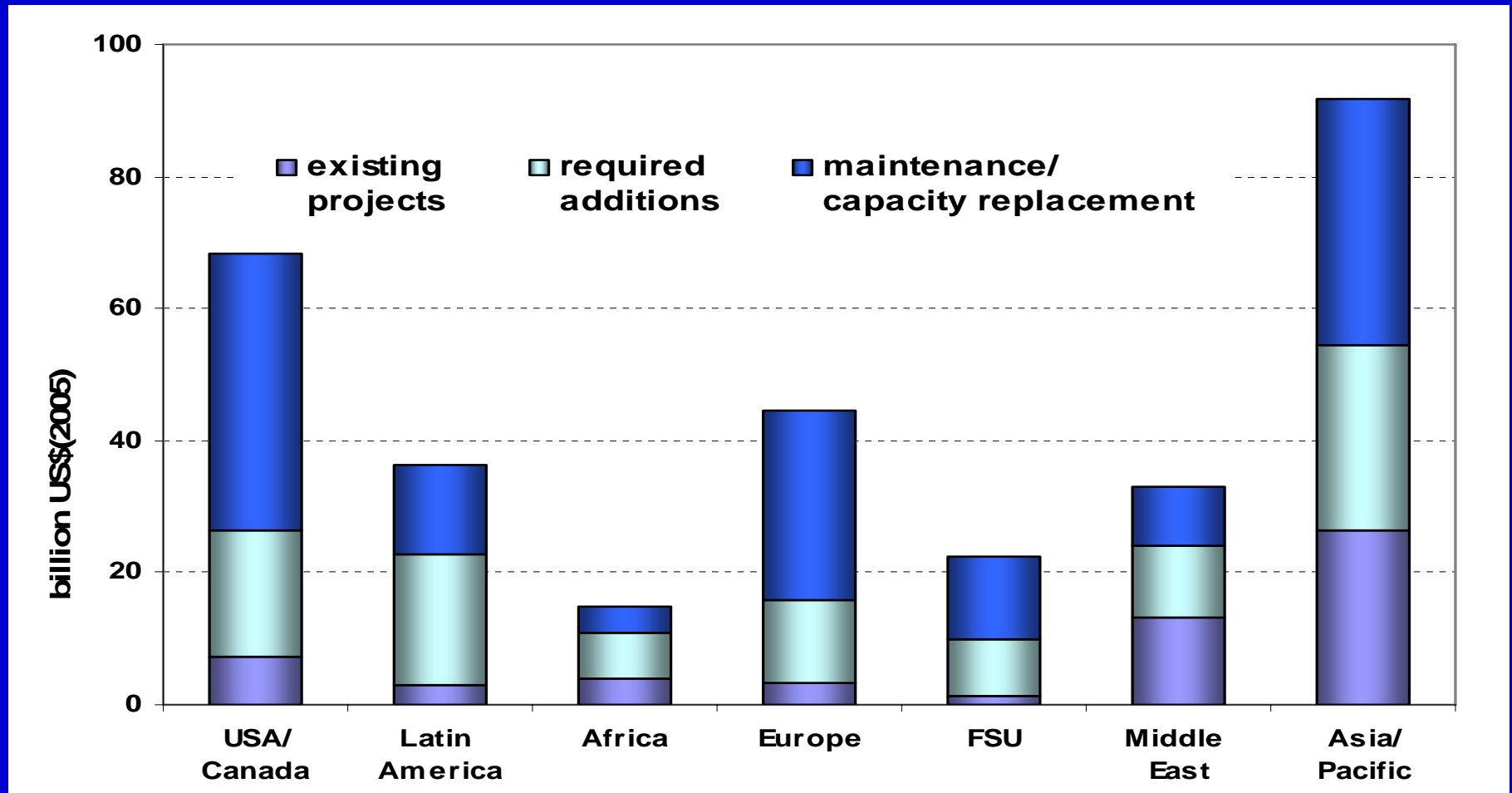


The downstream is also important





Refinery investment requirements, 2005–15



Total investment needs to 2015: \$310 billion (2005 prices)



OPEC's commitment to the environment

Three pillars of sustainable development

Economic development
Social development
Environmental protection

Active involvement in UN climate change meetings

Conference of the Parties to the UN Framework
Convention on Climate Change
Kyoto Protocol

'Common, but differentiated responsibilities'
'Respective capabilities'

'Post-Kyoto' agreement must adequately address
developing country concerns



Challenges for oil-producing developing countries

To provide regular supplies of crude to consumers at reasonable prices both now and in the future.

To use petroleum revenue to:

- help develop our domestic economies and provide better life-styles for our citizens;
- plough back into the industry to ensure that future consumer needs are met;
- provide assistance to other impoverished nations in the true spirit of sustainable development.



Dialogue

There is widespread agreement on the need for a constructive, sustained process of dialogue at a global level, involving all the interested parties and prepared to tackle all the major topical issues affecting the industry.

- OPEC pioneered efforts to initiate producer-consumer dialogue, leading to International Energy Forum.
- Formal OPEC energy dialogues with the European Union, China and Russia were established in 2006.
- Many other forms of dialogue involving OPEC.



Concluding statement

A central task of oil producers is to meet the growing energy needs of the global community and, most especially, those of the world's poorest nations in their long-overdue quest for sustainable development.

It is up to all of us to rise to these challenges, and OPEC maintains its longstanding resolve to do this, to the benefit of producers and consumers alike and in support of sound, sustained growth across the global economy.



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