

**“Oil markets : a new normal or just another cycle, and
what does it mean for Asia?”**

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His Excellency Senator Dato’ Sri Abdul Wahid bin Omar,
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His Excellency Abdalla Salem El-Badri, Secretary General,
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Hon’ble Ministers from various countries participating in this
6th Asian Ministerial Energy Roundtable;

Distinguished delegates, guests, diplomats, ladies &
gentlemen.

It gives me immense pleasure to be present amongst all of you
here today. The theme of this session revolves around Oil
price volatility and its impact on Asian economies, which
includes both oil exporters and oil importers.

We have witnessed a sharp decline in oil prices since mid-2014. It is said that the fall in oil prices has been triggered by a combination of an oversupply in the oil market, chiefly on account of enhanced US shale oil production and OPEC's stand against curtailing oil production to protect market share, and a simultaneous slowdown in demand in some of the erstwhile fastest growing economies of the world.

The theme of this session is interesting. We have come across various analysis on whether the present oil market is only a temporary development or it is beginning of a new order which will continue for a long period. There are those who make demand supply analysis and arrive at one conclusion. There are others who make geo-political analysis and lead to a different conclusion. There are a third group of experts who factor in role of new technologies and new frontiers of unconventional hydrocarbon and make different predictions.

As per experts, despite lower prices, demand for import of Oil is expected to slow down in the future. It is believed that the United States may become self-sufficient with respect to energy in net terms by 2021.

Continuing technological advancements in shale oil production, coupled with that in other technology-intensive

sources - such as oil sands and offshore deep water – are likely to be replicated over a period of time, despite high initial costs, giving a huge fillip to crude production elsewhere across the globe.

A global supply glut is also being witnessed in Oil market. As per EIA estimates, global Petroleum and Other Liquids production in 2015 would be around 95.55 million barrels per day whereas the corresponding consumption is expected to be 93.75 million barrels per day. IEA also projects that even with lower prices, global supply capacity is expected to increase by 5.2 million barrels per day over the next six years. Two thirds of this growth will come from non-OPEC producers.

IMF forecasts weaker global economic growth and as a result global demand growth for Oil is expected to slow markedly, by 1.1 million barrels/day per annum over the next six years.

The question of oil price, obviously, has no easy answers, because forecasting crude prices is a hazardous proposition even in the most normal of times. While I am not in the profession of making forecasts but as a public policy practitioner, I sincerely wish that the present oil market is the new normal. Hence, I will deal with the second but more

important part of the theme, which is the implication of the oil price fluctuations for a country like India.

Historically, the ramifications of crude price volatility on a highly import dependent country like India have always been significant. The benefits of the oil price decline on the public exchequer, and the fiscal systems, are obvious. India's net crude import bill has skyrocketed in recent years, from \$112.1 billion in FY11 to \$155.7 billion in FY14. Similar is the case for our natural gas import bill.

India's total energy consumption at 637.8 MMTOE during 2014 compared to 595.7 MMTOE during 2013 grew by more than 7%, which was among the highest growth rates during the year. This is more than one third of total energy consumption growth during the year at global level.

India is now among the fastest growing economies globally. Estimates by international agencies, including IMF, suggest that India is expected to overtake China in terms of GDP growth rate this year.

According to the International Energy Agency's World Energy Outlook 2014, India's oil demand growth between 2013 and 2040 would be the highest in the world—with a CAGR of 3.5

%. Just to give an example, this growth rate is almost double of the next highest growth rate.

Yet, Indian per capita energy consumption is less than one third of the global average. As India strives to attain double digit GDP growth rate and strives to become a manufacturing powerhouse, the country is bound to see massive growth in energy demand.

Energy security, thus, has become a question of national priority for us. And as Petroleum Minister, it is my primary duty to ensure that 1.2 billion plus Indians have access to reliable and affordable energy so that we can provide wholesome, inclusive growth to our people. As my Prime Minister puts it, we want to “convert hopeful and hopefilled today into a fulfilled tomorrow” for every Indian.

We have already witnessed a reshaping of the global energy map with Asian countries replacing the OECD countries as a major source of demand. IEA has estimated that over the long term, almost 90% of Middle Eastern oil exports would be destined for Asia.

It is well-known that West Asian oil and gas rich countries and India have been historic and strategic allies in many spheres.

India, for example, imports over 60% of its crude oil requirement from the Gulf region. As a matter of fact, India's total trade with only the 6 GCC countries rose from US\$ 5.55 Billion in 2000-01 to US\$ 133.74 Billion in 2014-15, which signifies a phenomenal growth of 2300%.

Developing Asian economies like India have their own, and very valid constraints and concerns when it comes to crude procurement. The demand for energy is invariably price sensitive in the domestic market. India is one such example.

Then, there is the issue of equitable access to affordable energy; only then can the growth be termed as truly inclusive. Unfortunately, a vast cross-section of India's population still does not have access to energy simply on account of lack of purchasing power. I understand there are other Asian importing countries similarly placed.

I believe that an opportune time has now come when this **“Energy Poverty”** must give way to **“Energy Justice”**. In order to do so, the oil suppliers must make earnest efforts for a **Responsible & Reasonable Pricing which will be**

sustainable. Allow me please to briefly explain the context and the reasons why I think this is the need of the hour.

I think everybody here would agree that going forward, the crude oil price needs to be more of a win-win proposition for Asian buyers, rather than the economic compulsion it is presently reduced to.

India recognizes the need to ensure that producing nations are not made to suffer uncertainties and revenue loss to wild swings in Oil prices. Similarly, consuming nations like India wish to have greater transparency and balance in the Oil market to ensure that their fiscal positions are not unduly stretched due to rising prices.

Large crude importing Asian countries like India can be very reliable destination for oil exports provided the price is reasonable. I had earlier referred to the issue of “Asian Premium” during the 167th OPEC Conference in Vienna.

People and policy makers in a developing economy like India find it unjust and unacceptable that reliable and large importers like India pay higher for crude import than the developed Western economies. In a more reasonable market, it should be the other way round and India should be getting an

“Asian Dividend”. This has been the primary reason why the Government is compelled to look at far off continents for sources of energy.

I strongly feel that the buyer-seller relationship between the large buyers and large sellers needs to be transformed to energy partnerships. They should link their hydrocarbon economies by developing mutual investment linkages. I have been advocating this with individual countries since assuming office. This will lead to a more stable oil market.

What should be a reasonable price or price band to enable a win-win situation could be a matter of debate; I believe convergence on this can be reached with a bit of flexibility on the part of both seller and buyer so that equitable commercial terms could be worked out.

At this juncture, I would also like to invite the attention of this august gathering to the rapidly evolving world of renewable energy. Technological advances brought about by cutting edge R&D efforts are reducing the cost of electricity generation from renewables with each passing year. Just to give an example, only last week US-based renewable energy major SunEdison has won a bid for setting up a 500 MW solar

power plant in India by offering to supply solar energy at about US 7 cents per unit.

I realize that given the magnitude of India's energy needs, renewable energy can't be an immediate substitute for fossil fuel based energy, at least in the near foreseeable future. Yet, the very fact that solar power could be as competitive as, if not more competitive than, liquid-fuel based power should probably act as an incentive for both crude suppliers and importers to move towards a Responsible & Reasonable Pricing.

In conclusion, I would suggest that Asian economies – both suppliers as well as importers - should take advantage of the present situation to forge stronger and strategic ties in the long term interest to ensure growth and stability of the oil market. Only that will allow us to reach a new balance, a new equilibrium, a new normal so to say.

Before closing, I would like to invite you all to invest in India's oil & gas sector including upstream E&P, Gas & LNG infrastructure, refining, fuel retailing and marketing, strategic reserves, oil field services, etc. Within next 4 months, we will

auction about 67 proven marginal fields in India. I would welcome your investment in it.

Similarly, Indian public and private sector companies are also willing to invest in the entire value chain of oil and gas in your countries. We are ready to plug into the World oil and gas mainframe in a win-win proposition.

I am happy to share with you that, only a week back, the World Bank declared that India has moved up 12 places [to 130th rank] in the Global Ease of Business rankings. India is changing for the better; come, be a part of the India story.

Thank you, all.