

7th Asian Ministerial Energy Roundtable
Scene Setting Remarks by H.E. Khalid A. Al-Falih
Minister of Energy, Industry, and Mineral Resources
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Introduction

Your Excellencies, Distinguished Guests, Ladies and Gentlemen, I am delighted to be in Bangkok for the 7th Asian Ministerial Energy Roundtable. It is an honor to follow His Excellency General Anantaporn Kanjanarat, and to thank him and our Thai hosts for their gracious hospitality. I also want to congratulate the IEF for putting together such a comprehensive program for this conference.

My fellow Asian Ministers, we have every reason to be proud of Asia's exhilarating economic development; the continuing rise in the living standards of our people; and our immense contribution to global growth, which has been nothing short of remarkable. And with Asia expected to account for more than half of the world's economy by 2050 it will be even more central to both the global economy's prospects and our energy growth trajectory.

But, today, almost a billion Asians live without electricity, while a billion more will live in the region by 2050. This is expected to cause a massive rise of 60 to 70 percent in energy demand in developing Asia.

The question is: what form will that energy be in, and will our people be able to afford it?

Affordability

Because while we develop new, low carbon energy sources and technologies, we must also consider the challenges they face in terms of cost competitiveness. Low-income households in Asia are unlikely to choose expensive emerging energy solutions at the expense of food on the table, their kids' education, and healthcare for all the family. So, as Asia looks to fuel its rapidly growing economies, the focus must be on achieving a sustainable balance between environmental and economic imperatives.

The Future of Energy

Of course, Asia is also a part of a major worldwide energy transformation that is undoubtedly underway. However, based on past history and the significant outstanding challenges facing alternatives, I believe this transformation will take time and will be complex.

In fact, *recent* progress toward lower carbon emissions is instructive. Compare Europe's aggressive policies to reduce carbon emissions and expedited targets to replace conventional energy with the more pragmatic, market-driven approach of the US, and it seems the US has performed much better. According to the EIA, US CO2 emissions have steadily declined since 2008, mainly because of gas replacing coal in power generation.

The broader point is that it shows the true potential of locally appropriate and pragmatic solutions which is preferred by free markets.

Petroleum Industry Situation

Unfortunately, the world as a whole is not moving according to such a pragmatic transition.

For example, conventional energy sources, which provide almost 85% of Asia's energy today, are facing a difficult investment environment, unfavorable governmental policies, and some voices in the financial sector taking an increasingly bearish view – pulling investment away from the industry.

Looking at oil alone, the petroleum industry has lost some one trillion dollars in planned investments since the market downturn. Yet the industry must meet oil demand growth of 1-1 ½ millions of barrels per day every year *besides* offsetting the natural decline in maturing oil fields of 2-3 million barrels annually.

Call to Action

As a result, I am concerned about future energy security – especially in Asia, where demand is rising much faster than the industrialized economies. Without the higher investment levels I just referred to, energy security may be fatally compromised.

It only makes the case for a progressive, yet pragmatic and low-risk pathway to energy transformation even more compelling. This of course includes extensive investments in new alternative energy technologies which will grow at even faster rates, although from a small base.

Oil Market

On the oil market, we've seen distinct signs of strength since the middle of the year. Growth in global oil demand has reached 1.6 MMBD, up from 1.3 MMBD at the start of the year. Supply-demand balances continue to tighten and oil inventories continue to fall. US drilling rig levels, which are leading indicators of production, have exhibited a flattening trend. And compliance with the production agreement among OPEC and non-OPEC producers remains excellent, with a strong will to continue supporting market stability. I expect the improving market trend to continue, and my colleagues to come together in four weeks in Vienna to renew our resolve to return the already improving global inventories to normal levels.

Conclusion

So, Ladies and gentlemen, I hope these brief remarks set the scene for our discussions. Asia is on the cusp of greatness. But with that comes responsibility. Asian nations have an enormous role to play in resolving the world's energy challenges. And as Asia's oil demand rises and the role of renewables increases in the future, I want to assure you all that Saudi Arabia will remain the reliable supplier of energy as well as economic partner for this region it has always been.

Thank you.