

IEA-IEF-OPEC SYMPOSIUM

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Session on Investment Decisions

Is OPEC willing to invest?
Is it able to invest?



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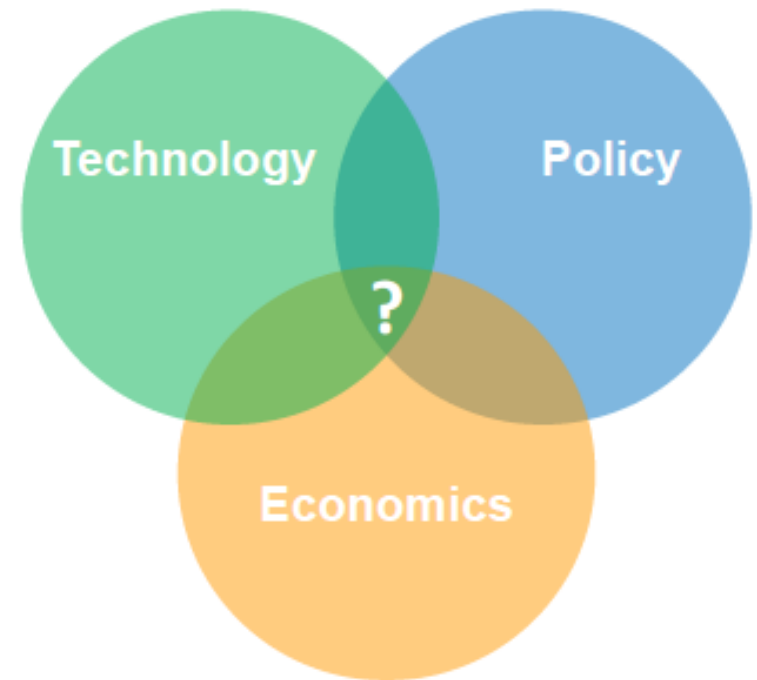
Arab Petroleum Investments Corporation

Outline of presentation

- What the future holds for OPEC?
- Oil price uncertainties and the demand for OPEC oil
- Investment climate and funding challenges

On the global stage, OPEC will continue facing structural changes and long-term uncertainties

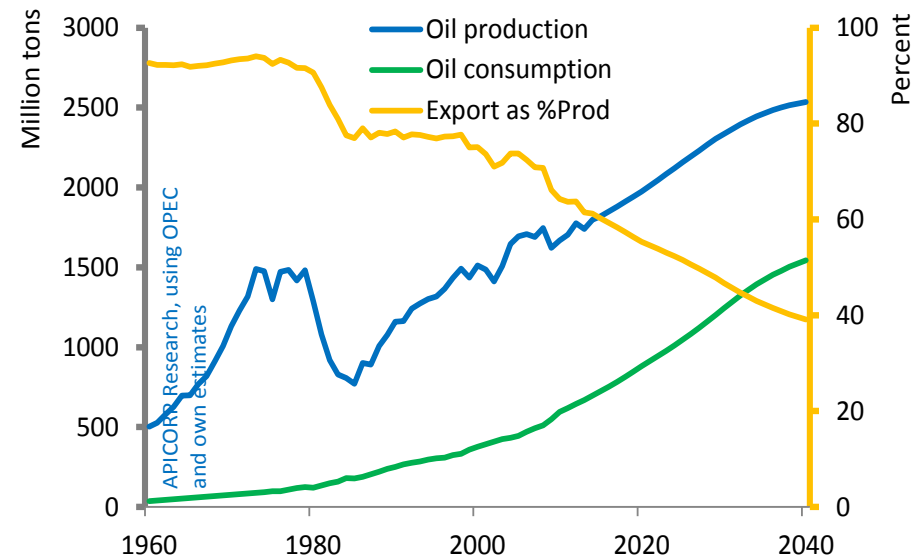
- Profound shifts in global energy demand and energy supply patterns
- Further impacts of the energy security-climate change nexus on petroleum
- Efficiency progress in mobility vehicles and alternative transport fuels
- Continued challenge from LTO and other unconventional oil sources
- Looking further ahead, what else lies in store at the confluence of T, P & E ?



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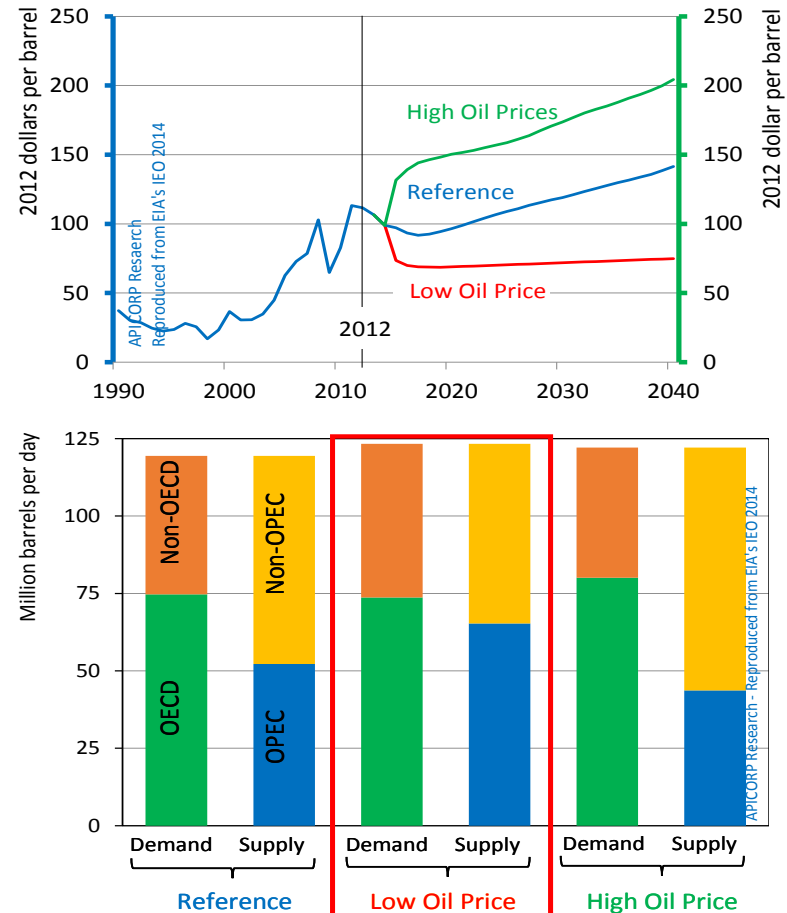
On the domestic front, OPEC members are heading down an unsustainable energy consumption path

- Rapidly rising energy demand due to profligate consumption patterns
- Policymakers not moving fast beyond tentative responses
- Energy efficiency pronouncements have yet to be materialized
- Energy pricing reforms remain a major policy and political conundrum



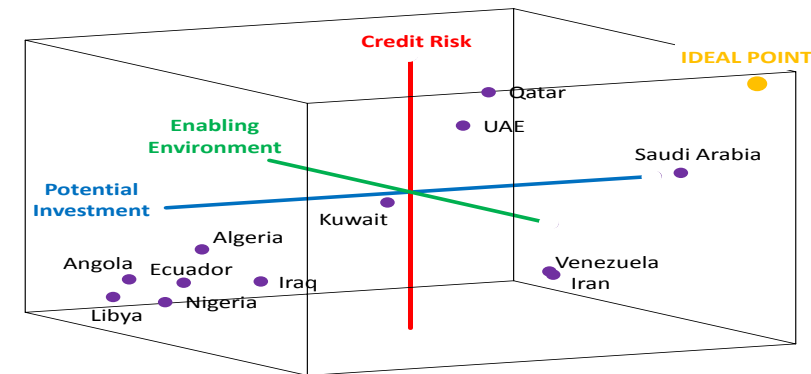
Is OPEC willing to invest if oil prices are widely uncertain?

- This uncertainty has been well articulated by the EIA in its contrasted oil-price-based cases (IEO 2014)
- The call on OPEC oil is expected to vary in a wide range of **43.7** to **65.3** Mb/d with the upper figure now most likely
- In developing its investment strategy, OPEC will need to find a trade-off between pre-commitment and flexibility



Should OPEC be willing, is it able to invest?

APICORP's Perceptual Mapping of OPEC Energy Investment Climate



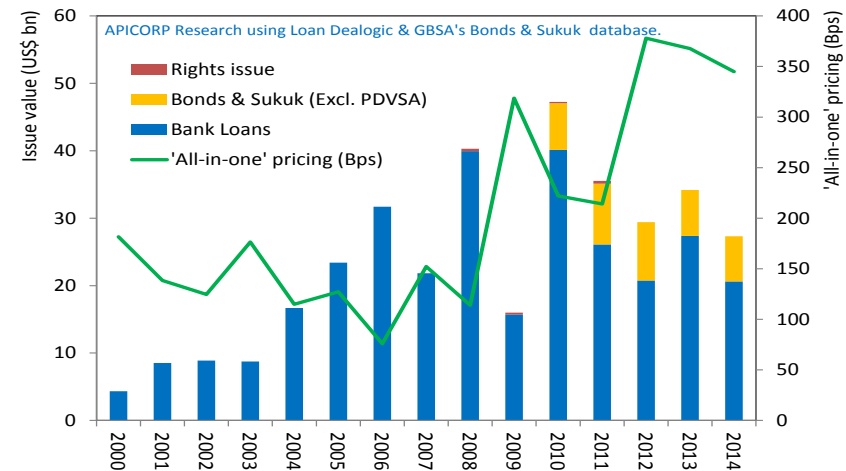
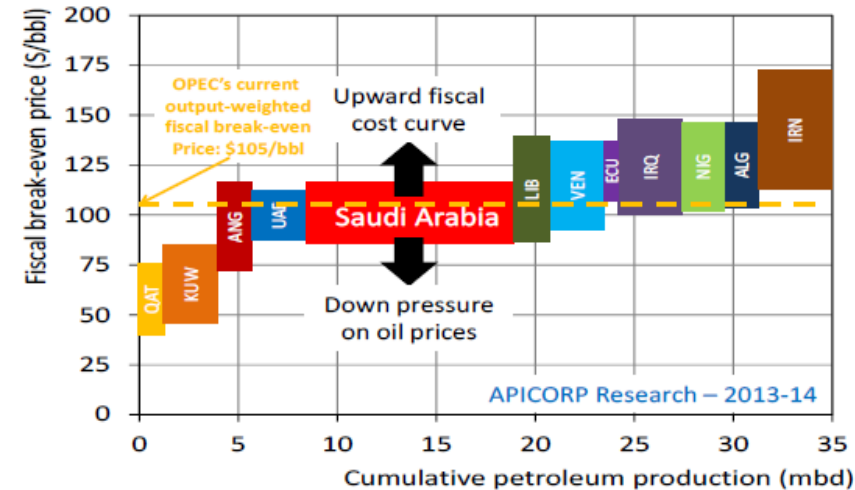
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Distances to Ideal Point on a scale of 0 to 10	
Saudi Arabia	2.64
Qatar	3.46
UAE	3.71
Iran	4.51
Venezuela	4.52
Kuwait	4.59
Algeria	5.70
Iraq	5.78
Ecuador	5.89
Angola	6.13
Nigeria	6.14
Libya	6.35

- Our perceptual mapping suggests a generally poor energy investment climate within more than half OPEC
- In addition, the fact that the call on OPEC oil is only high in a low-price scenario does not augur well for funding

Indeed, most OPEC members will hardly be able to fund their share of investments

- Internal financing cannot be fully secured if oil prices remain durably below 'normal' fiscal break-even prices
- And external financing continuing to largely rely on an erratic and still depressed loan market



Concluding remarks

- More than any other factor, uncertainty about future price paths is likely to hamper investment decisions and the pace of OPEC capacity expansion
- The higher the price the more incentive there is to invest; but we have seen that high prices entail lower call on OPEC oil, leading in turn to lower prices
- The current down price cycle, which is reviving old dilemmas (and soon dramas) is not conducive to investment in general
- In this context, OPEC investment outlook could be further undermined if policymakers fail to address new challenges, including:
 - Rationalizing domestic consumption to generate greater petroleum export revenue
 - Improving the investment climate and creating a better enabling environment for business
 - Moving towards sustainable, non-oil-rent-dependent alternative sources of funding