Introductory Remarks
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OPEC Secretary General

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Excellencies, ladies and gentlemen:

It is a pleasure to be here in Riyadh for this seventh edition of the IEA-IEF-OPEC Symposium on Energy Outlooks.

I would like to begin by acknowledging with deep appreciation His Royal Highness Prince Abdulaziz bin Salman Al Saud and thank him and his esteemed delegation to OPEC for their ongoing support and leadership not only within OPEC but also in connection with the important meetings of the International Energy Forum, such as this gathering here today.

This year, Saudi Arabia holds the Presidency of the OPEC Conference, and therefore, we are fortunate to benefit from the leadership of His Excellency Khalid Al-Falih, Minister of Energy, Industry and Mineral Resources, who will lead OPEC’s efforts in the crucial months ahead as we continue to promote stability in the global oil market. Khalid Al Falih brings with him a reservoir of knowledge, rich industry experience and a fountain of wisdom to his new style OPEC responsibilities.

I would also like to recognize Dr. Ibrahim Al Muhanna, Senior Advisor to HE Mr. Al-Falih, who is here today to deliver welcoming remarks on behalf of this fine Host Country of Saudi Arabia. He is an industry veteran and an accomplished oil technocrat.
We have three esteemed oil ministers with us here today whom I would like to recognize. They are: His Excellency Shaikh Mohamed bin Khalifa bin Ahmed Al-Khalifa, Minister of Oil of Bahrain, as well as His Excellency Abdul Rahman Dahlan, Malaysian Minister in Charge of the Prime Minister’s Economic Planning Office and His Excellency Mohamed Zayed Awad Mousa, Minister of Petroleum of Sudan. Today’s deliberations will surely benefit from their deep experience and expert knowledge of this complex and ever dynamic industry.

This is my first time attending this Symposium since I assumed office as OPEC Secretary General last August. And, I am happy, or should I say, relieved that I am not the only neophyte here today. His Excellency Sun Xiansheng took office as the new Secretary General of the International Energy Forum on the same day I started at OPEC in Vienna, so he joins me in making his debut at this event here today.

Dr. Sun had already renamed me his African twin brother, way back in Algiers in September 2016.

Excellencies, ladies and gentlemen,

Since last year’s meeting of this Symposium, the market has continued to recover from the price crash that occurred in mid-2014, when we witnessed prices plummet by a stunning 80%.

The effects of this dramatic event sent shock waves throughout the oil and gas industry, and indeed the global economy. Thousands upon thousands of jobs were lost, budgets were slashed, projects were cancelled or deferred, investments were frozen or discontinued, and some companies went into bankruptcy.

Global spending on exploration and production dropped by around 26 per cent in 2015, and decreased by an additional 22 per cent in 2016. Altogether, this amounts to more than $300 billion in lost investment.
Three years of continued contraction of investments in the oil industry is unprecedented.

This is a worrisome scenario when you consider that a massive $10 trillion in oil-related investments is estimated to be required in the period to 2040 in order to meet future world energy demand.

In today’s oil market, the industry would find it challenging to meet this level of investment.

These factors were what compelled OPEC to take action. We understood that the risks for not acting were simply too dire.

This was the state of affairs when I took office in August, so we decided to initiate a series of consultations with our Member Countries to figure out a solution to this challenging situation.

This intensive round of shuttle diplomacy came to a head in September 2016, when the Algiers Accord was adopted at the 170th (Extraordinary) Meeting of the OPEC Conference in the Algerian capital. This, as you know, happened on the sidelines of the IEF Ministerial Meeting. The Algiers Accord addressed the urgent need to accelerate the drawdown of the stock overhang in order to expedite the market rebalancing process and reinstate the required investment levels in the industry.

The Accord also opened up a new round of bilateral and multilateral consultations between OPEC and non-OPEC producers that resulted in the landmark decision, Vienna Agreement, adopted at the 171st Meeting of the OPEC Conference in Vienna and on the 30th of November.

Then, on the 10th of December, a joint OPEC-non-OPEC ministerial-level meeting was held at the OPEC Secretariat in Vienna, culminating in the Declaration of Cooperation in which 24 OPEC Member Countries and non-OPEC countries decided to voluntarily adjust their production by around 1.8 million barrels per
day, a unified effort to help accelerate the realignment of global oil supply and demand.

As part of the Declaration, a Joint Ministerial Monitoring Committee was established to develop a framework for monitoring the agreed-upon adjustments in production.

As you know, we recently concluded the inaugural Ministerial Monitoring Committee Meeting here at the OPEC Secretariat on the 22nd of January, and I am pleased to inform you that it was a resounding success. The Committee unanimously agreed on the terms and conditions of the monitoring framework and will hold its first monthly consultations next week, issuing a report on the progress towards the implementation of OPEC’s 171st Ministerial Conference decision and the Declaration of Cooperation.

The latest market developments that will be shared here today reflect the strong level of commitment for expediting the market rebalancing process.

These concerted efforts by the both OPEC and non-OPEC producers are already having a positive impact on the market as we see the onset of a more bullish sentiment emerging in the market.

Prices have reversed their downward trend with the OPEC Reference Basket recovering to the highest levels since July 2015 to stand above $50 per barrel.

The market structure is showing the first signs of a transition from a contango into backwardation, which could occur in the second half of this year.

Crude futures have rallied sharply to their highest levels in 18 months, and money managers’ bets on prices have reached new highs, providing an additional boost to ongoing gains in prices.

Additionally, we have seen rising economic output, improved labour
markets and increasing inflation in some key advanced economies.

This is all good news for the industry, and gives us a confirmation that we are moving in the right direction towards achieving our common goal of restoring market stability and reviving much needed investment.

Please note, though, that these efforts should not merely be viewed through a short-term lense, but rather with a long-term perspective. The oil and gas industry depends on massive long-term investments in research, development and production to ensure its future.

Today, as in previous instalments of this gathering, we will have an opportunity to listen to a wide spectrum of views on the future energy outlook—from OPEC’s perspective, from the consumer nation’s viewpoint through the International Energy Agency, and also from the industry standpoint. We will also benefit from a special address to be delivered by Her Excellency Shamshad Akhtar, Under Secretary General of the United Nations and Executive Secretary of the United Nations Economic and Social Commission for Asia and the Pacific.

My colleagues from the OPEC Secretariat will be presenting to you our short, medium and long-term outlooks.

The longer-term outlooks are based on research that was published in in 2016 special 10th anniversary edition of the World Oil Outlook, which, for a decade now, has been providing comprehensive analysis of key industry dynamics while providing keen insights into the challenges and uncertainties the industry faces.

2016 was a milestone year for the WOO, so to mark the occasion, we launched it, for the first time ever, in an OPEC Member Country, at the 2016 Abu Dhabi International Petroleum Exhibition and Conference, ADIPEC, in the United Arab Emirates.

In looking at some of the key findings, total primary energy demand
worldwide is set to grow by 40 per cent in the period to 2040. Though the share of fossil fuels in the overall energy mix is expected to fall by 2040, oil will continue to be the fuel of choice for many years to come.

In fact, oil demand is forecast to rise to over 109 million barrels of oil per day by 2040, an increase of over 16 million barrels a day. The majority of this demand will come from road transportation, petrochemicals and aviation, and developing countries will see the highest growth levels.

As I alluded to earlier, any expansion in demand will obviously require significant industry investments, and new barrels will be required to boost production while also accommodating for decline rates at existing fields.

Another key area to consider is transportation. Looking at today’s agenda, I am pleased to see that there will be a session in the afternoon devoted to this key issue.

Almost every day, we read reports about the rise of alternative fuel vehicles, and how rapidly the technology in this sector is changing. There is some truth to this, but it will not happen overnight.

The WOO 2016 projects that nearly a third of the long-term increase in oil demand will be derived from the transportation sector.

This growth will be driven by the increasing fleet of cars around the world, especially in developing countries. In fact, the total number of passenger cars is expected to more than double between 2015 and 2040, reaching almost 2.1 billion.

However, one thing to consider is that the car fleet will also change, and the WOO estimates a rapid penetration of non-conventional vehicles, which are expected to increase from 3% of the overall fleet in 2014 to nearly 22% by 2040, with most of the growth coming from
battery electric vehicles.

Taking this into account, we will continue to focus eyes on future developments in this area as they will be important in shaping the future of our industry.

I will leave it to my colleagues to fill you in on the remaining key findings from the Outlook during their presentations this morning.

Let me just add that this important publication is part of our quest to more clearly identify market drivers, challenges and uncertainties, and to better understand the potential impact of policies, technology and environmental concerns.

We also see the Outlook as a means to enhance data transparency in the market, making OPEC’s analysis and forecasting available to all stakeholders. Through this, we hope to contribute to a deeper knowledge of oil market complexities, both in the upstream and the downstream.

Excellencies, ladies and gentlemen,

We are currently in the midst of a great deal of uncertainty in the world, not only in our industry, but also in the wider political context, that also potentially provides historic opportunities.

During my recent trips to the United States for a week of high-level meetings and speaking engagements and to Davos for the World Economic Forum, these issues were discussed at length. There was much speculation as to what the future might hold. But, as you know, none of us has a crystal ball, and no one can predict the future.

With this in mind, I cannot over emphasize the importance of ongoing dialogue and cooperation.

OPEC already has an extensive list of bilateral and multilateral energy dialogues we hold annually with international stakeholders, including
the European Union, Russia, China, India, the World Bank, the International Monetary Fund, the G20 and, of course, with the IEF, the IEA and international oil companies.

On my trip last December to the United States, I extended an invitation also to key industry stakeholders in the United States to join us for a new era of collaboration and dialogue, so that we can work together towards our mutually beneficial goal of ensuring stability in the world energy markets, in the interest of producers, consumers and the global oil industry.

Thank you for your attention, and I wish you all fruitful deliberations today.

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