



Tenth Arab Energy Conference

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Panel Session: ‘Current Developments in Oil and Natural Gas Markets and their Implications for the Energy Sector in Arab Countries’

Abdalla Salem El-Badri
OPEC Secretary General



MENA – the engine for the global oil and gas industries

- **Geographic position and abundant natural resources**
- **Provided energy to the world for many decades**
- **Helped drive the economic and social progress of MENA**
- **Faced many challenges in the past, but long-term energy market goals always remain the same, to ensure:**
 - The necessary investments are made
 - Consumer needs are met
 - A steady income for producers
 - And investors receive a fair return



Volatility and the current oil market

- The global economy continues to offer up both optimistic and pessimistic indicators, although global economic growth next year is expected to be 3.6%, compared to 3.2% in 2014
- Rising supplies from non-OPEC producers, particularly additions from US tight oil and Canadian oil sands (Non-OPEC has increased by around 5.5 mb/d since 2008)
- Oil demand has been weaker than originally envisaged in the middle of this year
- The supply and demand balance in the first part of 2015 points to an oversupply
- Actual market fundamentals do not warrant the almost 50% drop in prices
- Speculators, as well as other factors, have been behind this price fall



A challenging environment for MENA

- There is no doubt that the region will be able to overcome the current challenges
- It has been through similar situations in the past, and emerged stronger
- Oil market needs to see a return to stability – this benefits both producers and consumers

But for now:

- Lower oil prices mean less revenue
- Important to appreciate the current realities, and adapt accordingly
- Need to protect growth and to use financial reserves, as and when necessary
- Look at how to continually develop more diversified and less energy-dependent economies



Keeping our eyes on the longer term

- The long-term energy market outlook is a favourable one for the MENA region
- The MENA region is perfectly-positioned to supply Asia's ever-expanding demand, and has the resources and production potential to do so
- Energy demand is expected to increase by 60% by 2040, and fossil fuels will remain central to the energy mix
- The world will need more oil investments (estimated \$10 trillion between now and 2040) and more manpower to deliver them
- Oil demand is anticipated to increase to 111 mb/d by 2040, an increase of 21 mb/d, with Asia accounting for almost 75% of this growth



Challenges and opportunities

- **Need to evolve to ever-changing circumstances – for example, the current market situation – and challenges in the years ahead**
- **These uncertainties will be both ‘known’**
 - UN climate change negotiations
 - Energy policies
 - Technology

Role of financial markets and speculation
Manpower bottlenecks
Rising costs
- **And ‘unknown’, often related to:**
 - Geopolitics

Weather
- **But the oil business has been dealing with change and uncertainty since its very early days – it is the nature of the market**
- **The future is one of tremendous opportunities too**



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Thank you



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