



INCREASED INVESTMENT NEEDED TO UNDERWRITE MARKET STABILITY

By H.E. Abbas Ali Al-Naqi,
Secretary General of the Organisation of Arab Petroleum Exporting Countries

The International Energy Forum has played an important role in the dialogue between exporters and importers. Its commendable efforts are essential in deepening dialogue and expanding the cooperation between exporters and importers. The world community has common objectives as it strives to maintain economic growth, secure reliable energy services, eradicate poverty, and address issues related to the environment. To achieve these goals, greater cooperation between exporters and importers is needed.

Oil exporting and importing countries face common challenges, so they should work together to identify common targets. Joint action and co-ordination among these two groups is required to provide a stimulus for development of an exporter-importer dialogue.

Energy security in both its facets — security of supply and security of demand — is essential for the stability of the market. Countries that are net exporters are concerned about security of demand, while net importing countries focus on security of supply. The security of supply and the security of demand are one major field of co-operation among these two groups.

As exporting and importing countries share the same object of achieving stability in the oil market, the dialogue should focus on devising bilateral and multilateral arrangements to deal with energy market instability. These include how to avoid the negative effects of price fluctuations and how to mitigate the adverse macroeconomic effects of instability. Market stability with

all its related matters should be handled by all concerned bodies through cooperation among formal and private sectors, such as governments, national oil companies and international oil companies. Arranging and organising international dialogue and activities, conferences and forums in this regard are urgently required. Improving market transparency should be one of the major aims and achievements in this regard.

OAPEC calls for an increase in investment to guarantee the stability of the market. The current price situation has reduced investments in the energy sector, as many projects have been postponed or cancelled. Energy data shows that a total capital investment of US\$222 billion and the development of nearly 4.2 million barrels of oil equivalent per day of peak production capacity has been delayed since mid 2014. This may lead, in the long run, to supply reductions and a rise in prices.

Where proven reserves and current supply are concerned, the following is relevant. According to the latest BP Statistical Review of World Energy, the world's proven oil reserves were 1,697.6 billion barrels at the end of 2015. At the same time the total proven reserves of OAPEC member countries stood at 701.6 billion barrels, that is 41.3 per cent of world oil reserves. The oil reserves of three Arab countries, namely Saudi Arabia, Iraq, and Kuwait reached 511.2 billion barrels, accounting for 30.1 per cent of world oil reserves. Oil production in OAPEC member countries averaged 27 million barrels per day (mb/d) in 2015, that is 29.5 per cent of total world production. The International Energy Agency's World Energy Outlook 2015 stated that total world oil production is expected to reach 100.4 mb/d in 2040, while oil production in seven Arab countries, namely Algeria, Iraq, Kuwait, Qatar, Libya, Saudi Arabia, and the UAE, is expected to amount to 35.3 mb/d, or 35.2 per cent of total world production, in 2040.

OAPEC emphasises the importance of protecting the environment, at both regional and international levels. It draws attention to article 4 of the UN Framework Convention on Climate Change (UNFCCC), whereby governments agreed to give full consideration to what actions are necessary under the Convention, including actions related to funding, insurance and the transfer of technology, to meet the specific needs and concerns of developing country parties arising from the adverse effects of climate change. ■



Storing liquid fuels in Qatar: Shell's Pearl gas-to-liquids plant will produce enough diesel to fill over 160,000 cars a day.