

Safeguarding the interests of future consumers

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OPEC is acutely conscious of its responsibility to consumers. We continuously seek to promote multi-stakeholder dialogue and take account of the welfare of the international community and global economy in the actions we take. This remains core to our *raison d'être* and is clearly articulated in our Organisation's Statute. It has also been front and centre of the 'Declaration of Cooperation' process, whereby OPEC and 10 non-OPEC producing countries have committed themselves to working together to contribute to oil market stability.

Spurring the 'Declaration of Cooperation' partners has been the fact that oil market stability is vital across all time frames. The interlinkages connecting the short-, medium- and long-terms are clearly made apparent by the fact that stability today begets stability tomorrow. Our current actions must be informed by the long-term trajectory with regard to demand and consumption patterns.

For this reason, OPEC sincerely hopes that our flagship publication, the *World Oil Outlook* (WOO), continues to remain essential reading for policy makers whose decisions affect the future of the energy market. The WOO offers a thorough review and assessment of the medium- and long-term prospects to 2040 for the global oil industry, as well as analysis of various sensitivities that have the potential to impact the petroleum industry in the years ahead.

Two characteristics of the forecasts for the future of global energy demand are particularly apparent from the WOO:

- Firstly, the oil industry remains a growth business, with oil continuing to be a fuel of choice for the foreseeable future.
- Demand for energy in the coming decades is forecast to pivot to Asia, especially China and India. This is reflective of the fact that China and India will be key engines of economic growth in the forecast period.

OPEC's projections with regard to the future of energy demand are consistent and correlate with those of a diverse range of reporting agencies. The WOO forecasts that primary energy demand globally will rise from 274 million barrels of oil equivalent a day (mboe/d) to around 365 mboe/d in 2040. This is a mammoth 33 per cent increase, with developing countries accounting for 95 per cent of this. Clearly all forms of energy are required to meet such a growth in demand; it is not about choosing one over the other. Hence, oil is expected to remain the fuel with the largest share in the energy mix throughout the forecast period to 2040. Global oil demand is projected to see an upsurge of 14 mb/d, rising from 97.2 mb/d in 2017 to 111.7 mb/d in 2040.

There are a number of factors which account for this trajectory in energy demand. The first is world population growth. In line with analysis of the UN, the WOO forecasts that the global population is projected to expand from a level of around 7.5 billion in 2016 to 9.2 billion in 2040. Developing countries will account for the majority of this growth and notably, India's population is expected to rise from 1.3 billion to 1.6 billion in the forecast period.

To support such growth and feed these additional mouths, there needs to be a high yield per acreage in the agricultural sector – this can only be achieved through the utilisation and deployment of nitrogenous fertilisers and other agricultural products that are produced through hydrocarbons, especially the petrochemical sector. This is reflected in the forecast for world oil demand in the residential/commercial/agricultural sectors which is expected to rise by 1.7 mb/d from 2017 to 2040. China and India account for the bulk of this overall growth, increasing by 0.9 mb/d and 0.7 mb/d, respectively.

Another key factor in the prognosis for energy demand is the major regional shifts in the future economic picture. The size of the global economy in 2040 is estimated to more than double that of 2017. China's weight in the global economy is forecast to surge by around 6 percentage points to 24 per cent and India's is expected to rise by around 8 percentage points to 15 per cent.

As a result of their economic growth, the proportion of primary energy demand which can be attributed to India and China is very significant. Energy demand in India and China between 2015 and 2040 is forecast to increase by 22 mboe/d and 21 mboe/d, respectively, which is more than 50 per cent of the energy demand growth in developing countries in this period. By 2040, China and India are forecast to account for around a third of primary energy demand globally.

With regard to oil demand, India is projected to have the fastest average demand growth (3.7 per cent p.a.), as well as the largest additional demand of 5.8 mb/d between 2017 and 2040. As a result, India will likely pass the mark of 10 mb/d sometime towards the end of the forecast period. Despite the impressive growth, India's oil demand is still far below the level of China, where oil demand is forecast to increase by more than 5 mb/d to reach 17.4 mb/d by 2040. China and India combined are expected to account for around a quarter of global oil demand in 2040.

To meet this future demand, the required global oil sector investment is estimated at US\$11 trillion. This has been forefront of the concerted efforts of OPEC and its non-OPEC partners through the 'Declaration of Cooperation', which,



Many OPEC Member Countries and the NOCs are already involved in joint refinery and petrochemical ventures

as previously mentioned, seeks to contribute to a balance between global oil supply and demand in order to mitigate volatility and encourage an enabling environment for attracting these essential investments.

Thankfully, the *'Declaration of Cooperation'* has supported a greater element of stability being present in the oil market over the last two and half years. OPEC and its partners have built on this progress by endorsing the *'Charter of Cooperation'*, which was signed on 2 July 2019. The *'Charter of Cooperation'* is a high-level commitment to facilitate dialogue among Participating Countries, aimed at promoting oil market stability, cooperation in technology and other areas, for the benefit of oil producers, consumers, investors and the global economy. It is a means of enabling the long-term use of oil as a key component in the evolving global

energy mix, as well as improving the environmental and efficiency credentials of oil. The *'Charter'* will promote strategies and technologies to advance the global oil industry.

The commitment of OPEC and its partners to further cooperation is reflective of the fact that another trend expected in the decades ahead is that the world will continue to become more interconnected. In such circumstances, our organisation remains unwavering in its dedication to fostering good relations between all stakeholders in the energy industry. 'Going it alone' is an ineffective strategy; yet, there are boundless possibilities to what cooperation can achieve. For this reason, OPEC is delighted with its strong friendship and partnership with the WPC and is committed to enhancing this relationship even further in the years to come. ●