

Medium and Long Term Outlook: Implications on Energy Investments

EU-GCC Energy Working Group Meeting

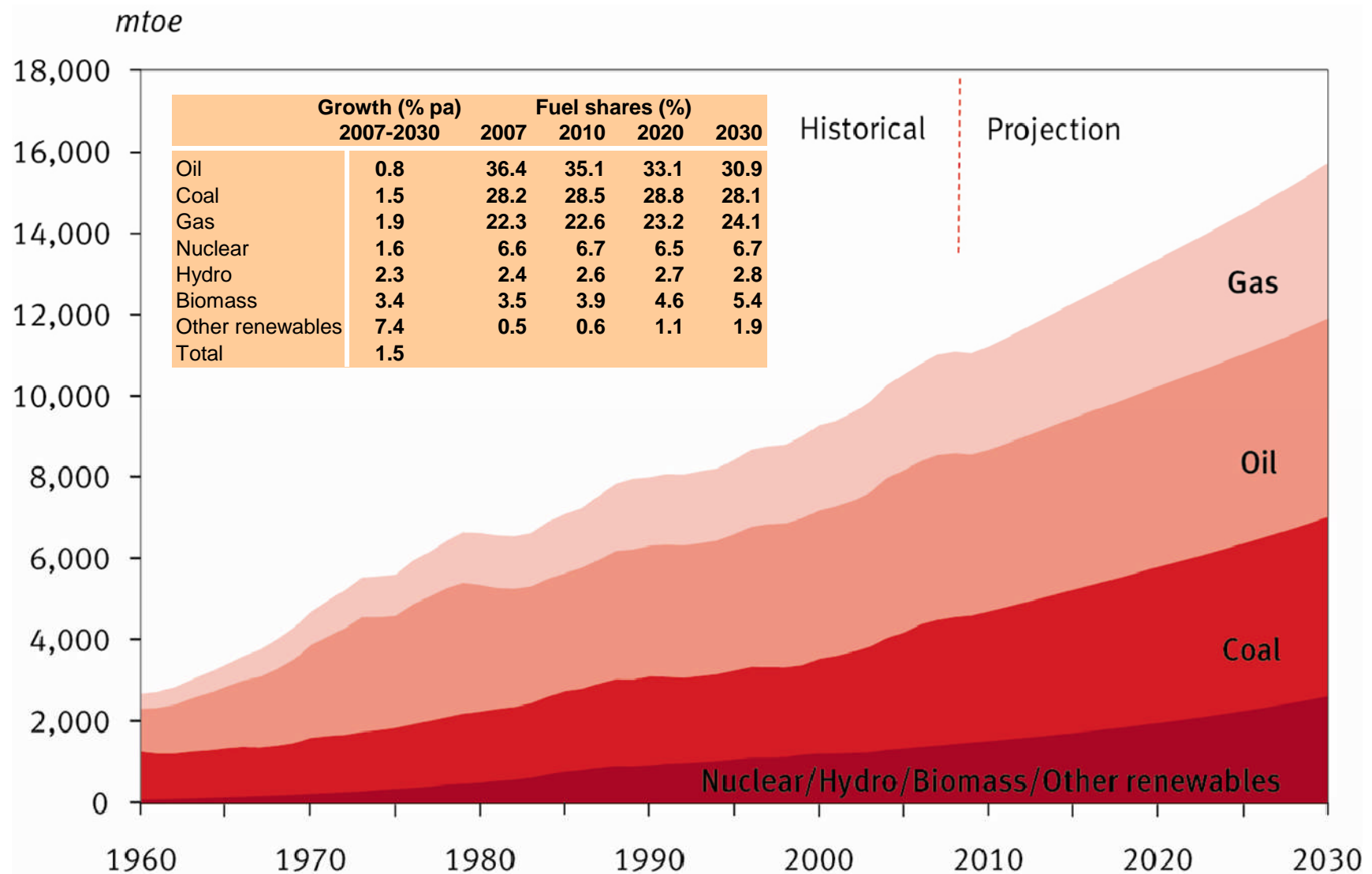
June 2, 2010

Kuwait

Medium and Long Term Outlook

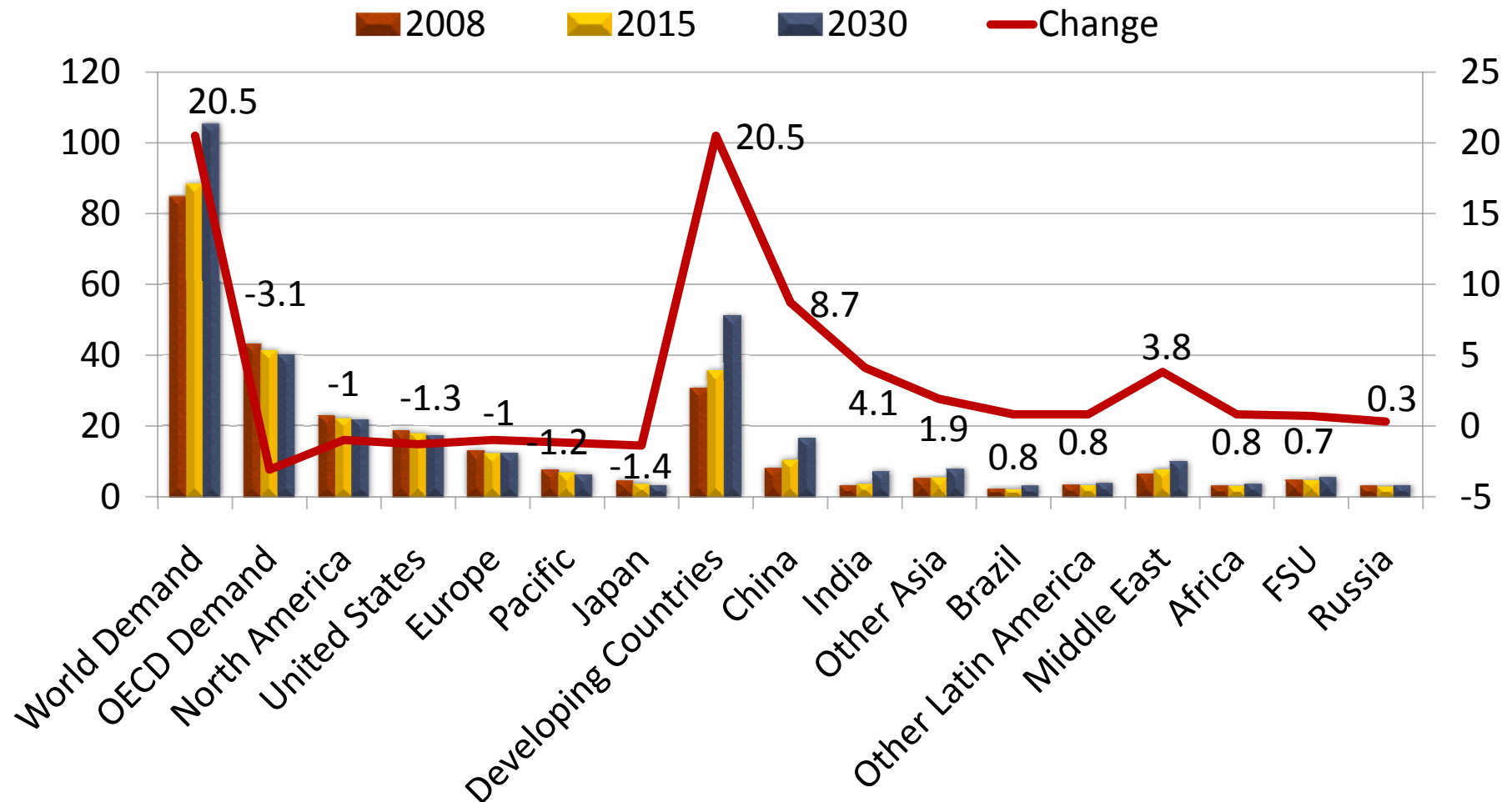
Oil will remain the leading energy source

(demand by fuel type, mtoe)

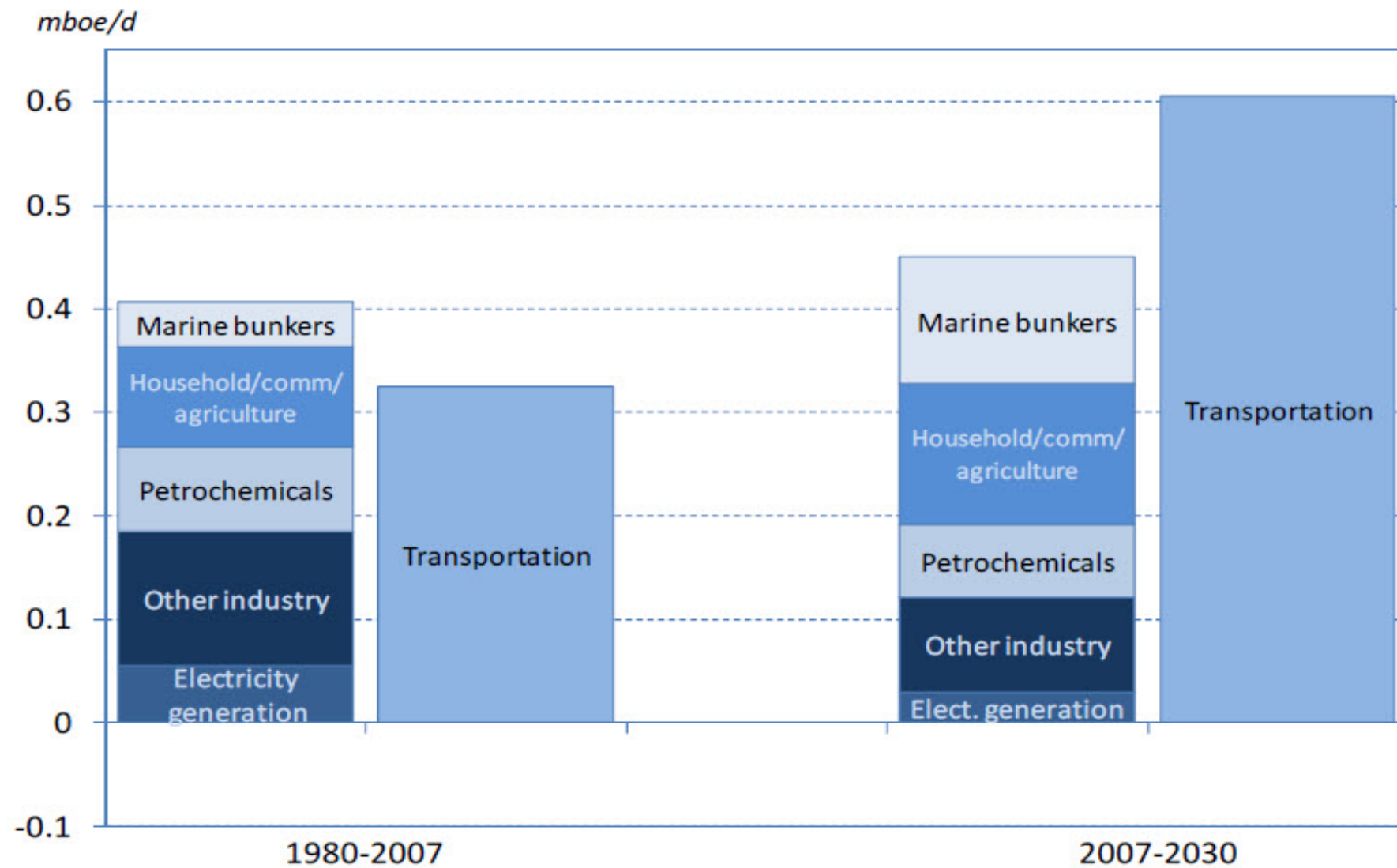


Global Oil Demand Outlook (MBD)

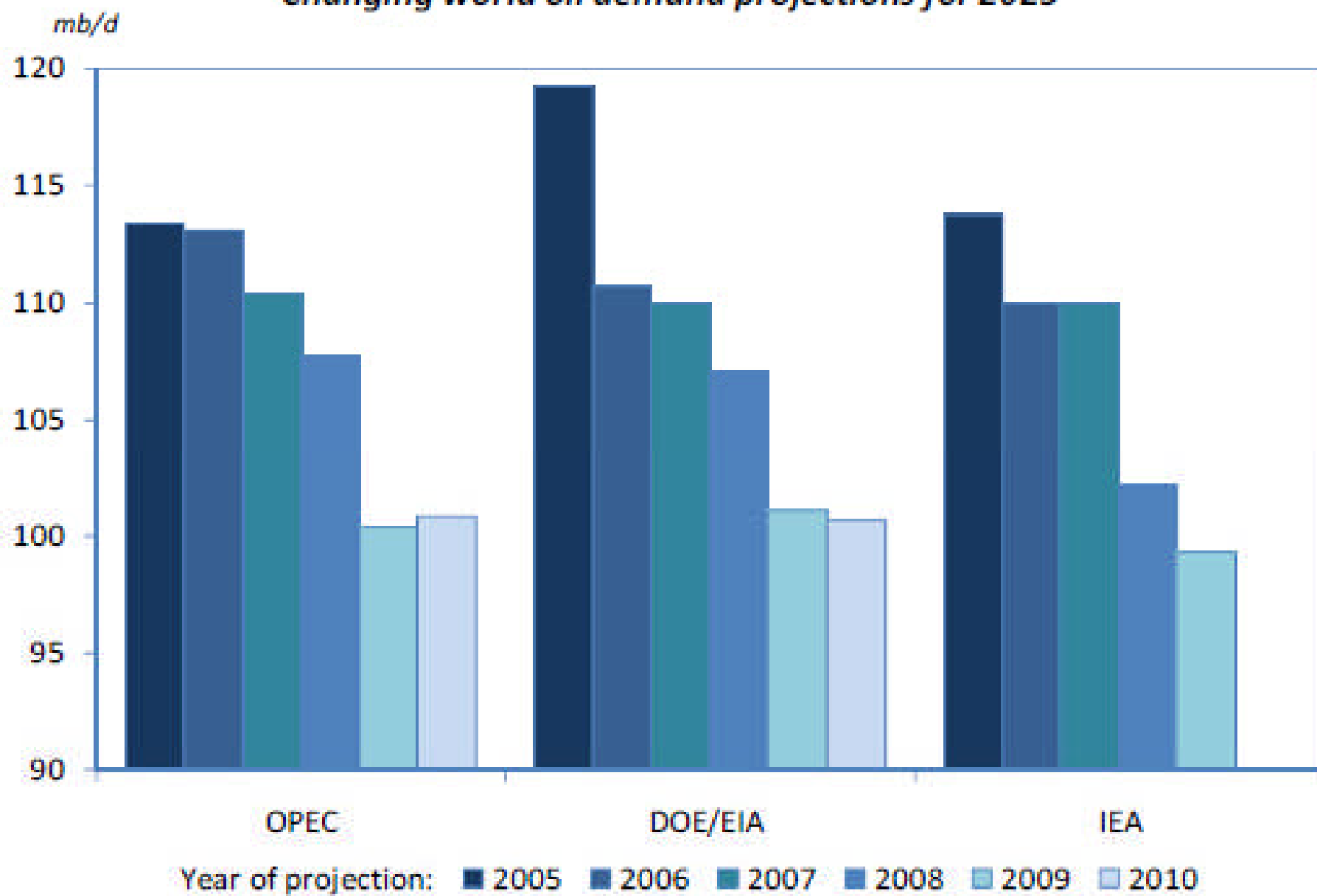
Oil demand growth \approx 20 MBD through 2030, same volume growth as last 20 years. Decline in OECD, Growth in DCs



Annual growth in oil demand by sector in developing countries

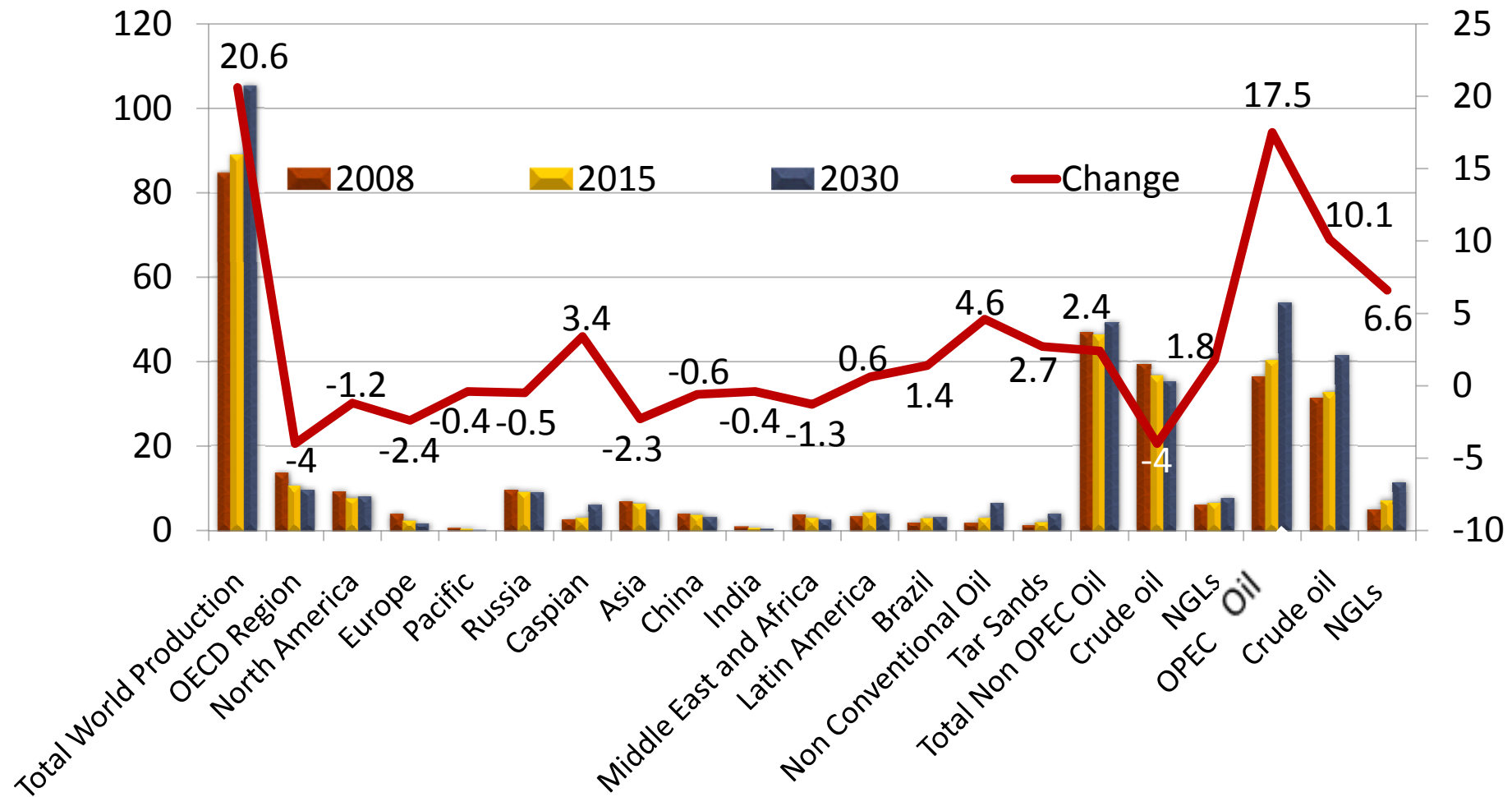


Changing world oil demand projections for 2025

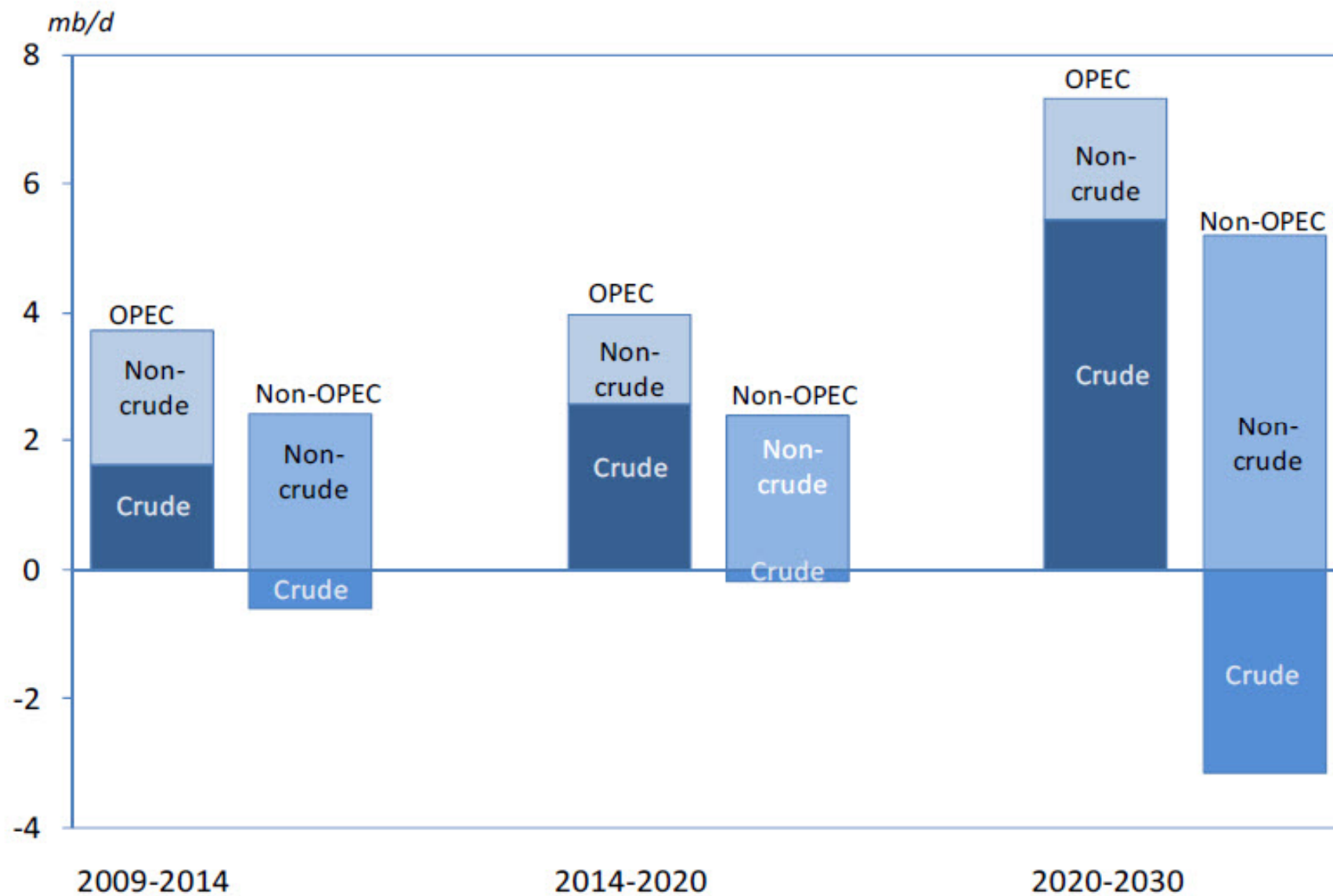


Oil production Outlook (MBD)

Half the growth in conventional oil through 2030 from ME, but modest increase through 2015



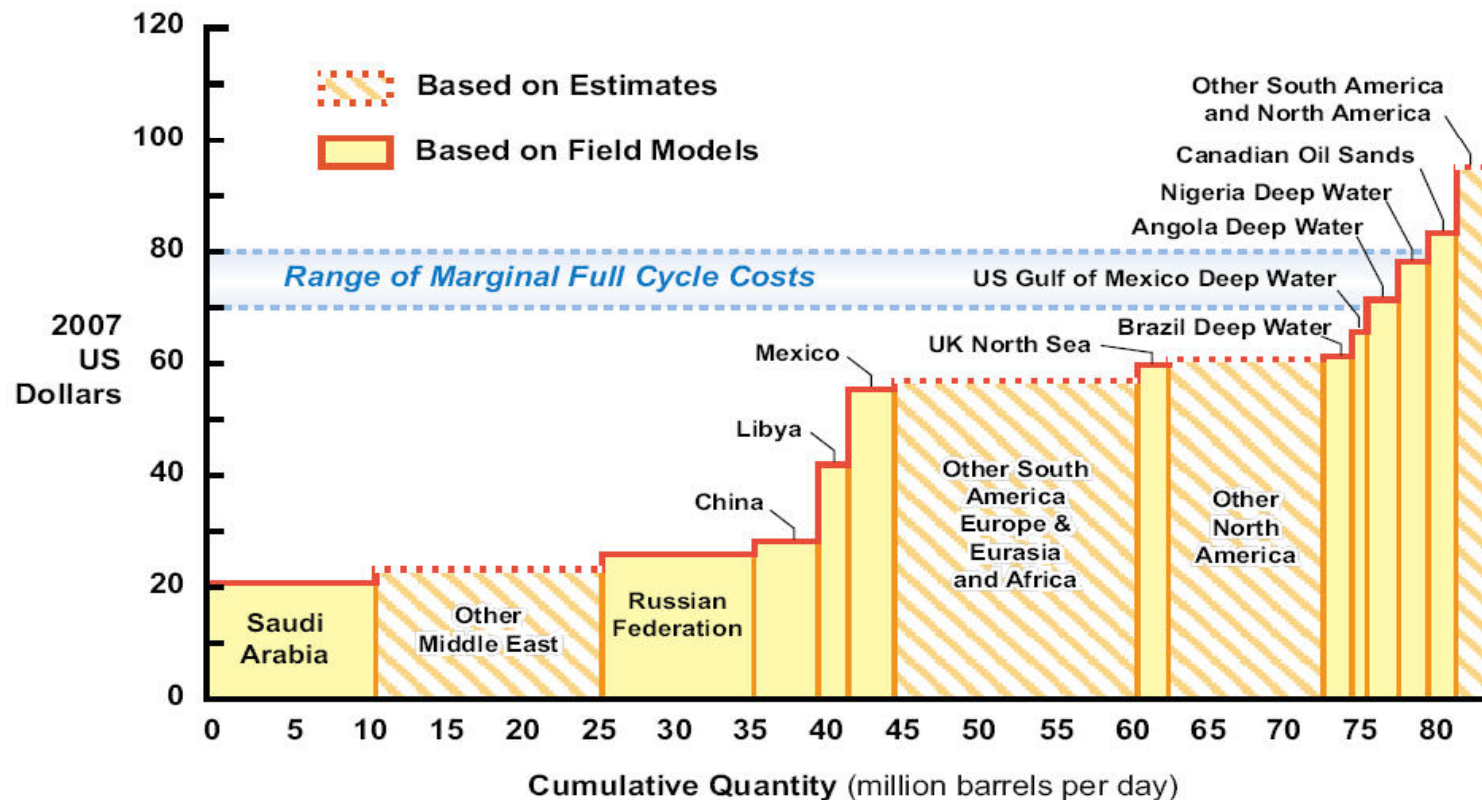
Incremental OPEC and non-OPEC supply in the Reference Case



Oil Supply Dynamics

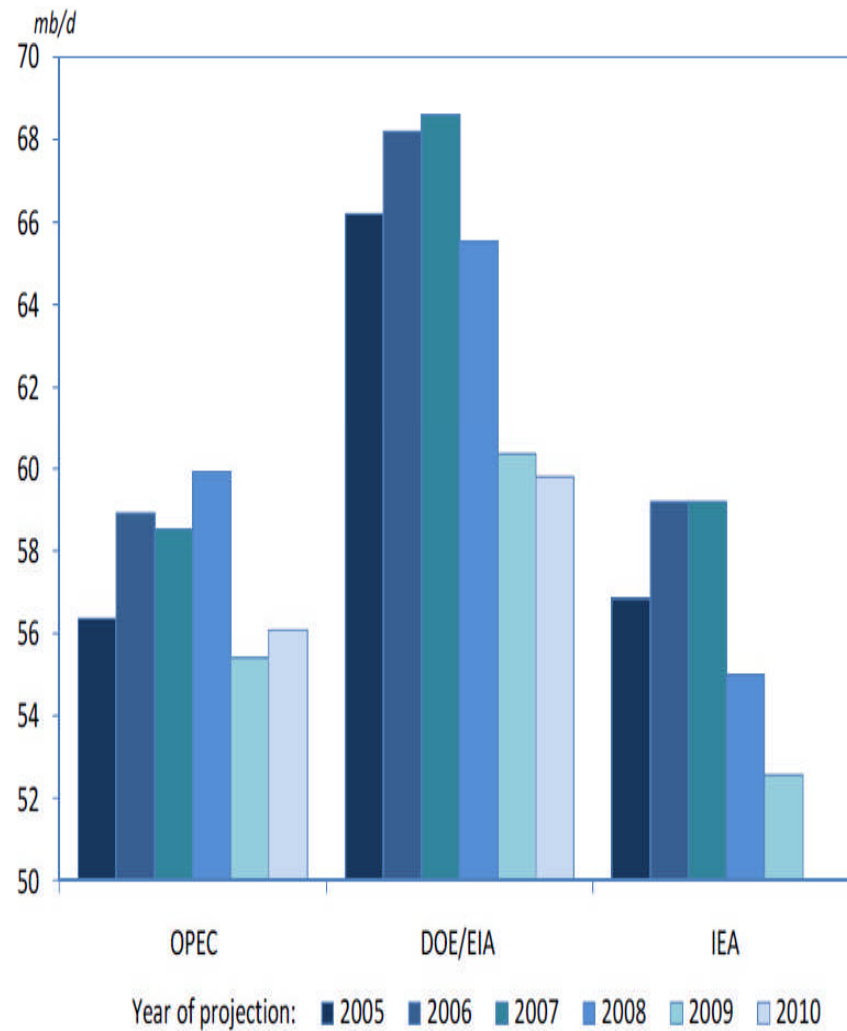
- ✓ Higher cost of marginal barrel
- ✓ More non-conventional oil
- ✓ Maturity and decline of main producing regions US, North Sea, etc.

Global Oil Supply Costs for 2008 WTI Equivalent Prices

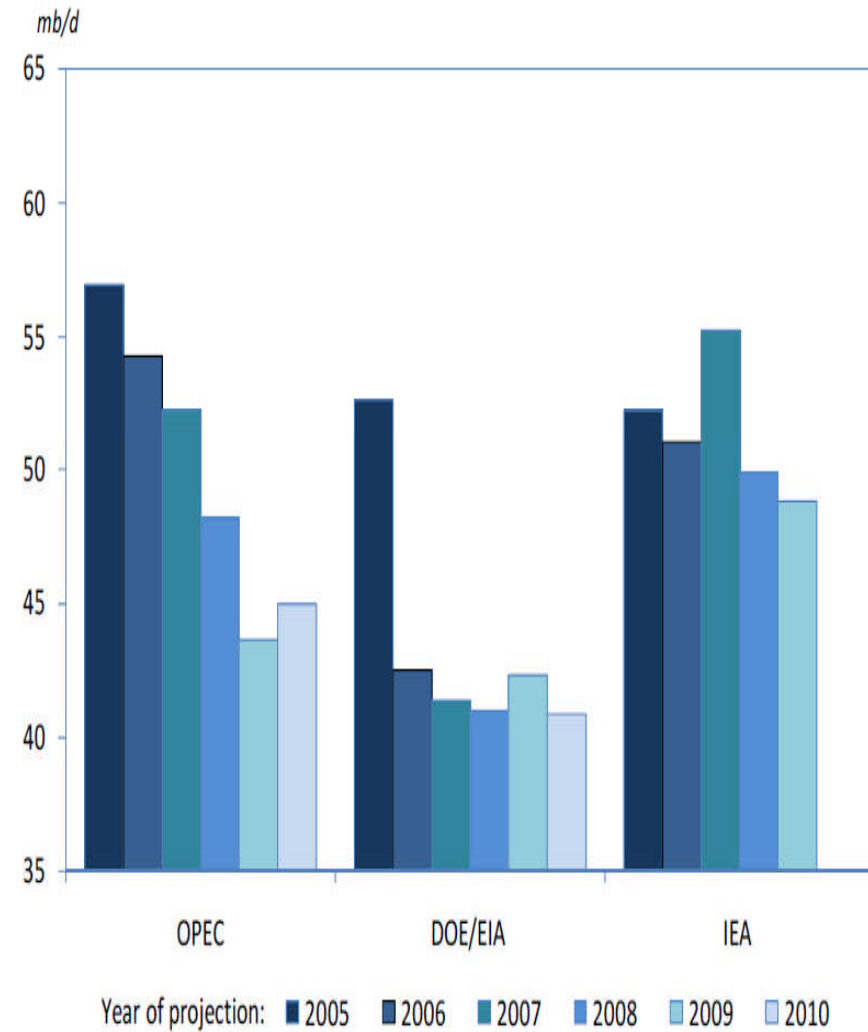


Large differences in production projections across agencies and time

Changing non-OPEC supply projections for 2025



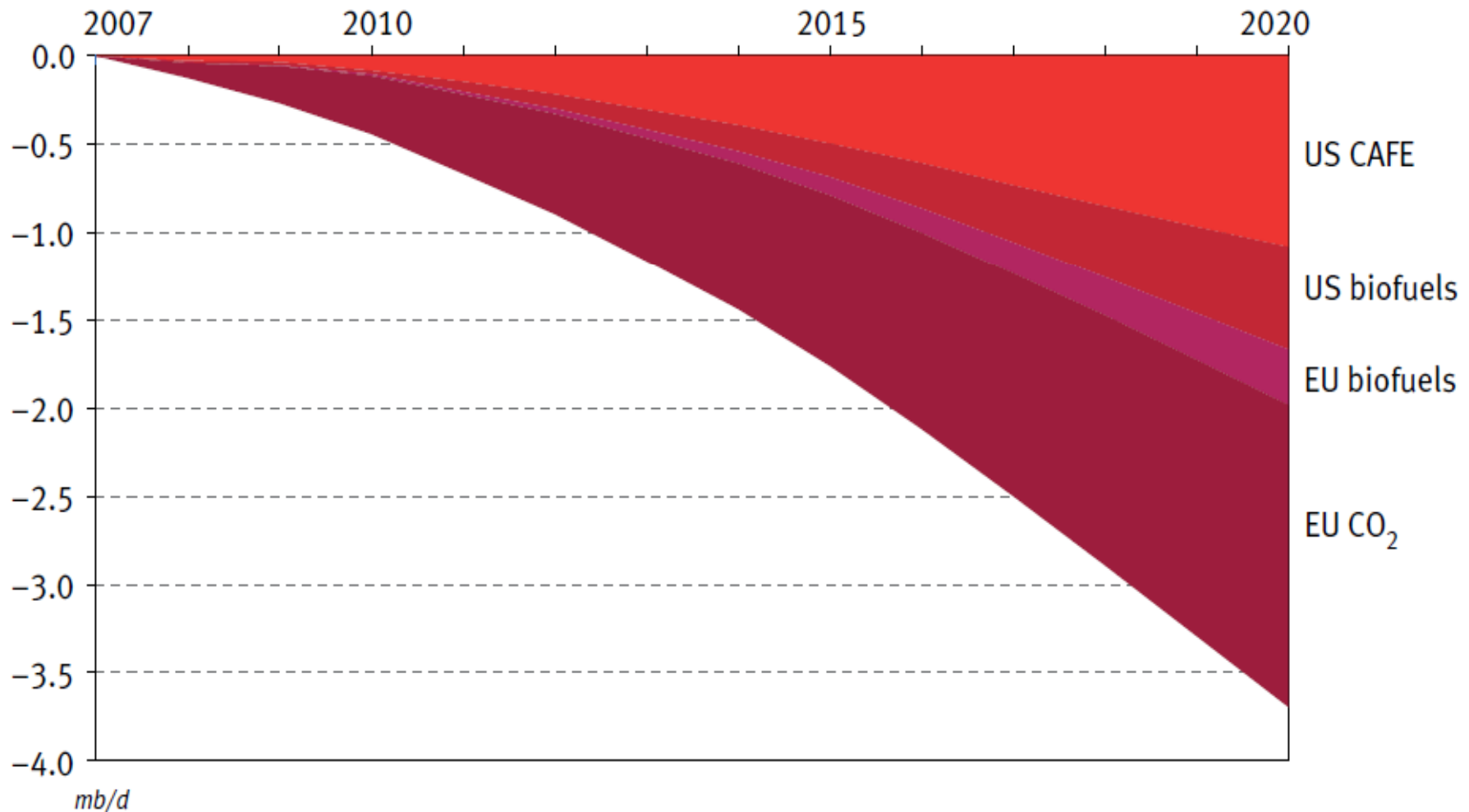
Demand for OPEC oil projections for 2025



Uncertainties and Challenges to the Energy Outlook

- **Climate Change**: What kind of policy measures and their feedback and spillovers within the national and international levels? what kind of post Kyoto will emerge and their economic and trade effects?
- **Energy Security**: How much tied to Climate Change? What national policies and measures in production and consumption? What are their global spillover effects? What role for spare production capacity & strategic stocks in mitigating the concerns? What role geopolitics play?
- **Energy Investments**: When and where in the energy value chain? IOCs and/or NOCs ? Producing and consuming Countries' priorities and constraints?

Estimated Impact on the Required Production from OPEC resulting from EU and US energy policies (*Difference from Baseline*)



Energy Investments in GCC

GCC Energy Investments

Context

- ❖ Meeting global demand: investment in Oil and gas upstream and midstream
- ❖ Capturing the value added in oil and gas: Refining and Petrochemicals
- ❖ Meeting local demand for refined products , power and desalinated water

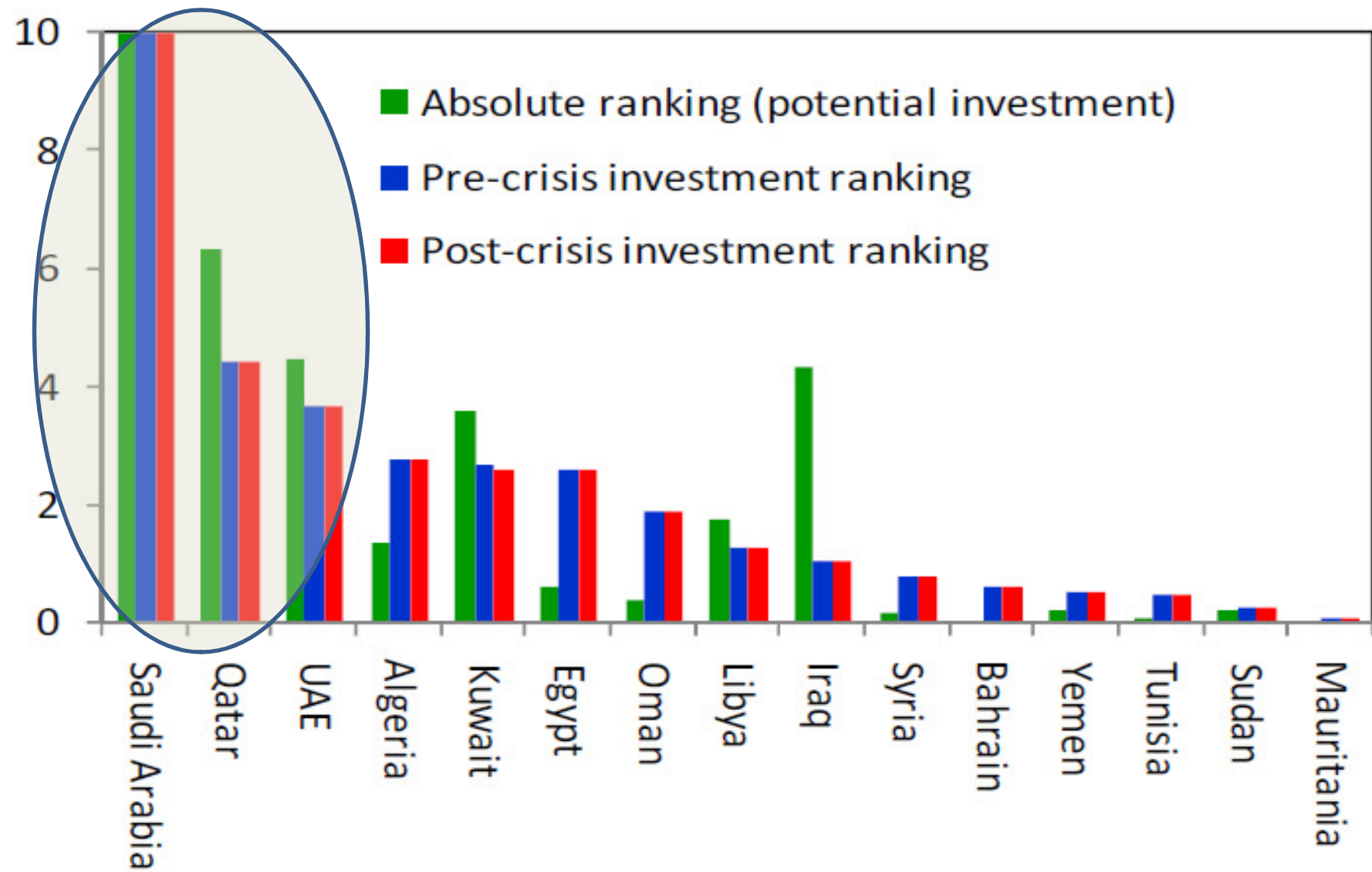
Pattern

- ✓ Upstream investments dependent on global energy outlook, prices and other technical factors
- ✓ Downstream investments depend on project economics, local demand patterns, financing, etc.

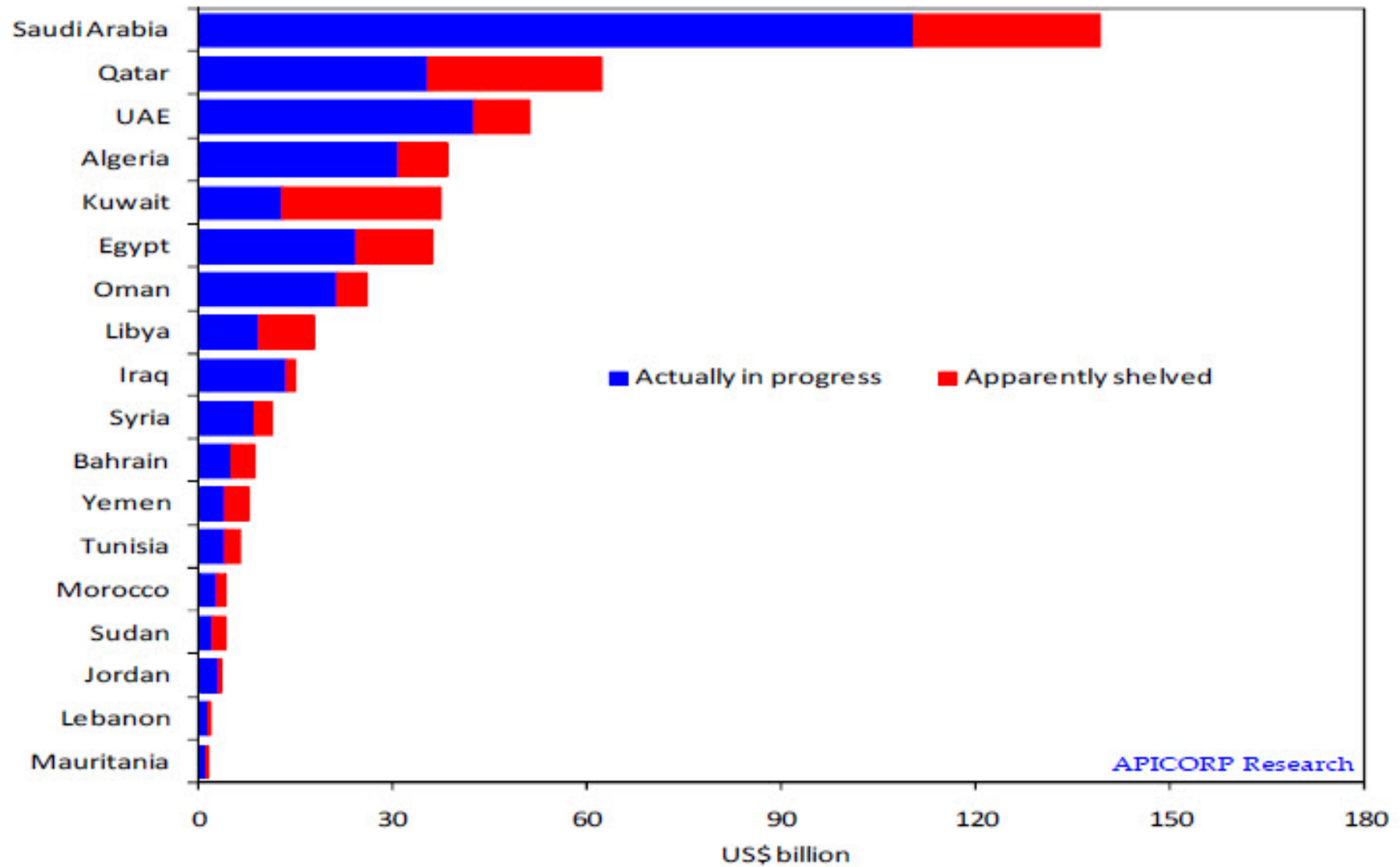
Impact of the Financial crisis on Energy Investments in the GCC

- **Many upstream projects were already underway and near completion**
- **Some planned projects in the downstream and petrochemical were reevaluated: some deferred and others shelved**
- **Investments to meet local demand continued**
- **The financial status of the foreign partner in some projects mattered**
- **The previous years of high revenues and sound credit ratings lessened the impact on government backed energy projects**

Energy Investments Ranking in GCC



Patterns of Energy Investments in GCC within the regional context



Thank You