



EU-OPEC Energy Dialogue



**Eighth Meeting
Vienna, Austria, 27 June 2011**

Joint Conclusion

The eighth Ministerial-level meeting of the energy dialogue between the European Union (EU) and the Organization of the Petroleum Exporting Countries (OPEC) took place in Vienna today.

Representatives of OPEC included: Mohammad Aliabadi, President of the OPEC Conference, Acting Minister of Petroleum of the Islamic Republic of Iran; Dr Falah J. Alamri, Iraqi Governor for OPEC, on behalf of Abdul-Kareem Luaibi Bahedh, Alternate President of the OPEC Conference, Minister of Oil of Iraq; and Abdalla Salem El-Badri, Secretary General, OPEC.

Representatives of the EU included: Tamás Fellegi, President of the EU Energy Council, Minister for National Development of Hungary; Maciej Kaliski, Deputy State Secretary for Economy of Poland, on behalf of Waldemar Pawlak, Incoming President of the EU Energy Council, Minister of Economy of Poland; and Günther Oettinger, Commissioner for Energy, European Commission.

Participants expressed their satisfaction with the progress made in the EU-OPEC energy dialogue which they set up in 2005, leading to fruitful discussions and diverse joint activities, including studies, reports, workshops and roundtables. This has resulted in a greater awareness of the interdependence of all stakeholders in the energy scene and the need for closer consumer-producer cooperation at all levels. The important role that the energy dialogue, now in its seventh year, has been playing in facilitating constructive exchanges to foster market stability in the interests of producers and consumers alike, was underlined.

Participants also acknowledged that this year's meeting was taking place against the backdrop of challenging developments and ensuing initiatives in the world economy and the energy scene, as well as in some oil-consuming and oil-producing regions, with a significant impact on both parties to the dialogue.

The energy dialogue is particularly important in the international oil market today, given the renewed increase in price volatility, which impacts all parties in both the short term and the medium and longer terms, especially with regard to the adverse effects on energy investment. The energy dialogue has been an effective platform for discussion of the impact of financial markets on oil price volatility since 2006, underlining the concern of both parties about this issue. Also highlighted is the importance of joint efforts to assess the impact of recent major events and policy changes in the global energy sector on medium- and long-term oil demand.

The market outlook was elaborated upon in the first session of the meeting, which looked at oil market developments, energy policies and the long-term outlook.

OPEC made a presentation on recent oil market developments and prospects, and this highlighted the robust rebound in the global economy in 2010, albeit at an uneven pace across different regions. The momentum, however, is expected to moderate this year, due to such issues as debt burdens, particularly in some parts of the EU region, inflationary pressures in major economies and prolonged unemployment, thus creating downward risks with regard to the level of oil demand in the near future. On the supply side, the physical market continues to be supported by above-average trend growth in major producing regions, as well as sufficient stock levels. Additionally, OPEC continues to offer an adequate level of spare capacity for the benefit of all.

The EU then took the floor, addressing the issue of the impacts of recent developments on EU energy supplies and policies, including offshore safety. The impact that the unrest in some parts of the Middle East-North Africa (MENA) region has generated on energy prices, energy policies and energy security was underlined, as well as the subsequent sharp rise in benchmark crude prices since the beginning of the unrest. The initiatives developed by the EU in taking up the challenges posed by these events were presented. The Commission recalled important communications laying down the guidelines for future cooperation with the MENA region. Current EU policy developments were then described, with a particular emphasis on the following three: Energy Roadmap 2050, internal energy market and offshore safety.

OPEC made a presentation on its long-term strategy, together with an assessment of the long-term oil outlook. In the reference case, oil is expected to remain the leading fuel type in satisfying the world's growing energy needs, with oil demand steadily growing and oil resources largely sufficient. Alternative scenarios paint a rather different picture, with oil demand facing significant risks stemming from uncertainties related to, among other things, lower economic growth paths, consumer country policies and discriminatory taxation. Other challenges include industry costs, technology and human resources.

Both parties agreed on the importance of sharing information and data covering all timeframes: historical, current and possible future demand and supply scenarios. They also reiterated the benefits of continued participation in the Joint Organisations Data Initiative.

The second session focused on the conclusions of two recent joint studies and the accompanying meetings and status of future activities.

The first related to the roundtable of 29 March in Brussels that focused on the joint study 'Impact of the use of biofuels on oil refining and fuel specifications'. The study, launched in 2009, reviewed current developments in biofuels, as well as possible impacts on crude demand, carbon emissions and refining economics. It concluded that there was a large number of inter-related factors impacting the outlook for biofuels, such as evolving engine technologies and logistical and sustainability challenges.

The second looked at the results of the 25 May workshop in Vienna on the 'Impact of the economic crisis on oil investment'. The study was requested after the global financial crisis and the deepest recession in six decades, with knock-on effects for investment, oil demand and prices. The report offered a number of insights and lessons that can be derived from the impact of the financial and economic crises and their aftermath.

OPEC provided some initial findings of the joint study on technological advances in the road transportation sector. The study covers automotive technologies and fuels, bottlenecks, policies and future changes.

The EU updated OPEC on EU actions relating to the crucial issue of offshore safety of oil and gas exploration and production activities.

The EU also presented a report of the joint taskforce on the establishment of the OPEC-EU Energy Technology Centre (ETC). The joint taskforce discussed various issues surrounding the establishment of a virtual ETC and both parties agreed to continue further development of this concept.

After thorough discussions and a review of the energy dialogue's overall progress, the two parties agreed with the following joint EU-OPEC activities proposed for the year 2011/2012:

- A workshop to discuss the findings of the study on technological advances in the road transportation sector.
- The completion of the preparations with regard to the proposed Energy Technology Centre.
- A roundtable on oil and gas exploration and production activities addressing key challenges, such as the safety of offshore operations and shortage of human resources.

A report will be submitted to the ninth Ministerial Meeting, which is scheduled to be held in Brussels, Belgium, in June 2012.

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