The Implications of the "Oil Market Events of 2005"

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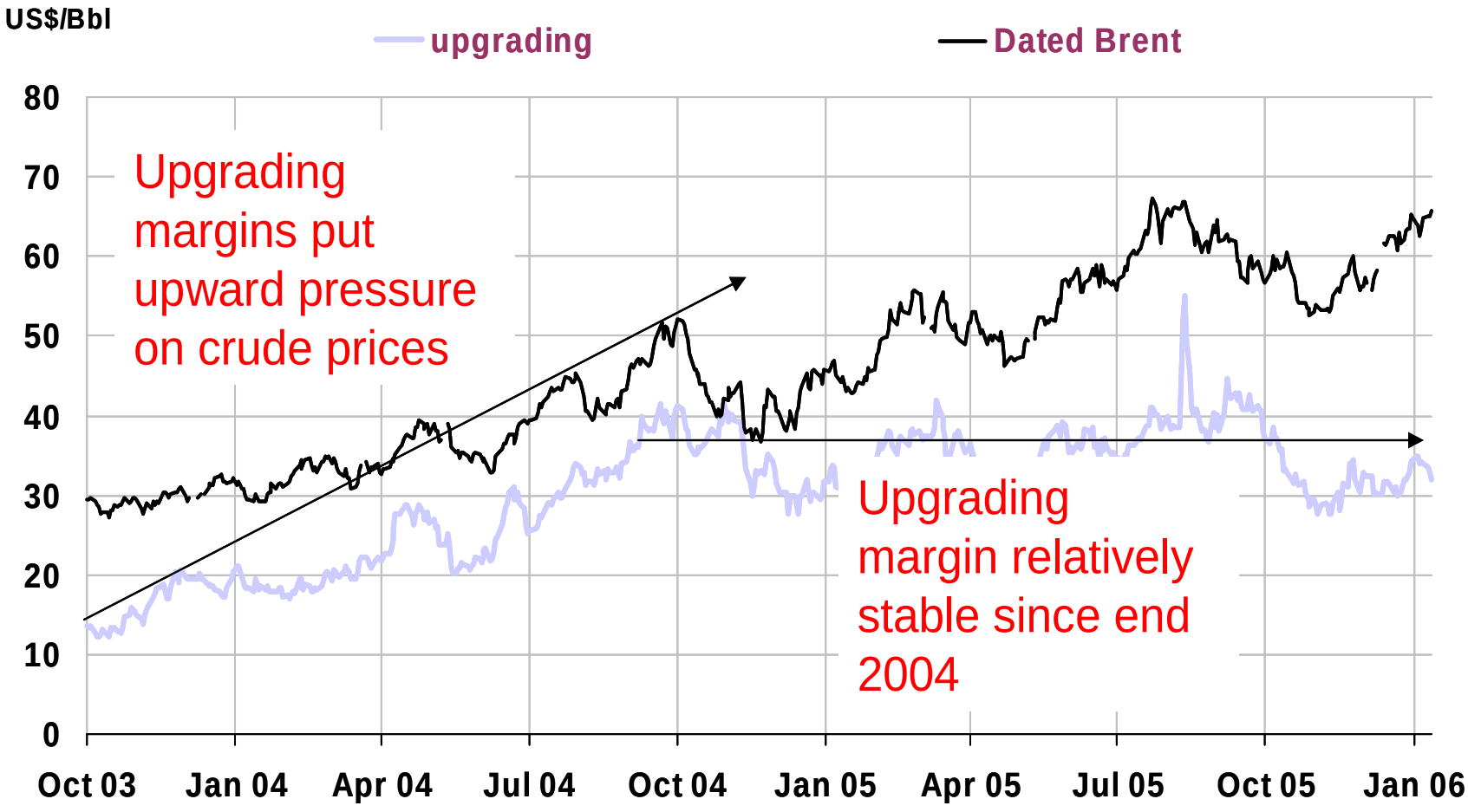
A Year in Review

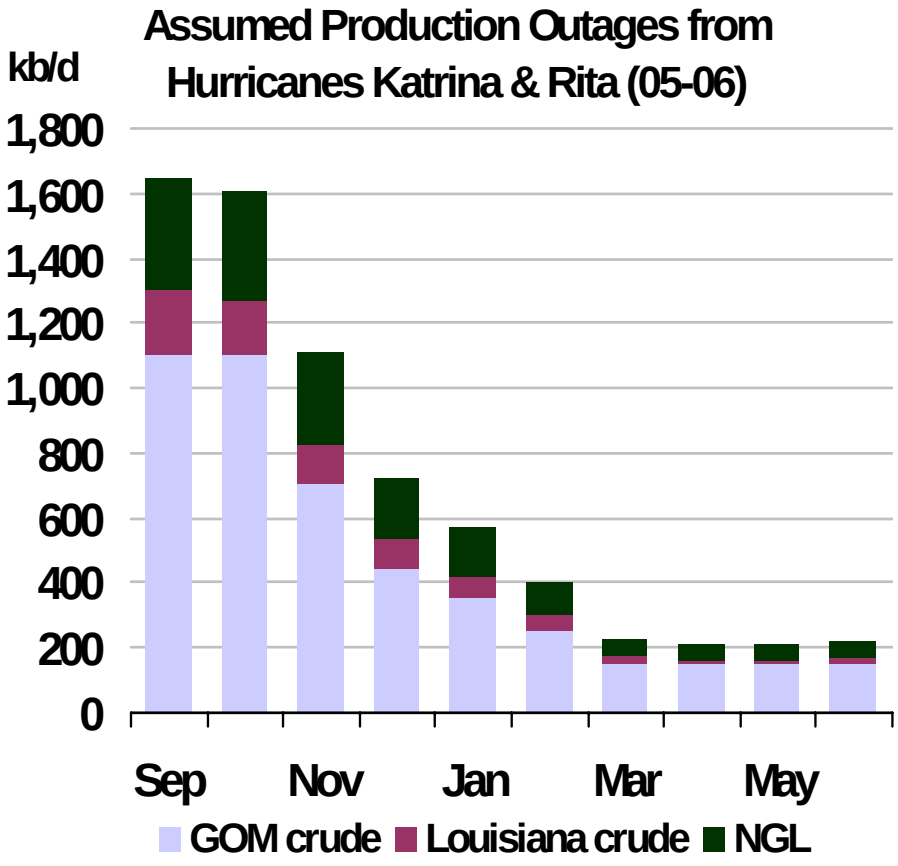
Crude Prices Back Above $65

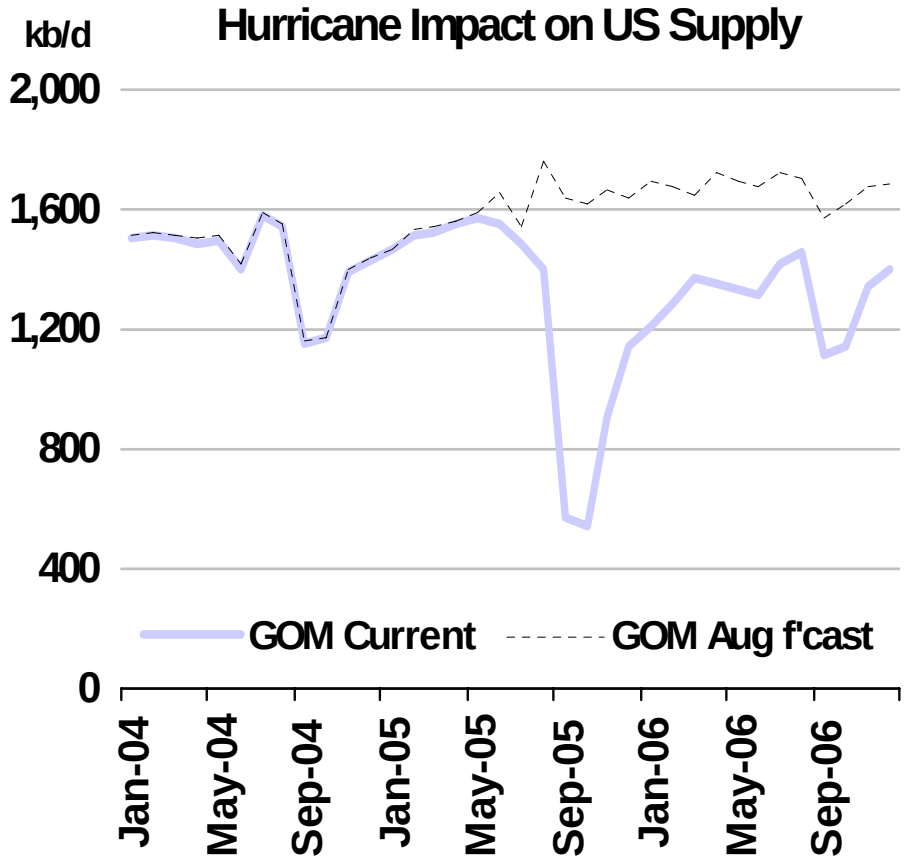
- Crude Prices nearing August 05 peaks
- Cold weather, strong gasoline and supply-side issues support crude prices

Upgrading Spread (Light vs. Heavy Products) Remains Wide



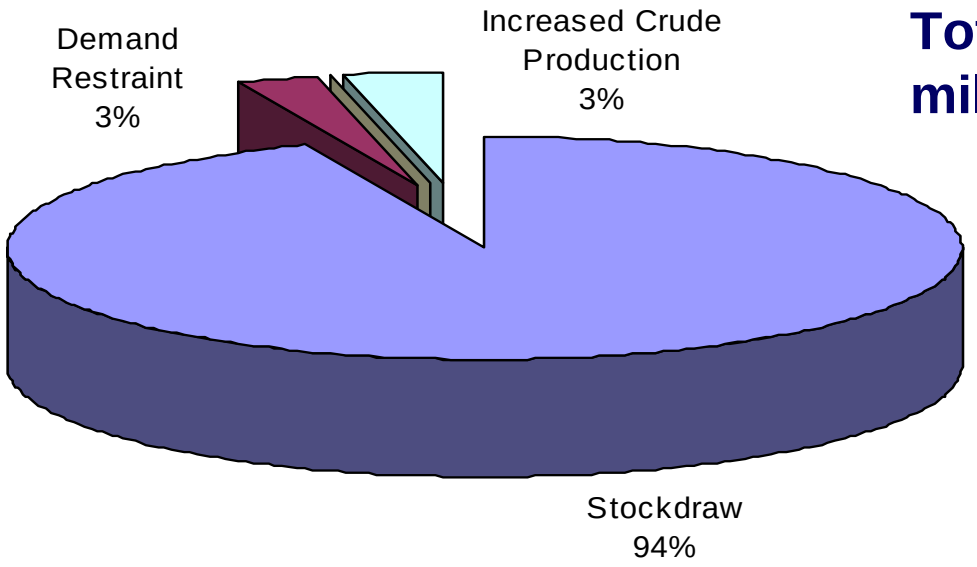
Hurricanes Katrina & Rita





The hurricanes compounded an already bad year for OECD oil production

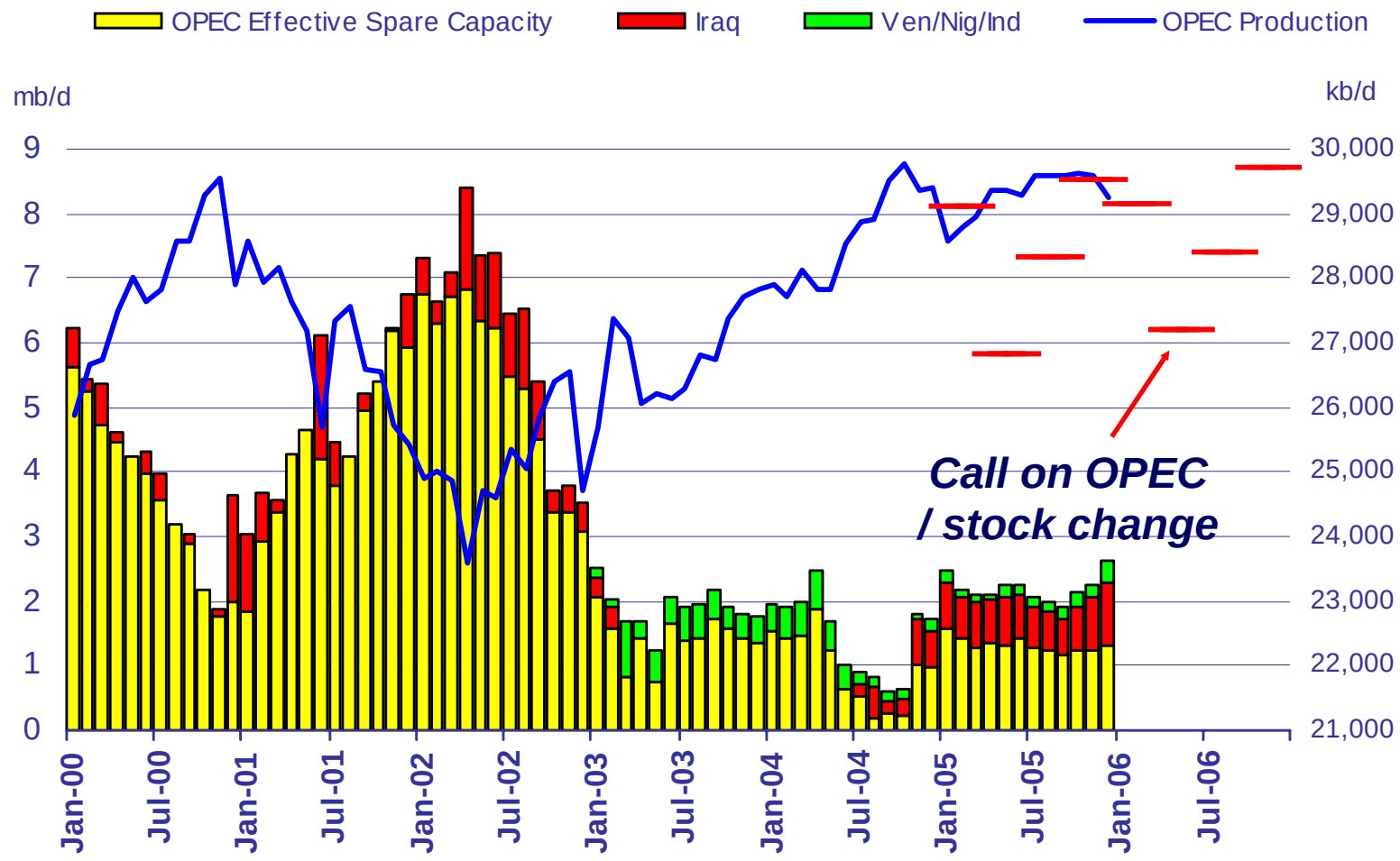
The IEA Collective Action



Total release of 60 million barrels

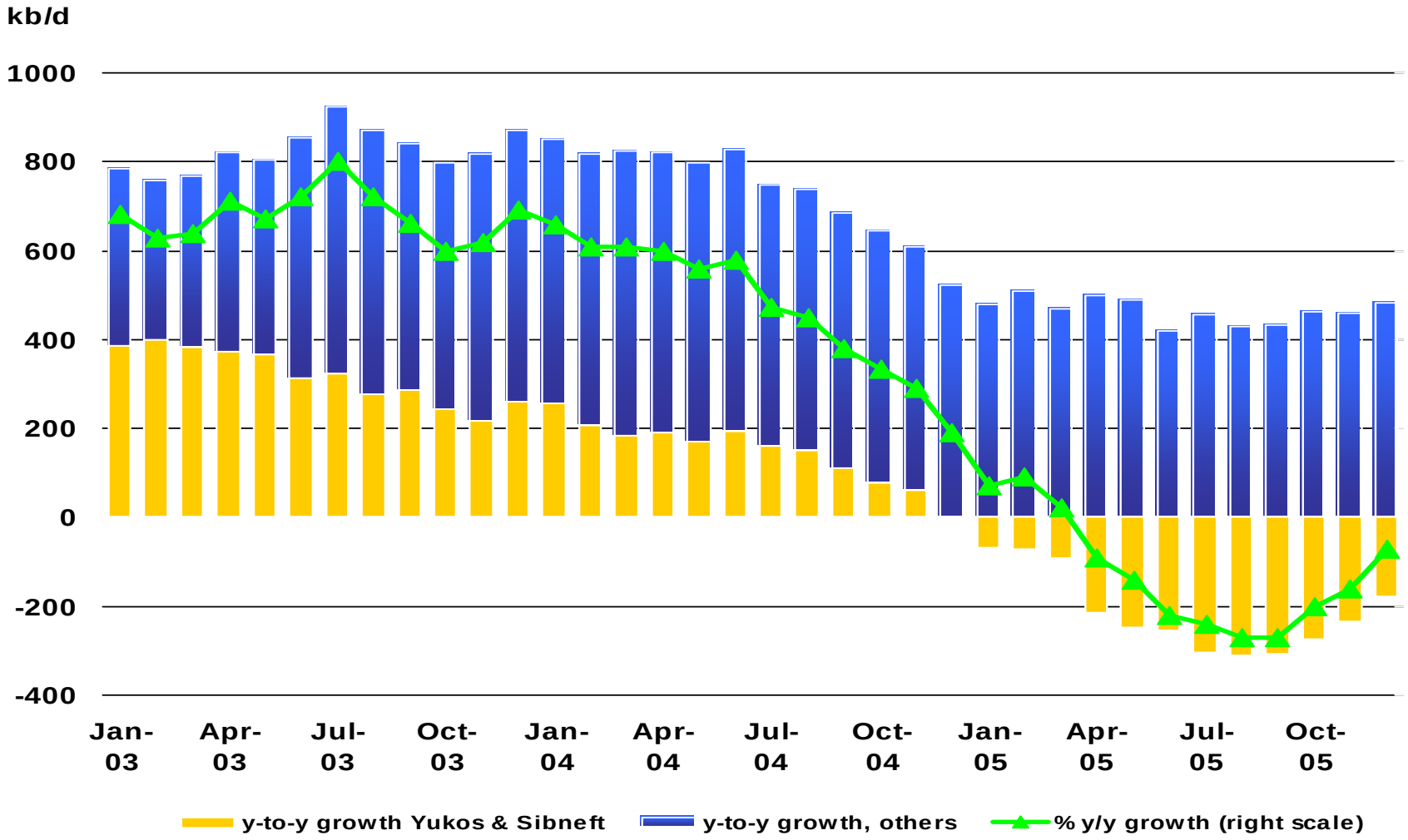
The hurricanes were offset by the IEA collective action, lower demand, refinery flexibility and additional production

OPEC Now Producing Flat Out

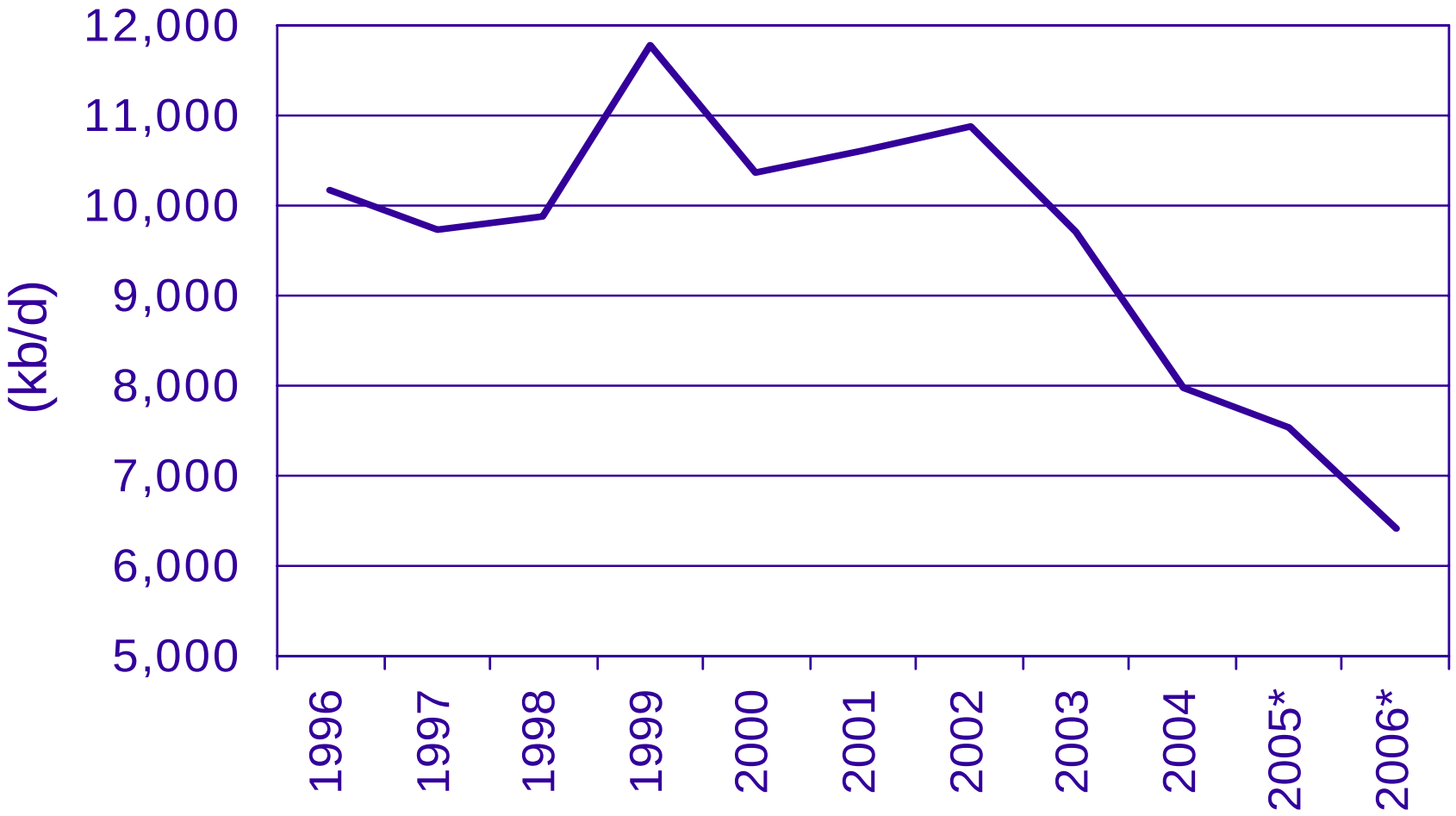


OPEC Effective spare capacity around 1.3 mb/d, physical or market limits now facing all producers

Russia's Growth Slowdown Bottoming Out?



Global refinery spare capacity



Refinery spare capacity on a downward trend since 2002

The International Energy Forum Secretariat

- New premises inaugurated in Riyadh on 19 Nov
- Purpose is to institutionalise dialogue between producers and consumers
- King Abdullah launched the JODI World Database - a milestone for data transparency
- King Abdullah and Minister Ali Al-Naimi called for a “a road map for demand in consuming nations”

Launch of the JODI World Database

King Abdullah launches the database of world oil producers and consumers in Riyadh on Saturday. Riyadh Governor Prince Salman and Oil Minister Ali Al-Naimi, left, are also seen. (SPA)

Near-term Outlook

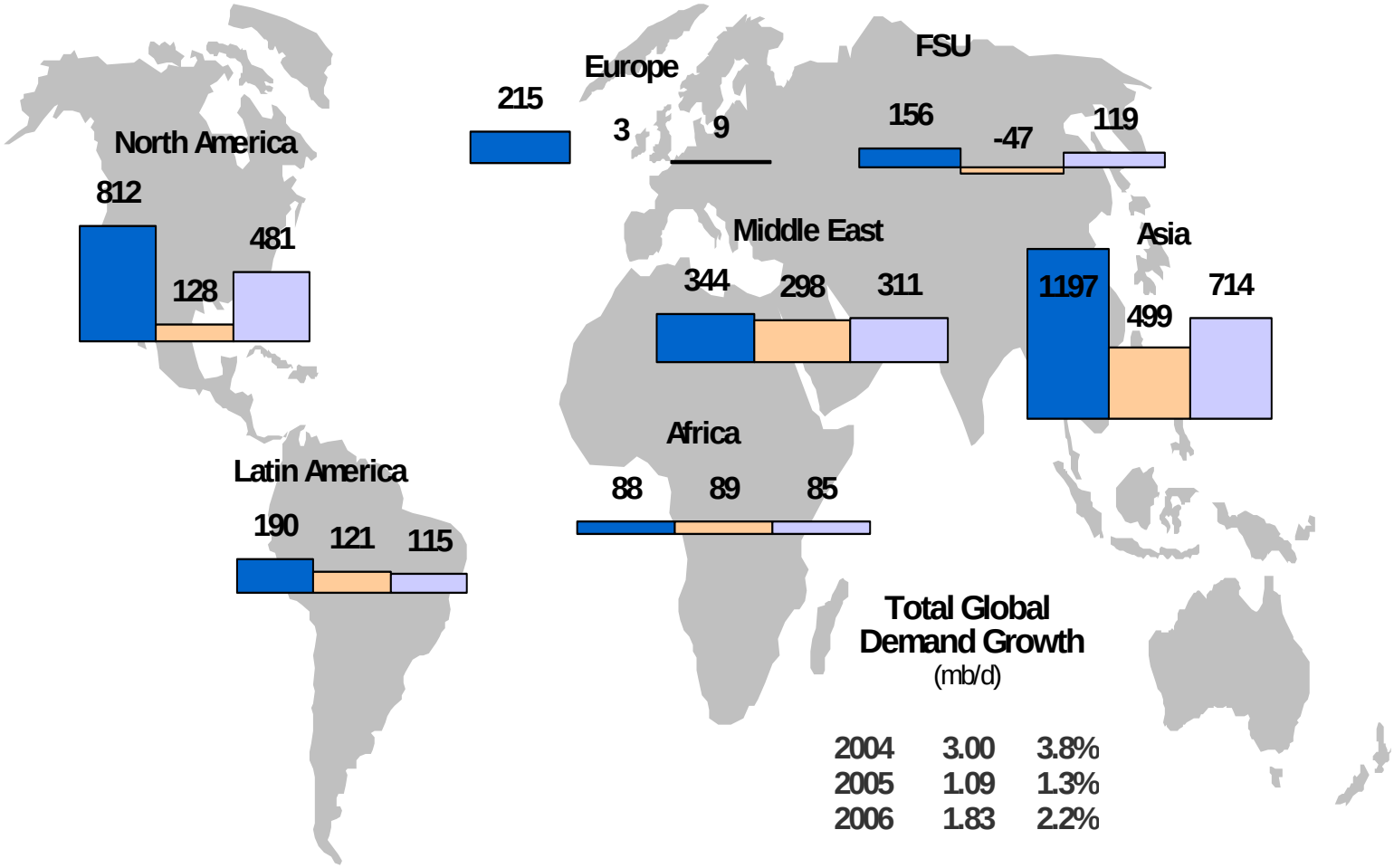
Reason to be Cheerful in 2006 ?

- Outages suffered by US, North Sea, Canada, India in 2005 shouldn't (all) be repeated
- Impressive list of new field & expansion projects (US GOM, Canada, Norway NGL, Brazil, Angola, Russia, Azerbaijan, Mauritania, Sudan);
- 2005 upstream spending is rising (13%-15% now vs. earlier 5%-7%);
- OPEC NGL & condensate continues to post robust growth

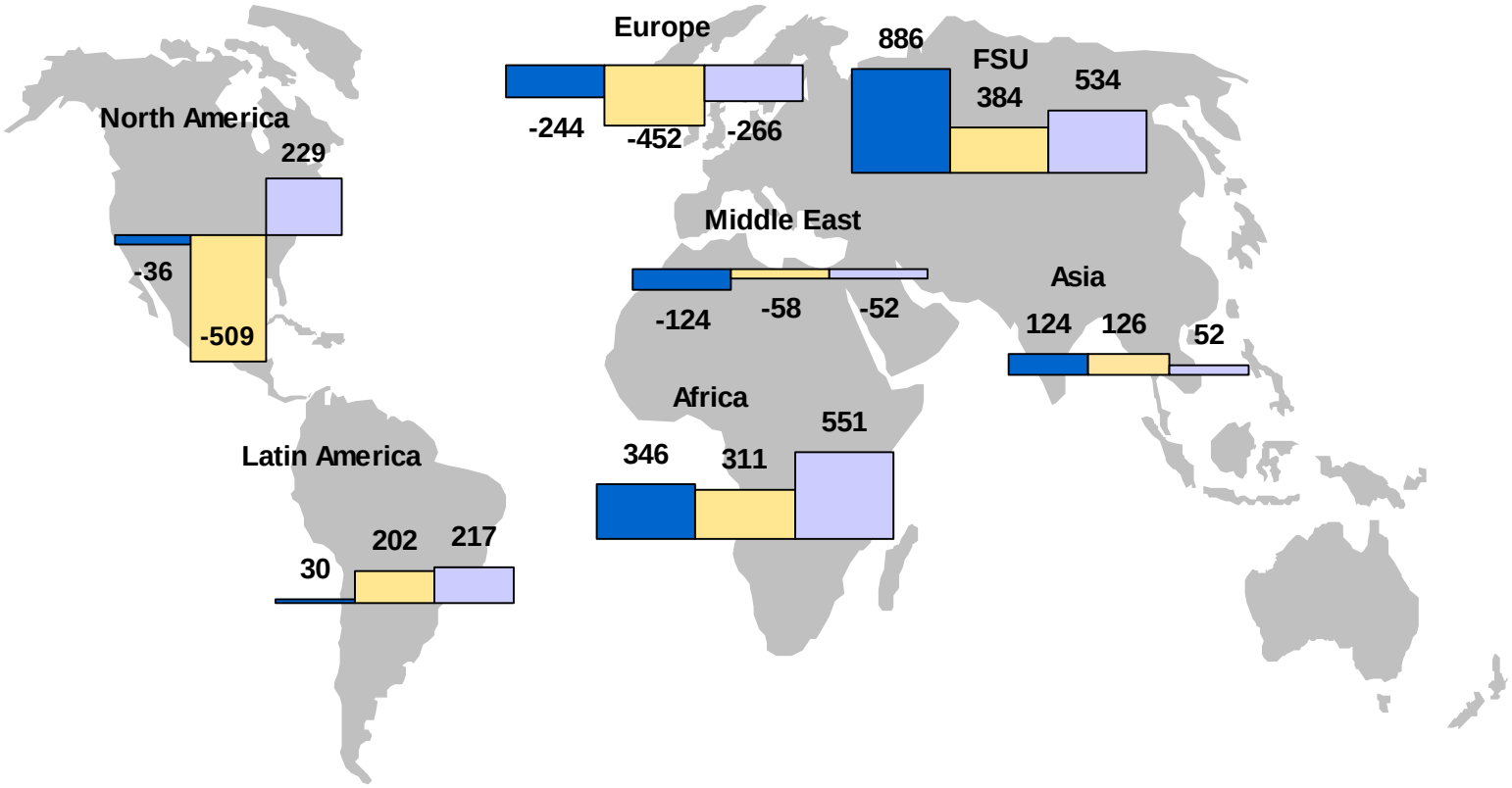
BUT

- Host governments continue to alter operating environment
- Political risks don't seem to be diminishing
- Costs are rising (insurance & tighter structural standards after Katrina/Rita)
- Potential shortages in drilling & upstream service capacity
- Perennial risk of project delays & unscheduled outages as operators run close to margin of capacity

Global Demand Growth
2004 / 2005 / 2006 (kbpd)



Non-OPEC Supply Growth
2004 / 2005 / 2006 (kbpd)



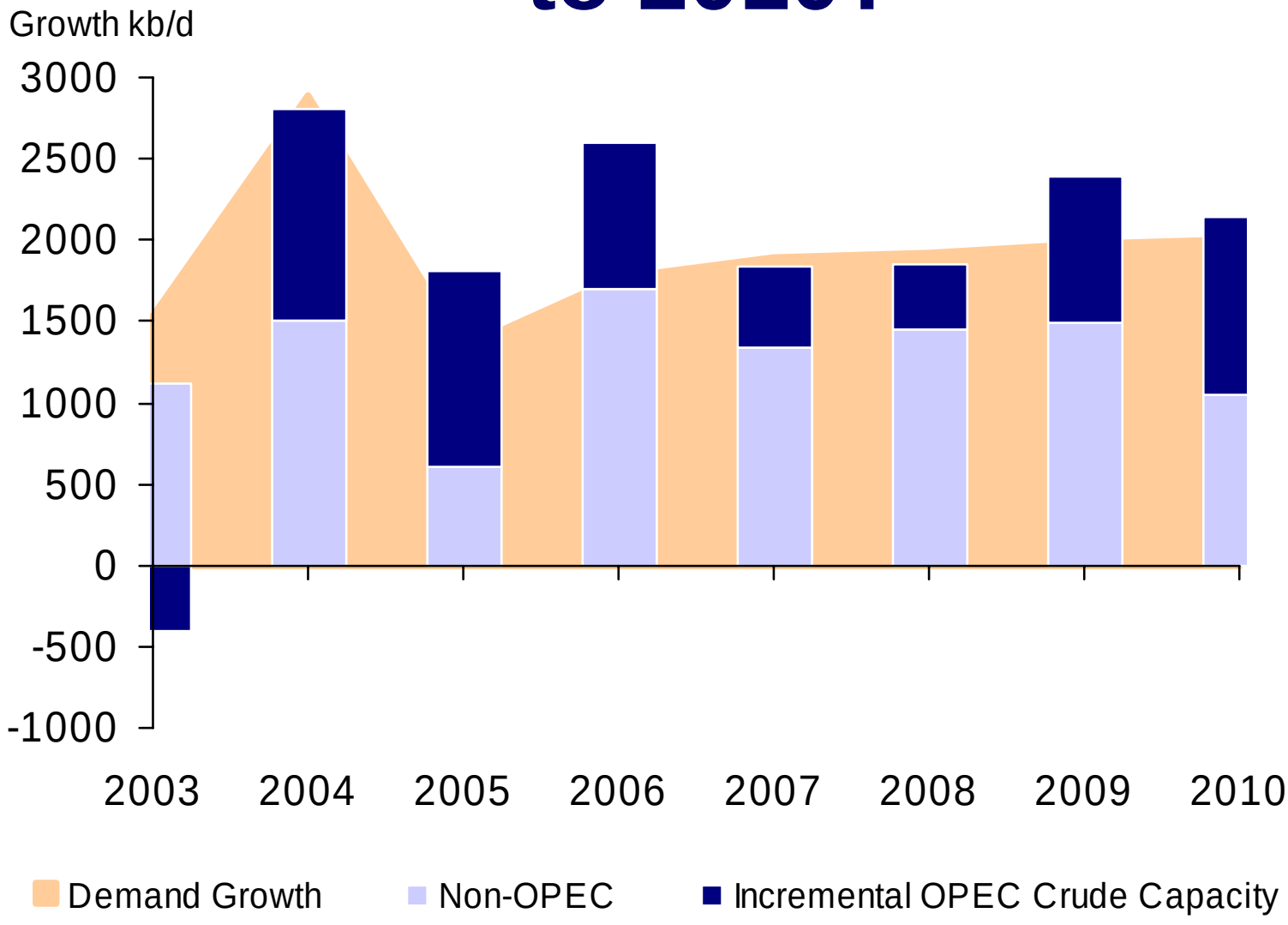
Total Non-OPEC Supply Growth (kb/d)

2004	1012
2005	34
2006	1302

OPEC NGLs (kb/d)

2004	425
2005	422
2006	351

Can OPEC Fill the "Supply Gap" to 2010?

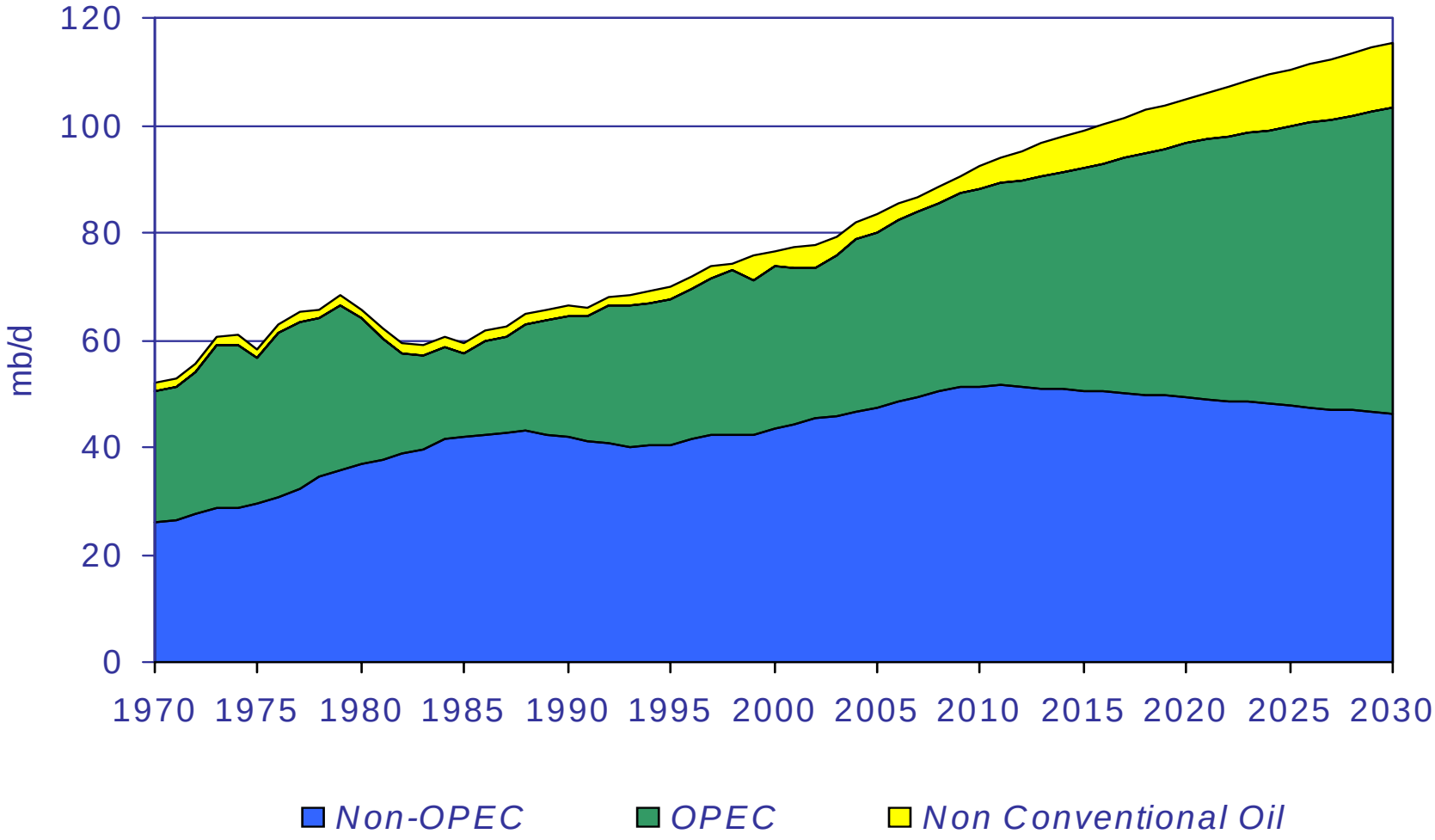


Long-term Outlook

World Energy Outlook 2005

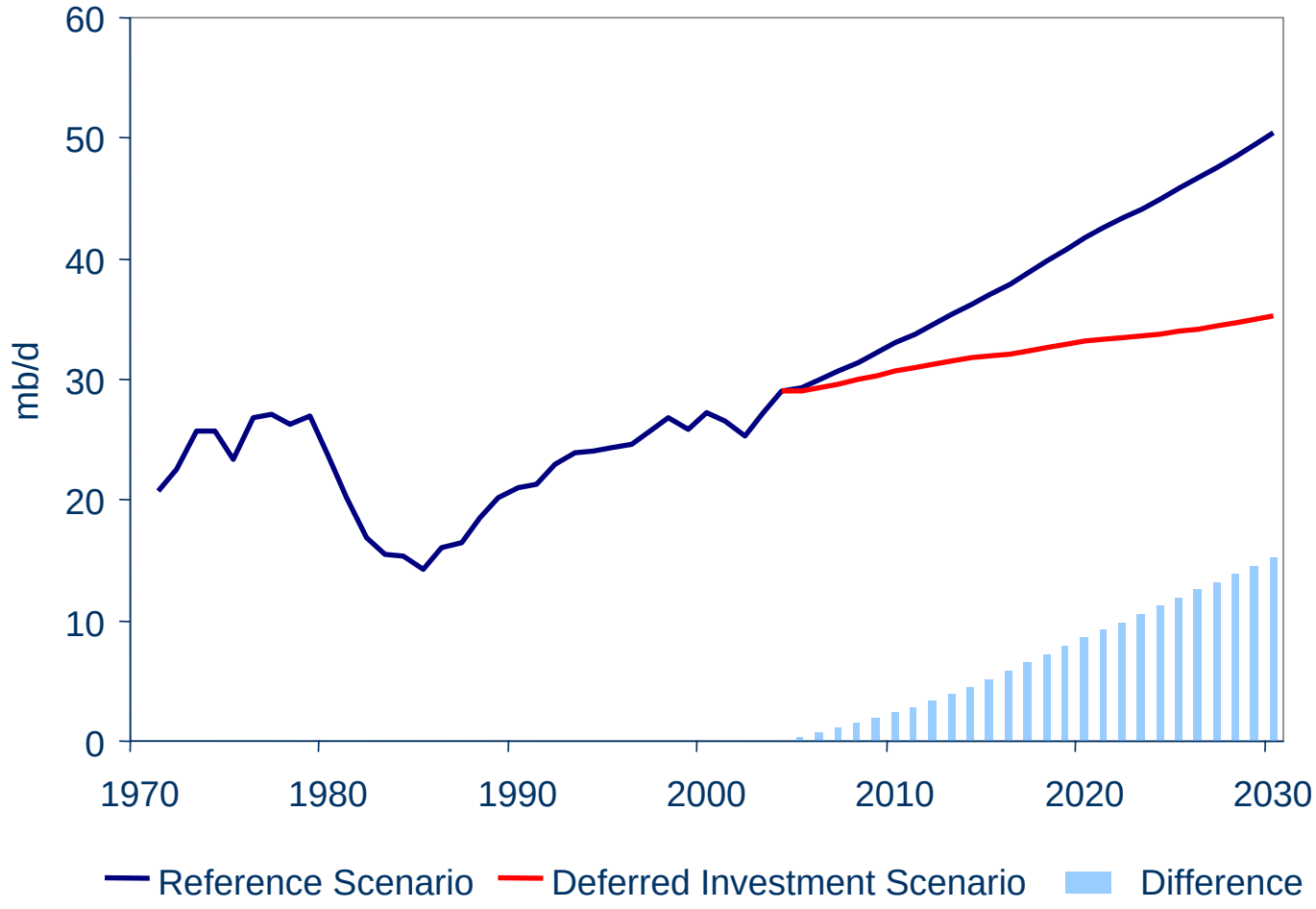
- Answers the question: how much oil and gas will the Middle East and North Africa export through to 2030 ?
- Analyses three distinct scenarios: Reference Deferred Investment and Alternative Policy
- Draws implications for global energy markets, international oil and gas prices and energy security

Global Oil Demand



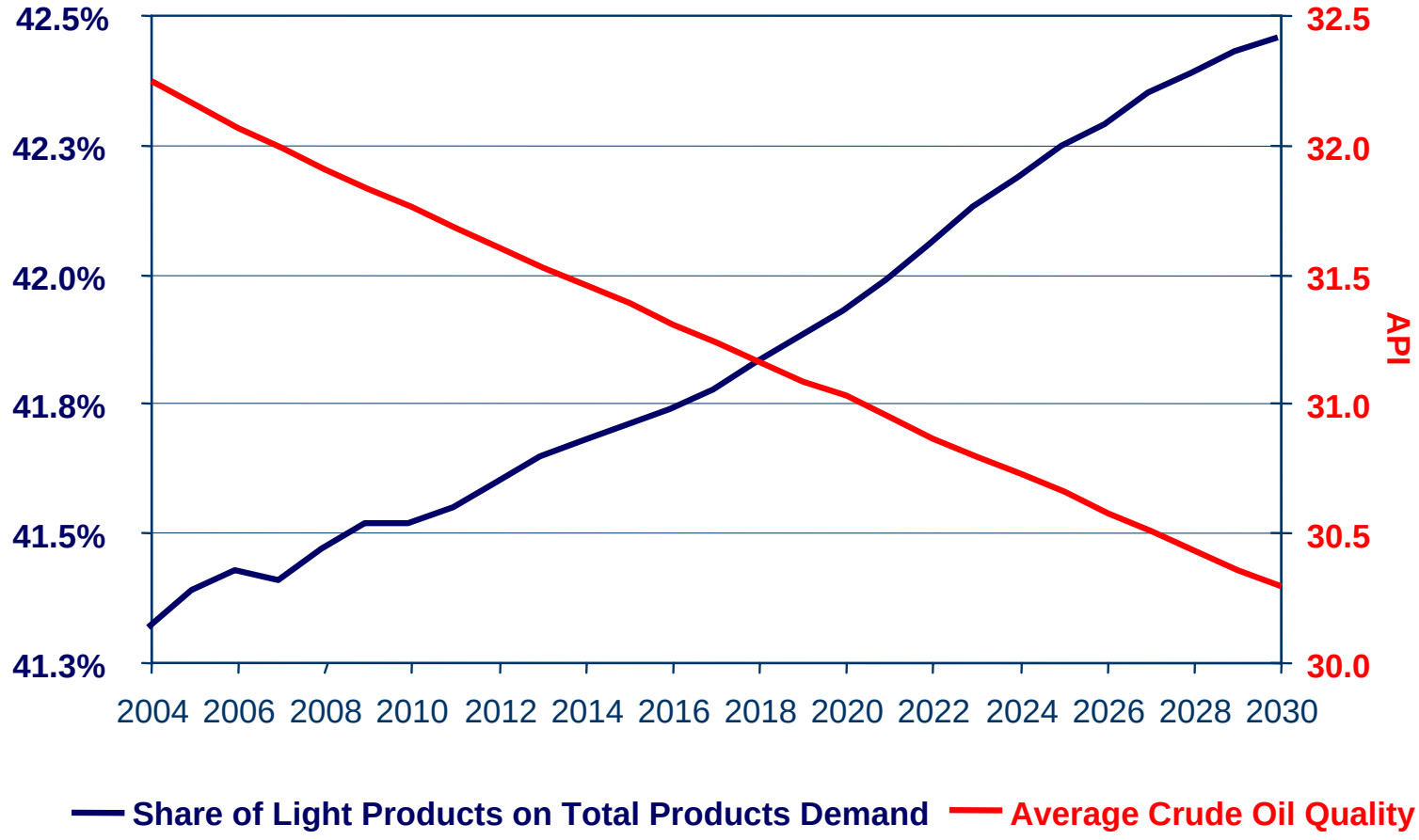
Oil demand could reach 115 mb/d by 2030, and OPEC's Share of Supply could rise to 50%

MENA Crude Oil Production



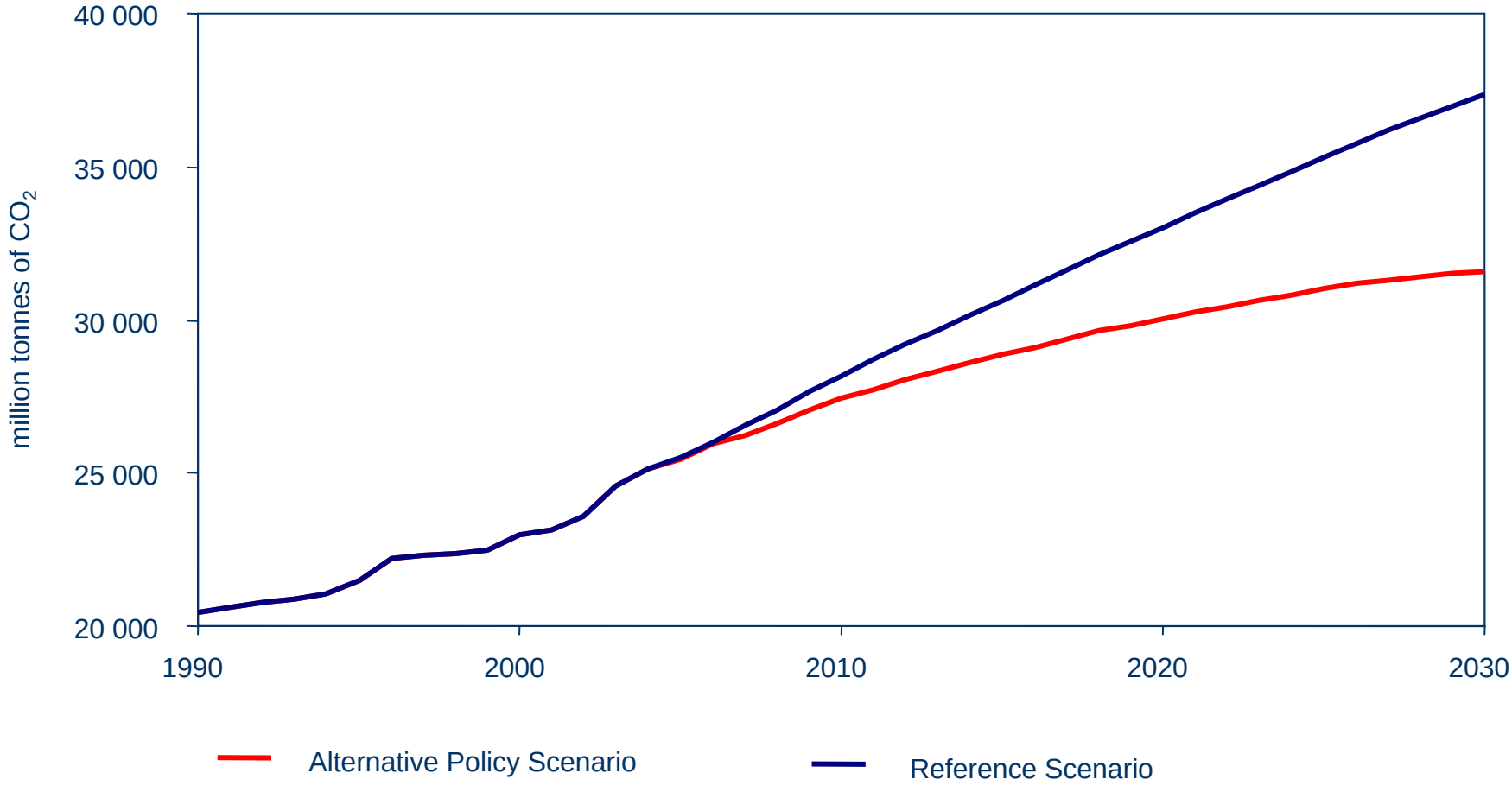
In the RS, MENA production rises from 29 mbd in 2004 to 51 mbd in 2030 at a cost of $484 Billion. In the DIS, production in 2030 reaches only 35 mbd

Evolution of Crude Quality and Refinery Product Slate



Oil quality will fall while light product demand will rise - a key challenge for the refining industry

CO_2 Emissions in the Reference and Alternative Policy Scenarios



In 2030, CO_2 emissions are 16% lower but still more than 50% higher than 1990

"Strong global growth has boosted energy demand and, together with capacity constraints and supply uncertainties, has led to high and volatile oil prices… Significant investments will be needed, in the short-, medium-, and long-terms, in exploration, production, and energy infrastructure to meet the needs of a growing global economy."

-- from "Global Economy and Oil" document, G8 Summit

Conclusions

- Capacity constraints can be surmounted by:
  - Adequate investment
  - Better access for E&P
  - Consistent fuel standards
  - Improved data transparency
  - Greater public awareness of need for energy infrastructure
  - Continued dialogue between producers and consumers

- But demand-side measures are also necessary:
  - Continue to curb oil intensity
  - Increase energy efficiency
  - Identify measures to reduce demand from transport sector
  - Promote development and deployment of technology

- Major importing countries are already considering more vigorous policies to curb demand growth & reduce reliance on oil