



H.E. Abdalla Salem El-Badri
Secretary General
Organization of the Petroleum Exporting Countries (OPEC)

Gulf Affairs: What is the role of OPEC and how does it support its member states?

Abdalla Salem El-Badri: Since OPEC was founded in 1960, its overall goal has been oil market stability. It is not only the best type of market for OPEC, but for all stakeholders. This includes producers, contractors, investors, and consumers. This will continue to be the organization's goal on a daily, weekly, monthly, and yearly basis. We will constantly review the market, looking for movements and trends as we seek stability with a balance between supply and demand. It is not always easy to attain, as events over the past 20 months or so have shown have shown, but market stability remains central to everything we do.

The OPEC Secretariat's support to its member countries comes in various forms. OPEC, as a research-focused organization, provides its member countries with data, analysis, and advice regarding all aspects of the global oil industry, in both the upstream and downstream sectors. It is then for member countries to utilize this information as they deem appropriate. It has provided support to its member countries throughout the ongoing process related to the meetings of the United Nations Framework Convention on Climate Change. It enables member countries to come together to discuss, debate, and determine various policies and initiatives. It also provides a platform for dialogue and cooperation, such as with the European

Union, Russia, China, India, the International Energy Agency, the International Energy Forum, and non-OPEC producers, for example, through the two OPEC and non-OPEC technical meetings that took place in 2015. This is not an exhaustive list, but it gives an idea as to the scope of the OPEC Secretariat's role in helping its member countries.

Gulf Affairs: Oil prices have declined notably over the past few years. In the current context, what are the Organization's priorities? What are the lessons of previous oil price drops and how relevant are they this time around?

El-Badri: As per my response to your previous question, the Organization's goal remains market stability. This is paramount.

In terms of the lessons learned from previous oil price drops, I think a key one relates to investments. It is important to highlight that the previous high oil-price cycle was the outcome of a lack of investment in more supply when prices were low. And on the flip side, the low oil-price environment we find ourselves in today is the result of too much investment in high-cost production during the high oil-price period.

Today, we are already seeing the impact of lower prices on production and investments. For example, global exploration and production spending fell by over 20 percent in 2015, and this year expectations are for a further fall of around 15 percent. However, the world will need more oil in the future. Oil demand is expected to be close to 110 million barrels a day (mb/d) by 2040, an increase of 18 mb/d between 2014 and then, and oil-related investments over this period are anticipated to be around \$10 trillion. Major investments are required. We need to recognize the importance of a price that allows the industry to invest to meet future demand; otherwise we may find ourselves with a supply shortage in the future.

In addition, I believe another important lesson is that no producer or country can detach itself from the global oil market. All producers are part of this. It is essential that everyone understands the possible knock-on effects of their actions. Producers should not act blindly to the global oil market situation.

Gulf Affairs: Some observers have suggested that OPEC no longer holds the same influence over global oil prices as it has in the past. Do you agree with this and what are the key achievements of OPEC over the past few years?

El-Badri: It is important to stress that OPEC does not set prices. We do not have a price target. We believe the oil price should be based on market supply and demand fundamentals. Prices need to be at a level that allows investors to invest for the future benefit of producers and consumers, provides producers with a fair income for their resources, and enables healthy growth in the global economy. Our goal at OPEC is market stability, something I have already touched upon in your first two questions.

With regards to OPEC's achievements, I feel it is important to look back over the history of the Organization. There are many to name. These include the founding of OPEC back in 1960 and the expansion of the Organization in the years since, providing a voice to producing countries, the continuing commitment to the stabilization of oil markets, and evolving various dialogues and cooperative efforts to help the industry meet the challenges and opportunities it has faced.

IV. Interviews

Gulf Affairs: So much has been said about the shale revolution and how it is impacting petroleum exporting countries. What is your view on the short, medium, and long term impact of shale?

El-Badri: Many commentators have suggested that OPEC's decisions have targeted US shale (tight oil) producers. This is not true. OPEC is not stopping any producer producing. And as I have said on many occasions, we have welcomed the efficient production of tight oil. It has added diversity to the global oil production mix. There is no doubt that US tight oil will continue to be part of the market. In the years ahead, the global oil market will need new production growth.

Nevertheless, in the short-term we expect to see a contraction of 740,000 b/d in non-OPEC supply in 2016, of which more than 400,000 b/d will come from the US alone. It is also important to recognize that the main contributor to crude supply growth after 2020 is OPEC. In the 20-year period between 2020 and 2040, OPEC crude is expected to expand by 10 mb/d to a level over 40 mb/d. By then, the share of OPEC crude in total liquids supply is projected to increase to 37 percent, compared to current levels of around 33 percent.

Gulf Affairs: What do you foresee as the impact of sanction-free Iran resuming full production and its impact on the global oil market, both short and long term?

El-Badri: Iran's full return to the oil market is a welcome one. Iran is an important country, a founding member of OPEC and a key participant in the global oil market. It has vast hydrocarbons potential, excellent manpower, and its production and exports remain integral to the future stability of the oil market.

In terms of the impact on the market, it is perhaps too early to say, although it is evident that Iran has been increasing its production in recent months. As for the longer term, this will no doubt depend on the cooperation between Iran and the international oil companies. I hope they are able to reach an agreement that satisfies all parties, one that enables Iran to expand its production and exports.

Gulf Affairs: What is OPEC's view on the "Paris Agreement" reached at the Paris Climate Conference (COP21) in December 2015?

El-Badri: OPEC welcomes the agreement made in Paris last December. The environment and climate change is a concern for us all, and all our member countries were part of the "Paris Agreement," submitting their Intended Nationally Determined Contributions (INDCs). However, we do need to be realistic about our energy future. Can renewables meet the energy needs of the world? No, they cannot. Do we need all energy sources? Yes, we do. Are fossil fuels going to remain the mainstay in the coming decades? Yes, we believe they are.

It is important to stress that environmental protection and the use of oil and gas are not mutually exclusive. We can still use oil and gas and have a cleaner environment. This means focusing on technologies. At OPEC, we recognize the importance of continually looking to advance the environmental credentials of oil, both in production and use.

For example, in OPEC member countries, research, development, and deployment of cleaner technologies is taking place every day. This includes investing in carbon capture and storage, reducing gas flaring, developing hybrid solar-gas power stations and solar-powered desalination units, and producing cleaner petroleum products.

In addition, we should not forget that today around 2.7 billion people or more still rely on biomass, such as wood fuel, for their basic needs, and 1.3 billion have no access to electricity. These people need access to reliable, safe, and secure modern energy services to live and prosper.

We need to keep in mind that the three pillars of sustainable development—“economic, environmental, and social objectives”—mean different things to different people.