Draft Joint Conclusion of the EU-OPEC Energy Dialogue 12th High-Level Meeting

Vienna, Austria
21 Mar 2016

The twelfth meeting of the energy dialogue between the European Union (EU) and the Organization of the Petroleum Exporting Countries (OPEC) took place in Vienna, Austria today.

The EU delegation was headed by Miguel Arias Cañete, Commissioner for Climate Action & Energy at the European Commission. The OPEC delegation was led by Abdalla Salem El-Badri, Acting Secretary General of OPEC.

Both parties emphasised that the Energy Dialogue has come a long way since its establishment in 2005 and is more important than ever in the current context of energy markets. Supported by various roundtables, workshops and studies, the Energy Dialogue has resulted in productive joint activities on a wide range of oil and energy related issues and has brought significant benefits to both sides.

The parties noted that since the last Energy Dialogue meeting in June 2014, there has been a growing challenge in energy markets, particularly for oil. Oil prices have fallen by more than 70%, many investments have been deferred or cancelled, manpower has been laid off, and the market has been searching for a supply-demand balance.

Looking ahead, both the EU and OPEC noted with concern that the current price environment has considerably reduced investments. Such a massive fall in investment could in time lead to a supply shortfall and the risk of a sharp oil price rebound, as has been witnessed in the past.

Although producers and consumers might have different views on what is an adequate oil price level, there was broad agreement that excessive oil price volatility and/or sharp price rises would be harmful for the economies of both the producing and consuming countries. An affordable and stable oil price, alongside a balanced and stable market, is a prerequisite for economic growth for both producers and consumers.

Both the EU and OPEC recognised that through the Energy Dialogue and through initiatives in other global fora and organisations, cooperation should be enhanced, as should understanding of the behaviour of energy and oil markets, something which is important to helping achieve future oil market stability.

The adoption in December 2015 of the ‘Paris Agreement’ to combat climate change was welcomed by both sides.

OPEC presented an assessment of short-term oil market prospects. It emphasised that lower crude oil prices mainly reflect the ongoing excess crude oil supply over global demand. The positive impacts of low oil prices on oil demand in major growth regions remain intact in both the OECD and non-OECD regions. Expected oil demand growth in 2016 is in line with the average seen over the last three years. On the supply side, lower oil prices have reversed the strong growth trend in non-OPEC supply into an expected contraction in 2016. It was noted however, that over the previous three years, non-OPEC supply has increased significantly while on average there was no growth in OPEC crude supply.
OPEC also provided an overview of the long-term oil market outlook. It highlighted that energy demand will increase by almost 50% in the period up to 2040, with oil remaining the fuel with the largest share over the next 20 years. Oil demand reaches almost 110 mb/d by 2040, with developing countries accounting for most of the growth. On the supply side, total non-OPEC supply is expected to increase in the next decade, but declines towards the end of the projection period. OPEC crude supply is anticipated to increase steadily which underscores once again the need for future investments in the industry. However, it was stressed that the Outlook is clouded with uncertainties stemming, in particular, from economic growth and non-OPEC supply prospects.

The EU side presented the latest developments in EU energy policies, focusing on the Communication on the State of the Energy Union of November 2015 and the ‘Security of Supply Package’ adopted by the Commission on 16 February 2016. The package includes initiatives to foster the EU energy security, notably two proposals for the revision of the Regulation on Security of Gas Supply and for a revision of the Decision on Intergovernmental Agreements as well as strategies for LNG & gas storage and for heating & cooling.

The main energy policy initiatives foreseen for 2016 were also presented. Emphasis was given to a package, to be adopted later this year, which will propose initiatives in the energy efficiency sector. Energy efficiency will be a key tool to achieve EU’s decarbonisation objectives and for a more sustainable use of energy. The EU expressed its willingness and availability to share its experience in the area of energy efficiency with the OPEC partners in the framework of the current energy dialogue or in other fora.

The EU side also presented the economic developments and outlook in the EU and in the euro area based on the latest European economic forecasts issued on 4 February 2016. The European economy has now entered its fourth year of recovery and growth is expected to continue increasing at a moderate pace, driven mainly by rising consumption.

The ongoing and future activities of the Energy Dialogue were also discussed. These included a report on a roundtable that discussed the outcomes of a joint study on the ‘Petrochemical Outlook: Challenges and Opportunities’. There was an update on a joint study being undertaken on the prospects for non-crude liquids.

All participants expressed satisfaction with the outcome of the meeting, which was seen as a further important step in the EU-OPEC Energy Dialogue. Both parties expressed their strong commitment to that process, and agreed that the next EU-OPEC Energy Dialogue meeting would take place in the first half of 2017.