



Iraq Post ISIS – Towards an Effective Energy Sector and Economic Diversity

The 3rd Iraq Energy Forum

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OPEC is born quietly in Baghdad, 1960



The five Founding Fathers:

- Dr. Fuad Rouhani, Iran
- Dr. Tala'at al-Shaibani, Iraq
- Ahmed Sayed Omar, Kuwait
- Abdullah Tariki, Saudi Arabia
- Juan Pablo Pérez Alfonzo, Venezuela



August 2016: the need to return market stability



- Recognition that stability on a sustainable basis had been absent for far too long – to the detriment of all industry stakeholders, as well as the global economy
- The depth and duration of the downturn was substantial and so were the impacts:
 - Huge stock builds
 - Massive job losses
 - Investment contractions

Global exploration and production spending (2014/15/16)

| (by region) | Spending (billion US\$) | | | Change (%) | |
|--------------------------|-------------------------|------------|------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2015-2014 | 2016-2015 |
| North America | 205 | 133 | 84 | -35.2 | -37.0 |
| Latin America | 70 | 55 | 36 | -22.4 | -33.5 |
| Europe | 38 | 28 | 23 | -25.7 | -16.3 |
| Middle East | 44 | 41 | 43 | -5.8 | 3.3 |
| Africa | 26 | 22 | 18 | -16.9 | -16.8 |
| India, Asia & Australia | 108 | 79 | 68 | -27.1 | -13.5 |
| Russia/FSU | 49 | 38 | 35 | -23.6 | -5.8 |
| Worldwide E&P | 670 | 494 | 383 | -26.3 | -22.4 |

Source: Barclays Research

Oil price cycles: unparalleled drop in 2014-2016



Unprecedented **80% price drop** from June 2014 – January 2016

Episodes in OPEC Reference Crude Oil Price

| | High | | Low | | Change | | Recovery | |
|------------------|------------------|--------------|------------------|-------------|--------------|------------|-----------|------------|
| | Date | US\$/b | Date | US \$/b | US\$/b | (%) | Date | Duration |
| 1985-1987 | 25-Nov-85 | 28.7 | 28-Jul-86 | 8.3 | -20.4 | -71 | 4-Sep-90 | 50 months |
| 1990-1991 | 28-Sep-90 | 38.9 | 1-Apr-91 | 15.9 | -23.0 | -59 | 2-Aug-04 | 160 months |
| 1997-1999 | 3-Oct-97 | 20.9 | 10-Dec-98 | 9.1 | -11.8 | -56 | 7-Sep-99 | 10 months |
| 2000-2001 | 7-Sep-00 | 33.8 | 19-Nov-01 | 15.9 | -18.0 | -53 | 30-Apr-04 | 30 months |
| 2008-2009 | 11-Jul-08 | 139.9 | 24-Dec-08 | 33.4 | -106.5 | -76 | 13-Mar-12 | 51 months |
| 2014-2016 | 20-Jun-14 | 110.5 | 16-Jan-16 | 22.5 | -88.0 | -80 | | |

OPEC landmark decisions in 2016





- **Focus on the implementation of the voluntary production adjustment decisions**
- **Monitoring mechanism through a Joint Ministerial Monitoring Committee (JMMC) and the supporting Joint Technical Committee (JTC)**
- **Openness and transparency is key to the process**

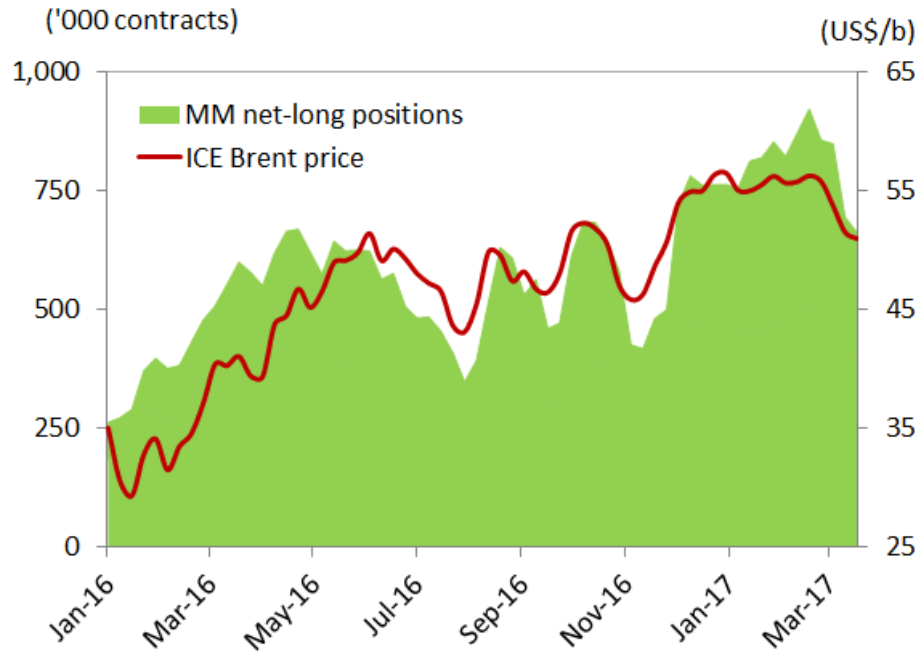
- **Conformity with the decisions has been positive: 86% in January, 94% in February**
- **Firm goal is 100% conformity**

- **Overall commitment towards ensuring a sustainable stability in the market beyond the short-term**

Confidence is returning to the sector

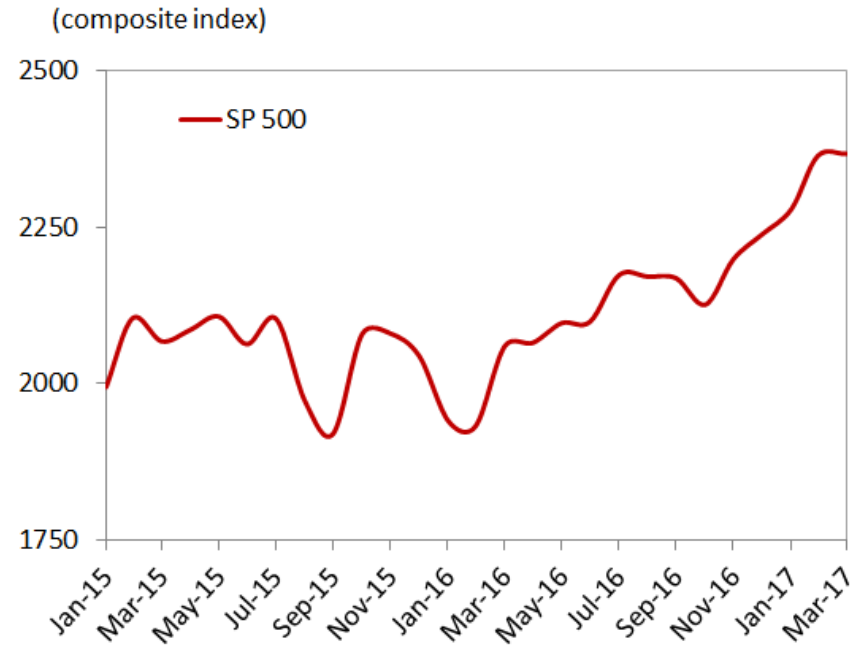


Money managers' net-long positions



Note: It covers the data up to the week of 21st March, 2017.

Standard & Poor's composite 500

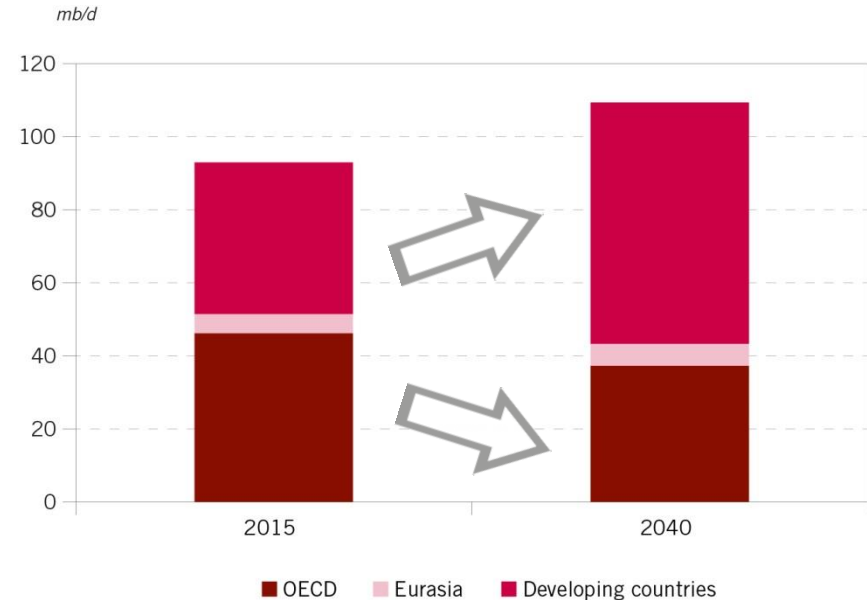


Steady rise in long-term oil demand



- Oil demand increases by **16.4 mb/d** to reach **109.4 mb/d** in 2040
 - Growth is driven by developing countries
 - **One-third** of total growth comes from the **road** transportation sector
 - Oil-related investment requirements of around **\$10 trillion** over the period to 2040

Oil demand by region





- Investments in Iraq's oil industry has seen the country make significant progress in raising its **production capacity**
- The World looks up to resource rich countries, of which **Iraq is a leading one**, to continue to **invest** in order to meet current and future oil demand

Iraq share of crude oil proven reserves and production

| | <u>% in OPEC</u> | <u>% in World</u> |
|------------|------------------|-------------------|
| Reserves | 11.8 | 9.5 |
| Production | 13.5 | 5.9 |

Source: OPEC ASB, MOMR

- **Iraq post-ISIS, and with a stable oil market in place, will have the opportunities to fill its great economic and energy potential**



Thank you

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