

Brussels, 23 June 2009

## EU – OPEC Energy Dialogue

***The sixth 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: Eng José Maria Botelho de Vasconcelos, President of the OPEC Conference, Minister of Petroleum of Angola; HE Germánico Pinto, Alternate President of the OPEC Conference, Minister of Mines and Petroleum of Ecuador; and Mr Abdalla Salem El-Badri, Secretary General of OPEC.

Representatives of the EU included: Mr Vladimír Tošovský, President of the EU Energy Council, Minister of Industry and Trade of the Czech Republic; Mr Hans Lundborg Swedish Ambassador in Vienna, representing the incoming President of the EU Energy Council; and Mr Andris Piebalgs, European Commissioner for Energy.

The EU and OPEC representatives welcomed the progress that had been made on joint activities since the fifth meeting of the Energy Dialogue in Brussels, Belgium, on 24 June 2008. These included: the second roundtable on carbon capture and storage (CCS) in Brussels on 31 October 2008, and ensuing technical site visits to Norway and Germany; the completion of a joint study on the impact of financial markets on oil prices and volatility, whose findings were discussed at a workshop in Vienna on 30 April 2009; the launch of a feasibility study on the establishment of an EU-OPEC Energy Technology Centre; and other meetings and discussions on subjects of common interest. The representatives expressed their appreciation for the constructive exchanges of views on all these activities.

Participants drew attention to the fact that this year's meeting was taking place against the backdrop of a massive financial crisis and the most severe global economic contraction since the 1930s. This was having a profound impact on the Member Countries of both parties to the dialogue. It underlined the important role that the dialogue, now into its fifth year, was playing in facilitating constructive exchanges between the parties at such times as the present, to help restore order and stability to the markets, in the interests of producers and consumers alike.

The first session of today's meeting covered economic prospects and oil market developments. The European economy is in the midst of its deepest and most widespread recession in the post-war era. GDP in the European Union is projected to fall by 4% this year and to broadly stabilise in 2010. The main factors behind the recession are the worsening of the global financial crisis, a sharp contraction in world trade and ongoing housing market corrections in some economies. However, with the impact of fiscal and monetary stimulus measures kicking in, growth is expected to regain some momentum in the course of 2010. Labour markets will be severely affected, with the unemployment rate expected to increase to 11% in the EU in 2010. The public deficit is also projected to rise sharply, to 7¼% of GDP in 2010.

OPEC said that the unprecedented price volatility of 2008, with swings of more than US \$100 a barrel in less than six months, coupled with the profound financial crisis and deep economic downturn, had together led to a sharp drop in global oil demand, a large stock overhang and a rapid slide in prices. While its proactive measures had helped steady the market, OPEC stressed that oil prices at low levels would not sustain the industry and could lead to underinvestment, thus sowing the seeds for future market tightness and instability.

In the light of all this, the meeting endorsed calls made at April's joint workshop for an urgent and global response to the challenges posed by today's financial markets. It heeded warnings from the workshop that the speculation issue had not been resolved yet and that the 2008 bubble could be repeated, if adequate regulatory reforms, including greater transparency, were not made as part of an overall reshaping of the global financial sector.

The emphasis shifted further into the future in the second session, which looked at the long-term energy outlook and policies. The EU representative presented the follow up of European energy policies proposed in the first Strategic Energy Review, adopted on March 2007, which focused on sustainable developments and competitiveness issues. In particular the "Third Internal Energy Market Package" and the "Energy and Climate Change Package" were discussed.

Policies proposed in the second Strategic Energy Review of November 2008 which focused on issues related to energy security and energy efficiency were also presented; in particular the recent revision of the oil stock Directive. But the most likely EU scenarios up to 2020 lead to increased imports of fossil fuels and in particular oil. This confirms the importance of fostering the dialogue between consumers and producers in a world of growing interdependence, in order to create the appropriate conditions of investment all along the supply chain.

OPEC said that the economic recession, together with new legislation and regulations in many consuming countries, had added to longstanding uncertainties about future demand and had led to downward revisions to the long-term oil and energy outlook to 2030, reemphasising again the issue of security of demand. This could have implications for future upstream and downstream investment requirements. Nevertheless, fossil fuels would continue to meet most of the world's energy needs, with oil playing the leading role.

For both parties, it was axiomatic for the industry to maintain a firm focus on meeting longer-term challenges, in spite of the many hardships caused by the present world economic crisis. If this were not done, then the ability of the industry to invest in new production capacity to meet rising demand in future would be seriously impaired, and, among other things, this could lead to a perpetuation of damaging boom/bust cycles. This would benefit no one — neither producers nor consumers.

Both parties agreed on the importance of sharing information on future demand and supply scenarios. They also recognised the benefits and increasing importance of the Joint Oil Data Initiative, under the auspices of the Riyadh-based International Energy Forum Secretariat.

The meeting agreed that this heightened the need for stable, transparent and predictable oil markets. This was underscored by the reciprocal nature of energy security, with security of demand recognised as being as important to producers as security of supply was to consumers.

Turning to broader-based global issues, the EU and OPEC reaffirmed their commitment to the principles of sustainable development, with its three mutually supportive pillars of economic development, social progress and protection of the environment, as well as recognition of the special needs of the world's poorest communities.

In the build-up to the Conference of the Parties to the United Nations Framework Convention on Climate Change and the Meeting of the Parties to the Kyoto Protocol in Copenhagen in December 2009, they were conscious of the impacts of mitigation response measures on developing countries, in particular oil producing countries. They were also conscious of the crucial importance of the negotiations on enhanced implementation of the Convention and those on further commitments for Annex-I Parties, recalling the principles of the Convention, in particular the principle of common but differentiated responsibilities, respective capabilities and equity. The two parties recognized the importance of the diversity of the energy mix, including renewables, the avoidance of wasting valuable resources, improvements to efficiency, and the development and deployment of cleaner fossil fuel technologies, in particular carbon capture and storage (CCS), including its eligibility under the Clean Development Mechanism (CDM). They were also conscious of the need to address the concerns of the energy industry in a fair, balanced and sustainable manner, acknowledging the realities of the continued importance of fossil fuels, and especially oil.

The parties noted the recommendations of the roundtable of October 2008 for CCS to be given more prominence in the Energy Dialogue, as well as the need for more research and development, deployment and transfer of technology, as well as the need for enhanced communication to ensure better public acceptance. It was also agreed that OPEC would participate as an observer in the EU's Zero Emissions Platform.

Finally, the meeting was presented with a summary report on the second roundtable on CCS. In addition, it received the conclusions of the study on the impact of financial markets, as well as a summary report on the associated workshop. Participants also considered status reports on the study on biofuels and on progress with the EU-OPEC Energy Technology Centre.

After discussing these matters and reviewing overall progress with the dialogue, the meeting agreed on the following work programme for the coming year, with a report to be submitted to the 7th Ministerial Meeting:

- Launch and execution of the study on the impact of biofuels on the refining industry, including organizing a workshop to discuss the findings of the study;
- Organization of a roundtable on the impacts of the global financial crisis on investment in exploration and production;
- Execution of the feasibility study for the EU-OPEC Energy Technology Centre.

The 7th EU-OPEC Ministerial Meeting is scheduled for June 2010 in Brussels.