

At the 14th IEA-IEF-OPEC Symposium on Energy Outlooks

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On February 21, the 14th IEA-IEF-OPEC Symposium on Energy Outlooks was held at the King Abdullah Petroleum Studies and Research Center (KAPSARC), a think tank based in Riyadh. This symposium has been held annually in the Saudi capital since the first one in 2011 to promote dialogue between oil-producing and -consuming countries. The latest symposium brought together representatives of the three major international energy organizations – the International Energy Agency, the International Energy Forum, and the Organization of the Petroleum Exporting Countries, as well as government officials from major countries, energy industry officials, and experts, for vigorous discussion on short-, medium-, and long-term global energy outlooks.

The original purpose of this symposium is for the IEF to mediate dialogue between the IEA, which represents oil-consuming countries, and OPEC, which leads oil-producing countries to stabilize the international energy market. Until the 13th symposium, the conference had been held at the IEF headquarters. The latest one became the first such gathering held at KAPSARC. The venue was changed to meet the rising number of participants amid the increasing importance of and growing interest in the symposium. According to the organizers, the number of participants in the latest symposium topped 150 on a registration basis, far exceeding some 100 for earlier ones.

I have participated in the past symposium many times and summarized the points of the 13th symposium last year in my essay, “A Japanese Perspective on the International Energy Landscape (624).” I felt that the various changes in the international energy market during the past year have had significant impacts on the latest symposium. The rising emphasis on energy security in the wake of the Ukraine crisis, the destabilization of Middle Eastern and other geopolitical situations, the trend towards enhancing greenhouse gas emission reduction targets for 2035 based on the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change, and the widening gap between the “ideal energy future” and reality represent a new situation surrounding the international energy market. Against this backdrop, the future of the international energy market is becoming more uncertain than ever, testing the role of energy outlooks. In this sense, the symposium was extremely timely for promoting frank dialogue on energy outlooks. In the following, I would like to summarize the points of the symposium that were impressive to me.

When the outlooks were compared, the undoubtedly key point was how to view the future of fossil fuels. The IEA and OPEC outlooks provided far different scenarios for fossil fuels. There are substantial differences in global oil demand projections not only for the long term but also for the short term. The IEA projects global oil demand growth in 2024 at 1.2 million barrels per day, 1 million bpd less than 2.2 million bpd as forecast by OPEC. The difference might depend on how to view Chinese demand, the impact of electric vehicle penetration, and the normalization of the oil market amid the recovery from the COVID-19 pandemic. Furthermore, it seems that the wide difference between short-term projections reflects a gap between medium to long-term outlooks.

OPEC's long-term outlook predicts that global oil demand will continue to increase in the central scenario, reaching 116 million bpd in 2045. It projects oil demand to increase steadily without peaking, supported by growing demand in countries such as India amid global economic expansion. The OPEC outlook comes up with a clear message that \$14 trillion in oil sector investment will be required to support this growing demand. On the other hand, the IEA in its medium-term (five-year) outlook predicts that demand growth will decelerate rapidly from 2024. This seems to be consistent with its long-term outlook's Stated Policies Scenario (STEPS), which assumes the largest oil demand among IEA scenarios and indicates oil demand's peaking before 2030. The medium- to long-term outlook may have exerted some impact on the short-term outlook.

Even if oil demand peaks before 2030 and then declines moderately as projected in the IEA STEPS scenario, investment in the oil sector will still be indispensable, given the depletion of oilfields used for current production. However, it should not be overlooked that large differences in oil demand forecasts can make it difficult to invest in the oil sector and lead to supply shortages or a supply and demand crunch. This is exactly the same for natural gas and LNG. At the symposium, many participants pointed out that outlooks' uncertainties and their large differences could be impediments to market stability.

As energy experts accounted for most of the statements made at the symposium, an overwhelming view at the symposium was that demand for fossil fuels is unlikely to decline so easily or rapidly, given reality. In such a situation, there is an urgent need to secure appropriate investment. Their statements indicated that it is difficult and important to secure investment as capital discipline or how to use capital efficiently is highlighted amid high interest rates and inflation after the end of free money and ultralow interest rates under the super-easy monetary policy that had dominated the world until recently. Furthermore, we cannot overlook that policy changes can become constraints on necessary investment for the future, as symbolized by the recent U.S. pause on LNG export licenses.

I was impressed by the fact that symposium participants raised interesting questions from various perspectives regarding medium- to long-term energy market issues. With regard to geopolitical risks, it was pointed out that we should pay attention not only to factors that impede the passage of tankers but also to the possibility of oil supply disruptions as the situation in the Middle East worsens. It was also noted that the situation in Ukraine requires attention as attacks on energy-related facilities, including Ukrainian attacks on Russian facilities, have been seen again amid the stalemate war situation. It was also interesting to hear an argument that while there is a tendency to focus on the crude oil market when it comes to oil issues, how to secure sufficient petroleum product supply capacity may become an issue as the expansion of the world's oil refining capacity is rapidly slowing down, with the capacity expansion shifting to petrochemical production.

It is important that issues regarding materials required for promoting the energy transition were raised at the symposium. Participants were interested not only in the IEEJ Outlook's analysis on the impact of automotive electrification on critical minerals, but also in the expansion and sustainability of demand for various other materials for energy transition, such as copper, iron, aluminum, and cement. Analyses and arguments regarding copper among them attracted particular attention. With regard to copper, which is closely related to electrification itself and plays an indispensable role in the process of energy transition, it was impressive for me to see symposium participants noting that copper demand for a net-zero GHG emissions world is expected to far exceed the maximum potential supply, that copper supply shortages and a race to more secure copper resources may emerge because copper is an indispensable commodity for economic and industrial

activities in general, and that this situation should be recognized as an impediment to the development of developing countries, or the Global South. As uncertainties about the future of energy increase significantly and cause various issues, frank dialogue between stakeholders must be continued and enhanced as the first indispensable step to resolving those issues.

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