

**\* Session 2: “Oil Supply and Demand in Asia and Energy Security”**

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**“Saudi Arabia’s Oil Policy for the Asian Region”**

It is clear that oil demand in Asia will continue to grow at a high rate in the future, too. Economic development and high growth in Asia will create even greater energy demand, and oil, in particular, will become even more important. Most oil production in Gulf countries is for Asia. Oil has formed a single global market, and efforts to enhance strategic partnership must be made. It is important to promote cooperation in the field of oil and in the field of politics and economy, where all the parties share interests and profits.

I would like to emphasize main four principles of Saudi Arabia’s Oil Policy. The first is “moderation.” We always listen to the customers and proceed with negotiations based on the principle of fairness. To facilitate productive dialogue between producers and consumers, the head office of the International Energy Forum was established in Riyadh. The second is the importance of “international security for oil supply.” Saudi Arabia currently exports crude oil to three major regions—North America, Europe, and Asia—and produces 9.5 million barrels of oil per day. Saudi Arabia has been evaluated as the central bank in the field of oil, and we have taken this role seriously. The third is “stability of the international market.” We have supported the target price of OPEC, 22 to 28 dollars per barrel, as an appropriate price. Oil price levels that will damage global growth are unacceptable. Current changes in market price of oil are caused not by insufficient supply but by factors that the industry or OPEC cannot control. The fourth is “joint partnership” with consuming countries in Asia in the downstream sector. For example, a partnership in the field of oil refining has caused reorganization in the industry in the Asian market, creating more opportunities for investment aiming at cooperation in South Korea, the Philippines, China and Japan in the downstream sector. Through such partnership, it has become possible to deliver in a timely manner appropriate products that match the specifications of each refinery. This year, Saudi Aramco signed a memorandum of understanding with Sumitomo Chemical Co. and is going to construct a refining and chemical complex on the west coast of Saudi Arabia. Furthermore, Saudi Aramco will become the second largest stockholder, holding a 15% stake of Shell in Showa Shell Sekiyu K.K., and will provide crude oil to Showa-Shell

preferentially even in cases of emergencies. Saudi Aramco is also carrying out refining and chemical projects in Fujian in China, participating as a partner along with Sinopec Corp. and ExxonMobil Corp. Saudi Arabia has the capacity to provide crude oil to joint ventures in any country. We consider our relationships with Asian countries not as those of buyer and seller but as those of equal partners. Similar joint projects are expected to increase in the future.

In conclusion, we place extremely strong emphasis on the relationship between Saudi Arabia and Asia. Additional efforts are required to promote strategic cooperation in the field of oil and others. We feel that now is the time to take action.