

8th OPEC International Seminar and OPEC Award

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On July 5 and 6, the 8th OPEC International Seminar took place in a magnificent international conference hall at the Hofburg Royal Palace in Vienna. This seminar had been held around every three years until the 7th one in 2018. Due to the COVID-19 pandemic and other factors, however, the 8th seminar was the first one in five years. The seminar included opening speeches by Haitham Al Ghais, secretary general of the Organization of the Petroleum Exporting Countries, and Antonio Oburu Ondo, president of the OPEC Conference in 2023 and Equatorial Guinea's minister of mines and hydrocarbons, followed by a special session of Saudi Arabian Energy Minister Abdulaziz bin Salman Al Saud, four ministerial sessions and six high-level roundtables. The conference organizers estimated the number of participants in the seminar at about 1,000 including ministers from OPEC and non-OPEC members of the OPEC-plus group of oil-producing countries, representatives from energy-related international organizations, top management officials from international and national oil companies and world-renowned energy experts. They conducted lively and heated discussions.

In addition, an OPEC award presentation ceremony came at a gala dinner for the seminar on the evening of July 5. For the ceremony, OPEC introduced three new awards – the OPEC Award for the Best Energy Research Institute, OPEC Award for the Best Energy Research Paper, and OPEC Award for the Best Young Energy Professional – on top of the traditional OPEC Awards for Journalism and for Research and announced the winners of these awards. I was extremely honored to receive the OPEC Award for Research. In the following, I would like to summarize the important points that I felt at the OPEC seminar, instead of introducing the details of the seminar, and briefly comment on the OPEC Award.

First, I had an impression that OPEC or OPEC-plus oil-producing countries are acutely aware of their influence and their presence and importance in the global energy market, even in the face of various challenges and uncertainties about the future. Crude oil prices have fallen sharply from last year's peak above \$130 per barrel to less than \$80/bbl. The key West Texas Intermediate crude price slipped below \$70/bbl sometimes. Factors that have pushed crude oil prices downward include a global economic slowdown caused by interest rate hikes and financial instability in Europe and the United States and by the stagnation of the Chinese economy, which has driven global oil demand growth in the past decades. Even when OPEC-plus production cuts responding to weak crude oil prices and voluntary additional production cuts by Russia and Saudi Arabia were announced, crude oil prices failed to rebound significantly, remaining in the \$70-80/bbl range. In this sense, OPEC or OPEC-plus influence has not been positioned to visibly push up crude oil prices.

At the seminar, however, many remarks led me to feel that OPEC-plus oil-producing countries are confident that their coordinated production cuts, voluntary production cuts by some of them and messages sent through such actions to the international oil market play an extremely

important role in stabilizing crude oil prices. They seemingly believe that their presence holds the key to international oil market stabilization. While it is natural for the international oil market to have uncertainties, oil-producing countries seem to keenly recognize the importance of enhancing the clarity of the market outlook as much as possible and having a presence that can implement the enhancement. At a time when the strategic value of surplus oil production capacity to respond to unforeseen developments amid uncertainties is increasing due to the growing importance of energy security and stable energy supply and Western countries' urgent challenge to phase out dependence on Russia in the midst of the Ukraine crisis, the influence and presence of Middle East Gulf oil producers, especially Saudi Arabia, have grown significantly. In this way, it seems that these oil-producing countries fully understand that the world recognizes these countries as sitting in the driver's seat for the world oil market.

While feeling that oil-producing countries have become more aware of their own influence, I got the impression that they have grown interested in the effects of financial markets and speculative transactions and are conscious of checking the effects. I felt that oil-producing countries' growing interest in the impact of financial factors on oil prices at present is as remarkable as it was during crude oil price spikes in 2008. Recently, messages that oil-producing countries have been trying to send to the market have indicated that they have strongly been aware of financial factors. In addition to financial factors, the future response of OPEC oil producers, especially Saudi Arabia, will be closely watched, including the impacts of the ongoing production cuts on actual supply and demand in the international oil market in the second half of 2023 and beyond.

The second important point that I felt was that the awareness of the importance of oil, natural gas and LNG has strengthened. I also felt that the attitude of clearly speaking out the importance has been restored or strengthened. As a matter of course, however, headwinds against fossil fuels continue to exist even today or are likely to intensify in the midst of the trend toward strengthening decarbonization efforts to achieve carbon neutrality. The future of oil, natural gas and LNG has not necessarily become optimistic at all. Due to the Ukraine crisis, however, a stable energy supply has become an urgent and most important issue. The importance of securing a stable supply of fossil fuels as the current main energy source has been strongly recognized. In addition, there is a growing view that oil, natural gas and LNG will inevitably play an important role in the long transitional period towards carbon neutrality, even if efforts are to be strengthened to achieve carbon neutrality as a long-term goal. In response to these trends, the world of finance and the tone of mass media are changing. In light of these changes, I felt that hesitancy about speaking out about the importance of fossil fuels including oil, natural gas and LNG clearly has been diminishing in the Seminar.

In talks with my acquaintances who participated in the seminar, I described the situation as indicating that "fossil fuel strikes back" and got their consent and agreement for the description. Some saw my description as indicating an interesting view. Given that the seminar was hosted by OPEC and was held at the home ground of oil, natural gas and LNG, it goes without saying that such reaction to my view should be discounted. However, I felt that oil and gas stakeholders' future prospects and their sense of insecurity have changed significantly from two years ago. If the future energy transition is promoted through various paths, with pragmatic initiatives being emphasized, discussions on fossil fuels may indicate new developments and undergo new impacts.

Finally, I would like to make a brief comment about the OPEC Award. It was an incredible honor and pleasure for me to win the OPEC Award for Research. This is because I knew this award and its past winners very well. The past six winners, including Professor Robert Mabro (1st, 2004)

and Professor Paul Stevens (3rd, 2009), are world-renowned experts who can be called legends in this field. They are all pioneers, and some are my former teachers/supervisor. I have the feeling of being inspired by the award. I take this prestigious award as giving me an opportunity to renew my belief that I must improve myself further.

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