

At the 9th IEA-IEF-OPEC Symposium on Energy Outlooks

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On February 27, the ninth IEA-IEF-OPEC Symposium on Energy Outlooks took place in the Saudi Arabian capital of Riyadh. Since the first one in January 2011, the symposium has been annually held in Riyadh as part of dialogue between oil producing and consuming countries. At the latest symposium, representatives from the three sponsoring international organizations, government officials from major countries, energy industry stakeholders and experts vigorously discussed short-, medium- and long-term global energy outlooks under the Chatham House Rules. For the background of the symposium's inauguration and discussions at the initial stage, see the 28th, 118th and 157th issues of "A Japanese Perspective on the International Energy Landscape." The symposium was inaugurated as a forum between the International Energy Agency representing oil consuming countries and the Organization of the Petroleum Exporting Countries representing oil producing countries as mediated by the International Energy Forum, created for dialogue between oil producing and consuming countries. It is designed for the IEA and OPEC to open their respective energy outlooks and discuss them frankly from various angles along with other participants for the grand purpose of stabilizing the international energy market. Through the nine symposiums, dialogue between oil producing and consuming countries have deepened. I attended the first, third and fourth ones before participating in the latest one after a lapse of five years in which I had scheduling conflicts.

On February 28, the fifth IEF-KAPSARC Thought Leaders' Roundtable was opened at the IEF headquarters. As at the IEA-IEF-OPEC symposium on the previous day, representatives from international energy organizations, government officials, industry stakeholders and experts took part in the meeting cosponsored by the IEF and the King Abdullah Petroleum Studies and Research Center (KAPSARC), a Saudi Arabian energy think tank, discussing the theme titled "Sustainable and Competitive Energy Supply: the Role of Efficiency and Innovation" under the Chatham House Rules. In the following, I would like to make comments on impressive points at the two meetings.

First, the frankest impression of the IEA-IEF-OPEC symposium was that the meeting has deepened as a forum for technical discussions on energy outlooks. In the first few meetings in which I participated in the past, representatives from oil producing and consuming countries clashed or had heated debates based on their respective positions. A frequently quoted opinion was that the symposium was designed for oil producing and consuming countries to overcome their clash to continue dialogue by focusing on technical discussions about energy outlooks. At the latest meeting I attended after the long lapse, I felt that the symposium has gone in the initially planned direction, realizing vigorous but cool discussions between experts.

As for short-term oil market outlooks, the IEA forecast global oil demand in 2019 as relatively robust, while OPEC gave a relatively prudent prediction. Both predicted substantial growth in non-OPEC oil supply in 2019. However, OPEC forecast an even faster increase than an

IEA-projected rise. The forecast call on OPEC, or demand for OPEC crude oil required to achieve a supply-demand equilibrium in the international market, was lowered by 0.1 million barrels per barrel from 38.8 million bpd for 2018 to 38.7 million bpd for 2019 by the IEA and 0.9 million bpd from the same level to 37.9 million bpd by OPEC. The greater cut by OPEC in the forecast call on OPEC was interesting, indicating that OPEC is more cautious about the future international oil market and oil prices.

It may be needless to note that longer-term energy market outlooks are exposed to more uncertainties. At the latest symposium, various interesting arguments were made about the impacts of climate change and energy policies, the impacts of technological innovation and the future course of the shale revolution. How the future picture of fossil fuels would change amid energy transition and how oil and gas would be positioned amid the transition were a grave matter of interest for oil producing country and energy industry stakeholders who attended the symposium. In this respect, arguments were made about the peak oil demand problem. Various views were given about the future course and effects of an electric vehicle boom since 2018. While electric vehicles are predicted to substantially diffuse, views are divided on whether the diffusion's impact would be great enough to reduce global oil demand. Factors exerting influence on demand for oil for vehicles alone are numerous, including not only power train changes but also automatic driving, ride-share and car sharing practices, changes in the whole picture of mobility and fuel efficiency improvements for internal combustion engine vehicles. I felt that when oil demand will peak or how fast oil demand will decline after peaking would be more important than whether oil demand will peak or not. Even in a world where oil demand will peak, we should remember that massive oil will still be required in the world and that it will be important to secure investment in oil supply to meet the demand.

Both the IEA and OPEC in their long-term outlooks predicted that shale oil production would peak in the second half of the 2020s. Whether shale oil production would peak is also a matter of great concern to them. Only a decade has passed since the shale revolution started. All stakeholders are still learning about the impact of the revolution. Whether and when U.S. shale oil production will peak will exert great influence on the future course of the international oil market and the United States' energy dominance. After predicting U.S. oil production to moderately expand over a long term, the U.S. Energy Information Administration in its latest outlook forecast that U.S. shale oil production will peak and decrease moderately in a reference scenario. The outlook for peak production of shale oil might have stemmed from a too rapid increase in production in the past several years. It will be important to follow up on shale oil production trend.

At the IEF-KAPSARC Roundtable, very interesting arguments were made about the pursuit of greater efficiency and the roles of innovation in oil and gas industry value chains. Particularly impressive for me were growing arguments about and rising interests in hydrogen. While we see new trends such as the electrification of vehicles, a run-up to a possible oil demand peak and growing needs for low-carbon gas under the enhancement of climate change countermeasures in Europe, a growing matter of concern is that existing oil and gas resources could become unburnable over a long term. Amid such concern, the utilization of CO₂-free hydrogen has attracted attention as one of the approaches that contribute to energy security and fundamental decarbonization. CO₂-free hydrogen can be made not only from renewable energy but also from fossil fuels combined with carbon capture and storage technology. At the Roundtable, numerous presentations and vigorous arguments were made about such hydrogen utilization as a way to balance the effective utilization of fossil fuel resources with decarbonization. As a matter of course, numerous technological, economic and social hurdles exist against the development of a CO₂-free

hydrogen society. A long period of time will be required to overcome these hurdles. Interestingly, Roundtable participants noted that international and government-industry cooperation would be important for promoting CO₂-free hydrogen and pointed to the significance of last year's ministerial meeting on hydrogen and of international discussions on hydrogen and relevant cooperation toward a Group of 20 summit this year. Impressively, it was pointed out that persistent initiatives based on long-term viewpoints and integrated strategies and policies would be significant for climate change countermeasures and energy security.

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