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Ladies and gentlemen,

Let me start by thanking the ACP-EU Joint Parliamentary Assembly for the opportunity to address such a distinguished gathering. And, given that the specific focus of today's assembly is "the problems of energy in African, Caribbean and Pacific countries", I feel honoured that OPEC, its Members all developing countries themselves, has been asked to present its views.

This is especially timely for us because it comes less than a fortnight after the Third Meeting of the EU-OPEC Energy Dialogue in Brussels. The two parties at that ministerial-level meeting welcomed it as a further step in constructive dialogue between petroleum producer and consumer countries and reaffirmed their mutual interest in stable, transparent and predictable oil markets. They also recognised the important contribution the Energy Dialogue could make to broader challenges facing mankind, in particular sustainable development and the eradication of poverty.

I would like to initially draw attention to the draft report put before the Joint Parliamentary Assembly today and specifically pick out mention of the 17 July 2002 communication from the European Commission to the Council and the European Parliament that focuses on energy cooperation with developing countries. The communication calls for energy to account for a greater share of development aid and stresses the central role it plays in three areas: the social dimension, the spotlight here being on poverty reduction; the economic dimension, where security of supply is underlined; and the environmental dimension.

At OPEC, we identify with these dimensions and acknowledge that the three must go hand-in-hand in order to ease the plight of other developing nations, in particular by helping them pursue the goals of sustainable development. As an Organization, we do this in many ways: through the OPEC Fund for International Development that was set up in 1976 with the mandate to "reinforce financial cooperation between OPEC Member Countries and other developing countries and promote South-South solidarity"; through many other multilateral and bilateral aid institutions of which OPEC countries are active members; and in the provision of energy.

The social dimension was never more evident than at the World Summit on Sustainable Development in Johannesburg in 2002. With 1.1 billion people currently living on less than \$1 a day, the Summit declared, at the highest international level, a global commitment to establish a strong link between poverty eradication and sustainable development. In fact, poverty eradication comes first on the list of the eight Millennium Development Goals. Directly supporting this goal is the eradication of energy poverty.

For the 1.6 billion people in developing countries lacking access to modern energy services, energy is not about what many in the developed world take for granted: the pumps being full, the public transport system working effectively, or the car starting up every morning. It is instead about having basic energy services as a means of eradicating poverty and enhancing their standard of living from very low levels. Notwithstanding this, of course, the eventual goal must be equality between the developing and developed worlds in energy services and social provision.

We must, therefore, ensure that international attention remains firmly focused on the current state of poverty, and the directly associated concern of energy poverty, in developing countries. OPEC concurs with the central objective of the ACP-EU Partnership Agreement that highlights the reduction and eventual eradication of poverty in line with the objectives of sustainable development and the gradual integration of ACP countries into the world economy.

Talk of the world economy leads me onto the economic dimension and the role energy plays in providing a solid, stable platform for growth. As developing countries, OPEC Members appreciate the two key elements of this dimension: first, energy as a commodity, and secondly, revenues from oil sales. Both of these are integral in driving economic development. However, OPEC Members also recognise that many developing countries have no exploitable energy resources, and this can obviously impact upon the prospects for economic and social progress.

As I mentioned earlier, the OPEC Fund plays a significant role in helping the socioeconomic development of other developing countries. To date, the OPEC Fund has committed nearly US \$8 billion in grants and loans. And, with regard to the oil market, OPEC remains unswerving in its commitment to stabilising the market at prices acceptable to both consumers and producers. Given the current level of oil prices, let me take this opportunity to explore this commitment in more detail.

Since its establishment in 1960, OPEC has been committed to market stability and to ensuring an efficient, economic and regular supply of oil to consumers. Recently, it has accelerated its capacity expansion plans, despite significantly rising costs, to help meet future growing demand for its oil and offer an adequate level of spare capacity, for the benefit of the world at large. In fact, I would like to stress that current supply levels are ahead of demand, as the present comfortable levels of stocks in OECD countries demonstrate. There is — let me hasten to add — no shortage of supply.

So what are the key drivers impacting upon the oil price? Downstream tightness, due very much to a lack of refining investment from consuming countries, as well as increased speculative activity in the futures market and geopolitical developments, are certainly having a pronounced effect on prices. These are all issues that extend beyond OPEC's reach.

We appreciate the concerns underlined in the ACP-EU draft report about the strains that recent price levels for oil and gas are having on the balance of payments of ACP States. Let me reiterate that OPEC's priority is market stability, but this can only be achieved with the support of other stakeholders, especially the major consuming nations. Hence the importance of such Energy Dialogues as that between the EU and OPEC.

Let me also briefly touch on the report's mention that the current price levels for hydrocarbons are leading ACP countries to consider renewables as an energy resource. Of course, renewables have a role to play in the global energy mix, but what needs to be remembered is that this can only be a small role for the foreseeable future. Moreover, this role will probably be more significant in industrialised countries that possess the resources and technological know-how. For the developing world, however, it is far too early to expect these still embryonic technologies to provide cost-effective solutions.

According to all forecasts, fossil fuels will continue to provide the overwhelming share of energy for decades to come. Therefore, they have a major role to play in sustainable development and providing energy services to the poor. In fact, it should be stressed that, just as oil played a key part in fuelling the development of the industrialised countries in the 20th century, it should be allowed to make a similar important contribution to supporting growth in developing world economies in the future.

It should also be remembered that it is the industrialised countries that are, and will continue to be, the major global energy consumers. As a result, this needs to be taken into consideration when we focus on climate change concerns. All this, however, does not alter the fact that OPEC Member Countries remain committed to working with all parties to achieve sound and balanced environmental initiatives that address such concerns.

Nevertheless, this should not undermine the ability of developing countries to pursue their legitimate goals of economic and social advancement. This statement should be kept in mind when we focus on the environmental dimension. For example, OPEC recognises that meeting environmental challenges can provide a great opportunity for all developing countries to leapfrog some of the technology steps that industrialised countries have taken during their industrialisation process. However, they cannot do this without considerable cooperation and assistance from industrialised countries.

Given the need for environmental protection and the expected leading role for fossil fuels going forward, this cooperation and assistance becomes very apparent in the promotion of cleaner fossil fuel technologies that offer cost-effective solutions, such as carbon capture and storage. In conjunction with enhanced oil recovery, the development of these technologies offers a win-win opportunity.

In line with the principle of 'common but differentiated responsibilities', OPEC believes that industrialised countries should take the lead in the development of carbon capture and storage technologies, in particular in funding and executing large demonstration projects. The Clean Development Mechanism of the Kyoto Protocol should also be adapted to facilitate the application of cleaner fossil fuel technologies in developing countries.

It is clear that the social, economic and environmental dimensions of energy outlined by the ACP-EU draft report are interlinked. What needs to be understood is that this direct linkage should be taken into consideration when examining the means of meeting the goals of these three dimensions. OPEC stresses that the evaluation of the available energy resources to meet these goals should be undertaken in accordance with objective criteria, such as reliability, affordability, economic viability, social acceptance and environmental soundness.

First and foremost, however, what needs to be emphasised is that alarming disparities continue to exist between developed and developing countries. Eliminating these disparities must be viewed as an international priority. OPEC believes that overcoming them and meeting the challenges of poverty eradication, economic growth, energy security, climate change and sustainable development requires a comprehensive and balanced approach.

Thus we welcome enhanced dialogue and cooperation, such as that set up last year between OPEC and the EU and which is already being translated into concrete plans of action, as we witnessed a fortnight ago in Brussels.

Thank you.