



**COUNCIL OF
THE EUROPEAN UNION**



Brussels, 28 June 2010
11624/10
PRESSE 195

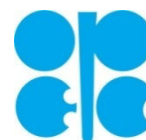
EU-OPEC Energy Dialogue

7th Meeting

Brussels 28 June 2010

Joint Conclusions

P R E S S



EU-OPEC Energy Dialogue

7th Meeting

Brussels, 28 June 2010

Joint Conclusion

EU-OPEC Energy Dialogue

The seventh Ministerial-level meeting of the Energy Dialogue between the European Union (EU) and the Organization of the Petroleum Exporting Countries (OPEC) took place in Brussels today.

Representatives of the EU included: Günther Oettinger, Commissioner for Energy, European Commission; Paul Magnette, Incoming President of the EU Energy Council, Minister for Climate and Energy of Belgium and Alfonso Gonzalez Finat, Special Advisor for energy, Ministry for Industry, Tourism and Trade of Spain.

Representatives of OPEC included: Wilson Pástor-Morris, President of the OPEC Conference, Minister of Non-Renewable Natural Resources of Ecuador; Masoud Mir-Kazemi, Alternate President of the OPEC Conference, Minister of Petroleum of the Islamic Republic of Iran; and Abdalla Salem El-Badri, Secretary General of OPEC.

Participants drew attention to the fact that this year's meeting was taking place against the backdrop of continued financial constraints and economic concerns, although there are signals that the global economy is emerging from the crisis, albeit at different paces in different regions. This crisis has been having a profound impact on the Member Countries of both parties to the dialogue.

In the meeting, the important role that the dialogue, now in its sixth year, has been playing in facilitating constructive exchanges between the parties to help restore stability to the markets, in the interests of producers and consumers alike, was underlined. This is also in the spirit of the 12th International Energy Forum, held in Cancun, Mexico, in March 2010, and the conclusions of which the participants fully supported.

During his introductory keynote speech, the EC Commissioner for Energy, Gunther Oettinger, highlighted the need for the EU to respond in a compelling manner to those European citizens who felt uncertain or threatened by oil production activities in EU waters. The best answer to these rightful concerns was, he said, to openly discuss all relevant factors, and express the will to take all necessary measures to improve safety. This is what the Commission, the European Parliament and EU Member States were doing currently. To ensure the highest quality of actions taken, the EC considers that close cooperation with all relevant partners is a crucial factor. In this connection, the Commission is proposing to organize a joint EU-OPEC roundtable with the aim of exchanging views on this crucial matter.

The Secretary General of OPEC, Abdalla Salem El-Badri, in his opening address, reiterated the ongoing investment drive in OPEC Member Countries in the petroleum industry, both upstream and downstream, despite the disruptions and uncertainty caused by the oil price volatility. In an industry where the upfront investment is large and the lead-times are long, reliable market signals and predictable energy policies become critical to pursuing the investments in a timely and adequate manner. This is all the more important for the oil-producing countries in drawing-up their investment strategies and allocating their precious financial resources to capacity-expansion. He highlighted the central role of technology in addressing environmental challenges, in particular the enormous potential of carbon capture and storage. Skilled manpower, however, is a prerequisite to support even the most advanced technology, and here current shortages must be addressed. He reiterated the concerns voiced by EU Commissioner Oettinger that it is important to assess the Gulf of Mexico incident and introduce appropriate measures.

The first session of today's meeting included a presentation on the latest set of policies recently adopted by the Commission to enable it to effectively further the EU's energy policy in line with its three goals: sustainability, competitiveness and secure energy. The Commission commented that EU oil demand would be affected by the efforts to increase energy efficiency, decoupling oil demand to a certain degree from economic growth, while imports are expected to remain broadly stable through 2030. In order to minimise the risk of facing excessive oil price volatility in future, the Commission highlighted the importance of all parties taking part in joint actions that improve transparency in oil and gas data as well as concerning investments in the whole oil and gas value chain. Additionally, the Commission's presentation highlighted the actions undertaken recently by the Commission to coordinate the efforts of Member States and market stakeholders to improve safety in offshore oil operations, following the accident and continuing oil spill in the Gulf of Mexico.

The OPEC Secretariat presented its current assessment of oil market developments. In the aftermath of the global financial crisis, all major economies have returned to positive growth, albeit at different paces in different areas. Nevertheless, real challenges lie ahead. These include: high unemployment, the temporary nature of stimulus packages, rising debt, and the lagging recovery in household consumption. Global demand for oil is expected to resume growth in 2010, attributed entirely to the non-OECD area. On the supply side, the current state of fundamentals reflects ample oil supply, as seen in the significant level of oil stocks overhang, in addition to a sizable cushion of OPEC spare capacity, exceeding 6 mb/d. The OPEC Secretariat also noted that the influence of financial markets on crude prices deserves further attention with crude prices closely following movements in equity markets and the US dollar, and higher liquidity providing more investment opportunities in the futures market. Persistent volatility and larger uncertainties deserve careful attention, to dampen their negative impact on market stability.

The participants reiterated their mutual interest in stable, transparent, and predictable oil markets. The meeting also repeated its conviction that, in order to minimise the risk of facing excessive market volatility, adequate regulatory reforms, including greater transparency, need to be part of an overall reshaping of the global financial sector. The EU-OPEC Energy dialogue will continue to analyze and discuss the root causes of the recent financial crisis and economic recession, including the financial losses incurred by producing countries. In addition, actions which help prevent a repetition of damaging economic down-turns are needed.

In the second session, the emphasis shifted further into the future, and participants looked at global economic developments and the longer-term energy outlook. The EU gave a presentation on the most recent economic and financial developments.

OPEC presented its views on the long-term oil prospects. The economic recession, together with the introduction of new energy and environmental policies in many consuming countries, could add to longstanding uncertainties about future demand. This could have considerable implications for future upstream and downstream investment requirements, re-emphasising again the issue of security of demand.

Nevertheless, both OPEC and the EU noted that fossil fuels would continue to meet most of the world's energy needs, with oil playing the leading role. Both parties maintained a firm focus on meeting longer-term challenges, in spite of the many hardships caused by the present world economic crisis. Moreover, the reciprocal nature of energy security was emphasized, with security of demand recognised as being as important to producers as security of supply is to consumers.

Both parties agreed on the importance of sharing information on future demand and supply scenarios. They also recognised the benefits and increasing importance of the Joint Oil Data Initiative, in which both institutions participate.

Turning to broader-based global issues, the EU and OPEC reaffirmed their commitment to the principles of sustainable development, with its three mutually supportive pillars of economic development, social progress and protection of the environment, as well as recognition of the special needs of the world's poorest communities.

In the third session, on **the status and future activities of the EU-OPEC dialogue**, EU and OPEC representatives welcomed the progress that had been made on joint activities since the sixth meeting of the Energy Dialogue, held in Vienna, Austria, on 23 June 2009.

First, a progress report on the study "Impact of the use of bio-fuels on oil refining and fuels specifications" was presented. This study was launched jointly in 2009 to answer a question which was crucial to both OPEC and the EU, namely: the blending of bio fuels with oil products may have an adverse impact on the crude oil refining and fuel specifications?

Secondly, a summary of the conclusions of the feasibility study on an OPEC-EU Energy Technology Centre was presented to the meeting. The EU-OPEC Energy Dialogue has identified energy technologies as one of the most important areas for cooperation. The study analysed the pros and cons of options for the establishment of the centre. A dedicated joint EU-OPEC Task Force will oversee the completion of the study. Both sides will also pursue the identification of adequate budgetary sources. Subject to successful completion of the study and identification of budgetary resources on both sides, the Task Force will report to the next Ministerial-level Meeting in June 2011 on possible further steps.

And thirdly, a progress report on the study on the impact of the economic crisis on oil investments was presented. The context of the study is the massive upheaval witnessed in the recent past, with the world having faced a global financial crisis and the deepest recession in six decades. And, although the potential adverse impacts of the crisis have now eased, it is likely that its effects will continue to be felt. The study will focus upon these developments and the lessons that can be drawn. A workshop will be organised during the second quarter of 2011 to present the conclusions of this report.

The two parties considered the following joint EU-OPEC activities for the coming year:

- The organization of an international roundtable on the challenges facing offshore oil and gas exploration and production activities, especially the issue of offshore safety in Brussels, early 2011, inviting their respective national and international experts and regulatory authorities, as well as the industry to exchange views on what is still needed and possible for increasing safety in offshore oil and gas installations.
- A study to explore the potential of technological advances in transportation and the time-frame for their introduction in different regions, and to assess their impact on oil demand.
- A roundtable to examine the causes of the skilled workforce shortage in the energy and oil industry, as well as to address the conditions needed to sustain the development of long-term skilled human resources.

After discussing these matters and reviewing the overall progress of the dialogue, the meeting agreed with the activities proposed for the coming year, and invited the OPEC Secretariat and the Commission services to report thereon to the 8th Ministerial Meeting.

- The 8th EU-OPEC Ministerial Meeting is scheduled to take place in June 2011 in Vienna.