



International
Energy Agency

Secure • Sustainable • Together

Energy Investments in Light of Current Market Conditions

Fatih Birol, Executive Director

Istanbul, 2 October 2015

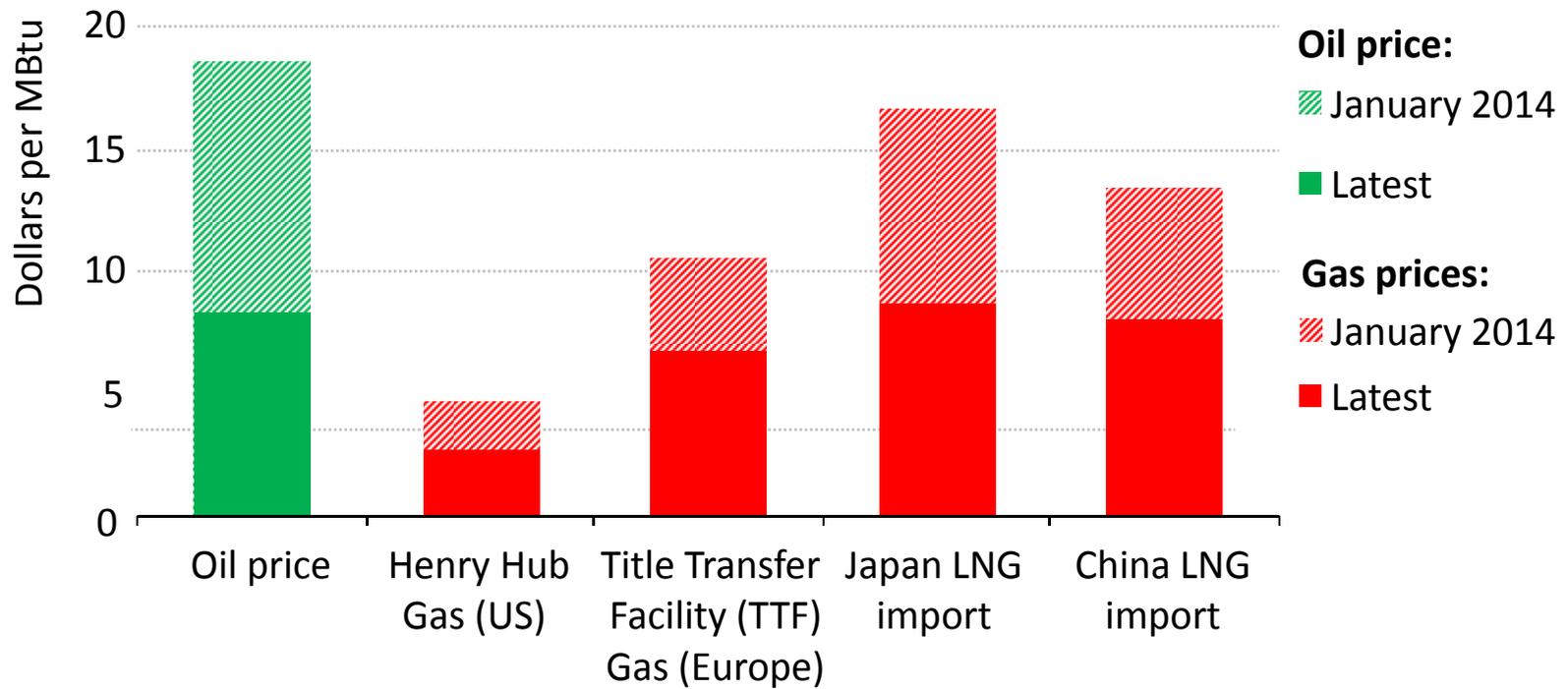
www.iea.org

Oil market context

- **Buoyant supply, led by North America and weaker global demand helped to bring oil prices down – but for how long?**
- **Lower prices are curtailing many companies' upstream investment plans, with implications for future production**
- **Oil demand is picking up, but the rebound is constrained by broader economic uncertainties & by efficiency policies**
- **A market rebalancing is under way, but working off the overhang in global oil supply may take time**

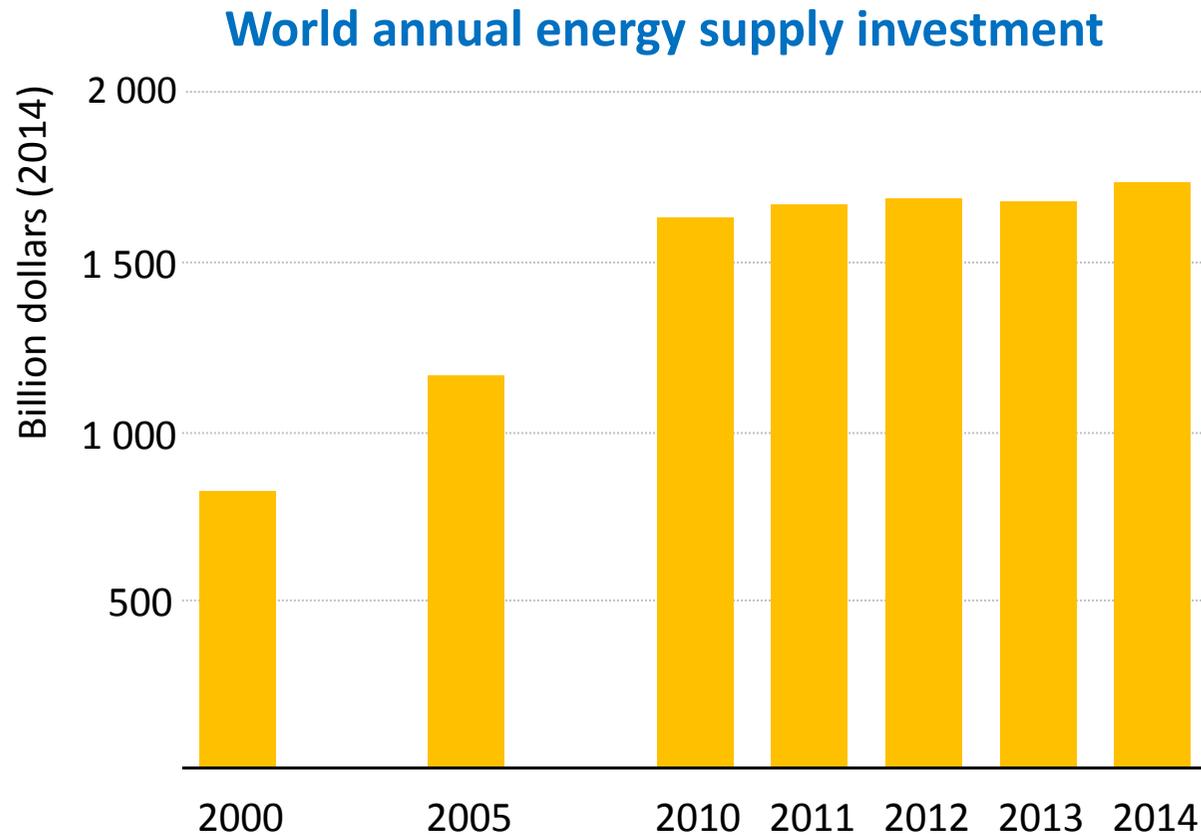
It's not only oil

Oil and natural gas prices, 2014-2015



Amid signs of over-supply for both fuels, oil & gas prices have tumbled since 2014 & the divergence between different regional gas prices has narrowed sharply

Is energy investment now set to fall?

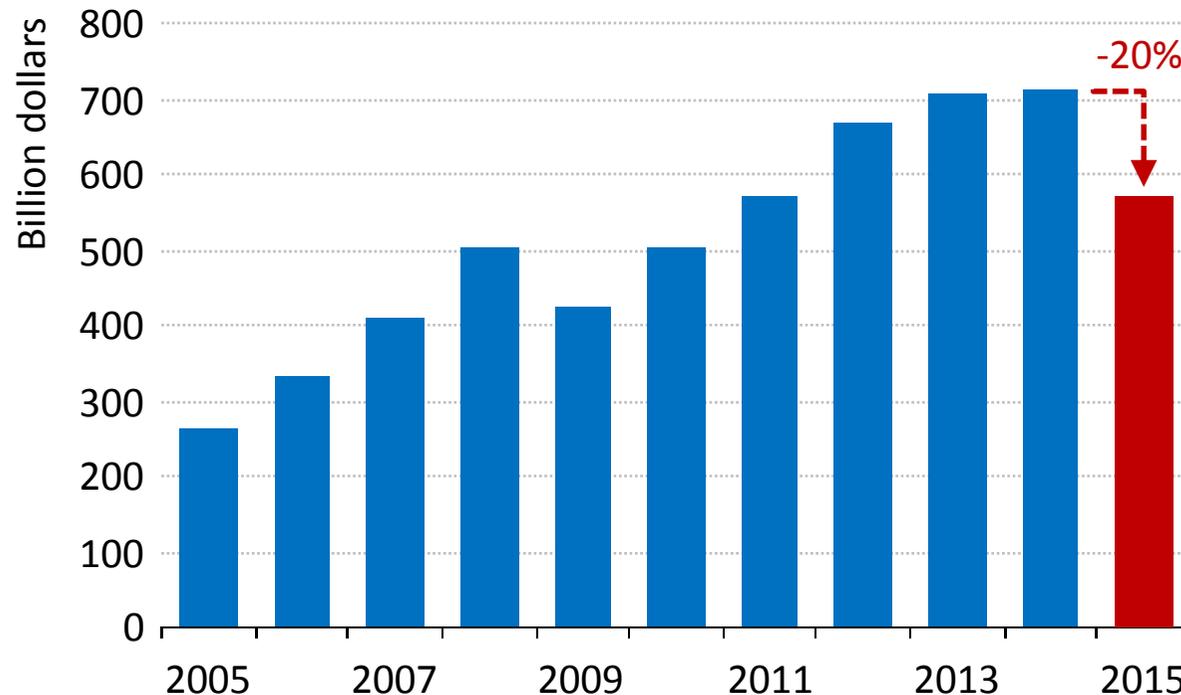


World Energy Investment Report (2014), IEA

\$1.7 trillion was invested in 2014 to provide consumers with energy, a figure that has more than doubled in real terms since 2000

Lower revenues are hitting upstream oil & gas investment

World upstream oil and gas capital investment



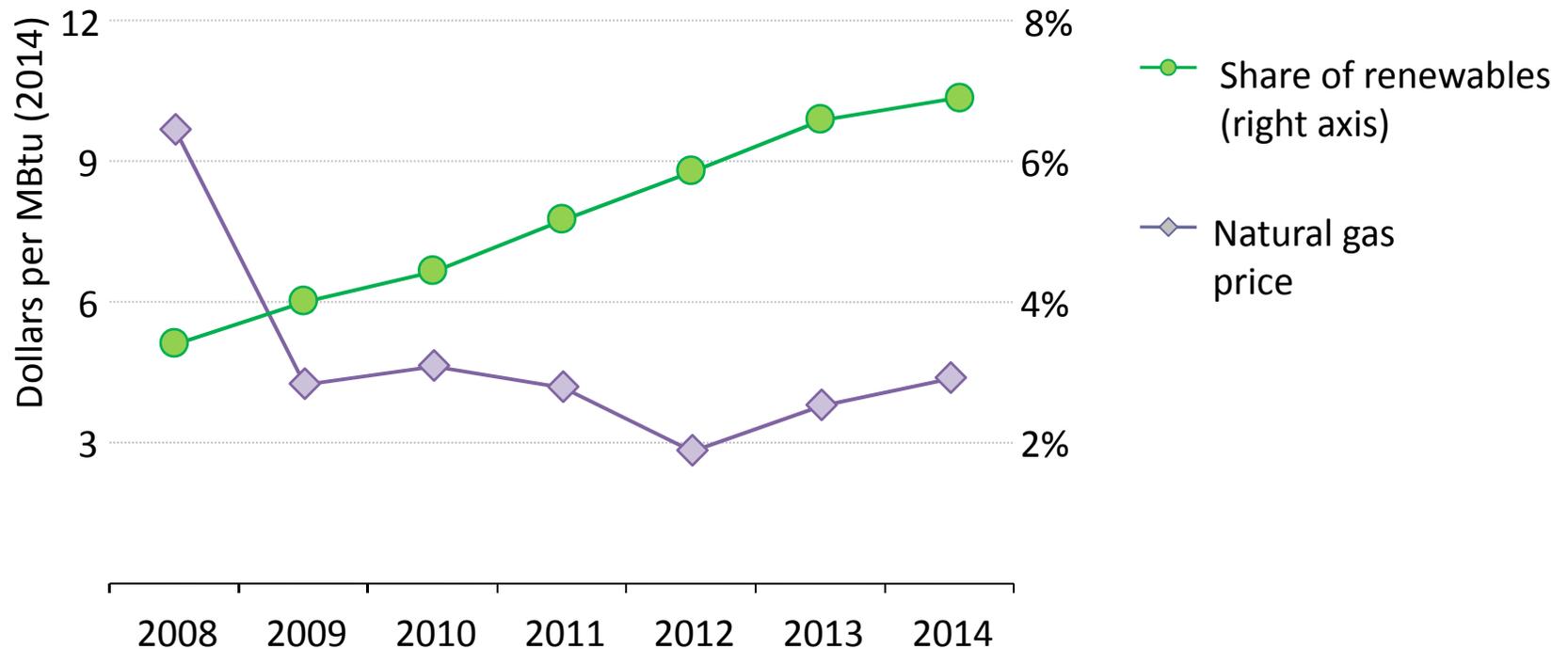
Capex cuts are highest (at up to 40%) in North America, but pressure is widely felt – also in Iraq – & compensated only in part by cost reductions for services & supplies

Risks and opportunities for energy efficiency

- **Energy efficiency is a cost-effective way to meet multiple policy goals: economic development, energy security, environmental**
- **Three-quarters of car sales now covered by efficiency standards, but will consumers see the incentive to choose efficient models?**
- **Lower prices mean longer payback periods for some efficiency improvements: will households & industry be discouraged?**
- **Lower world prices an opportunity to reform fossil-fuel subsidies**

Renewables can still thrive in a low-gas price world

Natural gas prices and the share of non-hydro renewables in the US power mix



Deployment of renewable technologies depends on policies in most countries, so a change in prices alone does not derail their advance

Concluding remarks

- **The fall in the oil price is squeezing investment, boosting demand – market adjustments ahead**
- **Pressure on natural gas prices is amplified by new LNG supply, a windfall for gas consumers but a threat to new projects**
- **Investment in renewables stays strong while costs continue to fall, but government support is still crucial**
- **Lower prices could hold back efficiency investment, lock in a less-efficient capital stock & delay the much-needed energy transition**
- **The eased market conditions that we see today are no reason to be complacent on energy policies**



International
Energy Agency

Secure • Sustainable • Together

- 
- A large, semi-transparent image of a globe showing the continents of North and South America, serving as a background for the slide.
- ***Energy Security***
 - ***Environmental Protection***
 - ***Economic Growth***
 - ***Engagement Worldwide***

www.iea.org