Your excellencies, ladies and gentlemen, it is a great pleasure for me to address this conference today. And it is a pleasure to be on this panel with such familiar and close colleagues.

Before we begin our discussion, I want to share with you our view about how the position of gas but especially oil might evolve over the coming years, based on our Medium Term Oil Market Report. And also over the coming decades, as analysed in our annual World Energy Outlook.
But let’s start with a broad view on energy demand. The energy map is changing – and the centre of gravity is shifting towards non-OECD countries, which we expect to account for the lion’s share of demand growth over the next two decades.

Yet while the geography of energy is changing dramatically, we don’t see similarly dramatic changes when it comes to the energy mix. In 2010, more than 80% of the energy used in the world consisted of fossil fuels. Despite rapid deployment of renewable energy technologies, particularly for power generation, by 2035 the share of fossil fuels falls only to 75%. Among the fossil fuels, natural gas is the only fuel that increases its share in the global mix, catching up with coal; but oil still remains the largest single source of global energy.

But that is not sustainable. The demand growth and the energy mix that we see here would put the world on track to miss – by a distance – its target to limit the long-term rise in average global temperature to 2 degrees Celsius.

This implies continued pressures within the energy system to reduce further the role of fossil fuels, or to find ways to break the link between their combustion and the resulting emissions. But indeed – whichever path we choose – fossil fuels are set to remain a fundamental part of the global energy picture for many decades to come.
Within the oil and gas sectors, there are also very important changes underway that are shifting the foundations of the global energy system.

The clearest example of this is the extraordinary resurgence in oil and gas production in the United States, which we see continuing until well into the 2020s for oil and even further for gas.

The effects of this revolution are already being felt well beyond the United States – and indeed well beyond the energy sector.
In the medium term, as a region, the Americas replace the FSU space as the non-OPEC growth leader in oil production.

And US light, tight oil, along with increased Iraqi production, leads to a more robust supply picture over the next several years than we have seen recently.

Around 20 percent of liquids growth comes from Iraq and 40 percent from North American light, tight oil and oil sands.
That supply picture, coupled with an emerging-market slow-down and generally lower demand growth, raises the prospect of a more comfortable supply/demand balance in the medium term.

And yet while spare capacity recovers, geopolitical uncertainties remain. Indeed, above-ground risks, both geopolitical and mechanical, have become a hard reality.
Looking at the longer term, the rise in US production is one of the factors that contributes to a fundamental reorientation of global oil flows. That is especially when you consider it together with our projection of declining demand for oil in the US market, largely as a result of new US fuel efficiency measures.

The result is a rapid fall in the US requirement for imported oil, at the same time as demand for imports rises sharply across many of the emerging economies in Asia.

If we look at the implications for exports from the Middle East in 2035, you see how oil trade is increasingly pulled east; towards China – which becomes by far the largest oil-importing country – and India.

It is not difficult to imagine how these changes could re-shape the geopolitics of energy over the coming decades.
Some of the same dynamics are in play for natural gas - although you don’t have a single global market for gas, but rather three separate regional markets.

Each has its own specificities and ways of pricing gas and, as we see very strongly at the moment, its own price levels.

Right now, the contrast between expensive Japanese LNG imports and low US shale gas prices is raising the issue of gas market integration at the regional and even global level. And we do anticipate that the connections between regional markets will grow as companies look to take advantage of new opportunities for trade.

So the picture for natural gas trade by 2035 looks much more diverse than today. The supply picture becomes more varied, with Australia, North America and East Africa all bringing new supplies to international markets.

On the demand side, growth in gas consumption is concentrated in non-OECD markets, with Asia again leading the way. So the focus for international trade in natural gas also switches much more prominently towards these markets.

As unconventional gas production increases and as LNG trade grows and becomes more flexible, so we anticipate that this will put continued pressure on conventional gas suppliers and on traditional oil-linked pricing mechanisms for gas.
Bringing the oil and gas picture together, it is striking to see the different trends that we observe among major importing countries.

Even where we see a spread of unconventional oil and gas production, most major importing countries and regions become more dependent on oil and gas imports over the period to 2035.

By 2035 the EU, China and India all depend on imports for more than 80% of their oil consumption and also see gas import dependence increase.

By contrast, the share of imports in US oil consumption is halved, and the country becomes a small but significant exporter of gas.
Before concluding, I would like to bring one additional element to this discussion – one that we emphasise strongly in the latest World Energy Outlook. That is the issue of energy efficiency.

In our analysis, the potential is there for a transformative shift in global energy efficiency, which has long been a major failing of energy policy making in many parts of the world.

There are some signs that this is rising up the policy agenda, but we’re not on track to take advantage of more than a fraction of the gains that are on offer.

We looked in the WEO just at those efficiency measures that are known and that make good economic sense, without any grand new technological breakthroughs.

If these were realised, you would halve the growth in energy demand – compared with the levels in our central New Policies Scenario. This would take almost 13 million barrels a day off projected oil consumption in 2035, and almost 700 billion cubic metres off gas demand.
So let me just conclude with three specific messages.

First, the revolution brought on by unconventional extraction, and particularly fracking, will have major impacts on global oil markets in the same way it is doing for gas. Sometimes even the best forecasts are unable to keep up with reality, as we have seen with the expansion of North American light-tight production.

That is good news for an oil market that has been particularly tight in recent years. We are optimistic about more comfortable balances in the medium term – even if the picture after 2020 changes again in our longer-term outlook as non-OPEC supply levels off and then starts to fall back.

But secondly, changes in both the oil and gas markets as well – combined with those in other markets – mean that the global energy map is being redrawn. Those shifting foundations – including the focus east, new supply sources, and intense interactions between fuels and global markets – will have to be underpinned by huge investments; more than $800 billion per year in the oil and gas sectors alone.
And finally, against a complex and shifting energy backdrop, one area stands out for its potential to help achieve multiple goals. Increased action to improve energy efficiency would pay handsome dividends – improving energy security, boosting economic growth and helping to tackle climate change. And when it comes to oil, the transport sector is a good place to start. While internal combustion engines are likely to continue to dominate over the next 20 years, we need to improve their efficiency dramatically and prepare the infrastructure now so that other technologies can come to market on a mass scale later.

Thank you very much.