Ladies and gentlemen, I am very pleased to be with you today to share the findings of the 2013 edition of the World Energy Outlook.

The World Energy Outlook provides our annual assessment of the latest developments in global energy markets and analyses the potential paths that energy and climate trends could take in the coming decades.

Our main objective is to give policy makers the insights needed to make judgements about our energy future, and to inform sound decision-making.

I am mindful that many of those policy makers are now gathered in Warsaw to make important assessments of climate policies and decisions about advancing them. The findings we will discuss today are therefore particularly timely.

As the IEA has said many times, greenhouse-gas emissions – two-thirds of which come from the energy sector -- are still on a dangerous course. If we stay on the current path, we will not come close to the internationally agreed goal of limiting the rise in global temperatures to 2 degrees C.

But that is not the only persistent problem in the energy sector that requires long-term solutions.

Access to modern energy – a basic form of energy security – continues to elude almost a fifth of the world’s population.

For billions more, any true sense of energy security is undermined by high energy prices. It is now more than five years after the onset of the global financial crisis, yet the recovery remains fragile; for many consumers and businesses, energy prices remain stubbornly high. Alarmingly, oil prices have averaged over $110/barrel since 2011. Such a sustained period of high oil prices is without parallel.

Security, sustainability, and economic prosperity – this is the classic “energy trilemma” that we face.

With that in mind, let me turn to this year’s WEO. There are of course many findings and analyses in a book of this size, but let me mention three that address and link each part of that trilemma.

The first has to do with oil, the focus fuel of this year’s WEO. Last year we wrote that North American developments were helping to redraw the global energy map. Indeed, many of the changes we highlighted have only become more rapid and more pronounced since then.

Technology and high prices are unlocking new supplies of oil – but of course also gas – that were previously thought to be out of reach.
Yet while unconventional production may herald the dawning of a Golden Age of Gas, it does not necessarily create an era of oil abundance.

New supplies of unconventional oil will help reduce OPEC’s share of supply over the next decade. Other new sources will also contribute, such as oil from Brazil – our focus country this year.

But the Middle East is still the only large source of low-cost oil. And we expect it to take back its role as the dominant source of oil supply growth from the mid-2020s.

Still, all new sources of oil will be crucial to meeting increasing global demand to 2035. Oil demand growth will be like energy demand growth generally – geographically uneven – barely changing in the OECD and shifting further to Asia and the Middle East.

At the nexus of supply and demand are energy prices, which remain a live issue in political debate – especially in terms of affecting competitiveness. This year’s WEO addresses this issue head-on, and this is the second area I want to cover.

I mentioned the high oil prices we have seen since 2011 and their impact on economic well-being. There has also been a substantial widening of the gap between natural gas prices in the United States, Europe and Asia. Electricity price differentials are also large between regions.

This is key in our globalised world, where energy costs can be vital to the competitiveness of energy-intensive industries.

So what’s the picture going forward?

In the central scenario of the WEO, the difference in regional natural gas and electricity prices narrows somewhat but remains pronounced. These energy price disparities impact industrial competitiveness.

The United States, which experiences relatively low energy prices, sees a slight increase in its share of global exports of energy-intensive goods, providing the clearest indication of the link between relatively low energy prices and the industrial outlook. Conversely, the shares of the European Union and Japan both decline relative to current levels.

Key to adapting to higher energy prices over the longer term will be efficiency – what we have called the hidden fuel and, more recently, the first fuel.

WEO-2013 highlights the importance of taking advantage of potential efficiency gains in order to maintain competitiveness – and this is my third point.

Energy efficiency will be essential to getting that balance right – and I am pleased to say that it has become a focal point of energy policies. As we have emphasised in the WEO series this year, there are pragmatic strategies that governments and industry can pursue to reduce energy use and emissions that are either GDP-neutral or positive for economic growth.

Still, two-thirds of the economic potential for energy efficiency is set to remain untapped in 2035 – unless market barriers like fossil fuel subsidies can be overcome.
So while unconventional production can provide energy security by meeting growing demand, it can also affect relative competitiveness and market development. Efficient and interconnected markets will be key to addressing price differentials. And energy efficiency will be crucial to maintaining competitiveness as well as playing the principal role in achieving a sustainable energy system.

---------------

Major changes are emerging in the energy world in response to shifts in economic growth, efforts at decarbonisation and technological breakthroughs. For decision makers trying to reconcile economic, energy security and environmental objectives, it is essential to be aware of the dynamics at the heart of today’s energy market. We have the tools to deal with such profound market change. Those that anticipate global energy developments successfully can derive an advantage, while those that do not risk taking poor policy and investment decisions.

I think that this edition of the World Energy Outlook will provide useful insights that can help policy makers, but also industry and other stakeholders, to find their way in a fast-changing energy world.

So without further delay, I would like to turn the floor over to IEA Chief Economist, Dr. Fatih Birol, who directed the report, to present its detailed findings.

Thank you.