

133rd Meeting of the Economic Commission Board
Opening Remarks
HE Mohammad Sanusi Barkindo
Secretary General
Via Videoconference
Vienna, 3 June 2020

Distinguished Delegates and Colleagues,

Good morning and welcome to this **133rd Meeting of the Economic Commission Board** – our first meeting held by videoconference.

OPEC and its esteemed **Member Countries** have broken a lot of new ground throughout the crisis spawned by the **COVID-19** pandemic. Through virtual meetings like this, we have ushered in the **largest stabilization effort** in oil market history; carried out global discussions to expand knowledge and awareness about the unprecedented **economic** and **oil market challenges** we face; held the 156th Meeting of the Board of Governor’s just last week; and continue to maintain the important day-to-day work of the **OPEC Secretariat** and the services we provide to **Member Countries**.

Before I shed more light on these accomplishments and review with you the general market conditions, let me welcome the two newest members of the Board, Mr **Fernand Epigat of Gabon** and Mr **Mohammed Saadoon Mohsin of Iraq**.

We look forward to your constructive contributions to this Board.

Esteemed Members of the Board, colleagues,

In **December**, our **Member Countries** – together with our partners in the ‘**Declaration of Cooperation**’ – proactively adjusted production by **500,000 b/d** to a then-record **1.7 mb/d**. This decision demonstrated the resolve of all **participating countries** to ensure **market stability** and **predictability** going into **a new year** – and indeed **a new decade**.

But no one could have predicted the **fast-moving situation** that would transpire with **COVID-19**. In a very short time, a **wave of shock** and **mounting uncertainty** swept aside the **hopeful start to the year and the new decade**.

At the **178th (Extraordinary) Meeting** of the **OPEC Conference** on **March 5th and 6th**, the full market impact of **COVID-19** was unclear. In fact, the **World Health Organization** (WHO) did not declare a pandemic until **March 11th**.

Little did we know at the time that the **epicentre of COVID-19** would make a dramatic shift from one continent to another, extending the economic destruction and oil market meltdown.

Over the past three months, we have experienced an **economic** and **oil market collapse** without precedent. Even the most pessimistic outlooks for 2020 that were discussed during the **132nd Meeting of this Board** last **November** look a world away now. We are on a completely different page, given the economic and market realities we face today in the face of the tragic COVID-19 pandemic.

Today, the fight against **COVID-19** is far from over. We still do not know what the future holds. With well over **6 million** cases worldwide, and more than **370,000** lives lost so far, the risks of a sharper downturn remain until we have a safe and effective means to protect against this deadly virus.

Let me briefly highlight a few **points of comparison** using data from our last meeting and the latest assessments we have before us today.

In November, we projected global economic growth of **3.0%** in **2020**. Notably, there was a great degree of positivity among attendees at the **World Economic Forum Meeting in Davos, which took place January 21st-24th 2020**. Looking forward, various leaders and commentators were optimistic regarding the prospects for the global economy in 2020. How times have changed!

We now expect a severe recession with the world economy shrinking by **3.4% this year**, following global economic growth of **2.9%** in 2019. All our Member Countries are heading into recession.

Subject to further lockdown measures and health-related developments, the risk to the global forecast remains skewed to the downside.

Seven months ago, we expected world oil demand to grow by **1.08 mb/d** in **2020**. Our latest projection shows a historic decline of nearly **9.1 mb/d** this year. The worst impact is likely to be in the **second quarter**, mostly in OECD Americas and Europe, with transportation and industrial fuels affected the most. Global demand for the year is likely to be around **90.6 mb/d** – with higher consumption expected in **2H20** than in **1H20**.

Furthermore, the current crisis is a serious blow to **investment**. The market collapse has already pushed petroleum companies over the edge and poses an existential threat to others in the oil industry.

We now expect **CAPEX** in **non-OPEC countries** to plummet by **23%** y-o-y in **2020**, to about half the **\$741 billion** record set in **2014**. This puts highly **skilled jobs**, **innovation** and advances in **efficiency** at risk at a time when the industry – and the global economy – need them the most.

For our **Member Countries**, the current circumstances and financial setback will sharply curtail efforts to **diversify**, finance **technological innovation**, and invest in the **energy transition**.

As market conditions continued to deteriorate at the end of **1Q20** and the start of the **second quarter**, it became clear that urgent action was needed. Key stakeholders from around the world were lining up behind the **DoC** countries to support **proactive**, **pre-emptive** and **decisive** action to prevent a total market meltdown.

Between **April 9th and 12th**, we held two **Extraordinary Ministerial Meetings** of the **OPEC** and **non-OPEC** countries in the **DoC**. In addition, we participated in the **Extraordinary G20 Energy Ministers Meeting** (April 10th) under the able chairmanship of the **Kingdom of Saudi Arabia**, which holds the presidency of the G20 this year.

Action was needed, and act we did. The production adjustments agreed at the **April 2020** meetings, totalling **9.7 mb/d** for two months, followed by phased reductions in the adjustment levels over a further **22 months**, were unparalleled in **scope and duration**. The two-year period for output adjustments demonstrated the **full commitment** of all stakeholders to achieve common goals.

Some **OPEC Member Countries** – led by **Saudi Arabia**, the **United Arab Emirates** and **Kuwait**, along with **Oman** – have gone further with **additional**

voluntary adjustments of around **1.2 mb/d**. These contributions helped to reduce the risk of tank tops and offered fresh assurance and confidence to the market.

Another pivotal outcome of the **April** meetings has been the encouragement and outpouring of support the DoC participants have received. This support came from the very highest levels of government, and from the very largest global oil producers. The largest producers acknowledged their mutual interdependence, and the benefits of working together to return confidence to the global oil market.

In addition, we have seen commitments from **independent producers**, and engagement from the **G20** and other **international bodies**, on the need for proactive and coordinated action to stabilize the world's most important energy source. There are stakeholders in **Canada, Norway, Colombia, Brazil** and many other producing nations who have added their support to broader collaboration to stave off further erosion of the market.

Following the April DoC meetings, we organized and hosted a series of virtual round-table briefings with select **energy policymakers** and experts from **international institutions, consulting firms**, the **oil industry**, the **financial community** and **think tanks** from around the world. These include **CITI Group, IHS Markit**, the **Atlantic Council's Global Energy Center**, **Columbia University's Center on Global Energy Policy**, the **Center for Strategic and International Studies** in Washington D.C., and **McKinsey & Company**.

These roundtables also featured the **European Commission**; and oil consuming countries, such as **China** and **India**.

The discussions provided a productive and timely platform to exchange views on the historic outcomes of the **Ministerial Meetings**, the unparalleled economic and oil market conditions resulting from **COVID-19**, and the public health measures taken to control the pandemic.

It is important to note that these roundtable briefings began during '**Black April**', a month of strikingly unprecedented developments and extreme volatility. During the month, we witnessed the largest collapse in global oil demand of around **24 to 26 mb/d**. And, of course, there was a day that shook the market to its foundations, when on **April 20th** the price of **NYMEX WTI** in the futures market plunged by **\$56/b** to **minus-\$37.6/b**, the first ever plunge into negative territory. In other words, sellers were paying buyers!

The drop came one day before the expiry of the front-month **May WTI contract**, amid low liquidity; a delivery problem for physical May crude at the Cushing hub with traders rushing to reserve storage capacity given expectations that tanks would reach maximum capacity in the coming weeks; and with some speculators still holding open contracts scrambling to exit long positions.

This all created a severe **squeeze on the market**. It has been described as “dramatic”, “scary” and “visceral”. WTI broke below **\$1**, less than a half hour before the settlement, but in those final **30 minutes** it dropped another **\$38!**

The actions taken by **OPEC+** in **April** stopped short the race to zero dollar oil. The decision taken by our Members, and our partners in the DoC, has been pivotal in reducing volatility and bringing back some semblance of stability to the market.

Holding the recent energy roundtables during such an exceptional time has proven to be of enormous strategic importance by drawing on the expertise of leading **analysts, scholars** and **economists**. They have reinforced **OPEC**’s image as a leading force in achieving a **stable** and **secure** energy supply for the world. They have demonstrated again our desire to maintain the momentum in achieving broad and inclusive **dialogue** and **cooperation**. They have provided a deeper understanding of the **market** and **conditions** affecting it.

It was further noted during these productive discussions that the **rebalancing process** may be longer than anticipated under the prevailing uncertainties and downside risks, and given that global inventories appear to be continuing to build, albeit at a much lower rate than the record pace of late March and April.

The pace of the global economic rebound – particularly given the very uncertain economic paths of the world’s two largest economies, the **US and China** – as well as a recovery in global trade, will be central to the oil market’s revival.

It is clear that the **post-pandemic world** will be much different and require **thorough** and **forward-looking reflections**. It will take time for a new equilibrium to emerge, not only in terms of a balanced market, but among producing countries as well.

No individual **stakeholder** can have all the answers. It is only by reaching out and deepening the **dialogue** between reputable institutions that we can provide a better and broader sense of the rapidly evolving energy landscape.

We continue to work closely with the **International Energy Agency** – including regular consultations – and **International Energy Forum** to ensure open lines of communication between producers and consumers. Together, we collaborate to ensure access to **accurate, timely** and **transparent data** about the markets.

Let me also convey my gratitude to all the **OPEC Member Countries** for their support, and their solidarity, throughout this unparalleled international emergency. Moreover, it is a moment to pay our greatest respects to the governments of our Member Countries on their extraordinary efforts to contain the pandemic that has enveloped the entire humanity.

The challenges created by the **COVID-19** tragedy will require special attention to ensure that the **OPEC Conference** has access to quality and timely **data, market information**, and **fact-based assessments** on current and projected conditions.

In addition, it is essential that the **Joint Ministerial Monitoring Committee** of the DoC is equipped with the latest and best information so it can make apt and timely recommendations under rapidly changing circumstances. Strategic decisions can only be made when underpinned by up-to-date and in-depth analysis. Indeed, the link between **transparent data and better predictability**, and a **secure and sustainable energy supply**, will grow in importance in the months and years to come.

Esteemed Members of the Board, colleagues,

As you are aware, the deliberations and output from these **Board** meetings provide the basis upon which key decisions are made by the **Ministerial Conference**. We are constantly striving to improve our research and deepen our analysis to provide the best possible input to this **Board**.

I would like to thank the **OPEC Secretariat Staff** for their dedication and forbearance throughout this stressful emergency. I applaud all the work they put into ensuring that this and all the important business of the **Organization** takes place without interruption and in compliance with the Austrian government's containment regulations.

Work is in earnest to finalise the release of the 55th edition of the **Annual Statistical Bulletin** and the 14th edition of the **World Oil Outlook** in **November**.

This year's **WOO** extends the outlook by another five years, to **2045**. It will feature a chapter on the major uncertainties related to future oil demand and supply, taking into account factors such as the impact of the **COVID-19** pandemic. A version of the WOO will be provided to the **Special Meeting of this Board** in September this year. Your valuable input will feed into the final publication of the **WOO** in early November.

I would point out that these are not only important sources of information for our **Member Countries**. They are must-have publications for the **industry, the media, analysts** and many other stakeholders. Our publications – along with the regularly updated data and information that we make available through our website – add enormous value to the **Organization's** strategic outreach to the broader community. They also underscore our commitment to **dialogue, cooperation** and **transparency**.

As we approach the **60th Anniversary** of **OPEC** in September, the Secretariat will publish a tome on the history of the **Organization** to date. It will chronicle the many great moments over the years – including the **challenges** we have overcome through **cooperation**, and the **opportunities** we have embarked on through shared purpose and vision. It will be a timely reflection of **six decades** of **OPEC** history in the year of COVID-19.

I am confident that this **Organization** will emerge from the current challenging and unprecedented times more **united, stronger** and more **forward-looking**. We are not out of the woods yet. But the historic **OPEC+-led** response to the current crisis is already helping to **reduce volatility, stabilize** the oil market, and to provide a **platform for recovery** and **growth** in the coming months and years.

Our **meeting** this time is shorter than planned given the special circumstances and virtual environment.

We will also keep the **presentations** – which were shared with you in advance – very focused to allow sufficient time for discussion. We will do our utmost to run an **efficient** meeting in keeping with the schedule.

Thank you.
