

## 2016 Energy Outlook

### Speakers:

Aldo Flores-Quiroga, International Energy Forum, Secretary General

Tatiana Mitrova, Energy Research Institute Russian Academy of Sciences, Head of Oil and Gas Department

Tim Gould, International Energy Agency, Resources and Investment, Head of Unit

International oil prices were at high levels in 2008, yet have recently plummeted dramatically due to oversupply. The impact has been felt around the world, as oil price is a key factor in driving the global economy. With the nuclear deal negotiation between Iran and the U.S., as well as the slowdown of China's economy, the future of oil prices has become even more unclear. At the 16th World Knowledge Forum, held at the Shilla Hotel in Seoul on October 21<sup>st</sup>, 2015, experts of the energy sector discussed their outlook on oil prices and shared their insights on the current situation, as well as the potential changes for the upcoming year.

When oil prices began to fall, many did not expect that it would adjust so drastically.

"Nobody saw it coming," said Aldo Flores-Quiroga, Secretary-General of International Energy Forum. "It took us from the second half of last year until the end of the third quarter to understand what was happening with demand and supply."

According to Tatiana Mitrova, Head of Oil and Gas Department at the Energy Research Institute Russian Academy of Sciences, there are many conspiracy accusations about the cause of the decline. Russians blame the Americans, the Americans accuse the Saudi Arabians of destroying the U.S. industry, and Saudi Arabia believes it's all part of America's plot.

"Major market players are actually accusing each other of some nasty plan," Dr. Mitrova mused. "[Yet the cause] is mainly supply and demand imbalance." Although there is an oversupply of oil, he said, demand is very low.

The current situation is also quite curious. Because of high oil prices, OPEC and non-OPEC producers were inspired to invest more, and the shale gas revolution took off in America.

"So it's quite a paradoxical situation, where all the producers, despite the declining prices, are increasing production [to get returns on their investment]," said Dr. Mitrova.

As for the future oil situation, the experts were reluctant to make any concrete predictions.

"One key lesson from this experience is that [for] most price forecast and expectation... it's very difficult to suggest for the future," said Dr. Flores-Quiroga. "There is quite a high level of uncertainty."

There are many factors to consider. Iran will be a major one, due to its ongoing nuclear deal negotiation with the U.S.

"There is a clear pathway for Iran to emerge in post-sanction environment and there is a lot of oil in storage, and there is spare capacity," said Tim Gould, Head of Unit at Resources and Investment at the International Energy Agency.

Additionally, there is the problem of prolonged high production volumes, a low economy in China, and tensions

among different countries due to policies. According to Dr. Mitrova, this is precisely why it is difficult to make accurate predictions.

“[Even] the most acute observers of the market don’t have the tools to be able to predict these kinds of things,” explained Mr. Gould. “It takes time to pull through.”

But experts still can offer some solidity.

“I foresee quite a considerable rebalancing of the market later on, by 2018-2019,” said Dr. Mitrova. Although the market is becoming extremely volatile, she believes it is reasonable for the prices to be around 40-60 US dollars per barrel.

Although the outlook is still unclear, at least the balance can be expected to be restored.

Reporter: Selina Lee