

Navigating the Emerging Energy Transition



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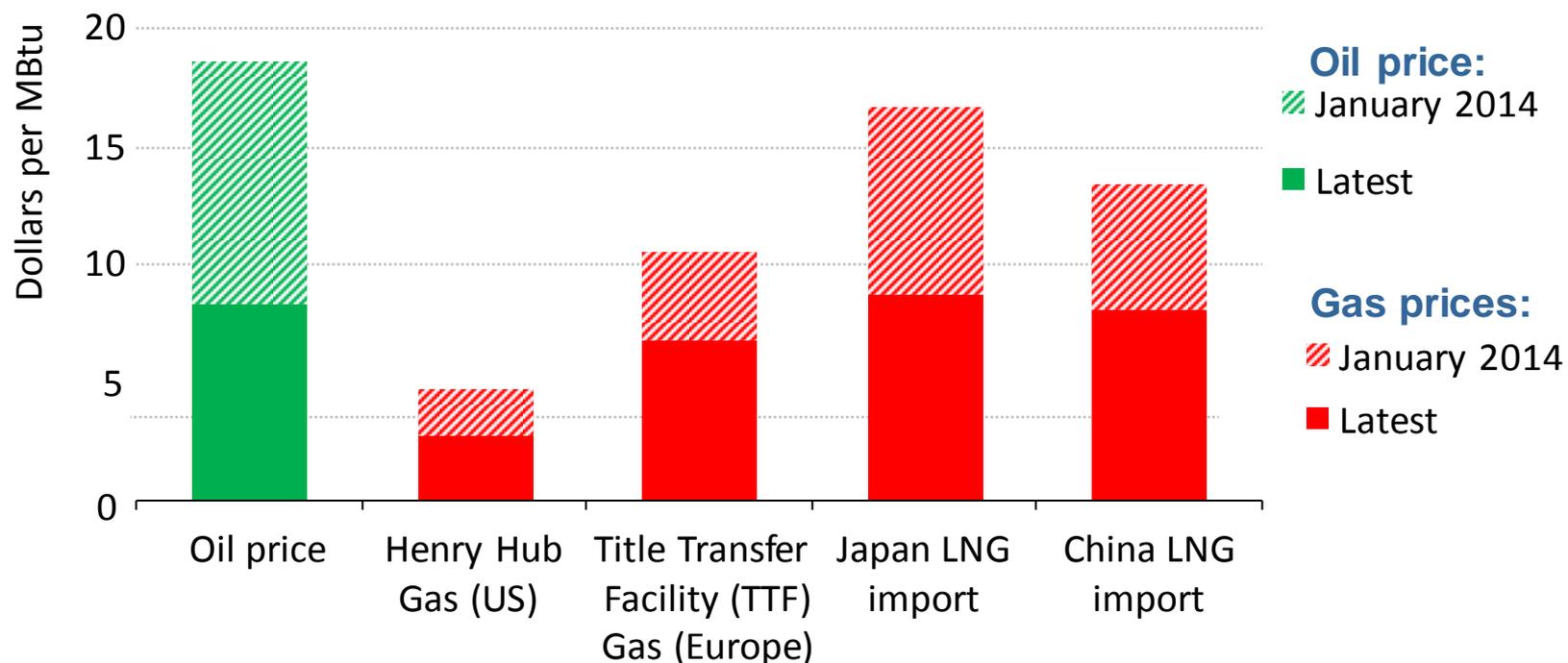
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An energy system in transition

- The fall in energy prices has been a welcome boost to consumers, but should not disguise difficult road ahead
 - *Cutbacks & cost-efficiency the new watchwords for the upstream*
 - *Turmoil in the Middle East raises doubts over future oil balance*
- Momentum is building in run up to COP-21 climate summit in Paris
 - *Flattening in global CO₂ emissions a turning point, or a pause?*
 - *Ongoing reforms to fossil fuel subsidies, but at \$500 billion they remain over four-times those to renewables*
 - *Renewables growing strongly & increased emphasis on energy efficiency*
- Will change in global energy be led by policies, or driven by events?

The great plunge in energy prices

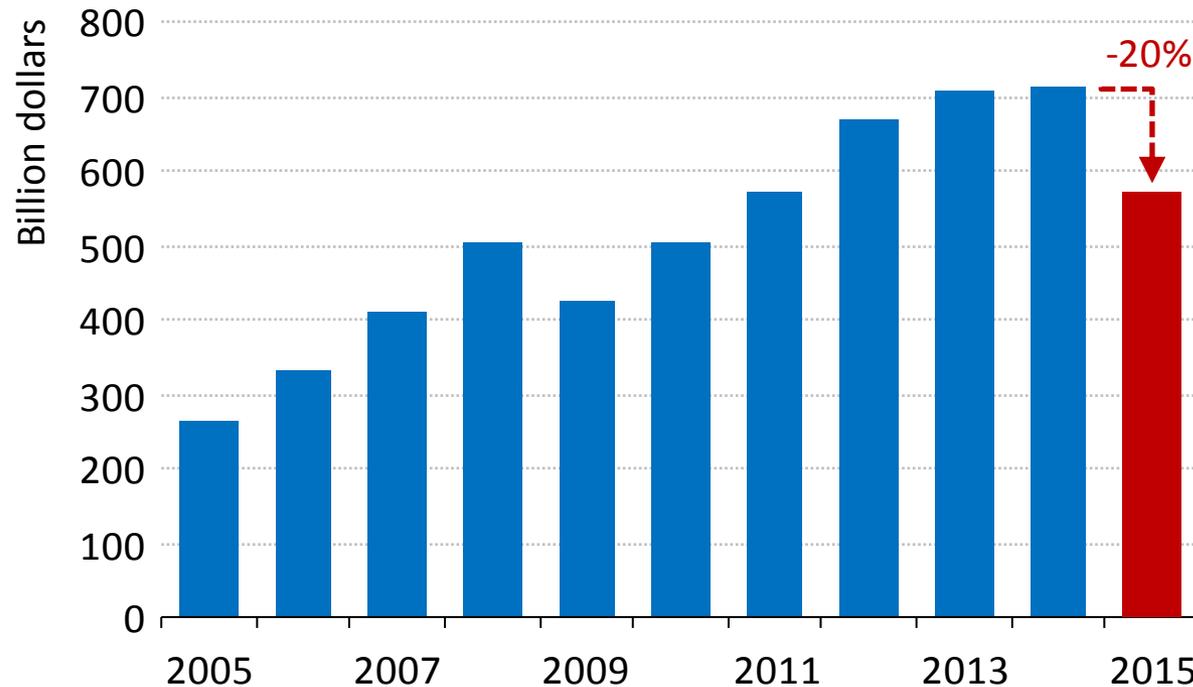
Oil and natural gas prices, 2014-2015



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

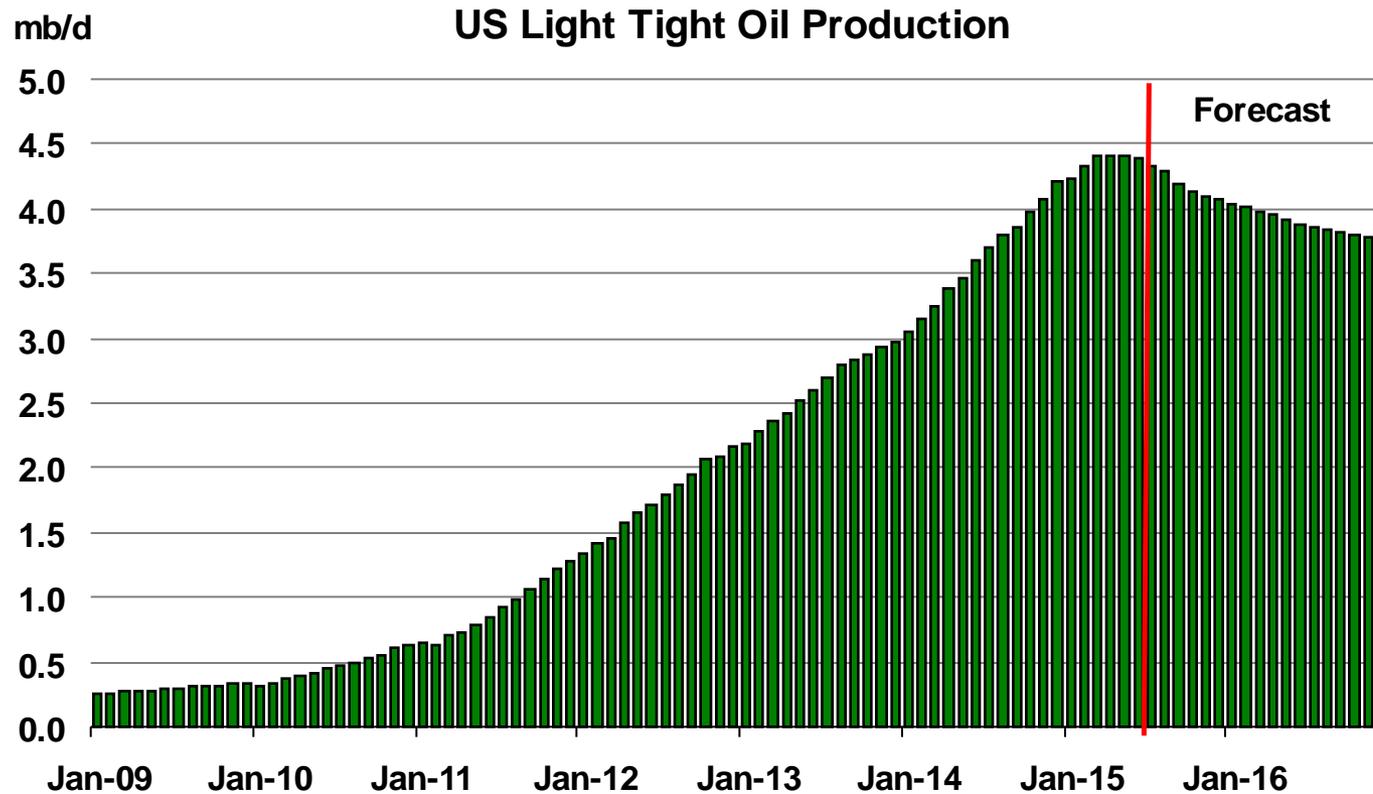
Lower revenues are hitting upstream oil & gas investment

World upstream oil and gas capital investment



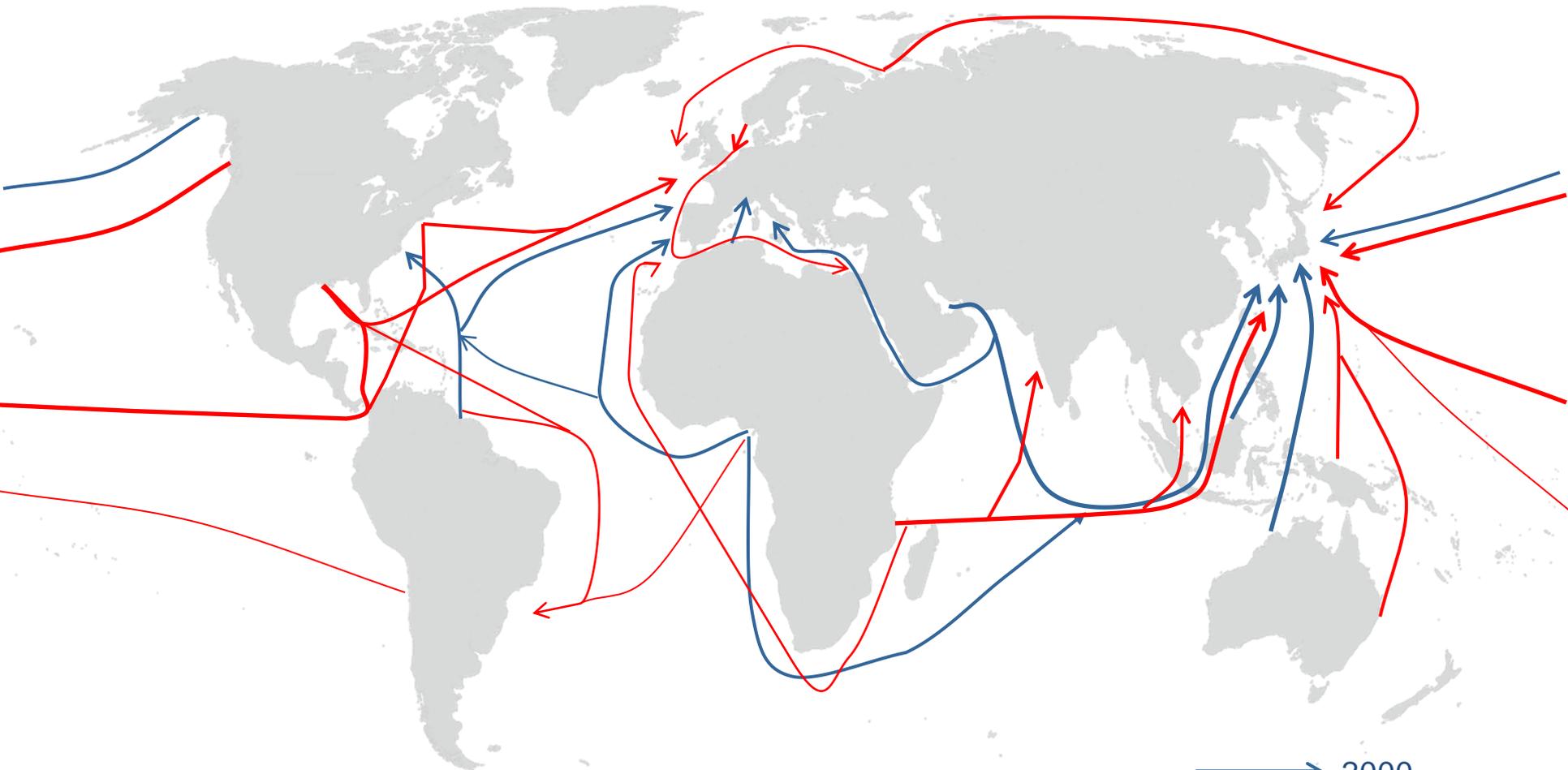
Capex cuts are highest in North America, but pressure is widely felt and compensated only in part by cost reductions for services & supplies; more cuts expected in 2016 if low prices persist

Sharp decline looms for Light Tight Oil



Following remarkable growth over recent years, the fall in oil prices is expected to see US Light Tight Oil output decline by 400 kb/d in 2016

LNG trade keeps on expanding supported by increasing demand across the globe

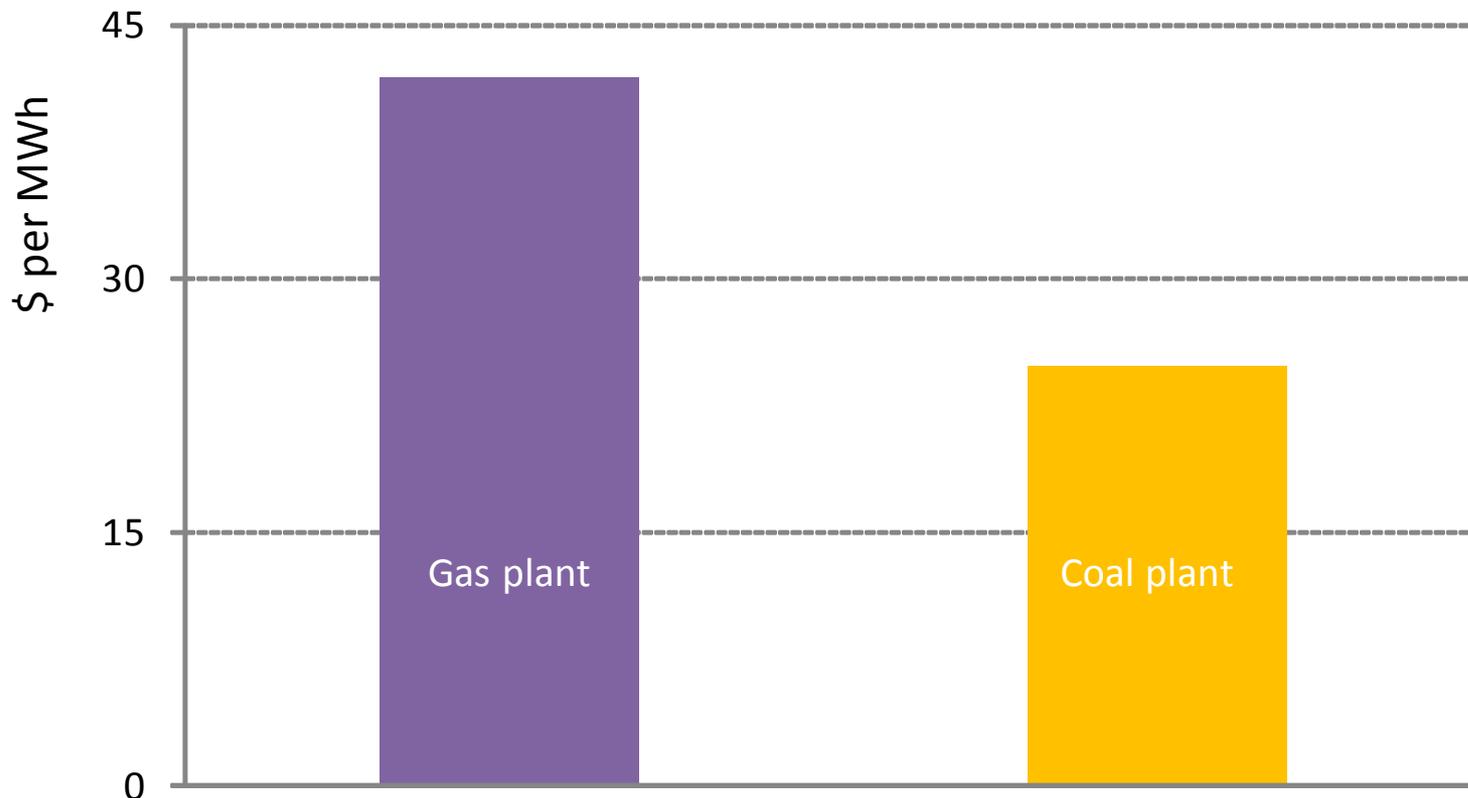


LNG is basically the only option to deliver gas from continent to continent

—→ 2000
—→ 2020

But coal will not disappear quickly

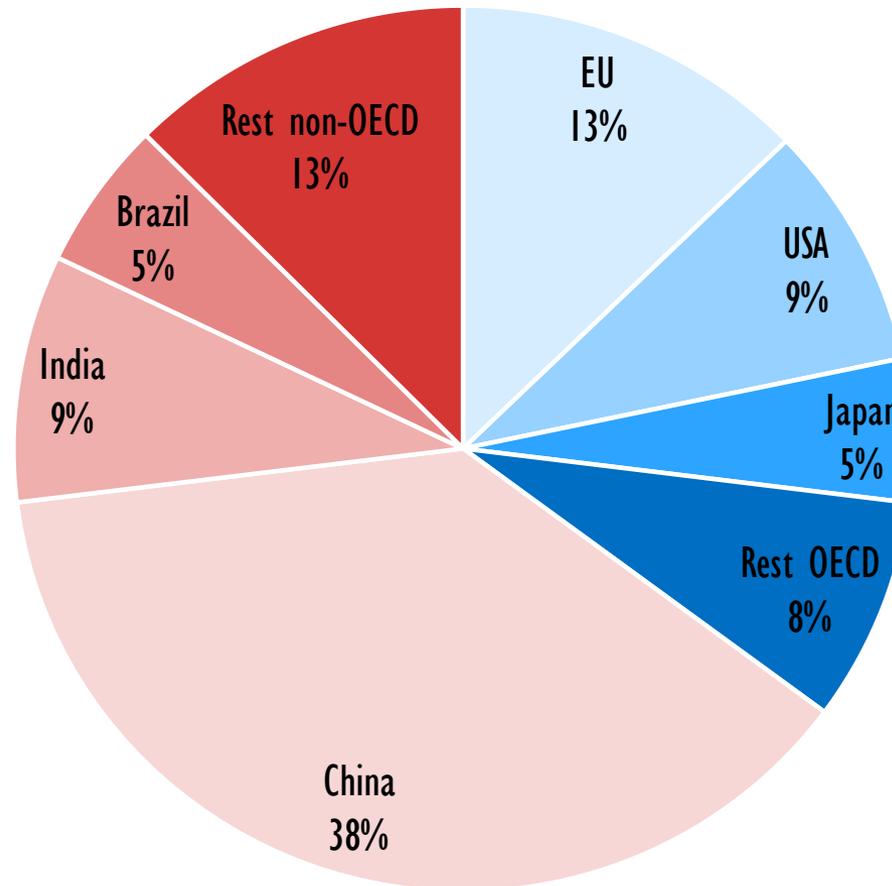
Power generation cost of existing plants in Asia



Only very competitively priced LNG has a chance to beat coal in Asia

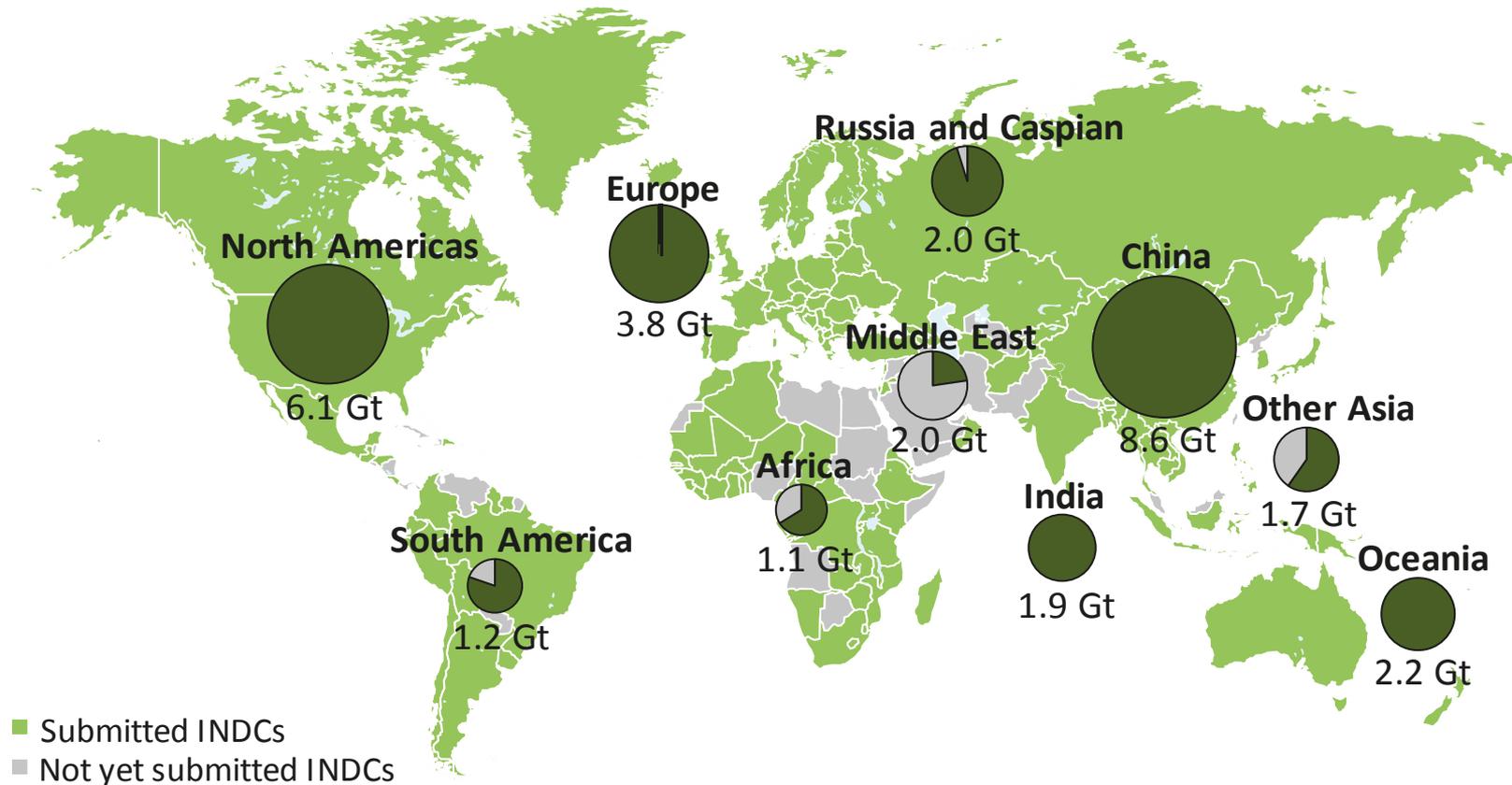
Renewables to lead world power market growth to 2020

Shares of net additional renewable capacity, 2014-20



Renewable electricity additions to 2020 will top 700 GW or almost two-thirds of net additions; Emerging economies make up two-thirds of the expansion

The coverage of climate change pledges is impressive

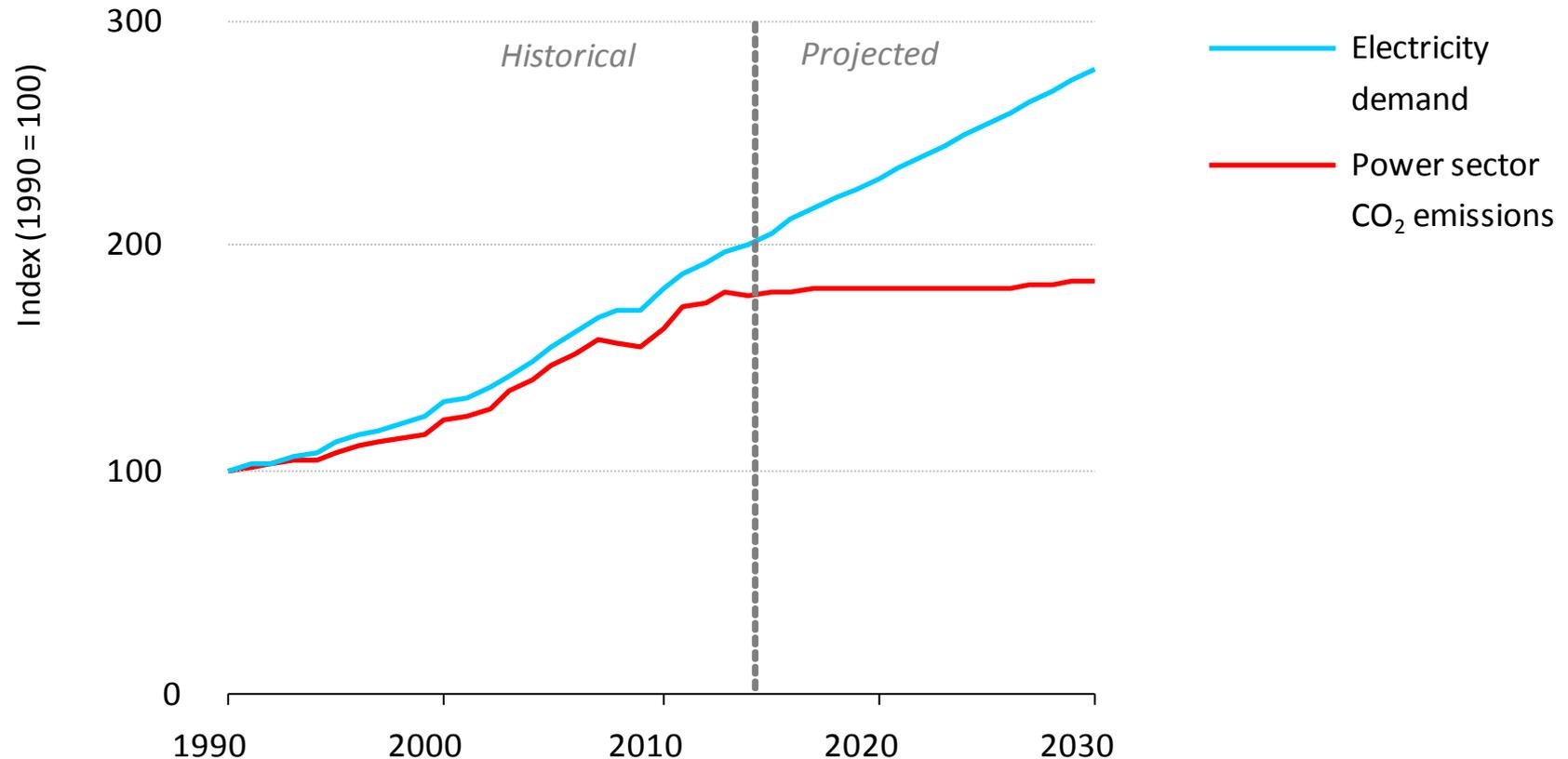


This map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries, and to the name of any territory, city or area.

More than 150 countries submitted climate pledges; together these countries account for 90% of global GDP and almost 90% of emissions

Demand and emissions growth decouple in the power sector

Growth in world electricity demand and related CO₂ emissions



If all INDCs are implemented, power sector emissions stay broadly flat to 2030, despite electricity demand rising by more than 40%

Concluding remarks

- Oil at current prices is a powerful driver to rebalance markets, but the big question is just when will equilibrium be restored
 - *Attention paid to energy security appears indexed to oil prices*
- Pressure on natural gas prices is amplified by new supplies, but only very competitively priced LNG has chance to beat coal in Asia
- Investment in renewables remains strong as costs continue to fall, but government support is still crucial
- Climate pledges are an excellent basis from which to build ambition, but not yet enough to achieve our climate goal
- As new IEA Executive Director, “IEA modernisation” is my priority