The G-24 Ministerial Meeting

Speech delivered by HE Mohammad Sanusi Barkindo, OPEC Secretary General at the G-24 Ministerial Meeting, 6 October 2016, Washington D.C., United States of America.

Excellencies, ladies and gentlemen,

It is a pleasure to be here in Washington D.C to address this G-24 Ministerial Meeting, of which OPEC is represented by five of its Member Countries: Algeria, Gabon, the Islamic Republic of Iran, Nigeria and Venezuela. Moreover, four other OPEC Members have observer status: Ecuador, Indonesia, Saudi Arabia and the United Arab Emirates.

Given that the G-24 coordinates the position of developing countries on monetary and development issues, I feel that it is appropriate to provide you with some background and context to the decision taken by the OPEC Conference in Algiers last week. This is particularly apt given that some of your deliberations today have focused on the impact of lower oil prices on developing economies and commodity exporters, as well as on consuming nations, and the need for more stable markets and less volatile price swings.

The landmark decision taken at the 170th (Extraordinary) Meeting of the OPEC Conference in Algiers came after many rounds of consultative meetings and intensive talks. It underlines the Organization’s continued commitment to a ‘sustainable stability’ in oil markets, for the mutual interests of producing nations, for efficient and secure supplies to consumers, and with a fair return on invested capital for all producers.

The Conference decision to opt for an OPEC-14 production target ranging between 32.5 and 33 million barrels a day was focused on the need to accelerate the ongoing drawdown of the stock overhang and bring the rebalancing forward. These are vital for market stability.

And we should not forget the importance of lessening volatility and sustaining stability for the medium- and long-term given the world's desire for more oil. However, the situation that has evolved over the past two years or so is putting the future at risk. We are currently witnessing a dramatic drop off in oil market investments. For example, global exploration and production spending fell by around 26 per cent in 2015 and a further 22 per cent drop is anticipated this year. Combined, this equates to above $300 billion.

We believe the agreement made in Algiers will be beneficial to our economies, to consumers, to the global oil market, and the world economy as a whole.

Let me stress that last week's decision was also taken following a thorough review and analysis of the global economic outlook, specifically the weaker than desired global growth and the economic uncertainties.

This includes the already mentioned sharp decline in oil investments, which has had a considerable negative impact on the energy sector of many major economies, the role of main central banks on monetary policies, weakening world trade, and political developments, including upcoming elections in a number of major countries.

At OPEC, we fully appreciate the significant role that oil and other commodity markets play in the global economic landscape, and the expanding share of global GDP attributed to emerging economies and commodity exporting countries.

Stability in commodity markets is vital for future global economic growth prospects.

To conclude, OPEC's agreement in Algiers will help return stability to the global oil market, and lessen volatility. Moreover, it is important to underline that things have progressed further over the past week.

Consultations remain ongoing among the OPEC-14, the High Level Committee initiated by the OPEC Conference is moving forward on the implementation of the Algiers decision, and steps are being taken to further develop a framework for high-level consultations between OPEC and non-OPEC oil-producing countries. We believe there is firm and common ground for continuous collaborative efforts among producers, both within and outside OPEC.

Thank you for your attention.