BP Statistical Review of World Energy 2014

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Good morning everyone here in Moscow and everyone around the world, joining us on the webcast. Welcome to the launch of BP's 63rd Statistical Review of World Energy. For those not counting, it goes back to 1952.

I am glad that we are able to launch this year's review here in Moscow at the World Petroleum Congress, this great gathering of the industry.

The Statistical Review is a reference document for the global energy industry – as well as for governments and others.

So it's good to be able to set out the data here as our industry gathers from around the globe.

It has been said that everyone is entitled to their own opinion, but not their own facts.

And the role of the Statistical Review is to provide objective facts to inform discussion and decision-making.

I want to say thank you to all of the governments and others that have provided data for this review and helped to make it the authoritative source document that it has become.

I also want to thank the BP Economics team under Christof Ruehl who have worked tirelessly to produce the review with their customary professionalism.

Christof will take us through the detail of the review so I will just pick out a few themes that I think are important for the industry and for BP.

My observations cover three areas:

- The way energy mirrors economic trends
- The strength of the global energy market
- And what the review implies for the energy industry today

Energy and the economy

First it's interesting to see how the global economy has rebalanced to a degree this year. We're used to seeing most of the growth in the economy - and in energy too - coming from the non-OECD countries. Back in 2012 – for example - we saw demand for energy go up by around 4% in the non-OECD world and down by around 1% in the OECD.

But in 2013, something else happened. Energy consumption growth was below average in the non-OECD countries and above average in the OECD.

Non-OECD growth in demand was constrained a little at 3.1% while OECD demand recorded a rare increase - of 1.2% - largely due to a big rebound in the US. That bounce back of the OECD world is a running theme in this review.

And we should not overlook the obvious but important point that growth in overall global energy demand at 2.3% continued to be significant, despite a weaker global economy.

The strength of the energy market

Second, the review once again demonstrates the strength of the global energy market itself.

In 2013, the impact of further disruptions was balanced by increased production – largely from oil in the US.

Oil production in Libya suffered the world's largest decline in the face of renewed civil unrest. And production of oil and gas was disrupted in a number of other countries as well.

But the US last year saw the world's largest increase in oil production.

Here in Russia also we saw a big increase in oil production as well as a 2.4% increase in gas production. That was nearly twice the percentage increase seen in the US. And it was encouraged by an increase in demand of almost 20% from the EU for Russian gas.

Recently disruptions seem to have become a fact of life – and so too have been significant increases in production that compensate for them. This has been a pattern for three years – as Christof will explain.

However neither of the factors can be taken for granted. Take away the disruptions and we would have seen lower prices. But take away the production increases and we would have seen higher ones. So there is a need to keep encouraging investment, learning from what has worked around the world.

Markets can be encouraged - or discouraged - by governments and regulators – as well as by the available resources themselves. In the US, abundant shale resources wedded to favourable investment conditions have driven the shale revolution. Here in Russia competition grew last year with independent gas producers taking a greater market share and small oil producers registering high rates of growth.

Elsewhere, the review shows that coal had the competitive edge as a feedstock for power.   Did you know that coal was the fastest-growing fossil fuel last year, with China and India combined accounting for roughly 90% of global growth, while, surprisingly, natural gas consumption actually decelerated at the global level.

However, we know that if gas can be brought to where it is needed then it is a cheap, clean and highly efficient source of power. That's why new pipelines are being planned, such as the giant project to pipe gas from Russia to China and the southern corridor to bring gas from the Caspian to Europe – where BP is the operator.

Policy measures have also driven the growth of renewables. Last year they continued to grow robustly, albeit from a low base. They now account for more than 5% of global power output and nearly 3% of primary energy consumption.

However renewables can only go so far on the back of subsidies in a constrained economic environment. The big challenge is to bring the technologies to competitive parity with fossil fuels - as we see with wind in the US in some places - and biofuels in Brazil.

More broadly, I think that the interdependence of suppliers and consumers is a force for stability in a very turbulent world.

In particular, I think the fact that Europe depends on Russian gas and Russia depends on European revenues creates an important link. And I do believe energy can act as a bridge.

Implications for the industry

So finally let me make a few observations on what our petroleum industry can take from the review.

I think the first thing to notice is the limited growth of the global economy. This is not an age of expansion so much as one where there is stiff competition for capital. Every rouble or dollar or euro needs to be used very well.

So I think companies need to prioritise value over volume – as we are doing in BP. We need to set strict limits on capital spending and really focus on safe, reliable, efficient operations and careful selection of big projects. It's a time for getting heads down and pursuing excellence.

Technology has an important part to play in driving excellence and efficiency. I think for example of offshore and deepwater technologies, supercomputing – these we'll look back on in the decades ahead.

Second, the review confirms the way energy demand is continuing to grow. That means supply will need to grow to keep pace with it.

And that is why the industry is still going to new frontiers to provide the energy that the world needs – as capital discipline allows. That includes shale oil and gas, tight oil and gas and deeper offshore wells and working in the Arctic. In our own case we participated in nine discoveries this year and last – largely in deepwater - including off the African coast, the Indian Ocean and some of the deepest wells in the Nile Delta.

In this connection, the review confirms the importance of Russia in the world of energy. In 2013 Russia was the world's largest producer of oil and gas combined and its largest energy exporter. And as I mentioned, it also has an increasingly competitive energy sector.

Russia has massive conventional reserves but also great potential in unconventional oil and gas. So I am particularly pleased that BP and Rosneft have agreed to work together to explore prospects for unconventional oil and gas production in the Domanik formations, which is in the Orenburg region of the Volga-Urals.

Conclusion

So to sum up, the data once again shows a flexible global energy system adapting to a changing world.

It demonstrates how the world's quest for secure and fairly-priced energy can be met through competitive industries driving innovation, and smart government policies which encourage investment and progress.

I hope you will find it a useful resource. Before I turn it over to Christof. I'd like to thank everyone here in Moscow, Deputy Minister, all those at the WPC.

And also let me finally add that this will be Christof's last Statistical Review as he is leaving us to take up a very exciting new role. We wish him all the best for the future. But for now, Christof, over to you….