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Ladies and gentlemen: good morning, and let me say what a pleasure it is to address this distinguished group. For nearly four decades, this event has attracted top global energy leaders to debate issues of critical importance to the oil industry, the market, and financial institutions. I applaud the members of the organizing committee for putting together yet another superb program for this year's event.

This morning I will focus my remarks on the oil market and the longer term future of our industry, before closing with brief comments on Saudi Arabia's Vision 2030.

Oil Market

As veterans of the oil industry, you all have witnessed the boom and bust cycles that characterize our business. We're now at the end of a considerable downturn, which followed a period of marked expansion.

In fact it was at a conference in 2013 when the industry was enjoying the euphoria of that expansion when I tried to wave a red flag by saying, quote, "Let me sound a note of prudent caution. This healthy picture…should not make us complacent…Let's just make sure that we are—collectively and individually—robust enough to withstand the shocks and black swans that we know are inevitably out there. Now is the time to think about preparing ourselves for their certain arrival…If we are to position our industry for the future we surely need to build greater resilience," unquote.

My crystal ball was and is no clearer than my colleagues', but there can be no doubt that the dynamics of our industry are synonymous with change.

Now, as this conference convenes there are many questions circulating about where the markets are heading and the role of OPEC, and what it should and should not do. Let me share my view, which I trust represents the prevailing view amongst our members.

OPEC's objective per its Statute is, quote, "to ensure stable oil prices, secure fair returns to producing countries and investors in the oil industry, and provide a steady petroleum supply to consumers," unquote. Therefore intervention to mitigate *short term* events is a rational policy with the aim of ensuring security of supply or reducing market volatility, such as adding supplies to counteract the effects of production disruptions or withholding them due to temporary economic dislocations—like the Asian financial crisis. However, when a *longer term* phenomenon is at play, such as oil markets being structurally out of balance—as was the case two years ago—we should let the market itself deal with the situation.

The Hypothetical Case

To elaborate on this point, let me begin by briefly looking back at history.

During the past decade, significant production from several OPEC countries left the market. This, combined with robust demand growth, helped oil prices to stay above 100 dollars from the period of early 2011 to the third quarter of 2014.

These healthy prices attracted enormous investments into expensive, marginal resources. That influx, alongside technological advancements, helped US *oil* production to soar, reaching a peak of 12.7 million bpd last year. In fact, US

and Canadian oil production combined to increase an average of a million bpd per year, over a seven-year period.

However, toward the end of that period and as expensive barrels continued to pour into the market, there was no additional OPEC production involuntarily leaving! Supply-demand trajectories continued to diverge and prices crashed in 2014.

At that point, one option posed by many for OPEC was to cut production to support prices.

Now consider if OPEC had cut production to maintain supply-demand balances. The effect would have been to encourage continued investments in expensive resources like shale, oil sands, deep sea and the Arctic, etc. This process would have continued…with OPEC having to successively cut production year after year.

It seems appropriate at this point for me to pose a question for the contemplation of this astute group of industry leaders. If we were to extrapolate the pre-2014 situation up to 2017, how much production would OPEC have needed to cut by next year? I believe your conclusion would be the same as mine, which is that it is not a sensible policy for OPEC to intervene in an attempt to rectify long-term structural imbalances.

Current Situation

Hypothetical scenarios aside, let me return to what *actually* transpired, where we stand today, and my views on the future direction of the market.

Market forces are working. After a testing period of sub-30-dollar prices, the fundamentals are improving and the market is rebalancing due to both the supply and demand sides of the equation.

On the supply side, rapid non-OPEC production growth has reversed into decline due to major cuts in upstream investments and the steepening of decline rates. Without investment, that trend is likely to accelerate with the passage of time—to the point that many analysts are now sounding warning bells of future supply shortfalls.

Turning to the consumption side of the ledger, oil demand is expanding at a reasonably healthy clip despite continued sluggish global economic growth. In our view, China's oil demand is mostly "evolving" as opposed to "slowing," as demand growth moves from manufacturing to consumption by the growing number of Chinese middle-class households. And we see first-hand the Indian economy on a high expansion trajectory, with large latent potential supporting continued demand growth.

In fact, between 2015 and 2017 we expect to see more than four million bpd of cumulative incremental crude oil demand across the world.

But even though the market continues to correct, it has proven to be a slower process than many had anticipated. The reason for this is the lag time between investment decisions and production response, which has resulted in the extended build-up of inventories.

The recent OPEC accord in Algiers was thus designed to further reinforce the already improving fundamentals I just outlined: accelerating the ongoing trend

of natural rebalancing, and reducing the time required to achieve greater market stability.

In addition, it addresses our lingering concerns about high inventories; present low investment levels; the lag time needed for projects to materialize and the resulting impact on supplies; as well as our worries about potential price spikes in the future.

OPEC

Of course, OPEC members have a significant stake in helping the market to stabilize at sustainable levels. As I noted earlier, we believe OPEC can continue to exert a positive, stabilizing influence in the market if its members act collectively. Therefore we're playing our part to enhance cohesion and cooperation within the Organization.

The Algiers accord signals real progress in that direction, and I'm looking forward to further productive discussions heading to our next meeting in Vienna in six weeks' time.

Non-OPEC

That said, non-OPEC producers account for about 60 percent of total global supplies, and their contributions to stabilizing the market are every bit as critical as those made by OPEC members. It is therefore encouraging to see major non-OPEC producers expressing their willingness to also undertake the necessary measures to promote market stability. I'm extremely pleased with the current atmosphere of collaboration amongst most producers, and this heightened degree of alignment remains on the increase.

So, based on the combination of improving fundamentals, rebalancing taking hold, and the joint actions undertaken by OPEC and non-OPEC producers alike, I fully expect market conditions to continue improving.

A Healthy Future Ahead

Let me now turn from today's headlines to tomorrow's prospects.

I have no doubt that oil and gas will continue to serve as the core energy sources for many decades to come, even as the world endeavors to transition to a new global energy system. So there is a healthy future ahead of the oil industry and ample growth opportunities for individual oil enterprises.

In my view, the industry will need to focus on *four* key imperatives, keeping in mind the long-term prospects for oil:

- Replace natural decline of maturing fields;
- Prepare to meet incremental demand;
- Play a central role in meeting COP 21 commitments and collective climate change goals; and
- Invest in technology and innovation to reduce the industry's cost structure, deal with challenges of complex new resources and maturing ones, while reducing the environmental footprint of oil.

To meet these requirements, over the next quarter century the industry is estimated to need close to 24 *trillion* dollars of capital spending on oil and gas upstream and transport.

The financial industry must work hand-in-hand with the oil industry if these investments are to become a reality—although prospective policy and

regulatory changes impacting fossil fuels introduce additional uncertainties and insecurities into the future funding environment.

Vision 2030

Ladies and gentlemen, before I conclude let me briefly discuss Saudi Arabia's Vision 2030: a bold and comprehensive road map to a stronger, more globally competitive and more sustainable economy.

The mainstays of Vision 2030 include economic diversification, promotion of the private sector, significant localization of goods and services, comprehensive reforms, and intensive capacity building and job creation. And while the Kingdom will pursue greater diversification, we will also continue to build upon the three existing pillars of our economy – namely oil and gas, chemicals and mining. Indeed, we're continuing to make investments in our oil production capacity to be ready for the inevitable upturn in this cyclical business, in light of the important role reliable petroleum supplies play in global economic growth and stability.

I'd also note that the qualitative aspects of the Vision, such as the development of a more vibrant and tolerant society and greater opportunities for Saudi youth and women, are also receiving special attention.

Most notably, the Vision calls for taking *bold* initiatives to create the Saudi Arabia of the future.

For example, privatization is a key element in the Vision, and as you all know the public offering of a portion of Saudi Aramco will be the largest IPO in history. Other state-owned assets in utilities, airports, seaports and transportation will follow, helping to increase the asset portfolio of the Public

Investment Fund, or PIF, to some *two trillion dollars*. Those assets will be leveraged to diversify Saudi Arabia's sources of revenue through investments both in-Kingdom and abroad.

Speaking of bold ideas, just this week Saudi Arabia announced plans to jointly establish a 100-billion-dollar global technology fund with Japan's Softbank, focusing on high tech opportunities like the internet of things, artificial intelligence and digitization.

Conclusion

Let me conclude this morning by reiterating that we're seeing supply and demand fundamentals continue to improve on their own accord. This trend will be further strengthened by last month's Algiers accord among OPEC members as well as the prospect of cooperation by non-OPEC producers around the world. The effects of improving fundamentals and efforts by producers are already being seen in healthier market conditions, although we may continue to see some volatility.

Nevertheless, I expect oil markets to perform better in the coming months and into next year, and I also foresee a healthy long-term future for the oil sector.

Thank you for your attention this morning.