

EXCLUSIVE INTERVIEW

# Oil Prices Won't Exceed \$70/bl – For Now

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**Moderator:** We are in a period of geopolitical infraction and witnessing significant changes in both supply and demand for oil. Yet prices seem to be stuck in a \$60/bl-\$70/bl bracket. How do you explain that?

**Mele Kyari:** Everybody thought that the attack on the Saudi oil facilities [in September] would create a very serious disruption and take prices to \$80/bl, but it didn't happen for two reasons. One is that Saudi Aramco took control and started delivering within a short period of time. Secondly, demand forecasts are casting a bearish impact on oil prices. I don't see any situation where price conditions will go beyond \$65/bl-\$70/bl in the short-term.

**Moderator:** Is a price range of \$60/bl-\$70/bl conducive to the investment required in the oil and gas sector? What can we expect from Nigeria on that front in the next few years?

**Mele Kyari:** Nigeria has great opportunity for growth, particularly in oil and gas. We're looking to increase our production to about 3mn b/d in the next two to three years and there's significant progress on the ground to achieve that. Our country is also tactically placed geographically. Future demand growth is going to come from Africa and Middle Eastern economies. That is where you have the least infrastructural development, so there is great potential in these two regions.

**“ I don't see oil demand peaking; the appetite is there.”**

**\$65/bl-\$70/bl** is the oil price range that NNPC anticipates in the short-term.

**110mn** barrels of demand a day by 2040 does not suggest peak oil is around the corner.

**3mn** barrels a day is Nigeria's targeted production rate, up from today's maximum rate of 2.5mn b/d.

**#1** Nigeria is Africa's largest producer of oil and the sixth largest oil producing country in the world.

**Moderator:** Nigeria also has a major say in the state of affairs within OPEC. We find ourselves in a complex market situation where the US President does diplomacy by Twitter and there are unpredictable demand and supply dynamics. Where does OPEC sit in all of this, and with its new partners as part of OPEC+?

**Mele Kyari:** It sits in the middle. OPEC's intervention is to the benefit of all consumer and producer nations. It enables the micro balancing that will guarantee that the cost of supply is covered, as well as the connection between the oil and gas industry and the global economy. OPEC's continuous intervention is not to intentionally raise prices. But of course, our actions to balance the market have had an impact on prices. Our intention is to create a balance between supply and demand that works for all and this includes taking into account the investment in US shale.

**Moderator:** Will we see global oil demand peak in the coming ten to twenty years?

**Mele Kyari:** I don't see it peaking. The global population is growing and with that comes continuous growth in energy demand. Yes, we see some decrease in oil demand

because of energy efficiencies, for example in the combustion engine, but not due to renewables solutions, such as solar. These are, for the time, limited by battery power and storage and going forward, I don't see exponential growth in solar energy sources. As long as demand for energy continues to grow, it will also grow for oil. The demand forecasts for 110mn b/d by 2040 are quite conservative, particularly when one looks at the potential growth of rising economies in the Middle East and Africa. Oil demand growth is on the up and it will probably not be matched by an equivalent growth in production.

**Moderator:** How do you reconcile with the two objectives of being in the petroleum business while keeping Nigeria's objective of balancing its carbon output?

**Mele Kyari:** NNPC is a global oil company and we need to be in all sectors, including renewables. Currently, we're short on supply of petroleum products and so our main purpose is to address that situation in the short-term. We know that the consumption of fossil fuels has an impact on the environment and, as long as we

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**1971** is the year Nigeria joined OPEC – 15 years after the country first discovered its oil reserves in 1956.

**1956** was when oil was first discovered in Oloibiri, in Nigeria's Bayelsa State.

have improvements in the efficiency of the internal combustion engine, we will be able to contain that to a certain level. We don't see any major conflict in addressing the impact of fossil fuels on the environment that is different from any other producer. One thing we should do going forward is leverage technologies so that in another five to ten years, we can probably make enough progress on renewables to produce a better balance between that resource and fossil fuels in addressing the environmental impact of energy consumption. □

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