

*“An enduring legacy”***His Excellency Ali I. Al-Naimi****Minister of Petroleum and Mineral Resources****Kingdom of Saudi Arabia****CSIS, Washington D.C., April 30, 2013**

Excellencies, distinguished guest, ladies and gentlemen. I would like to thank CSIS for inviting me to speak here in Washington DC today.

I am here today to talk about the one constant in all our lives: energy. Fossil fuels are our most enduring energy source. They are the driving force of economic development in the US, Saudi Arabia and for much of the developed and developing world. The global oil business creates jobs, supports manufacturing, powers transportation, fuels innovation and boosts economic progress. It has helped the US become the leading global power, and enabled Saudi Arabia to become one of the G20 nations. It is helping nations such as China offer their citizens unprecedented economic opportunities. And it is helping boost standards of living in Africa, Asia and Latin America.

Fossil fuels are the energy source that have truly endured. They have the capacity to sustain us well into the future. And I am pleased to see that, here in the US, there is a renewed faith in their longevity. Wind and other relatively expensive alternatives will also be part of the mix. But in terms of cost, reliability, and effectiveness – fossil fuels stand alone. The final step, of course, will be devising a way of diminishing the negative side-effects that burning fossil fuels have on the environment. I remain confident that if enough resources and brainpower are invested, even this can be overcome.

Ladies and gentlemen. Today, I will discuss two broad themes which relate to the enduring legacy of oil. First, I will look at the implications of the current US energy renaissance. I will then share with you my thoughts on energy and economic developments in Saudi Arabia.

Let me begin by addressing the changing US energy scene. Just a few years ago, a vocal body of expert opinion was categorical that the world was running out of oil. Peak oil is here, they said. The age of oil is over, they said. I haven't heard much from them lately. Now, in the blink of an eye, the scarcity scaremongers have been replaced by the apostles of plenty. But this time, at least the prophets are backed up by evidence. I've seen it with my own eyes. And nowhere is this bounty more evident than right here in the US.

The US energy scene is witnessing a remarkable evolution. Newly commercial reserves of shale or tight oil are transforming the energy industry in America – and that's great news. It is helping to sustain the US economy and create jobs at a difficult time. I would like to put on the record here, today, that I welcome these new supplies into the global oil market. I hope these additional resources will add depth, and bring increased stability, to global oil markets. I believe these reserves will lead the US into a much deeper engagement in world energy markets. This is good news.

Of course, these shale developments are also leading some to hope that it spells the end of America's so-called reliance on foreign, and particularly Middle Eastern, oil – and all that is associated with it. On that I have a few brief points.

First, I note Middle East oil exports to America, especially from Saudi Arabia, were higher in 2012 than at any time since US tight oil production began soaring in 2009. The United States is,

and will remain, a major energy consumer. It will continue to meet domestic demand by utilizing a range of different sources, including from the Middle East. This is simply sound economics. Second, I believe this talk of ending reliance is a naïve, rather simplistic view. It seems to conflate, on the one hand, US foreign policy and, on the other, US energy policy. Talk of energy independence fails to recognize the interconnected nature of global energy markets. If you take crude and all liquid products together, the US is the third largest exporter in the world, after Saudi Arabia and Russia. We are all part of a global market. And no country is truly energy independent. So just as I didn't buy into the peak oil theories, I do not go along with the opinion that increasing US liquids production means the United States could, and should, detach itself from international affairs. I don't believe that is in anyone's best interest and I don't think it will happen. In fact, perhaps the question is not how the US can achieve energy independence, but to what degree it will, in the future, be prepared to export its oil and gas supplies.

Third, I believe that history shows – and real US energy experts understand – that, in times of stress, Saudi Arabia has repeatedly acted to make up for any supply shortfalls. This was true after hurricane Katrina, following labor disputes in Venezuela, and in the wake of the uprising in Libya. Since 2009, Saudi Arabia has carried a spare capacity of between 2.5 and 3.5 million barrels. These investment decisions, on this scale, would not usually have been taken, particularly when set against the challenging global economic situation. But it was necessary, and it proved wise. Only Saudi Arabia has the capacity and ability to take steps such as these. And we have never failed in our commitment to global energy market stability.

Saudi Arabia's sensible oil policy does not stop at simply turning on the taps when the US or others need more supplies. In 2012, I came out and called for lower prices. That's right. I stressed to the media and others that supply fears were unfounded, and that the current prices were not a true reflection of supply/demand fundamentals. Through this effort, and other factors, prices did come down.

Our number one interest is a well-balanced oil market which leads to a healthy global economy. The objective of Saudi Arabia's oil policy is not high prices at any cost.

Lastly, the rhetoric on reliance fails to properly recognize the importance of the partnership between the US and Saudi Arabia. We have a shared history and close bonds which began with oil – but they go far deeper than a simple consumer/ producer relationship. We are allies in more than just oil. US companies helped form the basis of what is today's Saudi Aramco, one of the world's finest oil companies. Many thousands of US citizens continue to work in Saudi Arabia. US and Saudi firms are partners in a range of industries. And US universities continue to help educate some of our young people.

Ladies and gentlemen. This brings me to the second part of my talk here today: the current energy and economic outlook in Saudi Arabia.

During my lifetime, Saudi Arabia has witnessed a remarkable transformation. I am living proof of this. In just 100 years, it has changed from a region stricken by poverty and famine to a nation that now provides a burgeoning number of schools, universities, hospitals and infrastructure for its people. This past decade in particular has seen Saudi Arabia put its oil revenues to maximum use.

Since 2002, capital investment in the Kingdom has doubled to almost \$140bn. Over the same period, foreign direct investment has increased by 36 times, to more than \$16bn. We are seeing a wave of industrialization. We are developing our petrochemical sector. We are boosting our downstream capability. Saudi Arabia is, for example, the world's leading exporter of fertilizer.

We are increasingly building manufacturing expertise. And we are developing new mineral industries.

Of course, Saudi Arabia will continue to make the most of the competitive advantage presented by our abundant hydrocarbon reserves. But our ultimate aim is to diversify away from our over-reliance on oil revenues. In this regard, we are making clear progress. In 1973, the contribution of oil to Saudi Arabia's GDP was 65%. Last year, it was under 30%. We are creating sustainable economic growth for the long term. We are generating job opportunities for our young people, encouraging enterprise and providing the right environment for innovation and progress. It's not easy, and it will not happen overnight. But it is happening.

Part of this strategy entails increasing usage of natural gas, and developing other renewable resources where we also have an advantage, not least solar - where we have the silica, sunshine and acreage. We hope solar energy will help meet a growing share of our electricity needs – and even help us create a thriving solar industry and expertise in the Kingdom.

We are also conscious of the need to mitigate inefficient energy usage in the Kingdom. Being so blessed with natural resources has, unsurprisingly, corresponded with a boom in their domestic consumption. But I would say that Saudi Arabia has recognized the need to tackle this situation, and we are taking vital measures to address this demand, via efficiency efforts and by investing in renewables. We are aware that our increasing domestic energy usage is not favorable in general, although we do believe usage which creates real economic value is positive.

We are also using energy revenues to invest in our most important asset: people. We are investing in schools and universities, and we are trying to give our young people the skills they will need to compete in the 21st century. Again, it will not happen overnight, but again, we are making progress. When I came here in 1959, there were a mere handful of Saudi students at US universities. Today, ten per cent of Saudi Arabia's budget is spent on higher education. The King Abdullah scholarship program sponsors around 150,000 students worldwide to gain qualifications – and nearly half of them are here in the US. That's a huge number, which will have a profound impact on the future of Saudi Arabia, and it underlines how important our two countries are to one another.

Ladies and gentlemen. My message is fundamentally this: that the US-Saudi relationship remains vital, that it is one of partnership and trust, and that, like oil itself, it is enduring. I am pleased the US energy industry is witnessing a renaissance. I believe we are two nations united by many things. We are both blessed with great energy assets. We have both put our energy assets to great use: economic growth and creating jobs for our people. Into the future, it is important we continue to work together, to ensure oil market stability and prosperous futures for all.

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