

Fuel for Thought

First, the Good News...

Last week, the International Energy Agency released its regular oil market report. The report shows that world demand for oil continues to grow, though due to a more sluggish world economy, not as quickly as previously forecast. The report predicts demand increasing by 1.3 million barrels per day in 2016 and by a further 1.2 million barrels per day in 2017. The need for oil continues to increase across the world as countries develop and people need transport fuel to deliver the food and goods that underpin the quality of life we enjoy in the developed world. In the developed world too, including here in Australia, transport fuel demand still continues to grow.

However the IEA report explains that the world's daily oil production, at 96.7 million barrels per day, is still likely to remain higher than global demand, for longer than the Agency had expected. OPEC production is close to record rates and countries such as Kuwait, the UAE and Iraq are all producing oil at record levels. Countries like Australia remain heavily dependent on the Middle East and other foreign sources.

So what does this all mean for QER and our plans in Gladstone? Well, really it has no impact on the long term business case for a new, Australian source of fuel for Australia. While oil prices will always be affected by the daily demand – supply balance, the need for new, reliable, affordable oil sources to meet the world's (and Australia's) growing future demand remains strong.

However in the short term, production oversupply means that a relatively low oil price will continue for the medium term and that means virtually no one is investing in oil projects at the moment. Until the market recovers (and that might still be 18 months or two years away) it is unlikely just won't be possible to attract the investment we need to get our commercial project off the ground.

Despite all that, QER's investors continue to support our investment in Gladstone and in Queensland. Our technical teams are continuing to work on improving the Gladstone New Fuels Stage 2 project concept to ensure that it is a world class project: sustainable, competitive and ready to go as soon as the market recovers.

Peter Zambelli
Director of Corporate Affairs
Queensland Energy Resources

Peter is filling in for our regular columnist Bruce Andersen who is off enjoying the sights and sounds of Europe on the back of a legendary Motoguzzi.



Creating new fuels for Australia

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