1 A SUMMARY OF THE DISCUSSIONS

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An emerging energy demand/supply imbalance

The IEA expect global energy demand to rise by 66% by 2030 with 90% of the increment supplied by fossil fuels, mainly oil.

The Gulf oil producers, holding two thirds of total global proven oil reserves, would have to account for most of this increment and for the replacement of depleting production elsewhere.

Such a doubling or even tripling of Gulf oil production capacity would require a massive infusion of external capital and new technology. This looks in present circumstances to be highly unlikely, given the degree of political turbulence in the area, the reluctance of the capital and financial markets to take on such risks and the determination of several governments to protect their own national companies to the point of failing to provide adequate incentives for the international oil companies to participate fully.

“The end of cheap oil”

Competition for Gulf oil exports is therefore likely to be intense with South-East Asia taking the bulk and an increasing share. US expectations that US oil imports will double to 24 mbd by 2030 will further distort the market and can only be achieved at the cost of denying supply to the developing world.

Oil prices have remained broadly within the US$22-28 OPEC band for the last four years and are now moving beyond the upper limit. Yet industry
estimates of the global clearing price for oil is mainly within the US$ 16-18 range, implying that the difference is an anxiety premium caused mainly by political turbulence in the Middle East.

**Dangerous impacts on the global economy - a non-sustainable energy prospect**

Periods of high oil prices have always had adverse impacts on global economic growth, just as low oil prices have always acted as a stimulus. Already, continuing high oil prices are seen to be hindering growth for later this year. Whereas the rest of OECD (Organisation for Economic Cooperation and Development) industrialised countries are partly shielded by the weakening of the US $, the impact on the US economy, which is already slowing, and on most developing countries could be severe.

One quarter of the world population has no access to electricity and many more rely on wood, residues and dung for cooking and heating. Even on assumptions of the persistence of the average GNP growth over the last 25 years, the number of people without access to electricity is 2030 is unlikely to be below the current level. The steeper the economic rollercoaster caused by oil price spikes, the less chance there will be to reach the IEA target of 75 million new connections per year and the greater the likelihood that global energy poverty will increase rather than decrease.

**Changes in oil market leadership**

Russia (9.0 mbd this year) has overtaken Saudi Arabia and the USA (each about 7.8 mbd this year) as the leader in oil production. Iraq is widely thought to be capable of producing 4-5 mbd by 2010 and possibly 15-20 mbd by 2030. Many of the discussions pivoted around the issue of political stability in Russia and Saudi Arabia.

Most contributors considered the IEA assumption of a rapid rise in Saudi production to 19 mbd to be highly unlikely, and indeed, an industry report which is soon to be published predicts the contrary: imminent collapse. Yet the consensus view, although vigorously challenged, was that Saudi Arabia would remain the indispensable provider of surge capacity until 2010 at least.