

2 Global Outlook²

The global economic and energy outlook plays a critical part in the analysis and results of this volume. The energy sector is, to a large extent, already operating within a world context and any regional analysis that does not take into account international influences is likely to prove deficient. One extreme illustration of this is the oil market, which is globally integrated. It is simply not possible to examine future oil market trends in the EU without taking into account global supply and demand, which will determine future oil prices. Similar considerations apply in the case of natural gas. European gas prices and demand will depend not only on the developments in countries, like Russia, that supply gas to the EU but also on countries as far afield as China since they are likely competitors as consumers of Russian gas.

The environment is also an issue that often needs to be analysed in a context that is bigger than the region of concern. In the case of the GHG problem, the issues are global and any policies and measures undertaken by the EU must be seen in such a context. Similarly, European R&D policy must be drawn within an international framework because non EU clients of EU produced technologies often represent the bulk of the market.

This chapter then provides the international economic, energy and environmental trends within which European investment and policy decision takers will need to operate.

² All projections in this chapter are based on the POLES model. The main authors of the chapter are Patrick Criqui of IEPE and Niko Kouvaritakis of ECOSIM, with contributions from Antonio Soria of IPTS.

2.1 Economic Outlook

For the purposes of global projections presented here eleven geographical and geopolitical regions are identified.³ Their acronyms, as presented in Table 2-1, are used in some tables or figures of this volume.

Table 2-1: Acronyms of world regions.

North America	NOAM
Western Europe	WEUR
OECD Pacific	PACO
Eastern Europe	EEUR
Former Soviet Union	FSUN
Central & South America	CSAM
South Asia	SOAS
South-East Asia	SEAS
Continental Asia	COAS
North Africa & Middle East	NAME
Sub-Saharan Africa	SSAF

NB: "North America" does not include Mexico, and "OECD Pacific" does not include South Korea.

2.1.1 Economic and Population Trends

The population growth assumptions, presented in Table 2-2, are derived from UN projections. Due to low birth rates in industrialised countries and to the spreading of the demographic transition in developing regions of the world, they show a continuous decline in world population growth rate, from an average 1.8 % pa between 1971 and 1995, to an average of 1.2 % pa between 1995 and 2030, with 1.4 % pa from 1995 to 2010 and only 1 % pa in the last decade of the projection.

Despite the slowdown in growth rates, the world population is likely to increase by 3 billion people between 1995 and 2030, with the bulk of this increase taking place in developing regions. Thus, the balance of population among regions will be altered, although not dramatically.

³ POLES actually models 26 countries or regions. For further details see the model reference manual : POLES 2.2. European Commission, DG XII, December 1996.