Crude Oil Price Prospects

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Presentation outline

• The recent history of oil prices
  – The Arab Uprisings
  – The EU oil embargo against Iran
  – Recent price weakness

• The short terms prospects
  – “Ground Hog Day” and the global economy
  – The legacy of higher prices

• The medium to longer terms prospects
  – The legacy of the Arab Uprisings
  – The legacy of the “shale gas revolution”
  – OPEC’s dilemma
The recent history of oil prices

- **Arab Uprisings**
  - Wet barrel market
  - Paper barrel market and contagion fears

- **EU Embargo**
  - Transitional price friction

- **Recent decline**
  - Saudi supply increase
  - Demand destruction
  - Asia slowing
The short term prospects

- The global economy
  - “Ground Hog Day” and the euro zone
  - Asia slowing

- Legacy of higher prices
  - The IEA suggests the MICs will account for 68% of Non-OECD oil demand growth 2009-2035
The medium to long term prospects

• The legacy of the Arab Uprisings
  – Contagion to the GCC unlikely **BUT** need to pacify populations

• The legacy of the “shale gas revolution”
  – Application of shale gas technology
  – Other unconventional oil
  – North America moving to oil independence?

• OPEC’s dilemma
  – They need higher prices **BUT**....
    • Higher prices = demand destruction
    • Higher prices = increasing Non-OPEC supply
The “six brothers” account
For 91.2% of the growth
Conclusions

- OPEC faces a major dilemma

- They need the “golden eggs” but they need them at a rate which will probably kill the goose that lays them...