

World Oil Supply More Diverse, Non-OPEC Production Increasing: BP

World oil supply is becoming more diverse and world oil production capacity comfortably exceeds world oil demand, according to BP Chief Economist, Peter Davies.

"As a result, producers were able to meet the needs of oil consumers during the Iraq war and during unplanned supply disruptions in Venezuela and Nigeria. Consuming nations were not required to tap their emergency reserves", said Davies at the launch of the BP Statistical Review of World Energy 2003 in June.

"This is good news for those concerned about energy security, but it should not lead to complacency."

OPEC, while using spare capacity of almost 4 MMbopd to keep the market supplied during the war, cut its average daily output by 1.87 MMbopd in response to weak global oil demand and a 1.45 MMbopd increase in non-OPEC production. OPEC production has declined in three of the last four years.

"The story is one of supply momentum that looks set to continue", said Davies. "Russian oil production is up 25% in three years and Russia has been joined by a new group of oil producing basins, across several continents and regions, that have begun to grow rapidly."

Production from Russia, the Caspian, the deepwater Atlantic Basin and Canada is up 3.3 MMbopd (26.5%) in three years and has the potential to increase another 5 MMbopd by 2007.

China accounted for 68.5% of the increase in global primary energy consumption in 2002 and has become a major energy consumer and importer. Consumption of coal, which

accounts for 66% of Chinese energy use, grew a massive 27.9%. Oil consumption increased 5.8% or 332,000 bopd, accounting for all of the world's oil consumption growth in 2002. China replaced Japan as the world's second largest oil consumer.

Natural gas is the world's preferred non-transport fuel. Outside the Former Soviet Union (FSU), gas consumption has grown 3.4% a year over the past decade and its share of total energy consumption is now roughly equal to coal at 24%.

US gas consumption grew 3.9% in 2002 as North American gas production fell 1.8%. Imported LNG is filling part of the gap. Producers are now considering options for delivering new sources of pipeline gas and LNG to this growing gas market.

Commercial (non-hydro) renewable energies are growing rapidly, but their contribution to total world electricity generation remains small (1.7% in 2000 versus 1% in 1990).

Oil – Brent oil prices averaged \$US25.19 bbl in 2002, up slightly on the 2001 average price of \$US24.77 and well above the post-1986 annual average of \$US19.40. Prices during 2002 ranged from a low of around \$US18 bbl in mid-January to peak just before the end of the year at \$US32.

Global natural gas production increased 1.4%, from 2,493 Bcm to 2,527 Bcm. A price-driven drop in drilling activity explains some of the production decrease, but the maturity of US and Canadian gas producing basins was also a factor.

Coal, nuclear and hydroelectric – Coal was the fastest growing fuel in 2002 with coal consumption increasing 6.9% in 2002 on the strength of an extraordinary reported increase in China of 27.9%. Excluding China, world consumption increased just 0.6%.

Consumption of nuclear power increased 1.5%, with most of the increase occurring in Asia. World consumption of hydroelectric power increased 1.3% from 2001 but was still less than in 2000. Nuclear and hydroelectric power each account for about 6% of total world energy consumption. ■