

IRANIAN ASSOCIATION FOR ENERGY ECONOMICS

27TH ANNUAL INTERNATIONAL CONFERENCE

Energy and Security in the Changing World

Oil Demand and Supply : the impact of technology

Jean Pierre Favennec

Director, Centre for Economics and Management, IFP School, Paris

A few years ago, oil supply looked abundant and demand increased slowly. Prices were “low” and energy was on the “back burner”. But the situation has changed. Oil demand will still increase over the next few years. Liquid fuels consumption : gasoline, diesel oil, jet fuel will dramatically increase in countries such as China and India and nobody can forecast the level of demand in the US

Worries about energy, and especially oil supply, have emerged. Concern about oil reserves come for many reasons : the low record of actual new discoveries over the last ten years, the drastic revisions of oil reserves by Mexico a few years ago and now by Shell recently. The “pessimists” announce that oil production will peak before the end of the decade.

In fact technological progress will certainly help to maintain adequate oil supplies. New fields will be discovered, recovery rates will be improved, large quantities of non-conventionnal oil (tar sands, extra-heavy oil) will be produced. The use of oil will more and more be concentrated in the transportation sector, and the use of technology will allow both a reduction in unit consumption and an improvement in oil and gas production.

All these factors will be discussed during the presentation.