Growth in Global Oil Market Slows

Global oil consumption increased by 0.7 percent in 2011 to reach an all-time high of 88.03 million barrels per day, according to new research conducted by the Worldwatch Institute (www.worldwatch.org [1]) for its Vital Signs Online service. This rate of increase was considerably slower than in 2010, when oil consumption rose by 3.3 percent following a decline of 1.3 percent in 2009 due to the global financial crisis.

China's oil consumption increased by 5.5 percent in 2011, and China accounted for about 85 percent of global net growth in oil use. An increase in oil consumption of 5.7 percent in the former Soviet Union contributed another 37 percent of net growth. But these increases were offset by declines in the United States and European Union, where oil consumption fell by 1.8 and 2.8 percent respectively, writes Worldwatch Climate and Energy Research Associate Shakuntala Makhijani.

The gap in oil consumption between countries in the Organisation for Economic Co-operation and Development and all other countries narrowed further in 2011, with the two groups respectively accounting for 51.5 and 48.5 percent of total oil consumption. Oil remained the largest source of primary energy worldwide in 2011, but its share fell for the twelfth consecutive year to 33 percent.

To meet continued growth in demand, global oil production rose for the second year in a row, by 1.3 percent in 2011, to reach 83.58 million barrels per day. Most of this increase was driven by higher production in countries that belong to the Organization of Petroleum Exporting Countries (OPEC), which overall grew by 3

percent in 2011. Meanwhile oil production in non-OPEC countries fell slightly by 0.1 percent. Oil production growth was slow compared with natural gas and coal production, which grew by 3.1 and 6.1 percent, respectively, in 2011.

Political unrest in the Middle East and North Africa had a significant effect on oil production in certain countries in the region. Output in Libya fell by 71 percent in 2011----from 1.7 million barrels per day (2 percent of global production in 2010) to just 479,000 barrels (0.6 percent of global output) due to the disruptions related to the civil war. At the same time, tense political situations and violence in Iran, Syria, and Yemen resulted in production declines of 0.6, 13.7, and 24 percent, respectively, in 2011.

The global impacts of the April 2010 Deepwater Horizon offshore drilling rig blowout and oil spill have been limited thus far, with reviews in most countries finding that existing safety requirements suffice to prevent similar accidents. Despite expanding offshore drilling efforts, the share of offshore oil is expected to remain steady at 30 percent of global oil production due to declining output from North Sea and Mexican offshore oil wells. Deepwater oil production is expected to constitute a growing portion of this production and is projected to go from 6 percent of total global oil supply today to 9 percent by 2016.

"Against the backdrop of fluctuating oil prices and concerns about supply risk, many countries are paying more attention to their dependence on imports and the stability of the countries they purchase oil from," said Makhijani. "In 2011, the United States imported 60 percent of the oil it needed, Europe imported 90 percent, and imports accounted for 68 percent of China's oil consumption."

The Middle East remains the world's largest oil exporter, accounting for 36.2 percent of exports in 2011 and a growing share of the global market. The Soviet

Union and the Asia Pacific region were the second and third largest exporters, with shares of 15.9 and 11.4 percent, respectively. Oil exports from North Africa fell by 32.8 percent in 2011 due largely to the disruptions in oil production caused by political instability in the region. Exports from the United States grew by 19.4 percent in 2011, faster than in any other region, but they accounted for only 4.7 percent of the global market.

Further highlights from the report:

- Oil remained the largest source of primary energy worldwide in 2011, but its share fell for the twelfth consecutive year to 33 percent.
- Average annual prices for West Texas Intermediate crude reached $94.83 per barrel in 2011, close to the average 2008 price of $99.67 per barrel.
- OPEC countries control 72.4 percent of global oil reserves, and the Middle East has the largest share of reserves of any region, at 48.1 percent of the total.

For more information, please visit www.worldwatch.org *[1].*

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[1] http://www.worldwatch.org