

## **Emerging International Political and Commercial Oil Issues**

### **Long Term Oil Outlook**

- Oil demand growth is accelerating
- Consumption within 20 years could be almost 50% higher
- The success of price to moderate demand may be overestimated

### **Short Term Experience**

- Unexpected high demand drove up production and prices
- Market absorbed all remaining surge production except for strategic reserves
- Demand threatened to exceed refining capacity in 2005
- Even before supply interruptions, entire oil value chain was stretched to capacity

### **Short Term Outlook**

- Oil demand growth resumes in 2006
- Incremental production begins to reach market
- Question of sustainability of existing Non-OPEC Production
- Refining investment lags
- Oil priced induced recession?

### **Mid Term Outlook**

- Resource nationalism
- Restoration of OPEC production
- Expansion of existing OPEC production
- Link between capacity growth and demand
- Climate and resource consequences of unconventional production
- Industry investment practices

### **U.S. Policy Response**

- Federal subsidies for upstream and downstream investment
- Inclination toward autarky at expense of integration
- Encourage electricity sector import dependency
- Commitment to demand management, alternative fuel development and existing environmental policy reopened.