



OIL DEMAND IS DECLINING

But according to OPEC, oil will remain the largest energy source until 2040.

The Organisation of Petroleum Exporting Countries (OPEC) has published its annual World Oil Outlook providing a detailed medium-term (until 2024) and long-term (until 2040) oil market analysis. OPEC has downwardly revised its earlier forecasts for global oil demand citing recent signs of stress in the global economy and lower growth outlook, at least in the short and medium-term.

IN THE LONG-TERM, OPEC PREDICTS A FURTHER SLOWDOWN IN OIL DEMAND GROWTH.

From growth to decline

According to World Oil Outlook 2040, in the medium-term, oil demand is expected to rise, reaching 104.8 mbpd by 2024, an increase of 6.1 mbpd, or 6%, over the 2018 level. Annual growth will average 1 mbpd, a decrease compared to the earlier OPEC forecast of 1.1 mbpd. The growth in demand will largely come from countries outside the Organisation for Economic Cooperation and Development (OECD). At the same time, oil demand in the OECD is projected to "gradually shift from slight growth during the initial years of the medium-term to declining demand after 2020".

In the long-term, OPEC predicts a further slowdown in oil demand growth. By 2040, it is expected to reach 110.6 mbpd, which is 1.1 mbpd less than in the 2018 World Oil Outlook that put demand at 111.7 mbpd. Demand will vary even more significantly between the OECD and non-OECD countries. "Driven by an expanding middle class, high population growth rates and stronger economic growth potential, non-OECD oil demand is expected to increase by 21.4 mbpd between 2018 and 2040," OPEC says.

Long-term oil demand by region, 2018–2040, mb/d

	2018	2020	2025	2030	2035	2040	Growth 2018–2024
OECD Americas	+25,5	25,9	25,6	24,3	22,8	21,1	–4,5
OECD Europe	14,3	14,3	+13,9	13,1	12,2	11,3	–3,0
OECD Asia Oceania	8,0	7,9	7,5	7,0	6,4	5,9	–2,1
OECD	47,8	48,1	46,9	44,4	41,5	38,3	–9,6
Latin America	5,9	6,0	6,4	6,8	7,0	7,3	1,4
Middle East & Africa	4,2	4,4	5,0	5,6	6,2	6,8	2,6
India	4,7	5,1	6,2	7,4	8,8	10,2	5,4
China	12,7	13,4	14,7	+15,7	16,5	17,1	4,4
Other Asia	9,0	9,3	10,3	11,2	12,1	12,8	3,8
OPEC	8,8	9,0	10,0	10,9	11,5	11,8	3,0
Russia	3,6	3,7	3,9	3,9	3,9	3,8	0,3
Other Eurasia	2,0	2,1	2,3	2,4	2,4	2,5	0,5
Non-OECD	50,9	52,9	58,6	63,9	68,5	72,3	21,4
World	98,7	101,0	105,6	108,3	109,9	110,6	11,9

Source: World Oil Outlook (WOO) 2040, OPEC

OIL IS EXPECTED TO REMAIN THE FUEL WITH THE LARGEST SHARE IN THE GLOBAL ENERGY MIX THROUGHOUT THE FORECAST PERIOD OF UP TO 2040. NATURAL GAS WILL BE THE SECOND LARGEST ENERGY SOURCE ACCOUNTING FOR 25% OF THE TOTAL PRIMARY ENERGY.

India will see its oil demand increase by 5.4% to 10.2 mbpd – the fastest growth in the indicated period. In China, oil demand is projected to grow by 4.4% to 17.1 mbpd, whereas the rest of Asia will see its oil demand rise by 3.8% to 12.8 mbpd. OECD demand is expected to plateau at around 48 mbpd for the next few years, before declining to around 38 mbpd by 2040.

In OPEC countries, the oil demand will increase by 3% to 11.8 mbpd by 2040, while in Russia it will be at around 3.8 mbpd, rising by 0.3% against the 2018 level.

Impact of the environmentalist movement

Oil is expected to remain the fuel with the largest share in the global energy mix throughout the forecast period of up to 2040. Natural gas will be the second largest energy source accounting for 25% of the total primary energy. Demand for natural gas is projected to rise from 65.5 mbpd to just over 90 mbpd.

The greatest oil demand growth is expected in the road transportation (2.9 mbpd) and aviation (2.4 mbpd) sectors.

Demand in the petrochemicals sector is also forecast to grow in the long term by 4.1 mbpd from 13.4 mbpd in 2018 to 17.6 mbpd in 2040. In volume terms, this, according to the OPEC report, “is the largest incremental demand among all sectors”.

However, the report notes that the petrochemical industry is likely to face some uncertainty with respect to the sector's development prospects. Despite consistent projections of oil demand growth, the global community is becoming increasingly concerned about its environmental impact.

IN RUSSIA OIL DEMAND IS PROJECTED AT 3.8 MBPD, RISING BY 0.3% AGAINST THE 2018 LEVEL.

OPEC notes substantial rise in plastic consumption over the past two decades. According to the report, “nearly half of all plastic ever manufactured has been made since 2000. Strong growth consumption has been especially the case for single-use plastics, such as grocery bags, packaging, bottles, straws, containers, cups and cutlery”.

As a result, more than 100 countries have introduced measures to curb plastic consumption. These range from bans on certain plastic products, such as plastic bags, to a more comprehensive approach aiming at plastic waste reduction and the use of single-use plastic alternatives.

“With all of the mentioned efforts, including shifting consumer behaviour to use plastics more responsibly and in an environmentally sustainable manner, it is evident that will affect the use of oil as a petrochemical feedstock, although it remains to be seen in what manner and to what extent,” the report concludes.