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IEA: World oil demand seen reaching 89 million b/d by 2014

By OGJ editors HOUSTON, June 30 -- The latest forecast by the International Energy Agency states that global oil demand will rise 0.6%/year during 2008-14, pushing demand to average 89 million b/d in 2014 from 85.8 million b/d last year. In its Medium-Term Oil Market Report, IEA bases its outlook on the International Monetary Fund's economic forecast, which sees global economic activity gradually rebounding by nearly 5%/year from 2012 onwards.

Developing countries, those that are not members of the Organization for Economic Cooperation and Development, will drive oil-demand growth, while oil consumption within the OECD will decline over the forecast period, IEA said. Also, transportation fuels will drive the growth in oil demand. In non-OECD countries, demand for transportation, boiler, and industrial fuels will all rise at a relatively rapid pace, but distillate will be the growth drivers, followed by LPG, naphtha, and gasoline. Meanwhile, within the OECD, demand growth of motor gasoline, jet fuel, and diesel after 2009 will be modest and insufficient to offset declines in demand for heating oil, residual fuel oil, and industrial feedstocks, according to the report.

North America IEA expects that oil demand in North America will decline to average 23.7 million b/d in 2014 from 24.3 million b/d in 2008. The combination of severe economic recession, changing behavioral patterns triggered by the sharp rise in oil price in the first half of 2008, and a new administration in the US that is intent on improving overall efficiency and reducing carbon emissions suggests that a return to past high growth rates in gasoline demand is unlikely, despite an expected economic recovery that could boost discretionary driving again, the agency said. During 2008-14, IEA forecasts that naphtha demand in North America will decline on average 8.6%/year, as petrochemical activity declines in the US and Canada as other, more-competitive petrochemical production areas emerge. Growth in demand is expected in Mexico, but from a low base. Gasoline demand in North America will climb 0.6%/year to average 11 million b/d in 2014. And demand for jet fuel and kerosine in the region will rise by the same rate to reach an average 1.8 million b/d, as economic recovery boosts air travel, offsetting efficiency gains in aircraft fleets and airline operations.

Demand for gas oil in North America will be unchanged over the period, averaging 5 million b/d, while declining use of fuel oil for power generation is expected to cause demand to shrink 8.5%/year to average 700,000 b/d in 2014. **OECD Europe, Asia** IEA's forecast calls for oil-product demand in OECD Europe—led by France, Germany, the UK, Spain, and Italy—to decline 1.3%/year to average 14.1 million b/d in 2014. Demand will rise for jet fuel, decline for naphtha, gasoline, and fuel oil, and be unchanged for gas oil. Demand in these countries is already falling due to structural reasons, IEA said, including slow economic growth, declining populations, the expansion of diesel vehicle fleets, and the substitution of natural gas and renewables for heating oil and resid. Decreasing 3.3%/year, oil product demand in the Pacific countries of the OECD will incur the most pronounced decline. IEA's projections show that demand in these countries will fall to average 6.6 million b/d in 2014 from 8 million b/d in 2008. While demand for naphtha climbs marginally, demand for all other major refined products in OECD Pacific countries of Australia, Japan, New Zealand, and South Korea will decline over the forecast period. Naphtha demand will grow strongly in South Korea but decline rapidly in Japan as other, more-competitive petrochemical producers emerge in the Middle East and China. Demand for fuel oil will decline across the region, displaced by natural gas and nuclear energy. **Other regions** IEA forecasts that oil product demand in the Middle East will grow 4.3%/year on average to reach 8.9 million b/d in 2014, up from 7 million b/d in 2008. The drivers of this growth are sustained economic expansion based on oil and gas, petrochemicals, heavy industry, and construction, in addition to a young and growing population, and fuel prices that are among the world's lowest. Demand for resid in the Middle East will soar to meet ever-growing power needs, given the lagging development of domestic natural gas resources, IEA said. Also, demand for naphtha and LPG will increase sharply to feed the region's petrochemical plants. In Latin America, IEA projects that oil product demand will climb 2.1%/year to 6.7 million b/d vs. 5.9 million b/d last year. Growth will be mostly concentrated in transportation fuels. Oil product demand in the former Soviet Union is also forecast to grow 2.1%/year over the forecast period, averaging 4.7 million b/d in 2014. Fuel oil demand will post the largest percentage gain, climbing 3.8% to 500,000 b/d to meet power generation needs in Russia and elsewhere, and also to free natural gas volumes to support Russian exports, IEA said. **Oil supply** IEA sees non-OPEC oil supply slipping by a net 400,000 b/d by 2014 from 2008. In its previous projection, the agency forecast 6-year growth of 1.5 million b/d for these producers. Downward revisions are focused on the former Soviet Union and the Canadian oil sands. Otherwise, IEA expects sustained conventional oil supply growth through 2014 in Canada, the US Gulf of Mexico, Brazil, and the Caspian. OPEC crude production capacity will be a modest 1.7 million b/d, reaching 35.8 million b/d in 2014. This compares to the agency's year-earlier projection of 3.2 million b/d in capacity growth over the period. This lower outlook is based on weaker demand, contract negotiation, reduced cash flow, geopolitical turmoil, and increased resource nationalism, IEA said. Supply of NGL and condensate from OPEC will rise by 2.6 million b/d to 7.3 million b/d over the forecast period.