

# A New Era of Energy Insecurity?

The oil market in its geopolitical environment

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# Main messages

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1. Energy insecurity has been a key theme of economic and foreign policy discourse for a decade (US, Europe, Asia)
2. This relates to a series of shocks, but also trends
3. Oil trend: from oil abundance to scarcity
4. Geopolitical trend: transition away from US hegemony
5. A return of confidence is highly unlikely, but the world is not moving towards oil anarchy and conflicts

# Understanding insecurity: the shocks

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- 11 September 2001
- \$4/gallon
- Katrina
- Macondo



# Understanding insecurity: the trends

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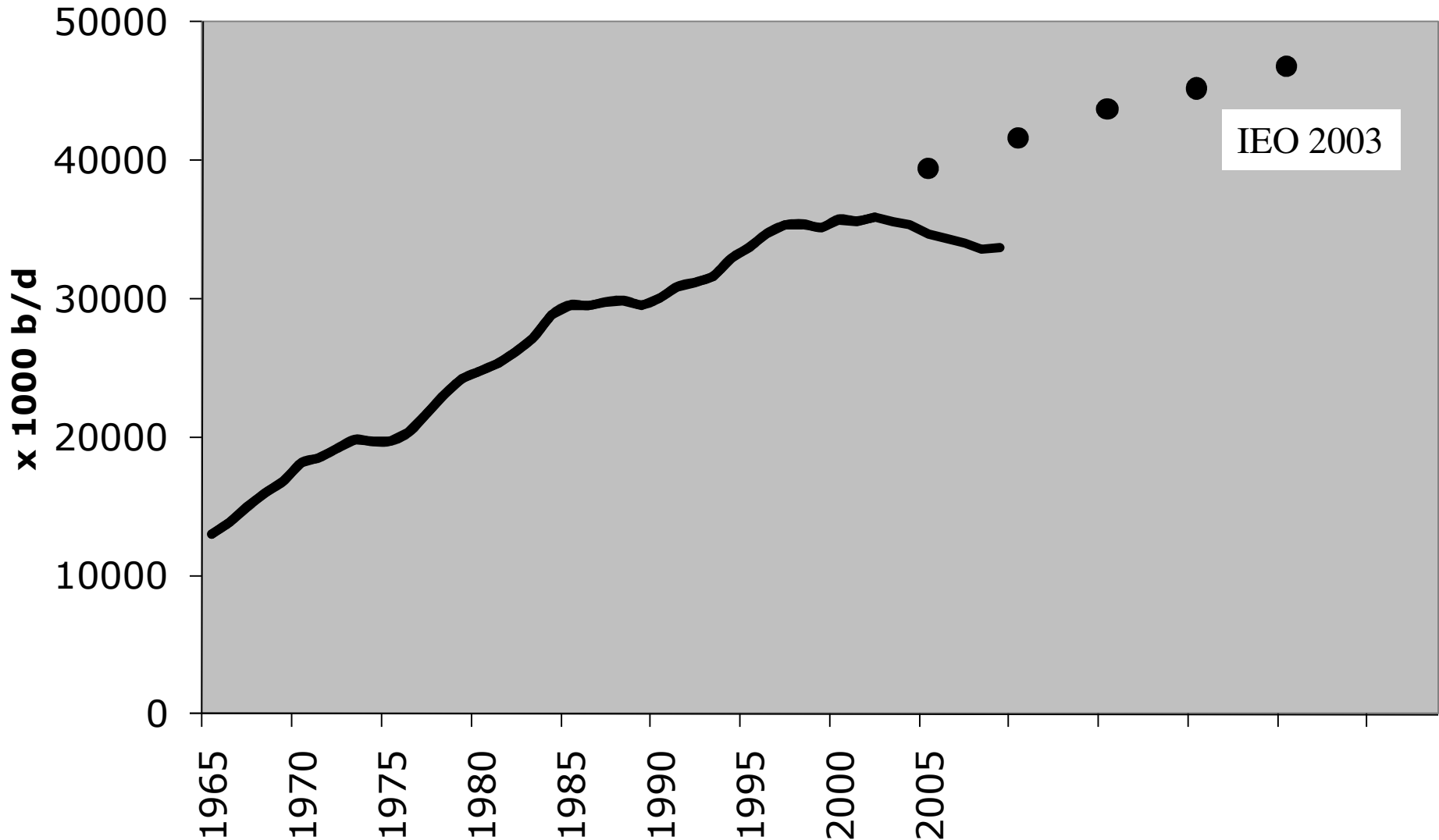
## Oil/energy trends

- Western oil companies are no longer renewing their reserves
- Production outside OPEC and FSU is declining
- Middle East capacity is not increasing
- Enormous demand potential from emerging economies
- Climate change issue proves intractable

## Geopolitical trends

- US leadership in crisis – yet no credible alternative
- Rise of China and BRICS – more heterogeneous world
- US Middle East policy in deep crisis

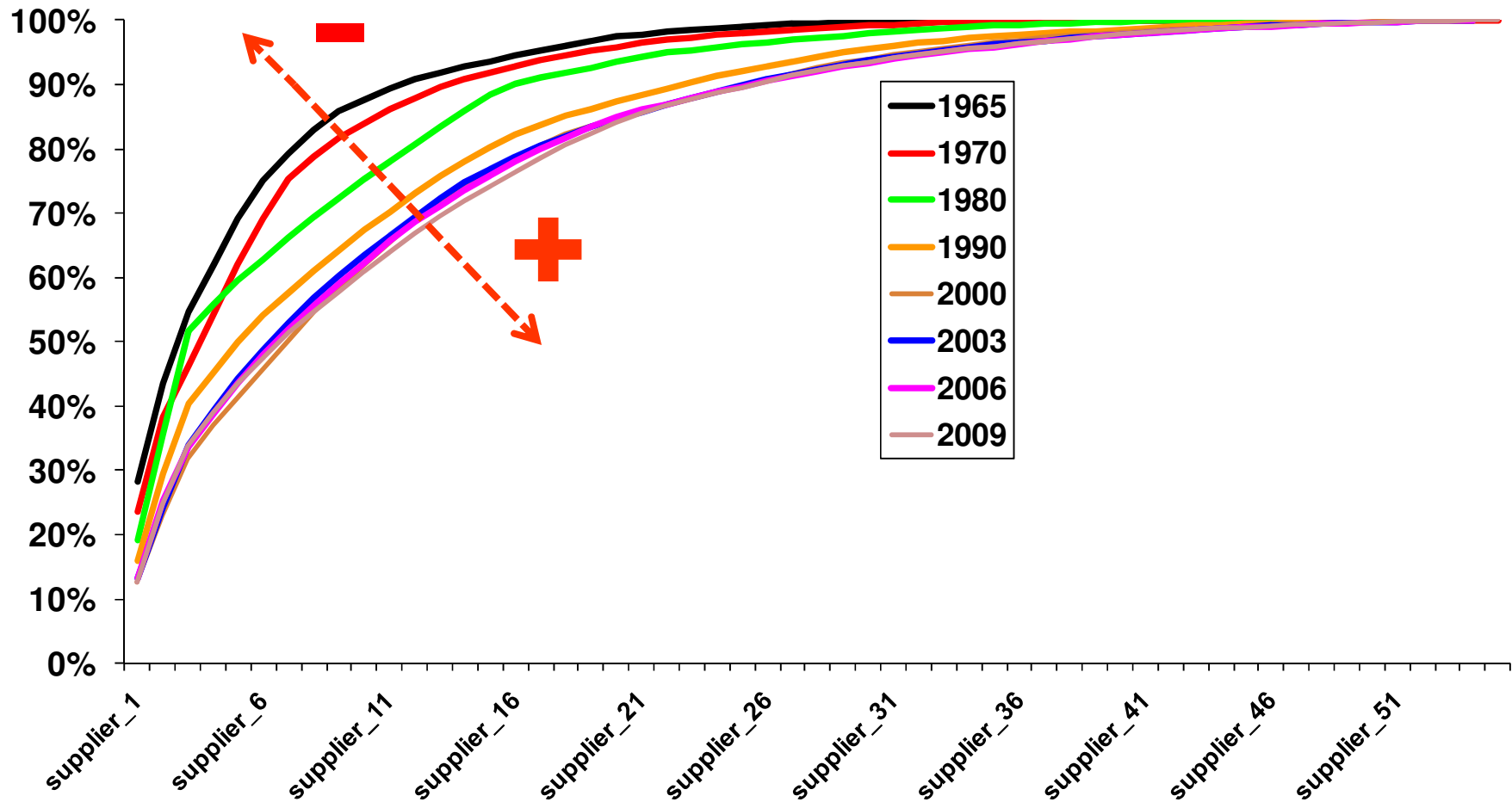
# Non-OPEC, non-FSU has peaked



Sources: BP SRWE 2010; EIA IEO 2003 (Reference case)

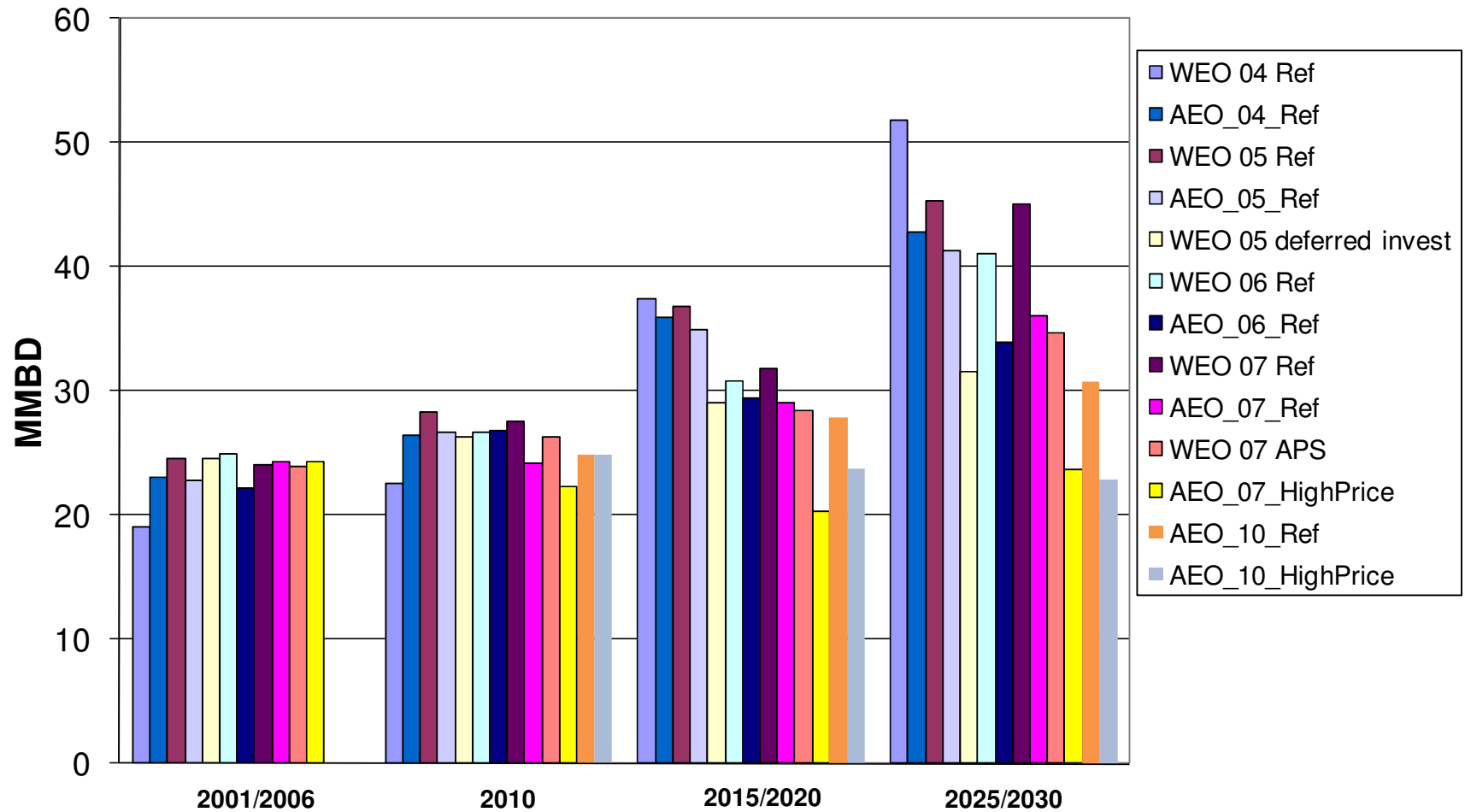
# Oil supply is no longer diversifying

Cumulative Oil Supply, various years



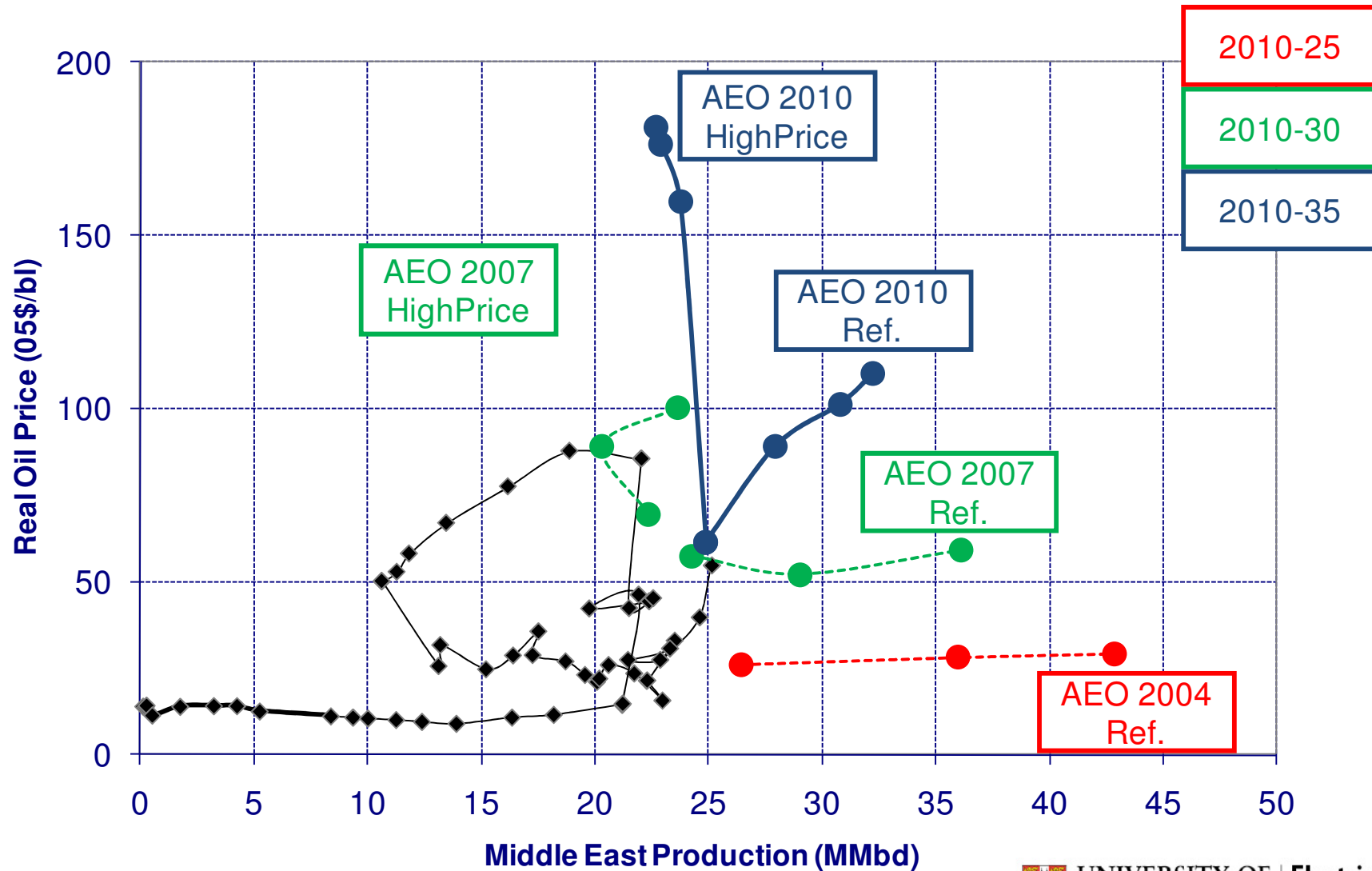
Data source: BP Statistical Review 2010

# Revised views of Middle East production



Data source: IEA; DOE/EIA

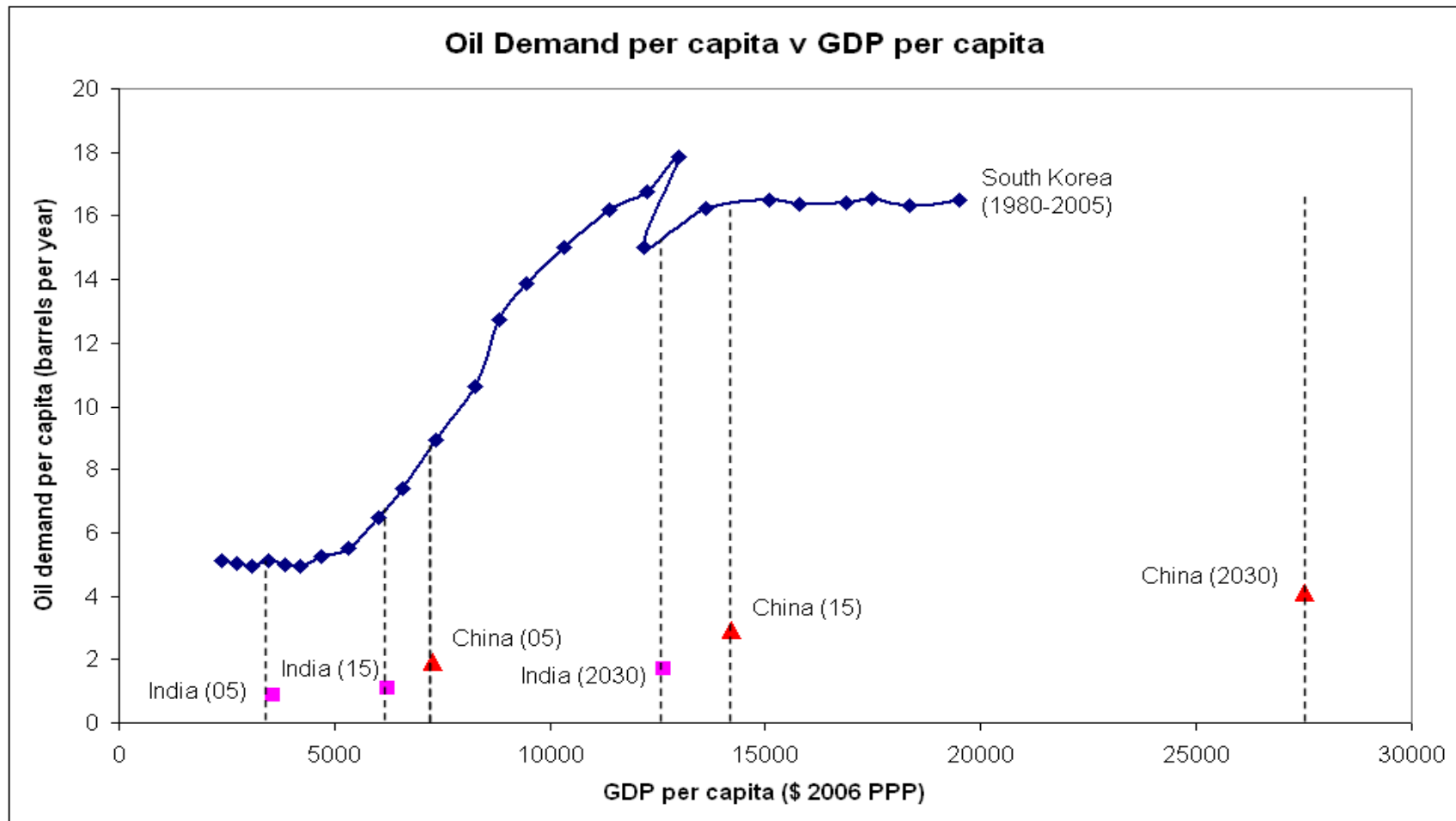
# Middle East v. Price of Oil



Data source: API; BP; DOE/EIA

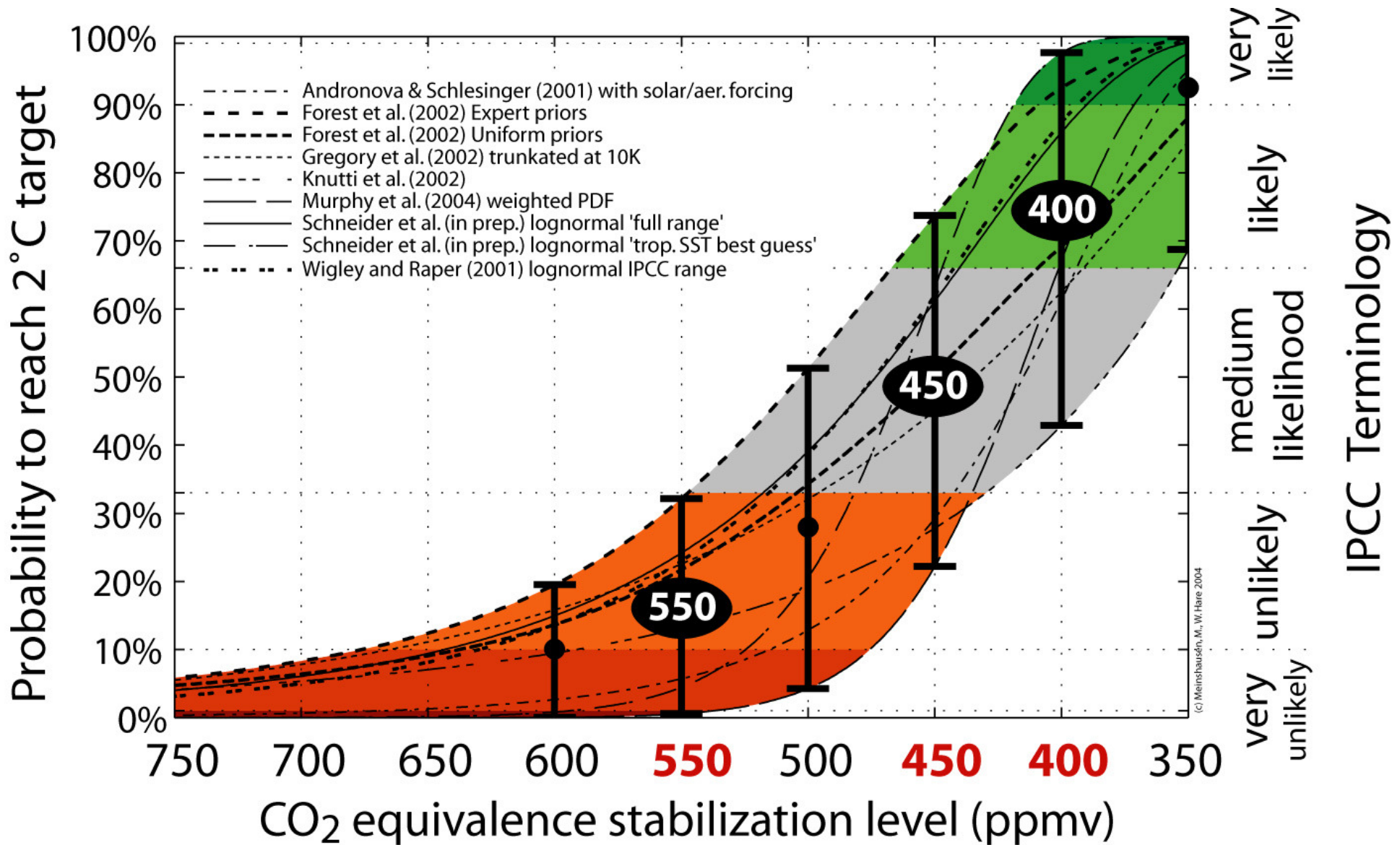


# Is Chinese & Indian future demand underestimated?



Graph from Terra Allas (DECC)  
China & India projections from IEA

# Climate change: frustration ahead



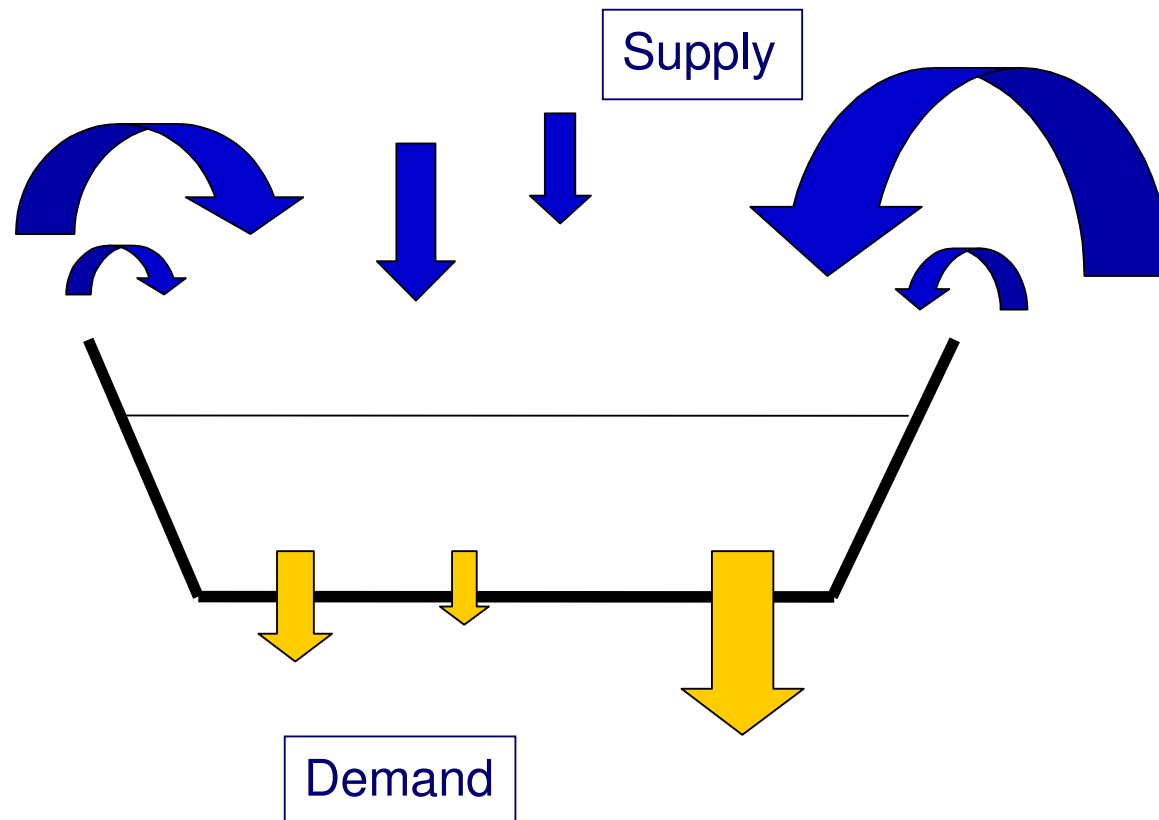
# Can the oil security regime be renewed?

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- A new US Middle East policy?
  - Difficult to be optimistic
- US-China co-operation in sea lane security and strategic reserves?
  - Goes in the right direction, but no step change
- Emerging economies into the IEA?
  - The perceptions / narratives are still wide apart
  - The politics are not easy
- **No collapse, but no clear sign of a renewal**

# Yet oil market still globally integrated

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# Cautious optimism

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- China's integration in the oil market is fast and smooth
- China is relying entirely on the market
  - For oil
  - For oil reserves
- No militarisation of 'access to oil'
  - US foreign policy is not built around energy security
- Oil market security is still a global public good
  - US and China may learn empirically to co-produce it