The past year and a half has seen much change in the global oil market landscape. Oil prices have fallen as crude oversupply and speculation combined to upset the relative oil market stability observed in previous years. In turn, this has led to a number of projects being cancelled or put on hold, rig counts falling dramatically, investment plans being revised, and redundancies being made. Moreover, patchy global economic growth, as well as geopolitical tensions in a number of countries and regions, has evidently also impacted the oil market.

These developments are a major source of unease for producers, but given the importance of oil as a global commodity that helps drive economies, many aspects should also be a concern for consumers.

From the consumer perspective, in terms of oil demand growth it is Asia that leads the way. Since 2000, Asian oil demand has increased by more than 40 per cent to stand at 30 million barrels a day (mb/d), whereas demand in both the Americas and Europe has fallen over the same period. Additionally, Asia is also a major importer of crude, given that its internal liquids production is around 8 mb/d.

Clearly, recent lower oil prices have been an economic boon to the Asian region. It has also provided a number of Asian consumers, particularly China, the opportunity to further fill their strategic petroleum reserves. However, it is important to appreciate the need to look beyond the short term. In this regard there are a number of key questions for Asia. Firstly, what does Asia’s supply and demand structure look like in the years and decades ahead? Secondly, how could current oil market developments impact the medium- and long-term supply and demand balance? And thirdly, what can Asia do to help counteract oil market uncertainties, and foster opportunities?

Looking out to 2040, global energy demand is expected to expand by around 50 per cent, with Asia seeing the largest increase. From the perspective of oil, OPEC sees global demand increasing to around 110 mb/d by 2040. Out of this, Asia is anticipated to see demand of close to 46 mb/d, an increase of almost 16 mb/d from 2015, as its population expands, economies grow, and given the huge potential to ease the plight of many of those billions in Asia who continue to suffer from energy poverty. With the region’s supply assumed to decline to just over 7 mb/d by 2040, it means that Asia will need to import close to 40 mb/d of crude oil and refined products by then.

This underscores two important and linked factors. The first is that Asia will remain the main hub for oil demand growth. Putting this into some perspective, the demand increase in Asia by 2040 is projected to be more than double the increase in all other growing regions combined. The second is that Asian countries will see oil imports rising further in the coming decades. This further accentuates the importance of market stability to both producers and consumers.

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It is evident that the current oil market environment, while providing some benefits to consumers in the near-term, does highlight some longer-term uncertainties. For example, while producers are using the current situation to cut costs and improve efficiencies – all important to better streamlining the industry – it is vital that the industry has the capacity to make the necessary investments to meet future demand. In this
respect, the recent wave of announced project cancellations and deferrals across the industry is a clear demonstration that wide price fluctuations have a detrimental effect on investments and can sow the seeds of future instability.

There is no doubt that there are enough resources to meet future oil demand, and from OPEC’s perspective, despite the uncertainties, its Member Countries remain committed to making the necessary investments and finding ways to respond to the world’s future energy needs.

We need to recognise, however, the scale of what is needed. Oil-related investment requirements are estimated to be around US$10 trillion between now and 2040. Thus, it is vital to keep one eye on the current situation, and one eye on the future.

For Asian countries, looking at both the uncertainties and opportunities, there will no doubt be a continuation of the trend to look for overseas acquisitions and projects to help secure supplies to meet their increasing domestic demand. And there is an expectation that many new refining and petrochemical projects will be located in Asia, so the region can reap some internal benefits from turning crude into products. In this regard, many OPEC Member Countries and their National Oil Companies are already involved in joint refinery and petrochemical ventures.

And as the 6th Asian Ministerial Energy Roundtable underlines, dialogue and cooperation between producers and consumers will remain central to a sustainable energy future for all. At OPEC, we have long recognised the importance of dialogue and cooperation between producers and consumers, and all industry stakeholders. In Asia, we have recently conducted further dialogue with China, and later this year will hold a first dialogue meeting with India. Our Member Countries also have strong bilateral ties with countries in the region. Today, it is essential that we continue to strengthen our relationships in this increasingly interdependent world.

For energy, there is no more dynamic relationship than that between Asia and the world’s major energy producers and exporters. Asia will continue to be the main energy demand growth hub in the coming decades and thus central to the world’s leading energy suppliers. Future developments in the Asian region will have profound implications for people, businesses and nations everywhere.