



Global Highlights

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Energy & the environment

Oil medium-term perspectives: clouds on the horizon

- With oil price above \$90 a barrel and amidst a new OECD call to OPEC officials to boost production, several leading oil experts gathered [in London, on October 30th](#), to discuss whether the fundamentals of the oil market could cause a supply crunch in the coming years.
- Nobuo Tanaka, the Executive Director of the **International Energy Agency (IEA)** said that, despite five years of high oil prices, market tightness will actually increase from 2009 onwards (the IEA had already warned in July that the world would face an [oil crunch in five years](#)). According to Tanaka, new capacity additions will not compensate for the decline of production in existing fields and the projected increase in demand. Although there are sufficient oil reserves on the ground to cover the global oil demand through 2030, Tanaka is not confident that the needed investment, skilled workers and technology will be available to develop those reserves on time. He revealed that IEA's World Energy Outlook 2007 (to be released next Wednesday) will include an upward revision to the estimated investment needs in the oil industry through 2030, from an average annual investment of \$164 billion to more than \$190 billion (clearly above the average \$100 bn per year spent in the industry in the first half of the current decade)
- Andrew Gould, Chief Executive of **Schlumberger Ltd.**, the World's largest oilfield services company, said that 70% of the oil fields currently in operation are 30 years old and that shortages of skilled staff and equipment have fuelled a steep rise in costs. According to Gould, the expected 1.7% increase in annual oil demand will call for an extra 11 million barrels of oil to be produced per day by 2010.
- **Matthew Simmons**, Chairman of Simmons & Company International, a US specialist energy investment bank, and author of the book ["Twilight in the Desert"](#), said staff costs are rising at an average of 8% a year and by as much as 25% for some skilled staff areas. He reckons that some 30,000 new staff would be needed to operate rigs now under construction.
- But the most worrying information came from Sadad I. Al-Husseini, an oil consultant and **former Executive Vice President at Saudi Aramco** (Saudi Arabia's national oil company), who warned that the major oil-producing nations are inflating their oil reserves by 300 billion barrels (equivalent to one fourth of currently estimated world conventional oil reserves). In an unusual claim from an Aramco (former) official, Al-Husseini said that these reserves are "not delineated, not accessible and not available for production". He added that much of the production in the Middle East comes from mature reservoirs, and that the giant fields of the Arabian Gulf region are already 41% depleted.