

WORLD ENERGY OUTLOOK 2004

HIGH OIL PRICE CASE

The WEO-2004 contains a High Oil Price Case, in which the oil price is assumed to average \$35 per barrel until 2030 to examine the effects of high prices on world oil supply and demand, OPEC revenues and oil investment¹.

- **In the High Oil Price Case, world oil demand in 2030 is 19 mb/d, or 15%, lower than in the Reference Scenario.** This is almost equal to US oil demand today. Sustained higher prices choke off energy demand generally and would prompt switching from oil to other fuels and promote the diffusion of more energy-efficient technologies. Demand would still rise over the projection period, at 1% per year, but more slowly than in the Reference Scenario (1.6%).
- **The drop in world oil demand would lead to an equivalent fall in world production.** The impact differs substantially among regions. Production in OPEC countries, which are assumed to be the residual source of supply, would be 38% lower in 2030 compared to the Reference Scenario.
- In the High Oil Price Case, **OPEC's cumulative oil revenues would be 7%, or \$750 billion, lower.** Higher oil prices are profitable for exporting countries in the short term, but lead to lower revenues in the longer term. It is therefore in the interests of both consuming and producing countries to avoid high oil prices.
- Despite the prospect of lower global production, **upstream oil-investment requirements are similar to those shown in the Reference Scenario.** Higher investments in all regions are compensated by the decrease in OPEC Middle East, where they are \$116 billion lower. The bigger investment requirements in OECD countries and in Latin America are for non-conventional oil facilities, which become more commercially attractive.

¹ In comparison, in the Reference Scenario, the average IEA crude oil import price is assumed to fall back from current highs to \$22 (in year-2000 dollars) in 2006. The price is assumed to remain flat until 2010, and then to begin to climb steadily to \$29 in 2030.