

Bloomberg

Energy Boom Is Coming Regardless of Slowing Global Economy, Officials Say

By Margot Habiby and Frederic Tomesco - Sep 14, 2010

The world must prepare for the next energy boom, officials meeting this week in Montreal said, as long-range forecasts that demand will surge eclipse concern that the pace of the global economic recovery is slowing.

Electricity and fuel consumption will climb 30 to 40 percent in the next 20 years, spurred by rising incomes in emerging markets and global economic growth, [Daniel Yergin](#), chairman of IHS-Cambridge Energy Research Associates, said yesterday at the [World Energy Congress](#) in Montreal.

“Any long-term energy outlook that I’m aware of has continued demand increases for energy demand globally,” [said Richard Newell](#), head of the statistics unit of the Energy Department, which predicts demand will rise 50 percent by 2035.

The forecasts for consumption a generation from now, including greater demand for crude oil, contrast with an International Energy Agency estimate last week that oil use will be little changed in 2010 and 2011 as fuel stockpiles surge amid slower growth in developed nations.

[Petroleum supplies](#) in the U.S., the world’s largest oil consumer, are at the highest level in 20 years, according to the Energy Department. Inventories of crude and other fuels climbed 4.9 percent over 13 weeks through Sept. 3 to 1.14 billion barrels.

“Fossil fuels will not be enough to meet demand” over the long term, said [Jean-Jacques Guilbaud](#), chief administrative officer of Paris-based Total SA, Europe’s third-largest oil producer.

Fossil-Fuel Reliance

Oil and gas will remain the main sources for global energy over coming decades, even with increased use of power from wind, solar and nuclear plants, Yergin, Newell and Guilbaud said.

“Even though the share of fossil fuels in the energy mix may decline over the longer term, the absolute quantities of energy from these sources will continue to rise simply because total energy

demand is set to expand so significantly,” [Khalid al-Falih](#), chief executive officer of Saudi Arabian Oil Co., the world’s largest oil producer, said in a speech yesterday in Montreal.

Projections by the EIA, IEA and IHS-CERA show that “under current policies and current market trends, the fossil-fuel share of global energy consumption is likely to stay in the 70 to 80 percent range,” the EIA’s Newell said. These forecasts factor in increased use of renewable fuels as well as improved energy efficiency by countries from the U.S. to China, he said.

Crude Demand

Global crude demand will average 87.9 million barrels a day next year, the IEA said Sept. 10 in its monthly Oil Market Report, unchanged from last month. It revised the 2010 estimate 50,000 barrels a day higher to 86.6 million. Soaring stockpiles and slowing Asian consumption are capping oil prices and there’s a “significant downside risk” that demand will falter should the global recovery stall, the Paris-based group said.

“In the long term, Total estimates production could be stabilized around 95 million barrels a day by 2030,” Guilbaud said. “The decline in the producing fields is about 5 percent to 6 percent a year.”

Yergin based his demand-growth forecast on an expansion of the global economy to \$120 trillion by 2030, he said in a speech yesterday in Montreal. The International Monetary Fund estimates it will reach \$81.8 trillion in 2015 from about \$61.8 trillion this year.

Economic Crisis

“If we continue with a double-dip world economic crisis, that’s fine,” said [Marcelo Martinez Mosquera](#), chairman of Argentina’s Tecpetrol SA and Tegas Argentina SA. “We can postpone talking about energy issues for a while until we go back to the 2008 economic scenario of different countries pushing for scarce commodities, but I don’t think this will happen.”

Oil prices traded at a record \$147.27 a barrel in July 2008 before dropping to \$32.40 that December as the recession worsened, curbing demand for fuels.

Crude for October delivery fell 39 cents, or 0.5 percent, to settle at \$76.80 a barrel on the New York Mercantile Exchange. Futures have risen 12 percent in the past year.

Oil supply and demand are disconnecting from price signals amid a shift in consumption toward transportation fuels and emerging markets, [Fatih Birol](#), the IEA’s chief economist, said today in Montreal. High prices are more likely than low to spur consumers to adjust their fuel usage and investors to make decisions that affect supply.

“This is crucial to understanding oil markets in the years to come,” he said. “You need higher prices to slow down the oil demand growth.”

Gas Forecast

The forecast demand surge isn’t limited to oil.

“A key question is whether the world’s appetite for natural gas will keep pace with supplies,” [Peter Voser](#), chief executive officer at Royal Dutch Shell Plc, said in prepared remarks yesterday. “At a global level the answer is yes, because of economic growth in emerging markets.”

Shell estimates global gas consumption may rise 25 percent by 2020 and by nearly 50 percent by 2030, Voser said. Growth in emerging economies will boost gas demand, he said.

Emerging-market consumption is key because North America and Europe have already achieved “peak demand,” particularly in terms of oil, said Yergin, the Pulitzer Prize-winning author of “The Prize,” a history of the oil industry.

“It’s a very different picture in emerging markets,” he said. “Rising incomes and large populations in those countries will be the growth engine for world energy demand in the years ahead.”

To contact the reporter on this story: [Margot Habiby](#) in Montreal at mhabiby@bloomberg.net; [Frederic Tomesco](#) in Montreal at tomesco@bloomberg.net

©2010 BLOOMBERG L.P. ALL RIGHTS RESERVED.