

'Significant' oil supply-demand gap possible in three to four years: IEA's Birol

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Oil price volatility is here to stay, notwithstanding recent producer pledges of output cuts aimed at calming the international market, the executive director of the International Energy Agency said Friday.

"We are entering an era of more oil price volatility," Fatih Birol said in a keynote address to delegates at the Atlantic Council Global Energy Forum in Abu Dhabi.

"We believe that this year, if there are no major oil projects starting, ... in three to four years' time we may see a significant supply-demand gap, with major consequences," he elaborated. "This will not be filled by shale oil. This is why we may now be entering an era of greater oil volatility."

Birol stressed that the two consecutive years of declining global investment in oil development in 2015-2016 had no parallel in the history of the oil industry. Globally during the two years following the sharp decrease in international oil prices of second-half 2014, no major oil projects were started and there were zero large oil discoveries.

"There were no discoveries because there is no money for exploration. You find something if you look for it," he said.

Global tightness in oil supply could be felt within two to three years, Birol predicted, echoing similar comments at the energy forum Thursday by Saudi energy minister Khalid al-Falih.

"In 2017 we have to see major new investment to calm the market, otherwise, in two to three years, that supply-demand gap will be with us," he said.

Nonetheless, prospects for an imminent rebound in upstream oil investment are currently unclear. "Currently, 2017 investment numbers are not even showing a rebound after 2016. We may well see a third year of investment decline if no new projects are undertaken," Birol said.