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## EIA: Global oil markets to tighten in next 2 years

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**WASHINGTON, DC, Jan. 11** -- The US Energy Information Administration anticipates that global crude oil markets will tighten over the next 2 years as annual consumption grows by an average 1.5 million b/d and growth in supplies outside the Organization of Petroleum Exporting Countries increases less than 100,000 b/d yearly, EIA said in its latest Short-Term Energy Outlook.

“Consequently, EIA expects the market will rely on both inventories and significant increases in production of crude oil and non-crude liquids in OPEC member countries to meet world demand growth,” it said. “While onshore commercial oil inventories in the Organization for Economic Cooperation and Development (OECD) countries remained high last year, floating oil storage fell sharply in 2010, and EIA expects OECD oil inventories will decline over the forecast period.”

Many significant uncertainties could push oil prices higher, the report suggested. They include OPEC’s not increasing production as demand growth recovers, uncertain economic recovery rates domestically and globally, Chinese government efforts to address growth and inflation concerns, and unforeseen production issues, it said.

The Jan. 11 forecast, which was the first by EIA to cover periods through December 2012, raised its prediction of spot West Texas Intermediate crude prices by \$7/bbl from a month earlier to about \$92/bbl after WTI prices averaged more than \$89/bbl in December, about \$5/bbl more than November’s average. It said that WTI spot prices could average \$93/bbl during 2011, reaching an average \$99/bbl in the fourth quarter, and average \$98/bbl in 2012.

It expects non-OPEC crude and liquids production to rise by 160,000 b/d in 2011 and 20,000 b/d in 2012, with increases concentrated in a few countries, notably China, Canada, and Brazil. EIA anticipates that each of these overseas producers’ output will grow by 120,000-150,000 b/d in 2011 and 2012. Ghana became a new non-OPEC producer in December with the startup of its Jubilee field, it noted.

### **Non-OPEC declines**

Other non-OPEC countries’ production will decline, EIA predicted. It expects Mexico’s production to drop by 200,000 b/d in 2011 and 80,000 b/d in 2012. “Similarly, the United Kingdom is expected to see production declines of an average 120,000 b/d in both 2011 and 2012 since oil production and the discovery of new reserves have not kept pace with the maturation of existing fields,” it said.

It said that while OPEC is not scheduled to meet until June to discuss its production targets, EIA anticipates that the cartel and its members will continue to increase production to accommodate growing demand, especially

since non-OPEC supplies' growth will be limited. OPEC's total production could grow by 500,000 b/d in 2011 and 1 million b/d in 2012, while its non-crude liquids production, which is not subject to targets, could climb by 700,000 b/d this year and 400,000 b/d next year, it indicated.

EIA said that it expects OPEC's surplus crude oil production capacity to fall from about 4.7 million b/d at the end of 2010 to 4.3 million b/d at the end of 2012.

Domestically, it said that preliminary data indicate that US consumption of petroleum and non-petroleum liquid fuels grew by 350,000 b/d, or 1.9%, during 2010. Most of the increase came with distillate fuel oil, where demand climbed by 130,000 b/d, or 3.7%, and motor gasoline, where demand rose by 60,000 b/d, or 0.7%, it said. EIA projected that total US liquid fuels consumption would grow by 160,000 b/d, or 0.8%, in 2011 and 170,000 b/d, or 0.9%, in 2012, reaching an average 19.4 million b/d at the end of that year.

It said that it expects US crude oil production, which grew by 150,000 b/d in 2010 to 5.51 million b/d, to decline by 20,000 b/d in 2011 and 130,000 b/d in 2012. The 2011 forecast includes declines of 50,000 b/d in Alaska and 220,000 b/d in federal Gulf of Mexico production, which are almost offset by a projected 250,000 b/d increase in non-gulf production in the Lower 48 states, it said. In 2012, EIA said that it expects Lower 48 non-gulf output to grow by 70,000 b/d, Alaskan production to fall by 20,000 b/d, and output in the gulf to decrease by 180,000 b/d.

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