

**NEWS RELEASE**

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**OIL SUPPLY SHORTAGES LIKELY AFTER 2007, NEW REPORT SHOWS**

Global oil supplies could start to have difficulty meeting growing demand after 2007, according to a recent analysis of existing and planned major oil-recovery projects published this month in *Petroleum Review*.

While a flood of new production is set to hit the market over the next three years, the volumes expected from anticipated new projects thereafter are likely to fall well below requirements, the report says.

"There are not enough large-scale projects in the development pipeline right now to offset declining production in mature areas and meet global demand growth beyond 2007," said Chris Skrebowski, author of the report, editor of *Petroleum Review* and a recently appointed Board member of the Oil Depletion Analysis Centre (ODAC) in London.

"Since it takes, on average, six years from first discovery for a mega project to start producing oil, any new project approved today would be unlikely to come on stream until the end of the decade," Mr Skrebowski noted.

The report, 'Oil field mega projects 2004', analysed all known projects with estimated reserves of over 500 million barrels and the claimed potential to produce over 100,000 barrels of oil a day. Projects on that scale account for about 80 percent of the world's oil supplies.

The report found that just three such projects are expected to come on stream in 2007 and three more in 2008. No new projects could be identified for start-up in subsequent years.

"Ever-growing demand for oil means there is a ready market for additional supplies so substantial new discoveries tend to go into development in a very limited time," Mr Skrebowski noted. "But between a quarter and a third of the world's oil production is already in decline and it appears that giant new discoveries to replace lost capacity are becoming very scarce."

The rate of major new oil field discoveries has fallen dramatically in recent years. There were 13 discoveries of over 500 million barrels in 2000, six in 2001 and just two in 2002, according to the industry analysts IHS Energy. For 2003, not a single new discovery over 500 million barrels has so far been reported. [The falling discovery trend is confirmed by another recent report by energy consultant Wood Mackenzie, according to a January 23, 2004 article in *The Wall Street Journal*.]

Key findings of the *Petroleum Review* report are:

- Between 2003 and early 2007 some 8 million barrels of new capacity is expected to come on stream. This should be more than sufficient to offset global production declines of about 3-4 million barrels a day over that period and projected demand growth of around 3 million barrels a day.
- The peak year for new mega projects, predominantly offshore developments, will be 2005 when 18 projects with a potential peak capacity of 3 million barrels a day are due to come on stream.
- The development pace will slow in 2006 with 11 new projects starting up. Their combined peak capacity will be around 2 million barrels a day.
- Only three new mega projects are expected to come on stream in 2007 and a further three in 2008, adding less than 2 million barrels of potential new capacity at their peak.
- From 2007, the volumes of new production will likely fall short of the combined need to replace lost capacity from depleting older fields and satisfy continued growth in world demand.
- Some 23 other projects have been identified that could potentially be developed sometime in the future. All but two of these are in Russia and the Middle East but due to a range of political, legal and technical uncertainties, none is likely to add new supplies to the market before the end of this decade.

The report includes details of 54 approved projects, with their estimated reserves, expected start-up dates and projected peak flows, as reported by the oil companies. A number of the projected peak flows appear high relative to the reported reserve base, which suggests that these peaks may be relatively short-lived, Mr Skrebowski noted.

Almost all of the projects listed are in offshore fields. Since the infrastructure and operating costs of offshore projects are much higher than onshore projects, they are usually developed so that peak flows are achieved quickly – within about a year of start-up – and maintained for as long as possible. Offshore fields deplete more rapidly as a result.

The International Energy Agency forecasts annual average growth in oil demand over the medium term of around one and a half percent. That alone would require increases in production on the order of one to one and a half million barrels a day each year. In 2002,

total worldwide oil production was about 74 million barrels a day, but over 21 million barrels a day came from countries where production is already in decline.

“The results of this analysis suggest that with a shrinking pool of major new oil–recovery projects available, the world may be entering an era of permanently declining oil supplies in the coming decade,” Mr Skrebowski said.

“A number of other analysts have forecast a global peak in oil production within roughly the same timeframe based on analyses of past production and estimates of reserves. This study takes a different approach but points to a similar conclusion.”

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**Note to editors:**

1. The Oil Depletion Analysis Centre (ODAC) is a UK-registered educational charity working to raise international public awareness and promote better understanding of the world’s oil-depletion problem. Further information is available on its website: [www.odac-info.org](http://www.odac-info.org)
2. Chris Skrebowski is editor of *Petroleum Review*, a monthly magazine published by the Energy Institute in London, and one of seven trustees of The Oil Depletion Analysis Centre (ODAC). He previously edited *Petroleum Economist* and was an oil market analyst for the Saudis in London for eight years. He started his career in the oil industry as a long-term planner for BP, then joined *Petroleum Times* as a journalist and edited *Offshore Services* magazine in the late 1970s.
3. ‘Oil field mega projects 2004’ was published in the January 2004 edition of *Petroleum Review* and can be downloaded in PDF from the ODAC website’s Bulletin Board.