Foreword
OPEC has always recognized that its role as an intergovernmental organization of oil exporting countries is essential to the stability of the oil market and to the global economy. The Organization’s World Oil Outlook (WOO) is designed to share the OPEC Secretariat’s views on such matters. Published annually, it offers a comprehensive view of oil market prospects and the future of the world energy scene.

As in previous editions, the WOO 2014 builds on the Organization’s in-depth research work, and provides analysis of the main issues and drivers that could impact the oil landscape in the medium- to long-term. The 2014 edition extends the timeframe in focus to 2040, and considers the outlook for supply and demand in both the upstream and downstream, and by region and oil sector. It also includes coverage of the energy scene for other fuels.

A work of this kind necessarily includes a careful consideration of the various inter-related factors that have impacted the oil market over the past year, and those that are expected to affect it in the years ahead. However, given the complexity and uncertainties that are associated with the main drivers of the energy future, this publication provides alternative scenarios – in addition to a Reference Case Outlook – that consider different plausible economic growth paths and oil supply trajectories.

Under all scenarios, the health of the global economy remains central. Although there have been both ups and downs this year, the global economy is generally seen continuing its gradual recovery. While the current forecast indicates fragility in the pace of global economic growth, this is expected to improve throughout the medium-term, moving from slightly above 3% in 2014 to reach 3.8% in 2018 and 2019 under the Reference Case.

OECD countries are expected to continue recovering in the short- to medium-term. The US economy is now growing at a healthy rate with low unemployment. But some other OECD economies still face various growth impediments – such as fiscal and debt difficulties – that keep their economies growing below their potential. Large emerging economies are also facing headwinds, meaning that the slowing growth trend seen in 2013 has continued through to this year. However, in the Reference Case, it is assumed that their economies will rebound in 2015.

As in previous editions, this year’s WOO sees developing countries – particularly those in Asia – as central to future oil demand growth. Rising population, urbanization, economic expansion, improving social conditions and the growing need for mobility are all drivers of the increased oil use that will be seen in these countries in the decades ahead.

Globally, oil demand is expected to increase by just over 21 million barrels per day (mb/d) during the period 2013–2040, reaching 111.1 mb/d by 2040. In this, developing countries alone will account for growth of 28 mb/d. During the same period, demand in the OECD will fall by over 7 mb/d. However, although their aggregate demand is expected to have surpassed that of the OECD in the second half of 2014, per capita oil use will remain much lower in developing countries than in the OECD.

On the supply side, the last few years have seen significant growth from non-OPEC countries. The Outlook continues to see non-OPEC supply growth in the medium-term, albeit decelerating over the time horizon. In the long-term, OPEC will supply the majority of the additional required barrels, with the OPEC liquids supply forecast increasing by over 13 mb/d in the Reference Case from 2020–2040.
In addition, in terms of the global energy mix, renewables – from hydropower and other renewables, such as wind and solar – are expected to continue to grow at a fast pace, partly as a result of government support. However, given their low initial base, their share of the global energy mix is expected to remain modest by 2040. It is fossil fuels that will continue to play the leading role in satisfying world energy needs in the future. Throughout much of the period under consideration in this Outlook, and despite a slight decline, oil will remain an energy source with one of the largest shares.

These shifting energy demand and supply trends have significant implications for global oil downstream and trade. Increasingly, new refining capacity will be coming onstream in regions with growing demand for liquid products, primarily in Asia and the Middle East. This will not only shift the centre of gravity of world oil movement towards the Pacific Basin, but will also represent a challenge to established refineries in traditional demand regions. Moreover, the pace of capacity additions seems to be higher than what is needed to cover demand, at least in the medium-term. This could lead to substantial over-capacity in the sector, with mounting pressure for closures in several regions, especially in Europe.

There are other challenges that have the potential to impact the oil and energy market in the future. The effect of the on-going global economic recovery on demand levels has already been highlighted. But additionally, there is the potential impact of the policies and measures that could result from on-going climate change negotiations. This is an important source of uncertainty that could have broad impacts across the energy landscape.

The Outlook also considers the possible impact, on both supply and demand, of new technologies which have the potential to change many aspects of the industry. In recent years, for example, important new advances in drilling technology have allowed the industry to extend its reach to frontier areas, while significant advances in downstream processes have given refineries greater flexibility to process a wider variety of feedstocks.

Additionally, there are also the on-going challenges of rising capital costs and human resource constraints, both of which can serve as a drag on the industry's future growth. More needs to be done to address issues in these areas – for the sake of both the industry and future supply.

Some of these challenges and uncertainties – specifically, those related to global economic developments and developments on the supply side – are analyzed in a number of alternative scenarios to the Reference Case. Of course, no one can accurately predict the energy future. But it is important to offer a variety of possibilities as a means of better understanding what might lie ahead. The focus is on remaining vigilant – especially as OPEC's principal role continues to be one of striving for market stability and ensuring balance between supply and demand to the mutual benefit of both consumers and producers.

The Outlook demonstrates once again the key role that energy plays in the expansion of the world economy, poverty alleviation, food security, access to water, the rise of the middle-class in developing countries and the improvement of living standards everywhere. Unfortunately, the Reference Case also makes it clear that currently over 1.2 billion people, especially in Africa and developing Asia, remain without access to electricity and 2.8 billion rely on traditional biomass for cooking. Thus, we continue to hope that the Sustainable Development Goals being discussed...
under the auspices of the United Nations – particularly the eradication of poverty and universal access to affordable, reliable, and modern energy services – will be effectively and successfully met by 2030.

This Outlook, now in its eighth edition, is the work and achievement of many committed people who have collaborated with the objective to enhance understanding of the oil market by offering insights and sharing our analysis. On behalf of everyone at the OPEC Secretariat, I trust you will appreciate their efforts – and hope you will find this 2014 Outlook a useful reference.

Abdalla Salem El-Badri
Secretary General