

**OPEC ; non-OPEC , Supply
Challenges,Battle over the Incremental
Demand (2004-2010)**

by :

KAMBIZ MANAFI

International Petroleum Consultant

OPEC; Non-OPEC Supply challenges :

Battle over the Incremental Demand (2004-2010)

There is no doubt that oil will continue to Play a major role in meeting the energy needs of the world in the years to come ; nevertheless , demand security for OPEC as well as non-OPEC will be faced with certain challenges in the near future .

Additionally ; as the fundamental of the market suggests, the price increases of 2003 and early 2004 has to do more with geopolitics of Middle East and unrest in Venezuela and Nigeria : than the traditional supply and demand fundamentals of the international oil market; that is to say that OPEC has been able to judge the supply-demand balance correctly and has wisely managed the oil market : resulting in the ample supply of oil in the market to meet the demand ; as the levels of stocks by consuming nations and inventories by International oil companies suggest .

As for the future ; based on OPEC's world Energy Model and reports of IEA Energy forecast ; the world oil demand will reach grosso-modo to level of 90MMbpd by 2010 from the present level of 80 MMbpd in 2004 .

On the supply side , the planned increase in OPEC Capacity ranges 8-10 MMbpd : in addition to the present spare capacity : which by itself will be enough to fulfill the increased demand ; leaving little ; if any , room for producing countries outside

OPEC ; which led by Russia in turn plan their own capacity increase and look forward to enhancing their market penetrations around the world . As a result there will be a conflict of interest if not a battle over the increased demand .

As Figure[No 1] suggests ; Russia alone will increase capacity by 2.4 million bpd between now and this decade's end (2010) from 8.80 to 11.17 million bpd.

Increases will also be coming from other sources : mainly Azerbaijan and Khazakistan in the Caspian Area by at least one million bpd and other less significant sources such as Sub-Saharan Africa : Chad and Angola ; and to lesser degree from Latin America Zone .

Based on above ; OPEC will be facing a real challenge in finding the optimal way to manage the market in a fashion not to lose market share : yet stabilize prices and supply smooth flow of oil to the International oil market .

Substantial increases in OPEC production due to demographic peculiarity of ME(less populated) translates into higher percentage of exports as composed to total production ; in other world , the new production capacity will be that of **export- driven output** leading to what is called the **OPEC multipliers's effect** which will result in a larger share of the International Oil Market and a better positioning for OPEC .

Nevertheless ; the challenge by non-OPEC will be there and based on that, production management policies and quota