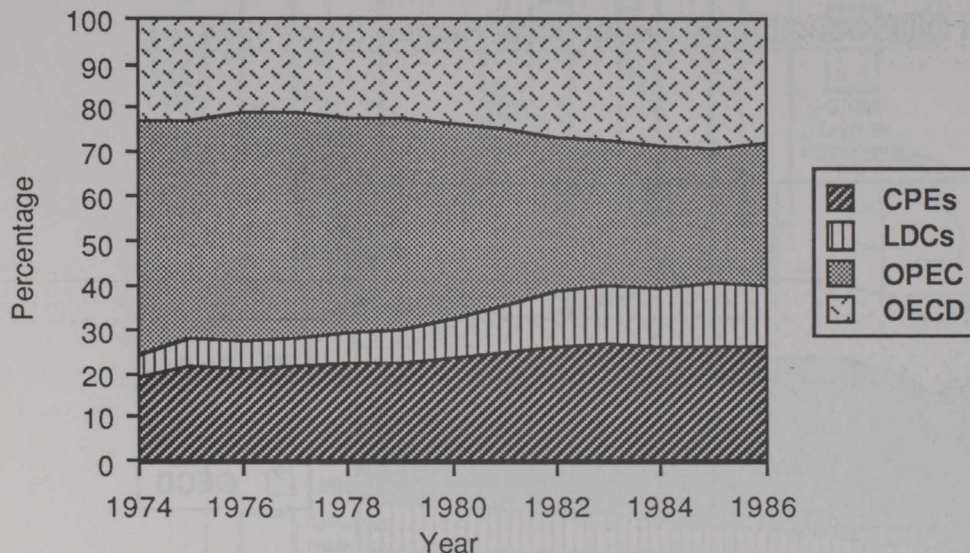


Non-OPEC sources of supply cannot indefinitely sustain the expansion achieved in the wake of the two oil price shocks. In 1973, non-OPEC/non-Communist oil output averaged 14.7 million barrels/day. By 1979, it had expanded to 17.7 million barrels/day. The second price shock further spurred non-OPEC output, which grew to 22.7 million barrels/day. But non-OPEC/non-Communist production may be nearing its peak. Low prices have compounded the problem of diminishing returns from petroleum exploration outside the Middle East. The situation is made clearer in comparing the distribution of oil production by geopolitical region, shown in Figure 13, with the distribution of conventional crude oil reserves, presented in Figure 14.

Figure 13: Share of World Oil Production by Geopolitical Region



Source: EMR, 1987c, p. 90.

Figure 15 illustrates oil consumption in the non-Communist world since 1979. Although demand fell substantially in the industrialized nations from 1979 to 1983, it remained virtually constant in the non-OPEC developing countries and increased slowly in the OPEC states. Over this same period, there has also been a shift away from the consumption of heavy oil products towards light oil products. These trends have caused a rationalization of world refining capacity, leading to a reduction in capacity in the industrialized world and to an increase in refining complexity. Figure 16 illustrates recent trends in refining capacity by region of the world. The OECD data are subdivided into North American, Western European and Pacific components.