

The major U.S. market for heavy crude exports is the Northern Tier (the midwest states and Montana), where there is potential for refinery capacity expansion. While analysts see opportunities for further penetration of Canadian heavy crude into Northern Tier U.S. markets, they recognize that there will continue to be strong competitive pressures in these markets. The other alternative destination where there would appear to be scope for Canadian exports to increase would be Pacific Rim markets (e.g., Japan, Korea, Thailand). These markets have the potential for additional penetration by Canadian heavy crudes, but are expected to remain highly competitive because of the availability of crude oils from the Middle East, South-East Asia and Australia.

5.0 CONCLUSIONS

- World oil demand plays a key role in influencing various aspects of the world oil market, including: OPEC's market share, the increasing oil dependence of the U.S. (the largest oil consuming nation in the world), and the future path of market clearing prices. Low oil demand results in low calls on OPEC, which combined with expanded OPEC capacity results in low oil prices. On the other hand, higher world oil demand (hence, higher calls on OPEC) or lower OPEC production results in higher oil price paths.

The world's oil consumption is projected to increase at average annual rate of 1.4% to 2000 and at a slower rate thereafter. This rate of growth is substantially lower than the rate (almost half) projected for the global economy, implying a significant improvement in oil-use intensity. This moderate increase in demand could be a reflection of gradual implementation of strategies to reduce petroleum consumption in response to environmental concerns.

Oil demand is expected to register the strongest gains in developing countries (largely because of rapid population growth, urbanization, increased transportation fuel requirements, and accelerating industrialization), followed by Eastern Europe and the former Soviet Union. As a result, the developing countries' share of total world oil demand is expected to increase from 24% in 1990 to 29% in 2000, and 31% by 2005.

- The general expectation is that ***non-OPEC oil supply will remain essentially flat during the first half of the 1990s, rising marginally by 2000.*** Any increases in non-OPEC oil supplies will come mainly from developing countries in the Asia-Pacific region and Latin America, and the gains will be