Figure 2 reveals that oil's share of world commercial energy use fell from 49% in 1975 to 42% in 1985. Viewed by region, oil's share of LDC primary energy demand declined over the same period from 64% to 57%; of OECD energy demand from 56% to 50%; and of CPE energy demand from 31% to 27%. In each region, the decline began in 1979 and continued through 1985.

Although oil's share of energy use has fallen around the world, the consumption of oil actually increased throughout this period in the LDCs. In the OECD (and to a minor extent in the CPEs which are essentially self-sufficient as a bloc), oil consumption dropped in response to high prices and concern about security of supply. The nations of the developing world, however, have not all displayed similar behaviour. Demand for oil fell in Latin America after the second price shock, but not in the Middle East, Far East or Africa. Figure 3 illustrates these differences.

Most LDCs have not yet developed the diversified energy systems that provide industrialized nations with opportunities to substitute other fuels such as natural gas or electricity for oil. Industrialized countries are also better placed to practice conservation, either in reducing the discretionary use of oil or in applying sophisticated technologies to use oil more efficiently.

As oil prices began to fall from their 1980-81 peak, world demand for primary energy resumed its growth, beginning in 1983. In fact, commercial energy use in the CPEs and the LDCs grew throughout the period 1975-1985 – only the slump in OECD energy demand from 1980 to 1983 caused the global figure to drop temporarily. In 1985, world primary energy demand reached a record high of 138 million barrels/day of oil equivalent, up 7% from the 129 million barrels/day of oil equivalent recorded in 1982 (according to BP statistics converted to a 1 kWh = 3,412 Btu valuation for primary electricity) (British Petroleum, 1986). Sharply lower prices for oil in 1986, which also depressed the price of competing energy forms, most probably led to a further increase in total world primary energy use last year.

B. Development of the World Oil Industry

Natural seeps of crude oil and natural gas have been known since the dawn of recorded history, and hand-dug wells were common on the sites of such seeps. In ancient times, oil and tar were valued as weapons of war, for medicinal purposes and for caulking boats. As the industrial art of petroleum distillation was developed, oil became used as an illuminant. Chinese records refer to wells a few hundred metres deep in 600 BC and to wells a thousand metres deep in 1132. By the end of the eighteenth century, more than 500 wells had been drilled in the Yenangyuang oil field in Burma. There was early development of the petroleum industry in the Soviet Union when the oil and gas deposits of the Baku fields were exploited in the latter part of the nineteenth century. (Hunt, 1979; Riva, 1987a)