

The question is - can this kind of money be found? Some analysts¹² believe that these programmes will run into difficulties because of financial, policy and structural as well as technological constraints on efforts to expand capacity. Funds for the oil industry in these nations compete within tight budgets with other priorities such as education, food, health and infrastructure. Political conditions often are not conducive to large-scale foreign investment in the oil industry. If the producer states do fall short of their targets, the prospects for oil supply will be gloomy, and there will be a tightening of the market and increased pressure on oil prices as demand grows through the mid 1990s.

Over time, financing for oil development is expected to prove a lot harder to identify than it has been at any time in the last 30 or so years because the main providers of international capital in the 1970s and 1980s, the commercial banks, are expected to be less influential in the 1990s, while the oil companies' ability to finance exploration and production out of internal cashflow is likely to be lower in the 1990s.¹³ The multilateral agencies may be able to pick up some slack. However, energy does not seem to be their first priority. Some other possibilities for easing the capital availability for oil projects are bilateral and multilateral arrangements like NAFTA (by generally encouraging the investment climate in Mexico), the EC-sponsored European Energy Charter, and Japan's involvement in rehabilitating and expanding the Russian oil industry in return for the Kurile Islands (which were seized by the USSR in 1945).

On balance, the likelihood is that the 1990s will be a period in which the availability of oil will be constrained by the availability of capital.

4) Energy/Economy/Environment Debate

Environmental pressures have become an important factor influencing the future development of the energy sector in general, and the oil industry in particular. During the 1990s, the scope of the environmental pressures will expand as global issues, such as climate change, begin to define the agenda. The oil industry could find itself challenged by these pressures.

¹² D.T. Gouchenour, "The Coming Capacity Shortfall", Energy Policy, October 1992.

¹³ A. E. Hilton, Energy Policy, (October 1992), p.963.