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. OECD oil demand is projected to increase only slightly (at about 1% per year) over the next fifteen years, whereas the average growth rate for developing countries' oil consumption is forecast at just over 3% per year. Projections for oil demand growth for the latter group over the period to 2000 range from 1.5% (DOE) to 4.6% (IEA). As a result of a relatively faster increase in consumption, 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.

All experts, with the exception of CERI and the IEA, expect oil demand in the former Centrally Planned Economies (CPEs) to decrease, or stagnate over the next five years. Political and economic restructuring is likely to restrain oil demand during the short to medium term. However, the forecasters generally agree that oil demand in this region will rebound over the 1995 to 2005 period as these economies begin to recover and grow.

Oil Supply Outlook

Non-OPEC oil supply

Chart 3 presents the projections for non-OPEC supply for selected years. The general expectation is that non-OPEC oil supply will remain essentially flat during the first half of the 90s, rising marginally by 2000. Experts generally agree that any increases in non-OPEC oil supplies during this period will come mainly from developing countries in Asia Pacific and Latin America and that the gains will be from new discoveries, rather than from existing mature fields. These gains should offset the projected declines in oil output from the U.S., the North Sea and the former Centrally Planned Economies (CPEs).

A major part of non-OPEC supply comes from former-CPE production, the bulk of which is located in Russia, the largest crude producer in the world. Oil production from the former USSR has declined from 12.6 MMBD in 1987 to about 10.4 MMBD in 1991, and is estimated to decline to 9.3 MMBD in 1992. This lower production is due to the general deterioration of infrastructure; inefficient production practices and antiquated technology resulting in low well productivity and higher operating costs; a lack of capital investment; irrational pricing; and political and social uncertainties. Most of the experts expect that, over the