

- Fairly stable non-OPEC supply.
- Expected increases in OPEC capacity. OPEC's preference will be to have a stable increase in revenues through a moderate price increase policy.
- While measures will be taken to reduce greenhouse gases, extreme carbon/energy taxes will not be widespread by the turn of the century.

3.0 MAJOR ISSUES AND UNCERTAINTIES

As noted in the previous sections, there is general consensus among forecasters that world oil demand will increase at moderate rates and non-OPEC supplies will remain flat over the next 10 to 15 years, resulting in somewhat higher demand for OPEC crude oil and moderately rising oil prices. In the post 2000 period, assuming no major changes in OPEC policies, the slow increase in demand will be met by the combination of two main supply side developments: first, the renewed expansion of the oil industry of Russia and other former Soviet Republics - and thus of their oil exports to the rest of the world; and second, the continuing expansion of production in the non-OPEC developing countries.

However, this outlook is subject to some uncertainties. The key uncertainties include the oil supplies from the ex-Soviet Union, OPEC's ability to raise its crude oil productive capacity, and the current energy-economy-environment debate. Several other developments that could significantly influence world oil markets as we enter the 21st century include: the reintegration of the oil industry, political developments that could temporarily upset supplies and overshadow economics, and shifts in OPEC policies, either towards or away from the controls it exercises over total production.

1) Heavy Capital Requirements For the Former Soviet Union and C.I.S. Republics

The long term oil production outlook for the former Soviet Union is quite uncertain. Part of this uncertainty stems from questions about the size of Soviet oil reserves. There are suggestions that Soviet oil reserves (estimated at 57 billion barrels, equivalent to 15 years of production at 1991 production rates) may be significantly underestimated. Uncertainty also exists regarding the pace of reforms in the oil industry and the economy in general.

Some of the recent literature on the subject paints a very pessimistic picture of the Russian oil industry's plight in the 1990s. According to a recent article