COMMENT

The world is using more oil, coal and gas than ever before and will use more. Net Zero is dead

China, India and the Global South will drive crude oil consumption no matter what

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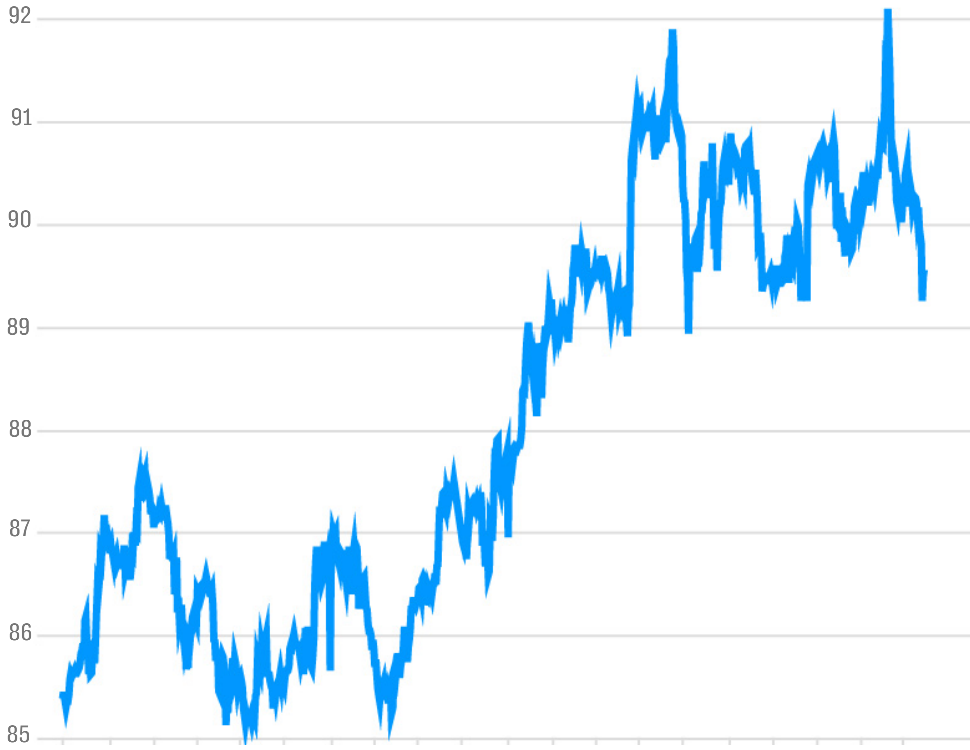
A recent flurry of forecasts offers us a range of different views on what's happening to the global demand for, and use of, crude oil. One thing seems to be clear, however: the chances of net zero carbon emissions in the near term – ie, by 2050 – are basically zero.

The year so far has been a bit of a rollercoaster ride in this realm of uncertainty, with projections and forecasts more volatile than the market itself. Crude prices have remained relatively strong despite various occurrences across Europe and the Middle East that would have resulted in major upsets in decades past.

Oil price rallies

$ per barrel, Brent crude



One major point of consensus related to global oil demand growth is the expectation that it will continue to be robust, driven by a combination of factors including economic recovery, increased travel, and surging industrial activity in non-OECD nations.

The only major body not seeing continued, massive growth is the International Energy Agency (IEA), which revised its numbers this week to predict that crude demand will rise by just 1 million barrels per day (bpd) next year and will (at last!) peak "towards the end of this decade" at 106 million bpd, up from 102 million at the moment. The IEA expects this growth to be led by non-OECD countries, particularly China and India. The IEA and others have highlighted the importance of these regions in driving global oil demand.

The IEA, which is funded by 31 industrialized nations through a dues structure, says that it believes growth in demand from India, China and elsewhere will be gradually outweighed by the expected rollout of electric vehicles and other green technologies. However, one should note that the agency has been shifting for a long time from being an analytical organisation to being essentially a green campaigning one, and its forecasts nowadays are as much attempts to influence markets as to genuinely predict them.

In contrast to the IEA, the US Energy Information Administration (EIA) raised its 2024 global oil demand growth forecast to 1.1 million barrels per day, up from its previous estimate of 900,000 bpd. This revision is based on expectations for travel and tourism in the second half of the year. EIA projects even stronger demand growth for 2025 of 1.5 mbpd, again clashing with the IEA which sees just 1 mbpd that year, with non-OECD countries accounting for most of the growth. The US federal agency also raised its projection for crude prices to rise to an average of $87/barrel in Q4 2024 based on the rising demand.

Goldman Sachs has an even more optimistic view of the market, expecting global oil demand to grow by 1.25 million bpd in 2024. The bank cites robust growth in jet fuel, petrochemical-driven LPG and naphtha, and gasoline and diesel demand as key drivers of this growth. Goldman analysts expect strong demand for transportation fuels will lead oil prices to average a robust $86 across the second half of the year.

The Organization of the Petroleum Exporting Countries (OPEC) held firm to the most optimistic demand growth outlook, again refusing to amend its initial forecast for 2.25 mbpd of growth for 2024. OPEC also expects strong global oil demand growth in 2025, with a projected increase of 1.85 mbpd. The organization has noted that the OECD is expected to grow by 0.1 mbpd, while demand in the non-OECD is forecast to increase by 1.7 mbpd.

"Globally, the services sector maintains a stable momentum," OPEC said. "It is projected to be the main contributor to the economic growth dynamic in the second half of 2024, particularly supported by travel and tourism, with a consequent positive impact on oil demand."

The cartel also reaffirmed its previous projections for strong global economic growth of 2.8 per cent for 2024 and 2.9 per cent in 2025. "A shift towards more accommodative monetary policies by major central banks is expected in 2H24 and throughout 2025, particularly in the U.S., the eurozone, and the U.K., which may also support global growth in the near term," it said.

Readers won't need it pointing out that OPEC has the same sort of problem as the IEA, but in the opposite direction. The EIA and Goldman Sachs forecasts are probably the most trustworthy.

While growth projections among these various entities vary significantly, there is an overarching consensus even from the IEA for strong global demand growth for crude oil for 2024/25 based largely on rising demand from developing nations in the Global South, along with fairly robust overall economic growth. All four forecasts are also largely in agreement on an outlook for robust, rising crude prices across the second half of 2024.

It bears noting here that the ongoing strong demand for crude is accompanied by similar strong demand growth for natural gas, coal, and even wood in the energy sector. Given that all those forms of carbon-intensive fuels saw record or near-record demand in 2023, they're all likely to set new records for 2024 and probably 2025, too.

In other words, the human race is using more carbon-intensive fuels than it ever has before, and is set to use more and more going forward. The vaunted "energy transition" is simply not happening.

Net-zero carbon emissions by 2050 is, for all intents and purposes, dead.

David Blackmon had a 40 year career in the US energy industry, the last 23 years of which were spent in the public policy arena, managing regulatory and legislative issues for various companies. He continues to write and podcast on energy matters

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