

Energy Markets, Economics and Design

Jean Monnet Module: Intensive Course on EU Climate and
Energy Agenda

Chapter Content

- Oil Markets
- Gas Markets
- Major Events
- Oil and Gas price forecast
- The future of the oil and gas industry

Some facts

- Oil and gas markets are complex and dynamic, influenced by many factors such as supply and demand, geopolitics, technology, and environmental regulations
- Crude oil prices have risen sharply in 2021, reaching their highest levels since 2018
- Natural gas prices have also increased significantly in 2021, driven by strong demand from power generation, industry, and residential sectors, as well as supply disruptions and low storage levels in some regions.

Some facts

- According to the International Energy Agency (IEA), global oil demand is expected to grow by 3.1 mb/d in 2022, reaching 99.5 mb/d by the end of the forecast period.
- Global oil supply is projected to increase by 2.6 mb/d in 2022, reaching 100.6 mb/d by the end of the forecast period
- The IEA also expects global refining capacity to expand by 7.5 mb/d between 2019 and 2026, reaching 109 mb/d by the end of the forecast period.

Oil market and OPEC

- Oil markets are organized by various entities that produce, trade, transport, refine, and consume oil and its products. One of the most influential organizations in the oil market is the Organization of the Petroleum Exporting Countries (OPEC).
- OPEC was established in 1960 in Baghdad by Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela, with the aim of coordinating their oil policies and protecting their interests against the dominance of Western oil companies.
- OPEC is often criticized for inflating oil prices to the benefit of its members, who rely heavily on oil revenues for their budgets.

Gas Markets

- Gas market organization refers to the structure and functioning of the natural gas industry, which involves the production, transportation, trade, and consumption of natural gas and its products.
- The gas market is influenced by various factors, such as supply and demand, prices, regulations, infrastructure, contracts, and geopolitics.
- The gas market is also interconnected with other energy markets, such as oil, coal, and electricity.

Major Oil Crisis/Events

- The 1973 oil crisis, also known as the first oil shock, was triggered by the Arab members of the Organization of the Petroleum Exporting Countries (OPEC), who imposed an oil embargo on the United States and other countries that supported Israel in the Yom Kippur War.
- The 1979 oil crisis, also known as the second oil shock, was caused by the Iranian Revolution, which disrupted Iran's oil production and exports, and by the Iran-Iraq War, which threatened the security of other oil-producing countries in the region.

Major Oil Crisis/Events

- The 1990-91 oil crisis, also known as the third oil shock, was sparked by the Iraqi invasion of Kuwait in August 1990, which removed about 5% of global oil supply from the market. The United Nations imposed sanctions on Iraq and authorized a military intervention to liberate Kuwait.
- The 2010 Deepwater Horizon oil spill, also known as the Gulf of Mexico oil spill, was the largest marine oil spill in history, caused by an explosion on the Deepwater Horizon oil rig—located in the Gulf of Mexico, approximately 41 miles (66 km) off the coast of Louisiana—and its subsequent sinking on April 22, 2010

Oil price forecast

- Oil price forecast is an estimation of the future price of oil based on various factors, such as supply and demand, market conditions, geopolitics, and technical analysis. Oil price forecast can help investors, traders, producers, and consumers to make informed decisions and plan ahead. However, oil price forecast is also subject to uncertainty and volatility, as oil prices can be affected by unexpected events and shocks.

Oil Price Forecast sources

- The International Energy Agency (IEA), publishes monthly and quarterly reports on the oil market, as well as annual reports on the medium-term and long-term outlook for oil supply and demand. IEA also publishes scenarios and projections based on different assumptions about economic growth, energy policies, technology development, and environmental factors.
- • The U.S. Energy Information Administration (EIA), which is a statistical agency within the U.S. Department of Energy that collects and analyzes data on energy production, consumption, trade, and prices
- • (OPEC), publishes monthly reports on the oil market, as well as annual reports on the medium-term and long-term outlook for oil supply and demand. OPEC also publishes scenarios and projections based on different assumptions about economic growth, energy policies, technology development, and environmental factors.
- • The Long Forecast, which is a website that provides forecasts for various commodities, currencies, stocks, and indices based on historical trends and technical analysis. The Long Forecast publishes monthly updates on the oil price forecast for the next five years based on the Brent crude benchmark⁴.
- • The DailyFX, which is a website that provides news, analysis, charts, and trading signals for various financial markets, including commodities. The DailyFX publishes daily updates on the oil price forecast based on the WTI crude and Brent crude benchmarks based on technical analysis and market sentiment⁵.
-

Gas Prices Forecast

- - The gas crisis triggered by Russia's invasion of Ukraine in February 2022 has caused a surge in gas prices in Europe and other importing regions,. The TTF benchmark in Europe reached a record high of €345 per megawatt hour (MWh) in March 2022,
- - The global gas supply balance has been tightened by a dearth of new projects, weather-related increases in demand, LNG outages and reduced Russian exports since mid-2021. The IEA expects the global gas demand to grow by 3.5% in 2022 and 1.7% in 2023,.
- - The EU has set a binding target of reducing its final energy consumption by 11.7% by 2030, compared to the 2020 projections. This translates into an upper limit of 763 million tonnes of oil equivalent for final consumption and 993 million tonnes of oil equivalent for primary consumption.

The future of Oil and Gas Industries

- The future of oil and gas industry is uncertain and complex, as it faces multiple challenges and opportunities in the context of the energy transition, the Covid-19 pandemic recovery, the geopolitical tensions, the technological innovations and the changing consumer preferences
- The oil and gas industry is under increasing pressure to decarbonize its operations and products, as governments, investors, consumers and society at large demand more action on climate change

Oil Prices

<https://www.macrotrends.net/2516/wti-crude-oil-prices-10-year-daily-chart>



Gas prices

<https://tradingeconomics.com/modity/natural-gas>



Thank you for your attention!

matildatola@feut.edu.al