

Research on the Oil Situation in Major Non-Middle Eastern OPEC Members and Impact Thereof on the International Oil Market[♦]

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1. Increasing Importance of Non-Middle Eastern OPEC Members

Since 1982, OPEC has been making efforts to adjust supply and demand in the international oil market through production adjustment. The objective of production adjustment is to defend crude oil prices and to maintain and stabilize oil export income. OPEC has also been increasing production since 2000 due to growing wariness over excessively high prices. With the aim of maintaining crude oil prices within a certain range (OPEC basket price of \$22-28), OPEC, nowadays, conducts production adjustment at the sacrifice of its own market share in some cases.¹ Among OPEC members, Middle Eastern oil-producing countries boast the overwhelming share of crude oil reserve, production, export volume, and excess production capacity, within OPEC, and have a considerable impact on the international oil market.

Non-Middle Eastern OPEC members mentioned in this report (Venezuela, Nigeria, Libya, and Algeria) are far inferior to Middle Eastern OPEC members in terms of crude oil reserve and production, and therefore, their impact on the international oil market has been limited in the past. However, there has been growing interest in the impact of these four countries in recent years. For example, a supply stoppage of crude oil/oil products that was triggered by a general strike in Venezuela in December 2002, further pushed up international oil prices, which had already been at a high level due to concern about the Iraq War. In March 2003, crude oil production in Nigeria also fell due to ethnic conflict, which acted as upward pressure on prices. Libya softened its stance toward the Pan Am bombing and its suspected nuclear development in the summer of 2003, and since then, U.S. and European oil companies have been accelerating behind-the-scenes movements toward entering into oil development in anticipation of the normalization of diplomatic relations with Libya. Although Algeria frequently draws attention as a gas exporting country, it has significantly expanded crude oil production, but it has shown a tough stance on requests for a rise in the production quota, which may become a constraint on oil development in the future.

These four non-Middle Eastern OPEC members have not only been enhancing their presence in the international oil market, as mentioned above, but also have been significantly expanding their crude oil production capacity for the future. All of these countries rely on the oil industry for most of their foreign currency earnings, and to

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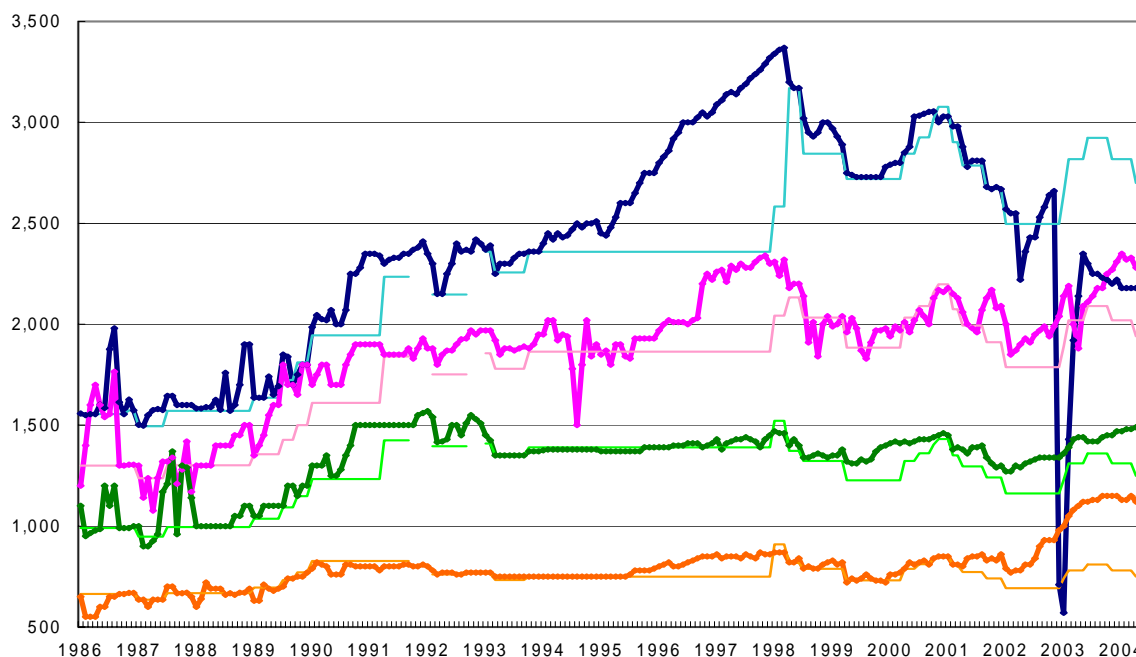
¹ However, OPEC has recently refrained from increasing production even when a condition for automatic production increase is met, i.e. when "the OPEC basket price exceeds \$28 for 20 consecutive business days." Therefore, it is believed that OPEC is becoming more strongly oriented toward higher crude oil prices.

some degree or another, they have such problems as unemployment, poverty, and delay in social infrastructure improvements. Thus, the increase of oil income is requested as a financial resource for the industrialization policy for job creation, as well as, social welfare and investment in infrastructure. The expansion of crude oil production capacity has been pursued due to such necessity in terms of management of the domestic economy. The following ambitious scale of expansion has been advocated: by 2010; Venezuela will expand production capacity to 5.1 million B/D² (2.35 million B/D at present), Nigeria to 4.1 million B/D³ (2.5 million B/D at present), Libya to 2 million B/D (1.5 million B/D at present), and Algeria to 2 million B/D (1.2 million B/D at present).

However, these four countries have commonalities only up to this point. In performing the above-mentioned plans for increased production, they are each facing serious issues, mainly political issues. In addition, impact expected to occur when these plans are achieved varies depending on the circumstances peculiar to each country. The following is the outline of the characteristics of the oil industry/policy and constraining factors for the expansion of production capacity with respect to each country.

Figure 1-1 Trends in Crude Oil Production in the Four Countries

(1,000 barrels per day)



(Note) From the above, each line indicates crude oil production (thick line) and production quota (thin line) of Venezuela, Nigeria, Libya, and Algeria.

(Source) IEA, "Oil Market Report."

² The amount is oil production capacity including gas-condensate, Orimulsion, etc. in addition to crude oil.

³ In October 2003, the Nigerian government decided to accelerate the plan to four years.

2. Political Crisis in Venezuela and Impact Thereof on the U.S. Oil Market

Venezuela has experienced a serious political crisis for the past two years. In April 2002, President Chavez's intervention in personnel affairs and management of the state oil company PDVSA was not only an issue merely for PDVSA but drew resentment from the trade union and developed into political changes, specifically, a takeover of power by the army and Chavez's return to power. Behind the incident was Chavez's hostile view toward PDVSA, which had accumulated high-level expert knowledge and management skills and been granted "autonomy" by the past administrations. Due to these political changes, crude oil production in Venezuela in April decreased by 0.33 million B/D from the previous month to 2.22 million B/D.

Confrontation between Chavez and the industry has not ended even after the incident was settled. In December, the movement seeking the resignation of Chavez expanded, and a general strike was again carried out. The general strike continued for about two months, and crude oil/oil product export terminals, oil refineries, and crude oil production facilities shut down one after another. Crude oil production declined from 2.66 million B/D in November to 0.57 million B/D in January 2003. The long-term stoppage of operations at production facilities for two months caused serious damage to production capacity. In addition, since Chavez coped with the general strike by mass layoffs of staff members who had participated in the general strike, skilled engineers and personnel with high-level management knowledge were lost, and fund-raising capacity also deteriorated due to concern about future production. Against such background, Venezuela's crude oil production capacity declined from 3.2 million B/D in March 2002 to 2.35 million B/D in December, and it has remained at this level up to now. In the future, Venezuela has the goal of achieving oil production capacity of 5.1 million B/D (3.7 million B/D at present)—the total of crude oil, syncrude, Orimulsion and so on—by 2008. However, the achievement of the goal is in question due to financial reasons and the difficulty of entry foreign companies face when entering the market. .

The trend of the oil industry in Venezuela has had a profound impact on the United States, which is the major market thereof. Venezuela and the United States are very closely interdependent in terms of crude oil/oil product trade. U.S. oil companies reduced excess refining capacity and inventory and promoted thorough streamlining in order to win amidst fierce competition. This strategy was possible under the favor of a stable crude oil supply from the vicinity, including Venezuela, Mexico, and Canada, from which the number of days required for transportation is small. Oil refineries in the United States, especially in the coastal area of the Gulf of Mexico, which is a refinery center, are highly sophisticated for the purpose of processing heavy crude oil from Venezuela. The above-mentioned general strike, which occurred at the time of a historically low level of inventory of crude oil/oil products and dependence on Venezuela for about 15% of crude oil/product import, acted as further upward pressure for NYMEX crude oil futures prices. Crude oil futures prices had already risen due to concern about the Iraq War, and this resulted in exposing the vulnerability of the U.S. oil market.

In response to the supply crisis and a sharp rise in crude oil price in the United States, OPEC carried out an emergency production increase in January 2003. Relation with OPEC is an important diplomatic relationship for Venezuela as with relation with United States. Venezuela maintains a good relation with OPEC under President Chavez's administration. In February 1999 when President Chavez came to

power, OPEC members had a higher likelihood of complying with the production quota due to wariness over lower prices triggered by a decline in international oil prices in 1998. Venezuela, which had habitually overproduced before 1997, was also no exception, and Chavez declared continuous compliance with the production quota for the purpose of defending prices even after 1999 when prices turned upward. Venezuela has actually strictly complied with the quota. Moreover, when carrying out production reduction in 2001, Venezuela encouraged non-OPEC oil-producing countries to cooperate in the production reduction in collaboration with Saudi Arabia and Mexico. In light of this, it can be said that the appearance of Chavez significantly altered Venezuela's oil policy.

As mentioned above, the following depend largely on President Chavez's policy and his advance or retreat: the stability of future oil production in Venezuela, the rebuilding of the PDVSA management, the achievement of the plan to expand production, the amendment of the current exclusive Hydrocarbon Law,⁴ and attitudes toward agreements on production reduction among OPEC members. Even after the general strike fell apart in February 2003 due to disordered gait, anti-Chavez people continued to hold frequent demonstrations in pursuit of the holding of a national referendum on confidence in Chavez. A national referendum was finally held in August 2004. Chavez gained the confidence, and the political situation in Venezuela has thus been returning to prima-facie stability. Due to this, it can be said that there is less possibility that Venezuela will fall into political confusion that may lead to the stoppage of supply in the short run. However, Chavez's remaining as president means that the plan to expand production is facing major obstacles because there is no hope for immediate improvements in the Hydrocarbon Law that restricts foreign investment and because the rebuilding of the management of PDVSA has not made any progress. On the other hand, in terms of the policy toward OPEC, Venezuela is highly likely to be oriented toward a high-price policy and to request other members to comply with the quota in the future under the present situation where its production is below its production quota due to delay in the restoration of production capacity.

3. Nigeria-Dilemma of a Multiethnic Country

At the end of March 2003, production of 0.8 million B/D, which is equivalent to 40% of ordinary production of about 2 million B/D,⁵ was temporarily lost because of intensifying ethnic conflicts in the oil-producing area in Nigeria. This had a great impact on price formation in the international oil market, especially in the futures market, along with an extreme decline in the excess production capacity of OPEC due to an emergency production increase caused by the stoppage of supply from Venezuela and the stoppage of export from Iraq caused by the Iraq War. Instability in oil production is a major characteristic of the Nigerian oil industry. Looking back the last six years alone, there have been six large-scale obstacles to crude oil production. The cause of interruption in production is a situation where residents in the oil-producing areas block or destroy oil-producing facilities and abduct workpeople as a demonstration for requesting compensation from international oil companies for

⁴ President Chavez amended the Hydrocarbon Law in November 2001 (enforced in January 2002). By this new Hydrocarbon Law, royalty was raised from the previous 16.67% to 30%, except for some heavy oil development projects and tiny oil fields. In addition, foreign oil companies were obliged to affiliate with PDVSA when entering into the market, and the ceiling of the foreign capital ratio was set at 49%. This new Hydrocarbon Law was created through amendments on Chavez's own authority based on the "Enabling Law," and it was criticized not only by foreign oil companies but also within Venezuela.

⁵ Average for 12 months in 2002; According to IEA, "Oil Market Report."

environmental destruction associated with oil production, improvements of infrastructure such as roads and schools, and expansion of job opportunities, or for requesting a larger allocation of oil export income from the Federal Government. Such instability relating to oil development on the land is rooted in the uneven distribution of oil resources, inter-regional economic disparities, and ethnic distribution, and it is a problem that cannot be easily solved in the future.

On the other hand, large-scale discoveries have been made one after another in the deep-sea mining areas in Nigeria since 1995, attracting attention as a hot spot for oil exploration and development investment. Since development in the deep-sea mining areas does not cause the above-mentioned costs to cope with regional residents, it is a promising investment destination for newly-entering international oil companies. The Nigerian government also places expectations in the development of the deep-sea mining areas on the basis of the recent growth in crude oil reserve and the high success rate of oil drilling in the past. On the other hand, difficulty in ensuring security and instability in production as well as the aging of oil fields continue to be problems in the Niger Delta, which has been the center of production in the past. Production on the land will continue to be a main force for the time being, but the Nigerian government advocates the ambitious plan of expanding crude oil production capacity up to 4 million B/D by 2006 with a focus of new development on deep-sea oil fields.

What will become a major obstacle to the achievement of this plan for increased production is the financial constraint of the state oil company NNPC. Although affiliation with foreign oil companies is essential for developing oil fields on the land and offshore/deep-sea oil fields, the Nigerian government has conventionally tended to give preference to the development of oil fields on the land, in which the rate of profits allocated to Nigeria is higher (joint-venture agreement for which the NNPC holds 60%), over the development of deep-sea oil fields based on a production sharing agreement, despite the superiority of deep-sea oil fields from the security viewpoint. As a result of this, Nigeria has to assume the obligation to contribute development costs corresponding to the investment ratio, but the budget scale of the Federal Government has been squeezed due to growing requests for rights from the above-mentioned oil-producing areas, and the budget amount spent for oil development has also been reduced. In addition, since domestic product prices are kept low, the downstream businesses of the NNPC have been chronically in red, causing an obstacle against efforts to raise budgets for upstream development.⁶ In order to alleviate such situation, the government is now planning to privatize the downstream sector of the NNPC. There is a great deal of resistance among the general public and the trade union to the privatization plan that involves personnel cut and raising of product prices. The progress of privatization in the future attracts attention both from the aspect of raising the above-mentioned development funds and from the aspect of domestic political stability.

4. Libya of Which the Normalization of Diplomatic Relations Is Awaited

Crude oil production of Libya was 1.48 million B/D as of January 2004, which

⁶ In addition to budget cuts and deficit in the downstream sector, large-scale investment in the gas sector has also contributed to the shrinkage of the funds spent for the upstream oil sector. Although 85% of the associated gas production of 35 billion m³ per year had been combusted in Nigeria as of 1995, Nigeria is planning to zero flare gas by 2008. In replacement of this, Nigeria is promoting the conversion of domestic energy to gas and the LNG export plan, and therefore, it has to make large investment in infrastructure improvements.

exceeded the OPEC production quota by 0.17 million B/D.⁷ Looking at trends in crude oil production in the last six years, Libya faithfully complied with production reduction agreements in 1998 due to growing wariness over price decline caused by collapse in crude oil price. However, it has not complied with agreements since April 1999 and produced as much crude oil as it can (1.45 million B/D) at the end of 2000. Though Libya increased and decreased production in line with OPEC agreements during the period between 2001 and 2002, it carried out considerable overproduction in response to significant production reduction due to the necessity in terms of the domestic economy. During this period, the production capacity had been kept at 1.45 million B/D, but it slightly expanded to 1.5 million B/D in October 2003.

The fact that Libya has maintained and expanded the production capacity despite the severe environment, including constraints on affiliation with foreign oil companies due to U.S. and U.N. economic sanctions and difficulty in procuring materials and equipment necessary for the maintenance of oil fields is considered to show the efforts of the state oil company NOC and the high resource potential of Libya. In the future, the NOC intends to maintain and expand crude oil production capacity by enhancing the recovery rate (EOR) at the existing oil fields as well as promoting new exploration and development through active introduction of foreign capital. The NOC now sets a goal of increasing the production capacity to 2 million B/D by 2010 and to 4 million B/D in the future. It also has a policy of promoting the development of natural gas as a source of foreign currency that catches up oil, with the aim of expanding crude oil export by covering domestic energy demand by gas.

The normalization of foreign relations has been the greatest challenge in promoting the above-mentioned oil/gas development. Libya has been imposed economic sanctions by the United States and the United Nations due to the involvement in terrorism, including two aircraft bombings in the 1980s, as well as the suspected development of nuclear weapons. U.N. sanctions were lifted in September 2003, but the United States continued to impose economic sanctions thereafter.⁸ Therefore, large-scale investment by major companies could not be expected although some European companies forayed into Libya. However, U.S.-Libya relations have been showing fast development since December 2003. In the said month, Libya declared the abandonment of development of weapons of mass destruction and launched consultations with the IAEA. In February 2004, the United States and Libya mutually set up the Interests Section in the capital of the other party, and the United States lifted restriction on American's travel to Libya among economic sanctions. The acceptance of IAEA inspection and the U.S. Deputy Undersecretary of State's visit to Libya were realized in March, and U.S. legislative missions often visited Libya during this period. Moreover, the U.S. government announced the lifting of application of the ILSA to Libya on April 23.⁹

In such circumstances, the Oasis Group (three U.S. oil companies) and RD/Shell, which is major in Europe, have started efforts to reenter into Libya. About 400 companies, mainly oil companies in the United States and Europe, participated in an international oil conference held in Tripoli in April. A technical explanatory meeting

⁷ IEA, "Oil Market Report."

⁸ Iran and Libya Sanctions Act (ILSA): This law imposes sanctions on companies that have invested more than \$20 million for the year in these countries or in oil businesses in these countries, such as the freezing of assets of the companies within the United States regardless of their nationality.

⁹ However, Libya is still designated as a "country that supports terrorism," and it is prohibited to export dual purpose goods to Libya.

is scheduled to be held in September with respect to the opening of new mining areas based on the exploration and production sharing agreement (EPSA), and many companies are also expected to participate in the meeting. It can be said that the future success of oil/gas development in Libya depends on whether Libya can provide the investment environment that matches international business practice in response to high interest among foreign countries.

5. Liberalizing Algerian Oil Industry

Algeria aimed at economic development through socialism and conversion to the heavy industry from 1965 to the end of the 1970s, but it came to a standstill with a huge foreign debt. Consequently, the streamlining of the state sector was carried out in the first half of the 1980s. Subsequently, Algeria fell into a crisis of external balance due to decline in international oil prices in the last half of the 1980s, and it thus abandoned socialism. The aggravated problems of poverty and unemployment led to the rise of the Islamic fundamentalism, and Algeria faced political, economic, and social crisis in 1992. Liberalization and reform toward market economy have been in progress since 1994, and Algeria is recovering both political and economic stability with the support of sharp rises in crude oil prices in 1999-2000 and from 2002 onward.

In line with such trend of economic policy, the nationalization of foreign companies (the state oil company Sonatrach made a 51% investment in foreign companies) and the centralization, in which Sonatrach takes charge of exploration, development, refining, sales, and export in a unified way, advanced in the oil industry in the last half of the 1960s. However, the streamlining of Sonatrach was carried out in the 1980s by separating the downstream sector thereof, and the introduction of foreign capital in exploration and development projects has been pursued step by step from 1986 onward.

During this period, crude oil production had slumped in the 1980s, but it has gradually recovered from the 1990s onward as a result of the introduction of foreign capital. In particular, crude oil production capacity has significantly expanded in the last two years as politics has been stabilized, and the production reached 1.13 million B/D as of January 2004. The Algerian government intends to expand crude oil production capacity up to 2 million B/D by 2010 by actively developing cooperation with foreign oil companies, promoting new exploration and development, and increasing the recovery rate at the existing oil fields.

There seem to be relatively few "barriers" to the promotion of the plan for increased production. Although terrorist activities by Islamic fundamentalists frequently occurred in the 1990s, the occurrences of terrorist activities have decreased recently. In addition, terrorist activities have a minor impact on oil/gas production facilities because almost all oil/gas-producing areas concentrate in the desert area. The conditions for foreign oil companies' entry in Algeria are not disadvantageous to foreign capital in comparison with those in other OPEC members. Geographically, Algeria is closer to the European market, and Algerian crude oil is light, low-sulfur, and high quality.

Uncertainty that may affect the introduction of foreign capital and the progress of development in the future is the future of a bill for the new Hydrocarbon Law, which was proposed by the government in March 2001 and put into deliberation. The bill contains the drastic reduction of the authority of Sonatrach to place it under

the competitive conditions almost equal to foreign oil companies, as well as the abolishment of the ceiling of investment ratio for foreign oil companies.¹⁰ Deliberation on the bill at the national legislature is in deadlock due to opposition from the trade union that is concerned about job cut accompanied associated with the reform. The presidential election that is the key of deliberation on the bill was conducted in April 2004, and reformist incumbent President Bouteflika won against former prime minister Benflis who asserts a progressive method in recognition of the necessity of reform. This determined the continuance in the office of pro-reform Oil Minister Khelil. However, this does not mean the acceleration of reform in the oil industry. Rather, President Bouteflika seems to have intended to make compromises with opponents by slowing down the pace of reform in preference to winning the election. If the plan to dissolve Sonatrach continues to be in deadlock in the future, the conditions and environment for investment are protected from the viewpoint of foreign companies that enter into Algeria. However, the deterioration of public security, and the aggravation of political insecurity are expected to occur if the government accelerates reform, the intensification of protest movement by the trade union. There is also the possibility of temporary hesitation in investment and stagnation in oil/gas development.

6. Implication in the International Oil Market

The oil production situation as well as future plans and problems to be solved in four countries are mentioned above. These matters are considered to bring the following impact and/or uncertainties to the international oil market.

First of all, for OPEC, it is a grave challenge that these four countries are trying to almost double crude oil production capacity from 7.55 million B/D in total at present to 13 million B/D by 2010. In fact, Venezuela and Nigeria have problems difficult to solve in the short term, and thus their current plans for increased production are not considered to be achievable as they are. However, they have ample resource potential and are almost certainly expected to expand the production capacity by 2010 as with Libya and Algeria.

In addition to these four countries, Middle Eastern OPEC members are also trying to increase production. If their plans are achieved, the production capacity of 10 OPEC members, excluding Iraq, will exceed 38 million B/D. Moreover, crude oil production and export by Iraq are also destined to recover, although recovery is far behind the prospect at the time of the end of warfare.¹¹ At the same time, OPEC estimates that demand for OPEC crude oil will reach around 35.9 million B/D by the average annual growth of 1.8% from 2000 to 2010. OPEC is expected to be forced to make large production adjustment.

¹⁰ The bill for a new Hydrocarbon Law roughly contains (1) transferring the policymaking and supervisory functions for the oil (and upstream gas) sector from Sonatrach to the Oil Ministry, and (2) making Sonatrach's functions other than policy function be conducted by public corporations and placing Sonatrach under complete competition against foreign oil companies.

¹¹ It is now generally estimated among related agencies that the production will reach 4.5-5.0 million B/D as of 2010.

Table 6-1. Plan to Expand Crude Oil Production Capacity of Each OPEC Country

Country	Current production capacity	Plan
Saudi Arabia	9.5 million B/D	11-12 million B/D in 2007
Iran	4 million B/D	5 million B/D in 2005
UAE	2.55 million B/D	2.85 million B/D in 2005
Kuwait	2.35 million B/D	2.45 million B/D in 2020
Qatar	0.8 million B/D	0.854 million B/D in 2004
Indonesia	1 million B/D	
Iraq	2.5 million B/D	Achieve 4.5-5.0 million B/D in 2010
Venezuela	2.25 million B/D	5.1 million B/D in 2008
Nigeria	2.5 million B/D	4 million B/D in 2006
Libya	1.58 million B/D	2 million B/D in 2010
Algeria	1.25 million B/D	2 million B/D in 2010
Total of 11 countries	30.38 million B/D	Around 39-39.5 million B/D as of 2010

(Note) The oil production of 5.1 million B/D of Venezuela includes gas-condensate and Orimulsion.

(Source) Prepared by the Institute of Energy Economics on the basis of various materials.

What is concerned in such circumstances is firstly the weakening solidarity of OPEC. Even if OPEC carries out drastic production reduction, OPEC members overproduce due to dissatisfaction with allowing non-OPEC oil-producing countries to increase production and get a free ride. Thereby confidence in OPEC's production adjustment will be impaired. At the same time, OPEC members will increase demand for the reallocation of the quota due to dissatisfaction with unbalance between the production capacity and the allocated production quota. In fact, Nigeria, Algeria, and Libya has demanded the rise of the production quota since 2001, although their demand has not come to the surface because they virtually produce in disregard for the production quota due to a sharp rise in crude oil prices. On the other hand, Venezuela, which makes it a principle to comply with the OPEC production quota, is also not fully satisfied with OPEC's current pricing policy, as is clear in the fact that it recently requested an upward adjustment of the target price range. The reallocation of the production quota is an issue that may develop into political confrontation among OPEC members, but OPEC is destined to deal with this issue in the long and medium terms. Secondly, there is the issue of uncertainty in how long Saudi Arabia, which has played a role in final supply-demand adjustment so far with its excess production capacity, will continue to take the current policy of defending prices even at the sacrifice of its own market share, although it seems to be strengthening orientation toward higher prices due to its own economic and financial needs.

As mentioned above, the U.S. oil market and Venezuela are closely interdependent. Behind this is the fact that U.S. oil companies have adopted a strategy of reducing the excess refining capacity or inventory with a focus on supply from the Western Hemisphere (Venezuela, Mexico, and Canada) from which transportation distance is short, in order to reduce costs in fierce competition in the 1990s. Although interest in energy security was enhanced with the stoppage of supply associated with a general strike in Venezuela at the end of 2002, there was no change in such strategy of

oil companies in the short run, and U.S. oil companies are expected to continue to be vulnerable to political confusions and production stoppage in Venezuela. In addition, the trend in Venezuela will continue to be a destabilizing factor for the entire international oil market through price formation in the NYMEX futures market.

On the other hand, although production in the North Sea is on a declining trend in Europe that is the natural market for African crude oil, Europe has ample sources of supply, including Middle East, Africa, Russia, and the Caspian Sea area. Due to the maturation of economy and the strengthening of environmental measures, there is little possibility that oil demand in Europe largely will increase in the future. At the same time, supply from Russia and the Caspian Sea area is expected to increase in the future since the expansion of production and the increase of export capacity are now in progress in these areas. In such circumstances, production increase in African oil-producing countries, including Nigeria, Libya, and Algeria, will further intensify competition among oil-producing countries in the European market. If oil prices in the European market declines as a result of the competition, African oil-producing countries will have more incentive for export to the United States and Asian countries.

The oversupply of oil expected in the European market will change the flow of African crude oil. In the Asian oil market, demand will further increase in the future, especially in China and India, but production in Asia is on a decreasing trend, and dependence on the Middle East is increasing. All Asian oil-consuming countries are promoting attempts to reduce dependence on the Middle East, and import from Africa may be one of the options for such attempts. There is already a trend of increase in supply from Nigeria to China and Japan. At the moment, African crude oil is purchased mainly when price difference between Brent crude oil and Dubai crude oil decreases and African oil thus becomes highly economical. However, Asia-Africa oil trade is expected to expand if oil prices starts to decline in the European oil market due to oversupply and intensifying competition among oil-producing companies as mentioned above.

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