

# *Why Are Oil Prices So High and Where are They Going?*

**Guy F. Caruso  
Administrator  
Energy Information Administration**

**Global Finance Forum  
Washington, DC  
March 11, 2008  
[www.eia.doe.gov](http://www.eia.doe.gov)**

## ***Tight global oil market conditions are projected to continue through 2008.***

---

- OPEC production decisions will continue to influence the oil market situation.
- Low surplus production capacity of 2 to 3 million barrels per day, concentrated in Saudi Arabia, weakens the market's ability to respond to supply disruptions.
- Oil prices likely to remain high at least through 2009.
- Many uncertainties could alter the outlook and create volatility in global oil markets.

# Crude oil prices, having recently exceeded \$100 per barrel, are projected to decline slowly over the forecast.

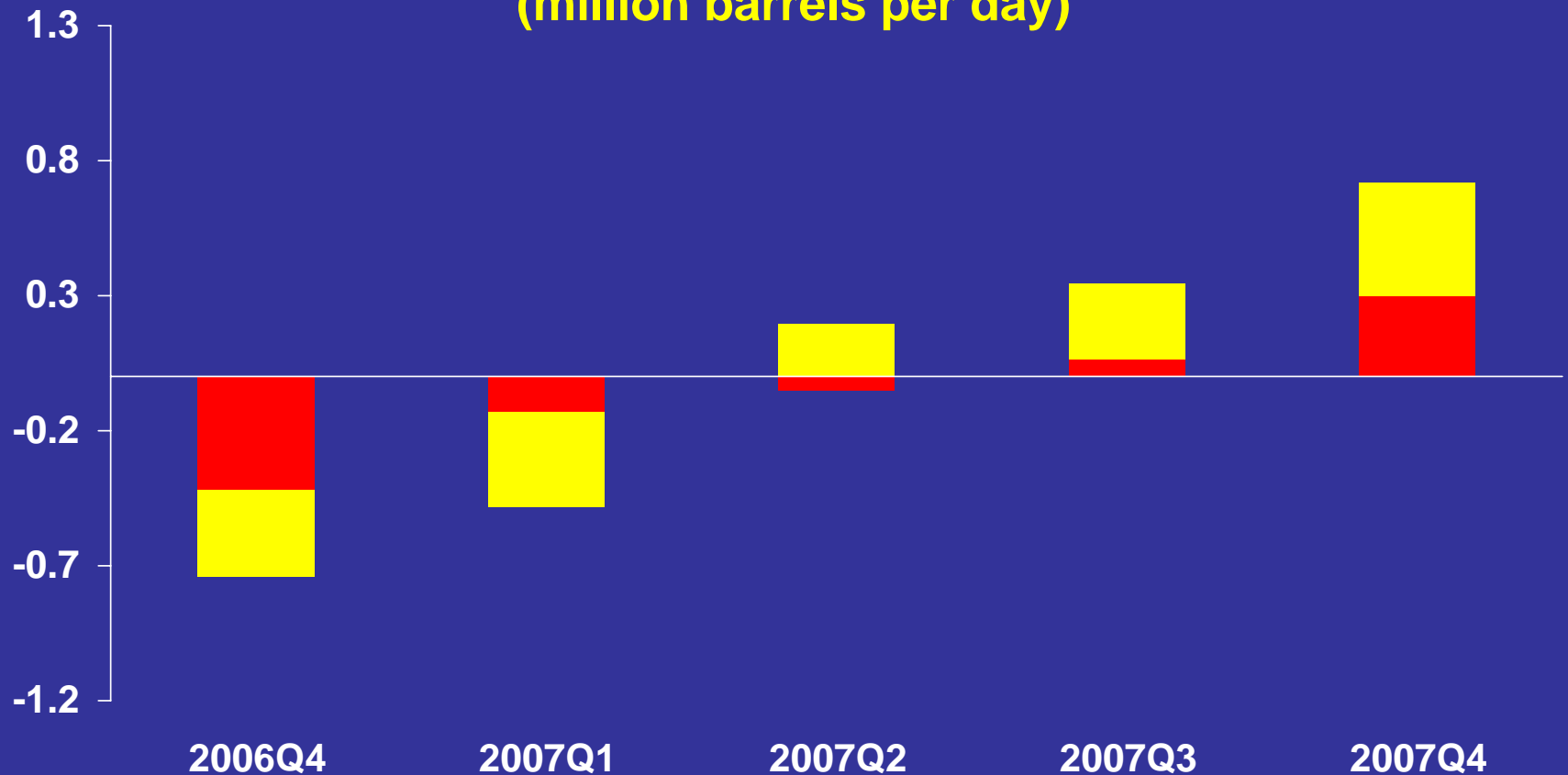


WTI = West Texas Intermediate crude oil.



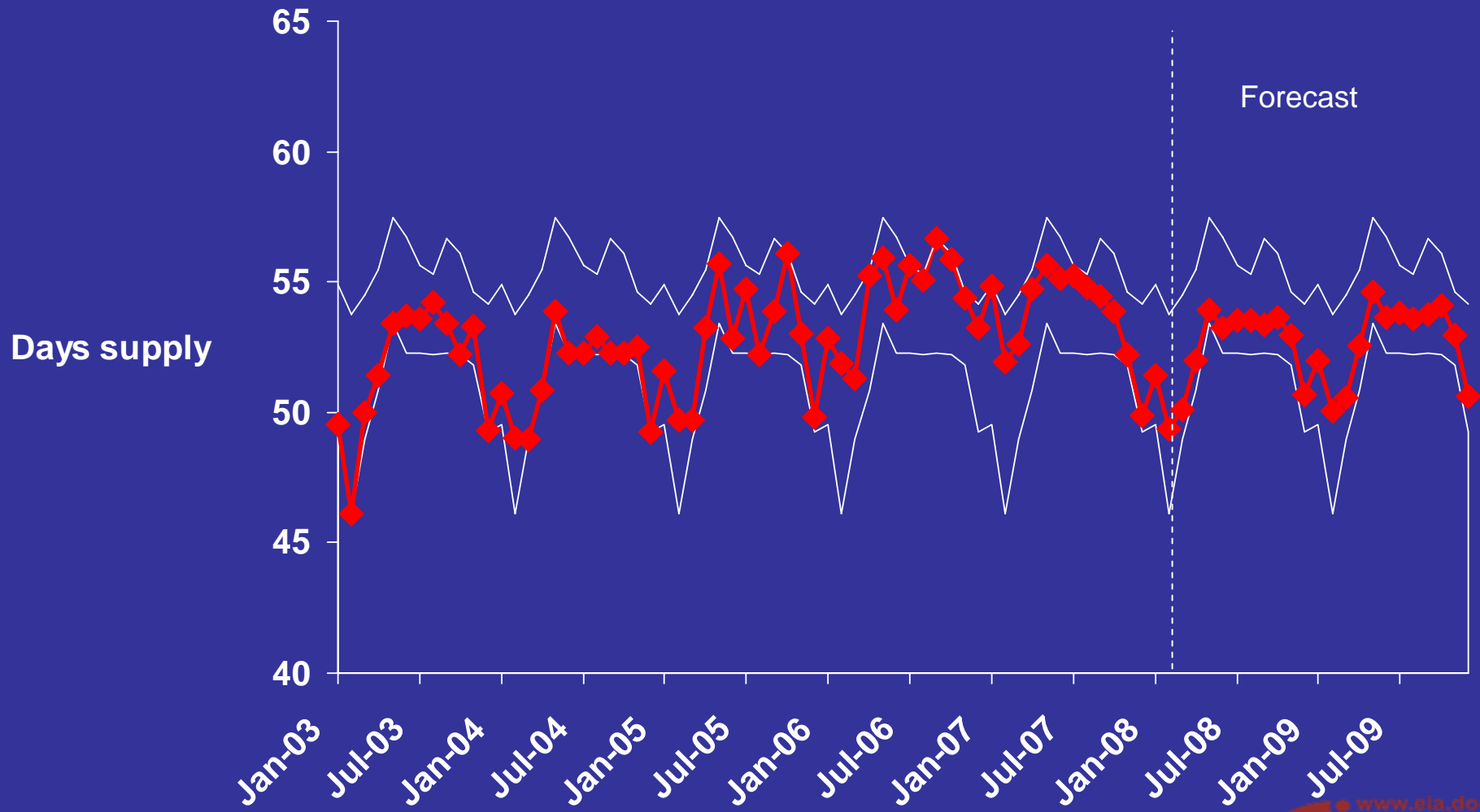
# OPEC cut crude oil production in 20064Q and 2007Q1 to firm world oil markets.

Change in Quarterly Production  
(million barrels per day)

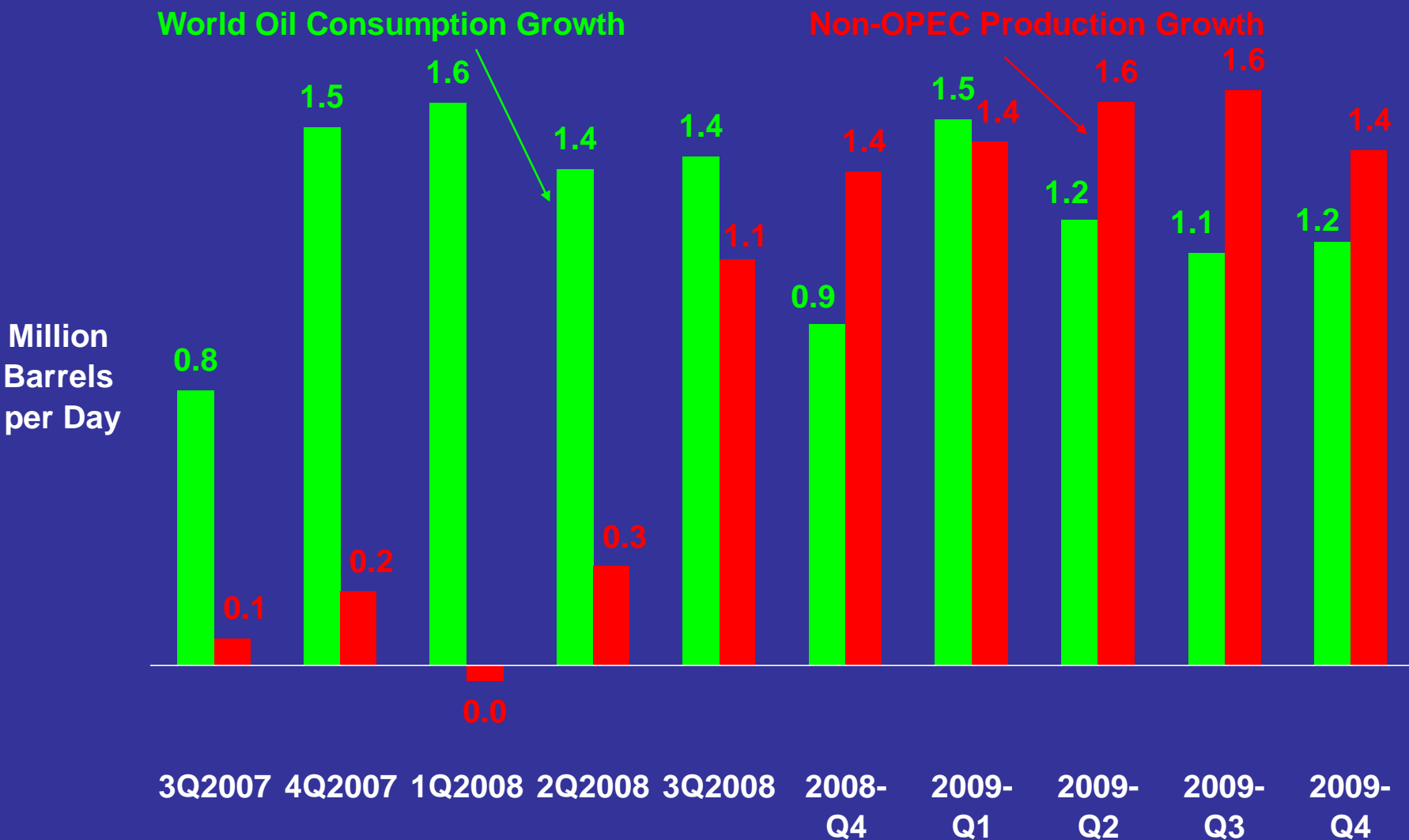


■ Saudi Arabia ■ Rest of OPEC

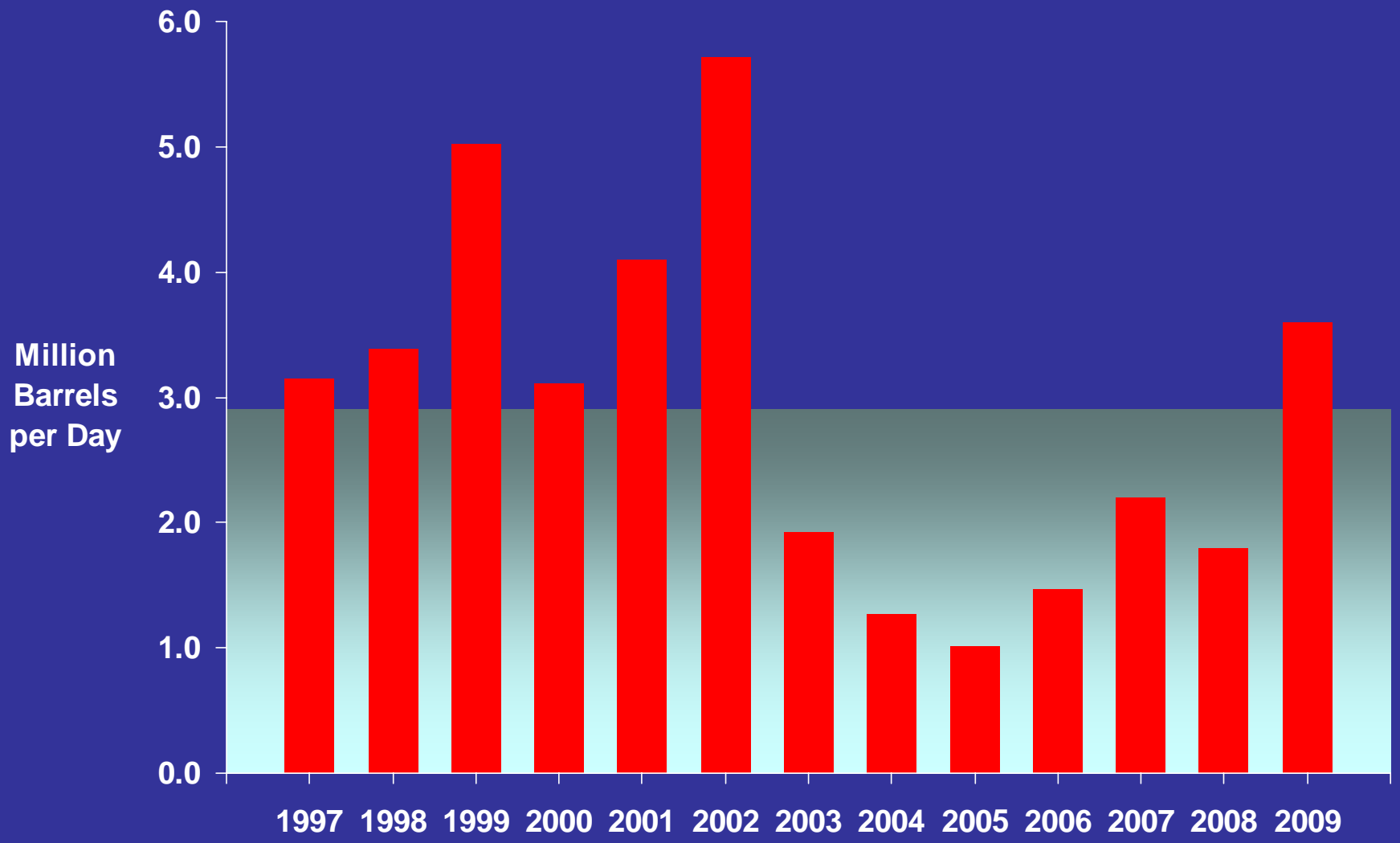
# OECD commercial stocks have fallen to the lower bound of the average range.



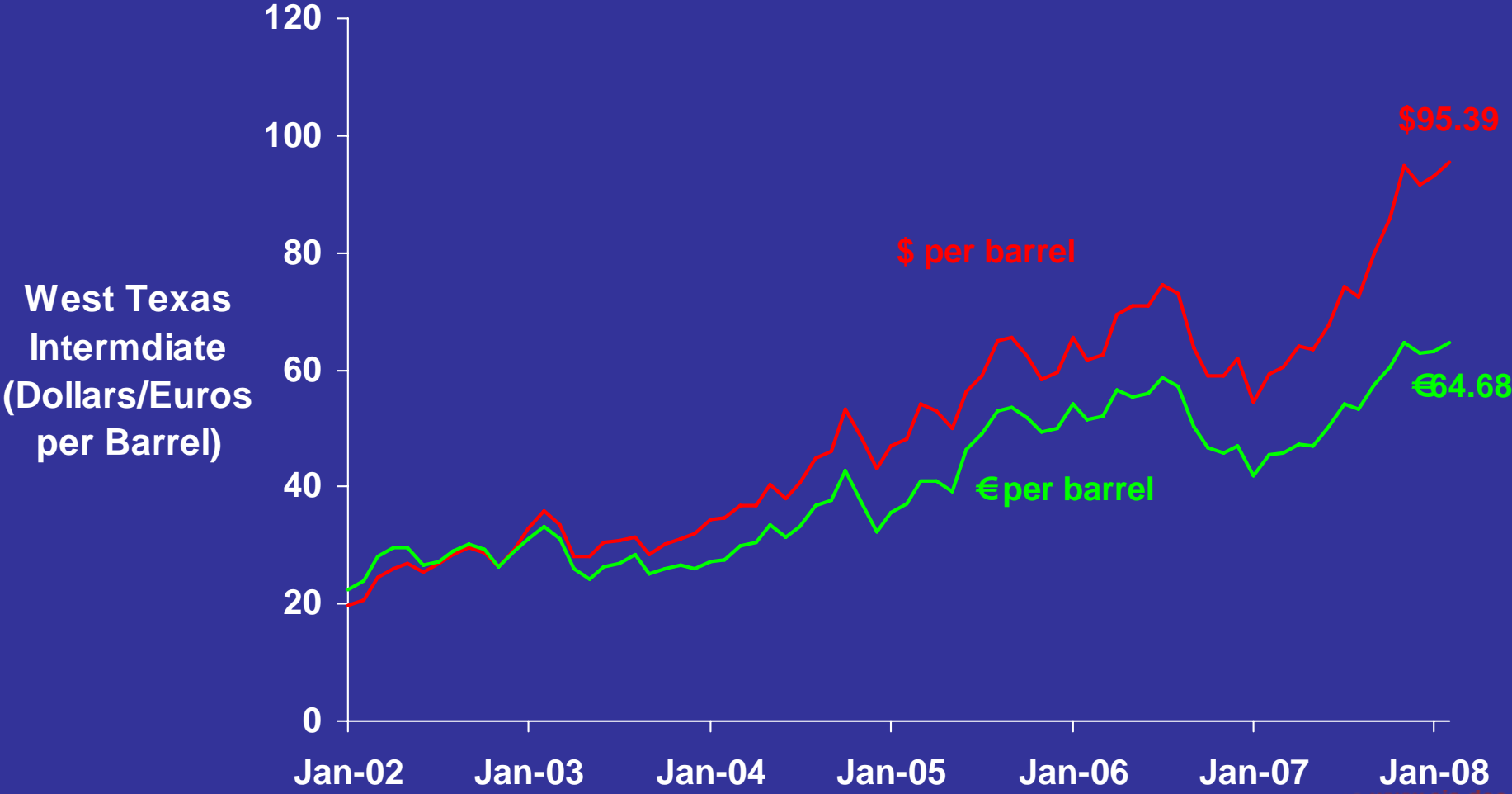
# Market balance should loosen as demand growth slows and non-OPEC supply growth increases.



# *We expect OPEC surplus production capacity to remain low until 2009.*



# Dollar-based economies have experienced higher oil prices than those with other currencies.





# *Multiple and hard-to-predict factors drive oil prices.*

---

**OPEC  
Production  
Decisions**

**Non-OPEC  
Supply Growth**

**Hedge Fund  
Activity**

**China's Oil Demand**

**Weather**

**Iran**

**Iraq**

**Economic  
Growth**

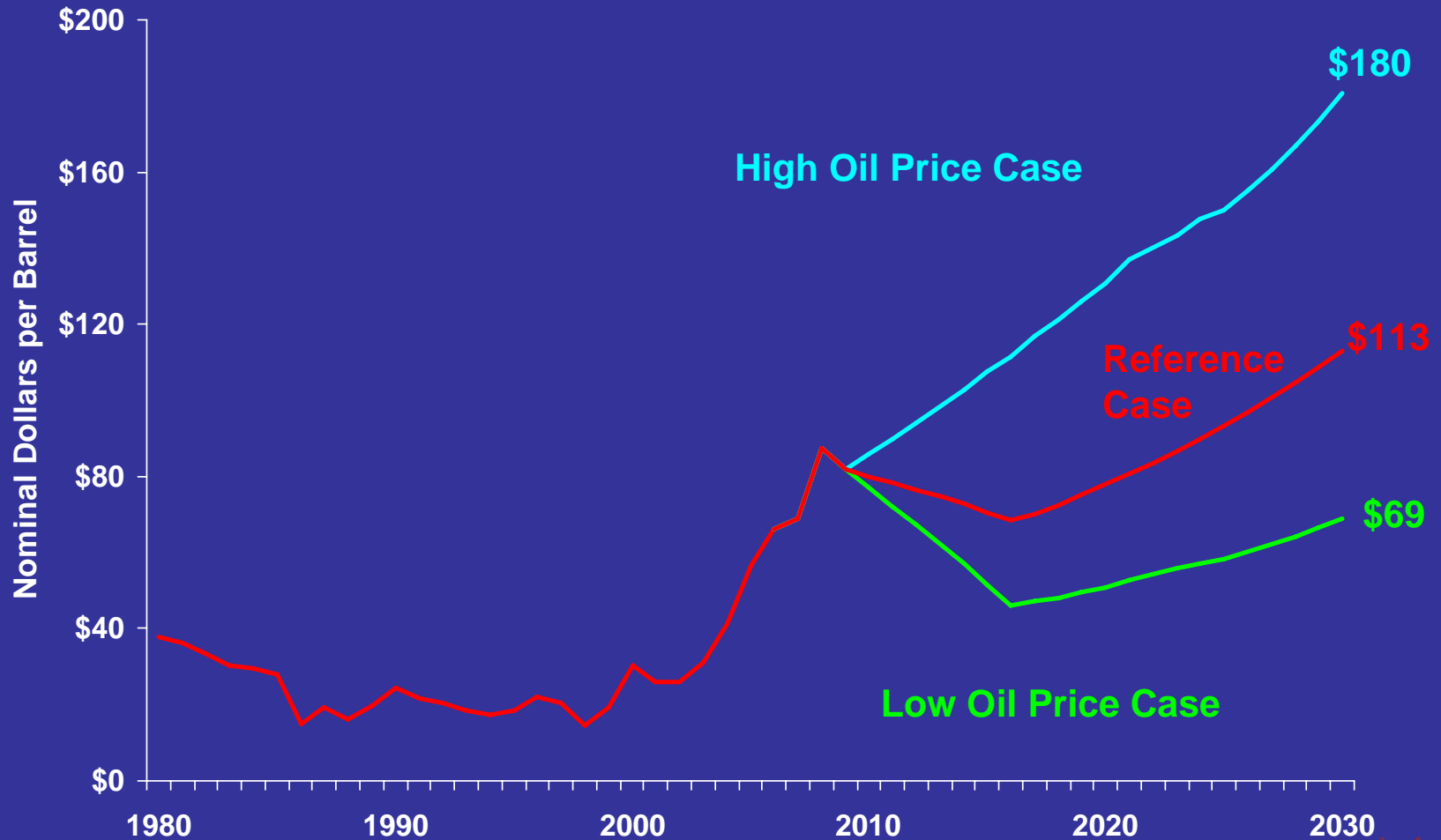
**Venezuela**

**Refinery  
Outages**

**Value of  
U.S. Dollar**

**Nigeria**

# World oil prices ease in the near-term, but are likely to remain high relative to historic standards



www.eia.doe.gov



# Why do we think prices will decline over the next ten years?

- **Production increases are expected in both OPEC and non-OPEC countries**
  - Nigeria, Angola, and Saudi Arabia
  - Azerbaijan, Brazil, Kazakhstan, and U.S. Gulf of Mexico
- **The high oil price environment of the past several years has provided sufficient incentives to spur increased growth in unconventional supplies**
  - Canadian oil sands
  - Brazilian and U.S. biofuels
  - Qatar gas-to-liquids
- **Significant projected growth in global natural gas liquids**

## Periodic Reports

*Petroleum Status and Natural Gas Storage Reports, weekly*

*Short-Term Energy Outlook, monthly*

*Annual Energy Outlook 2008, March 2008*

*International Energy Outlook 2007, May 2007*

## Examples of Special Analyses

*“Economic Effects of High Oil Prices,” Annual Energy Outlook 2006*

*Analysis of Oil and Gas Production in the Arctic National Wildlife Refuge,*

*March 2004*

*The Global Liquefied Natural Gas Market: Status and Outlook, December 2003*

*“Impacts of Increased Access to Oil and Natural Gas Resources in the Lower 48 Federal Outer Continental Shelf,” Annual Energy Outlook 2007*

[www.eia.doe.gov](http://www.eia.doe.gov)

[Guy F. Caruso](mailto:guy.caruso@eia.doe.gov)

[guy.caruso@eia.doe.gov](mailto:guy.caruso@eia.doe.gov)

