OPEC Sec Gen: Peak oil demand not on the horizon

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Analysts

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Haitham Al Ghais became OPEC Secretary General in 2022. He served as Kuwait's OPEC governor from 2017–21 and was the inaugural chairman of the OPEC+ Joint Technical Committee in 2017. Al Ghais was already an oil and gas industry veteran, having held senior positions in key OPEC and OPEC+ bodies and committees, as well as at the Kuwait Petroleum Corporation.

In the 1990s and 2000s, the world regularly saw column inches devoted to the theory of peak oil supply, amplified by voices like Colin Campbell and Matthew Simmons. Decades later, however, it has still not come to pass, as enhanced economics and constant improvement in technology have helped lower costs and open up new frontiers to expand the resource base.

The past decade or so has witnessed a shift to talk of peak oil demand, with some forecasters increasingly pushing theoretical scenarios that have decided before any data is analyzed that oil should not be part of a sustainable energy future.

This is evident in some net zero scenarios, with suggestions that oil demand will peak before 2030, or more dramatically, that oil demand will drop by more than 25% by 2030, and with calls to

stop investing in new oil projects.

The IEA's narratives for oil are dangerous, especially for consumers, and could lead to unprecedented volatility.

This narrative was repeated only yesterday when the IEA published its *Oil 2024* report in which it once again stated that oil demand would peak before 2030. It is a dangerous commentary, especially for consumers, and will only lead to energy volatility on a potentially unprecedented scale.

We have also heard similar types of narrative before. Ones that have proven to be wrong. The IEA suggested that gasoline demand had peaked in 2019, but gasoline consumption hit record levels in 2023, and indeed continues to rise this year. It also stated that coal demand had peaked in 2014, but today coal consumption continues to hit record levels.

Many net zero futures focus almost exclusively on replacing hydrocarbons, which make up more than 80% of the global energy mix today. Rather than adding new energy sources to the mix, the focus is on substituting energy sources, which flies in the face of the history of supplying energy to the world. The emphasis is on rhetoric over reality; constraint over consumer choice.

Today, wind and solar supply around 4% of global energy, with electric vehicles (EVs) having a total global penetration rate of between 2% and 3%, even though the world has invested over $9.5 trillion in 'transitioning' over the past two decades. OPEC welcomes all the progress made in renewables and EVs, but it is nowhere near close enough to replace 80% of the energy mix. Furthermore, electricity grids, battery manufacturing capacity and access to critical minerals remain major challenges.

We should also remember that the development of renewables and EVs require some oil-related products. Their future expansion will add to oil demand.

We all want to lower emissions, but we all need ample, reliable and affordable supplies of energy. The two cannot be decoupled.

Of course, we all want to lower emissions, but at the same time, we all need ample, reliable and affordable supplies of energy. The two cannot be decoupled. Instead, our energy futures must focus on the full picture and not on a partial, incomplete one. In this respect, three key facts are worth bearing in mind.

Firstly, future energy and oil demand growth primarily lies within the non-OECD developing world, driven by increasing populations, an expanding middle class and growing economies. From now until 2045, non-OECD oil demand is set to expand by over 25 million barrels a day (mb/d), with China and India contributing over 10 mb/d alone.

We should also remember that billions of people in the developing world still lack access to modern energy services. For these people, their energy future is not about net zero, deciding on the purchase of an electric vehicle, or ruminating over the costs and benefits of energy sources. Instead, it is about achieving the energy basics that the developed world takes for granted, such as being able to turn on a light, cook on a clean stove or have motorized transport to move to and from work or school.

Secondly, oil demand continues to increase. At OPEC, we see oil demand growth of 4 mb/d over the two years of 2024 and 2025, with other forecasters also seeing an expansion of over 3 mb/d. Even the IEA sees growth of 2 mb/d over this period, followed by growth of 0.8 mb/d in 2026. It then dramatically drops off a cliff to almost no growth in the next four years through 2030.

For billions in the developing world, future energy means being able to turn on the lights and cook on a clean stove.

This is an unrealistic scenario, one that would negatively impact economies across the world. It is simply a continuation of the IEA's anti-oil narrative. Given the real trends we see today, we do not see peak oil demand by the end of the decade.

Thirdly, many parts of the world are witnessing a consumer pushback as populations comprehend the implications of ambitious and unrealistic net zero policy agendas. This, in turn, is prompting policymakers to reevaluate their approaches to future energy pathways, for example, in the UK, with the government recently supporting new oil and gas licenses.

These shifts, alongside developments in the economic landscape, have seen OPEC revise its oil demand expectations upwards to 116 mb/d by 2045, and there is potential for this level to be even higher. We do not foresee a peak in oil demand in our long-term forecast.

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On the supply side, technological improvements are allowing us to continually add resources to the base to help meet demand growth. There are clearly enough resources for this century and beyond, with the world's proven crude oil reserves standing at over 1.55 trillion barrels. Moreover, technologies are also enabling us to take huge strides in reducing emissions, as exemplified by the availability of cleaner fuels, much improved efficiencies and technologies such as carbon capture, utilization and storage, carbon dioxide removal and direct air capture.

Everyone is free to have an opinion, but it is important that this is based on the realities we see before us today. The clear need to prioritize energy security, utilize all available energies, deliver energy affordability, enhance sustainability, reduce emissions and not limit our energy options in the face of expanding demand.

Oil can deliver on all those fronts, and as we look to the future it is the very versatility of oil that ensures that we do not see peak oil demand on the horizon. Just as peak oil supply has never transpired, predictions of peak oil demand are following a similar trend.

Against this backdrop, stakeholders need to recognize the need for continued oil industry investment, today, tomorrow, and many decades into the future given the products derived from crude oil are essential for our daily lives. Those that dismiss this reality are sowing the seeds for future energy shortfalls and increased volatility, and opening the door to a world where the gap between the 'energy haves' and 'energy have nots' grows even further.