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TRANSFORMATION OF WORLD OIL MARKET:
DRIVERS AND PROSPECTS

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Abstract. The world oil market is in the process of profound transformation. Under the influence of both long-term trends and recent exogenous shocks in the form of the global coronavirus pandemic and the geopolitical crisis around Ukraine, global oil demand, world oil production and trade in crude oil and petroleum products are being transformed in real time. The main driver of the restructuring of the oil market is the approaching risk of peak of global oil demand. On the supply side strengthening the position of the United States in world oil production, which is the result of technological breakthroughs in the methods of tight oil extraction is observed. The short-term elasticity of oil supply has increased markedly. Sluggish dynamics of global demand for oil against the backdrop of an expanding opportunity for a rapid increase in oil production have significantly reduced the risk of a shortage of oil supply, at least in the medium term. This forces the OPEC countries, which are in dire need of maximizing oil export revenues in order to maintain acceptable economic growth rates, to restrain oil production at the expense of their market niche. Western sanctions against the Russian oil and gas sector provoked a reorientation of Russian oil exports to the markets of friendly and nonaligned countries, primarily to India and China, as well as Turkey. In Europe, the former niches of Russian oil are taken by the United States and OPEC countries. To avoid the risks of falling under secondary sanctions, importers of Russian oil buy it with a price discount. In fact, world oil trade has taken a dual structure: the vast majority of oil is traded using market price quotations, while at the same time, a segment of trade in relatively cheap oil has emerged. Until 2022, this segment was formed by Iranian and Venezuelan oil, but it was much more modest in terms of absolute volume. The parallel existence of two segments in the world oil trade led to sharpening of competition between oil exporters. A return to normality could be a new shock for the oil market.

Keywords: world oil market, peak of global oil demand, technological breakthrough, tight oil, export, sanctions, OPEC+, USA, Russia, European Union, China, India.

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ТРАНСФОРМАЦИЯ МИРОВОГО РЫНКА НЕФТИ: ДРАЙВЕРЫ И ПЕРСПЕКТИВЫ

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Аннотация. Под влиянием долгосрочных тенденций и экзогенных шоков разной природы и интенсивности мировой рынок нефти находится в состоянии глубокой перестройки. Она разворачивается на фоне возрастающего риска достижения пика глобального спроса на нефть. Со стороны предложения ее драйверами являются рост нефтедобычи в США в результате “сланцевой революции” и санкции в отношении российской нефти, запустившие процесс трансформации глобальных нефтяных экспортно-импортных потоков.

Ключевые слова: мировой рынок нефти, пик глобального спроса на нефть, технологический прорыв, трудноизвлекаемая нефть, экспорт, санкции, ОПЕК+, США, Россия, Евросоюз, Китай, Индия.

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INTRODUCTION

Currently, the global oil market is undergoing deep restructuring, influenced not only by the long-term trends within the industry itself but also by major exogenous shocks – the global coronavirus pandemic and the geopolitical crisis around Ukraine. On the demand side, there is an increasing risk of global oil consumption peaking before the end of this current decade, which is critically important. On the supply side, the main drivers of transformation are the growth of oil production in the United States as a result of technological breakthroughs that made the production of hard-to-recover oil profitable, as well as Western sanctions against the Russian oil and

gas sector, prompting a reformation of global oil exports and imports.

DYNAMICS OF OIL DEMAND

Around the middle of the last decade, against the backdrop of more than sufficient proven oil reserves, the main factor in the development of the world oil market shifted to the risk of reaching a global peak in demand (for more details, see [1]). Over the past three to four years, the global oil market has experienced several powerful shocks, including those from the global coronavirus outbreak and the geopolitical crisis around Ukraine. These shocks have compounded the long-term trend of decelerating growth in global oil con-

sumption hastening the approach of the peak (for more details, see [2]).

According to the long-term forecast by the Center for Energy Research (CER) of the Primakov National Research Institute of World Economy and International Relations of the Russian Academy of Sciences (IMEMO), using data for mid-2022, the base scenario predicts a global oil demand peak in 2029, and in the accelerated energy transition scenario – in 2027 (Fig. 1). The medium-term forecast of the International Energy Agency (IEA) up to 2028 aligns broadly with this view. Following the peak, global oil demand is set to decline. Asia-Pacific and Middle Eastern countries will surpass this peak later than others. In Africa, oil consumption is expected to rise until 2040 or even 2049. Moreover, post-COVID recovery growth in 2022–2023 aside, demand for

oil in OECD countries is projected to start falling from 2024, with any increase in global oil consumption thereafter being contributed exclusively by developing countries and those with transition economies (Fig. 2).

To a large extent, the noticeable slowdown in the dynamics of global oil demand is largely attributable to the completion of China's phase of extensive economic growth and its transition to a phase of intensive economic growth. This new phase is marked by reduced consumption of all types of resources, including oil, per unit of GDP. Fig. 3 illustrates the correlation between oil demand in China and the rate of economic growth from 1990–2022. Statistical data indicate a significant decrease in the growth rate of oil consumption following the slowdown in economic growth.

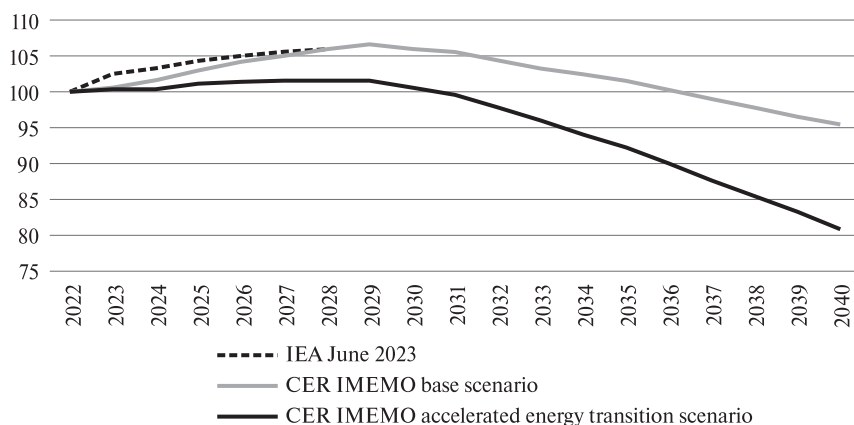


Fig. 1. Dynamics of the oil demand index, 2022–2040 (2022 = 100)

Compiled from: [sources 1, 2].

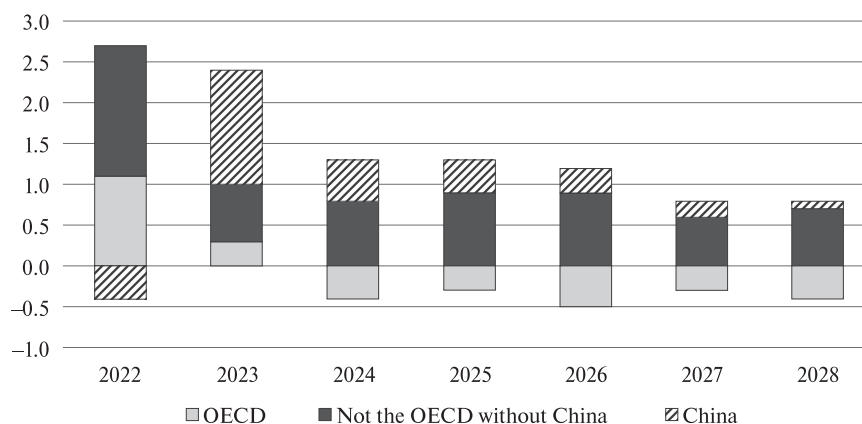


Fig. 2. Contribution of individual countries and groups of countries to the increment in global oil demand, 2022–2028, million barrels/day

Compiled from: [source 2].

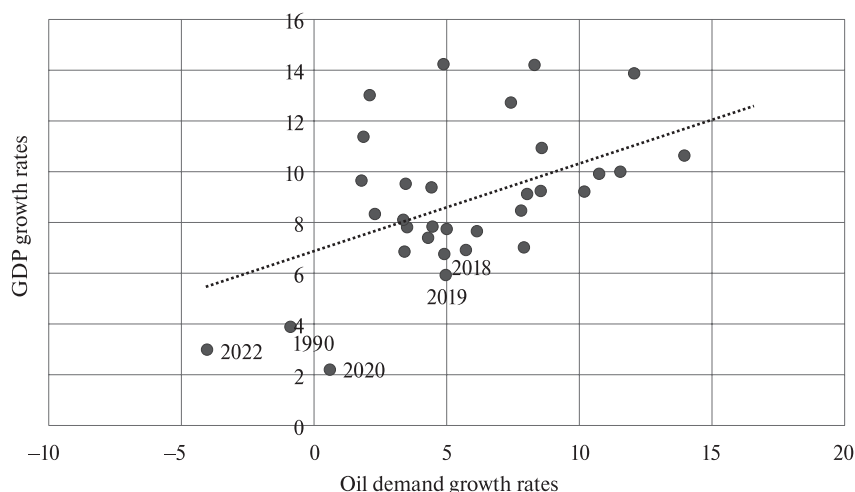


Fig. 3. China: dependence of oil demand dynamics on economic growth rates, 1990–2022, %

Compiled from: [sources 3, 4, 5].

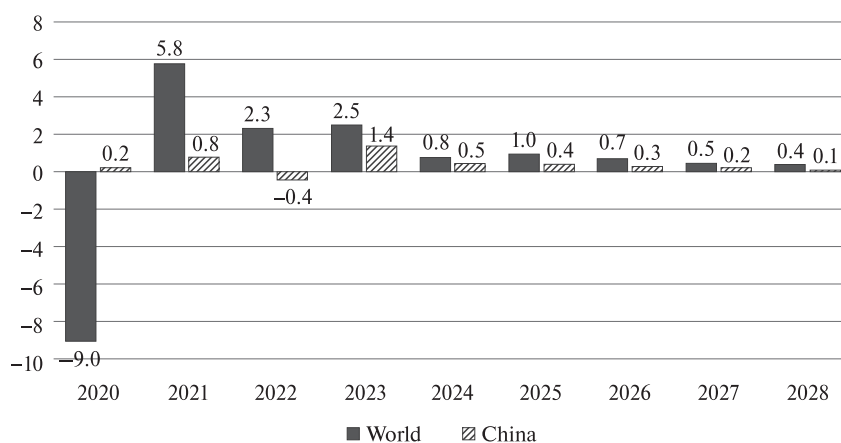


Fig. 4. Dynamics of annual increment in oil demand, 2020–2028, million barrels/day

Compiled from: [source 2].

Some leading analysts who have been studying the oil market for decades contend that the “decoupling” of economic growth from oil consumption in China is irreversible due to the restructuring of the Chinese economy. China has already passed peak demand for diesel fuel and is approaching the peak demand for motor gasoline [3]. No single country on an upward economic trajectory, including India, nor the collective of developing countries is poised to provide a boost to global oil demand comparable in magnitude to what was witnessed in China from the 1990s–2010s.

Particular attention should be paid not only to the approaching peak in global oil demand but

also to the absolute values of the increment in demand. As we approach the peak value, there will be a reduction in these increments. Demand will then plateau, stabilizing at the peak level for some time, and depending on the pace of decarbonization of the world economy, it will enter a phase of either slow or more rapid decline.

According to the IEA forecast, after the completion of post-COVID recovery growth in oil demand in 2023, the period of 2024–2028, will see an average increase of only 0.7 million barrels per day, decreasing to 0.4 million barrels per day by the end of this period (Fig. 4). This is anticipated to create a new market dynamic, as a more than sufficient supply and the ability to quickly ramp

up production will lead to adjustments to the relatively weak and gradually diminishing increases in demand significantly increasing competition among oil exporters.

TRANSFORMATION OF GLOBAL OIL SUPPLY: USA AND OPEC

Amidst current demand side shocks and the looming threat of a peak in global oil demand, significant shifts have occurred and are expected to persist on the supply side. The main factor is the marked reinforcement of the US position (for more details, see [4]). Owing to the technological revolution in the early 2010s, oil production in the United States increased significantly; its global share jumped from 14.2% in 2015 to 18.9% by 2022 (Table 1). In addition, Canada's contribution to world oil production rose to 6.1%, an increase of more than one percentage point. These robust growth rates in North American oil production have readily offset declines in Europe and Mexico. Overall, the OECD countries' collective share of global oil production grew by nearly 4.7 percentage points, reaching 30.9% between 2015 and 2022.

This technological milestone, reversing a longstanding trend of dwindling American oil output, has fundamentally altered the geopolitical and economic landscape of the global oil market. After a downturn that started in the 1970s, the United States reclaimed its status as the world's preeminent oil producer, consistently widening its lead over Saudi Arabia since 2015 (Fig. 5).

In May 2023, American *WTI Midland* oil was incorporated into the assortment of five European North Sea oil grades used to calculate quotes for the *Brent* benchmark, which underpin the pricing of 2/3 to 3/4 of all oil traded in the world [5]. For more than 30 years, the basis of the *Brent* complex, which includes deliveries of physical oil, swaps, and futures contracts of various types, was the *Shell SUCO 90* contract. Now, following consensus among market stakeholders, it has been replaced by a new standard contract *STASCO BFOETM 2022* [sources 7, 8, 9]. With the decline in the production of five grades of European oil grades, *WTI Midland* is assuming a pivotal role within the *Brent* complex.

Against the backdrop of growing oil exports to Europe from the United States (more details be-

Table 1. Structure of world oil supply by main countries and groups of countries in 2015–2028¹, %

Year	World	OECD	Including the USA	Including Canada	Including other OECD countries	OPEC	Including Saudi Arabia	Other countries	Including Russia
Actual									
2015	100	26.2	14.2	4.9	7.1	39.2	13.1	34.6	12.1
2016	100	25.5	13.6	5.0	7.0	40.2	13.4	34.2	12.3
2017	100	26.3	14.3	5.4	6.6	39.7	12.8	33.9	12.2
2018	100	28.2	16.3	5.7	6.3	38.6	13.0	33.2	12.1
2019	100	30.0	18.0	5.9	6.1	36.7	12.5	33.3	12.1
2020	100	31.4	18.6	6.0	6.8	34.6	12.5	34.0	11.9
2021	100	31.3	18.6	6.2	6.5	34.9	12.2	33.8	12.0
2022	100	30.9	18.9	6.1	6.0	36.3	13.1	32.8	11.7
Forecast ²									
2023	100	31.9	19.8	6.1	6.0	35.4	12.4	32.7	11.2
2024	100	32.2	20.1	6.1	5.9	35.0	12.2	32.8	11.0
2025	100	31.9	20.1	6.1	5.7	35.5	12.6	32.6	10.8
2026	100	31.8	20.3	6.0	5.4	35.6	12.7	32.6	10.6
2027	100	31.6	20.5	6.1	5.0	35.9	13.0	32.6	10.5
2028	100	31.3	20.5	6.2	4.6	36.2	13.3	32.4	10.3

¹ Including gas condensates, but excluding biofuels and additional volumes in the oil refining process.

² Subject to compliance with OPEC+ agreements.

Compiled and calculated from: [sources 2, 6].

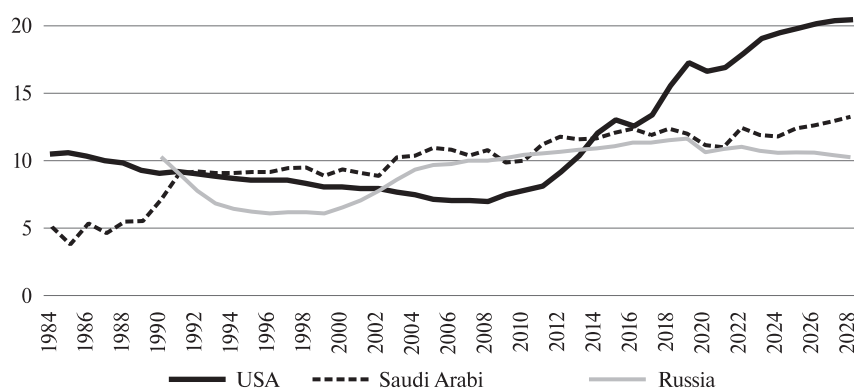


Fig. 5. Dynamics of oil production of the world's three largest oil producers, 1984–2028 (from 2023, forecast), million barrels/day

Compiled and calculated from: [sources 2, 6].

low), replacing Russian oil, the actual integration of two key world benchmarks not only ensures close interpenetration of the American and European physical and financial oil markets but also significantly increases the influence of American oil production on the process of global pricing of crude oil. The third significant benchmark of the world oil market, *Dubai Fateh*, is largely focused on *Brent*. The world's largest oil companies that actively use *Brent* quotes in their trading operations are *Shell* and *BP*, and global oil traders supported the transformation of the benchmark [6]. As a result of the reorganization of the *Brent* complex, banks and financial organizations in the United States and Europe obtained significant additional opportunities for operations in the oil derivatives market.

Amid a sustained increase in oil production in the United States, OPEC's position in global oil production has relatively diminished. Taking into account the inability of some OPEC countries to maintain production levels due to internal economic and political problems (Angola, Nigeria, Libya), as well as American, European, and international sanctions (Iran, Venezuela), the total contribution of OPEC countries to global oil production decreased by nearly 3 percentage points, to 36.3% from 2015 to 2022. Nevertheless, Saudi Arabia, the organization's leader, maintained its share of world oil production (see Table 1).

The dilution of OPEC's influence on the global oil market is evidenced by the formation of the OPEC+ alliance at the end of 2016. Comprising OPEC and an additional 10 major oil-producing

and exporting, the alliance was formed in the wake of a price skirmish with American tight oil producers that Saudi Arabia did not win. Since 2017, OPEC and its allies have been compelled to cap their production to forestall a significant plunge in oil prices (for further details, see [7]). Initially perceived as a temporary measure, the OPEC+ alliance evolved into a permanent entity, taking a crucial role in the regulation of global oil supply. Bound by a mutual goal of maximizing oil prices, the alliance members, whose economies heavily rely on oil export revenues, found a shared purpose. Without the support of new partners, OPEC alone would struggle to fulfill this objective.

In the past two years, OPEC+ has adjusted oil production quotas for alliance members three times (Table 2). Usually, Saudi Arabia and Russia implement the deepest cuts, due to the significant volumes of their oil production. In July and August 2023, the Kingdom pledged to unilaterally reduce production by an additional 10%, to 9 million barrels per day [8]. The significance of this move is magnified by *Saudi Aramco*-controlled *Motiva Enterprises LLC's* (the largest oil refinery in the United States) decision to significantly reduce oil imports in the summer and autumn months of 2023, as well as the establishment by the Saudis of higher reference oil prices for the American market at [9].

It is important to note that for the first time in many years, production quotas in OPEC, starting in 2024, have been redistributed in favor of the Gulf countries, while quotas for the African member countries of the organization (Angola,

Table 2. OPEC+ countries: voluntary quotas for crude oil production in 2022–2024, thousand barrels/day

Country	Quota period		
	November 2022 – December 2023	May–December 2023	January–December 2024
Algeria	1007	959	1007
Angola	1455	1455	1280
Congo	310	310	276
Equatorial Guinea	121	121	70
Gabon	177	169	177
Iraq	4431	4220	4431
Kuwait	2676	2548	2676
Nigeria	1742	1742	1380
Saudi Arabia	10478	9978	10478
UAE	3019	2875	3219
OPEC	25416	24377	24994
Azerbaijan	684	684	551
Bahrain	196	196	196
Brunei	97	97	83
Kazakhstan	1628	1550	1628
Malaysia	567	567	401
Mexico	1753	1753	1753
Oman	841	801	841
Russia	10478	9978	9949
Sudan	72	72	64
South Sudan	124	124	124
Non-OPEC	16440	15822	15590
OPEC+	41856	40199	40584

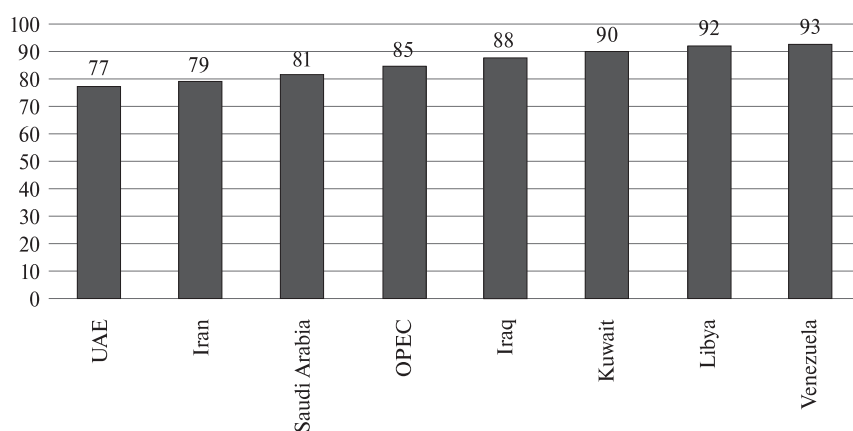
Compiled from: [sources 10, 11, 12, 13].

Nigeria, Congo, and Equatorial Guinea) have been cut by 0.622 million barrels per day. This adjustment brings OPEC's quota policy more

aligned with current capacities, acknowledging the African members' struggles to uphold previously set production targets. In November 2023, OPEC was expected to revisit the quotas for African countries and, as reported, is, in principle, ready to consider raising production ceilings for them if by that time they demonstrate progress. Nigeria announced plans to increase oil production by November 2023 to 1.7 million barrels per day, which will allow it to claim the previous quota volume [10]. The Republic of Congo intends to significantly increase oil production from the current 0.3 million to approximately 0.4 million barrels per day in 2024 [11]. Industry experts are cautious about the stated plans of African oil exporters. Nevertheless, even an increase in production by the latter in the range of 0.1–0.2 million barrels per day against the backdrop of a slight increase in demand will have a significant impact on the dynamics of oil price quotations.

OPEC faces a more deep-seated issue: several member countries with substantial proven oil reserves are producing well below their potential sustainable levels – the output that can be maintained over an extended period (Fig. 6).

Saudi Arabia, the de facto leader of the organization, has to limit its oil production to preserve OPEC's unified front in the global oil market. Iran, Libya, and Venezuela struggle to achieve their production potential due to international sanctions and domestic issues. For Iraq to harness its considerable oil wealth, substantial foreign investment in field development is essential,

**Fig. 6.** OPEC countries: ratio of actual oil production in June 2023 to potential sustainable production, %

Compiled from: [source 14].

necessitating a reduction in domestic political unrest. Conversely, Kuwait and the UAE possess the capacity to swiftly ramp up production based on their existing infrastructure. Notably, both Kuwait and the UAE, particularly the latter, have been allocated a larger share in the distribution of OPEC's 2024 quotas (see Table 2). Concurrently, the UAE has declared an ambition to boost its production capability to 5 million barrels per day by 2027 [12], signaling the likelihood of intensified competition for production quotas within OPEC.

RESTRUCTURING THE GLOBAL OIL TRADE

Two factors are having a decisive influence on the geographical restructuring of the global oil trade. The first is the significant increase in oil production in the United States as previously mentioned. The second, is the imposition of Western sanctions on the Russian Federation, which has compelled Russian oil companies to quickly redirect their exports to Asian countries.

As the world's largest producer and consumer of oil, as well as the world's leading oil refining center, the United States has an increasing influence on the development of the global oil market through import and export flows of crude oil and petroleum products. Economically, the US oil sector boasts a dynamic market structure, where a multitude of private companies with diverse production capacities operate autonomously. Depending on market dynamics, the disparity

between domestic and imported oil prices, and the structuring of value chains, among various other determinants, oil refineries have the option to import or procure oil produced domestically. Herein, the price differential between various oil grades assumes significant importance.

Since the late 2010s, in the wake of rising domestic oil production, the United States, has seen a significant decline in crude oil imports. From importing approximately 10 million barrels per day in 2008, the figure dropped to 7.3 million barrels per day by 2015 (Fig. 7). In 2022, the US imported 6.3 million barrels per day. At the end of 2014, outgoing President Obama lifted the ban on the export of crude oil from the United States, which had been in effect since the mid-1970s, and American producers began to rapidly increase their supplies abroad. By 2022, they grew from virtually zero to 3.5 million barrels per day and continue to increase (Table 3). As a result of these two opposing trends, US net imports of crude oil (imports minus exports) from 2008 to 2022 decreased by almost 4 times, to 2.77 million barrels per day.

American light low-sulfur oil is quickly carving out niches in countries with substantial refining capabilities such as those in Europe, the major economies of the Asia-Pacific and Latin America. For importers, purchasing American oil is attractive due to its high physical and chemical characteristics, reliability of supply, and the ability to hedge price risks using financial market instruments. The most important additional competi-

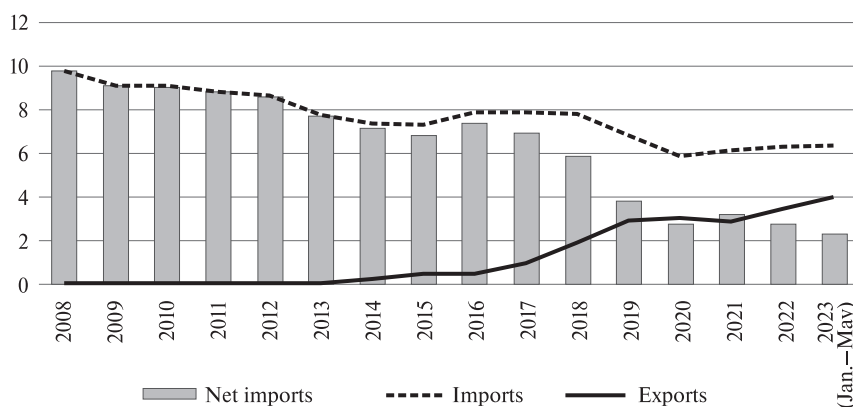


Fig. 7. USA: dynamics of oil imports and exports, 2008–2022, million barrels/day

Compiled from: [source 17].

Table 3. USA: oil exports by country, 2014–2022, thousand barrels/day

Year	Total	Canada	Europe	Latin America	South Korea	India	Singapore	China	Taiwan
2014	351	331	15	0	2	0	2	1	0
2018	2048	440	552	104	242	151	43	231	131
2019	2982	479	962	205	419	255	78	137	169
2020	3206	420	1095	190	269	281	91	481	158
2021	2963	311	1067	196	349	420	143	256	145
2022	3604	333	1514	203	371	323	314	228	193

Compiled from: [source 15].

Table 4. USA: oil imports by country, 2008–2022

Year	Total million barrels/day	OPEC		Saudi Arabia		Venezuela		Canada		Mexico	
		Million barrels/day	%	Million barrels/day	%	Million barrels/day	%	Million barrels/day	%	Million barrels/day	%
2008	9.8	5.4	55	1.5	15	1.0	11	2.0	20	1.2	12
2010	9.2	4.6	49	1.1	12	0.9	10	2.0	21	1.2	13
2015	7.4	2.7	36	1.1	14	0.8	11	3.2	43	0.7	9
2019	6.8	1.5	22	0.5	7	0.1	1	3.8	56	0.6	9
2020	5.9	0.8	14	0.5	8	0	0	3.6	61	0.7	11
2021	6.1	0.8	13	0.4	6	0	0	3.8	61	0.6	10
2022	6.3	1.0	16	0.5	7	0	0	3.8	60	0.6	10

Compiled from: [source 15].

tive advantage of American oil is the global positioning of oil refining capacities by the world's largest private vertically integrated oil companies (VIOCs). As part of globally structured production and distribution value chains, VIOCs export the oil they produce in the United States to their own oil refineries scattered across continents and countries.

Despite the fact that the USA in 2008–2022 reduced oil imports by 3.5 million barrels/day, oil imports from OPEC countries over the same period decreased by 4.5 million barrels/day (Table 4). Saudi Arabia's export niche in the American market decreased by 1 million barrels per day. Venezuela found itself completely cut off from the American market, and Mexico's niche noticeably shrank. However, oil exports from Canada to the United States increased by 1.8 million barrels per day, which more than compensated for the reduction in imports of heavy Venezuelan oil.

Thus, the restructuring of US exports-imports flows not only created a competitor for oil-exporting countries in the markets of third countries, but also weakened their ability to export sig-

nificant volumes of oil to the American market. Ultimately, oil from OPEC countries and other major oil exporters must be redirected to the markets of third countries, where they face competition from American oil. Such a restructuring of world trade could occur relatively easily, although not without problems, in the situation of significant progressive growth in global oil demand. In conditions of sluggish and fading demand growth, the competition between oil exporters is noticeably intensifying.

The United States also has a strong influence on global oil trade through the supply channel of refined oil products. Since 2022, the United States has become a net exporter of oil and petroleum products. For petroleum products, this happened back in 2011 (Fig. 8); in 2022, their net exports from the United States reached 3.8 million barrels per day.

From 2005 to 2022, exports of petroleum products from the United States increased by more than 5 times, to almost 6 million barrels per day (Table 5). About half goes to Latin America, the major markets being Europe, Canada, Japan,

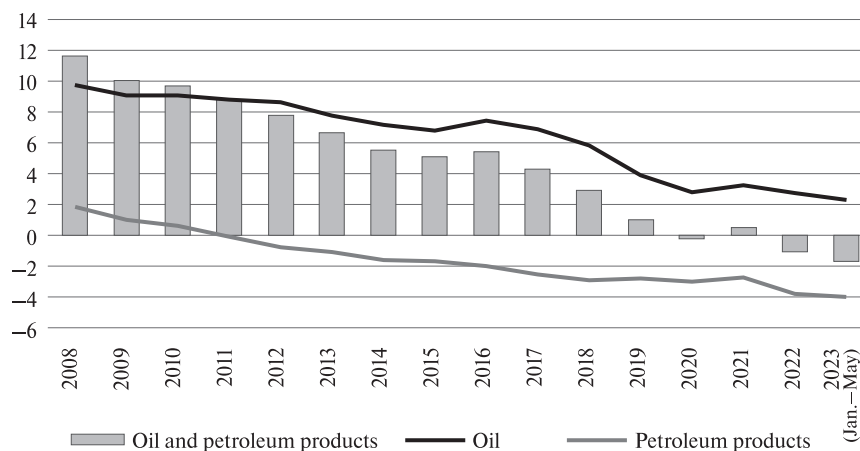


Fig. 8. USA: dynamics of net imports of oil and petroleum products, 2008–2022, million barrels/day

Compiled from: [source 17].

Table 5. USA: exports of petroleum products by country, 2005–2022, thousand barrels/day

Year	Total	Latin America	Europe	Canada	Japan	China	Other
2005	1134	552	218	150	56	11	146
2010	2309	1217	436	192	88	52	324
2015	4274	2081	751	528	167	191	556
2019	5489	2804	705	558	501	59	862
2020	5295	2480	668	513	502	234	897
2021	5568	2652	617	524	480	375	920
2022	5972	2964	731	505	479	405	888

Compiled from: [source 15].

and China. The growing export of petroleum products from the United States not only provides additional impetus for the development of American oil production and refining but also limits the possibilities for expanding the crude oil market.

CONSEQUENCES OF ANTI-RUSSIAN SANCTIONS

Since 2022, sanctions targeting the Russian Federation's oil sector along with Russia's responsive sanctions policy, have become an important factor in reshaping the global oil trade. The ongoing large-scale shifts in the geography of Russian oil exports, while not yet finalized and somewhat obfuscated due to the absence of reliable data, can still be discerned through available international and mirror statistics, providing insight into the evolving dynamics.

In 2022, Russian oil exports increased by 6–8%, to 242 million tons, or 4.78 million bar-

rels per day [13, source 16]. With its exit from the European market, Russia has redirected its oil exports toward the Asia-Pacific countries, notably India and China, as well as Turkey.

India has emerged as an important new market for Russian oil. According to Indian statistics, crude oil supplies from the Russian Federation in 2022 reached 32 million tons, increasing by almost 9 times compared to the previous year [sources 17, 18]. Russia has become the third largest oil exporter to the Indian market after Iraq and Saudi Arabia, surpassing the UAE, USA, Kuwait, and Nigeria. In January-May 2023, Russian oil exports to India reached 37 million tons, which amounted to 33.3% of total Indian oil imports [source 17].

The export of crude oil from Russia to China is steadily growing. In 2022, supplies reached 86 million tons, in January-May 2023 – 42 million tons. The share of Russian oil in the total

Chinese oil imports in the first five months of 2023 amounted to 18.3% [source 19].

A large-scale geographic reorientation of Russia's oil flows has significant implications for the global oil export landscape. An analysis of the shifts in crude oil import structures within the European Union, China, and India in 2022 and the first quarter of 2023 reveals that Russia's increased exports to China and particularly India have more than offset the losses incurred in the European market (Table 6).

Leading OPEC oil exporters – Saudi Arabia and the UAE – have significantly increased supplies to Europe, capturing the share vacated by Russia, and have also expanded their reach in China and India. Exports from both Gulf countries to three key regional oil markets have increased

markedly. Iraq also increased its oil exports to all three markets. The USA and Norway have filled the void left by Russia in Europe, compensating for their reduced oil exports to China and India. Thus, the “exchange” of geographical sales markets between the largest oil exporters in 2022 did not result in significant losses for them.

The “Exchange” looks different if one compares the indicators for the first quarter of 2022 and 2023. When examining the data, it's evident that the Indian market has experienced a reduction in exports not only from the USA and Norway but also from leading Gulf exporters such as Saudi Arabia, the UAE, and Iraq. This shift occurs amidst a significant uptick in Russian oil exports to India.

The key to Russian oil's competitive edge in the Asian markets lies in its pricing strategy, of-

Table 6. EU-27, China, and India: increment in crude oil imports by largest exporting countries, million tons

Country	2022/2021				QI 2023 / QI 2022			
	EU-27	China	India	Total	EU-27	China	India	Total
Saudi Arabia	13.2	-0.1	6.4	19.5	4.1	1.4	-0.8	4.7
USA	12.1	-3.6	-3.4	5.1	3.6	0.0	-1.8	1.8
Norway	11.8	-7.2	-2.0	2.6	4.5	-2.9	-0.1	1.5
Angola	9.6	-9.1	1.2	1.7	2.8	-2.7	0.1	0.2
Iraq	5.1	1.4	0.8	7.3	1.6	0.9	-1.8	0.7
Brazil	5.0	-5.4	-1.1	-1.5	1.8	3.6	0.0	5.4
UAE	2.7	10.8	-0.5	13.0	0.8	1.2	-0.4	1.6
UK	-3.0	-5.7	0.3	-8.4	3.0	-0.7	-0.4	1.9
Russia	-24.3	6.6	27.5	9.8	-29.4	6.2	19.5	-3.7

Compiled from: [sources 17, 18, 19, 20].

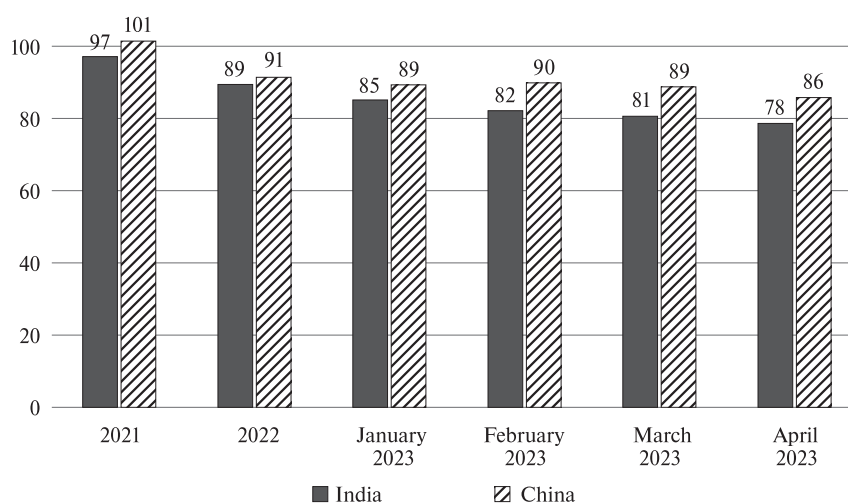


Fig. 9. India and China: dynamics of the ratio of import prices per ton of oil from Russia and Saudi Arabia, %

Compiled from: [sources 17, 19].

fering a price discount when compared with Saudi oil. In 2021, the import prices for Russian and Saudi oil to India and China were roughly equivalent. However, by 2022, Russian oil was being offered at approximately a 10% discount compared to Saudi oil, and this discount further widened in the period from January to May 2023 (Fig. 9).

RESULTS AND CONCLUSIONS

The dynamics of both supply and demand in the global oil market are actively evolving. Key drivers of demand include sustained economic growth in developing countries, escalating motorization, rising consumption of petrochemical products, and the gradual recovery of passenger and cargo air transportation, which has yet to return to pre-COVID levels. In the latter half of 2023, oil demand is anticipated to climb as China moves away from its zero-tolerance coronavirus policy and seeks to rejuvenate its economic growth.

Concurrently, several factors are dampening global oil demand and exerting downward pressure on prices. These include the hike in base interest rates by the US Federal Reserve and other central banks of developed countries, aiming to rein in inflation through monetary policy tightening. The prospect of an economic recession in European economies, and potentially in the United States, is also contributing to subdued oil demand. Even if a recession is avoided, sluggish economic growth will not help to restore the oil demand.

According to the IEA forecast over the next five years, the US contribution to global supply will increase due to the containment or reduction of production in OPEC and the Russian Federation (see Table 1). It is OPEC+, especially in the period of 2023–2024, that will have to curb its oil production in order to support global oil prices. After 2024, the IEA predicts OPEC will begin reclaiming its share of global oil production, while Russian production levels are projected to con-

tinue their gradual decline, creating opportunities for OPEC and other non-OECD oil exporters.

Not all analysts concur with this outlook for the world oil market. Some experts believe that the peak of production in the main US shale formations has passed, and the era of aggressive growth of American shale is over [14]. These experts ignore the continued concentration of capital in American oil production, including the growing involvement of supermajors in the production of tight oil in the United States. In 2023, the mergers and acquisitions market in the oil and gas industry in North America could reach USD230 billion. The largest deal could be the purchase of *Pioneer Natural Resources Co* by Exxon Mobil Corp. for USD53 billion [15]. In 2023, *Chevron* acquired the independent producer *PDC Energy Inc.* for USD6.3 billion, and in 2020, *Noble Energy* for USD5 billion [16, source 21]. The concentration of reserves and production in the hands of large companies brings additional capital investments and technologies, which increases the resistance of American oil production to market price surges.

Political factors, particularly those stemming from Ukraine, will have an important influence on the future dynamics of global oil production since attention to energy security issues has increased markedly. *Rystad Energy* estimates a surge in energy security-driven investments in the global oil and gas industry's upstream sector by an additional USD140 billion for 2022–2023, with USD80 billion earmarked for shale production [source 22].

The emergence of a discounted oil imports segment in international trade is likely to intensify competition among exporting nations, necessitating strategic adjustments by OPEC, especially by the Gulf countries. Paradoxically, a normalization of the market, should sanctions on the Russian oil and gas sector be lifted, may introduce a new element of unpredictability into the global oil market.

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