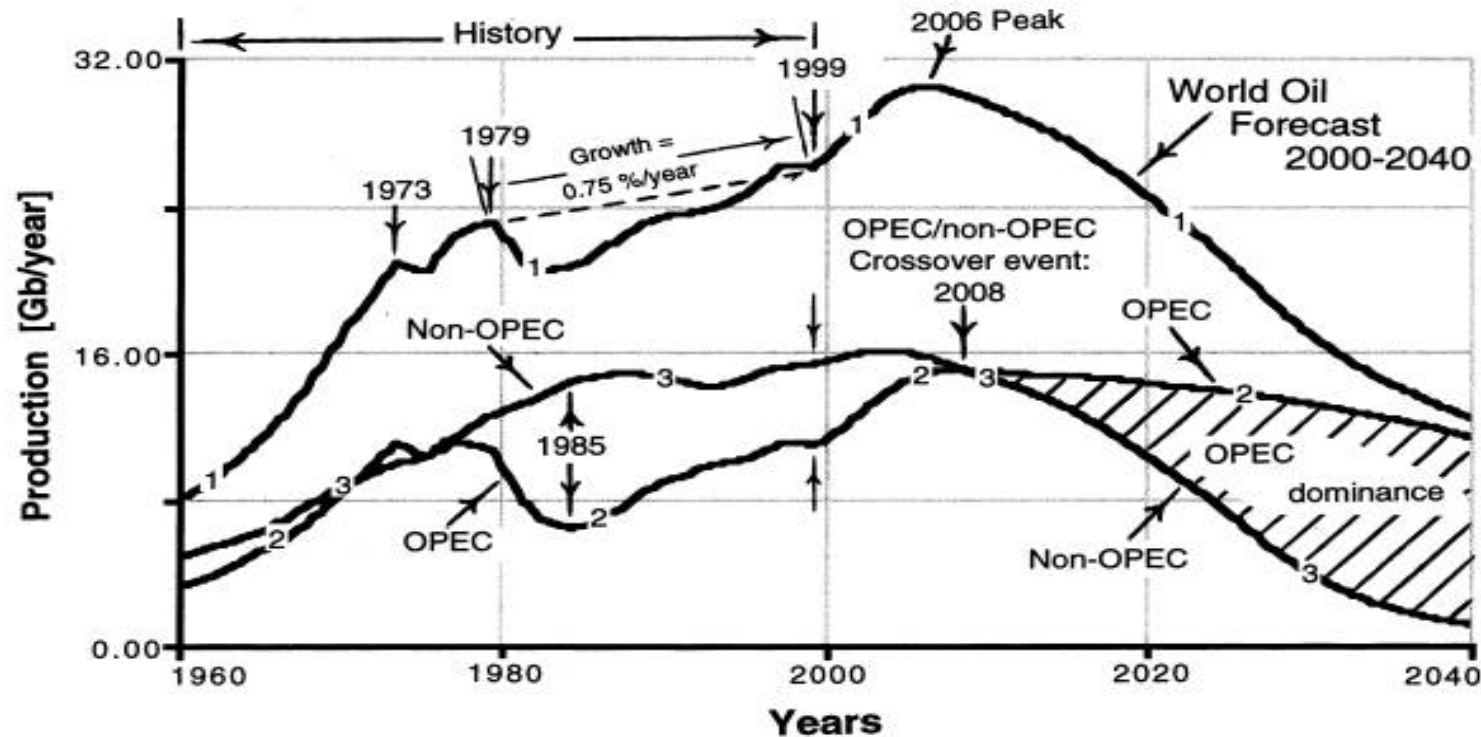


The Geopolitics of Non-OPEC Oil Production



Current World Oil Production

- The world's oil supply produced in wide variety of locations.
- About 60% of the world's oil supply comes from non-OPEC countries.
- However, most non-OPEC countries are net oil importers.

Top World Oil Producers, 2005

(OPEC members in italics)

Country	Total Oil Production**
	(million barrels per day)
1) <i>Saudi Arabia</i>	11.1
2) Russia	9.5
3) United States	8.2
4) <i>Iran</i>	4.2
5) Mexico	3.8
6) China	3.8
7) Canada	3.1
8) Norway	3
9) <i>United Arab Emirates</i>	2.8
10) <i>Venezuela</i>	2.8
11) <i>Kuwait</i>	2.7
12) <i>Nigeria</i>	2.6
13) <i>Algeria</i>	2.1

Top World Oil Net Exporters, 2005

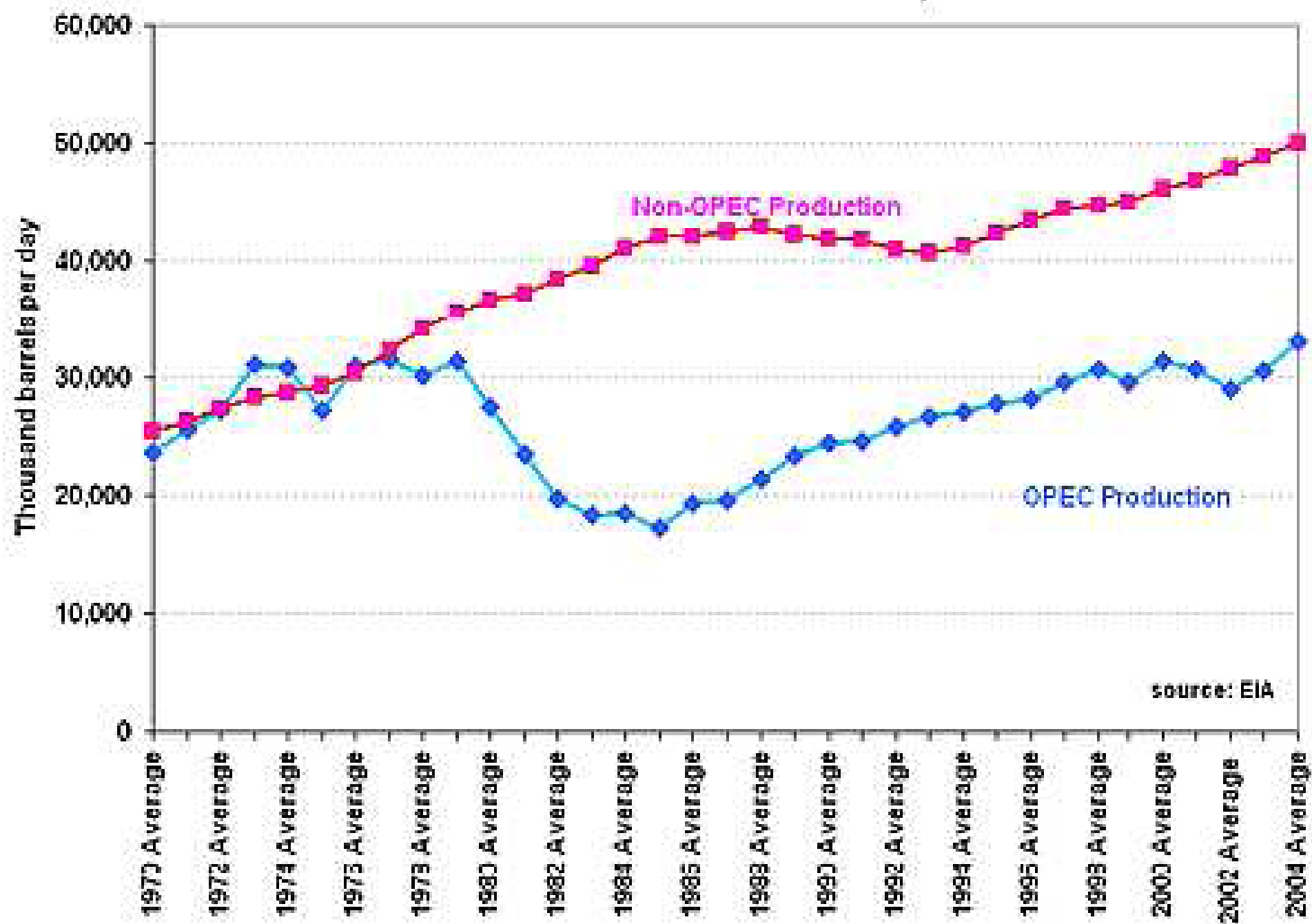
(OPEC members in italics)

Country	Net Oil Exports (million barrels per day)
1) <i>Saudi Arabia</i>	9.1
2) Russia	6.7
3) Norway	2.7
4) <i>Iran</i>	2.6
5) <i>United Arab Emirates</i>	2.4
6) <i>Nigeria</i>	2.3
7) <i>Kuwait</i>	2.3
8) <i>Venezuela</i>	2.2
9) <i>Algeria</i>	1.8
10) Mexico	1.7
11) <i>Libya</i>	1.5
12) <i>Iraq</i>	1.3
13) <i>Angola</i>	1.2
14) Kazakhstan	1.1

History of Non-OPEC Production

- The non-OPEC share of global oil production hits a low of 48% in 1973
 - High oil prices during the 1970s encourage new investment in non-OPEC production
 - 1985: non-OPEC share of global oil production reaches a high of 71%
- Major non-OPEC producers
 - 1970s: North America dominant
 - 1980s: Mexico and North Sea become major exporters
 - 1990s: New production from South America, West Africa, non-OPEC Middle East, and China

World Petroleum Production, 1970-2004



Results of 1970s High Oil Prices

- Development of new exploration and production technologies
- Aggressive cost-reduction programs by industry
- Attract investment in areas previously considered uneconomical
- Eventual emergence of unconventional resources

The Importance of Price and Cartel

Non-cartel Behavior

- Non-OPEC producers generally act differently than OPEC does:
 - Most are controlled by the private sector
 - Price takers; produce if profitable to do so
 - Generally lack the incentive to collude with OPEC
- Lifting costs are generally higher for non-OPEC producers
 - High prices bring greater non-OPEC production
 - Low prices can result in collapse

Future Non-OPEC Production

- Throughout 1980s and early 1990s, belief that OPEC would soon be regaining majority share of global oil production; the 'cross-over event'
- However, despite several periods of relatively low prices, non-OPEC production has risen every year since 1993
- Non-OPEC supply becoming increasingly diverse

Future Non-OPEC Production (continued)

- Best estimates show demand increasing enough to keep price from dropping significantly
- Higher prices attract investment in areas previously considered uneconomical
- The EIA predicts (2006) that non-OPEC suppliers will retain their market share at least through 2030

Non-OPEC Geopolitical Hotspots

- Caspian Basin
- Russia
- Sudan
- Others?



Sources

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