How Will the Oil and Gas Prices Develop in The Years to Come

The oil and natural gas prices will be much lower than we are used to in the years to come. Here are the reasons explained.

On the long term the abundance of oil and gas and where it is found have a great impact on the prizes.

As by 2015 huge amount of new oil and natural gas resources have been found or opened to exploit in all regions of the Earth. That has occured all over the World, but especially in North America, the former Soviet Union and Australia and the process is still amply occuring. Much of these new oil fields are of the type shale oil, but also many conventional oil deposits on land and under sea have been found.

Shale oil is oil deposits in porous shale rock, and the rock needs to be cracked so that the oil can be pumped out. The technology for this has improved significantly the last years so that long known shale oil deposits now can be exploited within reasonable costs, and it has become interesting to search for more such deposits. The costs per barrel for shale oil is around 40-45$.

That means that the regions of Earth steadily more are producing their own oil and gas, and the demand for oil and gas import is shrinking.

Another factor that will contribute to reduced prices of oil and gas in the near future, is the demand for reduced use of fossil fuel and an ongoing migration to energy sources that do not create greenhouse gasses when used, which practically means using more electric power generated by wind, solar panels and nuclear emergy. This movement will reduce the oil and gas consumption of the World.

The consume of oil and gas in the World will probably decrease due to increase use of nuclear power and alternative energy resources. Nuclear power is getting a renaissance and many nations increasingly cover its energy need by nuclear power. The use of solar energy and wind power are also increasing due to steadily cheaper and more efficient technology within these areas.

As a whole, energy is steadily more produced near the site where it is used and the demand for imported energy of whatever sort is shirinking in all regions in the World.

This also has the effect that the so far dominating oil producent block, the OPEC, has got serious competition and has lost the ability to keep oil prices high by shrinking the production.

But OPEC, which still holds more than half of the oil reserves of the World, and especially Saudi Arabia, can produce the oil with very law costs, and can compete for market shares by increasing the production and lowering the prices, which is exactly what happens.

These developments will depress the oil prizes for a long period to come and the long distance trade with oil and gas will actually decrease. On the long term, the oil prices will have difficulties maintaining themselves above 50$ a barrel. The economy of certain producers, like Norway, which need high prizes is actually set in grave risk due to this development.

By Knut Holt
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