

The Short-Term Future of Oil: Will Africa and Libya Miss This Opportunity?

By Omar Khattaly · 5 July 2023

At the most recent Asian Energy Conference in Malaysia, senior executives and energy experts from major international oil companies discussed the future of global oil supply and demand and the likely timing of the energy transition. The consensus was that global markets will remain heavily dependent on oil for at least another two decades before electric vehicles become dominant in Western Europe and the United States. This is despite the fact that total oil demand in Europe and the United States has already declined by approximately 1.5 million barrels per day compared with 2019.

According to ExxonMobil, global oil demand is expected to increase by approximately 15 million barrels per day over the next 25 years, with most of this additional demand coming from Asia, Africa, the Middle East, and Latin America. In the liquefied natural gas (LNG) market, future demand is expected to come primarily from China, India, South Korea, Japan, and Vietnam, while exports from producing countries—particularly those in the Gulf region—are expected to expand, given their

geographical proximity to Asian markets. Much of this growth will be driven by population growth across Southeast Asia.

Another indication of the scale of Asian energy demand is the recent announcement by Indian Oil Corporation of plans to construct additional oil refineries and increase its refining capacity by approximately 20 percent over the next three years.

Most experts at the conference agreed that global oil demand could reach approximately 110 million barrels per day by 2045, before declining substantially thereafter. For countries such as Libya and many African oil-producing states, which have missed much of the opportunity over the past three decades to invest their oil revenues in national development, another—and potentially final—window of opportunity is emerging before oil demand from Europe and the United States becomes a marginal component of the global energy market.

Libya, however, remains trapped in a seemingly endless cycle of political and social conflict. It must therefore reach a political settlement as early as possible, move away from the recurring threat of oil-field closures, and concentrate its efforts on taking advantage of this final window of opportunity. In short, the era of exceptionally high oil demand and the revenues it generates is approaching its later stages. Libyans must recognize this reality and act with considerable urgency to address their domestic challenges by investing in the basic infrastructure the country urgently needs but largely lacks—including potable water systems, sewage networks, hospitals, educational facilities, and other essential infrastructure required to serve a growing population.

The opportunity created by Libya's oil wealth will not remain open indefinitely. The country must use the remaining period of strong global demand to transform temporary resource wealth into durable national infrastructure, stronger institutions, and sustainable economic development.

References

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