At a glance

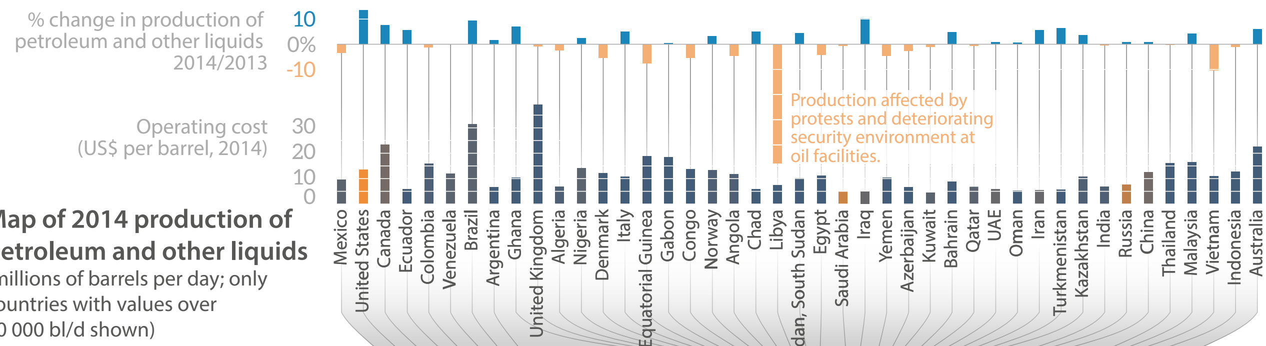
Infographic
March 2016

European Parliament

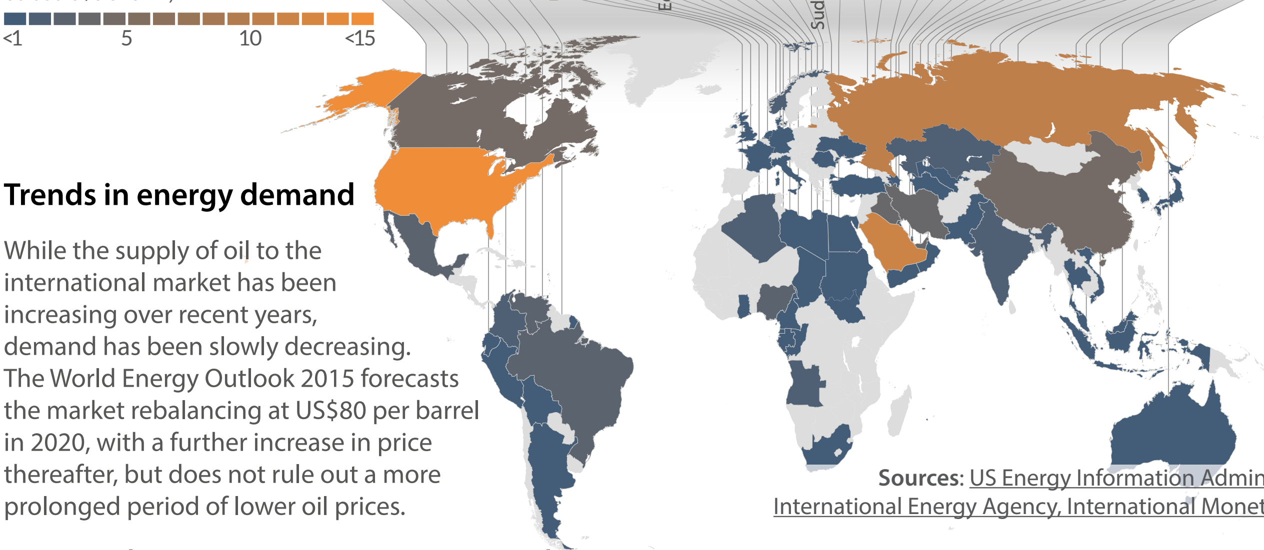
Low oil prices and the fight against ISIL/Da'esh

Changes in global oil market

The price of oil has fallen significantly since June 2014, from a peak of US$115 per barrel (bl) then to US$26 per barrel in January 2016, although it has somewhat recovered recently. This can partly be explained by weaker demand, robust supply growth and the expanding coverage of mandatory energy efficiency provisions worldwide. These changes come at a time of major turmoil in parts of the Middle East. Iraq – with the world's fifth largest oil reserves – is engaged in the fight against ISIL/Da'esh which controls some of Iraq's oil fields. Syria – with a national budget largely dependent on oil revenues – is torn apart by civil war. Iran, on the other hand, is returning to international oil markets as a result of the gradual removal of sanctions against it, in line with the agreement on its nuclear programme.



Map of 2014 production of petroleum and other liquids
(millions of barrels per day; only countries with values over 60 000 bl/d shown)

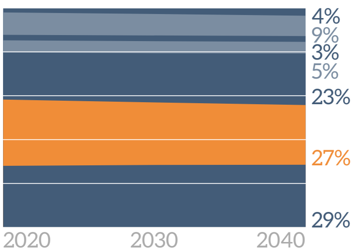


Trends in energy demand

While the supply of oil to the international market has been increasing over recent years, demand has been slowly decreasing. The World Energy Outlook 2015 forecasts the market rebalancing at US$80 per barrel in 2020, with a further increase in price thereafter, but does not rule out a more prolonged period of lower oil prices.

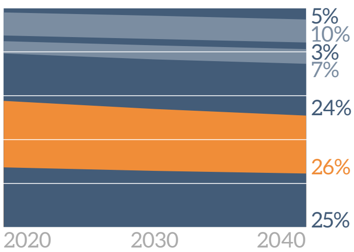
Sources: US Energy Information Administration, International Energy Agency, International Monetary Fund

Current policies scenario



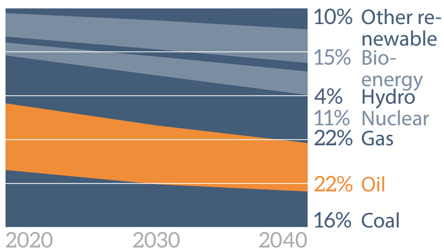
Takes into consideration only those policies for which implementing measures had been adopted by mid-2015 and assumes they persist.

New policies scenario



Considers current policies and announced intentions, even if the precise implementing measures have yet to be fully defined.

'450 scenario'



Sets out an energy pathway consistent with the goal of limiting the global increase in temperature to 2°C.

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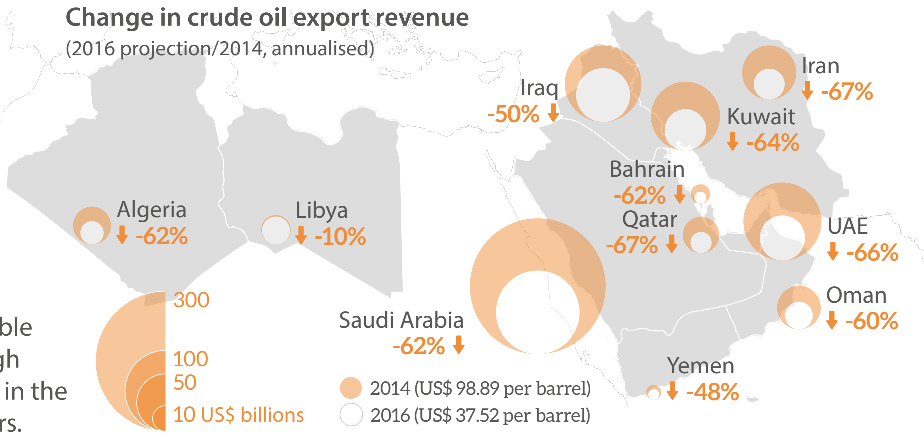
PE 579.078

Oiling national budgets

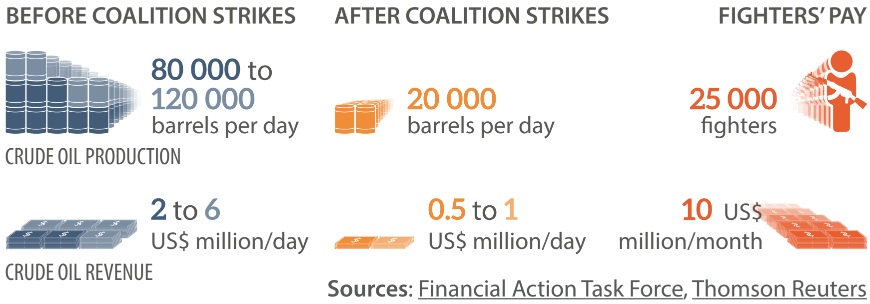
Low oil prices have adversely affected the budgets of oil-producing countries, causing losses in revenues. The situation of conflict-torn countries like Libya, Syria, Iraq and Yemen, whose budgets are heavily dependent on oil, is particularly difficult. Many of the Gulf countries, however, will be able to withstand low prices, thanks to high financial reserves built up over years, in the hope of eliminating some competitors.



Sources: International Monetary Fund, US Energy Information Administration

Cutting ISIL/Da'esh's cash flows

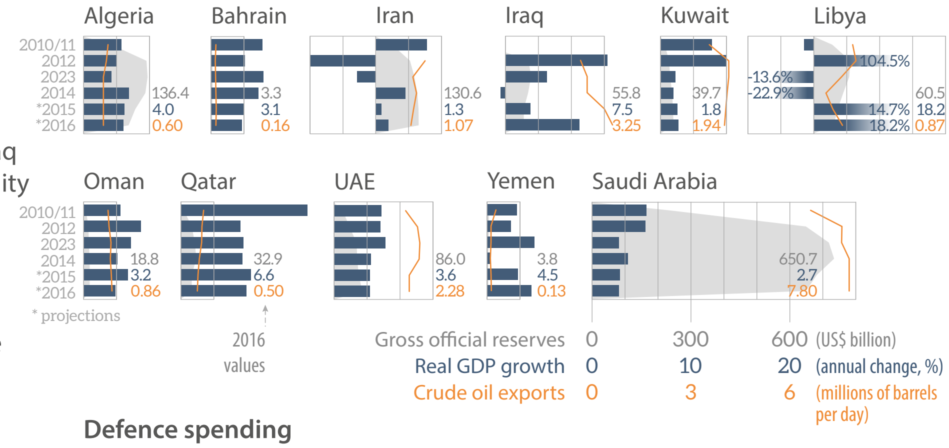
The convergence of lower oil prices, increased efforts of the law enforcement community, and the military response to curb ISIL/Da'esh finances have contributed to reducing the group's revenue, and consequently weakened the 'caliphate's' capacity to fund its 25 000-strong army.



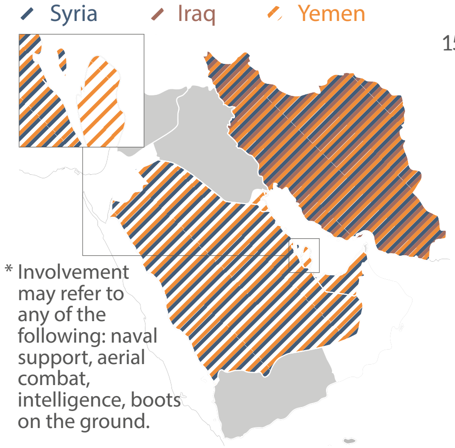
Sources: Financial Action Task Force, Thomson Reuters

Oil and security

Bahrain, Kuwait, Iran, Saudi Arabia, UAE, and Qatar are financially, diplomatically and militarily engaged in the conflicts in Syria, Iraq and/or Yemen. While regional stability proves elusive and the share of defence spending in national budgets is projected to decrease towards 2020, Saudi Arabia, Qatar and the UAE will remain among the biggest defence spenders globally.

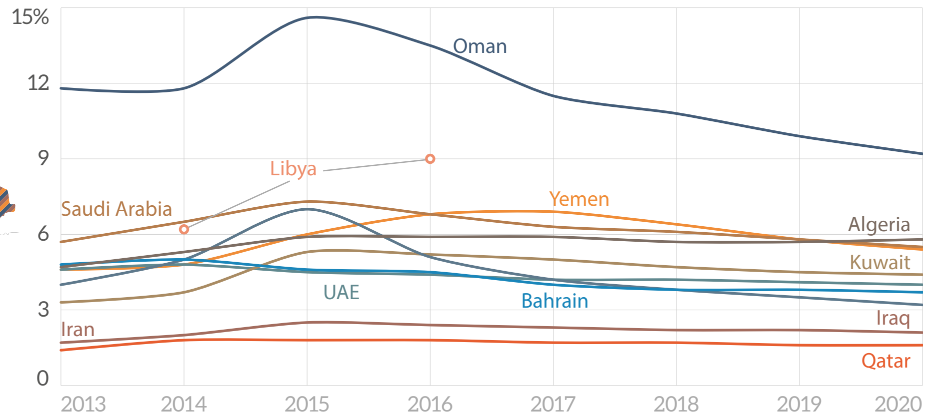


Involvement* in the conflict in:



* Involvement may refer to any of the following: naval support, aerial combat, intelligence, boots on the ground.

Defence spending



Source: IHS

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