

BP Says Russia Will Profit From Rising Demand for Oil and Gas

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The U.S. and China have been powering rising demand for energy resources, BP said in Moscow on Tuesday.

Global demand for oil and gas — Russia's key exports and the lynchpin of its foundering economy — is growing, and Russia is well placed to capitalize on it, according to a BP review on world energy unveiled Monday.

Presenting the report at the 21st World Petroleum Congress held in Moscow, Bob Dudley, CEO of British oil company BP, said Russia was at the top of the world energy market.

"In 2013, Russia was the world's largest producer of oil and gas combined and the largest energy exporter," Dudley said.

Oil, gas and coal will continue to serve as the three horses driving the global energy cart in at least the next decade, with renewable energy sources catching up slowly, the report said.

The U.S. and China remain the world's two largest energy consumers, together accounting for 70 percent of all energy consumption growth, but in general, the report revealed that the energy gap between the developed countries of the OECD and countries outside the organization is at its smallest since 2000. The two groups' aggregate energy consumption was almost equal in 2013, while a decade ago developed countries were the ones consuming the most energy.

"China became a symbol of that ascent. It overtook EU energy consumption in 2007, the U.S. in 2010, and all of North America last year," BP's chief economist, Christof Ruhl, told the conference. Many would have found this hard to believe 10 years ago, he added.

While the economies of OECD countries have grown 18 percent in the last 10 years, energy consumption in the group has been flat, Ruhl said. In the European Union, energy consumption last year was back to the level of 1988, despite cumulative economic growth of 54 percent.

But though developed economies hardly contributed, global oil producers beat a lot of records last year. Russia posted a record oil output high for the post-Soviet era, and Canadian production reached an all-time peak. Thanks to extraction of shale and hard-to-reach oil, U.S. production exceeded 10 million barrels per day last year and reached its highest level since 1986, the report said.

U.S. oil consumption was up by 400,000 barrels per day from 2012, the fastest growth of any country last year. By comparison, it showed an average yearly decline of 100,000 barrels per day for the last 10 years.

While global gas consumption increased by 1.4 percent, consumption in EU fell to the lowest levels since 1999. Still, Russia was able to take advantage of several factors to increase its gas imports to Europe.

"As was the case with oil imports, falling exports from North Africa, Nigeria and also from Norway resulted in a need for alternative deliveries, where Russia stepped in, increasing Europe's imports from it by almost 20 percent in 2013," Ruhl said.

He also said the ongoing standoff over Ukraine will not harm the gas trade in the long run — Europe will still need Russia's resources at an affordable price while Russia will continue to rely on the EU for much of its revenues from selling resources.

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