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Global oil contest could damage U.S.

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WASHINGTON - Soaring demand for crude oil in China, India, and other developing nations has set off a scramble to secure future energy supplies that could undermine the economic and national security of the United States.

The United States, Europe and Japan increasingly will be forced to compete with developing nations, especially China and India, the world's fastest-growing major economies, which comprise more than one-third of the world's population.

"The center of gravity in world oil is shifting," said Daniel Yergin, chairman of Cambridge Energy Research Associates and author of *The Prize*, a Pulitzer Prize-winning history of oil.

"Last year, Asia consumed more oil than North America," Yergin said. He predicts an oil supply shift, too, as Africa, Russia, and former Soviet republics compete with the Middle East to fill the growing demand for oil.

The developing world's growing appetite for oil is one reason gasoline prices have shot up for Americans. Over time, these emerging economies will also shape not just global oil flows and prices, but also world events, said Anne Korin, codirector of the Washington-based Institute for the Analysis of Global Security, an energy security think tank.

"A third of humanity doesn't want to ride bikes anymore," she said. "That has profound geopolitical implications."

China and India already have moved to strengthen their relations with two oil-rich countries - Sudan and Iran - undermining U.S. sanctions against Sudan's regime and undercutting U.S. efforts to halt Iran's nuclear ambitions.

For now, the United States remains well-positioned, at least when it comes to energy supplies. The proven reserves in the Middle East make it the expected primary global supplier of crude oil. Iraq, where the United States has forcefully established a beachhead, has proven oil reserves of 78 billion to 112 billion barrels.

But political instability, increased terrorism, and the spread of fundamentalist Islam make it unlikely that today's oil-production map will look the same 20 years from now.

What's clearly changing is demand. The Paris-based International Energy Agency, a research arm of the world's most developed nations, projected last year that oil demand will grow by 45 million barrels a day to 120 million barrels a day by 2030. More than \$3 trillion will be invested to find and produce that oil, and more than half of that investment will serve the needs of emerging economies.

The scramble to find and develop new oil fields and natural-gas wells will occur in places such as eastern Siberia and West Africa, as hungry nations hedge their bets should leading producers such as Saudi Arabia or Iraq falter.

One likely winner is Russia, along with some of the states that had been part of the Soviet Union. They have proven reserves of 78 billion barrels, and the U.S. Geological Survey estimates that there may be 171 billion barrels of undiscovered oil in the region.

"Russia is virtually unexplored. Their potential is enormous," said Gary Swindell, an independent petroleum engineer in Dallas whose business is estimating reserves.

Africa is another likely winner. It has 87 billion barrels of proven reserves and estimated undiscovered reserves of 125 billion barrels, mainly in West Africa. Central and South America have roughly the same, but, as in Russia, many are in prohibitively remote areas.

Canada and Mexico are expected to remain the second- and third-largest U.S. oil suppliers. But smaller oil suppliers are courting Washington's competitors.

In Venezuela, the fourth-largest U.S. oil supplier, President Hugo Chavez, a self-described protege of Cuban dictator Fidel Castro, is trying to rewrite concessions to U.S. oil companies and has invited China and India to participate in oil exploration. Ecuador and Colombia are negotiating oil deals with China, too.

China, the world's fastest-growing economy, is also making heavy diplomatic and energy investments in Africa. It needs to: China is projected to consume within 20 years what the United States consumes today - 21 million barrels a day.

China's president, Hu Jintao, cemented a partnership with Nigeria during a state visit to Beijing in mid-April by President Olusegun Obasanjo. Nigeria is West Africa's biggest producer and a major U.S. supplier. China is already trading development loans for energy development participation in Chad, Gabon and Angola.

Data from the federal Energy Information Administration help explain China's moves. The agency predicts that China will import about two-thirds of the oil it consumes by 2025, up from the current figure of one-third.

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