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The International Oil Industry in the 1980s

by Jochen H. Mohnfeld, Bonn*

Few industries have undergone such rapid changes during the last ten years as the international oil industry. During this decade, there have been radical changes in the conditions under which international oil companies acquire and trade crude oil. In addition to the changes in the upstream sector the two quantum jumps in oil prices have drastically altered the conditions of downstream operations. Since 1979 oil demand fell more sharply than total energy demand, thereby reducing its relative importance in the energy economy. These events initiated a far-reaching adjustment process which is likely to continue.

The oil industry faces a double-problem: under heavy competitive pressure it is forced to reduce refining, transportation and marketing capacities, and at the same time to invest considerable amounts of money to rebuild its lost resource base in exporting countries and to remodel its refineries in order to meet shifting demand patterns. Each operator in the oil market must adjust to the new conditions of oil exploration and production, refining and marketing in order to ensure survival.

In order to evaluate recent structural developments as well as to provide a basis for the assessment of future trends, it is useful to review the events of the last ten years. Several important aspects of structural change can be usefully illustrated by contrasting the development of upstream and downstream positions of the seven largest international oil companies (the so-called majors)¹, which still represent a very sizeable part of the industry, although changes in the rest of the industry are also important and are analysed where necessary.

New Conditions

Since the early 1970s, oil-producing and -exporting countries have progressively replaced international oil companies as producers and owners of crude oil. The loss of equity production in exporting countries was the most radical and lasting change for the international oil companies in the 1970s. The end of the concessionary system shifted market power and the control over production and pricing for a large share of internationally traded oil from the hands of the international oil companies into those of governments in the producing countries. This severed the link between the upstream

and downstream functions. While this separation appeared to be working in favour of the producing countries during the tight oil market period in 1979/80, it has in the subsequently emerging surplus period complicated their attempts to coordinate pricing and production policies with world oil demand. The disintegration of upstream and downstream functions for internationally traded oil has forced producing countries, and OPEC in particular, to bear the brunt of falling world oil demand and become swing producers. While the share of OPEC in world (WOCA)² production in 1973 was 65 %, it fell to 40 % in 1983.

Equity liftings of the major international companies fell by a total of 18.8 mbd (million barrels per day) between 1973 and 1982. While the volume of equity and equity-like production in total crude oil availability was 25.5 mbd or 85 % in 1973, by 1983 it had shrunk to only 6.7 mbd, or 43 % of the – reduced – availability (Table 1). While initially the international companies tried to replace the lost equity volume by purchases, over the entire ten-year period total availability was eventually reduced by 14.8 mbd, corresponding to four-fifths of the equity losses.

Developments in the industry since the end of 1980 must be seen against the slack demand and consequently emerging surplus production capacity which resulted in a weakening of prices. Between 1980 and 1982, crude oil supplies to the major companies fell further from 19.8 mbd to 15.2 mbd (–22 %). Although this still exceeded the reduction in world oil production (–14 %), the trend of overproportionate reductions in crude oil availability to the major international companies is now levelling off.

¹ Exxon, Mobil, Texaco, SoCal (Chevron), Gulf Oil, Royal Dutch/Shell, BP.

² World Outside Communist Areas.

* Federal Ministry for Economic Affairs.

The recent reductions did not take place because supplies were constrained but mainly because the international companies chose to downscale their trading and refining operations in view of the loss of safe and cheap supplies in exporting countries and reduced profitability in a shrinking downstream market. By 1982, crude oil supplies to the majors had been reduced to the core of their own refinery needs.

As a result of the elimination of the large international companies as predominant crude oil traders, the producing countries are now dealing with a larger number of smaller buyers. With diminishing contract size, the buyer possesses less negotiating power if the market is tight. In a surplus situation, on the other hand, this segmentation of the demand side is working in favour of buyers. Some producing countries which in 1979/80 reduced the role of large buyers and shortened contract durations at will, are now recognising the value of maintaining long-term stable relationships with large customers.

The disintegration of the upstream and downstream functions for internationally traded oil is now forcing not

only small but also large companies to bring down crude oil costs to a competitive level. The weakness in downstream markets in consuming countries is now immediately transformed into pressure on world crude oil prices.

The process of increased government involvement initiated by the end of the concessionary system in the 1970s and accelerated by the Iranian crisis in 1979, suffered a setback during the Iran-Iraq war when the vulnerability of direct deals between producing and consumer countries became evident. Apart from doubts about security, government involvement has also become questionable for economic reasons. For some of these arrangements premiums had to be paid which made them highly uneconomical only shortly after their conclusion. But even at today's official prices, these contracts are perhaps less flexible regarding a reduction in liftings. It is estimated that on a worldwide basis crude oil imports with government involvement grew rapidly between 1978 and 1981 by 3 to 4 mbd to an estimated level of 6.8 to 7.8 mbd. But since the beginning of 1982 they have fallen off as rapidly as they had increased previously to at most 3 mbd at present. It appears that in

Table 1
Oil Supply and Disposal of Seven Major International Oil Companies
(mbd)

	1973	1978	1979	1980	1981	1982	Change		
							1982/73	1982/78	1982/80
Crude Oil Availability	30.0	23.3	23.0	19.6	18.3	15.2	-14.8	-8.1	-4.4
By region									
Outside OECD	25.0	18.2	17.7	14.0	12.7	9.5	-15.5	-8.7	-4.5
OECD	5.0	5.1	5.3	5.6	5.6	5.7	0.7	0.6	0.1
By type of lifting									
Equity ¹	(25.5	9.6	7.8	6.7	6.8	6.7	-18.8	-2.9	0
Aramco Preferential ¹	(3.6	4.4	7.5	6.6	4.0			
Iran Consortium ²	(4.1	-	-	-	-			
Sub-total	25.5	17.3	12.2	14.2	13.4	10.7			
Other Purchases ³	4.5	6.0	10.8	5.4	4.9	4.5			
Crude Oil Disposal	30.0	23.3	23.0	19.6	18.3	15.2			
Third Party Sales	6.7	3.7	1.9	0.8	1.0	1.2	-5.5	-2.5	0.4
Refinery Runs	23.3	19.5	19.7	17.9	15.9	14.0	-9.3	-5.5	-3.9
Other Disposal (to balance)	-	0.1	1.3	0.9	1.4	-			
Memorandum Items (%)							(percentage points)		
Share of:									
Equity in total availability	85	41	34	34	37	43	-42	2	9
OECD in total availability	20	22	23	29	31	38	18	16	9
Product purchases in product sales	6	15	13	14	18	23	17	8	9
WOCA oil supplies	62	48	45	41	41	37	-25	-11	-4

¹ Liftings of ARAMCO partners are included in "equity" with ownership % (1973 = 100; 1978, 1979 = 40; since 1980 = 0); remainder of their total liftings in "preferential". North Sea production treated as equity.

² After the termination of the Consortium in 1979, subsequent liftings from Iran by the ex-Consortium members are included in "other purchases": 1979 = 0.9 mbd; 1980 = 0.3 mbd; 1981 = 0.12 mbd; 1982 = 0.07 mbd.

³ All other liftings, including long-term agreements with former concessionaires, local purchases by affiliates, and spot purchases (fluctuating around a rising trend since 1980).

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Table 2
Crude Oil Supplies, Refinery Runs and Product Sales of Major International Companies
(mbd)

		Change							
		1973	1978	1979	1980	1981	1982	1982/73	1982/78
Total	1 crude available	30.0	23.18	23.02	19.63	18.29	15.18	-14.82	-8.00
	2 refinery runs	23.3	19.53	19.71	17.92	15.94	14.01	-9.26	-5.52
	2-1 refining balance	6.7	3.65	3.25	1.71	2.35	1.17	-5.53	-2.48
	3 product sales	24.3	22.42	22.31	20.45	19.07	18.07	-6.23	-4.35
	3-1 total oil balance	5.7	0.76	0.71	0.82	-0.78	-2.89	-8.59	-3.65
Of which:									
Aramco	1 crude available	16.3	13.16	13.47	12.30	11.60	8.29	-8.01	-4.87
	2 refinery runs	13.5	11.52	11.51	10.84	9.85	8.46	-5.04	-3.06
	2-1 refining balance	2.8	1.68	1.96	1.46	1.75	-0.17	-2.97	-1.85
	3 product sales	14.5	13.46	13.30	12.41	11.57	10.59	-3.91	-2.87
	3-1 total oil balance	1.8	-0.30	0.17	-0.11	-0.03	-2.30	-4.10	-2.00
European Majors	1 crude available	10.7	8.43	7.82	6.11	5.65	6.13	-4.57	-2.30
	2 refinery runs	7.8	6.24	6.51	5.69	4.96	4.52	-3.28	-1.72
	2-1 refining balance	2.9	2.19	1.31	0.42	0.69	1.61	-1.29	-0.58
	3 product sales	8.0	7.28	7.33	6.69	6.31	6.30	-1.70	-0.98
	3-1 total oil balance	2.7	1.15	0.49	0.58	-0.66	-0.17	-2.87	-1.32

the years to come – assuming the present lull on the world oil market continues – the security attached to state involvement will further fall in priority in favour of commercial viability. The idea of government involvement, however, is bound to be revitalised by the producers should markets tighten up again, although consumers may then weigh more carefully their recent disappointing experience. The politicising of world oil trade remains a latent feature of the international oil market in this decade.

Focus on Downstream Operations

The end of the concessionary system forced the international oil industry to adjust its downstream activities to the reduced availability of crude oil at preferential terms in exporting countries. This process was overlapped and accelerated by the general downturn of demand in industrialised countries. While previously refining and marketing were for the international companies mainly a means of securing outlets for their cheap crude oil, the loss of equity and preferential crude reduced their ability to subsidize downstream markets by upstream profits. The downstream sector is no longer regarded as a necessary but unprofitable annex of oil production but is evaluated on the basis of its own contribution to overall profitability.

In order to adapt operations to reduced crude oil availability and reduced downstream profitability, companies could vary the following parameters on the demand side of the oil equation: reducing third-party

sales of crude oil, reducing refinery runs, selling fewer products to end-users. On the supply side, oil companies are adapting to changed circumstances by reorganising their oil acquisitions in such a way as to enhance flexibility.

Besides the reduction of third-party sales, which could be implemented without disturbances within the companies' operational structures, the reduction of refinery runs became the first line of defence in the downstream sector. The downscaling of marketing operations had, by comparison, second priority. This can be concluded from the difference in adjustment pace between the refining and marketing sector:

□ *Refinery runs* of the seven major companies were reduced between 1973 and 1982 by 9.3 mbd or 40 % (Table 2). While the 1979 crisis reversed this development for a short while (+ 0.2 mbd in 1979), it has accelerated since then (-5.7 mbd or -28 %, Table 3). Over the entire period since 1973, their refinery throughput was reduced less steeply than crude oil availability. The difference was made up by reductions in third-party sales by a total of 5.5 mbd (Table 1). The divergence between crude oil availability and refinery runs showed up mainly before 1979, whereas thereafter they drew closer together. In sum, the major international companies' refinery runs fell during this ten-year period three times faster than OECD oil demand (-40 % vs. -13 %). Consequently, their share in refinery runs of the OECD area fell from two-thirds to one-half (Table 3).

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Table 3
Indicators of Downstream Developments

								Change		
		1973	1978	1979	1980	1981	1982	1982/73	1982/78	1982/80
Overall Market:										
Oil Demand										
World ¹	mbd	47.9	50.9	51.6	49.3	47.3	45.7	-3	-10	-7
OECD area	mbd	39.7	40.9	41.6	38.5	36.3	34.4	-13	-17	-11
Refinery Runs										
World ¹	mbd	45.7	47.8	48.7	46.6	44.2	41.9	-8	-12	-10
OECD area	mbd	34.3	35.0	35.6	33.2	30.6	28.6	-17	-18	-14
Major Companies:										
Refinery Runs	mbd	23.3	19.5	19.7	17.9	15.9	14.0	-40	-28	-22
		(percentage points)								
Share in Refinery Runs:										
World ¹	%	51	41	41	38	36	33	-18	-8	-5
OECD area	%	68	56	56	54	52	49	-19	-6	-5
		(per cent)								
Product Sales, Total	mbd	24.3	22.4	22.3	20.4	19.1	18.1	-25	-19	-11
from:										
own ref. production	mbd	22.9	19.1	19.5	17.6	15.6	13.7	-40	-28	-22
net product purchases	mbd	1.4	3.3	2.8	2.8	3.5	4.4	214	33	57
		(percentage points)								
Share in Product Sales:										
World ¹	%	51	44	43	41	41	40	-11	-4	-1
OECD area	%	61	55	54	53	53	53	-8	-2	0

¹ World Outside Communist Areas (WOCA).

Sources: IEA/OECD Statistics; BP Statistical Review 1973 ff.; estimates.

□ By contrast, their *product sales* shrank less dramatically. Nevertheless, the reduction by 25 % was twice as fast as for overall demand (Table 3). The over-proportionate adjustments took place before 1979, while during the last four to five years product sales closely matched trends in overall demand. During the last 2 to 3 years this resulted in a stabilisation of the majors' market shares at 53 % in the OECD area (40 % in WOCA). Thus, the seven largest international companies as a group remain very important marketers of products.

If one looks at the WOCA area alone, one might gain the impression that the seven major companies' market shares in product markets are still shrinking. This is simply because in many LDCs (including OPEC countries) the international companies have chosen not to be present, or are prevented from doing so by state monopolies.

The relative stabilisation of the international companies' presence in the OECD markets during the past few years is the result of considerable efforts to protect market shares in a very competitive environment.

Effectiveness of the Refining Sector

Despite the considerable reduction of refining capacities in the past, the most urgent problem still facing the oil industry is worldwide over-capacity. This is particularly true for Western Europe, while Japan and the United States are affected to a lesser degree. A sustained profitability cannot be regained unless these huge over-capacities are reduced. In Japan, the industry is already moving in this direction in the typical Japanese fashion of "administrative guidance". In the United States, the problem was smaller from the outset. Though in the EEC countries one-quarter of capacity has already been shut down, the remaining overhang still remains an enormous one. The sale of most of its refining and marketing assets to Kuwait by Gulf Oil, as well as Chevron's agreement with Texaco to take over its European marketing outlets and its refinery, are consequences of a poor refining and marketing profitability.

In addition to the dismantling of excess distillation capacity, a further restructuring of refineries toward a lighter demand barrel by building conversion capacities is taking place. Though this process is well under way,

the upgrading phase will require further large capital outlays. A large amount of conversion capacity is already being constructed which will enable companies to increase the proportion of light products. This investment will also have the effect of increasing the flexibility in crude oil purchases and feedstock intake, thus compensating to a certain degree for the lost upstream flexibility. Yet, there is no guarantee that this policy will improve profitability. It might be counteracted by a large amount of conversion capacity which some OPEC countries are planning and to some extent have begun to build.

Supply Flexibility and Spot Markets

While the described reduction in crude oil availability previously reduced the profit potential of the international companies, in the present phase of over-supply it has become a welcome element of supply flexibility. Most companies today have achieved a degree of freedom not to buy crude oil from exporting countries they never had before. Even in their previous role as concessionaires when they seemingly had control over production levels, they were under persistent pressure from producing countries' governments to produce more. Today, under cost aspects it has become attractive to reduce the share of crude oil under term contracts.

The view as to what coverage of refinery intake by "safe" supplies from equity holdings and contracts is desirable, has changed during the last few years and varies from company to company. Among the larger international operators, the European majors, and the Royal Dutch Shell group in particular, have favoured for some time a less centralised supply policy than the American companies. This permits affiliates to act more independently and to purchase both crude and products outside the central supply system. Today, this concept is, though to a lesser degree and with considerable variations among companies, also applied by some US-based international companies with the possible exemption of oil from Aramco sources.

The principle means of optimising crude oil acquisition costs is to shift away from long-term contracts to *spot supplies*. This supply channel offers the greatest flexibility if buyers do not foresee supply constraints. For opposite reasons, in the tight period 1979/80 all operators rushed into contracts and the spot market dried out.

Some of the large international companies are already acquiring 20 or 40 % of their crude supplies (outside North America) on a spot basis. The spot share

is still lower in North America where most large companies still have a good equity coverage. The independents have, due to their lower degree of international upstream activities, been able to shift even faster to spot supplies. Some of them have shaken off most of their term-purchases. On a worldwide basis, the volume of spot crude supplies has increased from a level of 1-3 % in 1979 to an estimated one-third of crude oil traded internationally today.

The volume of spot crude supplies is also growing because contract purchasers have been disillusioned about the value of contracts with an exporting country. Long-term contracts with a number of OPEC countries were discredited because the security of supply attached to them was lacking when it came to the test in 1979/80. The shift away from contracts has subsequently been enhanced, this time supported by pressure from the oil companies. In today's weak markets a refiner simply wants to be flexible and make use of spot markets whenever they are cheaper than long-term contracts. However, this does not mean that long-term contracts will disappear altogether. For a large company, a baseload of long-term arrangements will always be necessary, both because of long-term strategic considerations and for logistic reasons. But their share has been reduced in favour of a multiplicity of short-term and spot acquisitions. Besides this, contract durations have generally been shortened and rarely exceed 9 months.

Another approach to enlarge supply flexibility is to reduce the share of crude oil intake into the system in favour of more product purchases from others. On a macroeconomic level, the OECD countries have increased considerably the share of product imports in total oil supplies during the last three years. Both the OPEC export refineries and the Soviet Union were supplying rising quantities into a shrinking market.

This trend for the OECD economies as a whole can also be observed on a microeconomic level. While the difference between crude oil available and final product sales of the major companies – i. e. the so-called "total oil balance" – had shown a large excess up to the mid-1970s, it became negative for the first time in 1981. The deficit has risen rapidly since then. Increasing volumes of product sales were, because of cost advantages, covered by purchases from the free market instead of being produced in the companies' own refineries. Net product purchases from others grew for the majors from 2.8 mbd in 1979 to 4.4 mbd in 1982 (Table 3). Though product purchases also fluctuated in previous oil market cycles, they have recently reached a historical high. For the seven international companies they amounted to

23 % of product sales. In the previous over-supply period (1974 to first half 1978), the level rose to only 15 %.

In sum, the spot market has changed its character from a marginal source of supply – the last resort – to a sizeable part of mainstream supplies. It has been argued by some governments that in the 1979/80 tightness, the spot market contributed to an overheating of the market and price speculation. Apart from the fact that the spot market was just a symptom of the – perceived – supply crunch and not its cause, the present trend of broadening its volume should further invalidate the argument. The still growing spot trade in crude and products as well as the rapidly widening futures market in Europe and the US will contribute to an increased efficiency of markets in overcoming seasonal or regional frictions of a temporary nature between supply and demand.

Supply policies during the last few years have been progressively dominated by the necessity of bringing down total supply costs into line with revenues of products sold. The size of the security premium companies are willing and able to pay has fallen. But even governments are now considering the issue of security of supply in a more relaxed way than a few years ago. This has even been felt in their activities in international organisations, such as the IEA, which was set up to enable a co-ordinated response in a supply crisis.

Rebuilding Equity Supplies

Despite the easy oil market situation of late, the investment policy of oil companies is aiming at a (partial) replacement of the large loss of concessionary oil. This is mainly achieved by concentrating investment on OECD countries.

The composition of crude oil sources in favour of safe supplies from OECD countries has improved in the last few years. For the seven companies collectively, it has risen to an estimated 38 % of their total supplies in 1982, as compared with 29 % in 1980 and 22 % in 1978 (Table 1). This reflects the downturn in OPEC's role as a source of oil in general, and in addition, the over-proportionate reduction in the position of the major companies in a number of producing countries (e. g. Iran, Iraq, Kuwait, Nigeria).

Judging from the heavy regional concentration of exploration and production outlays on Western countries in general, and the United States in particular, it is likely that this re-emphasis of politically safe areas will continue, although the recent oil price weakness has

somewhat dampened the spending on expensive frontier and offshore projects.

The growing weight of OECD supplies has helped the international companies to contain the slippage of equity liftings in absolute terms (if buy-back oil in the North Sea is included). In relative terms, the stabilizing volume of equity oil has, over the last two years, resulted in its higher share in (falling) overall supplies. The equity in total supplies of the major international companies, after plunging from 85 % in 1973 to 34 % in 1979/80, has gradually moved up to 43 % recently (Table 1). This reversal of the previous trend is remarkable, though the present equity share still falls short of what might appear in the view of oil companies as a desirable level of cheap and safe supplies.

As oil production in OECD countries is still under the full control of companies, it is run at full capacity. This is particularly important for the high cost oil provinces of the North Sea and the frontier and offshore areas in North America. In a high-cost area, it is economical to produce at full capacity and to keep prices low enough to assure full utilization of facilities. Consequently, on a global basis, the OECD producers are price adjusters, while OPEC has been forced into the volume-adjusting function of the world oil market.

Selectivity of Commitments

The concept of vertical integration has lost in importance due to two factors already mentioned:

- ☐ reduced access to cheap crude in excess of own refining and marketing needs;
- ☐ the necessity of improving profitability in the downstream sector.

The pressure to make up for the lost upstream profit potential has in the oil industry revitalized the well-known management concept of profit centres. Each phase of the business is now scrutinized for its own contribution to overall profitability, in particular in the refining and marketing phase. This approach has, however, not totally invalidated the concept of vertical integration. Firstly, there still remain certain economies of scale for the large integrated operator. Secondly, an integrated business offers a certain risk diversification. And, thirdly, within the OECD countries, there still remains a good coverage of equity and equity-like supplies. For these supplies companies will in any case want secure outlets.

The perspectives of reduced growth of the overall market and increased competition compel the evaluation of each single stage of an integrated

business on its own merits. However, this does not necessarily mean that the parts could become separately operating units. Rather, it seems that looking more closely at every single phase and region is more an instrument of cost control than a questioning of the integration concept as such. All parts of the downstream engagement will constantly be reviewed and eventually divested of in the event of sustained unprofitability until operations are downsized to the point where the hard core of equity and preferential oil supplies is reached.

As part of the critical review of downstream profitability, all international companies are closely checking their regional presence. Although there have been withdrawals from certain regions before (e. g. in the 1970s, the pull-out of BP and Shell from Italy or some independents' vanishing from certain European markets), the selective approach has gained much more importance in a shrinking market, where there is per se less room for all competitors. The typical area where one has seen, and can expect to see, further withdrawals from regional markets is Western Europe. But even in the United States some large companies and independents have withdrawn from some regions and states.

International companies remain committed only to those markets where they, in the long run, can expect a reasonable return on their investment. Thus, consuming countries' governments must realize that the commitments of the international companies to their market are dependent to a higher degree than before on the economic framework. It will therefore be important to avoid administrative distortions by governments unless they want to take over more of the oil supply function for which there is little attraction in view of the weakness of markets on the one hand, and large public deficits on the other.

Forward Integration and Source Refining

The forward integration of state oil companies of producing countries into the markets of the industrialized countries may appear to be the logical sequence to events. Some oil-producing countries are looking for secure outlets for their crude oil at a time of over-supply – just as the international oil companies once did – while oil companies of all sizes in the OECD countries are plagued by over-capacity and insufficient downstream returns in certain areas.

In the depressed European market there are refining and marketing assets for sale. The typical seller is the independent company with a base in the United States or in Europe, but not a major company. It seems that the

size of operations has become of importance, since there are large overhead costs to be covered. Under this aspect, the sales of European refining and marketing assets by Gulf Oil and Chevron were both of a minor dimension. Nevertheless, the future market presence of companies will, regardless of size, hinge decisively on their effectiveness in each phase of the business.

The decision by an oil company to withdraw from an OECD-market is in the first instance a result of a shrinkage of the market which leaves less room for all participants. If disposable assets are picked up by a producing country, the necessary process of shrinkage is, for the time being, stopped. Apart from the fact that such a market is in itself not an attractive opportunity even for a "rich" producing country, the process of shrinkage cannot be stopped indefinitely.

The volume of potential assets for sale within the OPEC area is not large – at most 2 to 3 mbd refining capacity and corresponding marketing outlets. Thus, the Arab Gulf countries cannot buy enough assets in order to secure the minimum necessary outlets of 6 to 8 mbd.

In addition, these refineries would compete with direct crude oil exports. This dilemma might lead to a more cautious approach to further forward integration into consuming countries. But the interests of producing countries vary. Kuwait is the only OPEC producer which can refine its entire present crude output either at home or abroad and thus may view the conflict between crude and product prices in a different way. Apart from this case, forward integration of producers into refining in consuming countries is unlikely to become a major means of oil disposal. While the same conflict between product and crude oil prices exists for product exports directly from the producing countries, development interests may still outweigh the potentially negative impact on crude oil prices.

The impact of source-refined products on the markets of the industrialized countries will hinge on both volume and price. Estimates of future OPEC product exports are speculative. They range – depending on the assumed speed of the expansion program, the refinery utilization rate and the growth of domestic demand – between almost zero and 3 mbd by 1990,³ with 2.3 to 2.7 mbd as the best estimate compared to almost 2 mbd in 1982. Though these volumes entail the potential to disturb markets in industrialised countries, it is more likely that a cautious marketing approach will prevail, since it maximizes current oil revenues.

³ Cf. EC Commission: OPEC Potential Exports of Petroleum Products to 1995, Brussels, Jan. 1984.