

Submission Summary

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Paper TitleThe Security of Energy Demand

Abstract

Energy security debates and research focuses almost exclusively on the question of the vulnerability of energy supply to political disruptions which can result in price spikes and macroeconomic damages, especially in the oil market. However, a related question centers of the vulnerability of, and uncertainty over, energy demand. The global impact tends to be much less, but the damage is concentrated in energy exporting nations and usually a subset of them. This paper will focus on the security of oil demand in particular.

In the short-term, uncertainty about oil demand creates volatility in prices and difficulties for market stabilizing organizations like OPEC. The threats range, in ascending order of seriousness, from weather fluctuations to recessions to pandemics. Politics can affect oil demand in the short term, but typically on a minor scale, such as when importing nations change their tariffs causing buyers to hoard before they take effect. Longer term, uncertainty about net demand for OPEC means uncertainty for upstream investment, as witness the many times importing nations have urged exporters to add capacity, only to see that capacity idle.

This paper will quantify the past and possible future vulnerability to demand uncertainty and fluctuations, the economic impact and possible policy responses.

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