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The World Will Be Swimming in Excess Oil by End of This Decade, IEA Says

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Global oil markets are headed toward a major glut this decade, a global energy watchdog forecast, citing surging supplies and slowing demand growth for crude thanks to lower-emissions energy sources.

The International Energy Agency, whose members include the world's biggest oil consumers, predicted in its closely watched medium-term oil market report that so-called spare capacity—the amount of pumping capacity left unused because of adequate supply—could surge in coming years to levels only seen during the Covid-19 pandemic.

[Oil-demand growth is set to peak by 2029](#) and start to contract the next year, reaching 105.4 million barrels a day in 2030 as the rollout of clean-energy technologies accelerates, according to the Paris-based organization. Meanwhile, oil-production capacity is set to increase to nearly 113.8 million barrels a day, driven by producers in the U.S. and the Americas.

“This would result in levels of spare capacity never seen before

other than at the height of the Covid-19 lockdowns in 2020,” the IEA said on Wednesday. “Such a massive oil production buffer could usher in a lower oil price environment, posing tough challenges for producers in the U.S. shale patch and the OPEC+ bloc.”

Despite the slowdown, global oil demand in 2030 is still forecast to rise by 3.2 million barrels a day from 2023, the agency said. The increase will be driven by strong demand from economies in Asia, particularly in India and China. But rising electric-car sales, fuel-efficiency improvements and the use of renewables for electricity generation will increasingly offset gains.

In advanced economies, demand is forecast to fall from around 45.7 million barrels per day in 2023 to 42.7 million barrels per day in 2030. Excluding the pandemic, the last time that oil demand was that low was in 1991, according to the IEA.

Meanwhile, global production capacity growth will be led by producers outside of the OPEC+ alliance—particularly the U.S., Brazil, Canada, Argentina and Guyana—which are forecast to account for three quarters of the expected increase to 2030.

OPEC+ oil-production capacity is forecast to grow by 1.4 million barrels a day from 2023 through 2030, led by Saudi Arabia, the United Arab Emirates and Iraq. According to the IEA, the group’s total oil market share dropped to 48.5% this year—the lowest since the alliance was formed in 2016—due to its voluntary output curbs.

The IEA cited various risks to its demand forecast, including economic growth estimates, the trajectory of oil prices and the pace of adoption of electric vehicles worldwide.

In the short term, the agency cut its forecast for global oil-demand growth to 960,000 barrels a day this year from previous estimates of 1.1 million barrels a day, as weak deliveries in OECD countries pushed global demand in a narrow contraction in March.

Oil-demand growth for next year is now forecast at 1 million barrels a day, down from 1.2 million barrels a day previously, on lackluster economic growth, the increasing use of electric vehicles and efficiency gains. Total demand is expected to reach an average of 103.2 million barrels a day in 2024 and 104.2 million barrels a day in 2025.

Wednesday's reports came as Brent crude trades around \$82 a barrel, while West Texas Intermediate is around \$78 a barrel. Both benchmarks rallied about 3% earlier this week as traders seem to be buying on the back of a dip following an oil selloff sparked by OPEC+'s plan to unwind some of its production cuts.

Prices are supported by expectations that summer fuel demand and output curbs from OPEC+ will lead to a sizable deficit in the third quarter. Bearish sentiment continues to dominate the market, with prospects of higher-for-longer interest rates in the U.S. damping the commodity's demand outlook.

The agency's projections remain well below OPEC's. The cartel forecasts global oil-demand growth of 2.2 million barrels a day this year and 1.8 million barrels a day in 2025.

Total oil supply is now expected to be higher, reaching an average of 102.9 million barrels a day this year and 104.7 million barrels a day the next from previous expectations of 102.7 million barrels a day and 104.5 million barrels a day, respectively, the IEA said. Non-OPEC+ countries are still set to lead global supply, the

agency said, with production expected to grow by 1.4 million barrels a day in 2024 and 1.5 million barrels a day in 2025.

OPEC+ production is forecast to fall 740,000 barrels a day this year if the group keeps its voluntary output cuts in place, and to flip to a growth of 320,000 barrels a day the next. The cartel and its allies agreed to extend voluntary curbs of 2.2 million barrels a day to the end of September and said they aim to gradually unwind them from October 2024 to September 2025, contingent on market conditions.

Meanwhile, Russian crude exports rose by 100,000 barrels a day in May to 7.7 million barrels a day, while export revenue fell 0.6% compared with the previous month to \$16.8 billion, the IEA said. Russia's oil production is expected to decrease by 260,000 barrels a day this year to 10.7 million barrels a day as the country carries out deeper OPEC+ production cuts, but supply is forecast to remain broadly steady through 2030 supported by the Vostok Oil project in the Arctic.

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Appeared in the June 13, 2024, print edition as 'Oil Glut Forecast by End of 2020s'.