

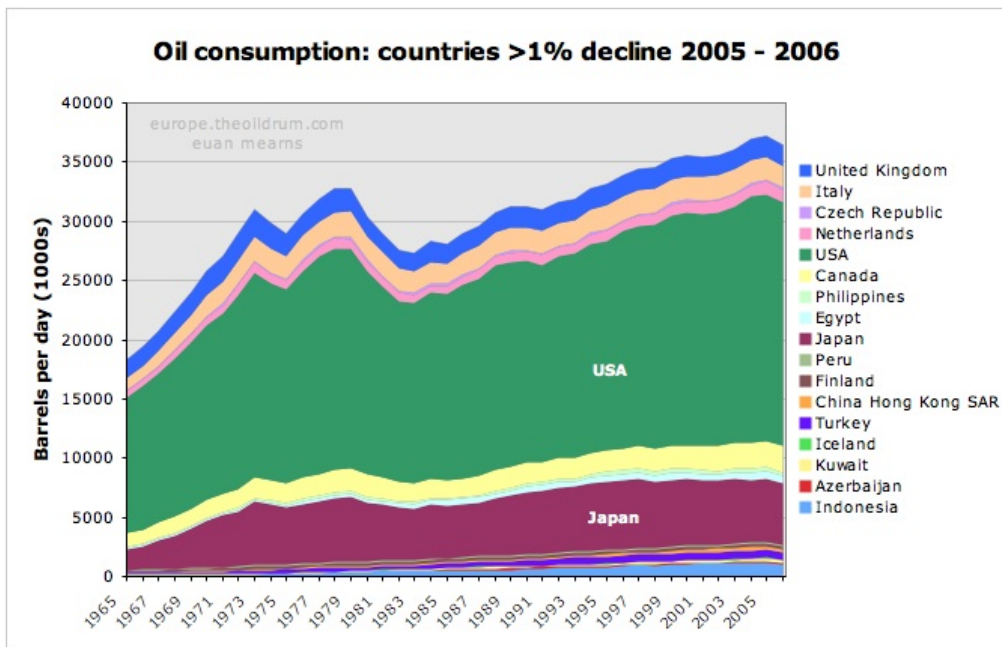


## Demand Destruction: Myths and Reality

Posted by [Euan Mearns](#) on January 1, 2008 - 2:22pm in [The Oil Drum: Europe](#)

Topic: [Demand/Consumption](#)

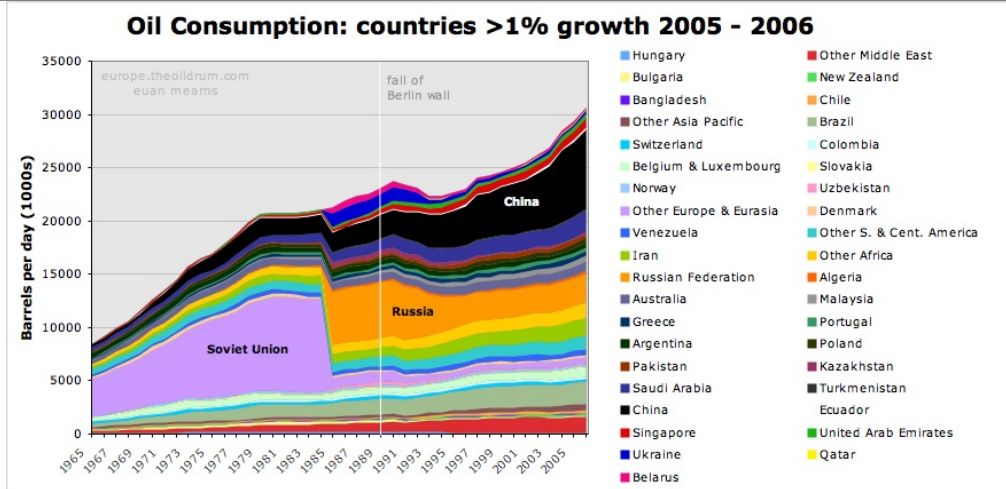
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*Countries that showed more than 1% decline in oil consumption between 2005 and 2006 as documented by the 2007 [BP statistical review of World Energy](#). Note that 5 of the G7 countries appear on this chart. [Click charts to enlarge](#).*

Since May 2005 global oil production has been on a ragged plateau of around **81 million bpd**. In that period, global demand for oil has risen and the strain between supply and demand has been met by sharply higher oil prices. Higher prices destroy demand (and stimulate exploration and production) and the conventional wisdom is that the poorest countries and the poorest people will be first to get squeezed out of the oil market.

When I plotted up the countries that have seen the largest drop in oil consumption (more than 1%) between 2005 and 2006 as documented by BP (C+C+NGL) I was somewhat surprised to see 5 of the G7 countries on the list (UK, Italy, USA, Canada and Japan). Others on the list like Czech Republic, The Netherlands, Finland, Turkey and Iceland are members of the OECD. There is in fact little evidence that the poorest countries are being deprived of oil owing to high prices - thus far.



*Countries that showed more than 1% increase in oil consumption between 2005 and 2006. The Orwellian fault line in the data in 1984 is due to a change in the reporting standard of BP who lumped the Soviet Union together prior to that date. Since 1965, this group of countries has seen a 4 fold increase in oil consumption compared with a mere doubling in consumption seen in the first chart.*

The countries showing greater than 1% growth in consumption are less surprising and include the major Gulf oil producers (Iran, Saudi Arabia, UAE and Qatar), the BRIC countries Brazil, Russia and China, other oil producers like Algeria and Kazakhstan, and former Soviet republics Ukraine and Belarus.

The more striking thing about this chart is that it shows little sign of demand destruction following the 1970s oil shocks with demand and consumption showing relentless rise interrupted only by the collapse of the Soviet Union during the 1990s.

Are we witnessing a change in the world order? Or is the picture somewhat more complex?



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