



MOSCOW INTERNATIONAL ENERGY FORUM
«RUSSIAN FUEL AND ENERGY COMPLEX IN THE XXI CENTURY»

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**«Political Instability in the Middle East May Catalyze
an Unprecedented Change of the World Oil and Gas Market»**

Analyzing the Middle East events we may conclude on future unprecedented changes of the global oil and gas market within the next decade.

Today, in commenting on the events in the African and the Middle-Eastern countries, most observers discuss possible interruptions in the oil supply to Europe and try to forecast the trajectory of the inevitably rising oil price curve. However, attempting to analyze the Middle-East events in the light of possible geopolitical consequences and new long-term tendencies, one may come to the conclusion about unprecedented changes of the global oil and gas market within the next ten years.

The political instability in the Middle East will probably be the crucial factor to finally tip the balance so that the countries being the leading energy resource consumers – first of all, the USA and China – will take additional urgent and large-scale measures aimed at improving their own energy security and reducing the dependence on the import of the energy resources. Beside the relatively widely used improvement instruments, such as the unconventional power industry and the energy efficiency, a new key instrument may be acquired from the accelerated development of these countries' own extraction, in particular, of the extraction of the unconventional hydrocarbons, such as shale gas and shale oil.

Even today, the leading energy mega corporations buy up the assets related to the unconventional hydrocarbon production all over the world. After ExxonMobil completed the largest deal to acquire XTO Energy, the leader of the US shale gas production market (USD 41 bln. paid) in 2010, new investments came. Within six months practically all the major players on the world oil and gas market, as well as a number of the mining companies, cumulatively invested over USD 50 bln. in this promising sector. The new investment inflow should strongly urge the practicing and the further development of the newest technologies of the extraction of the full range of the hydrocarbons from the unconventional sources. If the most influential players invest enormous money in the new spheres, they will strive for their goal in all directions, also by lobbying for their interests at the legislative bodies. Therefore, it may be confidently expected that the legal regime of the access to such deposits in the USA and China will be more favorable.

Such investing activity may mean the actual beginning of a new age in the oil and gas market history. The analysis of these relatively new tendencies affords ground for forecasting a quicker transformation of the global oil and gas market toward the reduction of the oil share, the regionalization and the reduction of the international

trade share. Therewith, we may expect mid-term strengthening of the buyers' market positions and considerable reduction of the conventional hydrocarbons prices. Thus, the key players on the world energy resources market – first of all, the supplying countries – will face a new challenge; so they will have to seriously amend their energy strategies.

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