

OPEC'S export capacity to fall - Driving oil prices to US\$100 barrel in 2008, forecasts leading oil economist at global energy conference

CORK, IRELAND, Sept. 17 /PRNewswire-FirstCall/ - CIBC (CM: TSX; NYSE) - Oil prices are likely to hit US\$100 a barrel by the end of next year as soaring rates of domestic oil consumption in the world's leading oil producing nations cuts into their export capacity, forecasts the chief economist at CIBC World Markets.



Speaking at the 6th Annual Association for the Study of Peak Oil & Gas conference in Cork, Ireland, CIBC World Markets chief economist, Jeff Rubin told delegates that the export capacity of OPEC, Russia and Mexico will drop by 2.5 million barrels per day by the end of the decade. "Domestic demand growth of as much as five per cent per year in key oil producing countries is already beginning to cannibalize exports and will increasingly do so in the future as production plateaus or declines in many of these countries," says Mr. Rubin. "OPEC members together with independent producers Russia and Mexico consume over 12 million barrels per day, surpassing Western Europe to become the second largest oil market in the world.

"At current rates of domestic consumption the future export capacity of OPEC, Russia and Mexico must be increasingly called into question. These trends are likely to result in a sharp escalation in world oil prices over the next few years."

He noted that while he expects today's US\$80 barrel of oil will reach as high as US\$100 a barrel by the end of 2008, consumers in many major oil producing countries pay nothing near the global price for crude. He finds that highly subsidized gasoline prices are often a significant factor in surging rates of domestic oil consumption. In many countries prices are as little as US\$10 a barrel.

With exports from OPEC, Russia and Mexico expected to decline by seven per cent over the next three years, markets will seek greater reliance on higher cost unconventional deposits. He expects that Canadian oil sands will surpass deep water wells as the single largest source of new oil exports by decade end.

He forecasts that Canada's oil sands will likely become increasingly more coveted as they represent one of the last great reserves of supply open to private investment. He estimates they represent anywhere from 50-70 per cent of the world's oil reserves open to private investment, depending on one's view of the investment climate in Nigeria and Kazakhstan. "For most multinational firms, the world is rapidly shrinking.

Increasingly they are shut out of the backyards of all the state-owned oil patches and they have to compete against those state firms in places still open to private investment. Canada remains one of the few places where there is still private access to strategically important reserves, in sharp contrast, for example, to the oil sand deposits in Venezuela."

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