



# PORTLAND MARKET REPORT

“EUROPE’S REFINERIES HAVE  
REDUCED IN NUMBER FROM  
111 IN 2009 TO 90 IN 2019”

## September update

September 2019 marks Portland’s 10-year anniversary. Back then the UK was crawling cautiously out of recession, stemming from the 2008 financial crisis. Not a great time you would think for a tin-pot outfit to try and find its feet, offering fuel price protection to fuel consumers. But 10 years later, we are still here and to mark that achievement, we thought we would look at the key developments in the oil industry over the last 10 years.

Of all the developments that Portland has been witness to over the last decade, nothing comes close to the oil game-changer that has been American shale oil. We have covered this topic in numerous Oil Market Reports over the years, but nothing on paper can really do justice to just how much this form of extraction has changed the industry. Consider this one stand-out fact that concerns the Bakken Oil Field in North Dakota. In 2010, Bakken was a shale gas field only and as such, was producing precisely zero barrels of oil. By 2014, this same field was producing over 2m barrels of oil per day (bpd), which is more than Shell’s entire global portfolio. That’s in the space of four years...remarkable!

The shale driven boom in US production profoundly destabilised global oil markets, most notably causing the price crash of 2014-15, when prices fell from \$115 per barrel to a low point of \$25. But as dramatic as that price adjustment was, the real impact of US shale was its longer-term effect on the global balance of “oil power”. In 2009, the USA was producing less than 6m bpd, but today in 2019, that figure is comfortably in excess of 10m bpd. Not only is the USA the largest consumer in the world (20m bpd), it is now also the biggest producer. Moreover, foreign oil powers previously relying on endless US demand, have been forced to find a new home for their own production.

Luckily for the likes of Saudi Arabia and fellow OPEC members (the main suppliers to the US market), the continued growth of demand in Asia has offset their reduced

exports to the USA. In 2009, the world was consuming 84m bpd. Now it consumes 100m bpd, with Asia accounting for almost 75 % of that increase. As a result, OPEC has been able to increase production, so that this year it will be 39m bpd, compared to a figure of 34m bpd back in 2009.

Meanwhile in the same period, the calamity that is the African oil industry continues to dumbfound. Whilst that Continent’s own oil consumption rose significantly from 3m bpd to 4m bpd between 2009 and 2019, its corresponding indigenous production actually fell from 10m bpd to 8m bpd. Sadly, corruption, security issues and black-market trading continue to plague the sector in this part of the world. Having said that, at least in Africa the oil continues to flow – unlike Venezuela, where the wheels of the industry have virtually ground to a halt. 10 years ago, this Latin American oil colossus was producing 3.5m bpd. Since then, the country’s oil infrastructure has disintegrated with a brutal relentlessness, such that this year, production is unlikely to be more than 500,000 bpd.

“EUROPEAN  
CONSUMPTION OF  
BIOFUELS HAS RISEN TO  
16M TONNES IN 2019”

The loss to global markets of this South American volume has been consistently overlooked as one of the key reasons why oil prices have stayed buoyant, despite excess US production and the ongoing threat of a US-Sino trade war. This of course will be of little interest to beleaguered Venezuelan citizens, who have seen their country fall apart and now “enjoy” around four hours of electricity a day, sporadic running water and shops that cannot stock even the most basic of provisions. In 2009, 3.5m bpd equated to an annual income for the state (which owns all oil production) of around \$75bn. 10 years later (with oil prices actually around the same level), hollowed-

out production levels mean that the nation with the largest oil reserves in the world, only generates annual revenues of around \$10bn per annum. This income reduction has wrought economic chaos for Venezuela but is sadly predictable for a true “Petro State”, where oil accounts for almost 98 % of export revenue.

Finally let’s bring things closer to home for UK consumers and look at the two stand-out developments in the refined oil sector. Firstly, the steady decline of European refining in the face of newer, larger and more sophisticated plants in the Near, Middle and Far East, and secondly the dawn of biofuels as a defacto part of the fuel supply-chain. Statistical data adequately illustrates both these developments. Europe’s refineries have reduced in number from 111 in 2009 to 90 in 2019, whilst European consumption of biofuels has risen to 16m tonnes in 2019, versus 9.5mte figure in 2009. Whilst the reduction in EU refineries looks to have halted for the moment (survival of the fittest?), the inexorable growth in biofuels will continue. This will mainly be a result of legislation (pretty well every developed country in the world now has legally binding programmes to annually increase biofuel use), but equally, the use of 2nd and 3rd generation biofuels – which do not compete with the food-chain and are more aligned with agri-sustainability – has meant that the industry has largely jettisoned its previously toxic image and is more accepted by the general public.

Next month we will look beyond the oil sector at the wider world of energy. And if you think that the oil market has been through profound changes over the last 10 years – you ain’t seen nothing yet!

For more pricing  
information, see  
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Portland Fuel Price Protection  
[www.portland-fuel-price-protection.com](http://www.portland-fuel-price-protection.com)