

## Will Shale Give Any Pressure On Oil Price?

Regarding “*The Price of Oil*” by Roberto Aguilera and Martin Radetzki, it is predicted a rise of shale oil production to 40 million barrel oil per day (BOPD) in 2035. The huge increase of shale oil would set itself as the oil market price in 2035. They predict the price will be between USD 40/bbl and USD 60/bbl by that time.

The fluctuation of oil price is more dramatic than for any other commodity. Oil is difficult to replace in the short to medium term, the major demand of oil is not much affected by price fluctuations. They investigated several possible sources of the volatility of which high oil price was due to supply limitations caused by the ineffectiveness of state-owned oil companies. State-owned oil companies are usually forced to pursue more complex and diverse objectives which include social responsibility items such as employment, skill creation, foreign exchange generation and infrastructure development projects.

The US Energy Information Administration (EIA) and the International Energy Agency (IEA) both predicted in 2014 that shale oil production will reach its high point in 2020 at about 5 million BOPD and then steadily decline. This is due to resource availability and community opposition. However, Aguilera and Radetzki do not agree with this point of view and state that recent innovations and technological prominence support the shale revolution in the US.

Aguilera and Radetzki think that the shale revolution will spread to the rest of the world. EIA’s estimation of global recoverable shale oil reserves went up from 32 million bbl in 2011 to 345 billion bbl in 2013. The estimation is trending upward and they believe that the reserve is still underestimated. They apply variable shape distribution model to estimate the recoverable shale reserve of 650 million bbl. They predict that shale oil production could reach 40 million BOPD by 2035.

The shale oil production has been largely limited to the US so far. It was enabled by high oil prices of the last few years. EIA predicts oil supply and demand coming into balance around the middle of 2017. Pressure of oil price by shale oil would not have much impact in the short term.

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