# Energy War: Conventional Oil vs. Shale Oil

Panelists:
Ken Koyama (The Institute of Energy Economics, Japan, Chief Economist and Managing Director)
Chen Weidong (China National Offshore Oil Corporation, Chief Economist)
Tatiana Mitrova (Energy Research Institute Russian Academy of Sciences, Head of Oil and Gas Department)

In recent years, the future of the energy market has grown increasingly uncertain. One contributor to this uncertainty has been the rise in efficiency and scope of shale oil production, an unconventional method of producing oil. With the production of oil no longer limited to conventional methods, the future of energy development seems unclear. At a panel titled, “Energy War: Conventional Oil vs. Shale Oil,” held at the World Knowledge Forum on October 21, 2015, panelists explored how the continuing development of unconventional oil production has affected both the present and the immediate future.

“The shale revolution, or rapid development of unconventional oil, is a game changer,” said Ken Koyama, Chief Economist and Managing Director of The Institute of Energy Economics in Japan. This shale revolution has been a principal cause for the overproduction of oil, which in turn has led to an oversupply in the energy market.

This oil glut has led to lower consumer prices, which benefits energy-importing nations, said Dr. Koyama. Tatiana Mitrova, Head of Oil and Gas Department at the Energy Research Institute of the Russian Academy of Sciences, essentially agrees. In 2006 and 2007, oil was a seller’s market, but now it is a buyer’s market, said Dr. Mitrova.

This buyer’s market makes oil-producing states anxious.

“All the traditional players are trying to defend their market shares, and as the market is oversupplied, each of them tries to protect his market. You know, it’s like a prisoner’s dilemma—each of the participants tries to maximize its profits because collective prices are decreasing,” she added.

Interestingly coupled with the new buyer’s market is a stagnation of demand. Weidong Chen, Chief Economist of the China National Offshore Oil Corporation, said that although the supply of oil has risen, demand has remained the same.

“For consumers, low oil prices didn’t drive consumption higher. This has never happened before,” he said.

“The lowering oil and gas prices poses a problem for oil and gas exporting countries in the Middle East and, in particular, Russia,” said Dr. Koyama.

“[Although] conventional oil producers have a very huge potential and competitive advantage,” Dr. Mitrova said, as long as oil overproduction continues, energy suppliers will unintentionally damage their earning potential. “They have to limit their appetites.”

Yet, as Dr. Mitrova explained, it is virtually impossible for oil exporters to limit their production, as the exportation of oil is the major source of revenue for most of these nations. They continue producing too much oil “because they all need hard currency badly.”

What can oil exporters do given the current state of affairs? Dr. Mitrova offered a somewhat counterintuitive solution: “The first secret answer is energy efficiency,” she said. “This is the largest source of energy supply. The future of the energy sector lies there.”