

PETROCHEMICALS TO BECOME DOMINANT DRIVER OF OIL DEMAND GROWTH *

Petrochemicals are rapidly becoming the biggest driver of global oil consumption — ahead of trucks, aviation and shipping — accounting for more than a third of the growth by 2030, the International Energy Agency said. The move comes as cars and other passenger vehicles become less aggressive users of oil because of efficiency improvements, alternative fuels, and electrification, the Paris-based energy body said in a report published on Friday. Chemical products derived from oil and gas are used to make goods, from plastic packaging and detergents to mattress foams and coatings for television screens, which are increasingly the markers of modern life.

The sector is growing quickly and is expected to have an outsized impact on the energy sector, accounting for nearly half of oil demand growth by 2050. But the IEA said there is a policy “blind spot” when understanding the ramifications of this trend. “As the global economy develops, the future of the petrochemicals industry is of major significance for both global energy security and the environment,” Fatih Birol, executive director, said in the report. The plastics segment is the fastest-growing group of bulk materials in the world, compared with others such as steel, aluminium or cement. Meanwhile synthetic nitrogen fertilisers underpin nearly half the world’s food production.

The US and Europe, among other advanced economies, use 20 times as much plastic and up to 10 times as much fertiliser as many developing countries in Asia on a per capita basis, indicating the sector’s significant growth potential. But there has been mounting environmental concerns over plastics pollution in oceans. A public outcry in Europe has led to unprecedented measures to tackle waste, including a ban on single-use cutlery, plates and straws.

Mr Birol said without “drastic improvements” in waste management “the quantity of plastic waste, including that entering the oceans, [will continue to] rise from today’s already unacceptable levels.” Even as more recycling of single-use plastics takes place, a sharp increase in consumption of these items in emerging economies will still far outweigh any reduced usage. This also means oil demand in the sector will stay robust, the IEA said.

Today, the petrochemicals industry absorbs approximately 14 per cent, or 13m barrels a day, of the world’s oil and 8 per cent, or 300bn cubic metres of gas, with much of this being used as feedstock. The push into this sector comes as they seek new revenue sources amid expectations that oil’s role as a transport fuel may shrink and as the world shifts towards cleaner forms of energy in the coming decades.