A blessing in disguise: The implications of high global oil prices for the North American market

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We examine the implications of increased unconventional crude oil production in North America. This production increase has been made possible by the existence of alternative oil-recovery technologies and persistently elevated oil prices that make these technologies commercially viable. We first discuss the factors that have enabled the United States to expand production so rapidly and the glut of oil inventory that has accumulated in the Midwest as a result of logistical challenges and export restrictions. Next, we assess the extent to which the increase in U.S. domestic production will affect global supply conditions and whether the U.S. experience can be repeated in other countries with unconventional oil sources. The evidence suggests that even in the best-case scenario, the increase in U.S. oil production is unlikely to have a large effect on the global oil market's demand-supply balance, so its effect on the price of oil is expected to be limited. Furthermore, the United States enjoys unique infrastructural and technological advantages that make it unlikely that rapid increases in unconventional production can be achieved elsewhere.

Biography

Justin-Damien is a Principal Researcher in the International Department of the Bank of Canada. His primary interests include emerging markets and energy commodities. He obtained his Masters in Global Governance and Economics from the University of Waterloo in 2008.

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