Risks of Disruption

- The oil crisis of 1973 and the 1980s shocked many countries into developing international and national policies.
- In 2001 oil prices spiked again almost to 1973 levels because of terrorism threats in the USA and 20% of gas stations had no oil.
- OPEC can raise prices as there was no competition.
- Aim to reduce the risk of disruption to supplies by geopolitical instability and unforeseen rises in energy prices.
- After these policies were put into place, parts of the developed world enjoyed a period of uninterrupted and cheap energy supplies.

Recent nervousness of energy security

1. Unprecedented growth in energy demand
   - Countries disregarded the impact of economic growth of China/India.
   - Huge demand for oil so rising prices.
   - Energy security is also about relations with competing consumers, not just oil and gas producers.

2. Rising concern about the security of energy supply infrastructure
   - Higher volumes of fuel than ever being transported.
   - This is under threat from terrorism, lack of capacity, wear and tear to infrastructure, piracy and political rivalries.
   - To maintain the safe transport of energy, huge amounts of private investment are needed.

3. Thirdly, energy markets do not always behave as expected
   - The Iran-Iraq war of 1980-1988 had a relatively limited impact on oil supplies and prices.
   - Yet more recently oil prices have risen at the mention of strikes in Nigeria.
   - Finally speculation in futures markets of oil and gas has driven prices higher and increased the risk factor.

![Crude Oil Prices 2010 Dollars](chart.png)

- U.S. 1st Purchase Price (‘Wellhead’)
- “World Price”
- Low Spare Production Capacity
- Series of OPEC Cuts 4.2 Million Barrels
- Gulf War
- Iranian Revolution
- Oil Embargo
- Yom Kippur War
- Suez Crisis
- U.S. Price Controls
- 9/11
- Libyan Uprising

Avg U.S. $29.62  Avg World $30.54  Median U.S. & World $20.53