Trends of the International Oil and Gas Market within the Waves of Internationalization and Globalization

Anis Benabed

Received: November 18, 2021
Accepted: March 3, 2022
Published: May 5, 2022

Keywords: International oil and gas market; Globalization; Commodities; Growth; Economy

Abstract: This paper analyses and presents the possible trends in the international oil and gas market under the waves of globalization; the study and research show the reforms and confrontation of the international energetic platform within the globalization of the International market. The road towards independent energies and economic growth to build and maintain the economy strong can be balanced differently from time to time between energy production and consumption. The necessity for such a global growth in economy and profits has led in particular most oil and gas companies to find new ways to dominate again the international oil and gas market by enhancing their investments to sustain their energy businesses. Furthermore, the sharp rise in energy prices poses major risks in the short term to global inflation and if it continues it may also affect the energy importing countries. The conclusions show that the sharp rise in commodity prices has turned out to be more pronounced than previously expected, moreover, the price fluctuation are finally complicating the policy options as different countries emerge from the global recession, so adapting production strategies for the future requirements to satisfy the needs of the international market rely more on new energy insights and sustainable possibilities.

1. INTRODUCTION

Moving towards independent energies and economic growth to build and maintain the economy strong can be balanced differently from time to time between energy production and consumption. The necessity for such a global growth in economy and profits has led in particular most oil and gas companies to find new ways to dominate again the international oil and gas market. Furthermore, in the recent period sharp rise in energy prices poses major risks in the short term to global inflation, the fact that could also affect the energy importing countries.

The sharp rise in commodity prices has turned out to be more pronounced than previously expected, moreover, the price fluctuations are finally complicating policy options as different countries emerge from the global recession they witnessed last year. The use of crude oil as a substitute for natural gas poses significant risks to the demand outlook, although higher energy prices may begin to affect global growth. The population increases compared to resources thus with globalization, it demands the use of more and more energy, so it is necessary to sustain the activities of the country. On the other hand, environmental problems became more and more severe which further require the use of energy.

The macro-environment environment is made to be more challenging, so the growth in demand in oil and gas will particularly peak again in 2030 like every 10 years; in addition, the excess ability in refining and production may put pressure again on benefits conducted by the pricing change and the demand market.

1 Doctoral School of Economics & International Business, Bucharest University of Economic Studies, Piata Romana 6, 010374, Bucharest, Romania
The fact that geopolitical risks will keep being major factors in affecting Oil & Gas prices and stability and when prices go high, so from an economic perspective the energy demand weakens in parallel.

2. BACKGROUND AND ANALYSIS

2.1. The Supply of Energy Transition as a New Wave of Globalization

Since oil is a strategic commodity, the world oil markets are rebalancing after the pandemic crisis spurred such a collapse in demand, but they never return to normal due to geopolitical conflicts and changes in global demand. That is why it is very important to balance energy production and consumption.

If financial development is negatively related to energy demand, economic growth and globalization are the key factors leading to the increase in energy demand in the long run.

These results have policy implications for sustainable development and in particular globalization and financial development provide a win-win solution to increase its economic growth in the long run; the increasing concentration in population in cities has resulted in an increased demand for energy consumption as energy is a required input to various activities such as manufacturing, transportation, construction and other services.

Globalization opens up the economy via the expansions of trade, investment activities and technological inflows which help in the acceleration of economic growth. However, this can be in parallel with the increase in the consumption of substantial amounts; globalization can result also in new technology and knowledge transfers that have the potential to impact the economy. In fact, the ups and downs in the economy and energy lead always to further negotiations to balance more between the demand and the consumption; the increase in demand makes the commodity prices go high, the thing that appeals to understand more how far oil prices affect the energy prices and the economy.

The current study on the issue of the relationship between energy consumption and economic growth was first considered by Kraft (1978) who found the link between the gross energy input and the gross national product for the united states of America by analysing data for the interval between 1947 and 1974, and it was found that the economic activity may impact the energy consumption, but the energy consumption doesn’t impact directly the economic growth.

James G Speight (2007) clarifies more than natural gas represents the quarter of the world energy and it is necessary for plastic, medicines and paints since it is taken to be the cleanest type of all commodities and this why it is hit from time to time and from one period to another by such a rise in price according to the global demand.

JP Morgan (2022) confirms by predicting that Oil demand will pass the 2019 lines in the next 10 years by assuming that the combination of underinvestment within OPEC and the post-pandemic rising oil demand may conduct the global market to a potential energy crisis.
3. AIMS, METHODOLOGY AND METHODS OF RESEARCH

This paper analyses and presents the possible trends in the international oil and gas market under the waves of globalization. The study and research show the reforms and confrontation of the international energetic platform within the globalization of the International market.

It provides an interesting research analysis on how oil prices can impact the economy and economic growth. The paper focuses more on how much is relevant the importance of commodity prices to the potential market under the waves of globalization and internationalization processes and what impact they might have on the oil and gas trends, energy consumption and economic growth.

The research methods related to the issue and topic of research are mainly the study and review of relevant books together with the review of other internet resources and previous technical knowledge in the field of oil and gas that should be relevant as well in the structure of the paper.

4. RESULTS

4.1. Challenges to Balance and Save the Energy

Indeed, it is super costly to move to hydrogen energy or for example nuclear energy which is considered to be less expensive but full of future risks. On the other hand, analysing well the situation of the energy market today makes sure that it lays on oil and gas as major bases since both could be sustainable and used in proper way compared to the use of coal. In other words, if we store the emitted Co2 and transform it again to fuels (see figure 2) or just keep it stored under the ground, the results can be strongly higher for applying such alternative sustainable ways to save the use of energy for the present and the future. Economically & financially processing the emitted Co2 is related and goes through different hard steps & processes to be safely stored but it can save the energy mark in case the transportation & crude oil development gets higher in prices.

![Figure 1. World crude oil demand 2019-2026](Source: Adapted from OECD data, 2021)

The application and implication of oil and gas energy financially provide a win-win solution to long-run global economic growth. Given that globalization has led to the extension of trade and economic activities and when we talk about the economy, we think about energy and how...
we trade or buy it; thus, since the industrial sector needs to rely on more energy day by day, it is necessary to globalize as well the technological inflows that accelerate and keep the energy under control from a perspective of sustaining the losses of energy and that is why we move to a circular economy that is one of the highest secured ways to corporate well the major oil and gas and the energy market.

The rise in natural gas prices affects directly the production of other primary commodities and poses risks to the price expectations. As natural gas has been strongly necessary and in high demand, the increase of its prices has led the global market to Oil more than gas; the fact is that it has increased the price to 83.54 dollars (72.90 Euro) during the last two months of 2021, so this has a negative effect on at least fertilizer production and decreases as well the production of some minerals such as aluminum and zinc due to higher energy costs as well. (See figure 1).

The need to globalize the energy market has been through hard processes since the first hit of the pandemic; even though more applications and suggestions for sustainable energy have been taken into consideration before and within the pandemic, there is no way to leave the benefits and strong use of oil and gas.

![Figure 2. World biofuels supply 2019-2026](image)

Source: Adapted from OECD data, 2021

There is a seasonal tailwind that generates higher crude oil prices (see figure 1 and figure 3) and when we talk about commodities there are seasonal tailwinds compared to natural gas, so for the upcoming years and seasons we suspect a little bit of downturn in demand for natural gas due to the economizing processes of the post-pandemic and in terms of prices, when the demand rises, the prices go high and the contrary is true.

Indeed, the main part of crude oil is used logically for fuels and more exactly for a barrel of crude oil about 71.4 % is used for gasoline, Diesel, heavy fuel and Kerosene whereas the rest is 28.6 % of the barrel approximately can be used for: 22.2% for waxes, lubricants and polishes but 2.3% is used for asphalt and 4.1% is directed to petrochemical feedstock. Besides, from petrochemicals, so many useful elements such as plastics, fabrics and detergents to industrial chemicals are derived. In a parallel way, transportation is a driving key to commodity prices. It is clear that oil plays a big role in the manufacturing processes of several products and elements, this is why it is taken into consideration to be a key resource to impact the economic growth by its demand; furthermore, it is a bargaining element in geopolitical conflicts.
5. CONCLUSION

The price of Oil is tracked per barrel and is based on both major benchmarks Brent and WTI, and interestingly the price has a direct link with the supply and demand; more or less when the pandemic hit in early 2020, the oil demand and commodity prices went low but as the world economy began to refresh in 2021, the demand rose again and highlighted how much politics can impact the prices as well.

The economic activity affects the supply and demand for Oil which impacts oil prices and can in turn affect the economic activity; mainly, the relationship is circular and the starting point is not usually clear but since crude oil is good to produce a lot of other raw materials and transport goods, it gets more expensive and may conduct the global market to potential inflation, so high oil prices can be irresistible anyway. The price of oil has a big impact on the economy, markets and as possible outcomes we may highlight the fact that the global economic transition away from oil may not be relevant to many countries and companies due to so many transport goods and raw materials should always come from oil or gas.

The use of crude oil as a substitute for natural gas poses significant risks to the demand outlook, although higher energy prices may begin to affect global growth.

The conclusions show that the sharp rise in commodity prices has turned out to be more pronounced than previously expected, moreover, the price fluctuations are finally complicating the policy options as different countries emerge from the global recession, so adapting production strategies for the future requirements to satisfy the needs of the international market rely more on new energy insights and sustainable possibilities.
REFERENCES

Xiaobing, L & Molina M. (2014). *Oil: A cultural and Geographic Encyclopedia of Black Gold*. Santa Barbara, California, USA


Richardson, TX (1998), *Oil & Gas executive*, United States, Society of Petroleum Engineers
