



## Climate Change : Top Climate Stories

### Key Stories 2008: Oil Price Fever

**Oil prices fluctuated wildly in 2008, rising to almost 150 dollars a barrel in July and then collapsing below 40 dollars a barrel in December. Why has black gold lost so much value and what does it mean for the future?**



#### Energy Insecurity

Traders in oil futures in the New York Mercantile Exchange. World demand for oil fell for the first time in a generation in 2008 (Photo: Reuters)

For years there seemed to be only one way for oil prices to go: up. Soaring oil prices drove fuel and commodity prices up to levels that threatened food and energy security, particularly for the world's poor.

Traders argued that this was not the effect of speculation, but rather demand from an expanding, increasingly wealthy world outstripping supply. Linked to this oil binge were ever-increasing amounts of greenhouse gases, especially from accelerating economies like China and India.

Experts predicted heavy investments in alternative energy because the era of cheap oil and commodities seemed to be over. Energy conservation raced to the top of the agenda. Yet world demand for oil actually fell in 2008, for the first time in a generation due to a slowing world economy.

Gasoline consumption in the U.S. had declined from 2007 on, but traders had simply ignored that fact. But as the economic crisis deepened, the price of oil and other commodities tumbled.



#### Picture Gallery (click on the picture to start)

How much oil is left? See the ten countries that have the biggest share in proven oil reserves worldwide (Photo: Reuters)

Lower energy costs come as welcome relief to those struggling with recession. But they could discourage investment in the oil industry and destabilize countries dependent on oil exports, thus imperiling energy security.

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They also discourage a more efficient use of energy resources and investments in alternative energy. Some motorists may drive more, others will continue to drive ageing, polluting cars rather than getting new, efficient models. The biofuels industry also took a hammering as oil prices fell.

But low international oil prices need not mean low domestic energy prices. Europe and Japan used low oil prices during the late 1980s and 1990s to raise taxes on gasoline and diesel and thereby encouraged more fuel-efficient vehicles and lower energy consumption. In late 2008, China did the same.

### Related Articles

Energy Security: More than Just Oil

Alternative Fuels: The Road Ahead

Although oil prices will likely stabilize at much lower levels than the July 2008 peak, the memory of the devastating price shock could spur greater efforts at energy conservation.

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publishing date: December 19, 2008

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