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Oil: A Dependency the World Cannot Shake Off

November 2026

Introduction

As global instability intensifies, financial markets have become increasingly sensitive to any indication of a potential disruption to oil supply. Be it a public health emergency, a climate-related event, a policy decision, or an armed conflict affecting maritime shipping routes, oil markets adjust prices within hours. Such volatility is quickly transmitted to retail fuel prices, resulting in higher costs for households and businesses alike.

Regardless of whether supply disruptions are real or anticipated, short-lived or enduring, significant or limited, they reveal the persistent dependence of the global economy on secure and reliable energy supplies.

The high degree of responsiveness observed in oil markets reflects the enduring strategic significance of oil within the global economy. Despite ambitious climate policies and ongoing progress in renewable energy technologies, global oil consumption exceeded 100 million barrels per day in 2023 (Energy Institute, 2025), highlighting the world's continued reliance on petroleum.

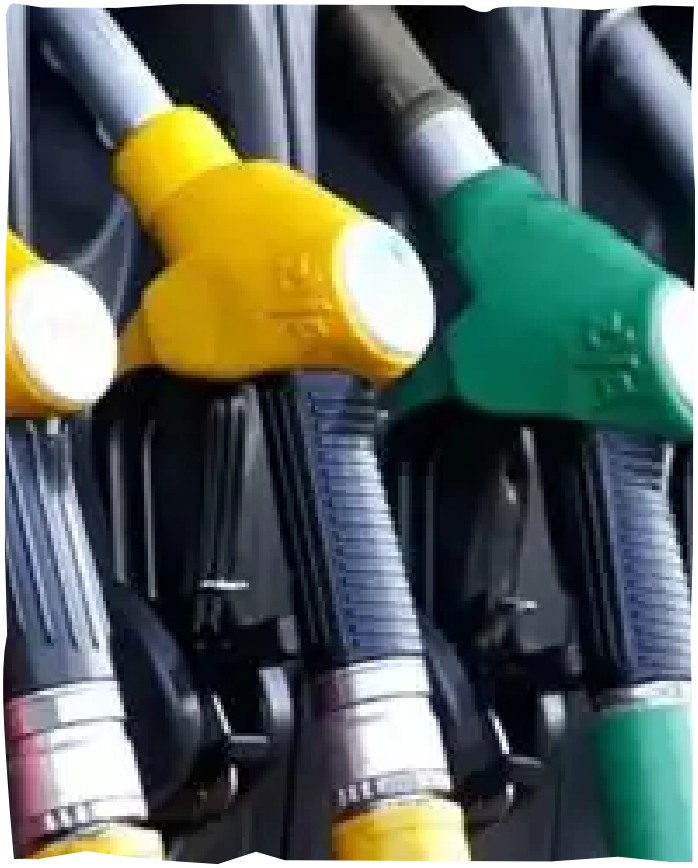
Oil remains a largely irreplaceable resource, serving not only as a major energy source but also as a strategic input for industry, transportation, and petrochemicals. Furthermore, many exporting countries across the globe continue to depend heavily on the sector as a cornerstone of their economic activity.

Explaining oil's enduring importance despite sustained efforts to accelerate the energy transition is a critical analytical challenge. It requires an assessment of the resource's primary uses, the obstacles that continue to limit the uptake of energy alternatives, and the geopolitical forces that influence global supply. This paper addresses these issues and explores the reasons behind the world's continued dependence on oil.

An Energy System Structured Around Oil

Since the early twentieth century, oil has served as a cornerstone of the modern economy. The extensive infrastructure developed around petroleum fuels has generated a structural dependence that is unlikely to be reversed in the short term. With proven reserves estimated at around 1.757 trillion barrels in 2024, oil is expected to remain available for decades at current production levels, reinforcing its enduring role in national energy strategies.

Oil's continued strategic importance is particularly apparent in the transport sector, which remains the primary driver of global petroleum demand. According to the International Energy Agency (IEA), global oil consumption reached a record 102.2 million barrels per day in 2023. The world's vehicle fleet is still overwhelmingly composed of internal combustion engine vehicles, while air and maritime transport continue to depend heavily on fossil fuels despite increasing efforts to reduce their carbon footprint (International Maritime Organization, 2023).



The pervasive role of petrochemicals is another key factor behind oil's enduring importance. Disruptions in global plastics and fertilizer markets during 2022-2023 underscored the continued dependence of modern economies on petroleum-derived products (World Bank, 2023). Against this backdrop, several countries have sought to expand their refining capacity in order to strengthen their position within these strategic industries. Saudi Arabia and the United Arab Emirates, for instance, have announced major investments aimed at increasing production capacity by 2030 (OPEC, 2023). Similarly, Iraq, where oil accounts for more than 90% of government revenues, continues to view petroleum exports as a central pillar of its economic model (World Bank, 2024). Nigeria and Kazakhstan have adopted comparable strategies, seeking to leverage their hydrocarbon resources as drivers of national development (IEA, 2022; Eurasian Development Bank, 2023).

Geopolitical Tensions Reveal the Limits of the Energy Transition

Recent geopolitical tensions involving the United States, Russia, and Iran have highlighted the extent to which the energy transition has yet to mitigate the risks associated with oil dependence. The strikes conducted by Israel and the United States against armed targets in the Middle East in March 2025 renewed concerns over regional stability and contributed to a sharp increase in oil prices. Critical production and transit chokepoints, particularly the Strait of Hormuz, through which roughly one-fifth of global oil supplies flow, continue to represent significant vulnerabilities while energy alternatives remain insufficiently developed and deployed.

The war in Ukraine has further exposed the limits of energy diversification as a strategy for enhancing energy security. The European Union, which relied on Russia for approximately 25% of its oil imports in 2021, was compelled to urgently secure alternative supplies from Norway, the United States, and Gulf producers. Although this shift succeeded in reducing dependence on Russian energy, it also heightened Europe's exposure to global commodity markets, where prices remain acutely vulnerable to geopolitical shocks and supply disruptions.

Some importing countries, such as France, illustrate the persistence of this structural vulnerability. In 2024, France still relied on imports for 99% of its crude oil supply. As long as energy storage technologies, electricity grids, and low-carbon alternatives remain insufficiently developed, regional crises will continue to hinder the energy transition and increase its cost. This helps explain why, despite ambitious policy commitments and stated objectives, the energy transition has yet to make sufficient progress in reducing dependence on oil.



A Slow and Uneven Energy Transition

While the world is undoubtedly undergoing an energy transition, progress remains too slow to significantly reduce global dependence on oil. A range of structural factors continue to support demand, notably population growth, rapid urbanization, and the industrialization of emerging economies. In Africa, Nigeria remains the continent’s largest oil producer, with production averaging approximately 1.3 million barrels per day in 2024. Oil continues to generate more than 90% of the country's export revenues. Angola exhibits a similar pattern, exporting close to 1.1 million barrels per day, predominantly to China, which remains the principal destination for its crude exports.

In the Middle East, Saudi Arabia remains the world's leading oil exporter and regularly adjusts its production, which averages around 10 million barrels per day, to influence market prices, often in coordination with Russia through the OPEC+ framework. The United Arab Emirates, producing approximately 3.5 million barrels per day, has launched an ambitious expansion program aimed at increasing output capacity to 5 million barrels per day by 2030. Iraq, OPEC's third-largest producer, derives more than 95% of its public revenues from the oil sector, a dependence that significantly constrains its ability to diversify the economy.

In Europe, Norway remains a key player in the oil sector, with production hovering around 2 million barrels per day. Its exports increased in 2023 to help offset the decline in Russian energy flows to the European Union. Meanwhile, Norway's sovereign wealth fund, financed largely through petroleum revenues, surpassed USD 1.4 trillion in 2024, further strengthening its role as a source of macroeconomic stability.

In the Americas, the United States re-emerged as the world's largest oil producer in 2023, propelled by shale oil production and output exceeding 12 million barrels per day. Canada produces approximately 4.7 million barrels daily, primarily from the oil sands of Alberta. By contrast, Venezuela, despite possessing the world's largest proven oil reserves, continues to face severe production constraints, with output remaining near 700,000 barrels per day due to the combined effects of U.S. sanctions and the long-term deterioration of its petroleum sector.

Overall, the energy transition remains hindered by a combination of economic interests, technological constraints, and policy choices that continue to reinforce oil's central role in the global economy. These realities highlight the need for strong and coherent strategic responses, which are discussed in the conclusion.



Conclusion

The global economy's continued reliance on oil stems from a complex interplay of factors, including path-dependent infrastructure, the resource's dominant role in transportation, its critical importance to petrochemical industries, the uneven pace of the energy transition, and persistent geopolitical considerations. Contemporary developments, from the war in Ukraine and renewed instability in the Middle East to OPEC+ production policies and the rise of U.S. shale oil, underscore the extent to which oil dependence remains both an economic and a strategic reality. Until alternative energy solutions become technologically mature, economically viable, and supported by coherent public policies, oil is likely to remain a cornerstone of the global economy for the foreseeable future.

To reduce the vulnerability of economies to oil-related shocks, three strategic priorities should be pursued:

1. Accelerate investment in low-carbon infrastructure, particularly electricity networks, energy storage systems, and transport electrification, to provide credible substitutes for oil in key sectors.
2. Enhance energy security and resilience through greater diversification of supply sources, the expansion of strategic reserves, and stronger regional cooperation mechanisms capable of absorbing geopolitical disruptions.
3. Prioritize critical transition technologies, including batteries, hydrogen, and strategic minerals, to reduce long-term dependence on hydrocarbons and build more resilient and competitive industrial value chains.

These policy levers will not eliminate oil's role in the short term, but they can gradually reduce its strategic importance and provide governments with much-needed room for maneuver in an energy environment likely to remain volatile for the foreseeable future.

About CEFRES

The Center for Economic Freedom and Resilience (CEFRES) is a leading think tank in Cameroon dedicated to producing evidence-based research and policy analysis aimed at strengthening economic resilience and reducing poverty across the country. We firmly believe that advancing economic freedom in Cameroon can pave the way for sustainable and inclusive development, thereby reducing the country's vulnerability to economic shocks.
Our vision is of a Cameroonian, and more broadly African, economy that is sufficiently robust to withstand crises and thrive on the principles of economic freedom. We strongly advocate for a society in which all citizens have equitable opportunities to fully realize their potential, a prerequisite for enhancing national resilience in the face of multiple economic, social, and geopolitical challenges.
Through rigorous research, policy engagement, and public dialogue, CEFRES seeks to contribute to the development of sound institutions and market-oriented solutions capable of fostering long-term prosperity and resilience.

