

# The economic effects of a world without oil

[Economics](#)



As oil prices keep increasing, many are looking to a future without oil. It is hoped that if oil prices keep rising, alternatives will be developed and this will enable a smooth transition. Already, car manufacturers have cars which run on hydrogen, natural gas, even solar panel. The longer oil prices rises, the more attractive these options will be. It is not unfeasible that in a decade, we will simply not need or want to consume oil any more. However, this transition to a world without oil may not be as smooth as many hope.

The transition to a post-oil world could be a lot more painful that we would like to admit. How would an oil free world impact on the world economy?

### The Doomsday Scenario

The impact of declining oil availability depends on whether the alternatives to oil materialize. For example, it was hoped nuclear fusion would provide low-cost energy, but, technological developments have been disappointing. If we don't find realistic alternatives to oil, the consequences for the global economy could be serious.

Rising prices and costs, declining growth and living standards as people struggle to meet their energy needs. The world has become so dependent on oil, the question is could we survive without? Wealth of Oil exporters would be reduced. At the moment, oil exporting countries are earning billions of dollars in oil revenues; this gives them economic power and to a large extent political power. If oil is no longer in demand, these countries would face a rapid period of readjustment; they are likely to face a fall in wealth, unless they could create growth in other sectors.

The problem is that it is currently so easy for them to make money from oil other sectors of the economy are fundamentally underdeveloped, therefore they would struggle in an economy no longer reliant on oil. Oil Importers Could be Relatively Better off. The change in the use of oil could lead to a readjustment of global finance and power. Currently OPEC countries have disproportionate amount of wealth. Oil importers are struggling with rising oil prices. This would all change if oil was no longer the key world commodity. But, this relies on good alternatives being found

### Cost of Transport

The new technologies are unlikely to be as cheap as petrol-powered cars were in the past. If this is the case, it means transport will be permanently more expensive. This could help to reduce our reliance on the motor car; it could encourage other forms of transport such as buses, trains and bikes. However, this is very much an unknown. It is difficult to predict the future price and availability of alternatives. At the moment they are more expensive than petrol; but, maybe cheap alternatives could be found in the future.

### Environment

Consumption of oil has contributed significantly to global warming and pollution. One side benefit of the rising oil prices is the improvement in pollution emissions in the US and Europe as higher oil prices discourage consumption. It is hoped that the alternatives to oil will be more environmentally friendly and help to reduce carbon emissions. However, will

it be too late to stop global warming by the time the world makes the transition to a non-oil based energy?

### Oil Companies

The most profitable companies are often oil companies. like Shell and BP. They may struggle to move into a post oil world. BP has given itself the slogan Beyond Petroleum; but, whether they will be able to be as profitable from other energy sources is doubtful.