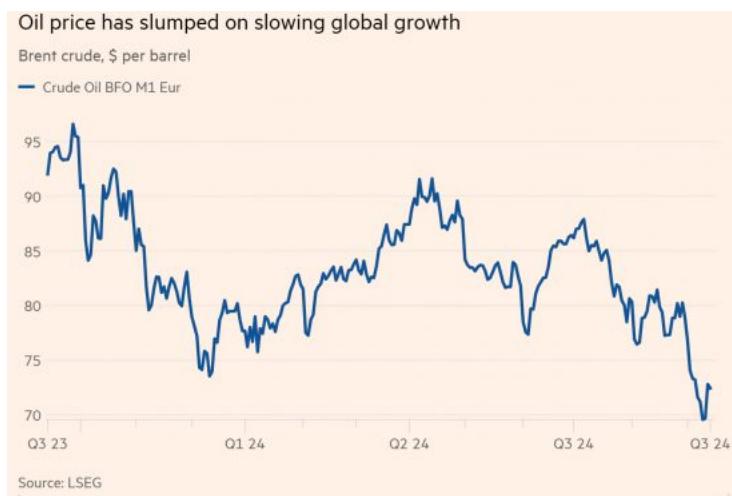


Oil prices are falling: the old order might be broken

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The FT has noted the steadily falling price of oil [in an article published](#) this morning:



There are three issues in play.

The first is that demand for oil is falling. Electric cars and high speed rail are tipping the balance against it.

Second, new supplies are more than capable of meeting any growth in demand now: there is, in effect, excess oil capacity in the world now.

Third, this means OPEC is losing its control of oil pricing.

What does this mean? That seems to be the important question.

First, it means the chance of an inflation recurrence is much diminished. The Bank of England should take note.

Second, it says action to tackle climate change is beginning to work. It has a massively long way to go, so let's not celebrate right now, but there is some progress.

Third, let's note the role of China in this. It is leading in electric car technology. Demand for oil in that country is falling.

Fourth, this reduces the incentive for further change with regard to oil consumption. Governments may need to consider whether to tax oil now.

Fifth, global stability might improve slightly, although water is going to be the cause of that stress now, come what may.

What is clear that long established assumptions are no longer valid. At some point the hegemony must break. That is when real change will happen.