The force of lower oil prices

- Demand growth solid at 1.2 mb/d through 2021
- Production growth slashed as investment cuts bite
- Crude trade shifts more and more eastwards
- Huge uncertainties
  - OPEC production policy
  - Non-OPEC
  - World economy
  - Efficiency gains
World oil demand growth slows

- Cools from 1.7%/yr in 2009-15 to 1.2%/yr in 2016-2021

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[kb/d]

- Americas
  - 283 (2009-15)
  - 27 (2015-21)

- Africa
  - 104 (2009-15)
  - 155 (2015-21)

- Middle East
  - 164 (2009-15)
  - 215 (2015-21)

- Europe
  - -179 (2009-15)
  - -76 (2015-21)

- FSU
  - 138 (2009-15)
  - 52 (2015-21)

- Asia/Pacific
  - 969 (2009-15)
  - 826 (2015-21)
Chinese demand growth slips a gear

Economy slows and shifts from industry to services
Indian oil use races ahead

Motorists take to the roads
Upstream oil capex cut for 2nd year

Drop of 17% in 2016 follows 24% reduction in 2015
World supply growth plunges

2015-21 growth slows to 4.1 mb/d vs 11 mb/d in 2009-15

*2014-15 shows actual output growth. 2016 assumes Iran ramp up. OPEC capacity increases thereafter.
US LTO takes biggest hit for now

Output to drop by 800 kb/d over 2016-17
US still the world’s growth engine

Selected sources of non-OPEC supply change 2015-21

- Gains in Brazil, Canada; drops in Russia, China
Post-sanctions Iran leads OPEC gains

Output to rise 1 mb/d to 3.9 mb/d by 2021
Middle East dominates oil exports

Producers target non-OECD Asia
Surplus erodes in 2017

*Tightening market drives price recovery*
Conclusions

- Global oil supply growth is plunging, as low prices take their toll
  - Iran leads OPEC gains over the forecast period
  - Despite a near-term dip, US production rises to an all-time high

- While global oil demand growth is slowing, oil use crosses the symbolic 100 mb/d mark towards the end of the decade

- The availability of resources that can be easily and quickly tapped set to limit the scope of price rallies – at least in the near-term

- The historic investment cuts now being seen raise the odds of oil-security surprises in the not-too-distant-future