

**OIL**

# Medium-Term Market Report 2016



**The Institute of Energy  
Economics Japan**

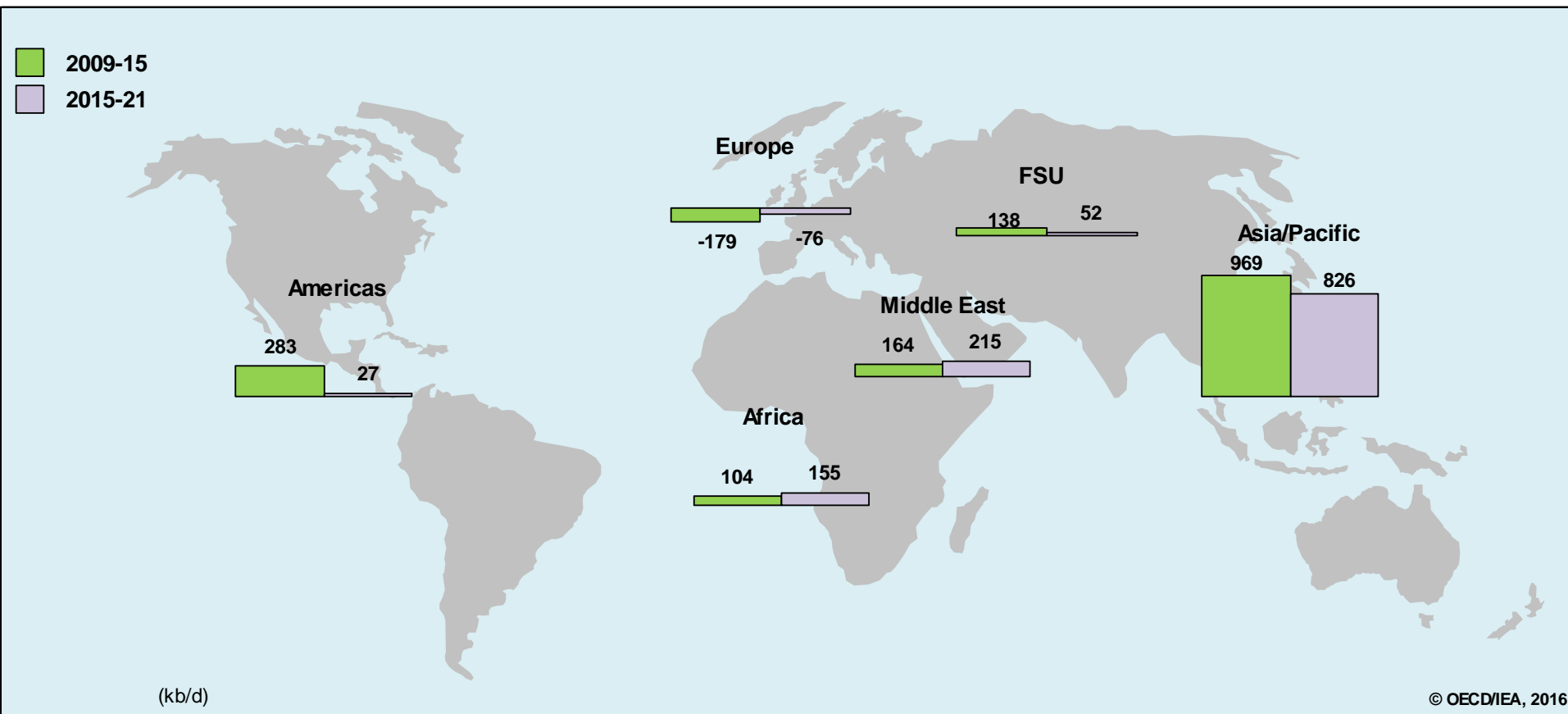
**7 March 2016**

**Market Analysis and Forecasts to 2021**

# The force of lower oil prices

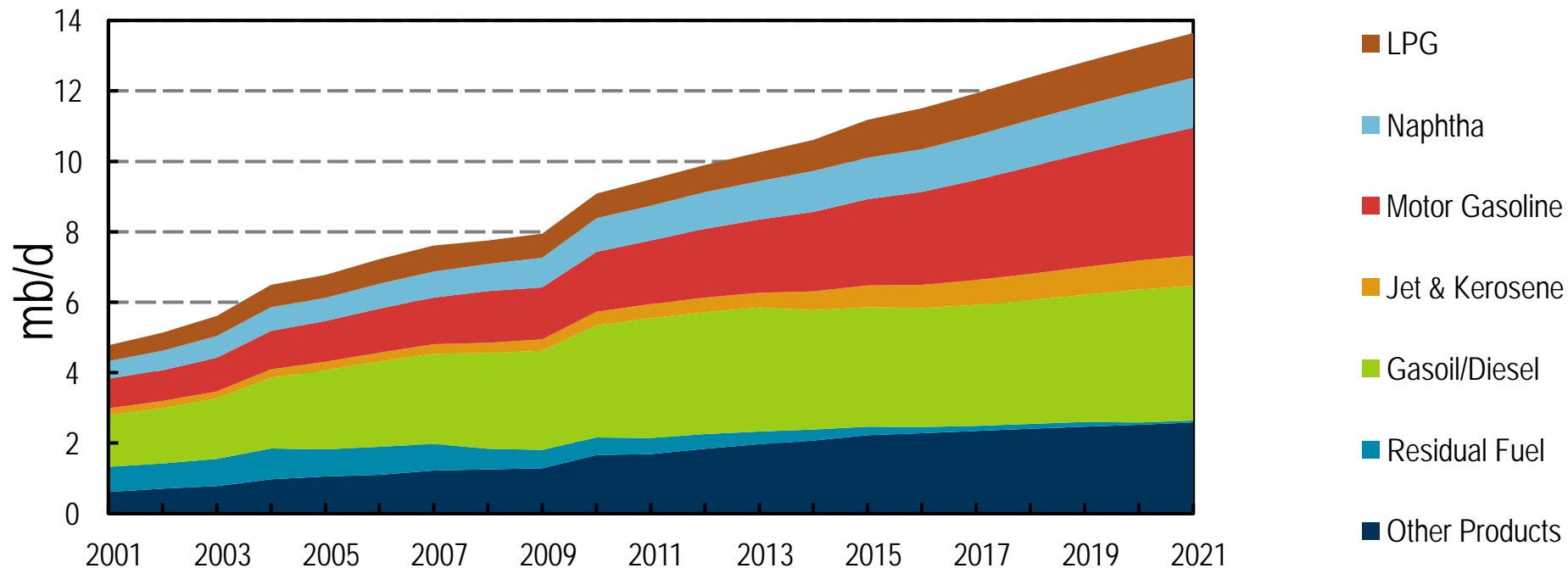
- **Demand growth solid at 1.2 mb/d through 2021**
- **Production growth slashed as investment cuts bite**
- **Crude trade shifts more and more eastwards**
- **Huge uncertainties**
  - ◆ **OPEC production policy**
  - ◆ **Non-OPEC**
  - ◆ **World economy**
  - ◆ **Efficiency gains**

# World oil demand growth slows



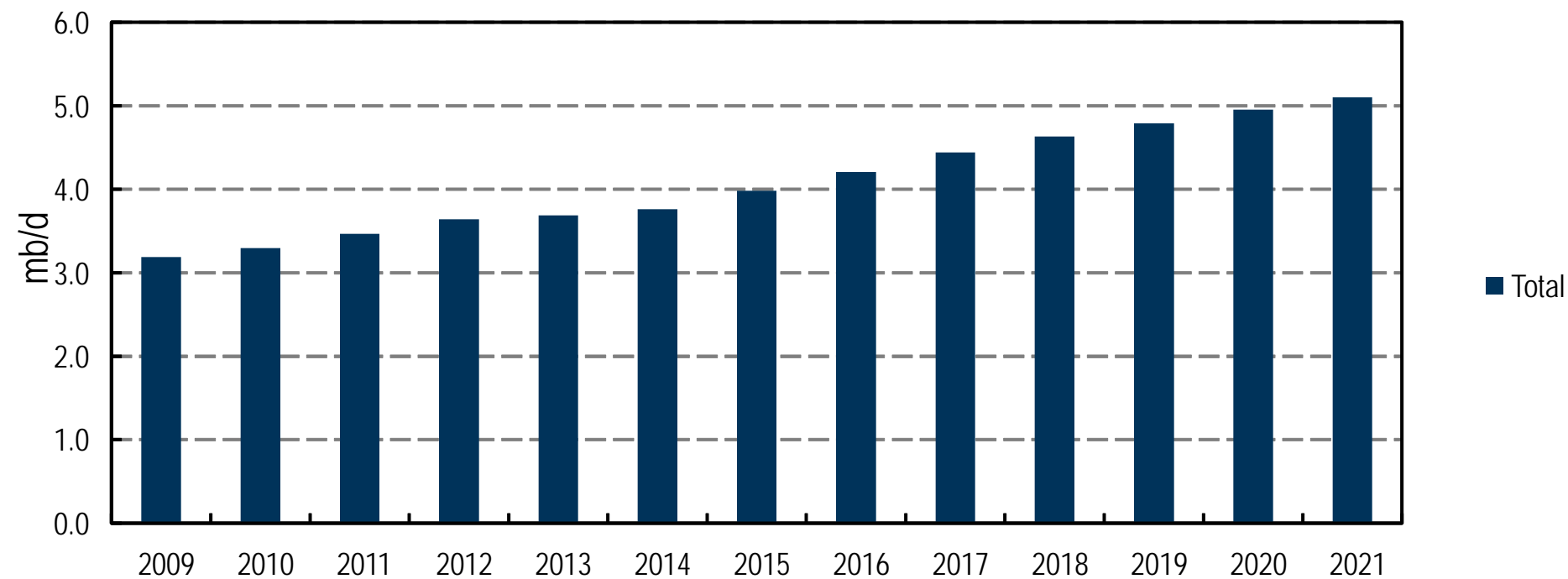
■ ***Cools from 1.7%/yr in 2009-15 to 1.2%/yr in 2016-2021***

# Chinese demand growth slips a gear



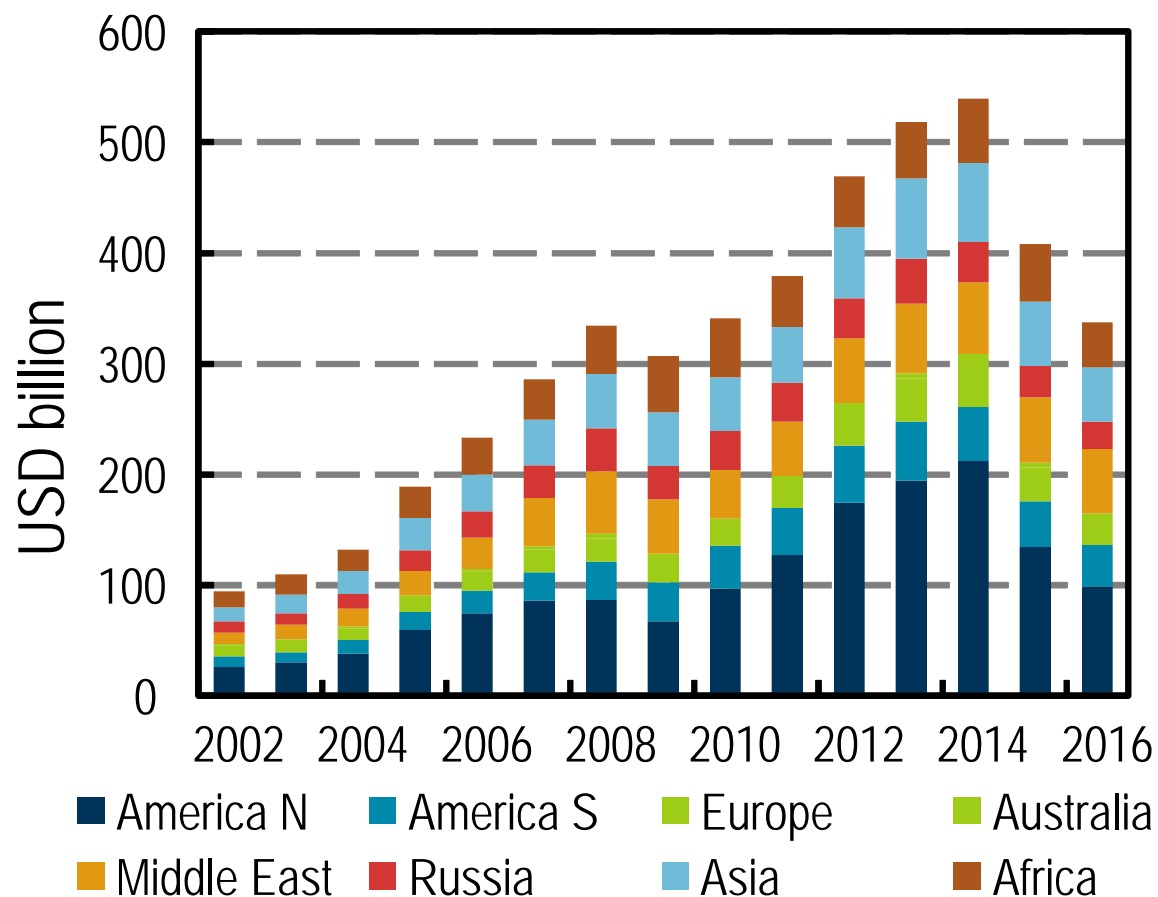
***Economy slows and shifts from industry to services***

# Indian oil use races ahead



■ *Motorists take to the roads*

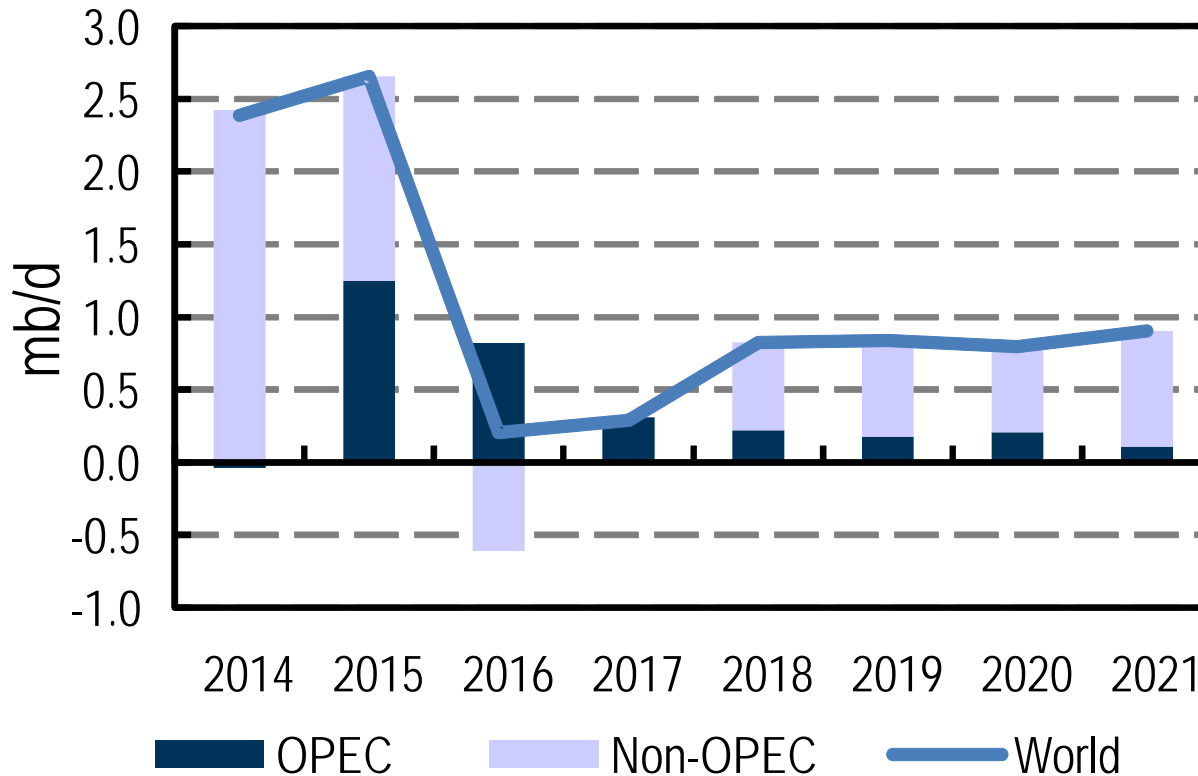
# Upstream oil capex cut for 2nd year



■ **Drop of 17% in 2016 follows 24% reduction in 2015**

# World supply growth plunges

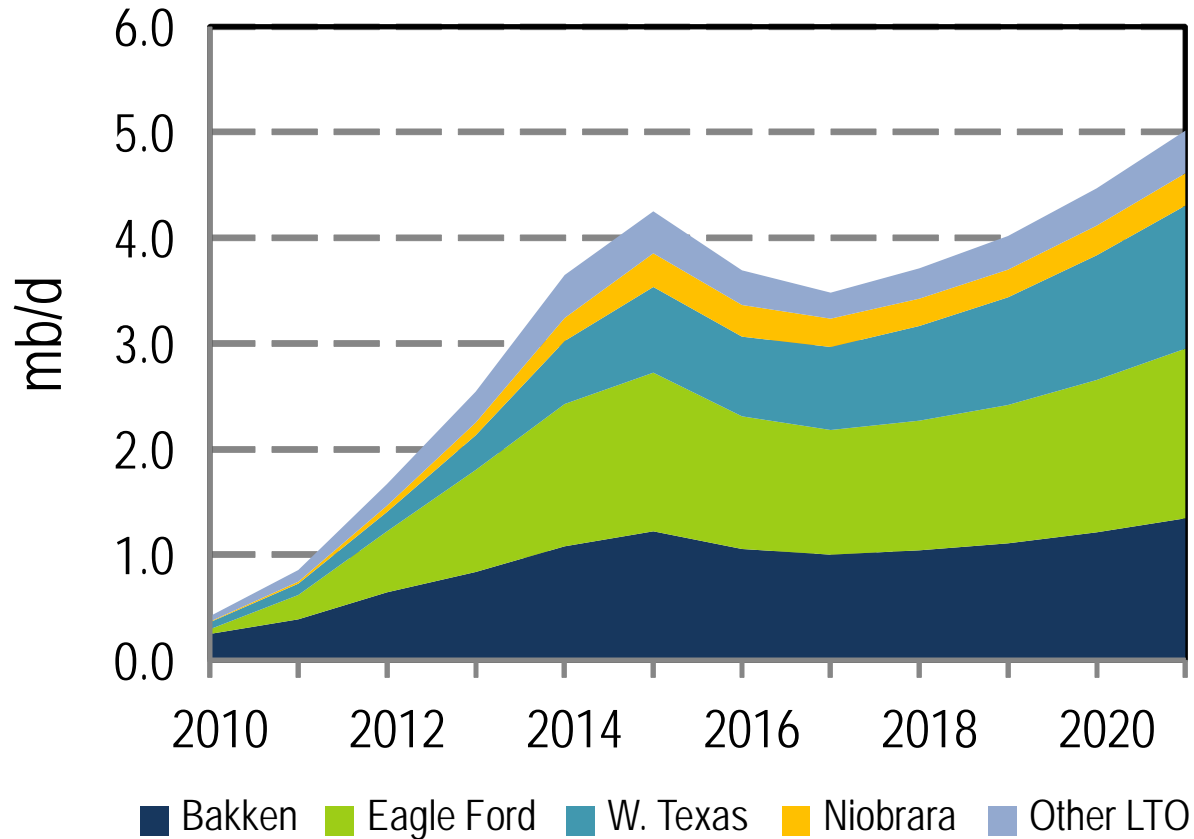
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\*2014 - 15 shows actual output growth. 2016 assumes Iran ramp up. OPEC capacity increases thereafter.

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

# US LTO takes biggest hit for now



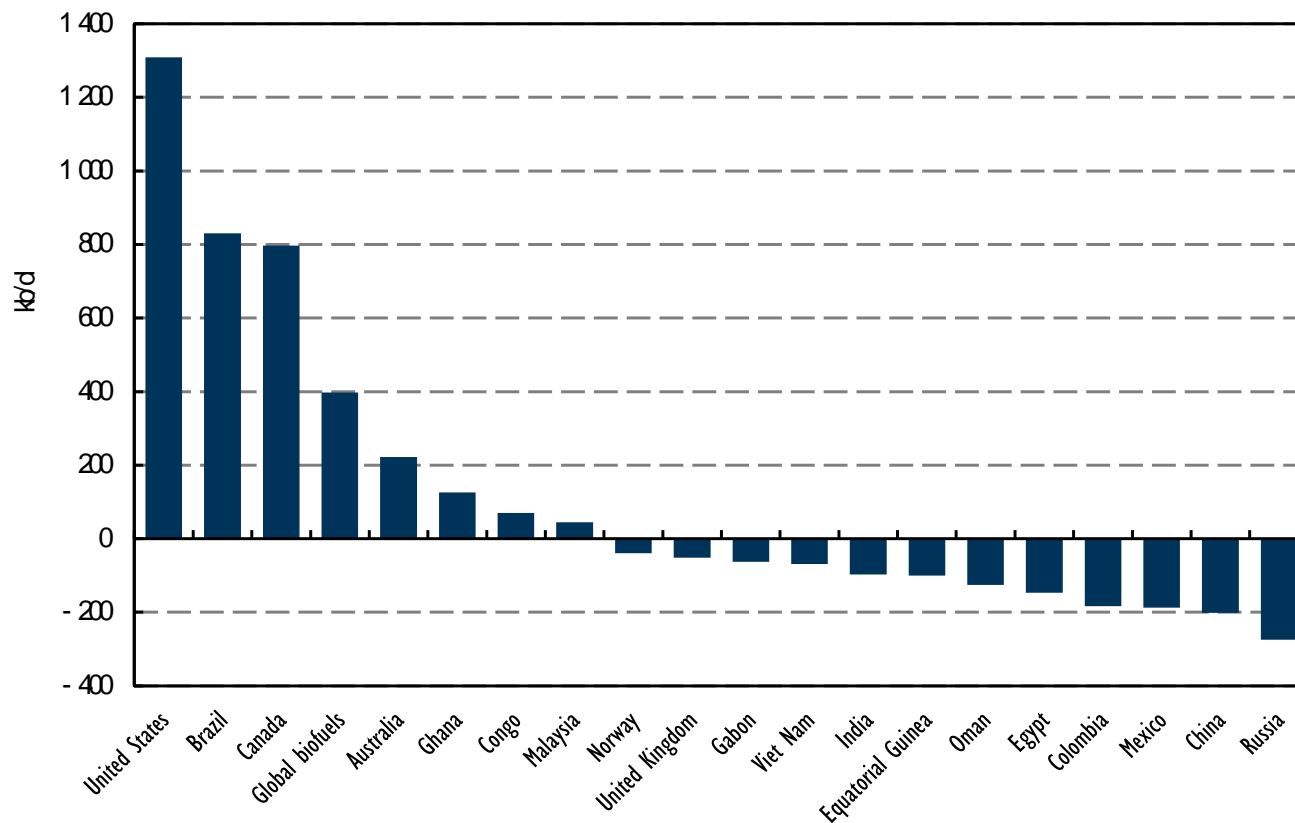
**■ Output to drop by 800 kb/d over 2016-17**



# US still the world's growth engine

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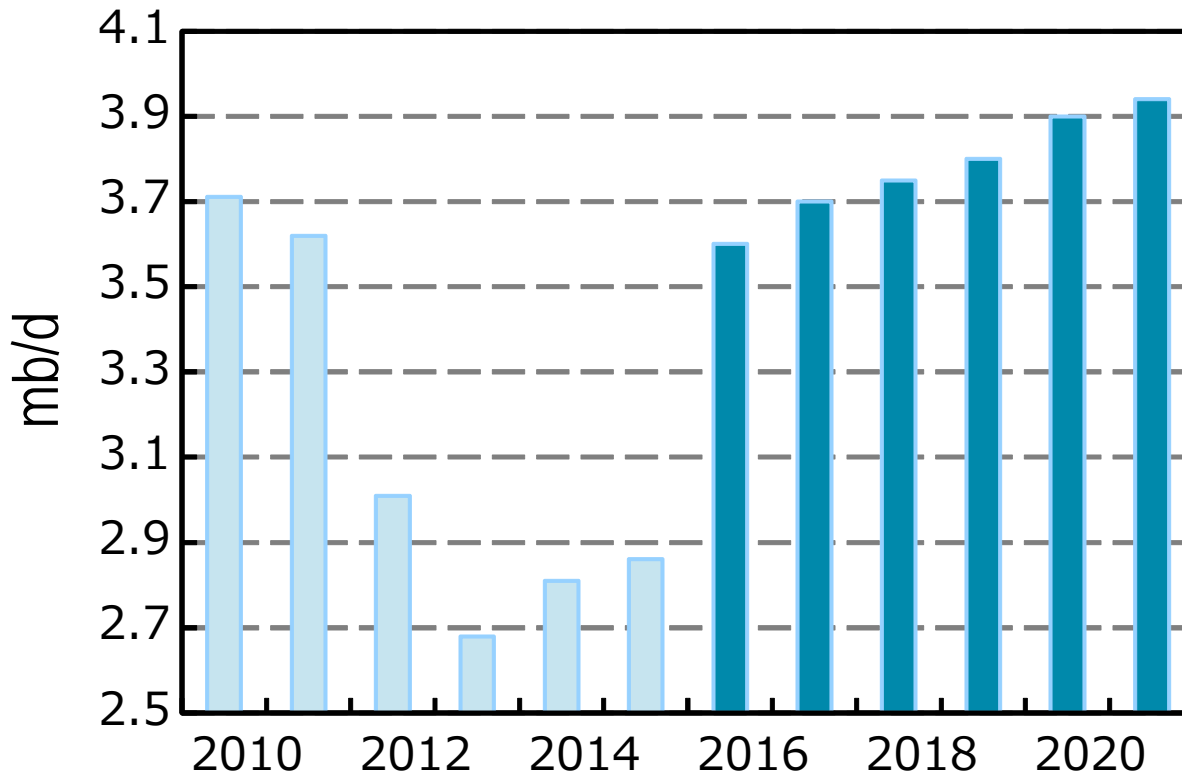
*Selected sources of non-OPEC supply change 2015-21*



■ **Gains in Brazil, Canada; drops in Russia, China**



# Post-sanctions Iran leads OPEC gains

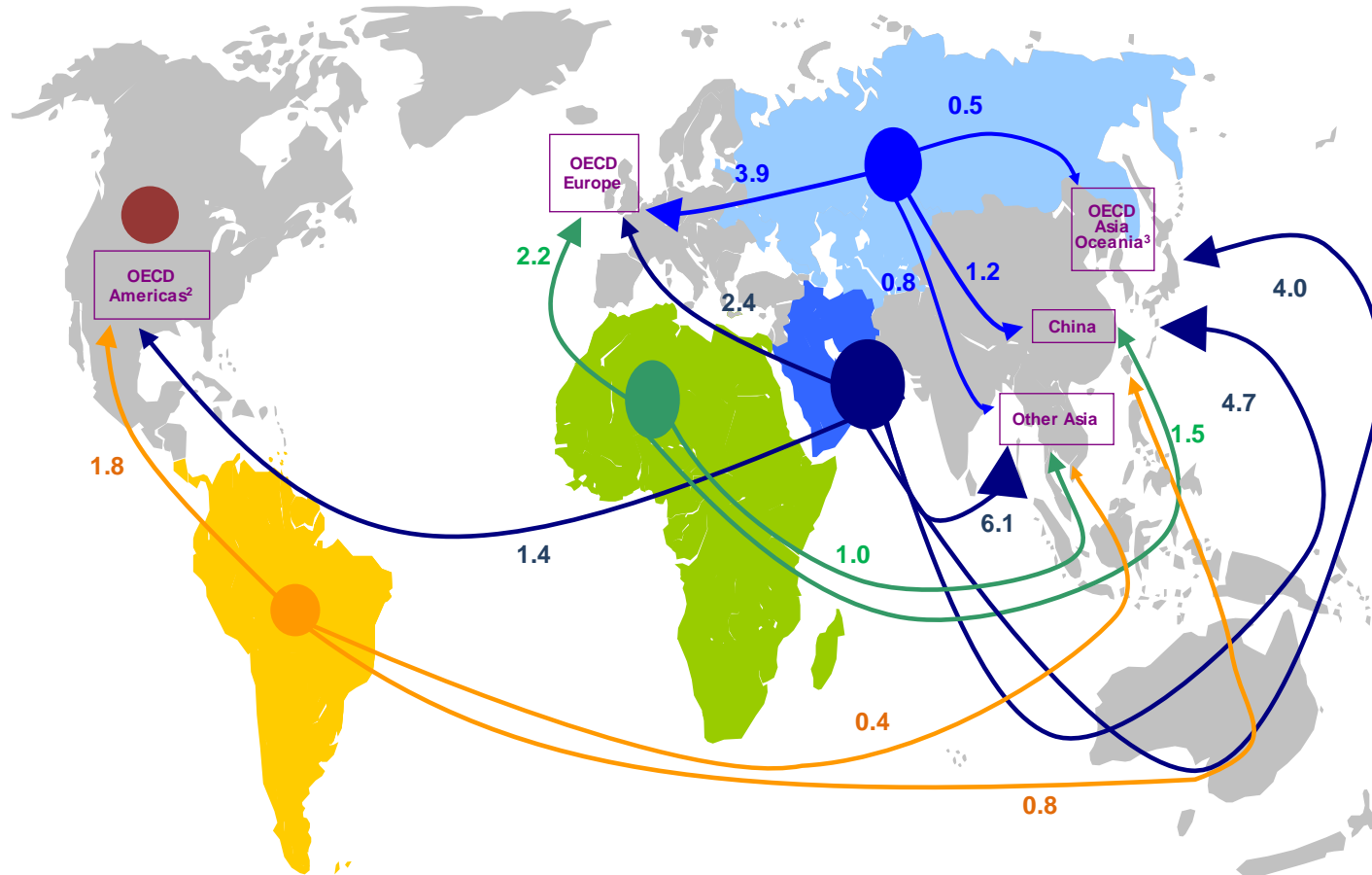


Actual production 2010-2015, capacity thereafter

■ ***Output to rise 1 mb/d to 3.9 mb/d by 2021***

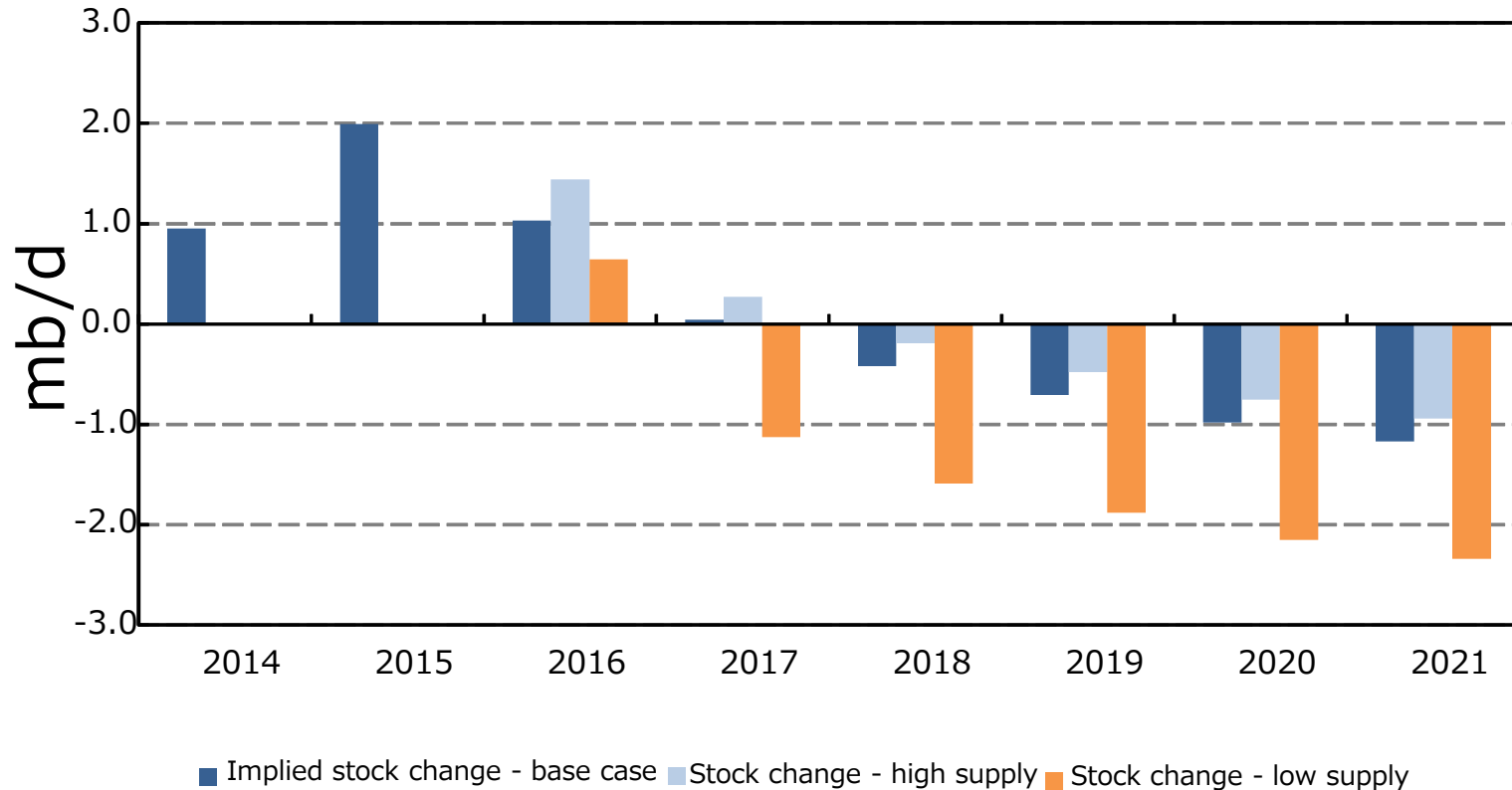
# Middle East dominates oil exports

Crude Exports in 2021 for Key Trade Routes  
(million barrels per day)



■ **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**