Oil Market: Short & Medium Term Perspectives
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Robust global oil demand growth to 2023

China and India account for almost half of world oil demand growth

World oil demand growth (y-o-y change)
Petrochemicals drive global oil demand growth to 2023

Feedstock requirements for new steam crackers

Petrochemical feedstocks (ethane and naphtha) responsible for 25% of global oil demand growth
Booming non-OPEC supply growth reshapes world oil market...

...more than covers demand growth for next three years. By 2023, non-OPEC supply grows by 5.2 mb/d. OPEC oil capacity rises only 1.2 mb/d due to Venezuelan collapse and limited increases elsewhere.
Higher oil prices unleash second wave of US supply

Total output reaches 17 mb/d by 2023 – and could be even higher if prices rise.
China net crude oil imports double the US in 2023

Indian imports, too, surpass the US in 2023 as shale growth reduces US import dependence.
Oil industry needs to replace one North Sea each year

Output loss from post-peak conventional crude oil fields

Ageing oil fields lose more than 3 mb/d per year despite slowing decline rates.
OECD stocks now well below 5-year average

At end-April, OECD stocks were 27 mb below the five-year average. Crude & products stocks both below the target. Middle distillate stocks are tight.
Market tightens in 2018 and slightly looser in 2019

Risk includes: Venezuela and Iran supply falls; weaker oil demand on trade slowdown

*Note: For scenario purposes, OPEC/non-OPEC cuts remain constant.
Conclusions

- Robust world oil demand growth to 2023 – petrochemicals key driver.
- Non-OPEC output growth exceeds demand increase through 2020.
- US, Brazil, Canada, Norway dominate growth. New infrastructure investments relieve US export bottlenecks.
- US crude finds new markets as refiners seek light, low-sulphur crude to meet petrochemical demand and IMO specifications.
- More upstream investment needed today to meet future demand and offset 3 mb/d of declines from mature oil fields each year.
- Stocks now below 5-year average and distillates are tight.
- If OPEC supply stable, stocks draw 0.2 mb/d in 2H18 and build by same in 2019.
- Venezuela & Iran are major supply risks. Vienna Agreement countries likely to be called on for more supply.
- As spare capacity cushion shrinks, supply security concerns remain critical.