

Outlook For Energy Markets

January 2014

Katherine Spector
Head of Commodities Strategy
CIBC World Markets
katherine.spector@cibc.com



Key Themes In Today's Energy Markets

1. **Global Crude: *Supply could surprise in either direction, but when's the last time a failed state surprised us in the good way?***

Supply outages still rule the oil balance. The Call on OPEC may be falling, but the Call on Saudi isn't — at least not yet. A range of scenarios in four key hotspots — Iran, Iraq, Libya, and Nigeria — is how we frame our views for global oil.

2. **North American Oil: *Time to focus on PADD 3***

As the light crude bottleneck moves south, we also start to think about heavy crude market share, and potential constraints on US Gulf refined product exports.

3. **Natural gas: *Don't let the weather fool you!***

North American gas fundamentals are still structurally bearish. Ultimately it will be demand — not supply — that rations this market higher.

US + "Gulf-3" Bail Market Out

Supply Chg, 2013 vs 2010

mbd

3.0

2.5

2.0

1.5

1.0

0.5

0.0

-0.5

-1.0

-1.5

-2.0

Rest of Non-OPEC

US

Saudi +
Kuwait +
UAE

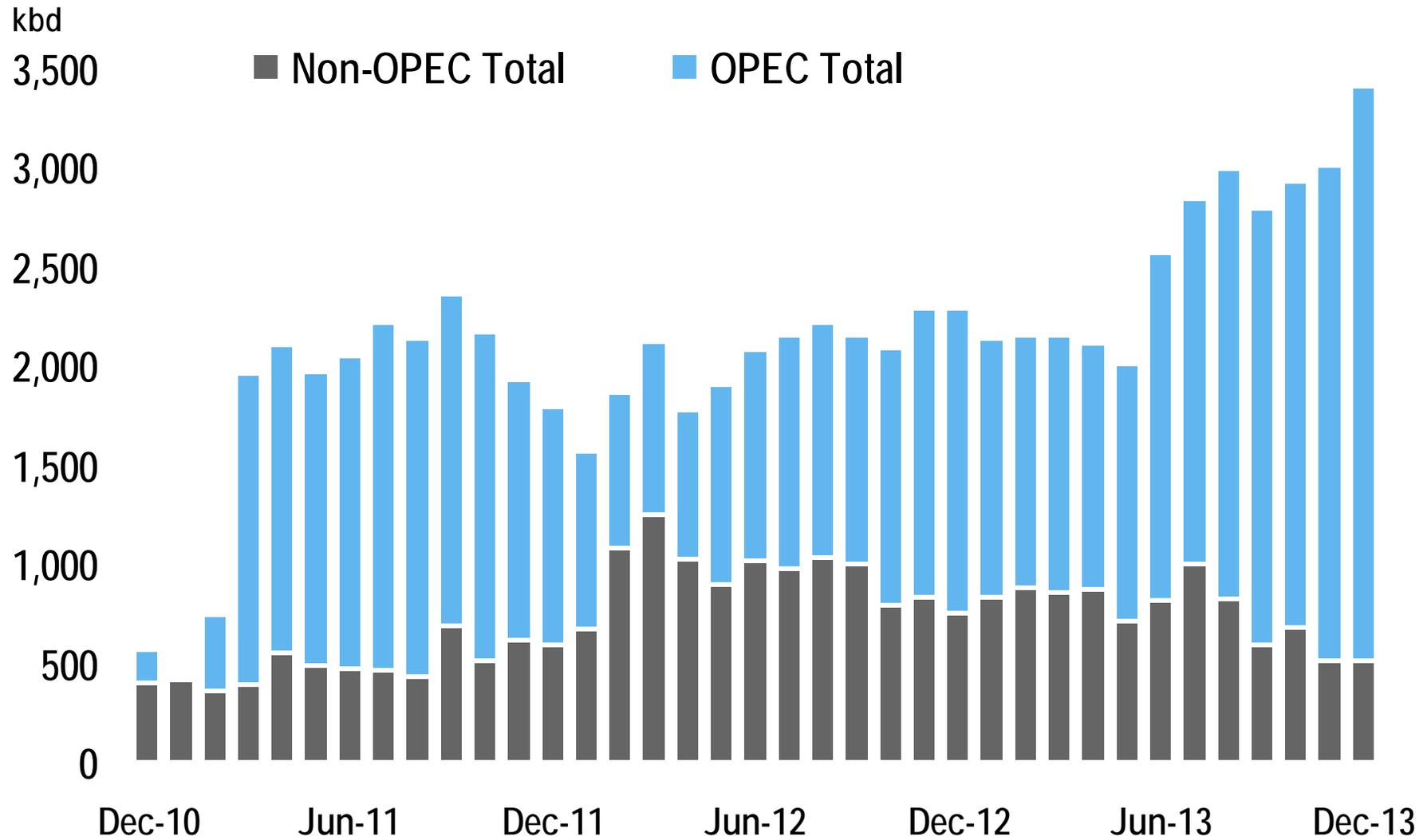
Rest of OPEC

Non-OPEC

OPEC

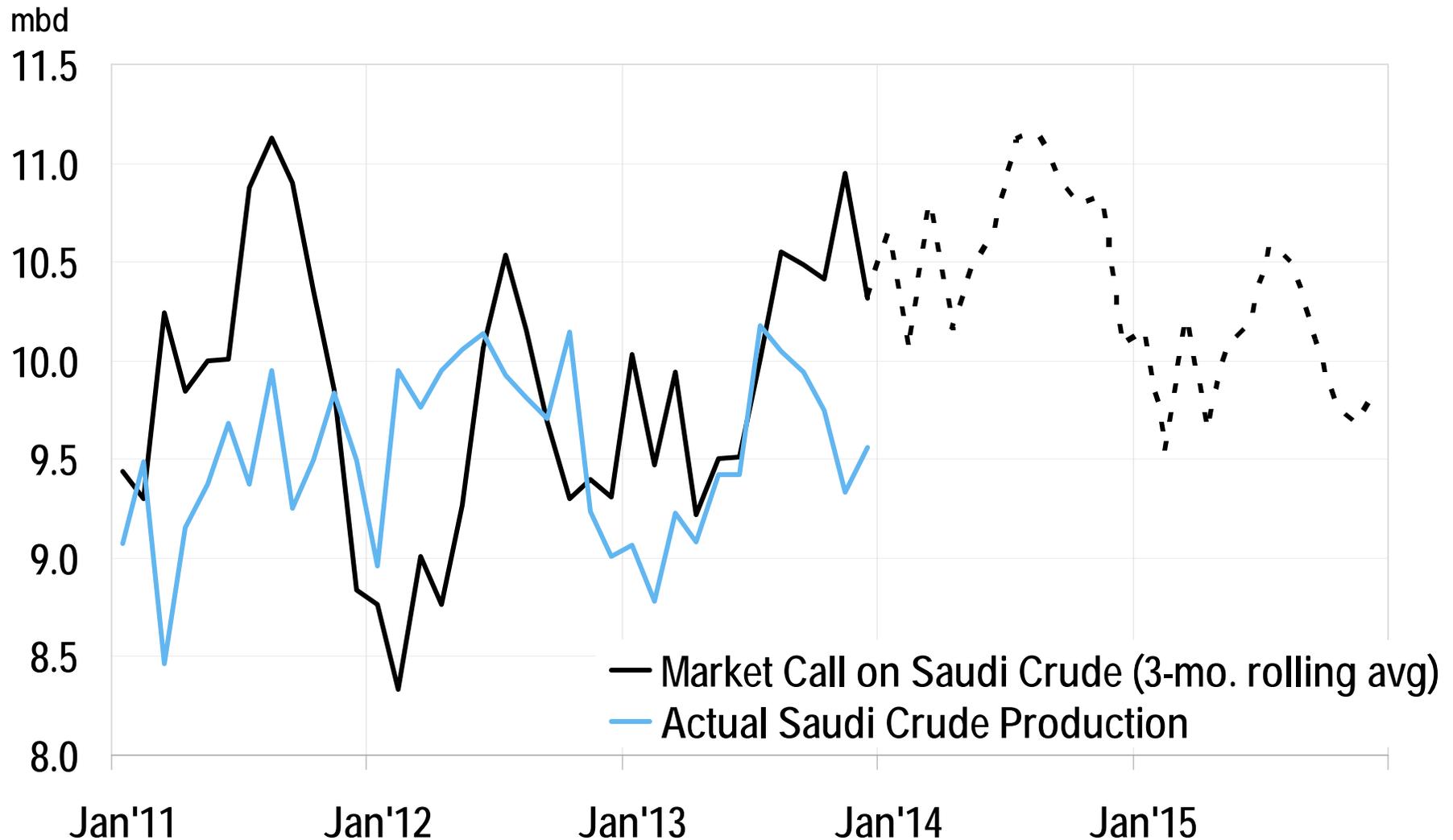
CIBC Commodities Strategy, IEA, Petrologistics, gov't sources

Unplanned Oil Supply Outages Pile Up



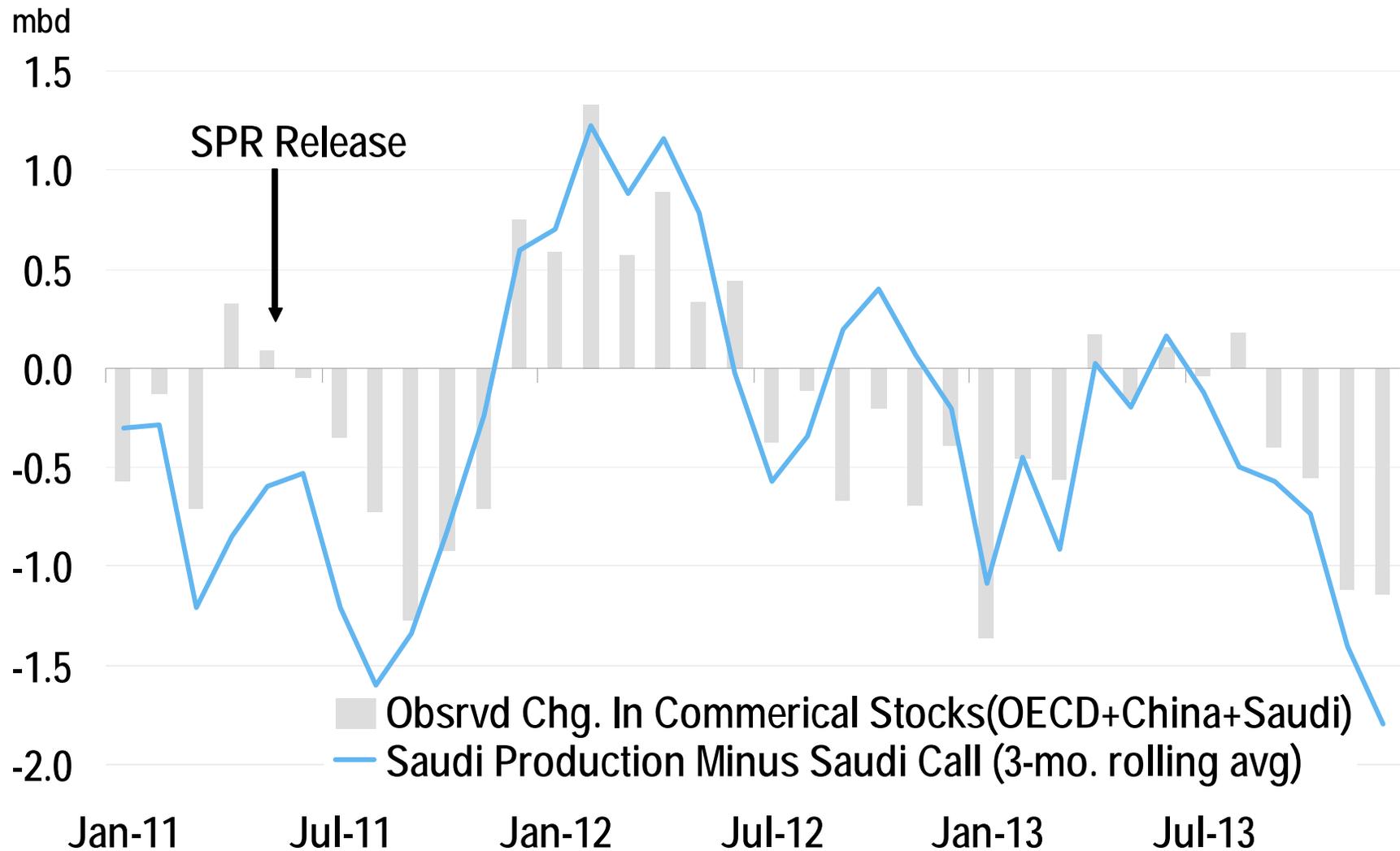
CIBC Commodities Strategy, EIA

Call On Saudi Crude vs Actual Saudi Production



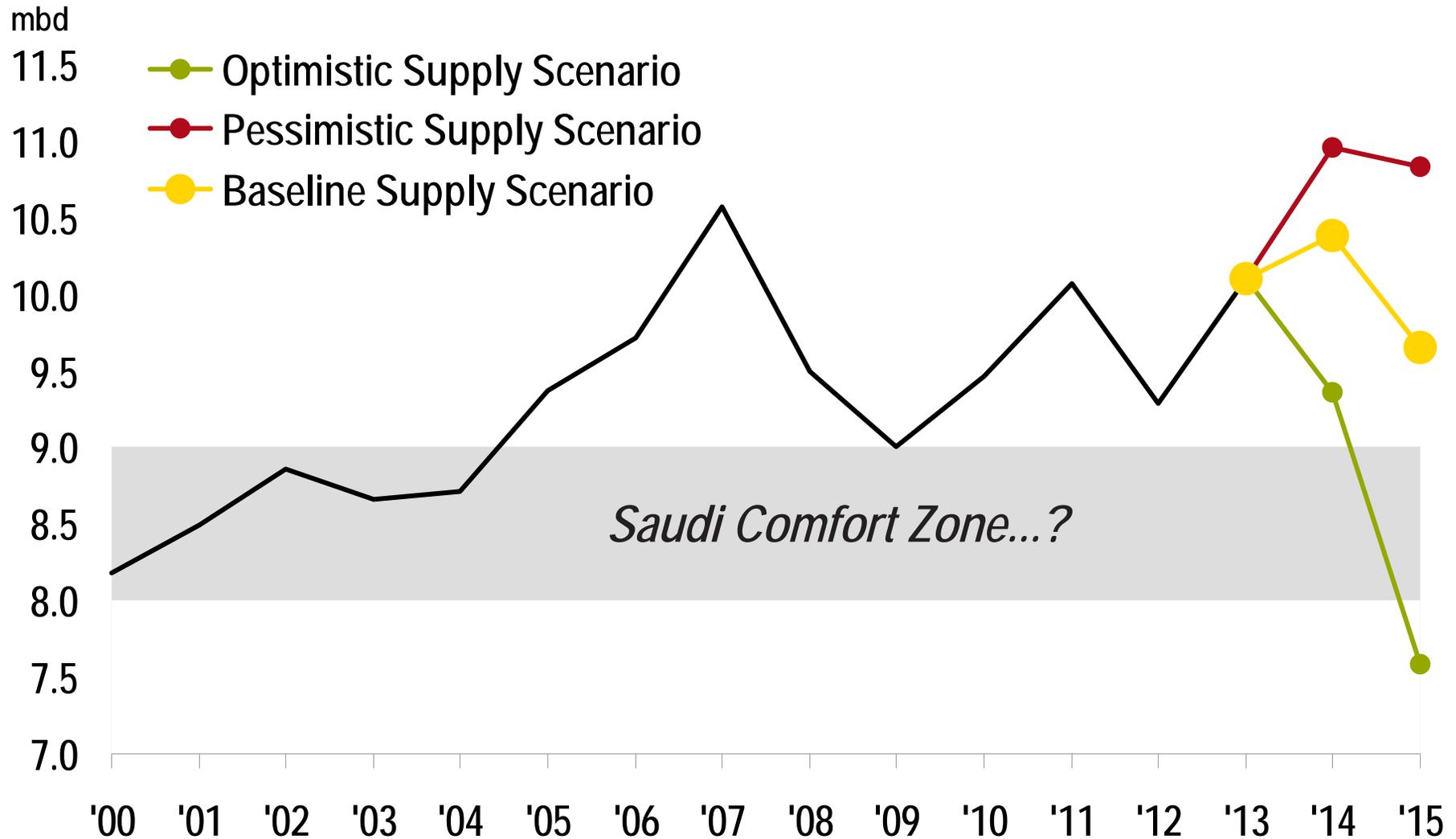
CIBC Commodities Strategy, IEA, Petrologistics, gov't sources

Saudi Surplus/Deficit vs Observed Stock Chg



CIBC Commodities Strategy, IEA, Petrologistics, gov't sources

Call On Saudi Scenarios

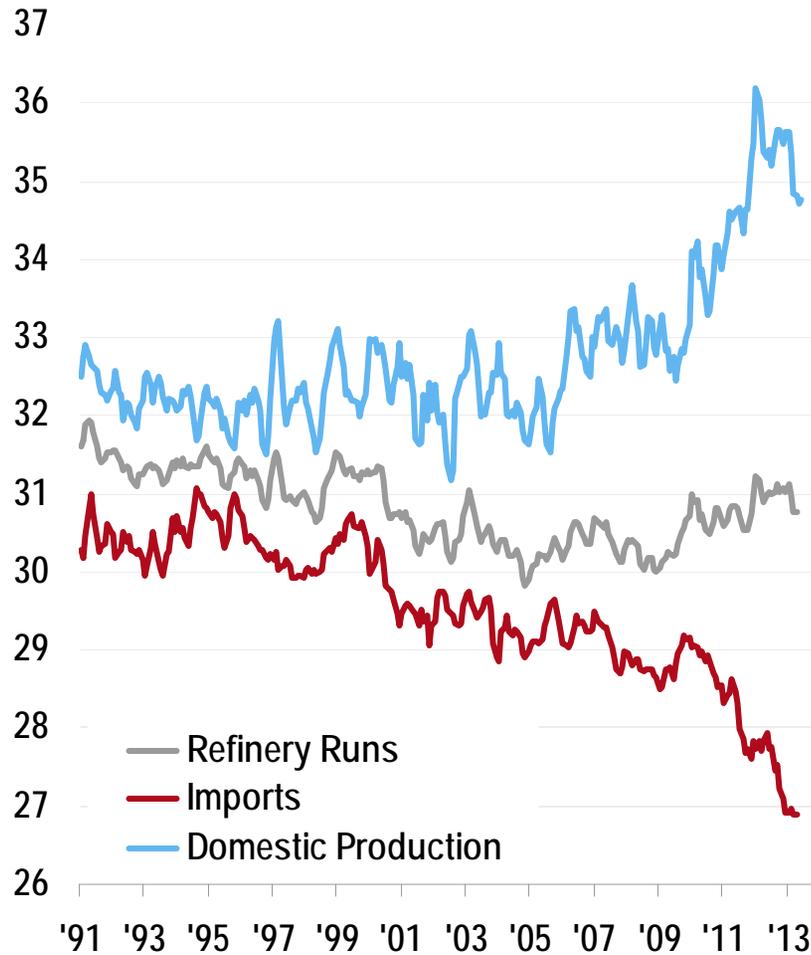


CIBC Commodities Strategy, IEA, Petrologistics, gov't sources

US Crude Production / Import Quality Shift

Production Gets Lighter, Imports Heavier

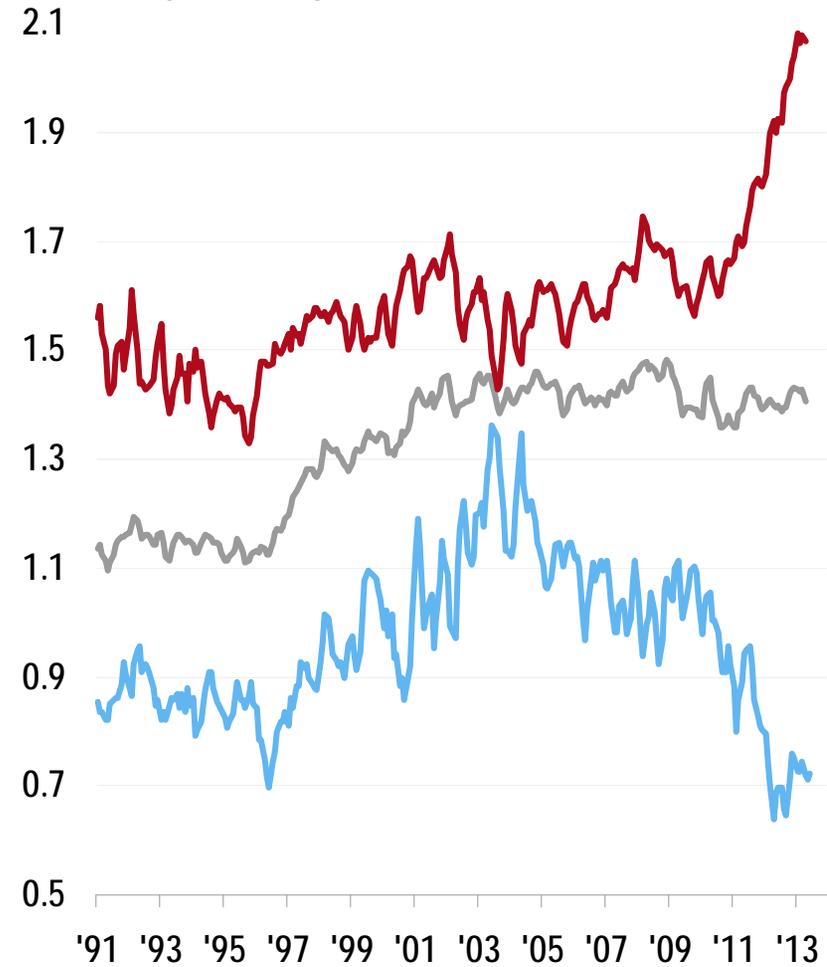
Volume Weighted Average API Gravity



CIBC Commodities Strategy, EIA

Production Gets Sweeter, Imports More Sour

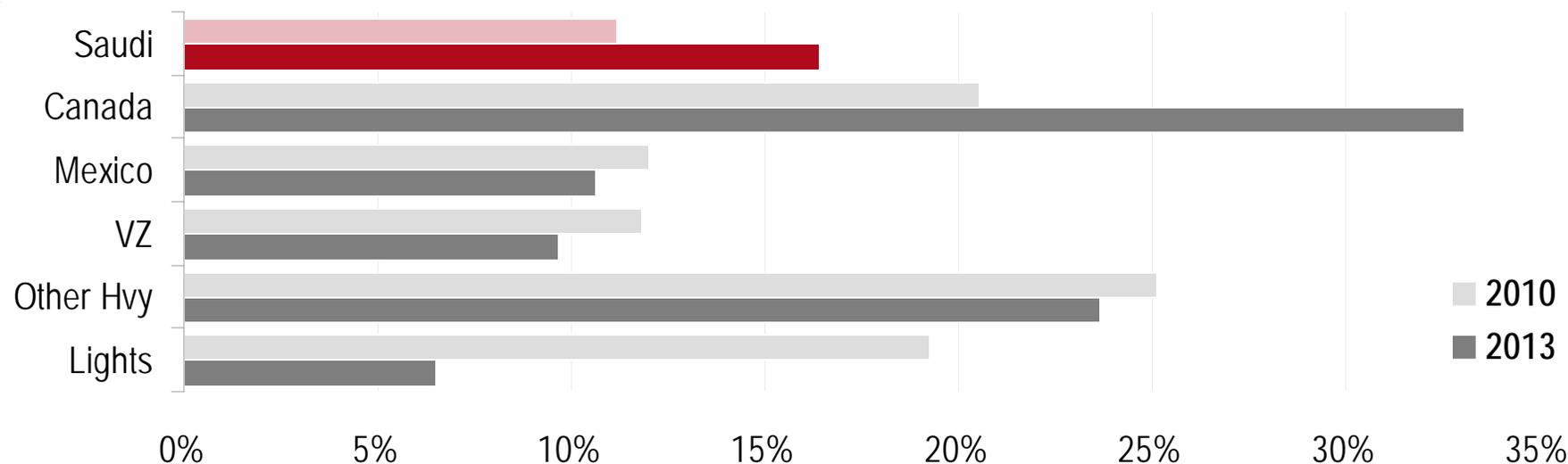
Volume Weighted Average Sulphur Content



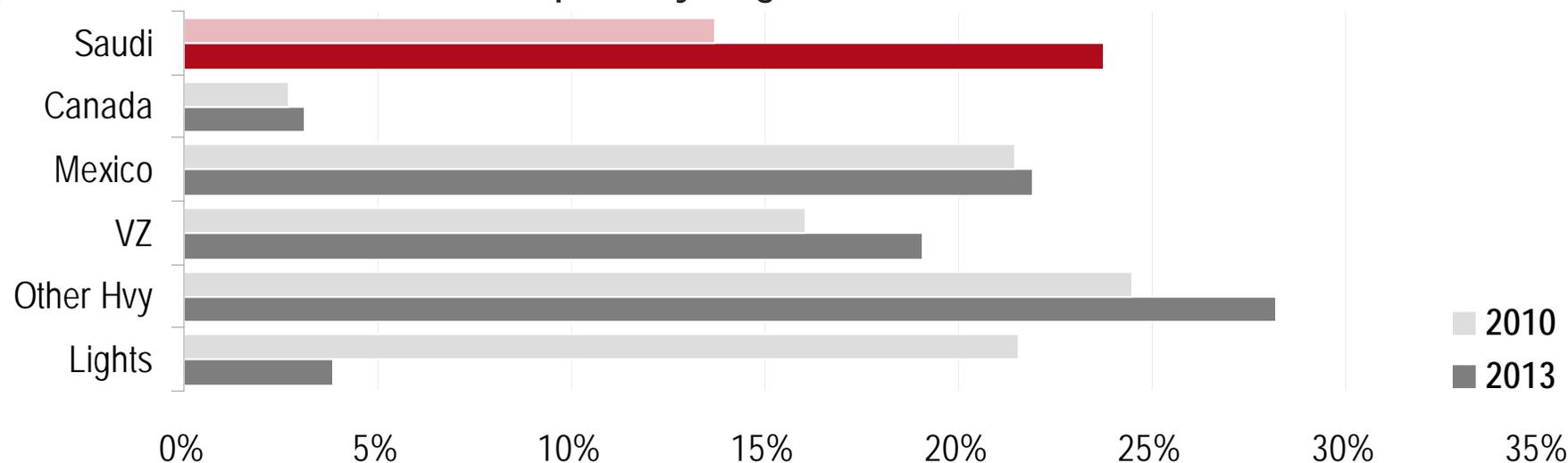
CIBC Commodities Strategy, EIA

Market Share By Country Of Origin

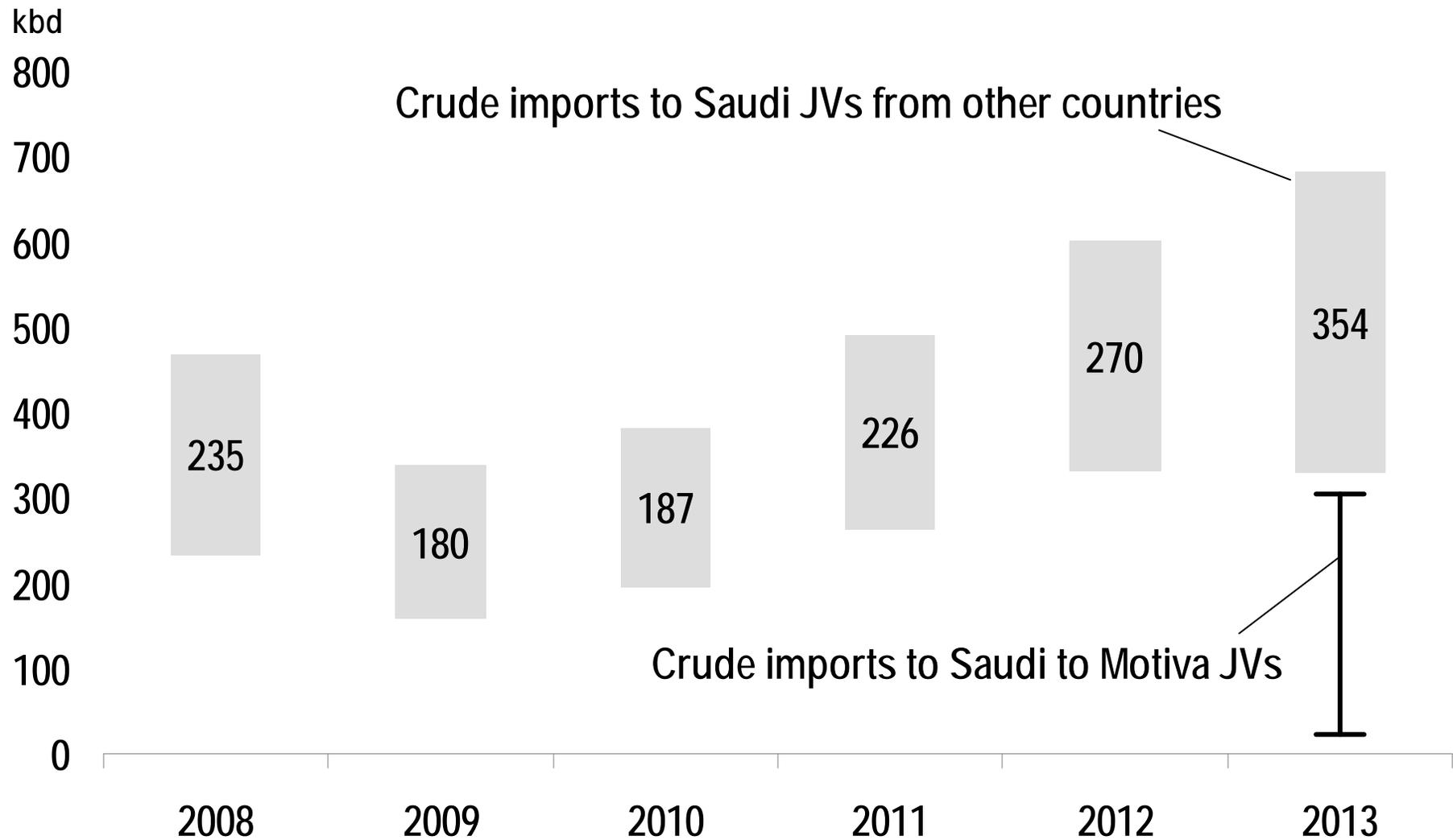
Market Share of US Crude Imports By Origin



Market Share of PADD 3 Crude Imports By Origin

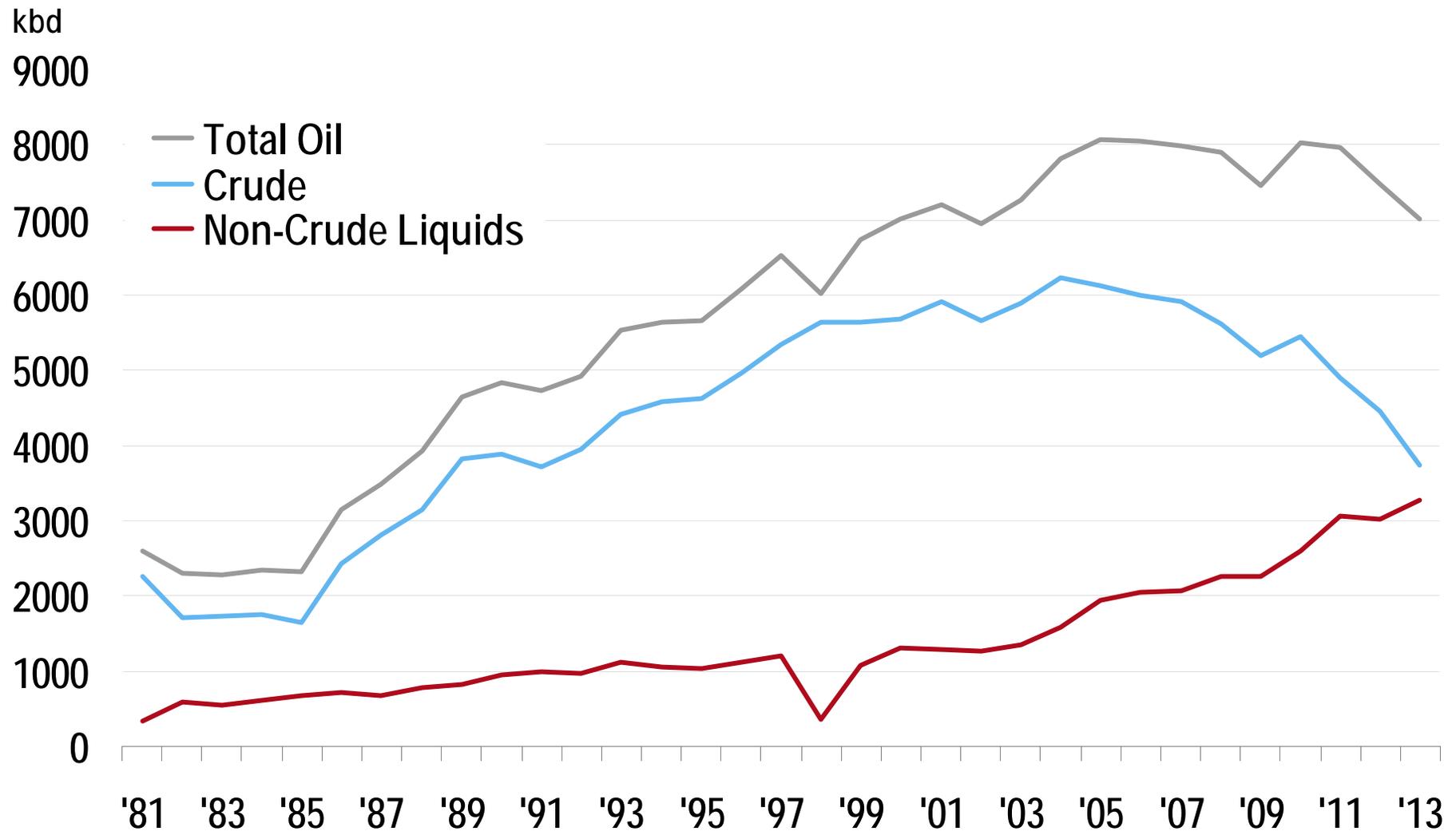


Hypothetical Market Share At Play At Saudi JVs



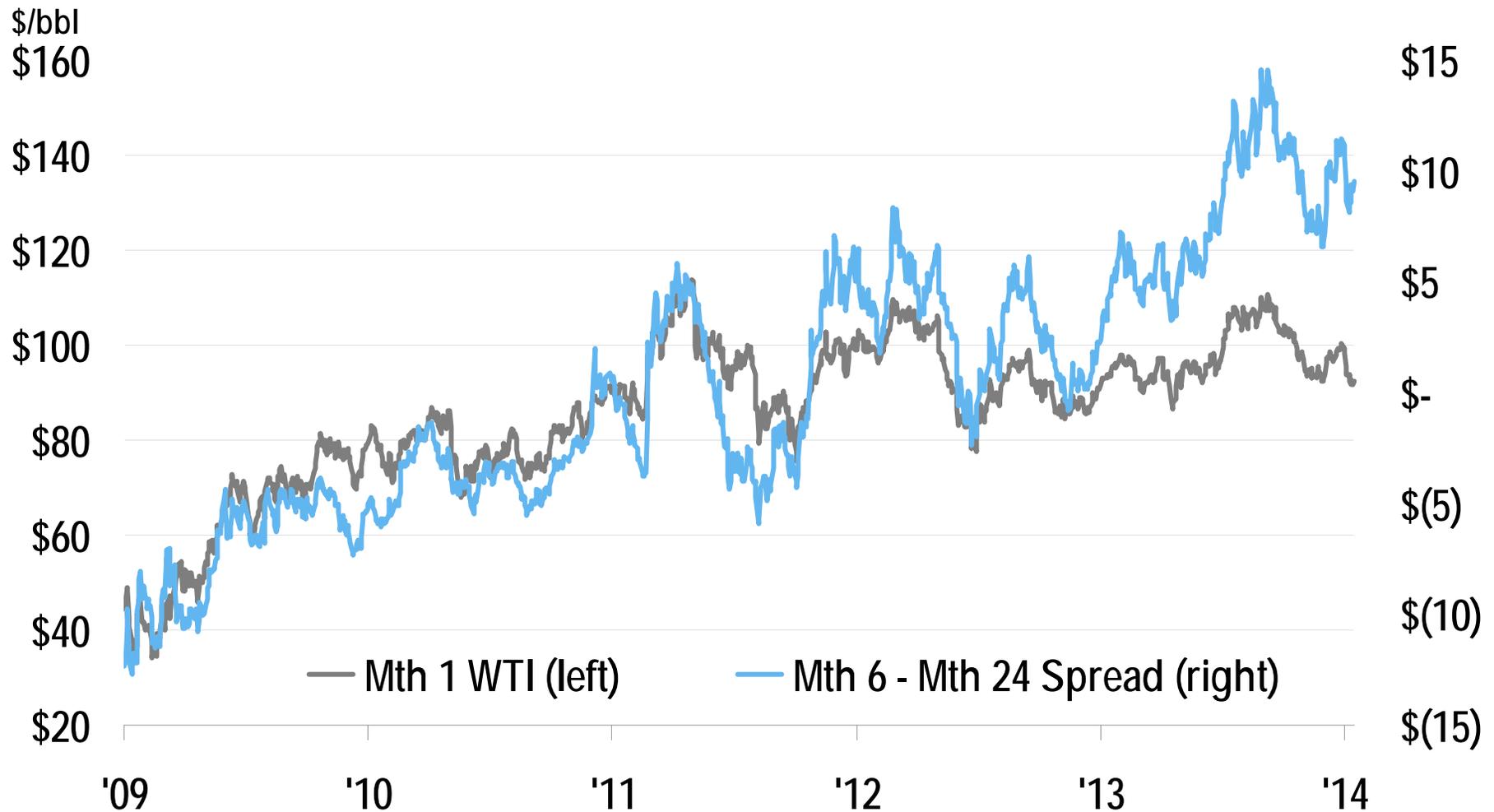
CIBC Commodities Strategy, EIA

Gross PADD 3 Imports + Exports



CIBC Commodities Strategy, EIA

Long-dated WTI Spreads Outpace Flat Price



CIBC Commodities Strategy

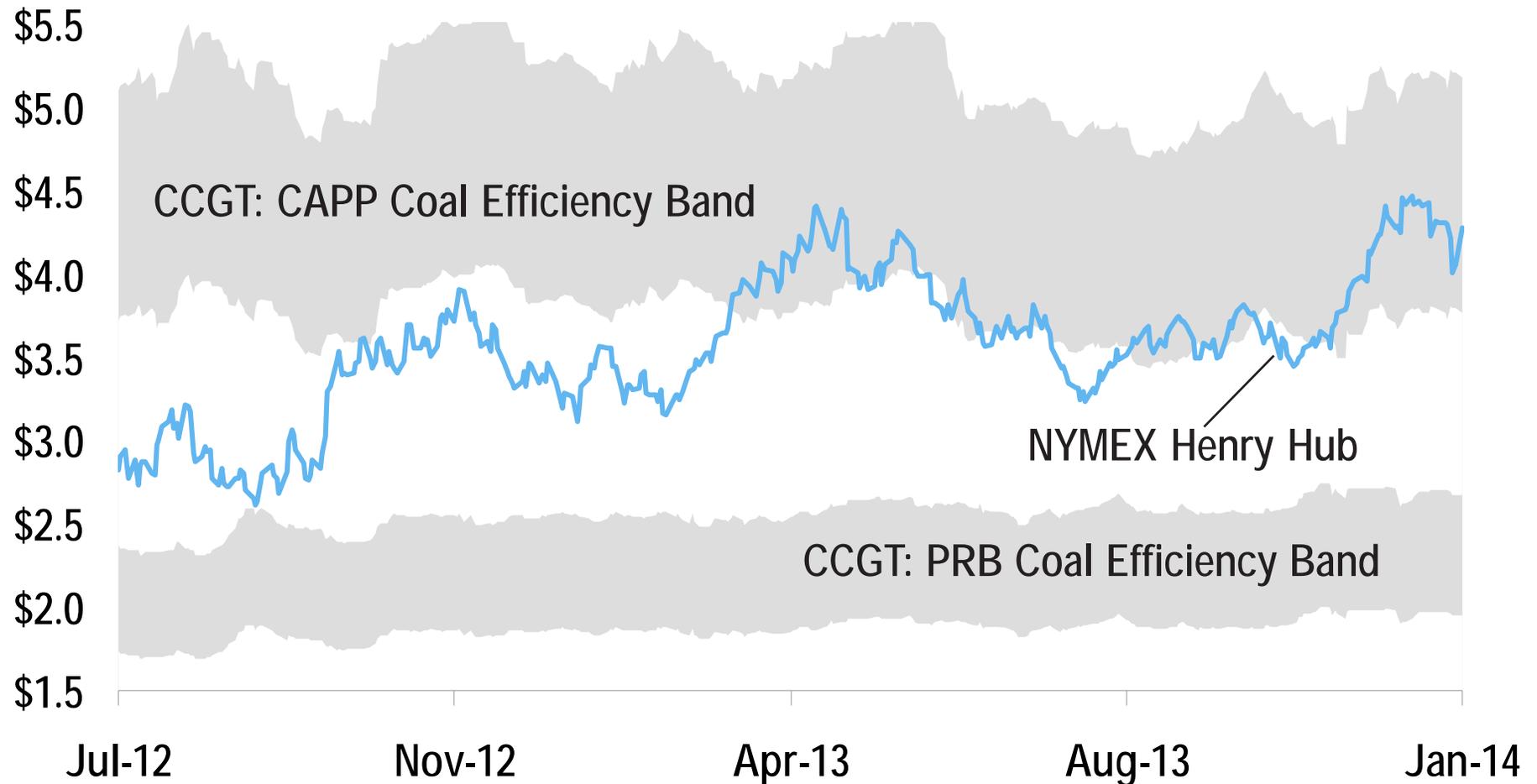
3. North American Natural Gas

Not Out of the Woods

Natural Gas Competes With CAPP Coal

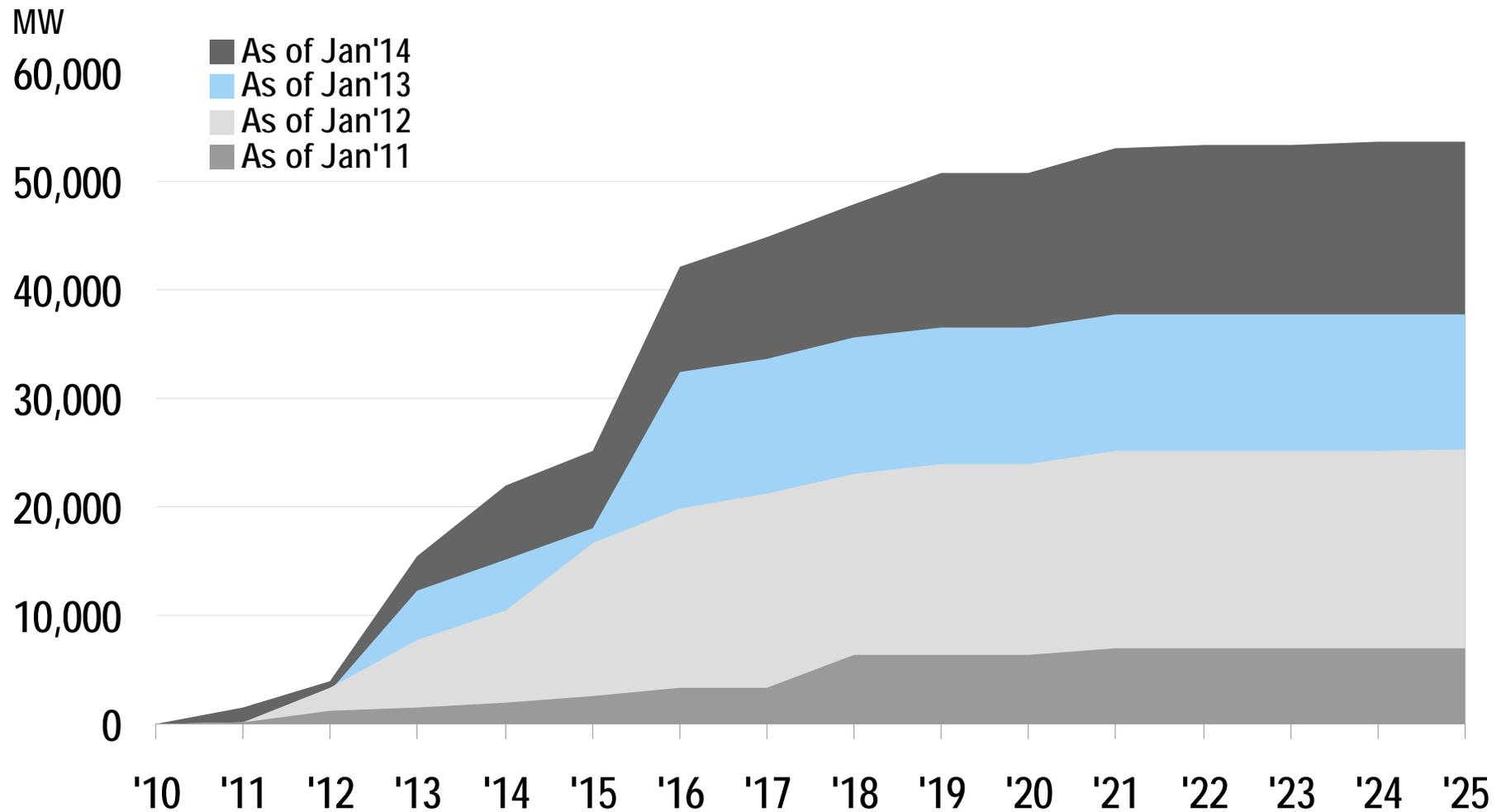
Competing Fuels - Past 12 Months

\$/MMBtu



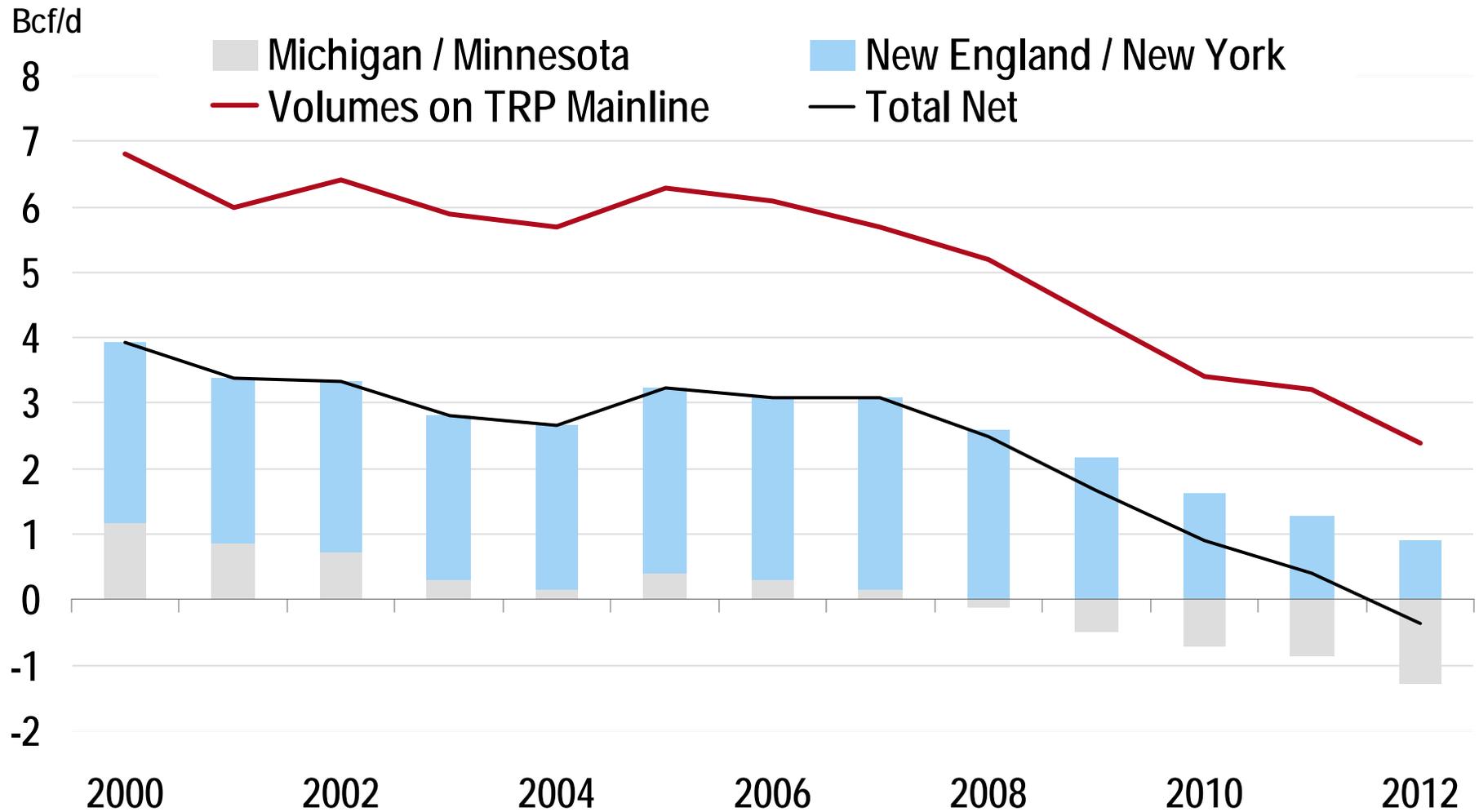
CIBC Commodities Strategy

Evolution of Coal Generation Retirement Schedule



CIBC Commodities Strategy, EIA, Company reports

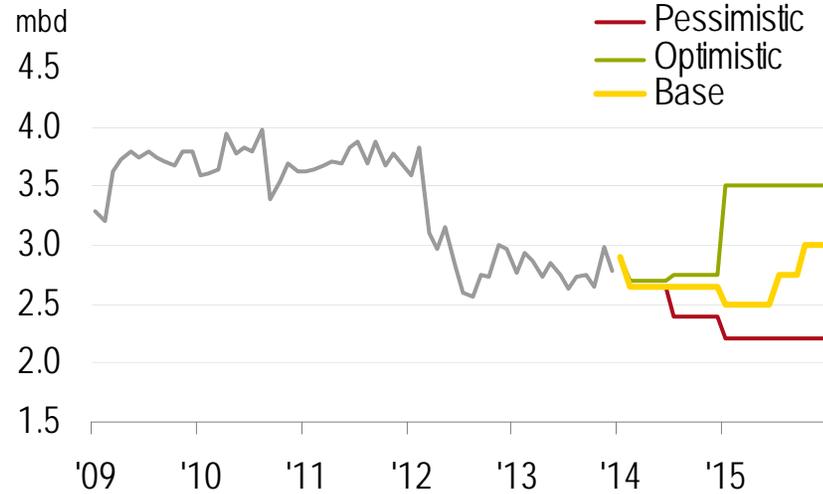
Net 'East of Mississippi' US Imports Of CAD Gas



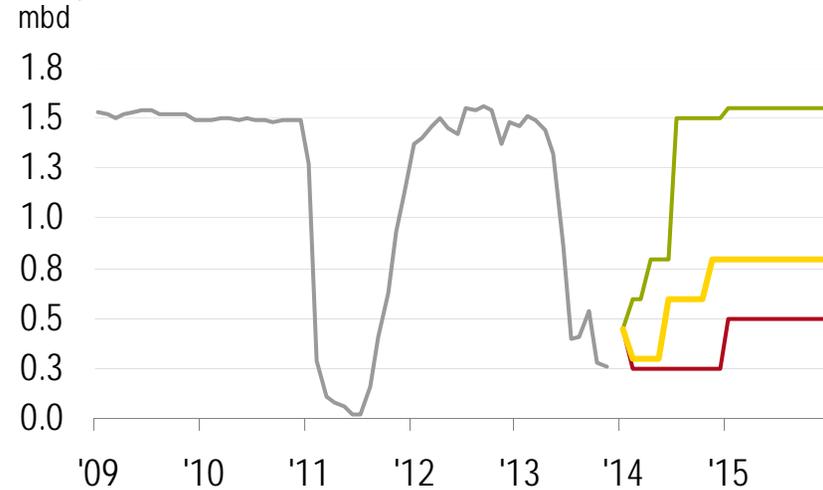
CIBC Commodities Strategy, EIA

Best, Base, Worse Case Supply Scenarios

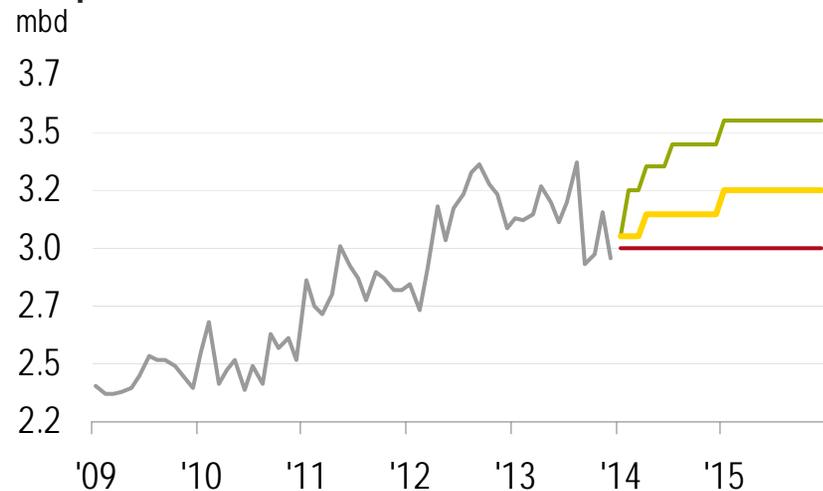
Iranian Crude Production



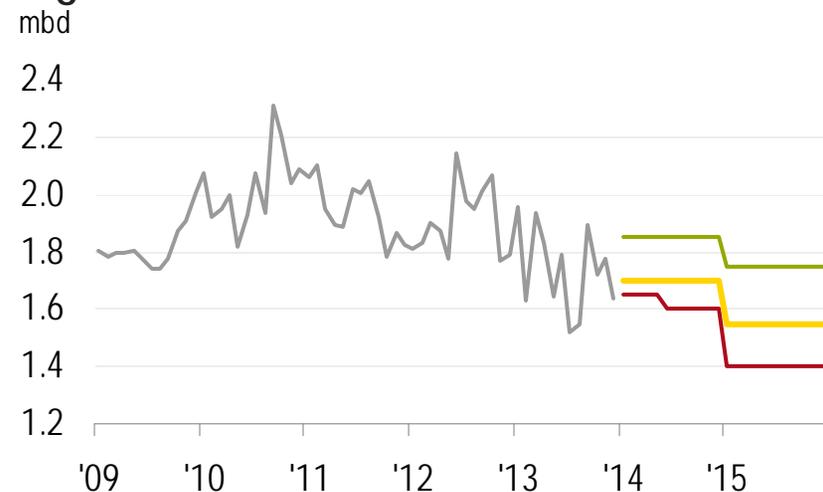
Libyan Crude Production



Iraqi Crude Production



Nigerian Crude Production



This communication, including any attachment(s), is confidential and has been prepared by the Macro Strategy Desk within the Fixed Income, Currencies and Commodities Group at CIBC World Markets Inc., wholly-owned subsidiary and wholesale banking arm of Canadian Imperial Bank of Commerce. The contents of this communication are based on macro and issuer-specific analysis, issuer news, market events and general institutional desk discussion. The author(s) of this communication is not a Research Analyst and this communication is not the product of any CIBC World Markets Inc. Research Department nor should it be construed as a Research Report. The author(s) of this communication is not a person or company with actual, implied or apparent authority to act on behalf of any issuer mentioned in the communication. The commentary and any attachments (other than any attached CIBC World Markets Inc. branded Research Reports) and opinions expressed herein are solely those of the individual author(s), except where the author expressly states them to be the opinions of CIBC World Markets Inc. The author(s) may provide short-term trading views or ideas on issuers, securities, commodities, currencies or other financial instruments but investors should not expect continuing analysis, views or discussion relating to the securities, securities, commodities, currencies or other financial instruments discussed herein. Any information provided herein is not intended to represent an adequate basis for investors to make an informed investment decision and is subject to change without notice. CIBC World Markets Inc. or its affiliates may engage in trading strategies or hold positions in the issuers, securities, commodities, currencies or other financial instruments discussed in this communication and may abandon such trading strategies or unwind such positions at any time without notice.

This communication, including any attachment(s), is confidential and has been prepared by the Macro Strategy Desk within the Fixed Income, Currencies and Commodities Group at CIBC World Markets Inc., wholly-owned subsidiary and wholesale banking arm of Canadian Imperial Bank of Commerce. The contents of this communication are based on macro and issuer-specific analysis, issuer news, market events and general institutional desk discussion. The author(s) of this communication is not a Research Analyst and this communication is not the product of any CIBC World Markets Inc. Research Department nor should it be construed as a Research Report. The author(s) of this communication is not a person or company with actual, implied or apparent authority to act on behalf of any issuer mentioned in the communication. The commentary and any attachments (other than any attached CIBC World Markets Inc. branded Research Reports) and opinions expressed herein are solely those of the individual author(s), except where the author expressly states them to be the opinions of CIBC World Markets Inc. The author(s) may provide short-term trading views or ideas on issuers, securities, commodities, currencies or other financial instruments but investors should not expect continuing analysis, views or discussion relating to the securities, securities, commodities, currencies or other financial instruments discussed herein. Any information provided herein is not intended to represent an adequate basis for investors to make an informed investment decision and is subject to change without notice. CIBC World Markets Inc. or its affiliates may engage in trading strategies or hold positions in the issuers, securities, commodities, currencies or other financial instruments discussed in this communication and may abandon such trading strategies or unwind such positions at any time without notice.

The contents of this message are tailored for particular client needs and accordingly, this message is intended for the specific recipient only. Any dissemination, re-distribution or other use of this message or the market commentary contained herein by any recipient is unauthorized. If you are not the intended recipient, please reply to this e-mail and delete this communication and any copies without forwarding them. The contents of this message are tailored for particular client needs and accordingly, this message is intended for the specific recipient only. Any dissemination, re-distribution or other use of this message or the market commentary contained herein by any recipient is unauthorized. If you are not the intended recipient, please reply to this e-mail and delete this communication and any copies without forwarding them.

Distribution in Hong Kong: This communication has been approved and is issued in Hong Kong by Canadian Imperial Bank of Commerce, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance (the "SFO") to "professional investors" as defined in clauses (a) to (h) of the definition thereof set out in Schedule 1 of the SFO. Any recipient in Hong Kong who has any questions or requires further information on any matter arising from or relating to this communication should contact Canadian Imperial Bank of Commerce, Hong Kong Branch at Suite 3602, Cheung Kong Centre, 2 Queen's Road Central, Hong Kong (telephone number: +852 2841 6111).

Distribution in Hong Kong: This communication has been approved and is issued in Hong Kong by Canadian Imperial Bank of Commerce, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance (the SFO) to professional investors as defined in clauses (a) to (h) of the definition thereof set out in Schedule 1 of the SFO. Any recipient in Hong Kong who has any questions or requires further information on any matter arising from or relating to this communication should contact Canadian Imperial Bank of Commerce, Hong Kong Branch at Suite 3602, Cheung Kong Centre, 2 Queen's Road Central, Hong Kong (telephone number: +852 2841 6111).

Distribution in Singapore: This communication is intended solely for distribution to accredited investors, expert investors and institutional investors (each, an "eligible recipients"). Eligible recipients should contact Danny Tan at Canadian Imperial Bank of Commerce, Singapore Branch at 16 Collyer Quay #04-02 Singapore 049318 (telephone number + 65-6423 3806) in respect of any matter arising from or in connection with this report.

Distribution in Singapore: This communication is intended solely for distribution to accredited investors, expert investors and institutional investors (each, an eligible recipients). Eligible recipients should contact Danny Tan at Canadian Imperial Bank of Commerce, Singapore Branch at 16 Collyer Quay #04-02 Singapore 049318 (telephone number + 65-6423 3806) in respect of any matter arising from or in connection with this report.