

# OIL

## Medium-Term Market Report 2014

Presentation  
at the  
New York  
Energy Forum

OIL

*30 June 2014*

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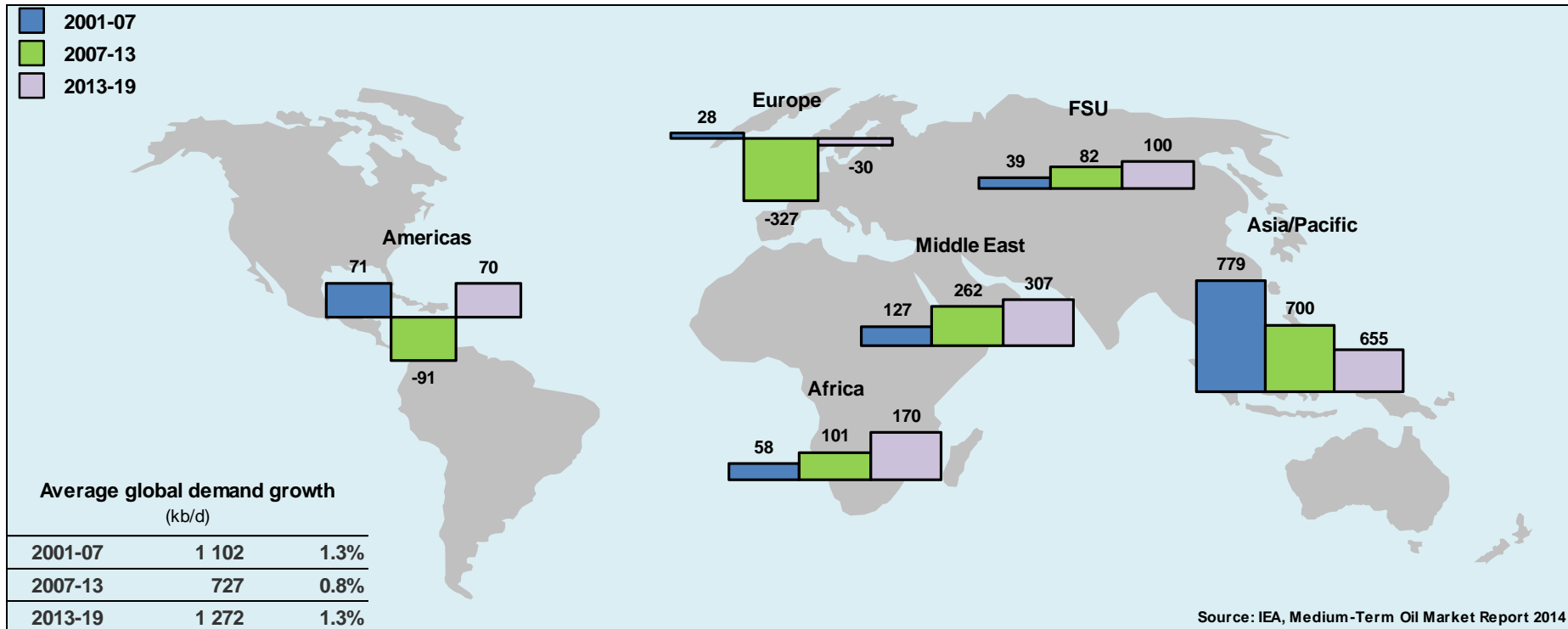
**Market Analysis and Forecasts to 2019**

# The oil market at a junction

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- *Balances loosen up on paper but must be seen in perspective*
- *The unconventional supply revolution enters a new stage - matures into an increasingly global phenomenon, not just a US success story*
- *Political and social change in the MENA raises OPEC supply risk, partly offsetting the impact of higher non-OPEC supply*
- *The economic recovery buoys demand, but the dynamics of demand growth undergo a structural shift - efficiency gains and fuel switching increasingly balance income and population impacts*
- *Asia is by far the largest magnet for global crude exports as North America grows into a net oil exporter*
- *The refining industry faces a new round of restructuring and a potential glut of light products*

# Oil demand nears 100 mb/d by 2019, but peak oil demand growth is in sight

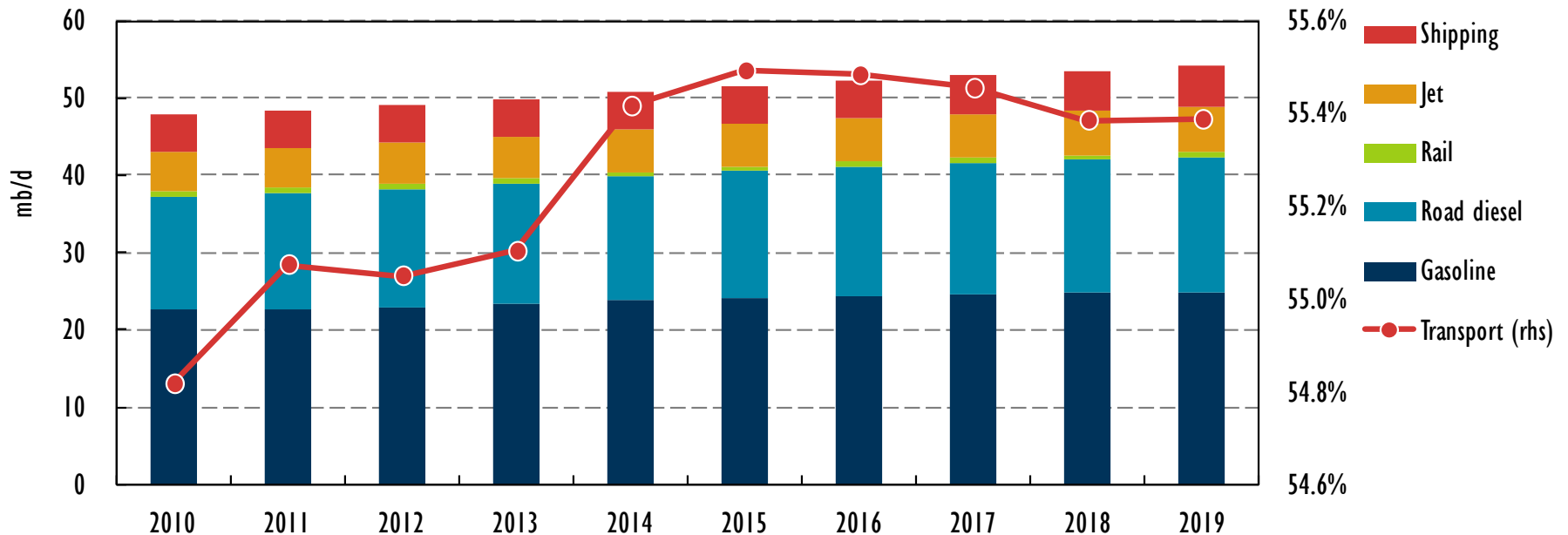


This map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

- Average 1.3%/yr growth on improving macroeconomic backdrop
- Growth gains momentum in some regions
- Overall growth slows on fuel switching and efficiency gains

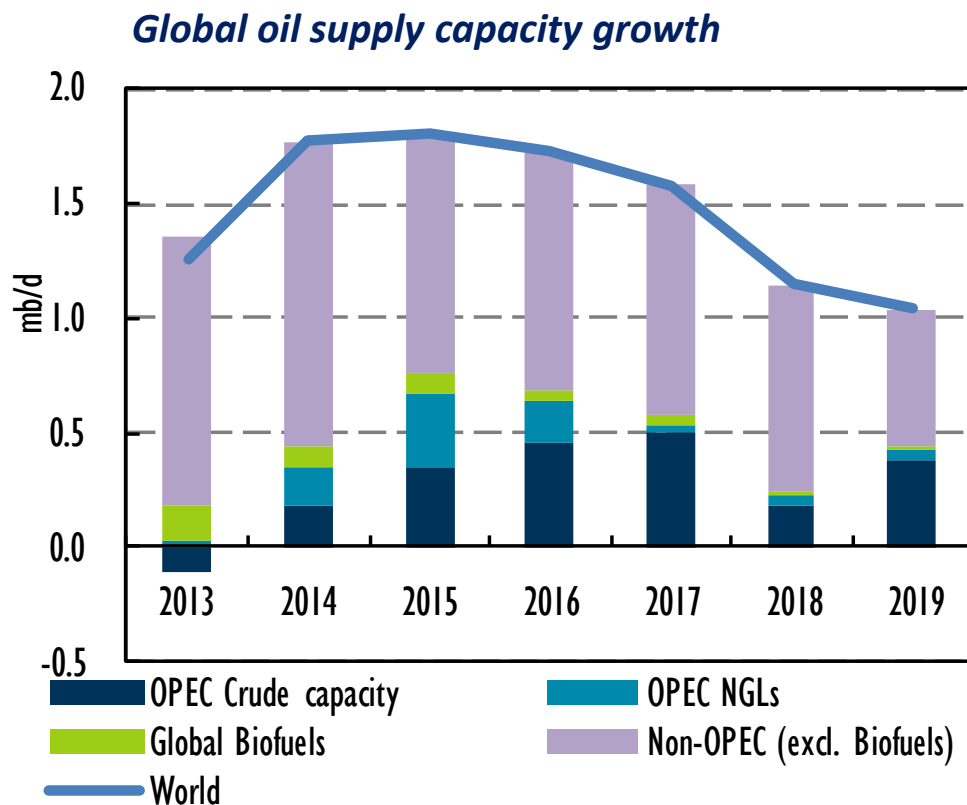
# Oil's place in the energy mix is changing

*Relative share of transport use is global oil demand*



- With a few exceptions, oil is being pushed out of the power generation and residential sectors
- More than 5 ½ in every 10 barrels of oil are used for transport, including 4 for road transport
- Non-energy use of oil – petrochemicals – rising steeply

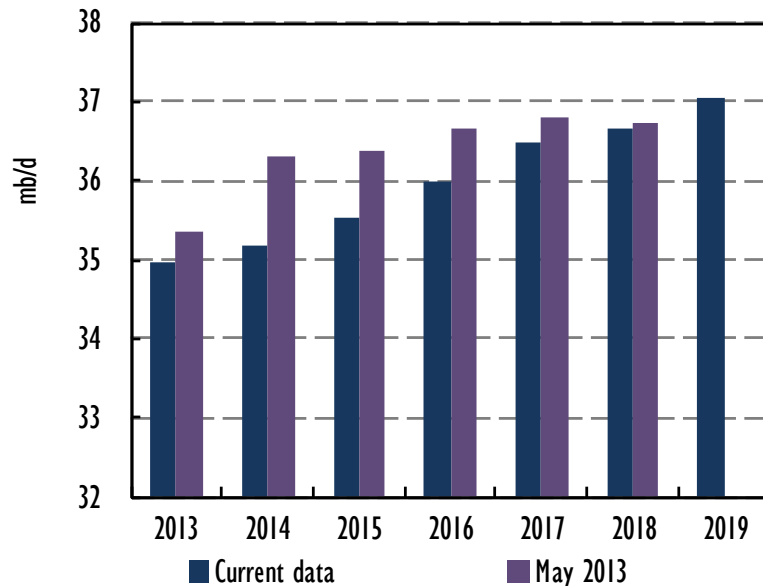
# Oil supply growth is bifurcated - robust in non-OPEC, facing headwinds in OPEC



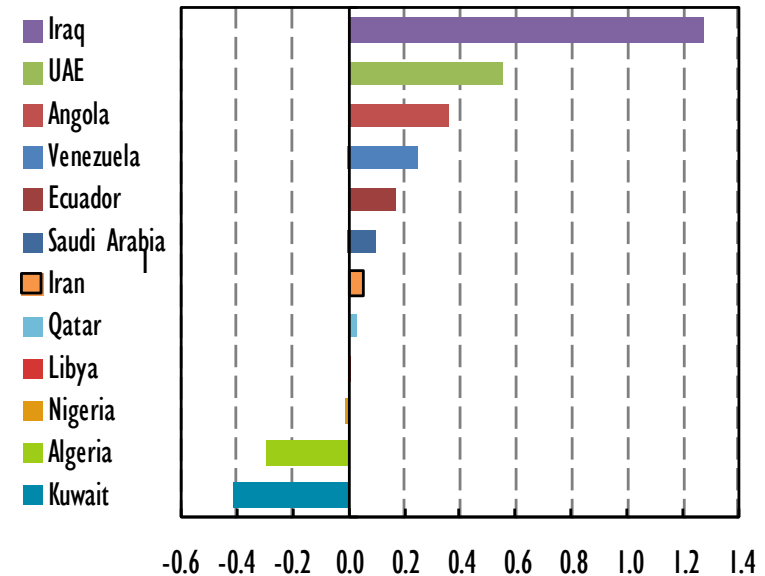
- Total oil supply capacity grows by 9 mb/d to 105 mb/d
- Exceptionally strong non-OPEC growth, but slowing later in the forecast period

# MENA turmoil, weak investment climate weigh on OPEC capacity growth

*OPEC crude production capacity*



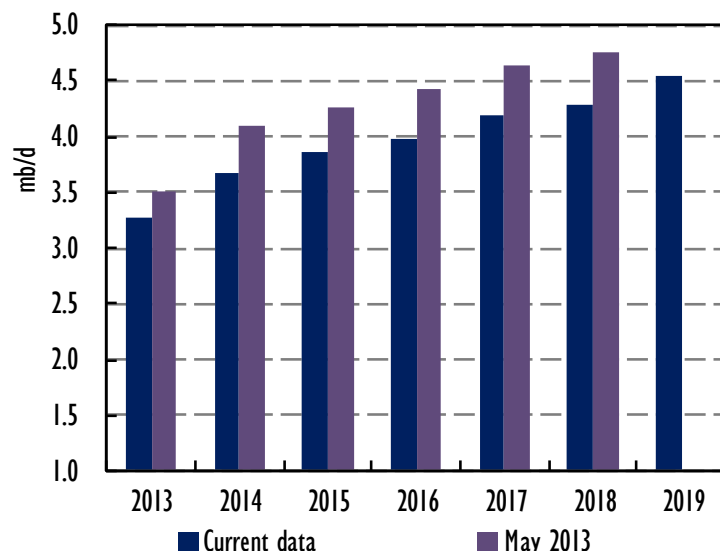
*Incremental OPEC crude production capacity 2013-19 (mb/d)*



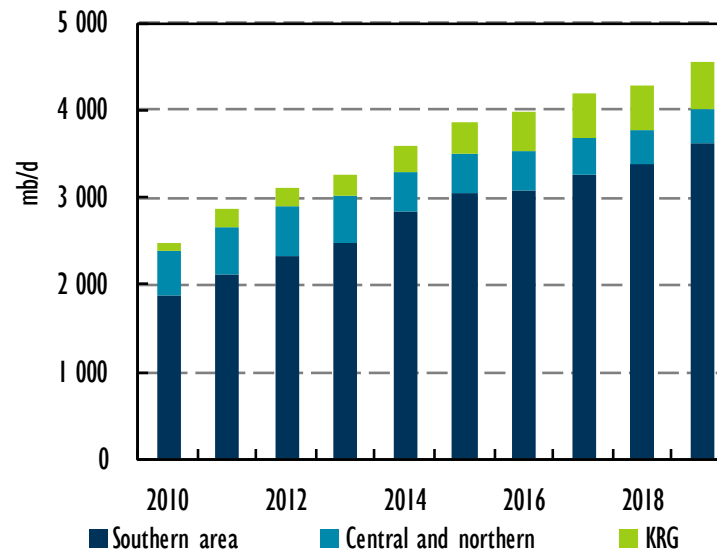
- OPEC capacity seen growing by 2.1 mb/d to 37.1 mb/d in 2019
- Iraq to supply 60% of growth
- Worsening political stability and security issues add major downside risk in Iraq, Libya, others

# Iraq faces multi-pronged challenges in pursuit of targets

*Iraq crude production capacity growth*



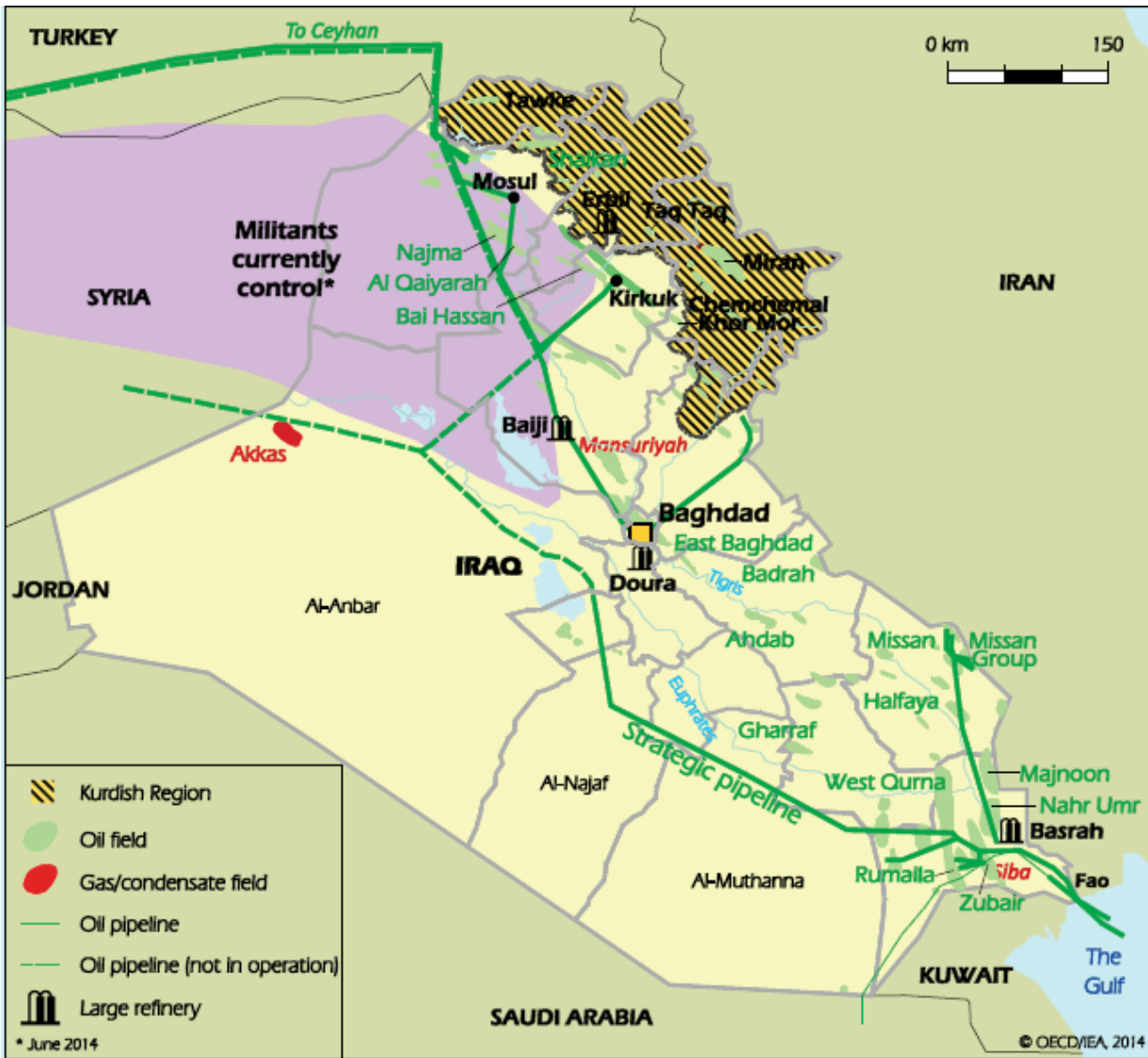
*Iraq crude oil production by region*



- Iraq capacity seen rising by 40% or 1.3 mb/d to 4.5 mb/d by 2019
- Rising sectarian strife raises downside risks but there are other problems too
- Weak institutions have led to delays in contract awards for infrastructure plans that anchor projects

# Iraq oil infrastructure

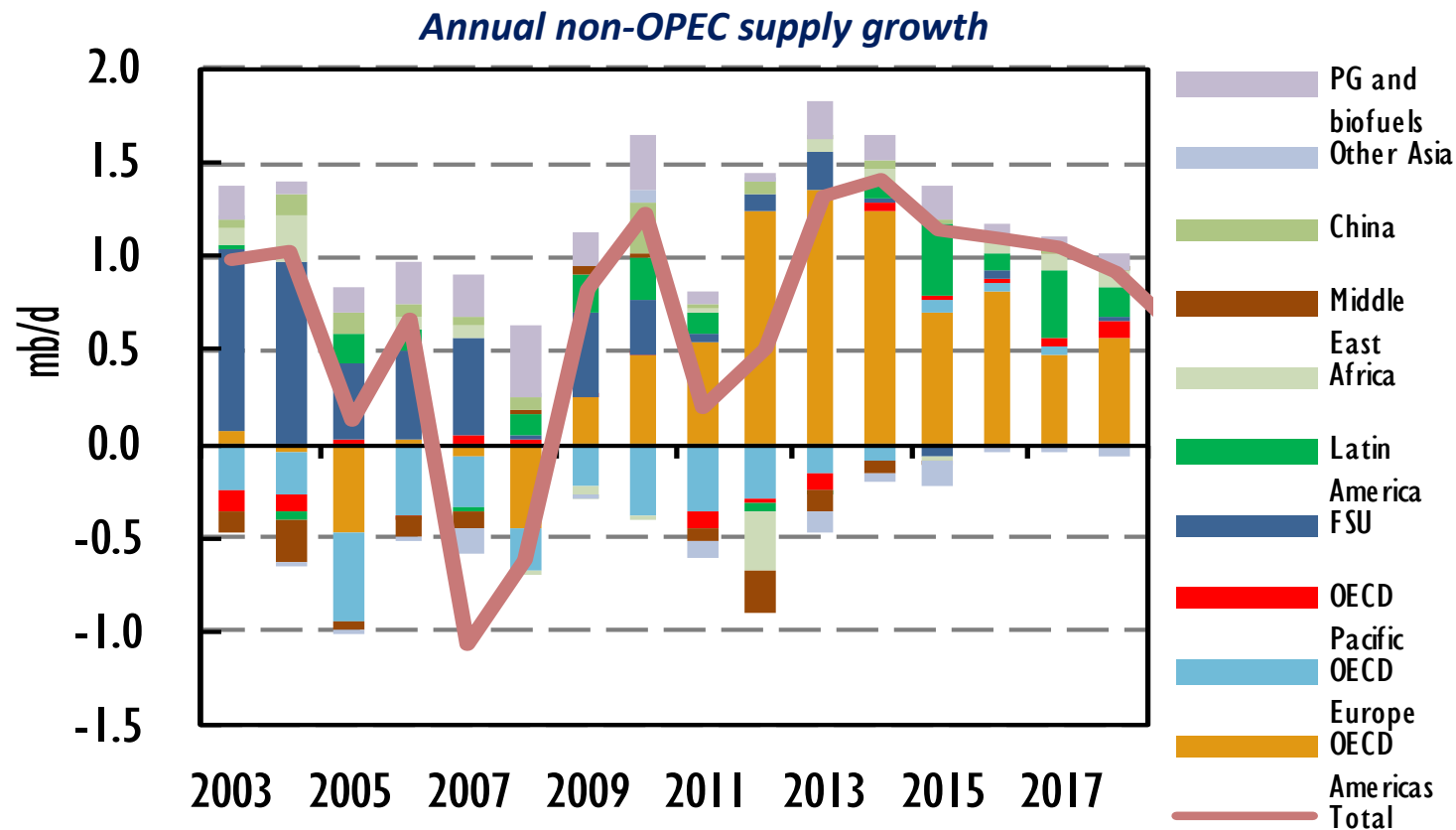
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# The unconventional revolution comes of age

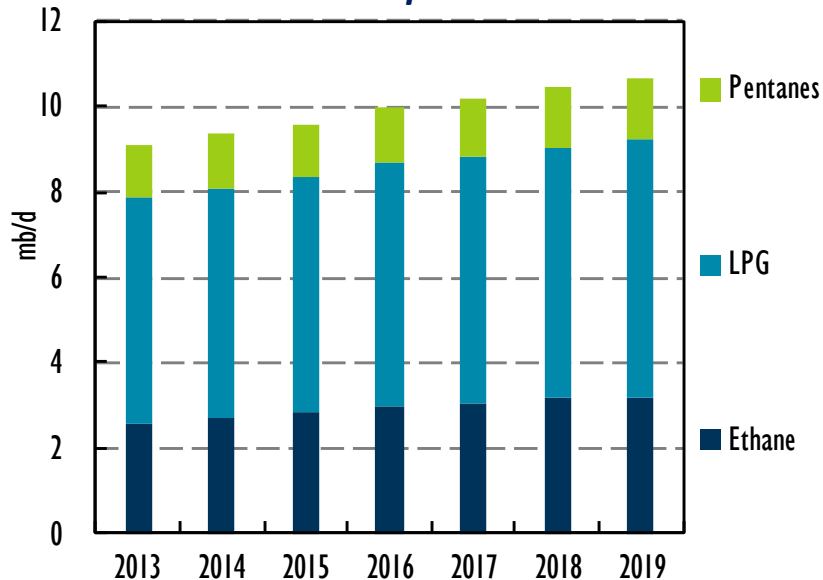
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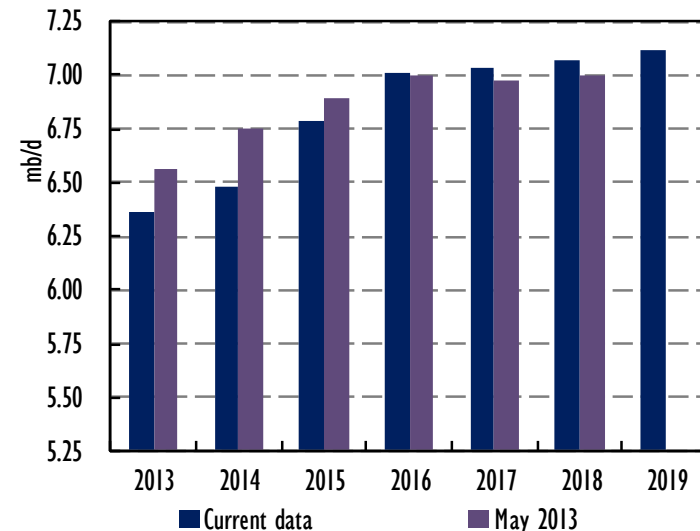
- N. America continues to lead non-OECD supply growth
- But growth slows in N. America and diversifies later in the period

# NGLs, field condensate account for growing share of global supply

World NGLs production



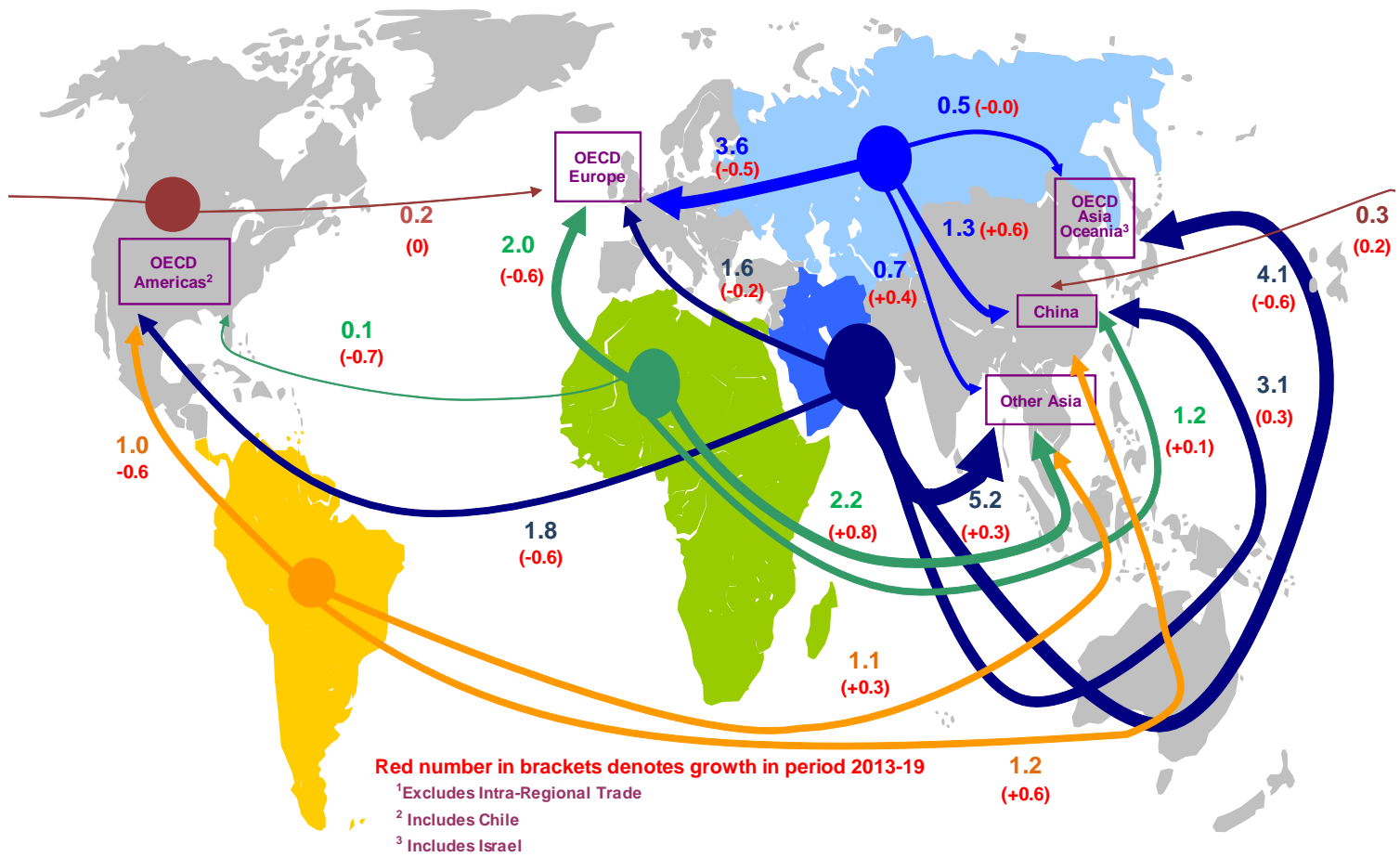
OPEC NGLs production



- NGL capacity grows jumps 18% to 10.7 mb/d in 2019
- OPEC NGLs rise by 13% to 7.12 mb/d, fuelled by quest for natural gas for utilities, water desalination and industry
- Iran accounts for ~40% of OPEC NGL growth, followed by Libya, Saudi Arabia, UAE and Qatar

# In crude trade, all roads lead to Asia

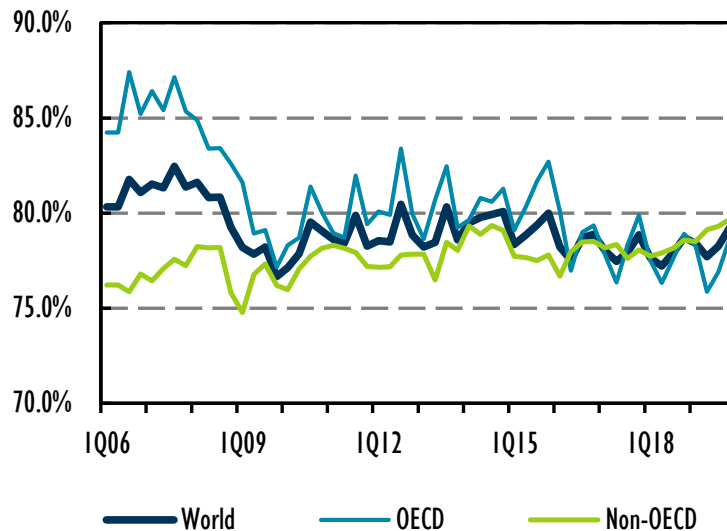
**Crude Exports in 2019 and Growth in 2013-19 for Key Trade Routes<sup>1</sup>**  
(million barrels per day)



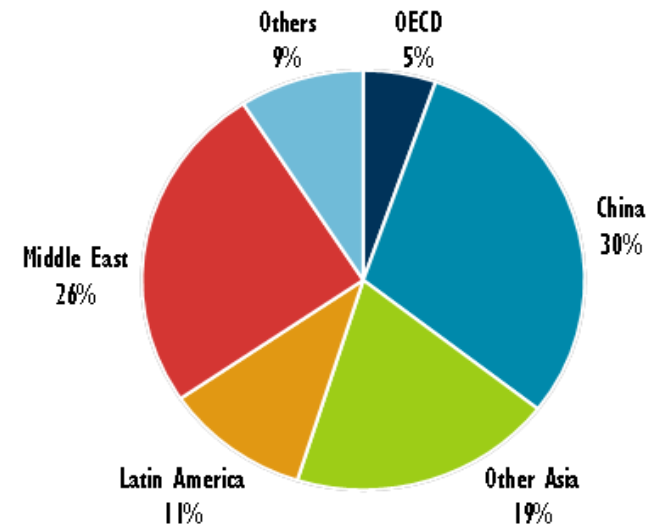
**Asia imports surge 16% to more than 22 mb – 65% of the int'l crude market – as N. America swings to net oil exporter**

# Refinery capacity growth sets stage for new round of consolidation

*Refinery utilization rates*



*CDU Expansions 2013-2019 by Region*



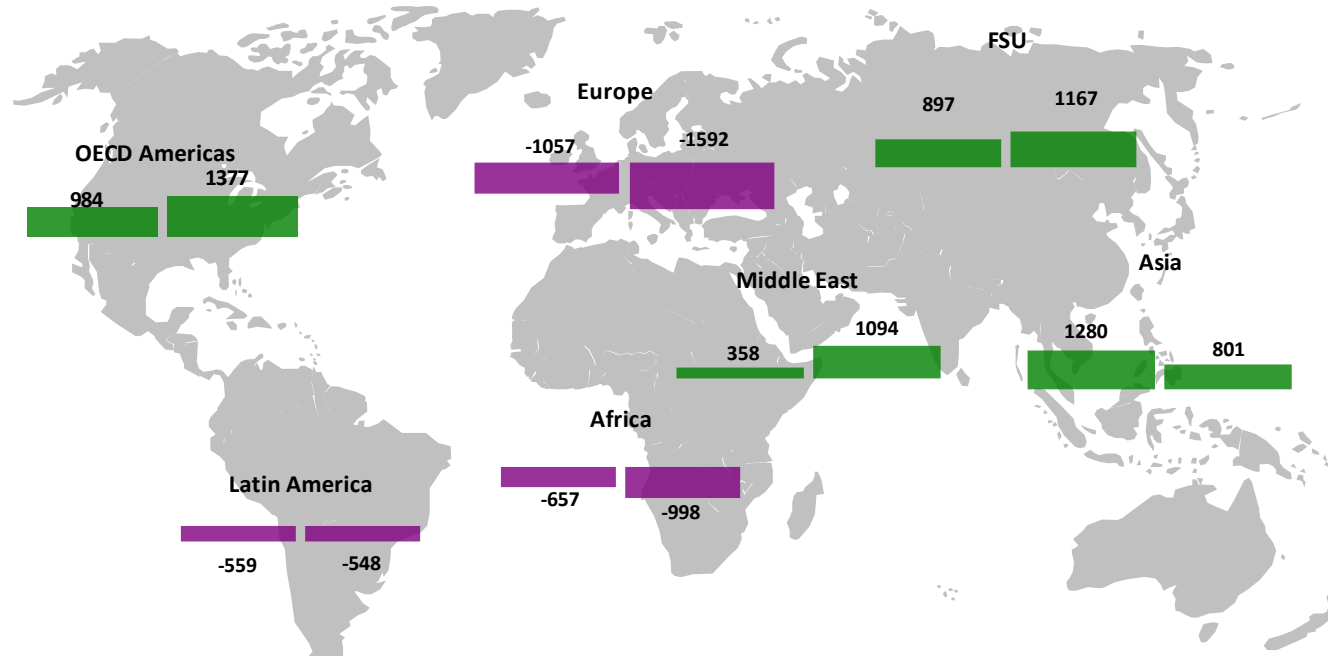
- Almost all growth come from non-OECD, including half from Asia
- Plans are getting scaled back in the face of rising over-capacity
- To bring utilization rates up to levels of 2006-2008 (when margins were good), nearly 5 mb/d of capacity would have to be eliminated through plant closures, delays or cancellations

# Europe faces growing import dependence for middle distillates...

## Product Supply Balances - Gasoil/Kerosene

### Regional Balances in 2013 and 2019<sup>1</sup>

Thousand barrels per day



Refinery production and supplies from other sources vs. end-user demand. Regional total does not add to zero due to feedstock trade and differences in product classifications.

1. Positive number indicates net-export potential, negative number net-import requirement

- Europe's middle distillate deficit balloons to 1.6 mb/d by 2019
- Increased supplies coming from Middle East, N. America, Russia

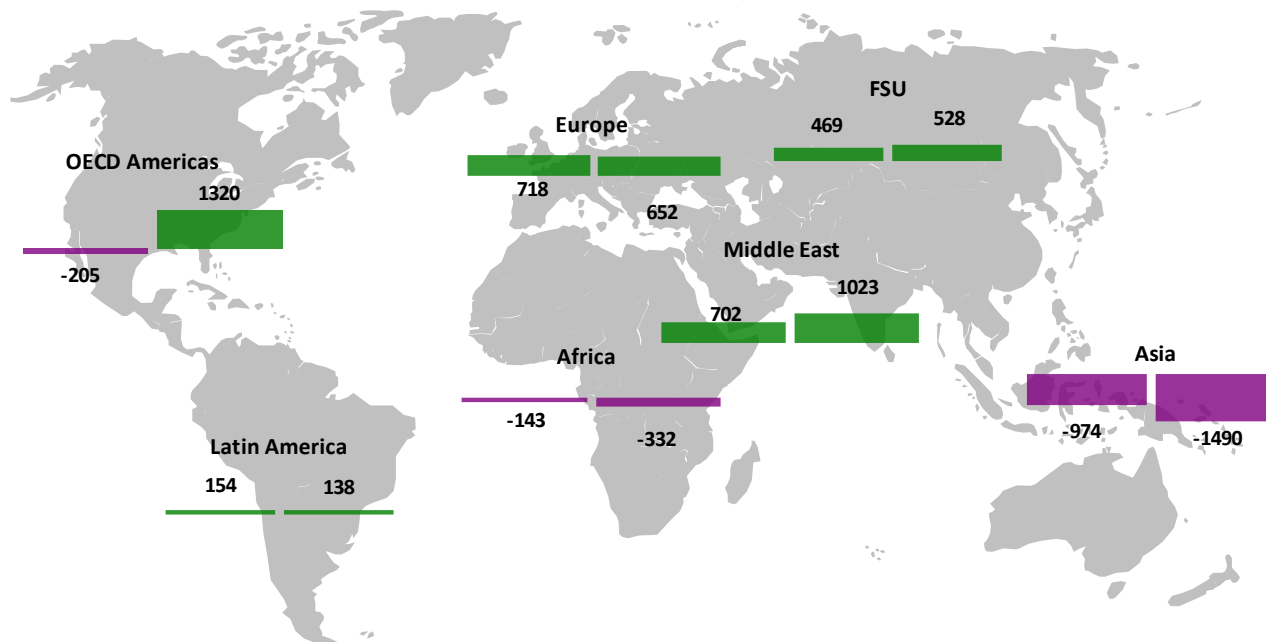
# ...while North America faces a gasoline glut

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## Product Supply Balances - Gasoline/Naphtha

Regional Balances in 2013 and 2019<sup>1</sup>

Thousand barrels per day



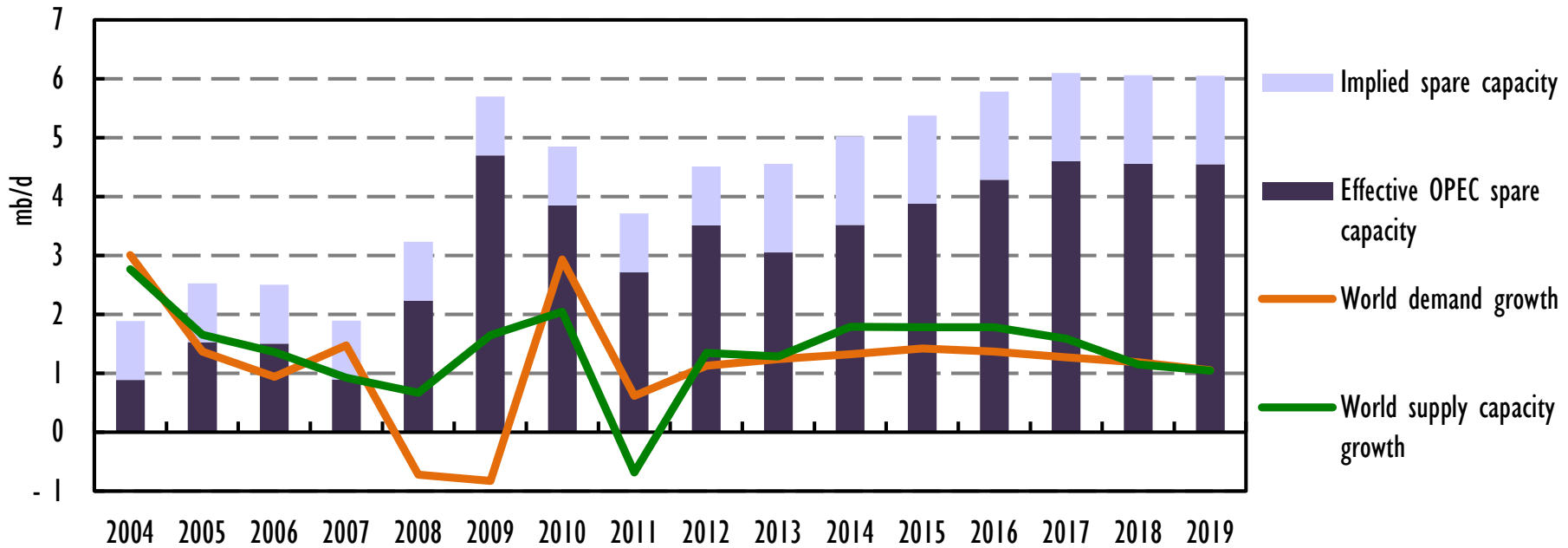
Refinery Production and supplies from other sources vs. end-user demand. regional total do not add to zero due to feedstock trade and differences in product classifications.

Positive number indicates net-export potential, negative number indicate net-import requirement

- North America faces excess light distillate supply of 1.3 mb/d in 2019 – a by-product in search of outlets

# On paper, oil market balance eases, but risks and challenges abound

Medium-term oil market balance



■ Nominal spare OPEC capacity to rise from 2013

■ But high risk remains