

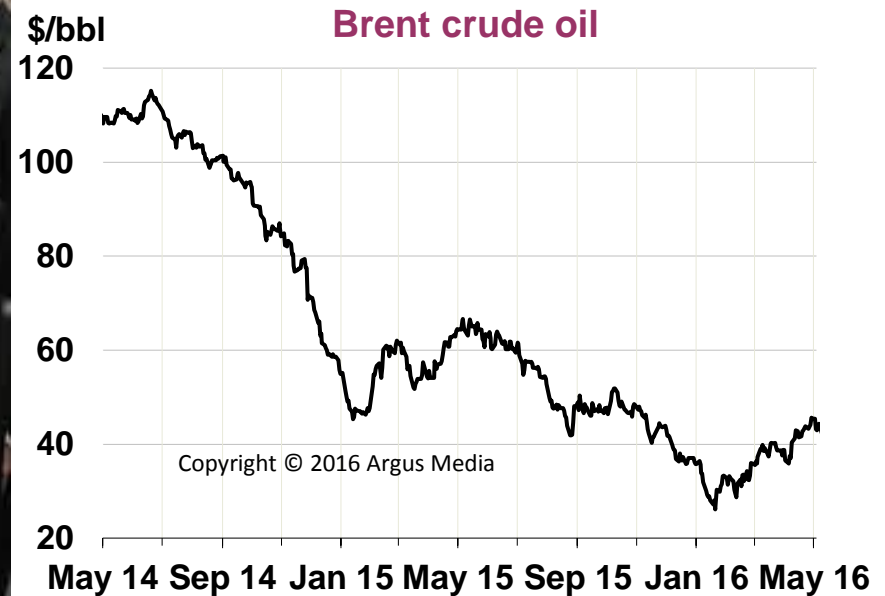


**International
Energy Agency**
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Short and Medium-Term Oil Market Outlook

13th Shanghai Derivatives Market Forum - 25 May 2016

Oil world changed on Nov. 27th 2014

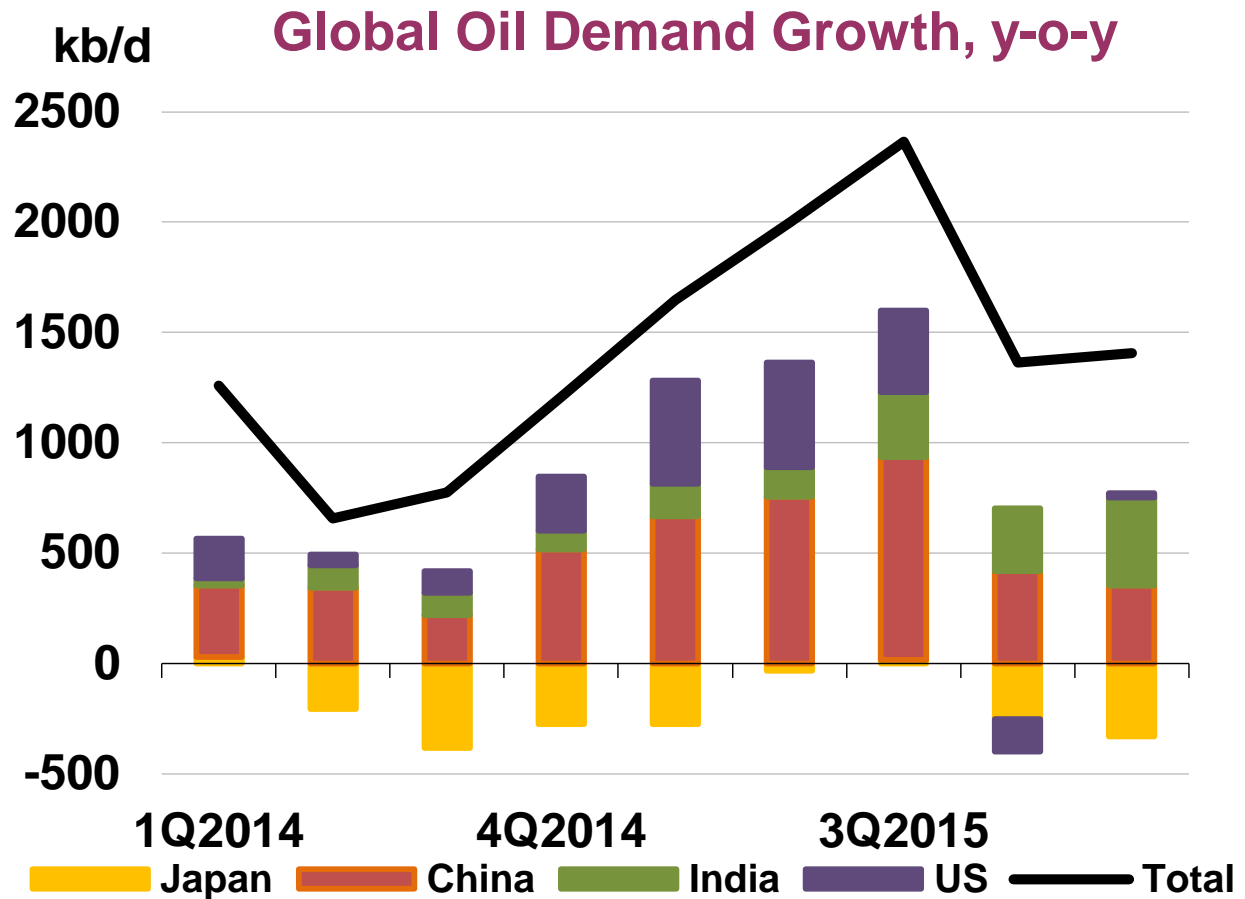


- OPEC doesn't cut production to support prices. "The market will find the price."
- Brent falls from \$80/bbl to \$70/bbl.
- At Dec. 4th 2015 meeting OPEC removes production quotas & price falls from \$43/bbl to \$27/bbl.

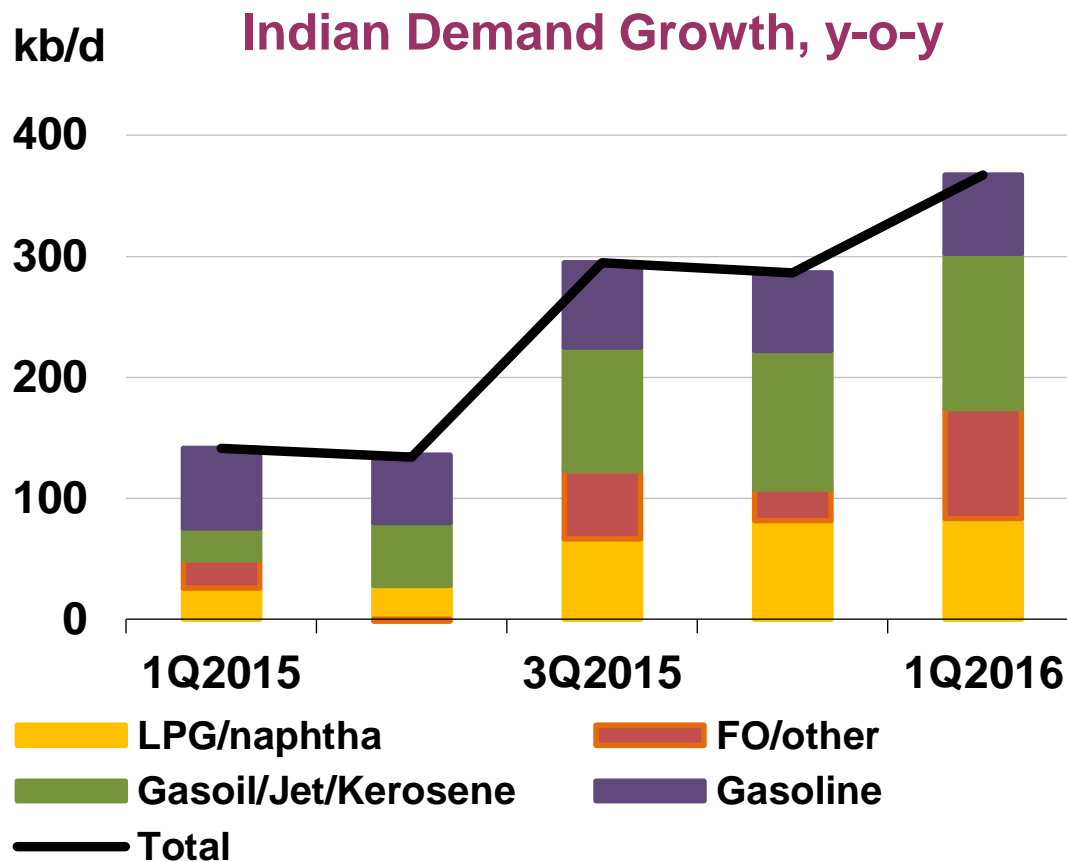
Where are we now?

- Demand growth is solid
 - China's growth rate slows
 - India's growth rate picks up
- Global supply growth falling away
 - OPEC & non-OPEC growth down
 - Non-OPEC falls sharply led by US
 - Iran is stand-out country
- Market getting close to balance
- Prices reach 4-month high
- Looking further ahead

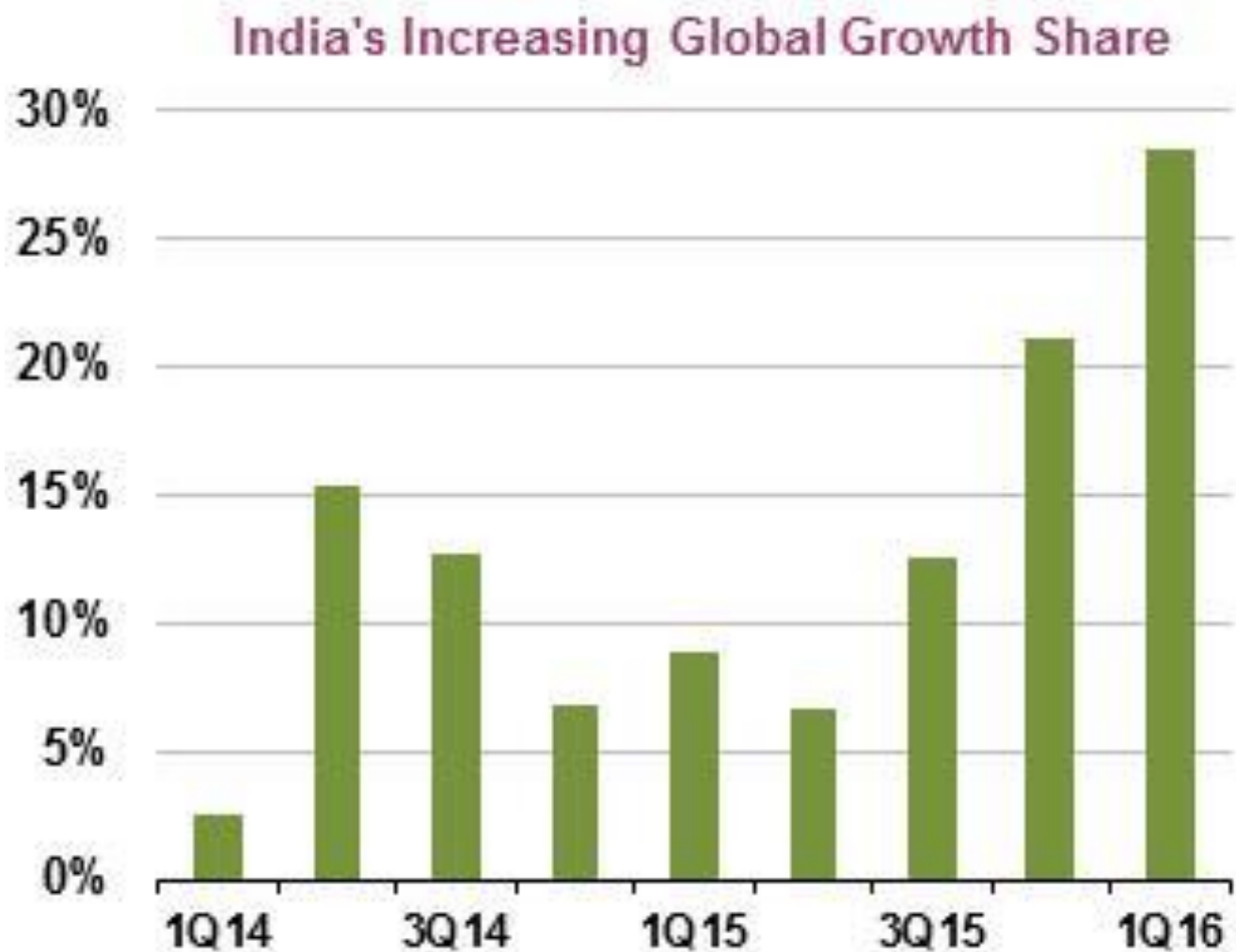
Demand growth revised upwards in 1Q16



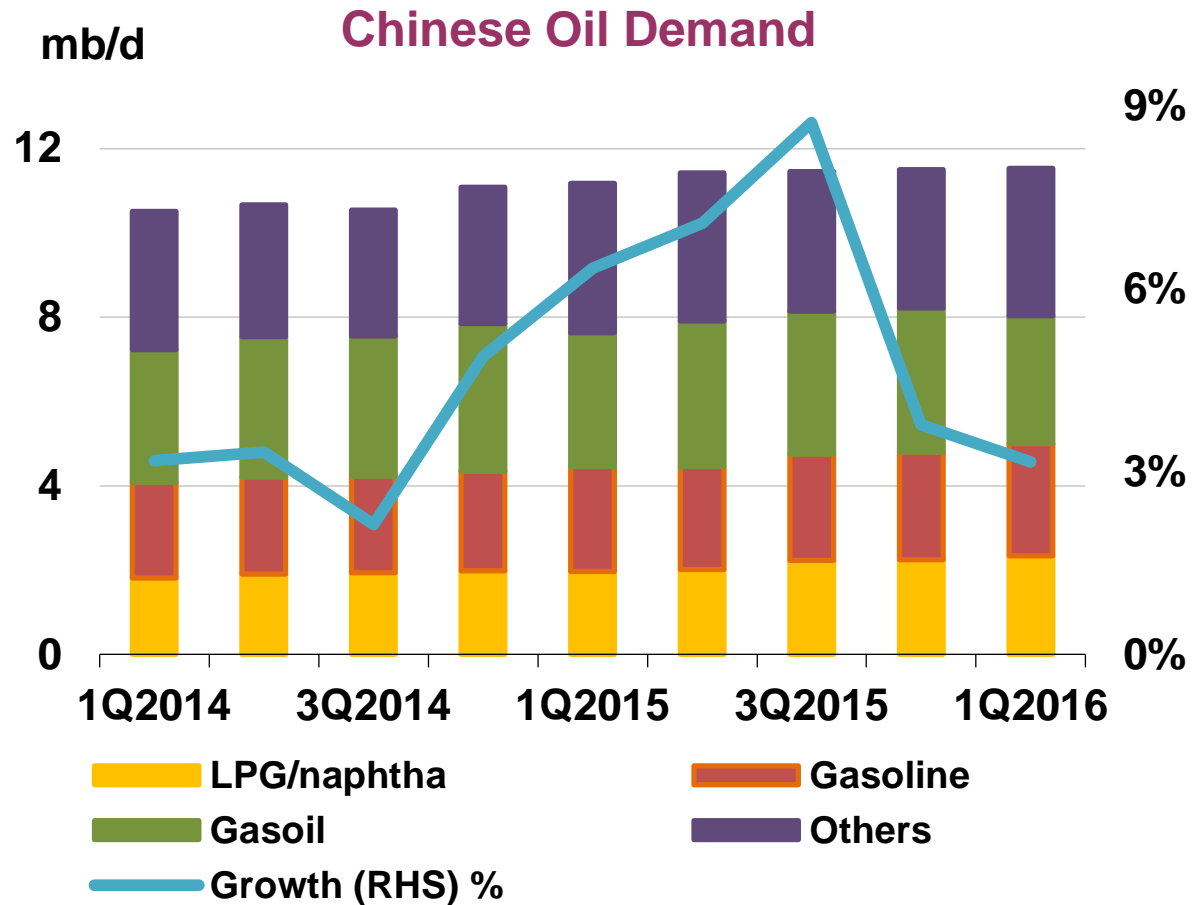
Indian demand races ahead



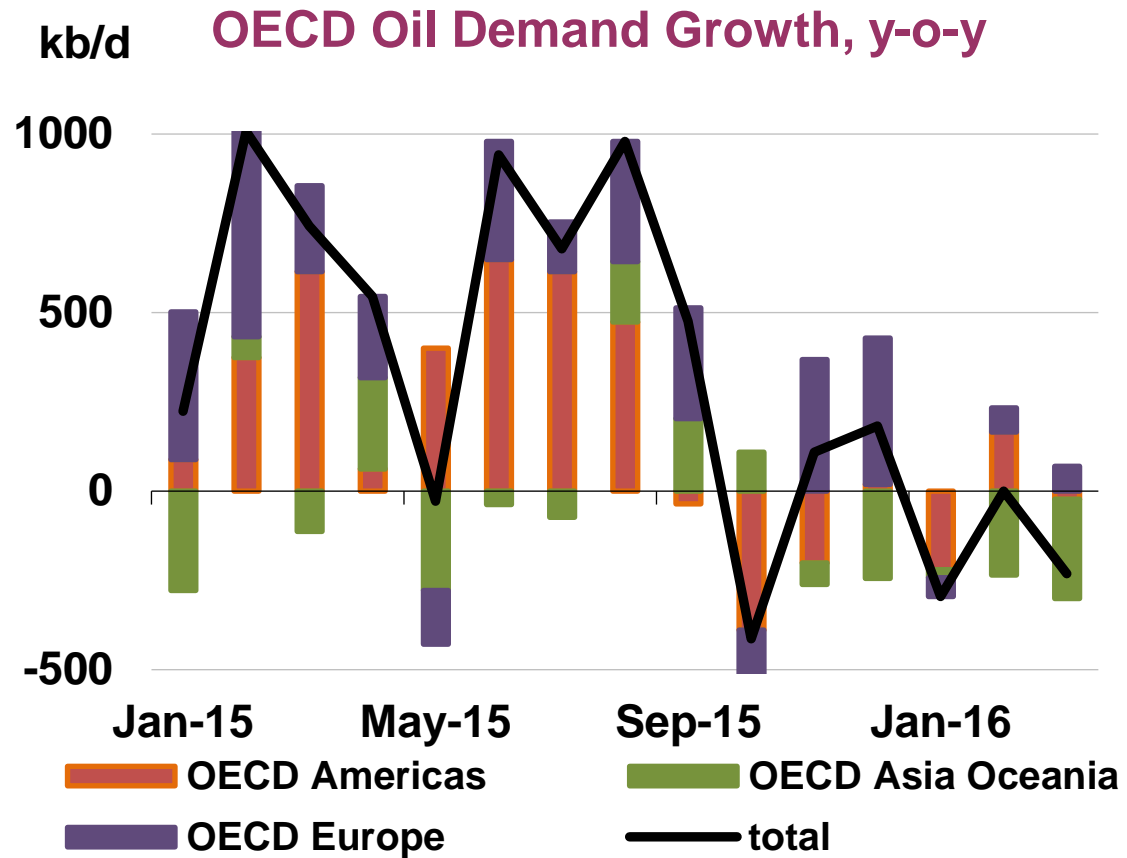
India takes the lead in oil demand growth



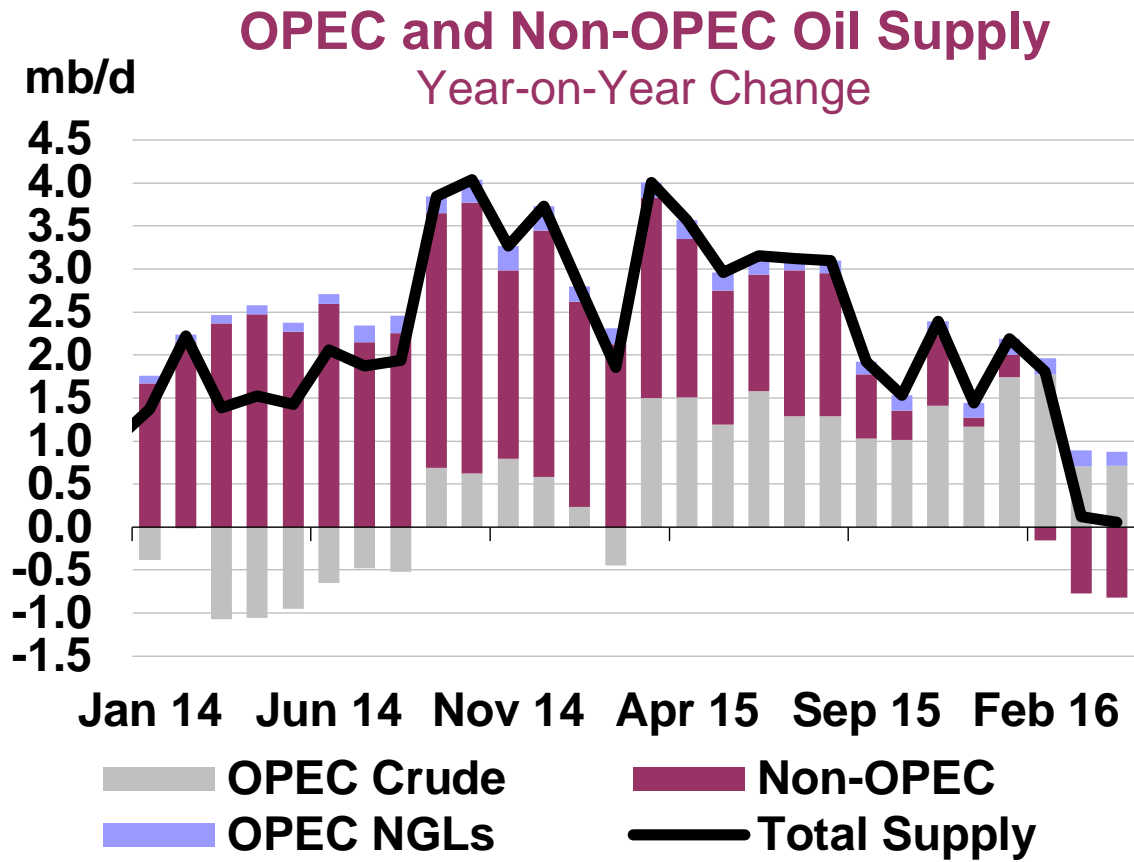
China – slowing growth but still strong



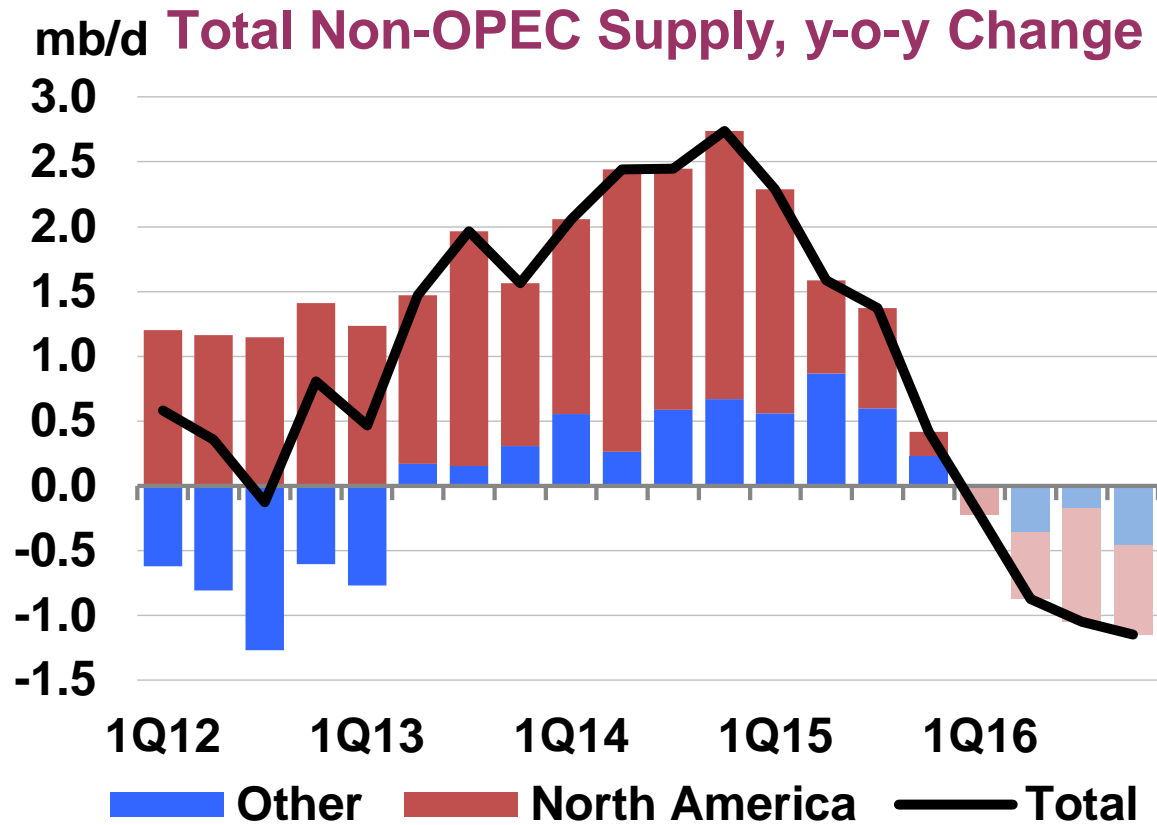
OECD momentum evaporates



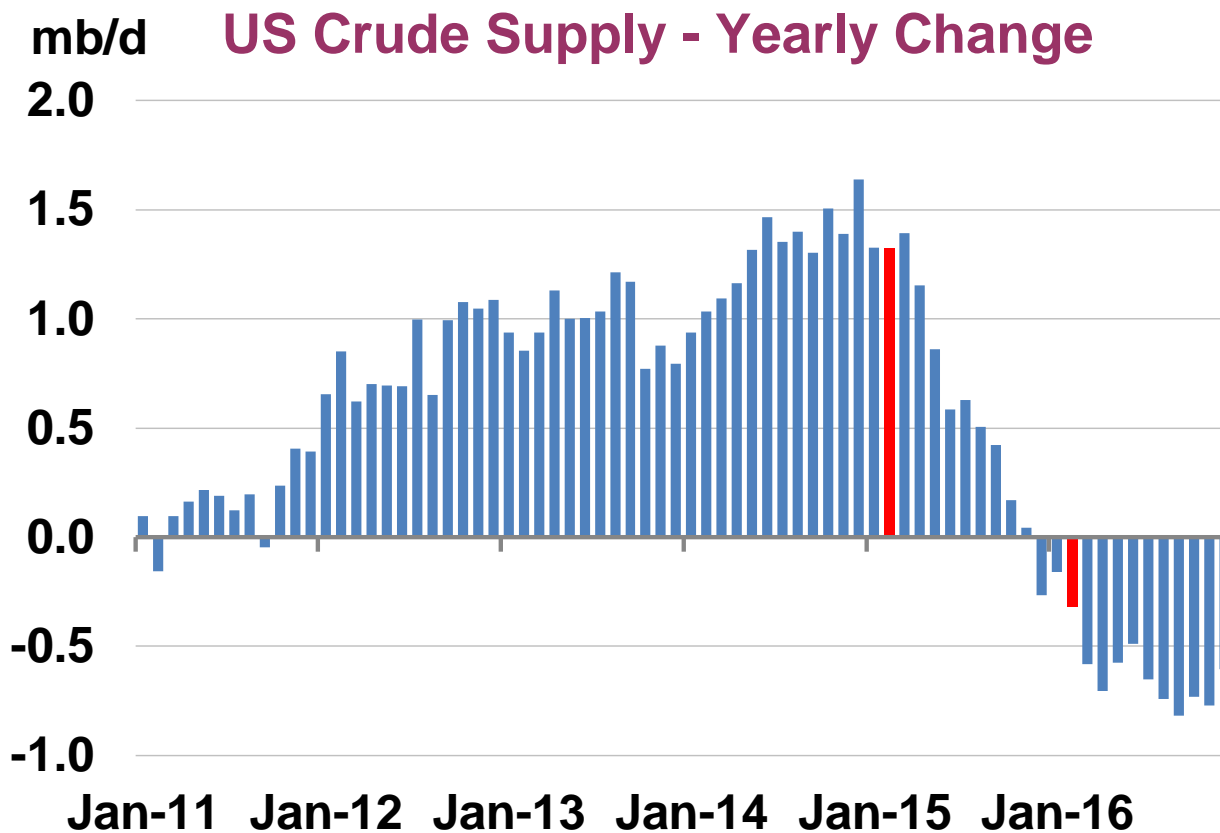
Outages & low prices take toll on supply



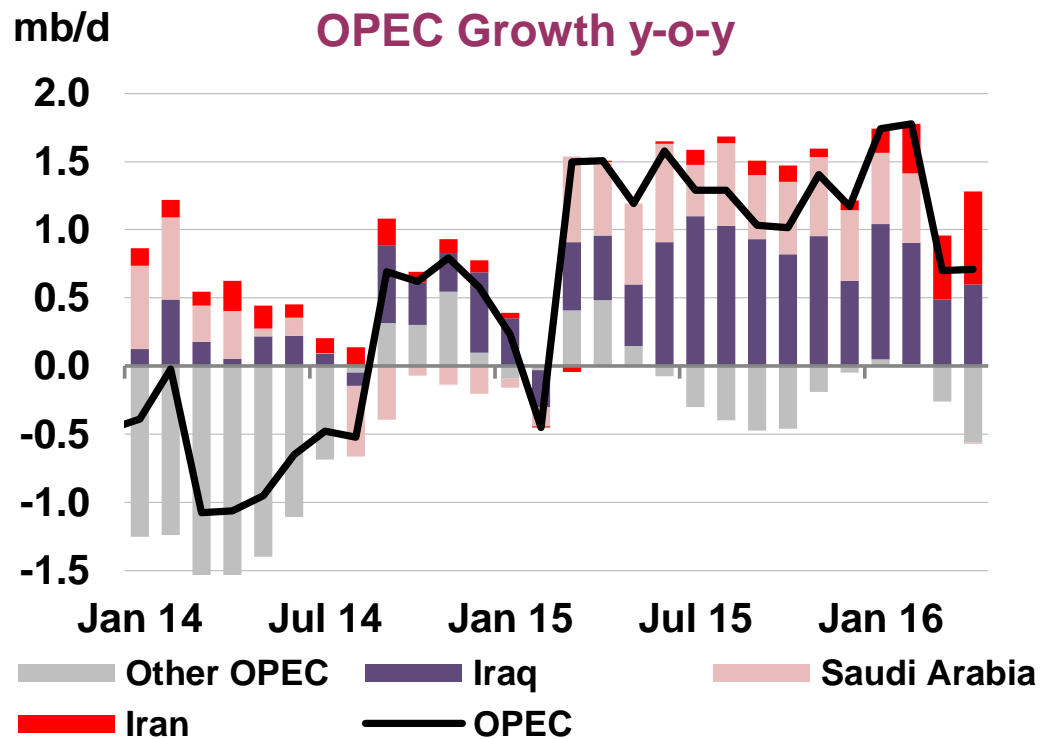
Non-OPEC supply falling fast



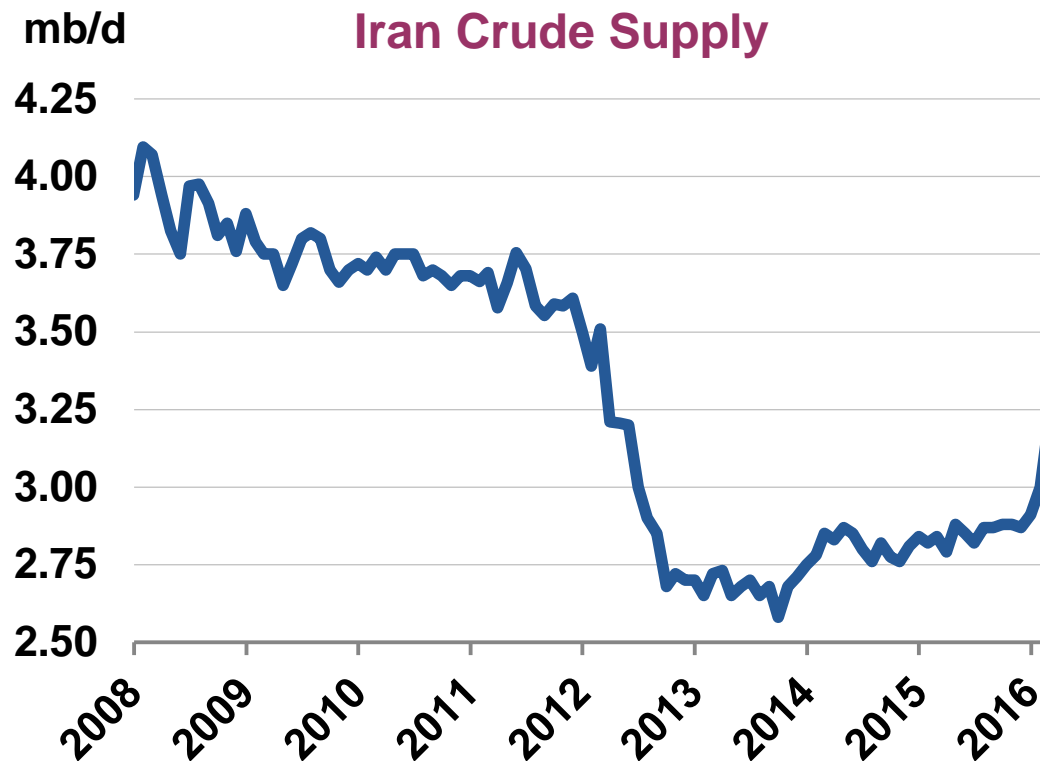
US supply growth vanishes



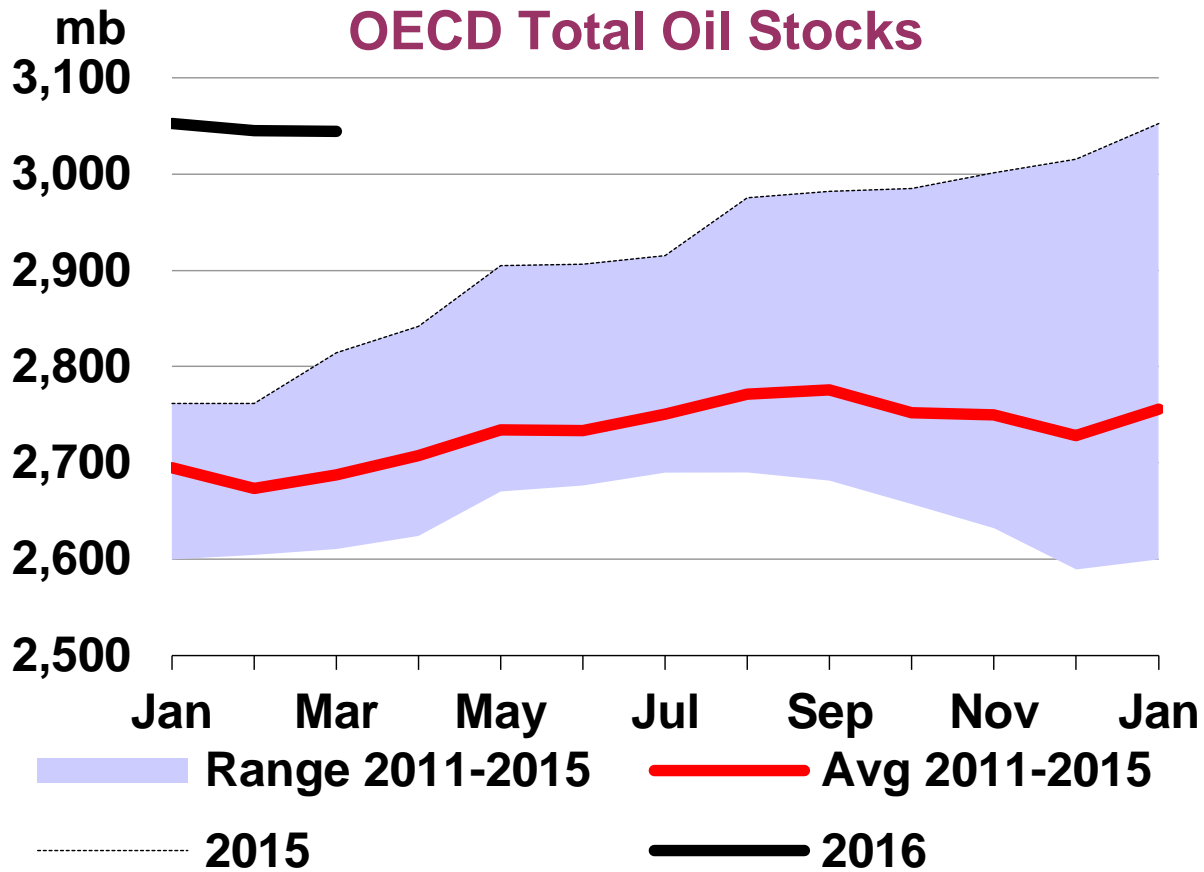
OPEC pumps at robust rate



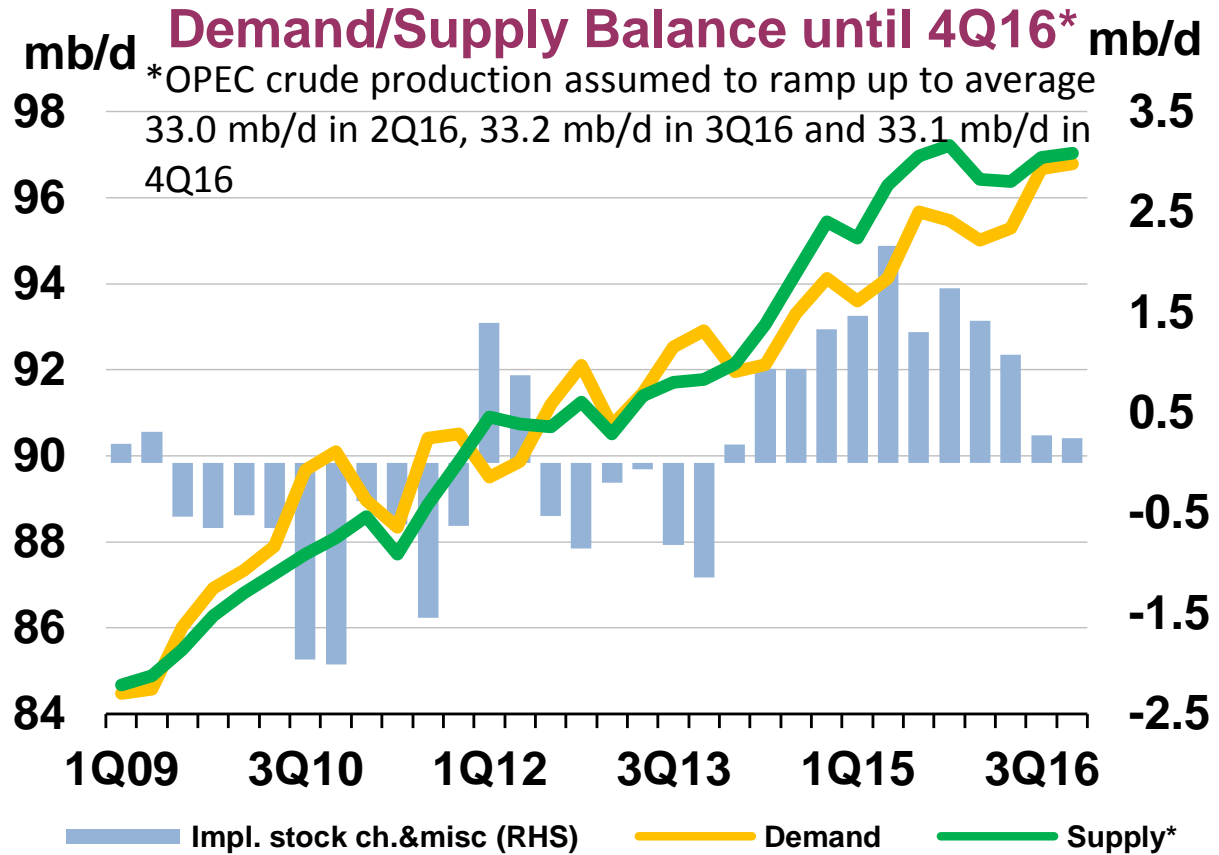
Iran only major growth in OPEC



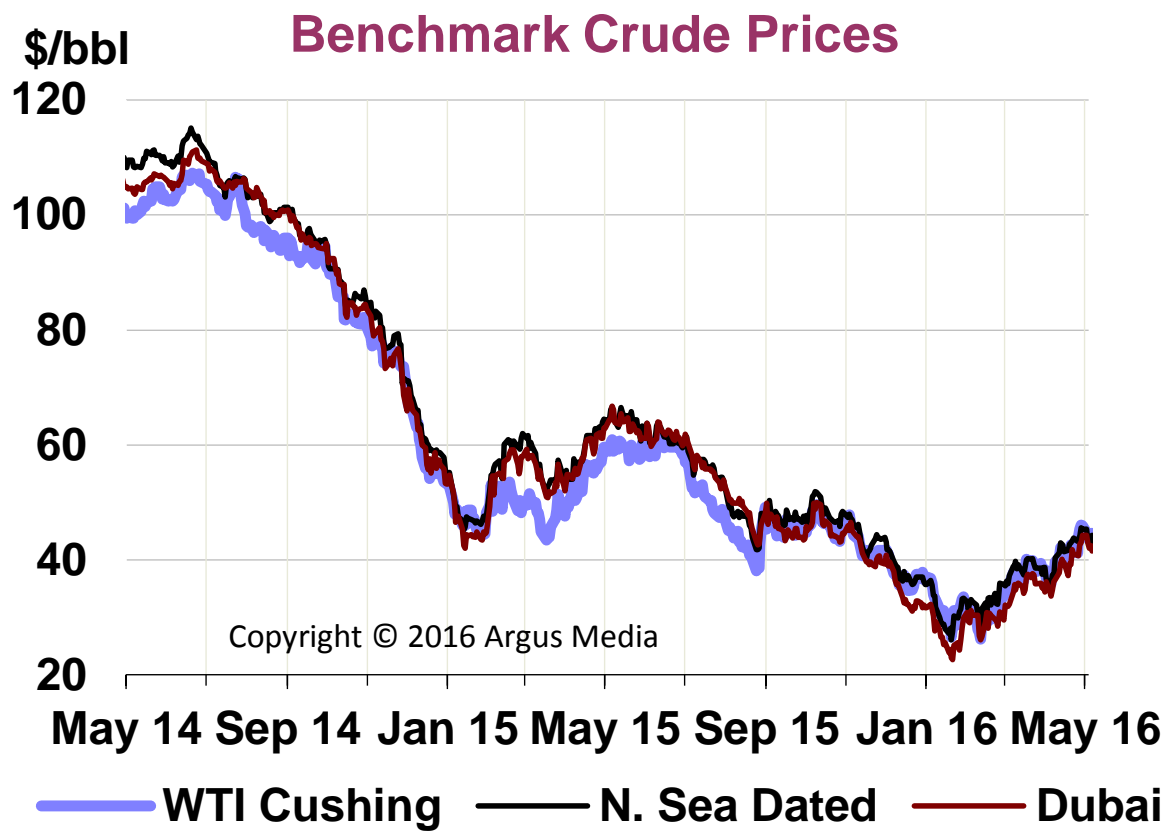
OECD stocks draw in February



Market heading towards balance



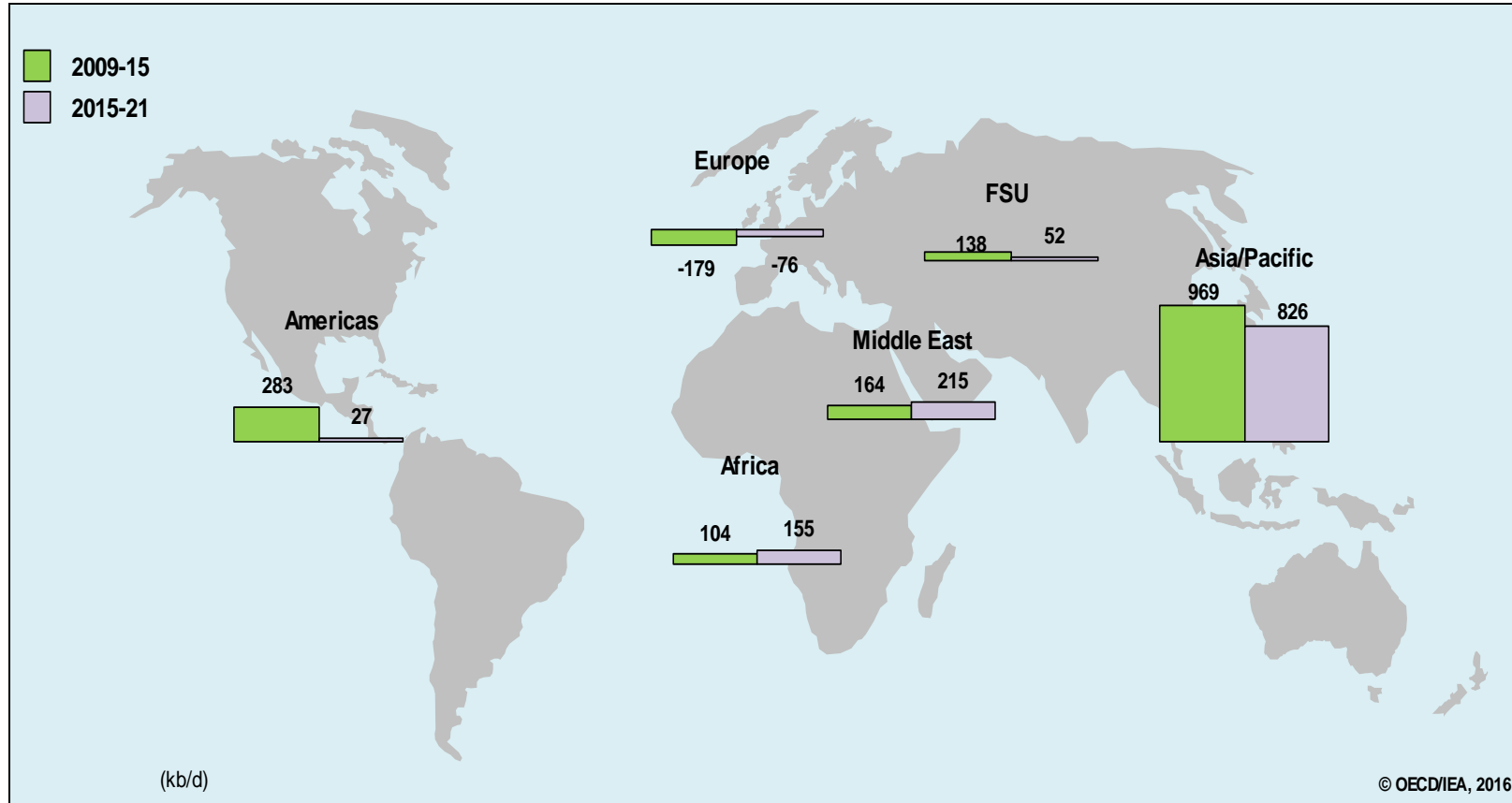
Oil rallies to 4-month high near \$45/bbl



Looking ahead to 2021

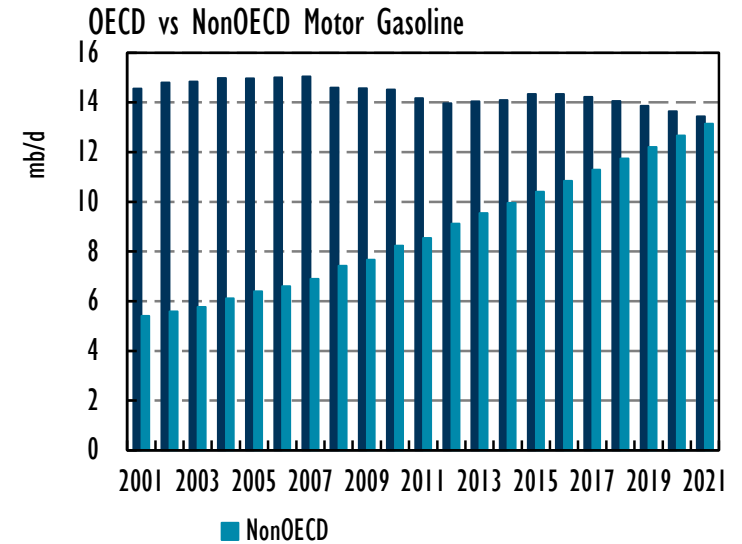
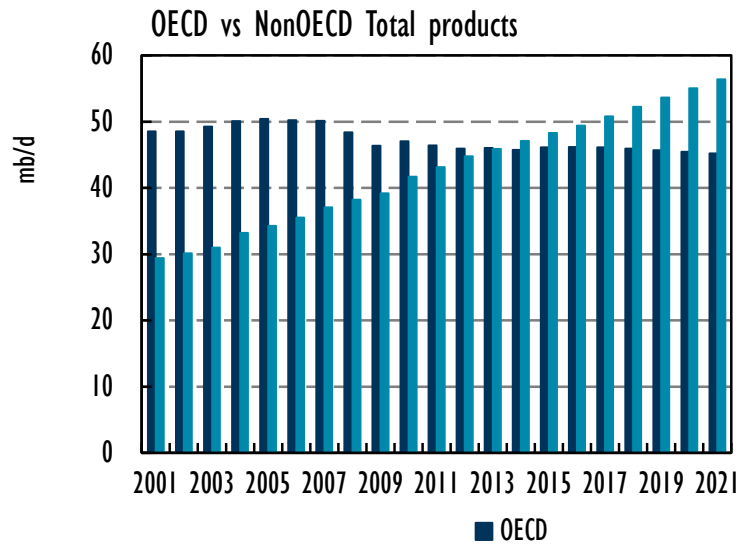
- Demand growth solid at 1.2 mb/d through 2021
- Production growth slashed as investment cuts bite
- Crude trade shifts more and more eastwards
- Huge uncertainties
 - ◆ OPEC production policy
 - ◆ Non-OPEC
 - ◆ World economy
 - ◆ Efficiency gains

World oil demand growth slows



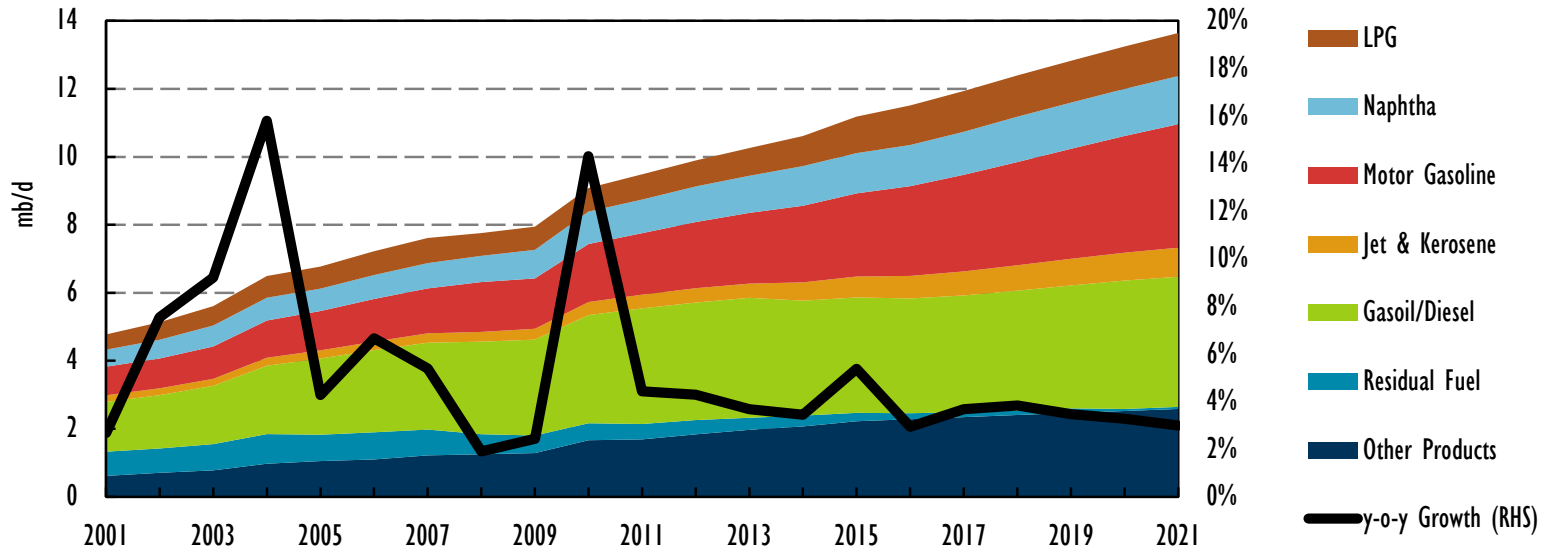
- ***Cools from 1.7%/yr in 2009-15 to 1.2%/yr in 2016-2021***

Non-OECD drives global demand



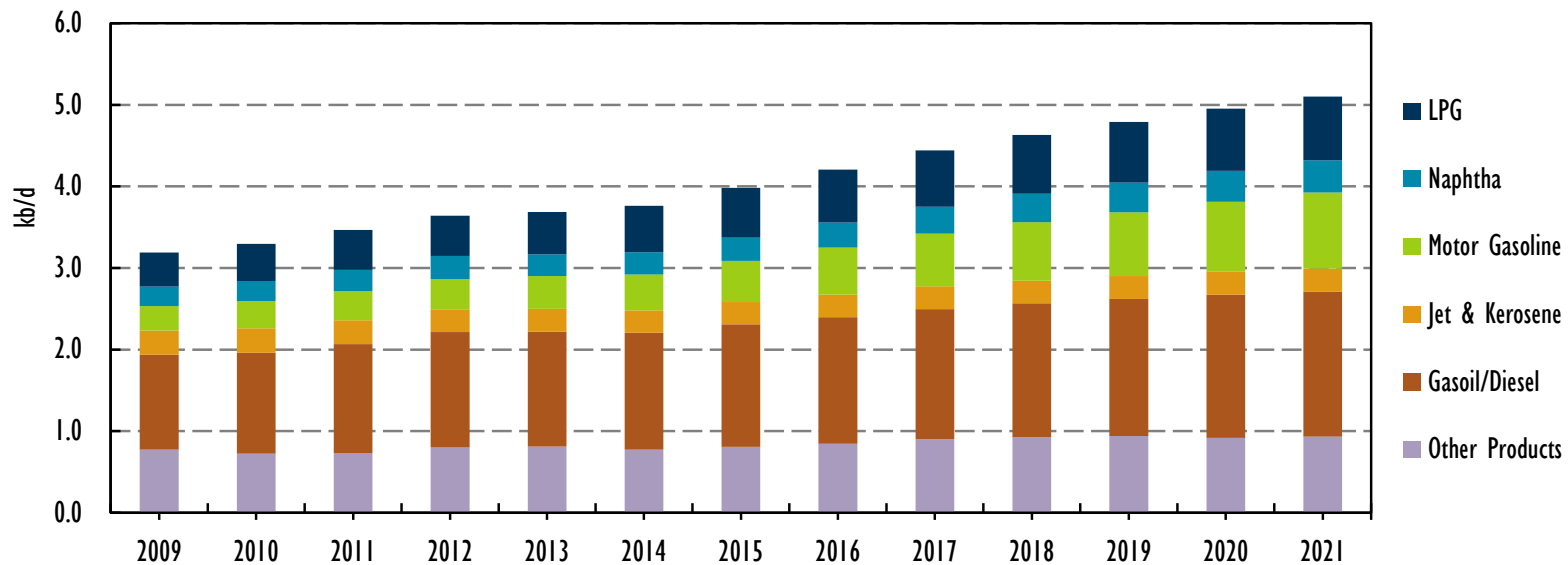
- ***Despite concerns about slowing Chinese demand, overall non-OECD momentum remains strong***

Chinese demand growth slips a gear



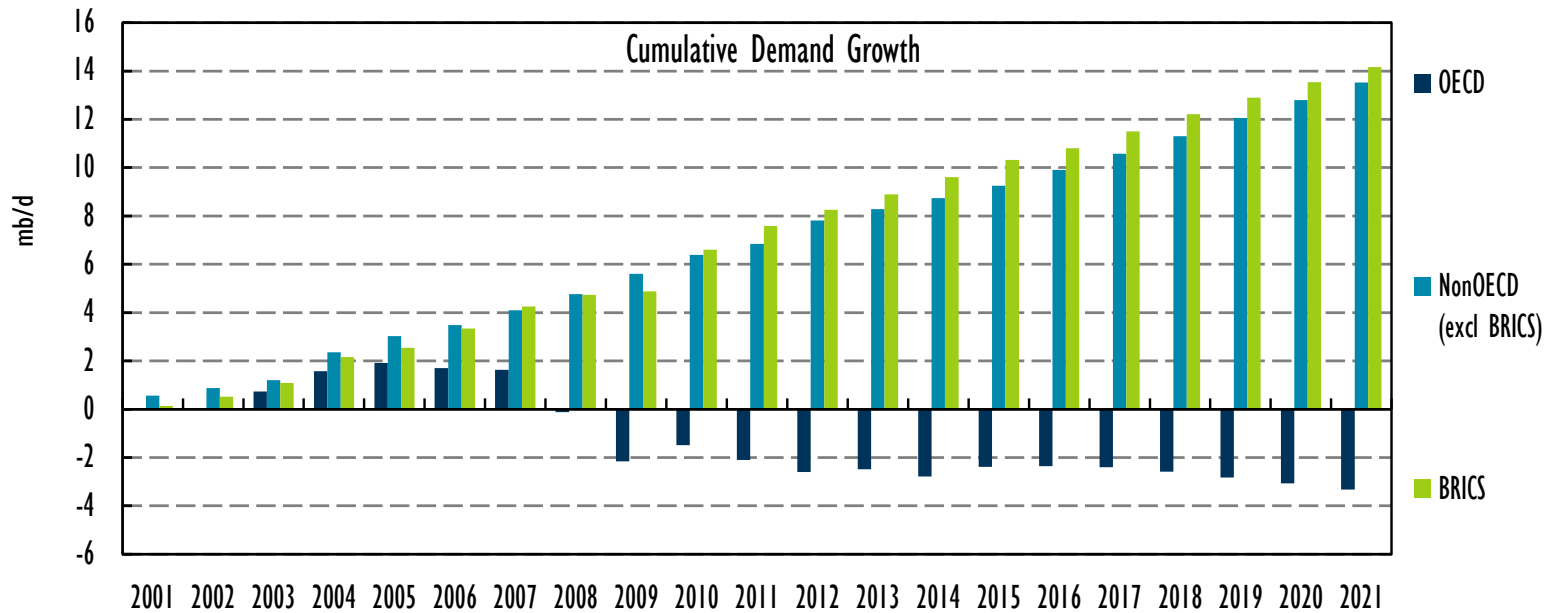
● *Economy slows and shifts from industry to services*

Indian oil use races ahead



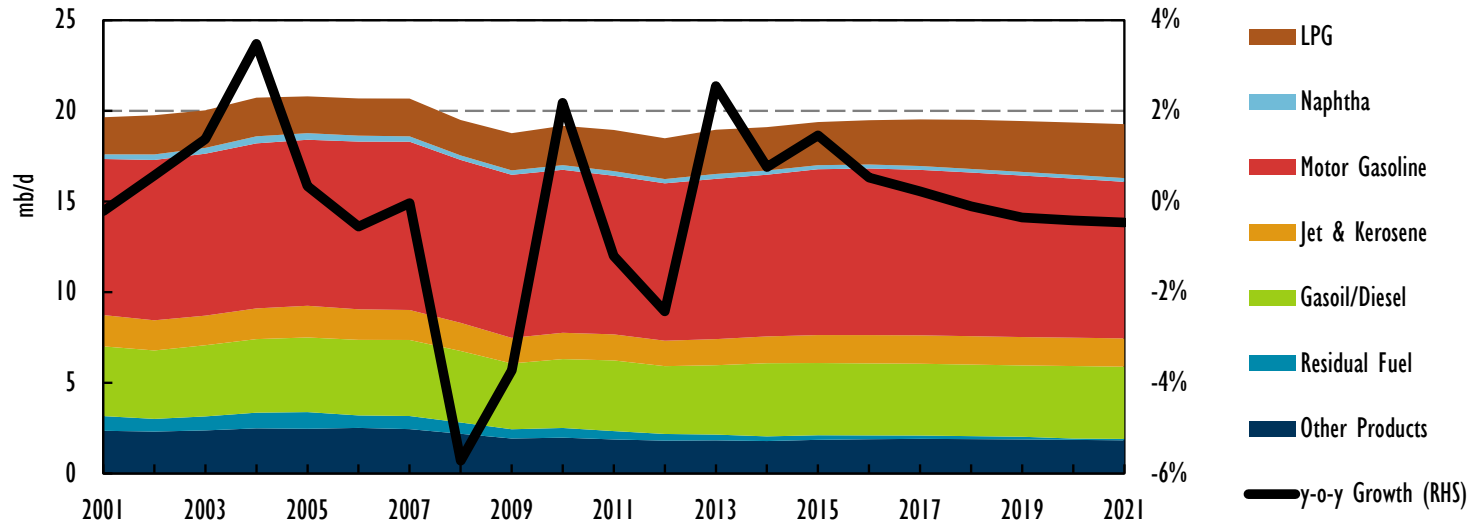
- *Motorists take to the roads*

OECD wanes, after rare growth in 2015



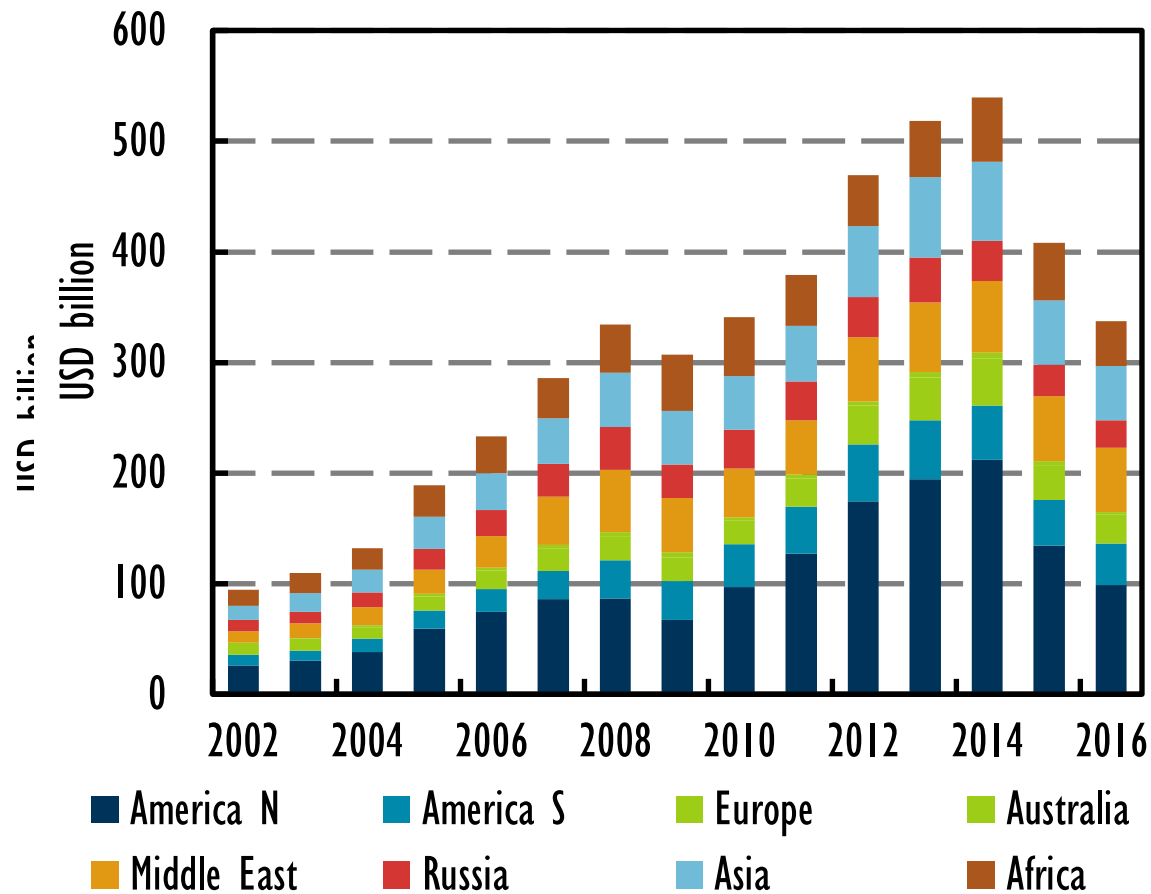
- **Falling OECD demand trend returns post-2016**

Rampant US gains ease then reverse



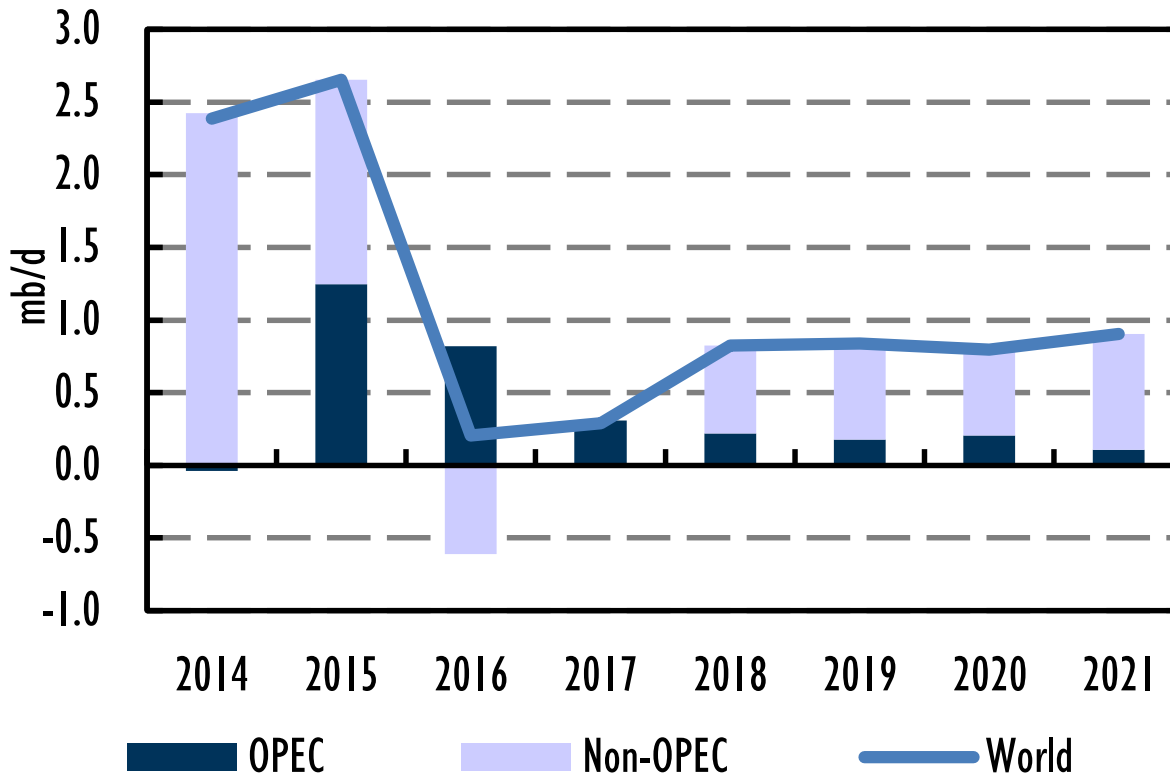
- **0.3 mb/d gain of 2015, more than halves in 2016**

Upstream oil capex cut for 2nd year



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

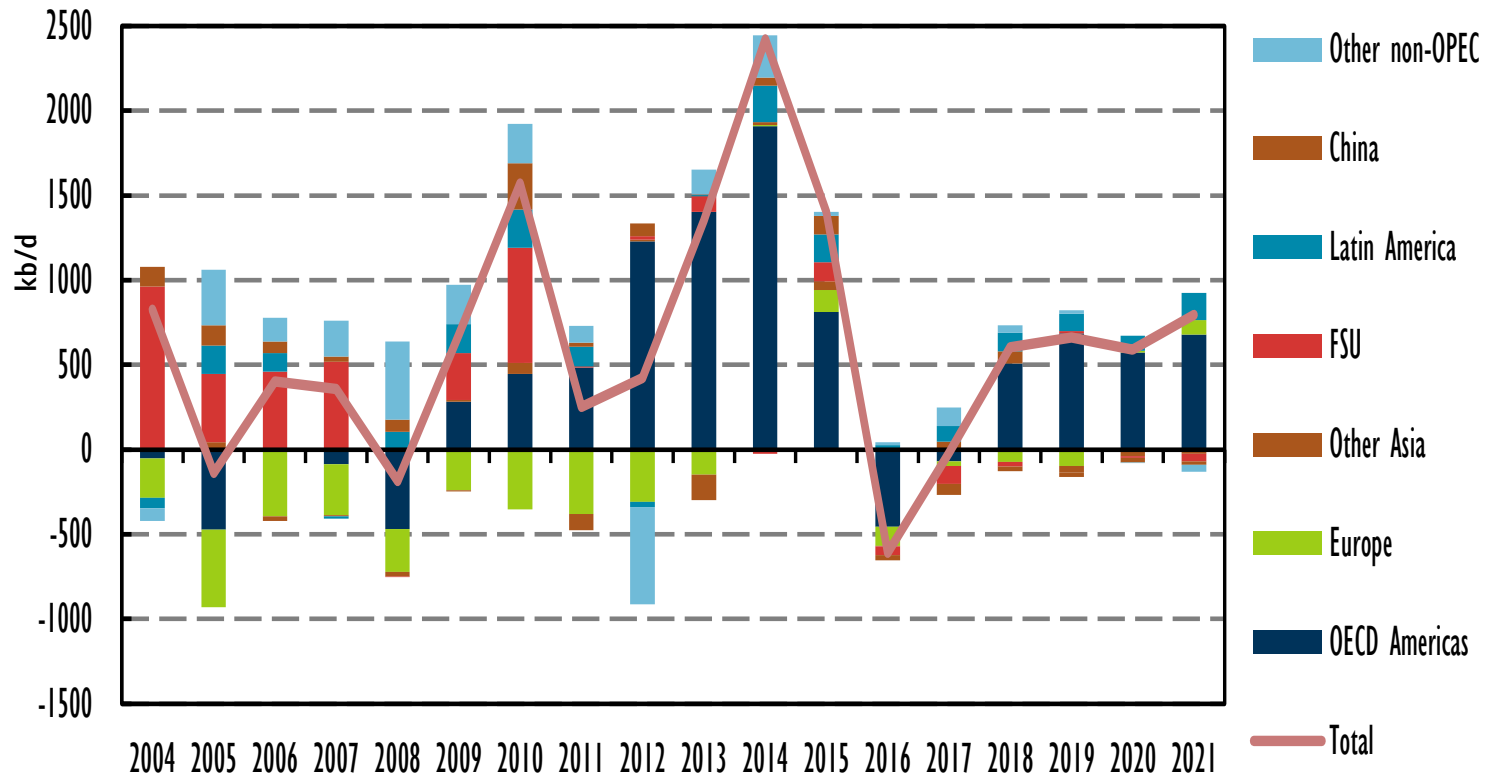
World supply growth plunges



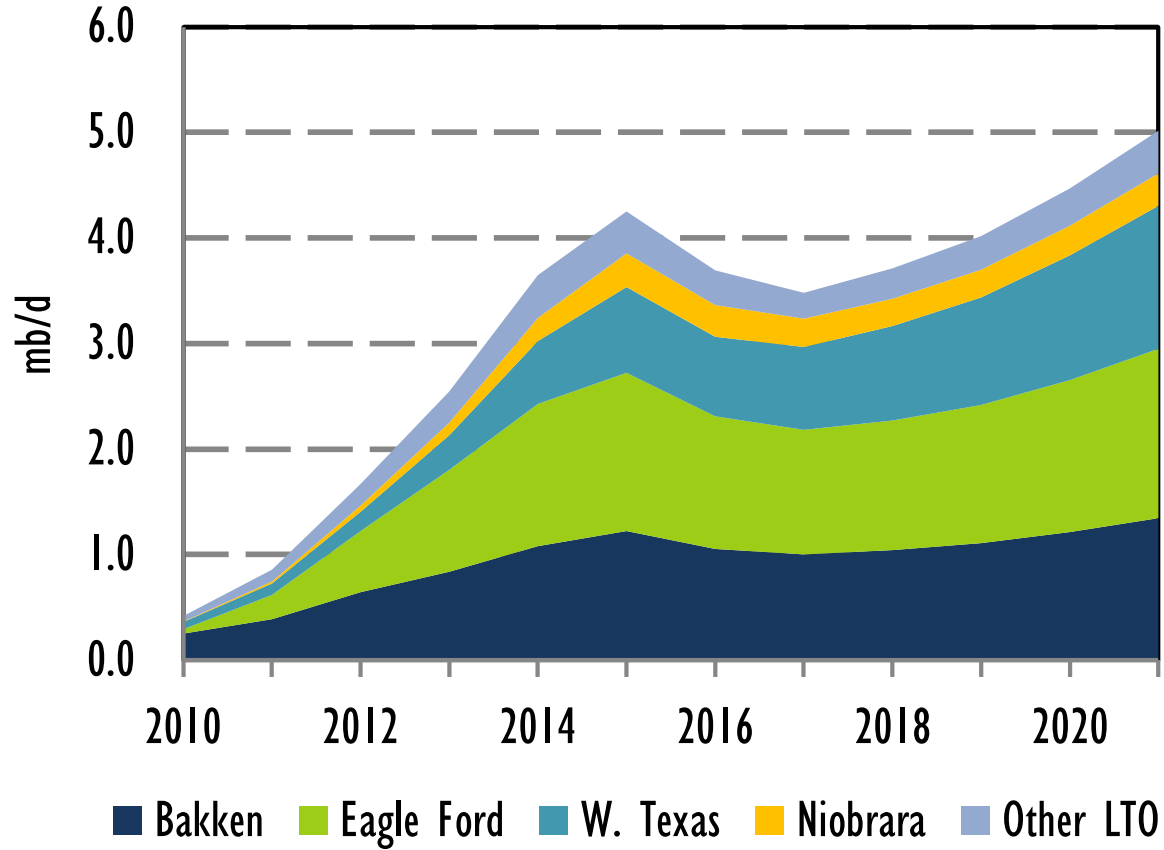
*2014 -15 shows actual output growth. 2016 assumes Iran ramp-up. OPEC capacity increases thereafter.

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

Non-OPEC supply growth collapses



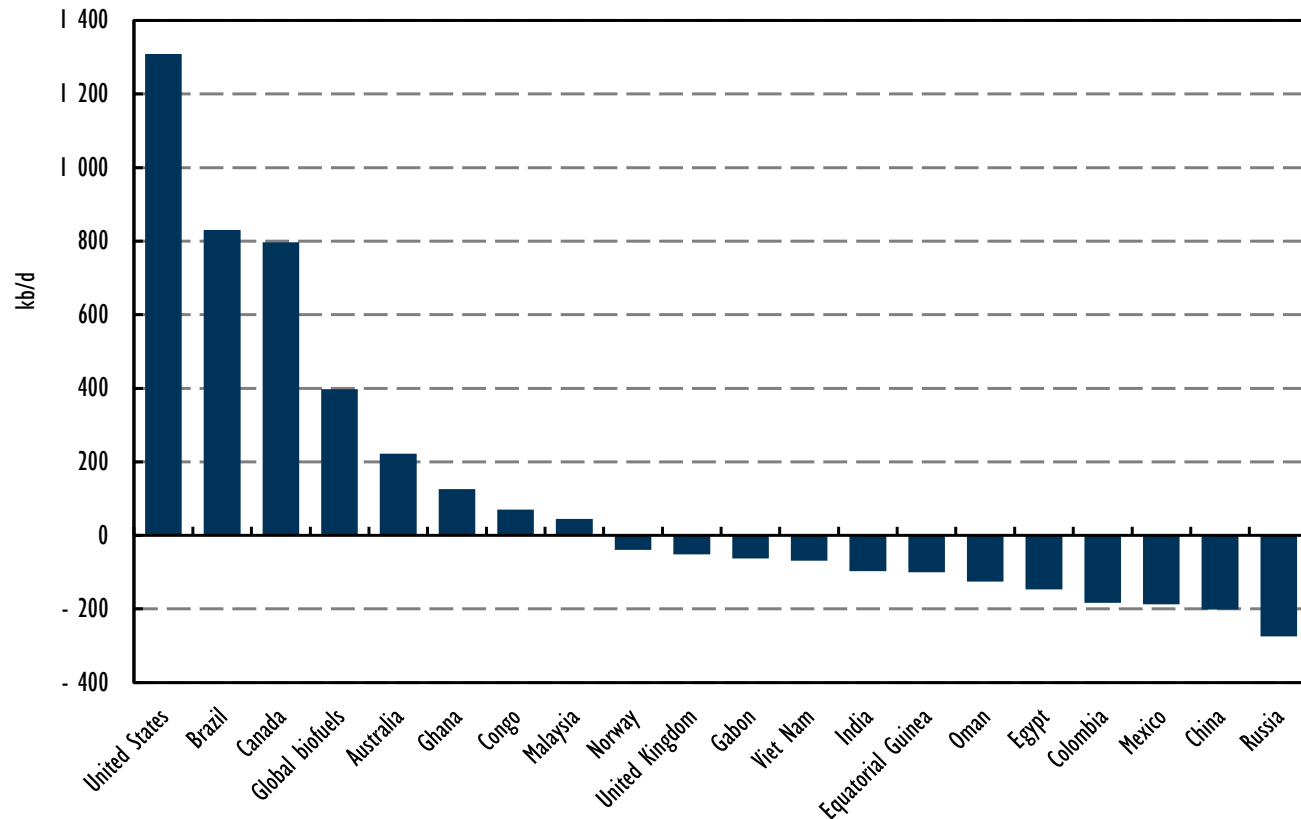
US LTO takes biggest hit for now



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

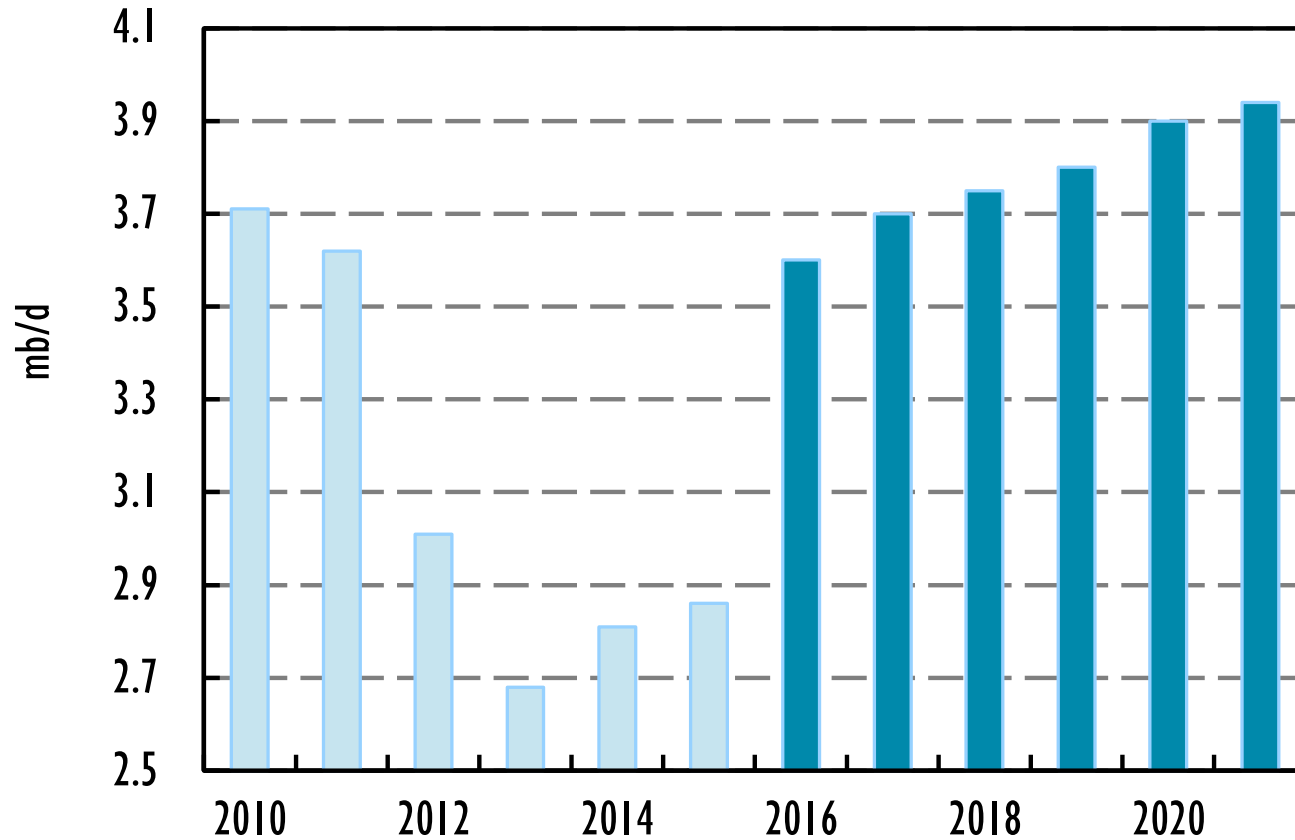
US still the world's growth engine

Selected sources of non-OPEC supply change 2015-21



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

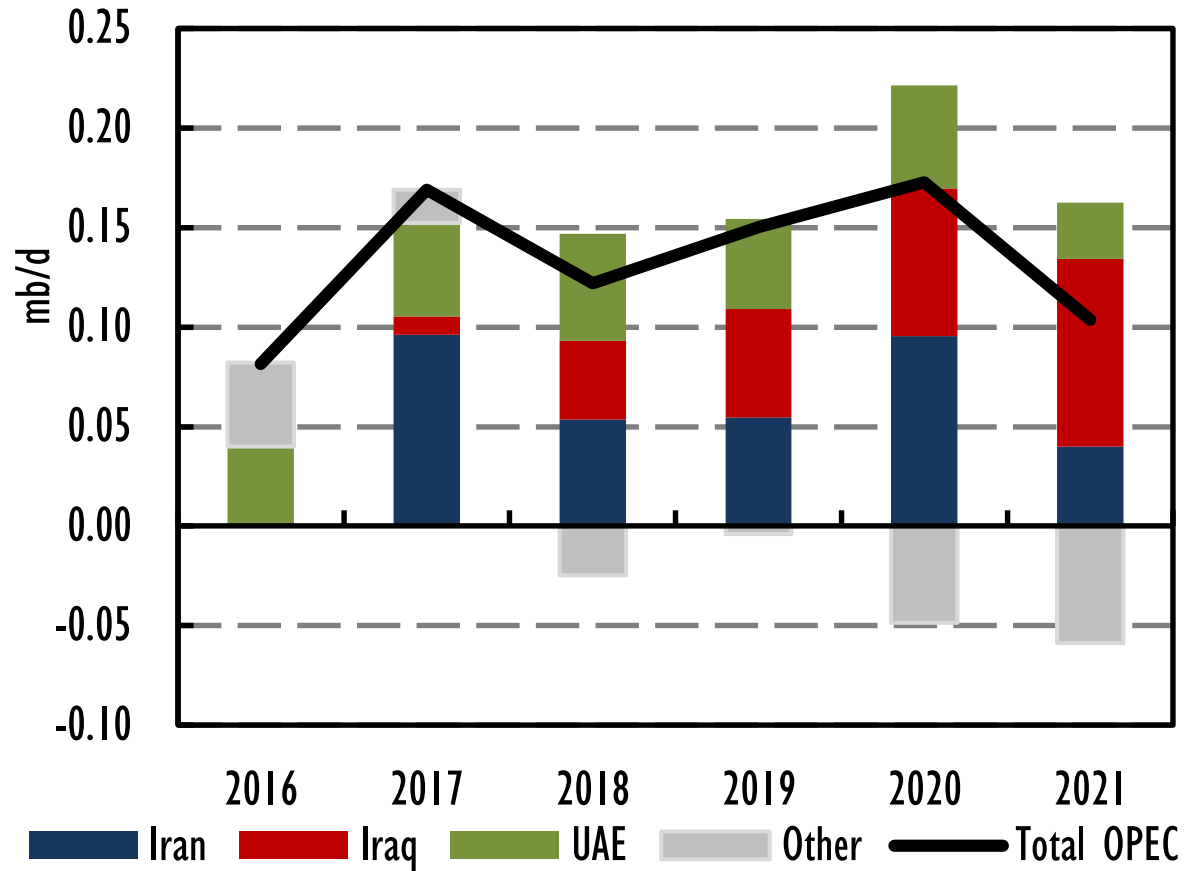
Post-sanctions Iran leads OPEC gains



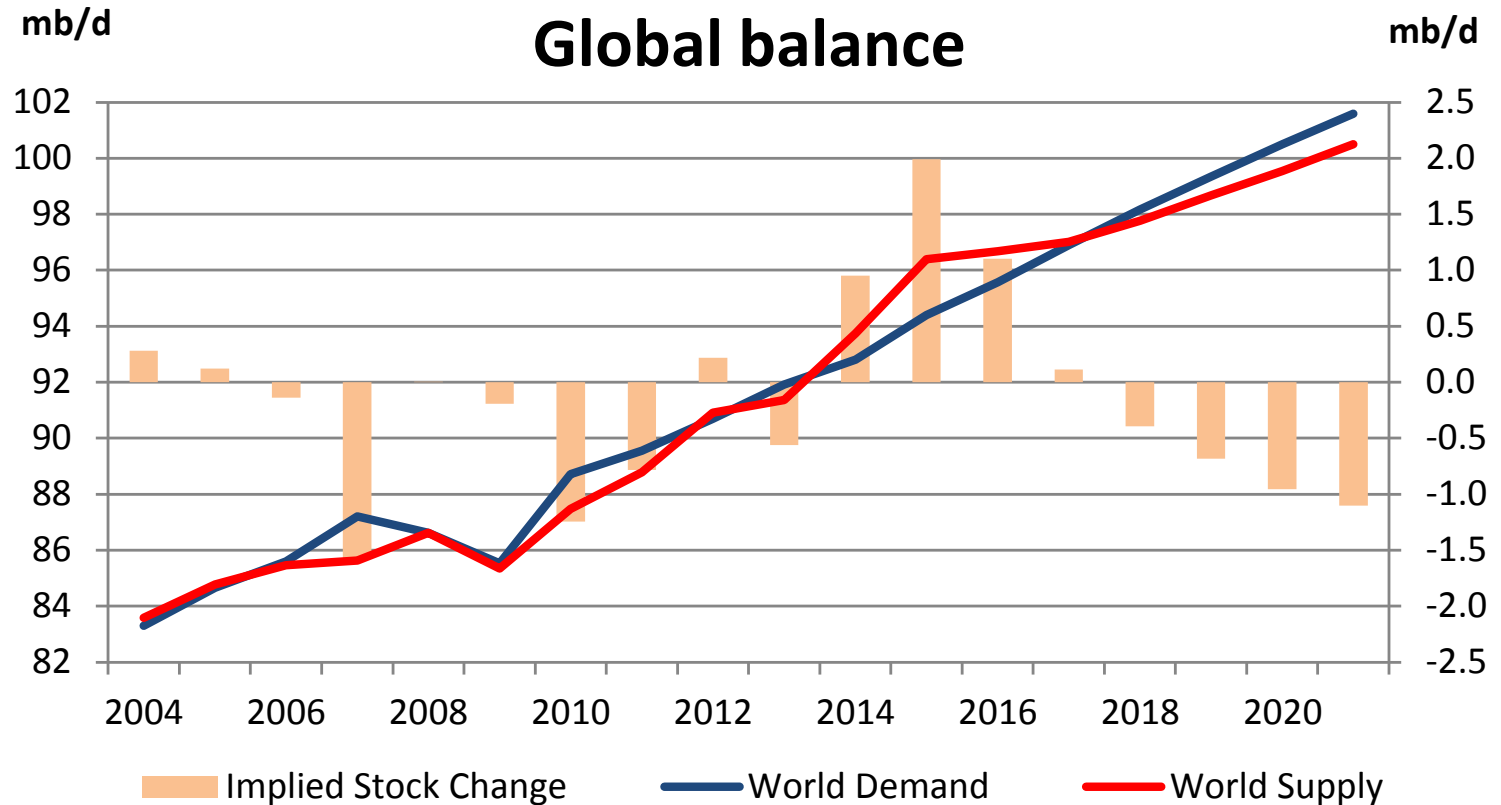
Actual production 2010-15, capacity thereafter

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

Middle East dominates OPEC growth



Surplus erodes in 2017

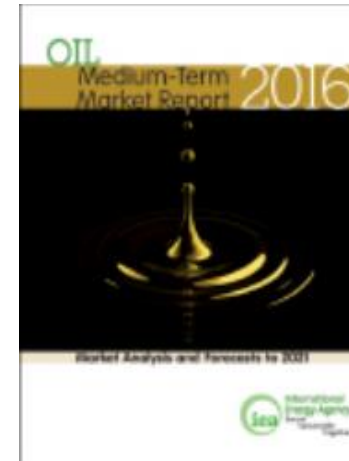


- ***Tightening market drives price recovery - \$80/bbl in 2020?***

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, U.S. 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**

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