



argusmedia.com

Scrambling for market share

Shanghai

Alejandro Barbajosa

May 2015

London
Houston
Washington
New York
Portland
Calgary
Santiago
Bogota
Rio de Janeiro
Singapore
Beijing
Tokyo
Sydney
Dubai
Moscow
Astana
Kiev
Porto
Johannesburg
Riga

illuminating the markets

Market Reporting

Consulting

Events

Argus Media: a leading energy price reporting agency

- World's largest independently held energy markets PRA
- Founded in 1970, more than 700 staff in 23 countries
- Provider of commodity price indexes and energy market intelligence
- Covering crude oil, petroleum products, gas, coal, power, transportation, LPG, emissions, fertilizers, petrochemicals
- Present in Asia since 1986 with 100 staff in Singapore, Tokyo, Beijing, Shanghai, Dubai, Sydney, Mumbai, Jakarta, Manila



OPEC's scramble: price volatility & crude flows to Asia

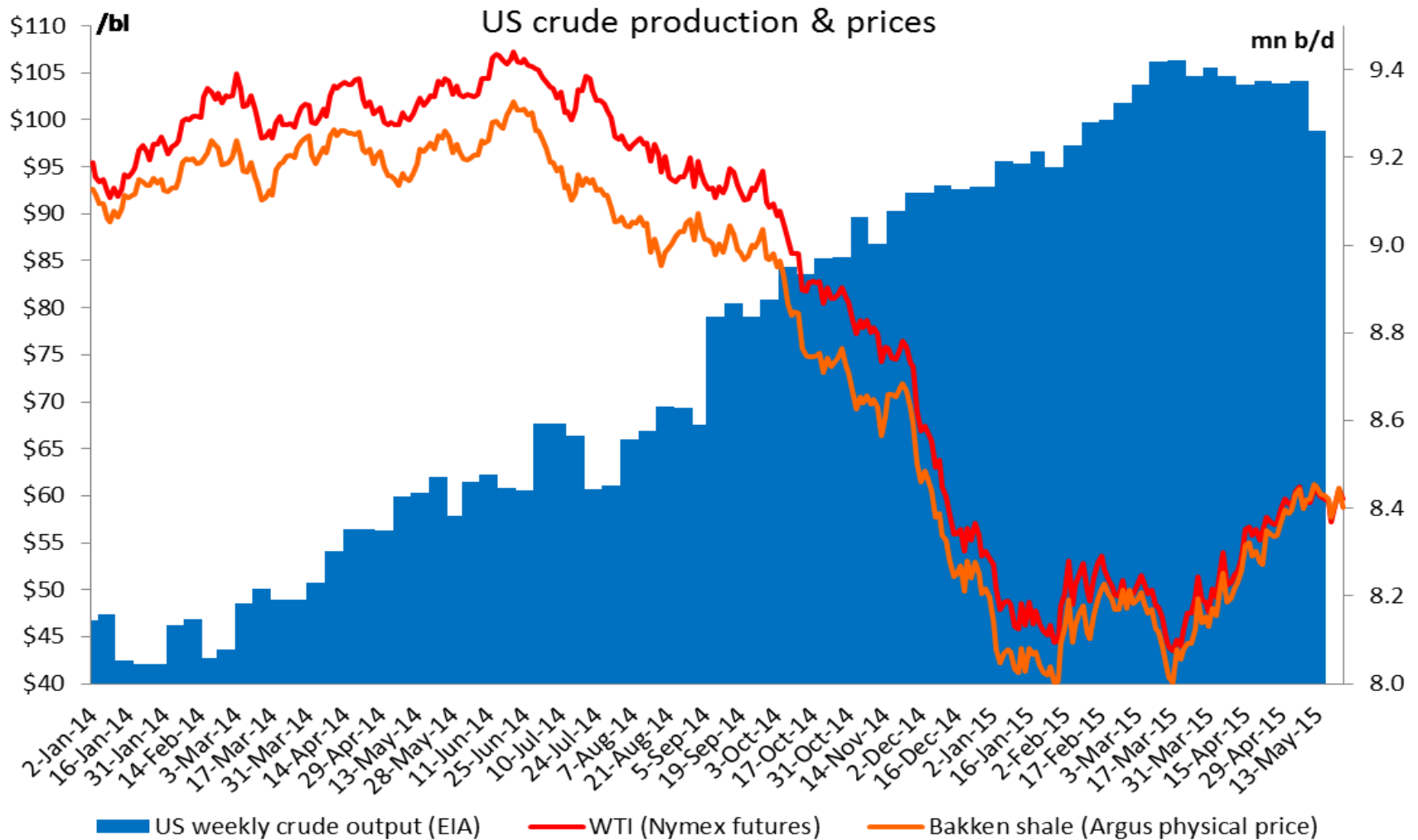
- Shale crude & oil sands: a sweet & sour blow for OPEC
- Saudi-led OPEC strategy succeeds in halting growth of US shale oil output
- Iraq outpacing Saudi Arabia in intra-OPEC battle for market share
- Basrah Heavy: bridge to re-balance global crude market
- New oil order aims to reduce flows of Atlantic basin crude to Asia-Pacific
- But non-OPEC market share in China continues to grow, including ESPO
- China's thirst for crude absorbs surplus from most regions, supports price

Market Reporting

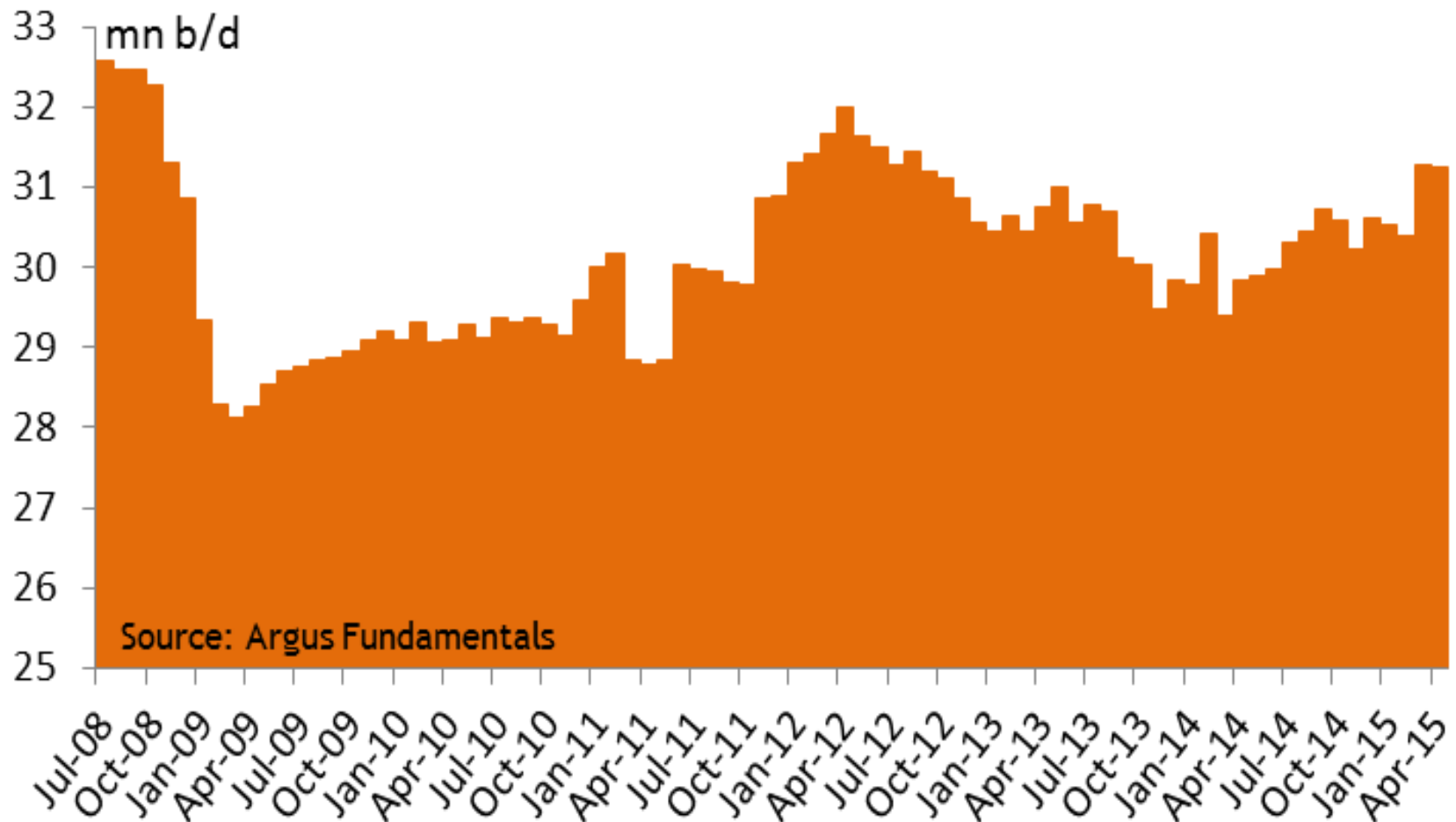
Consulting

Events

US crude output has stabilized at around 9.3mn b/d

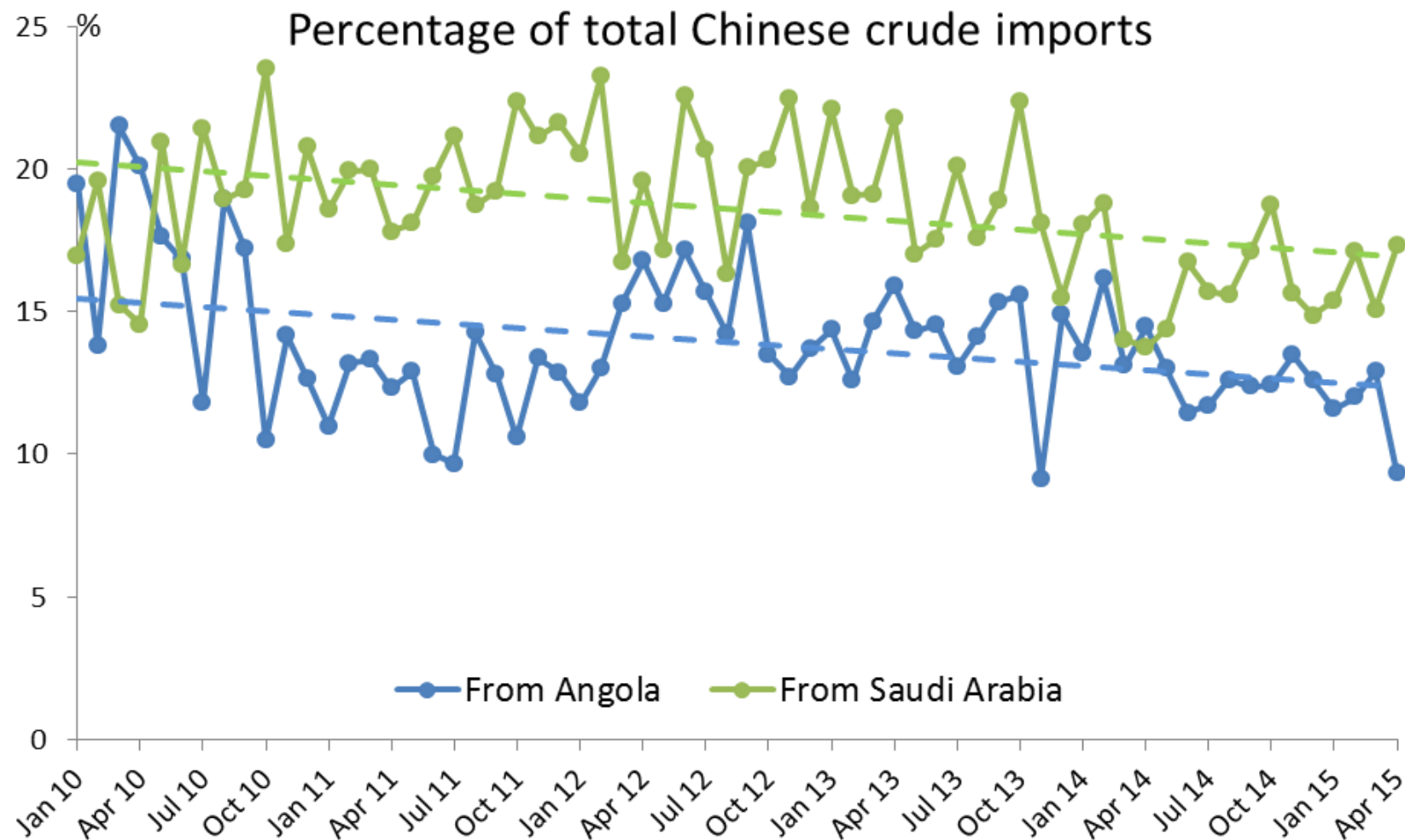


OPEC output jumps; Saudis pump record 10.3mn b/d



■ OPEC crude production

China's top crude suppliers still losing market share

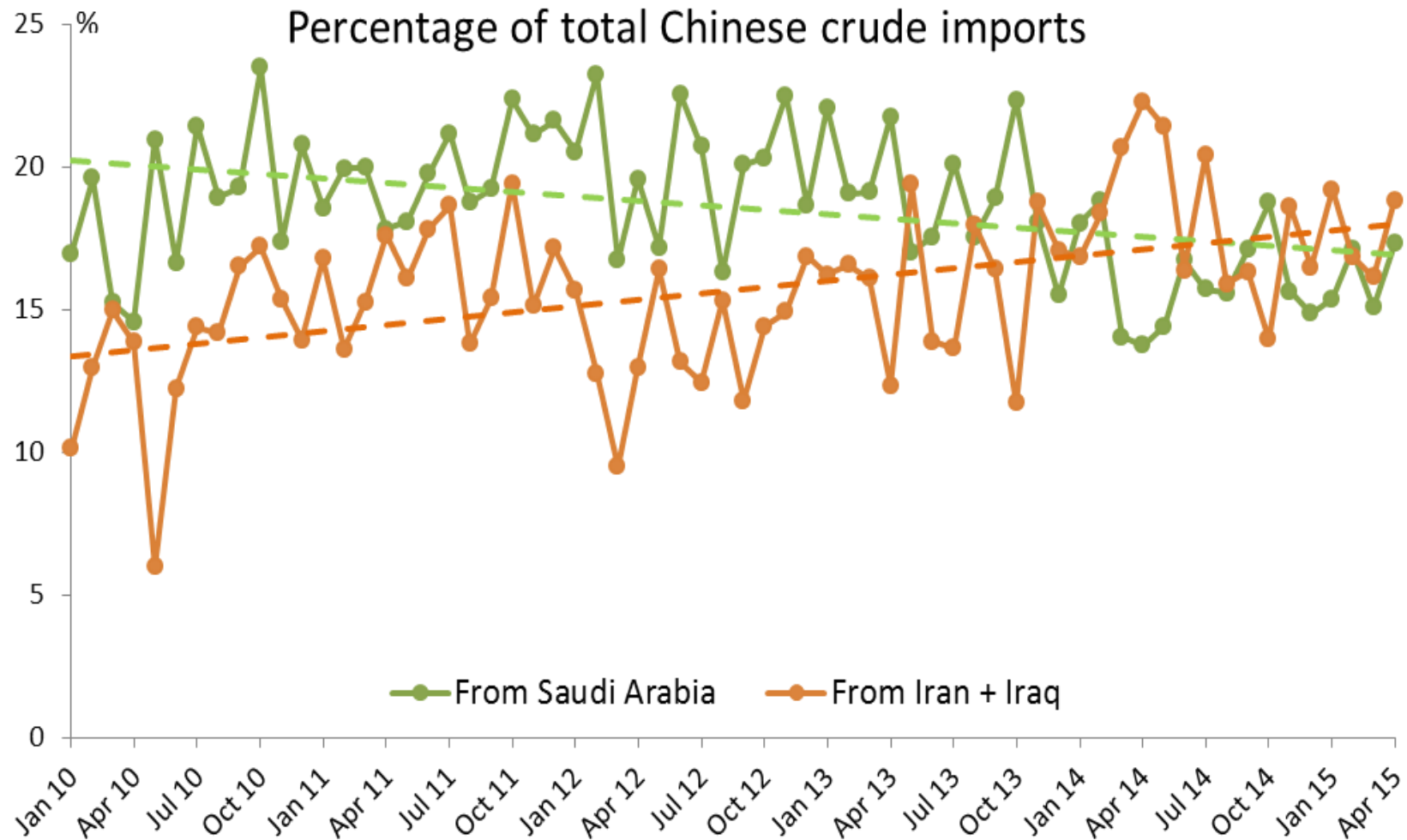


Source: Argus China Petroleum

New OPEC strategy: little impact on Saudi crude flows

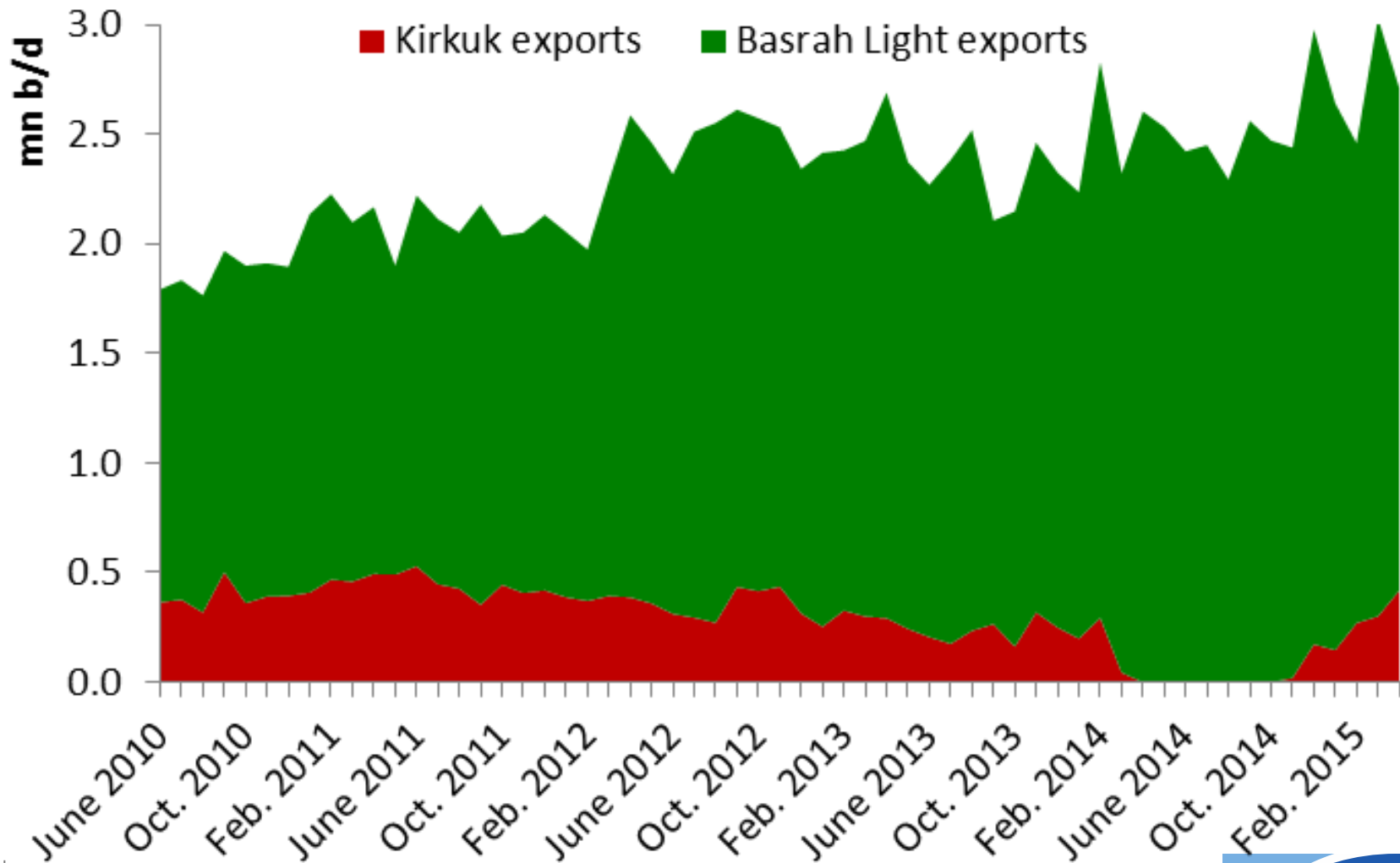
- Eastbound Saudi crude exports steady at about 5.1mn b/d since 2012
- Saudi Arabia losing market share in China, down to 16pc from 20pc
- Incremental crude demand in Asia-Pacific met by Iraq, Russia, Latin America and west Africa (Nigerian crude remains amply oversupplied)
- Latin American crude flows to Asia-Pacific up 700,000 b/d since 2011
- Colombia and Venezuela are biggest winners in Latin America, exporting mainly to the Indian and Chinese markets
- Refiners across Asia-Pacific, including Japanese companies traditionally dependent on Middle Eastern supplies, are diversifying
- One-third of North Sea Forties output going to Asia

Iran+Iraq overtake Saudi Arabia in Chinese market

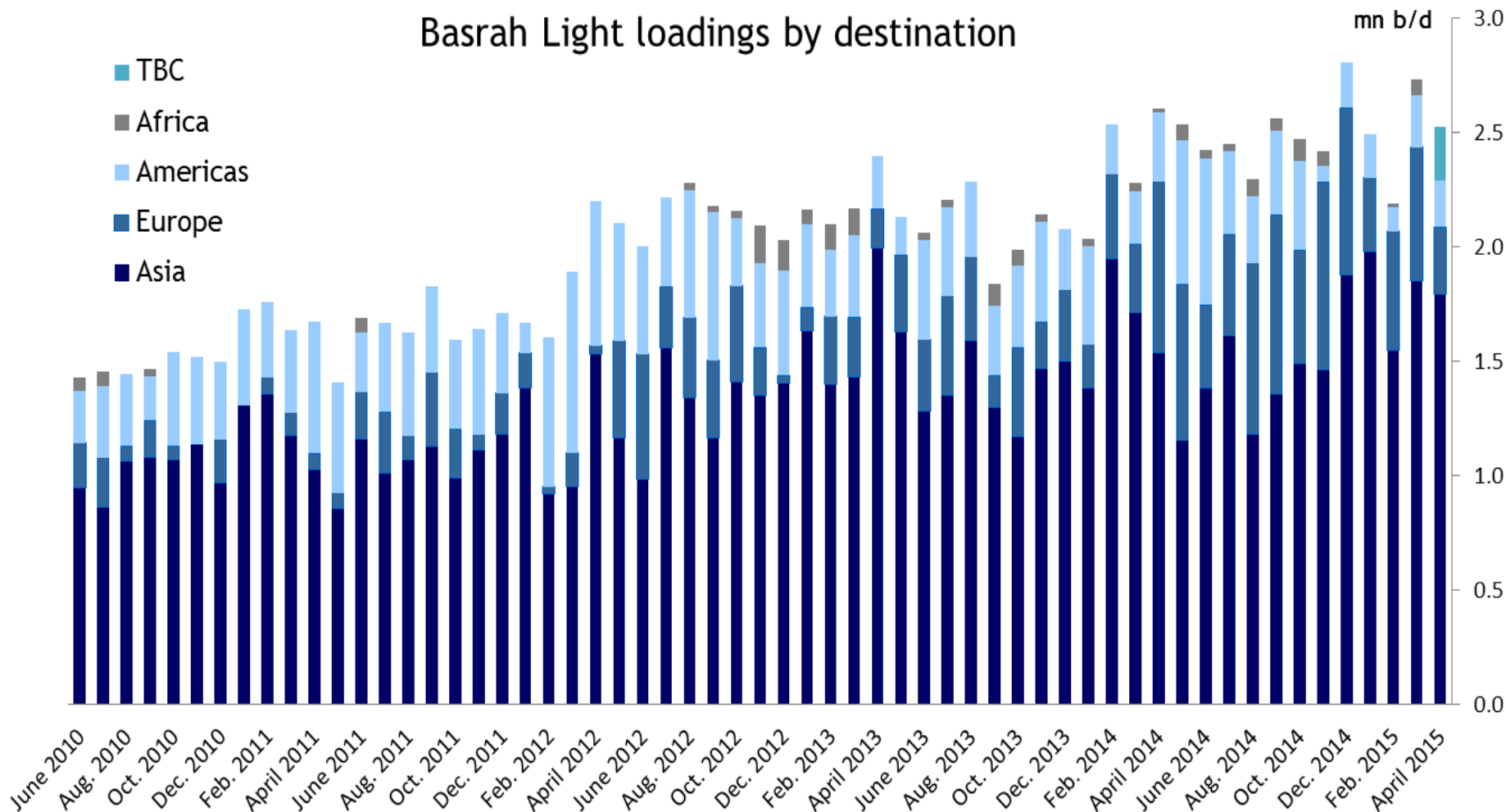


Source: Argus China Petroleum

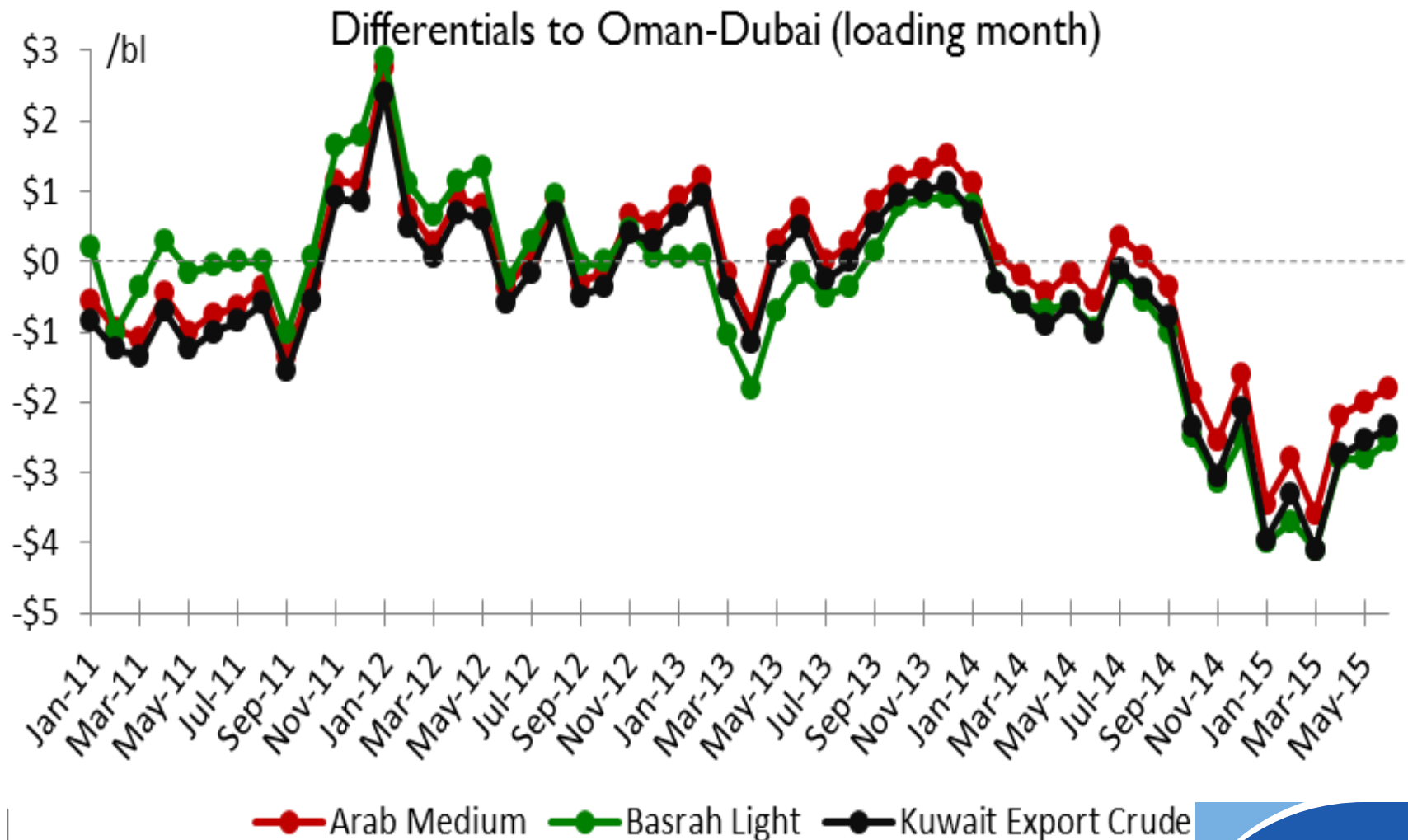
Iraq consolidates role as OPEC's 2nd-largest exporter



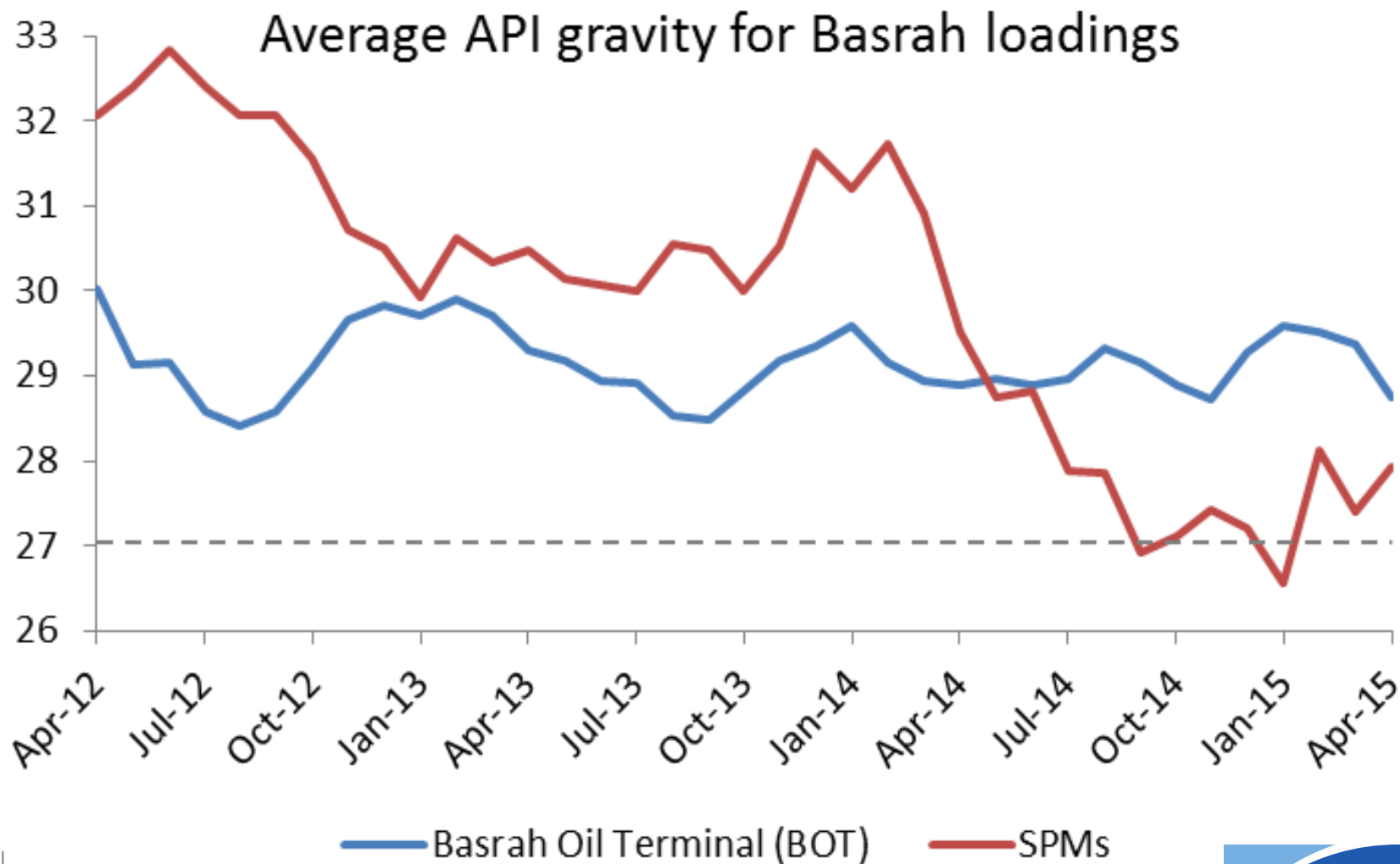
Basrah exports growth accelerates to Asia-Pacific



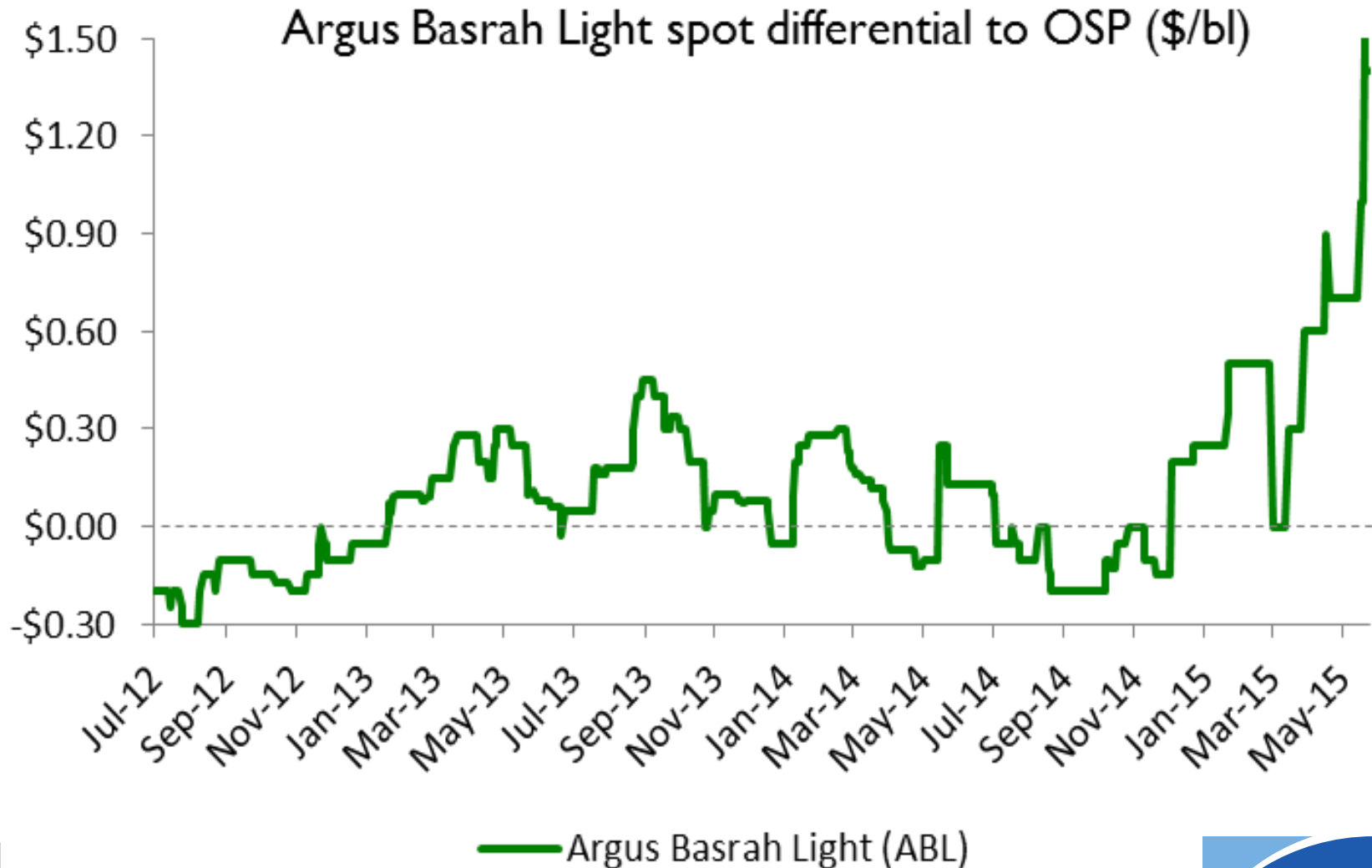
Basrah Light pricing strategy helps Iraq gain mkt share



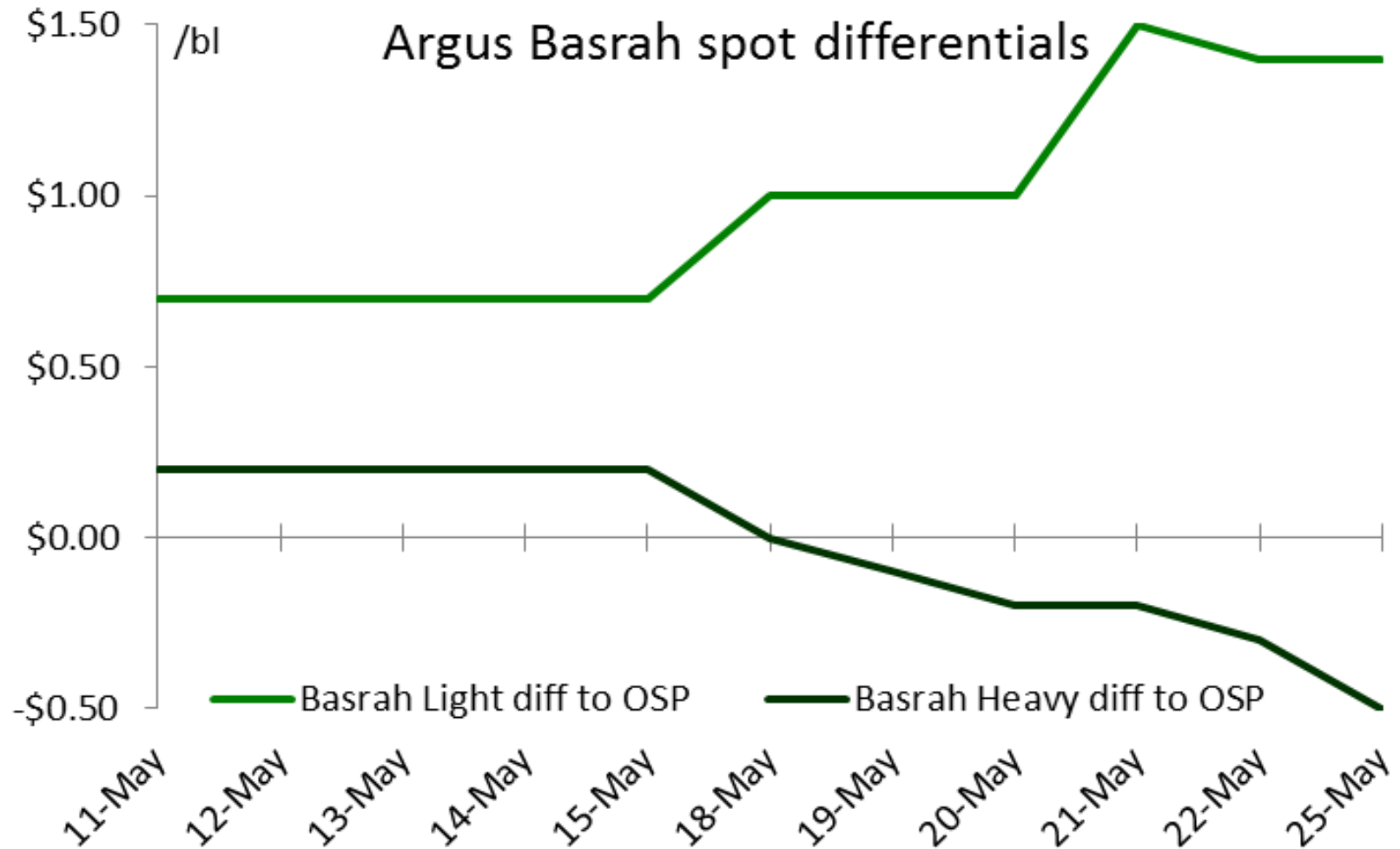
Iraq splits Basrah to enhance quality, marketing



Basrah Light diff soars after SOMO splits crude stream

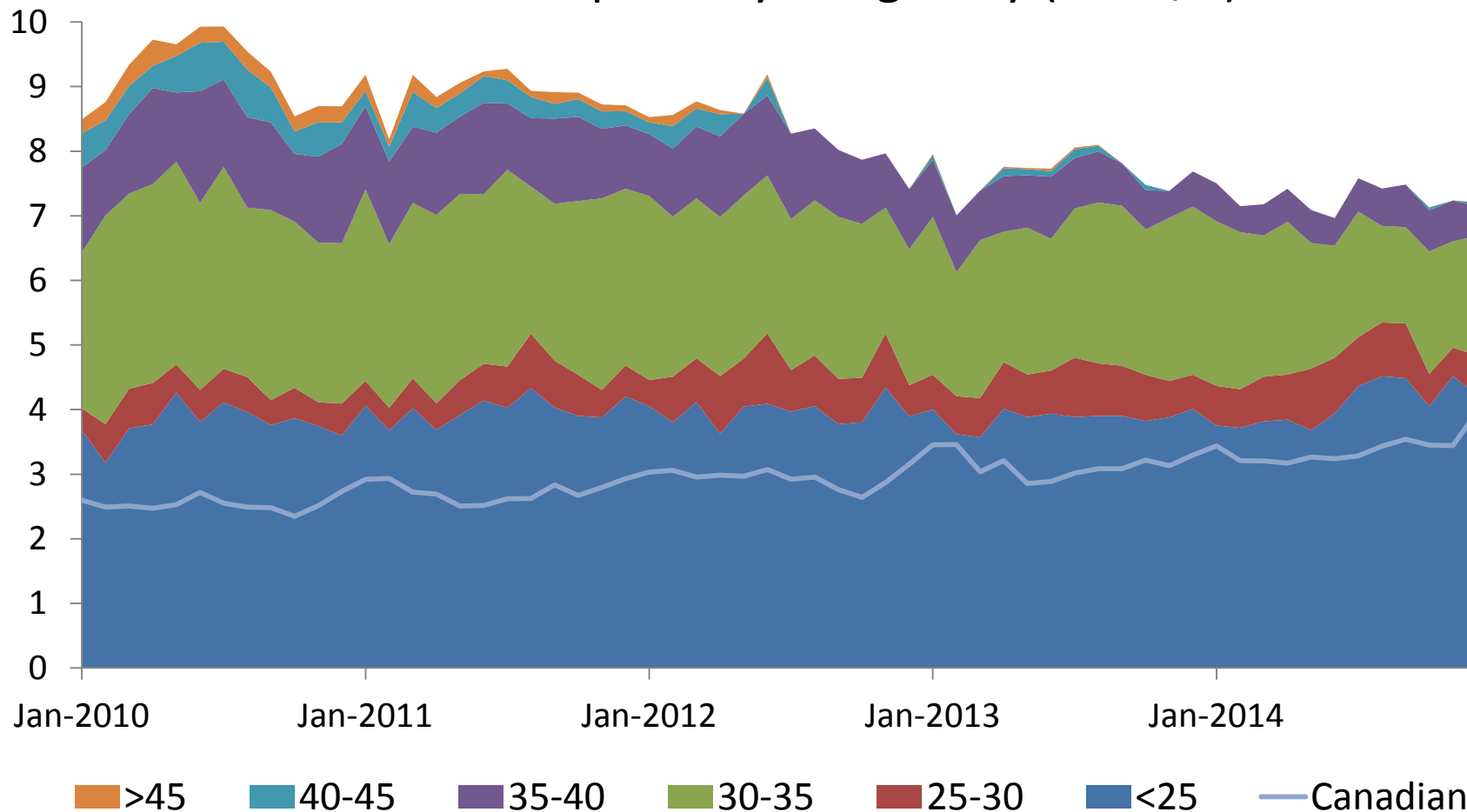


Argus launches Basrah Heavy: diff weakens on sulfur

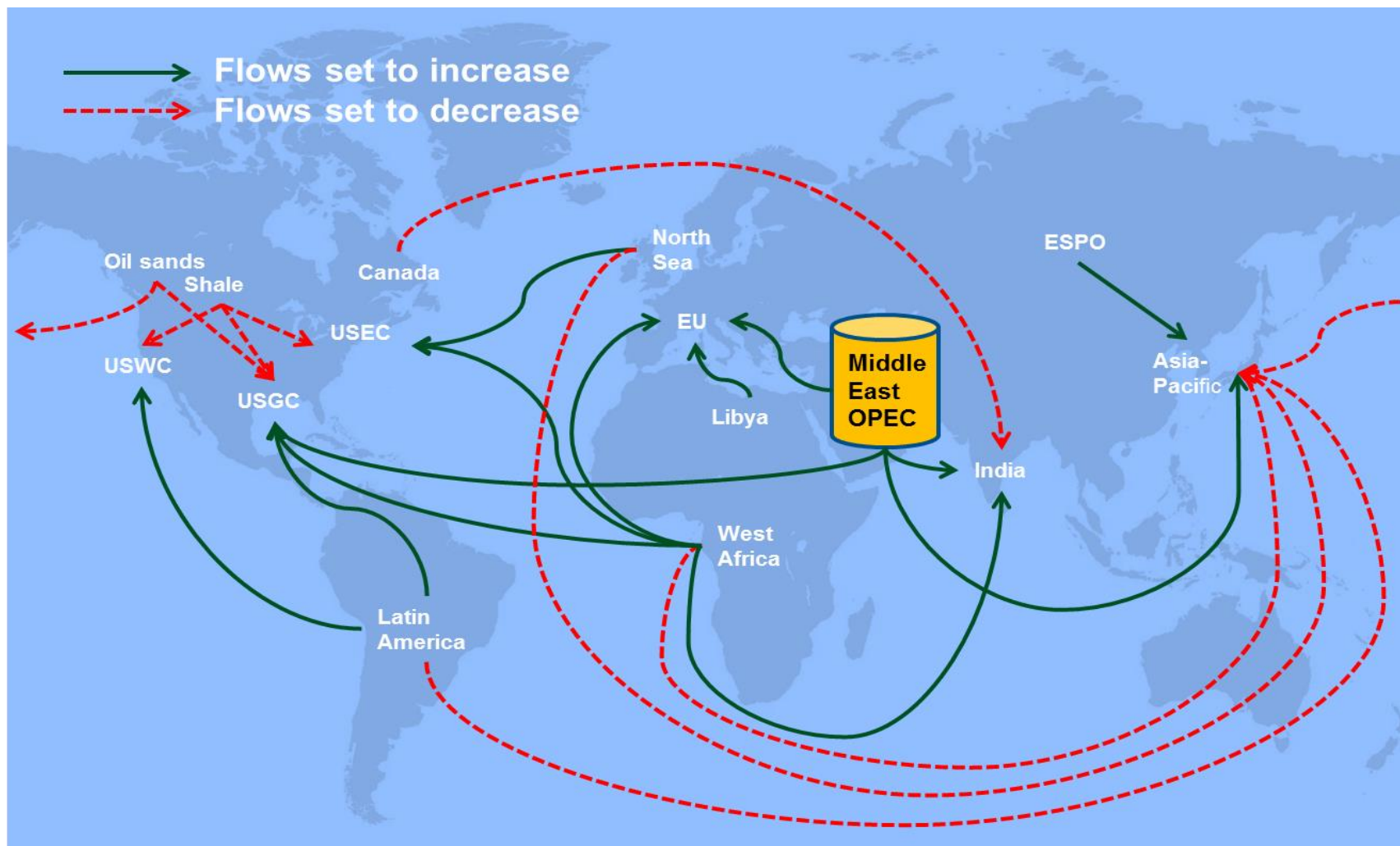


Basrah Heavy to compete with Canada crude in USGC

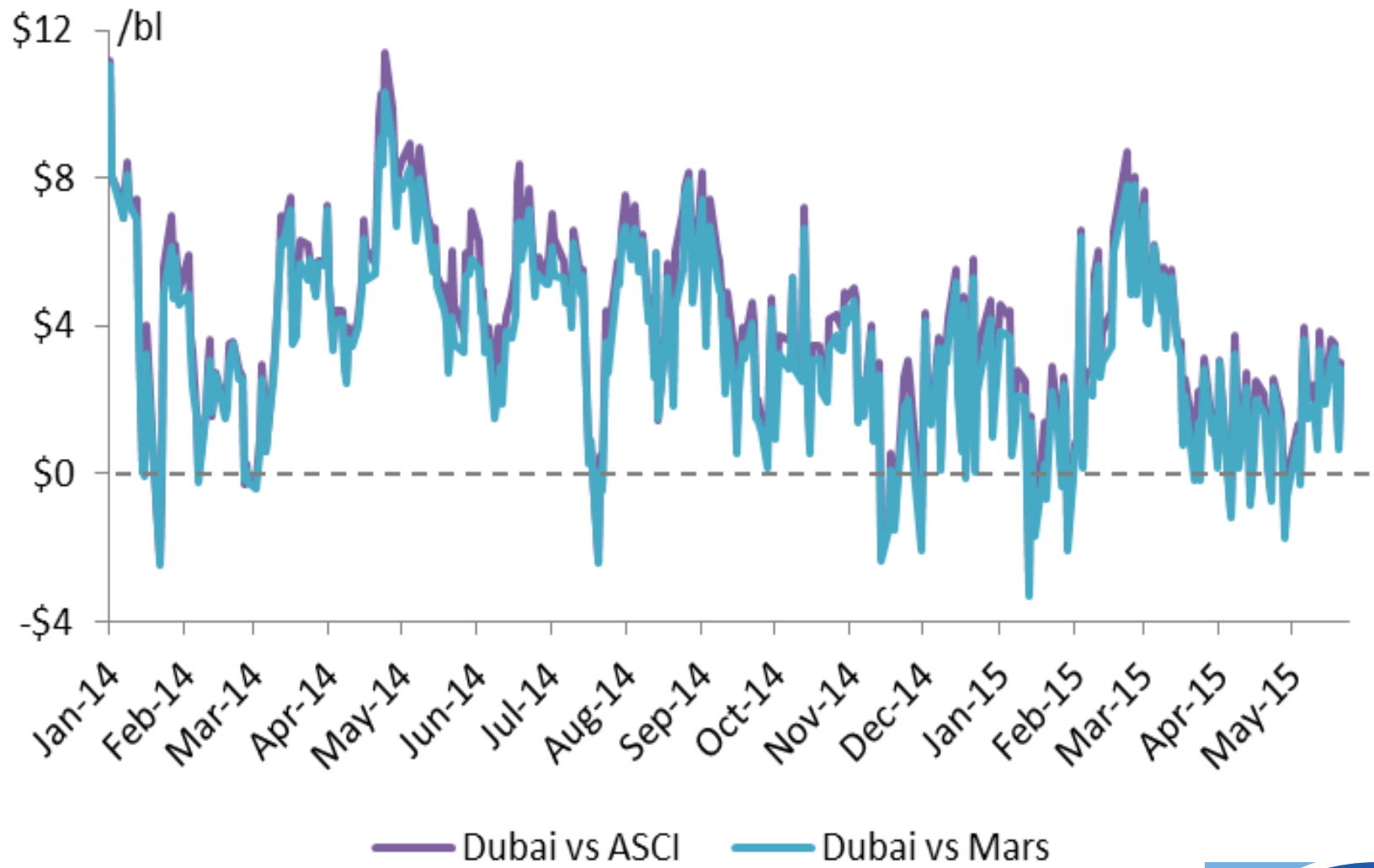
US crude imports by API gravity (mn b/d)



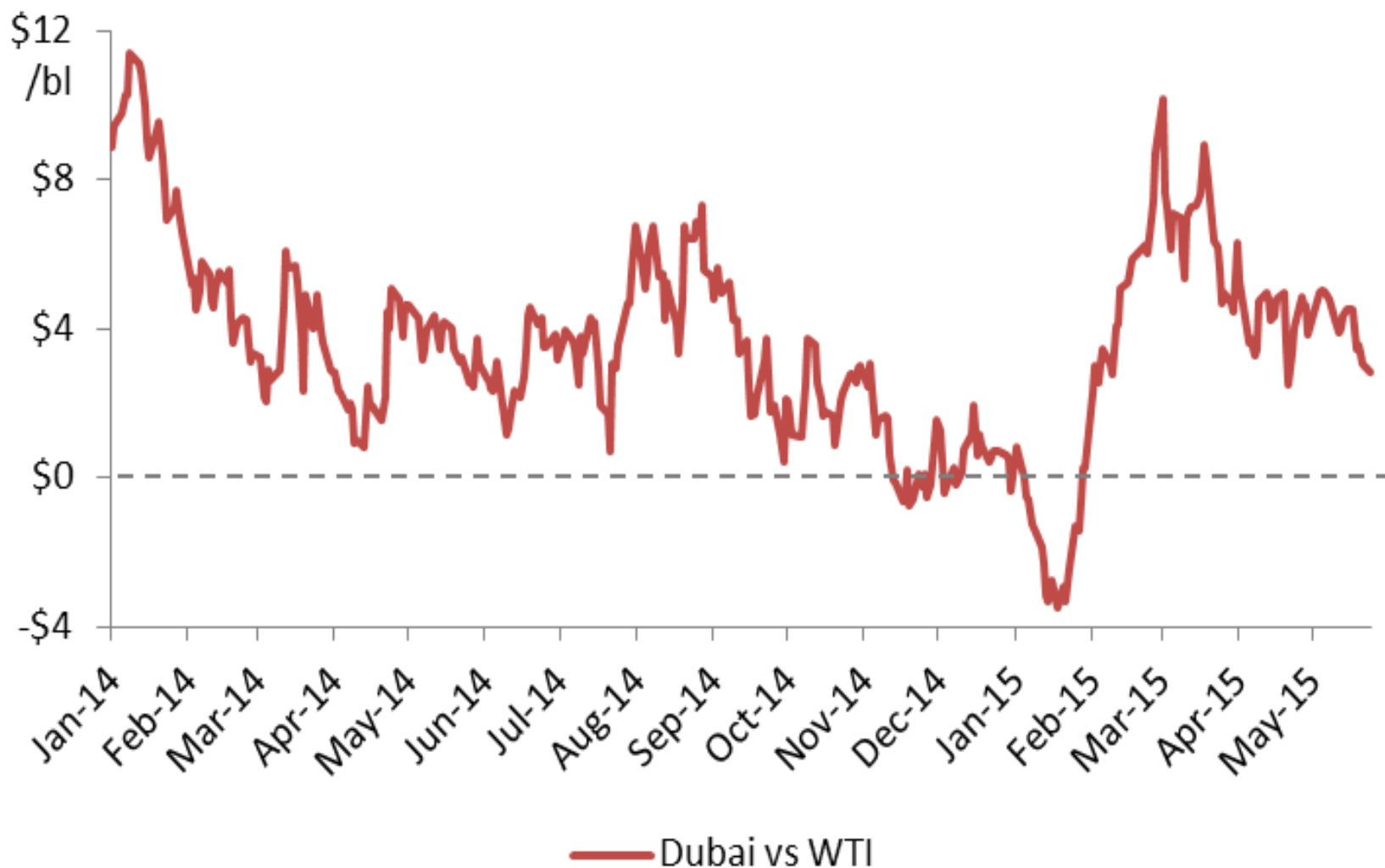
Ideal OPEC world: reversing the shale revolution



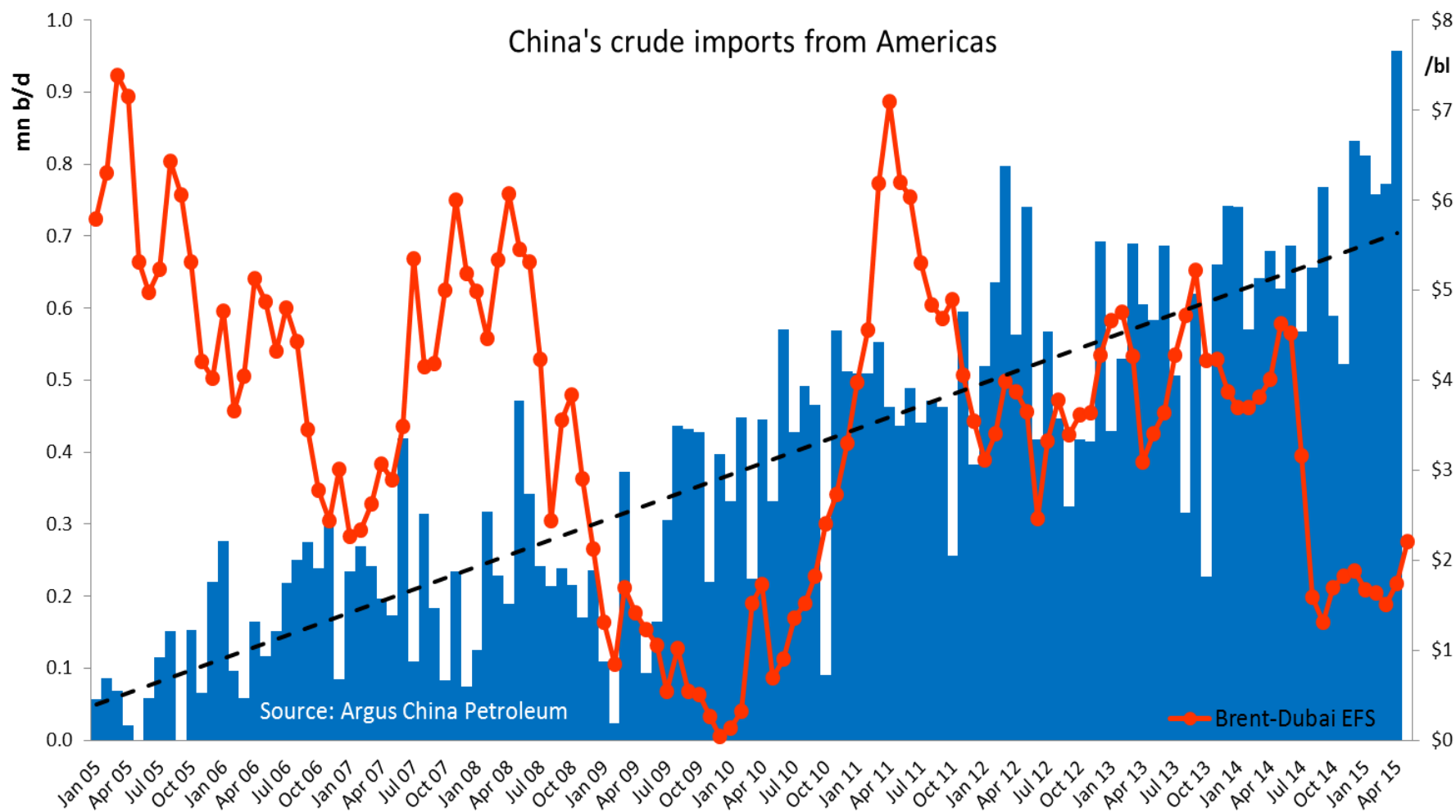
Canadian crude exports may face challenges to Asia



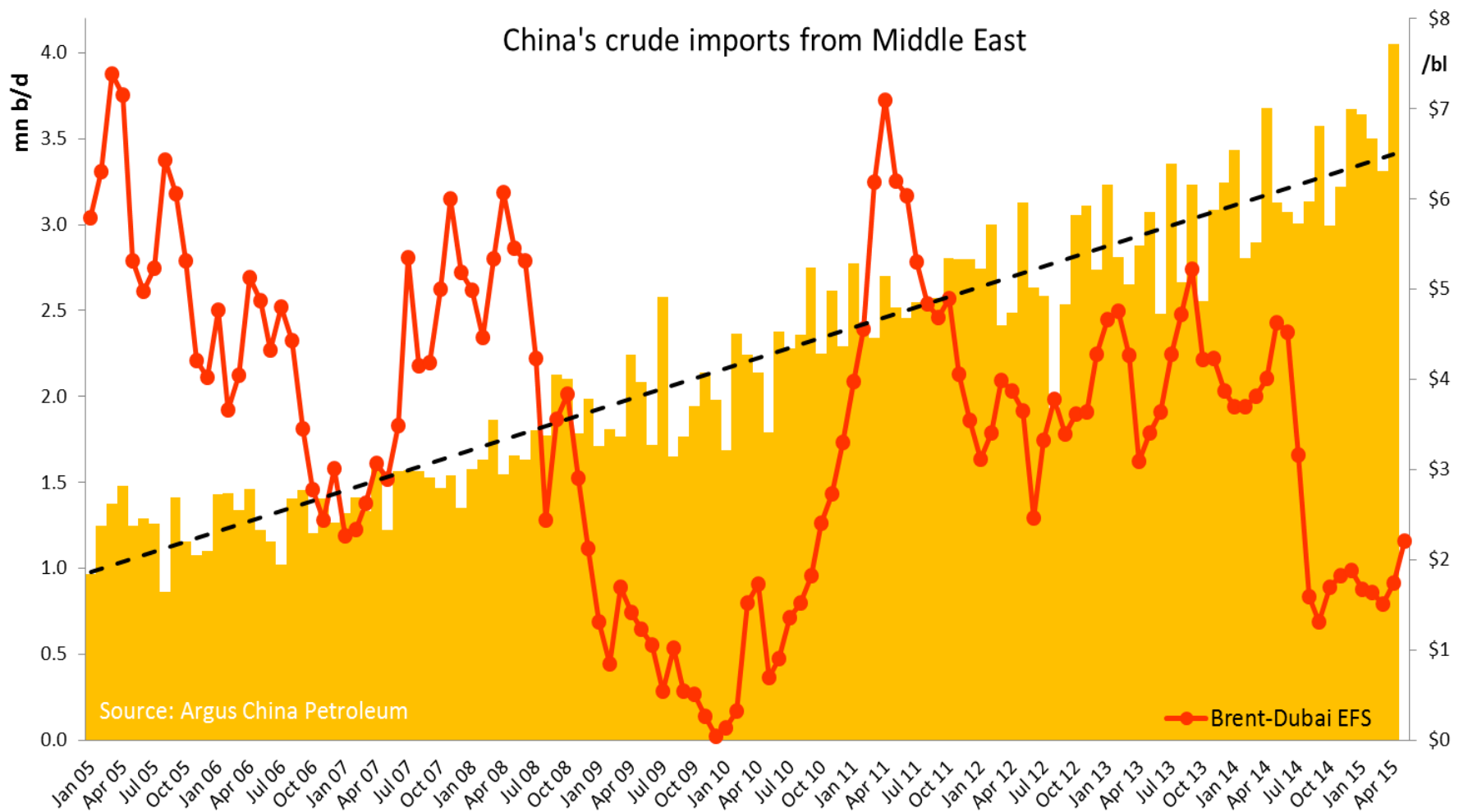
Atlantic basin arbitrage to Asia-Pacific remains open



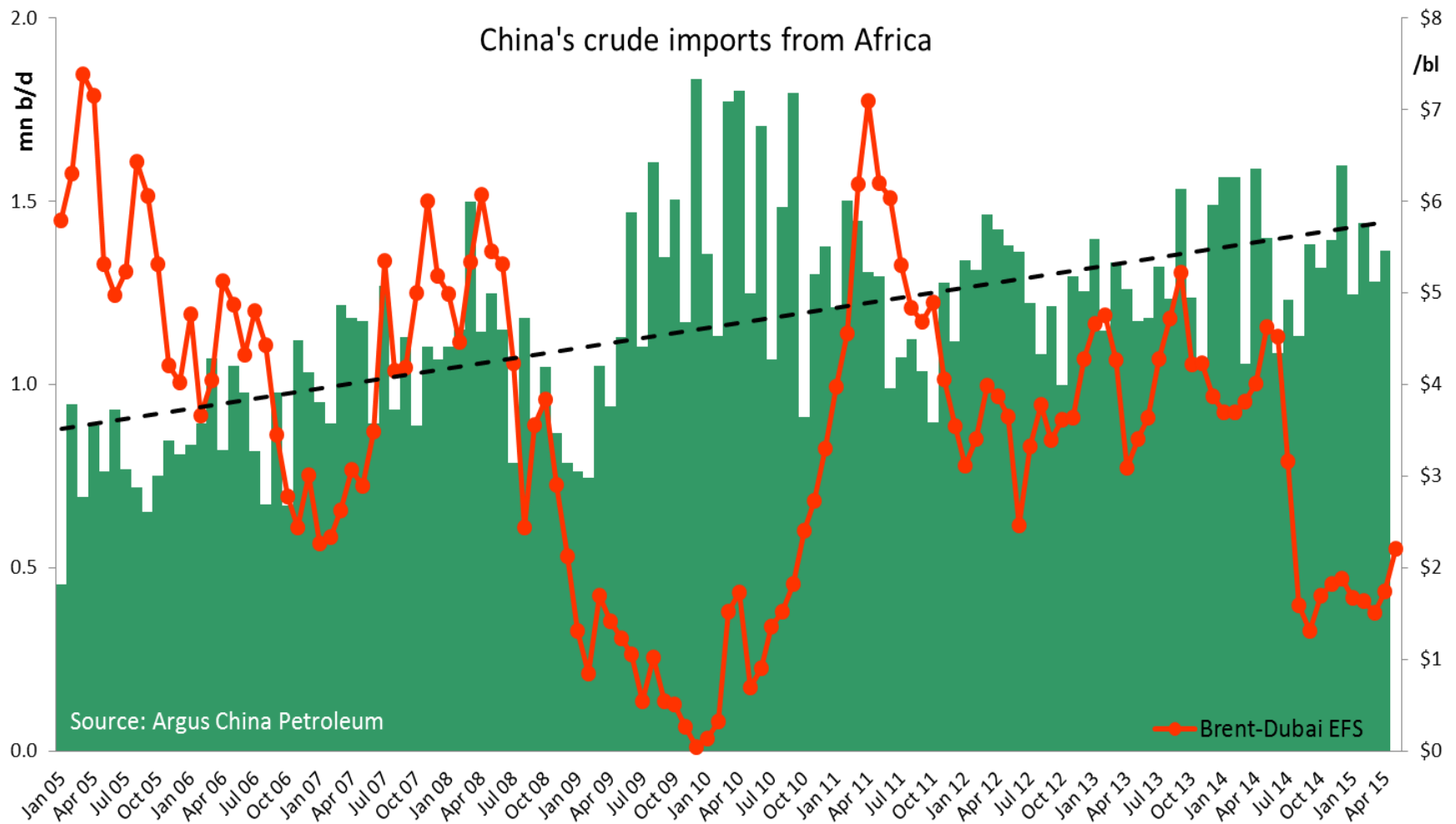
China's imports from the Americas defy OPEC strategy



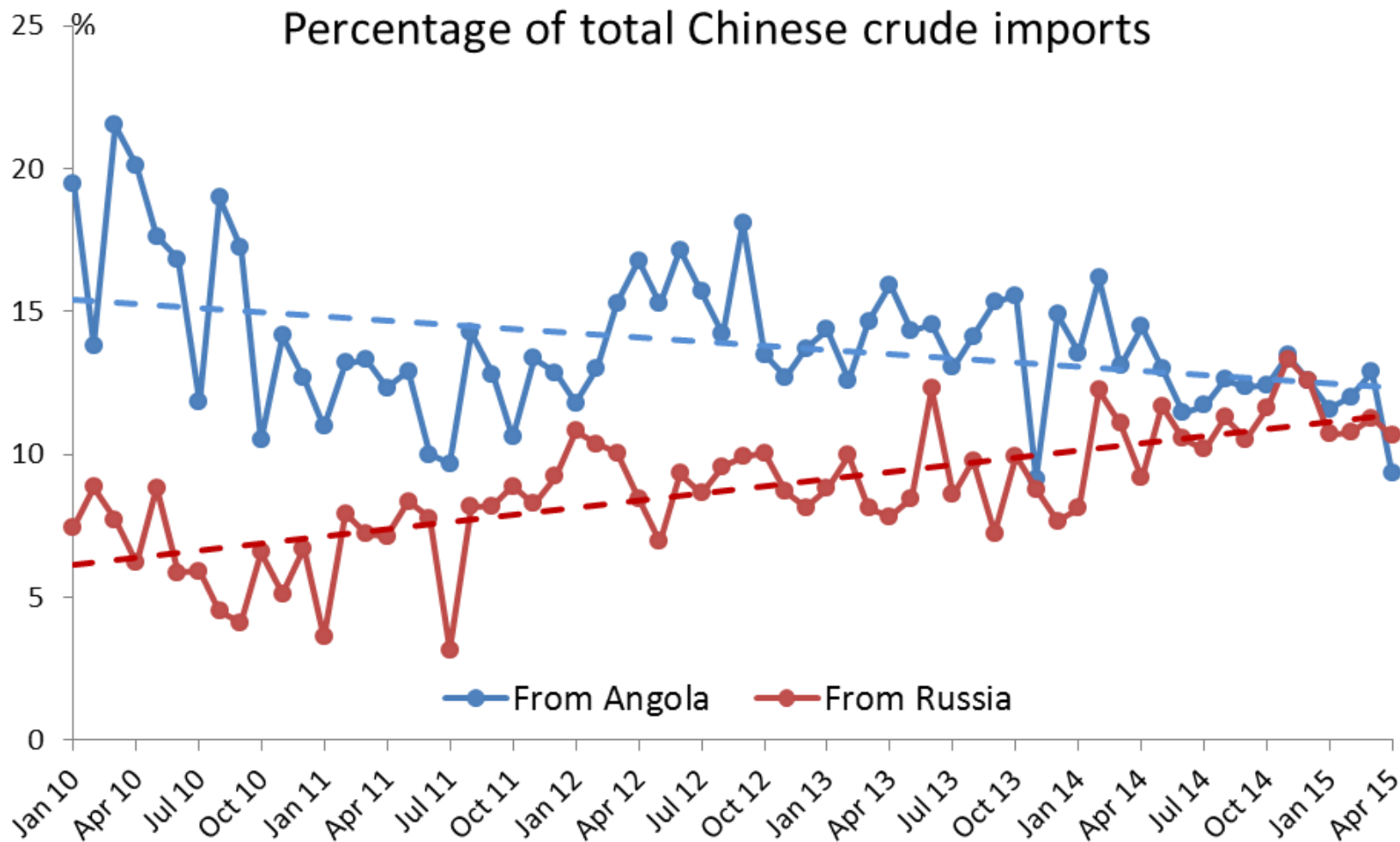
Middle East remains core source region for China



African crude is losing share market share in China



Russia overtaking Angola as no. 2 supplier to China



Source: Argus China Petroleum



ESPO shipments from Kozmino may keep climbing

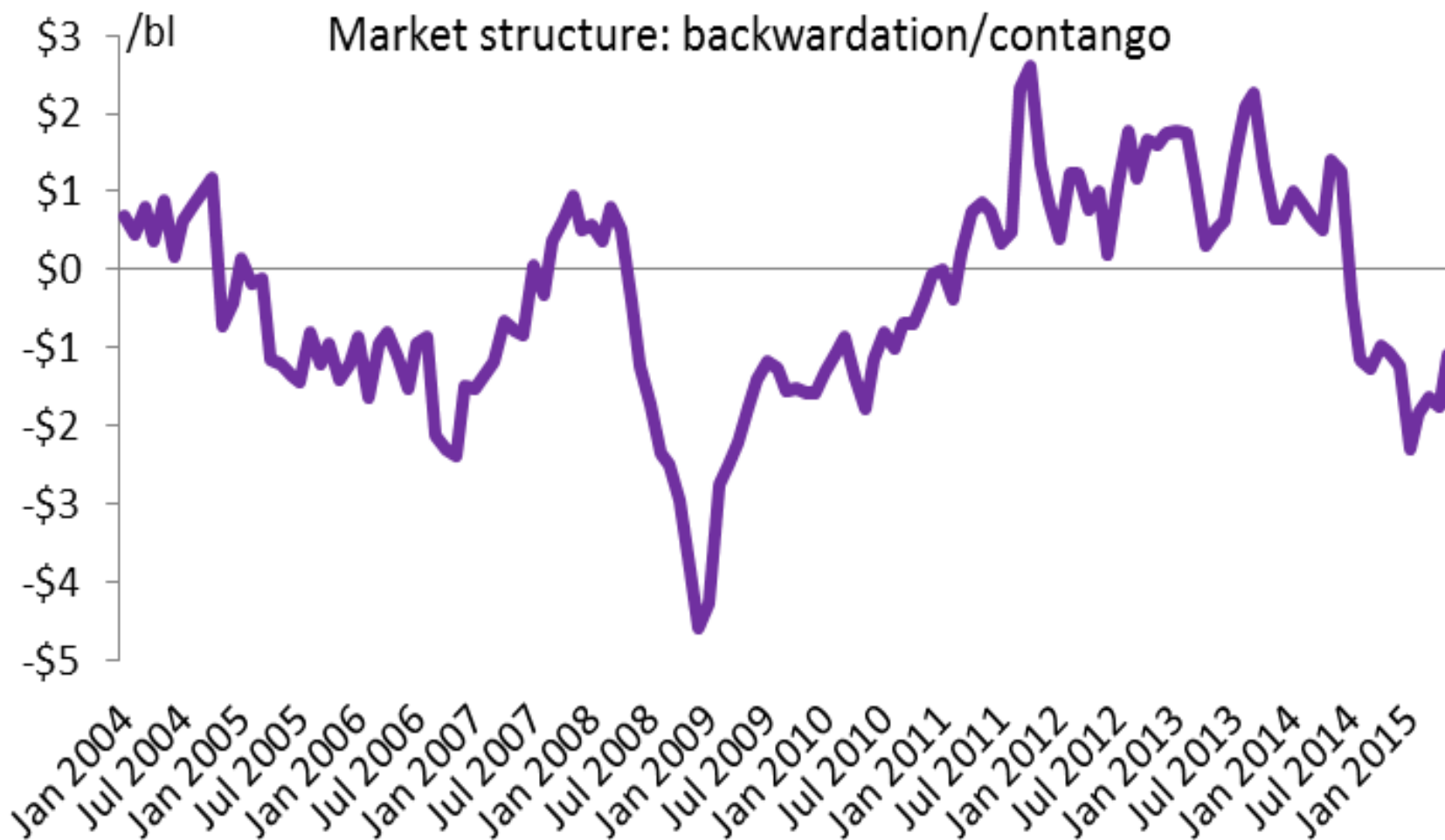
- Transneft aims to supply 30mn t per annum (600,000 b/d) of ESPO crude this year from Kozmino, filling nameplate pipeline capacity
- Kozmino shipments could reach as high as 36mn t (720,000 b/d) by 2018 without Rosneft's planned refinery in the region
- Transneft can maintain ESPO quality around current levels (0.5pc sulphur, 35-36 degrees API) through 2030
- ESPO system expected to reach 80mn t per annum (1.6mn b/d) by 2018, including 30mn t p/a (600,000 b/d) to Daqing via spur pipeline
- ESPO-2 pipeline planned to ship 50mn t p/a (1mn b/d) as follows: 24 mn t p/a to Kozmino, 6mn t p/a to Khabarovsk refinery, 8mn t p/a to Komsomolsk refinery, 12 mn t p/a to Rosneft's planned refinery near Kozmino or to spot market

ESPO diff. stabilizes as China boosts spot purchases



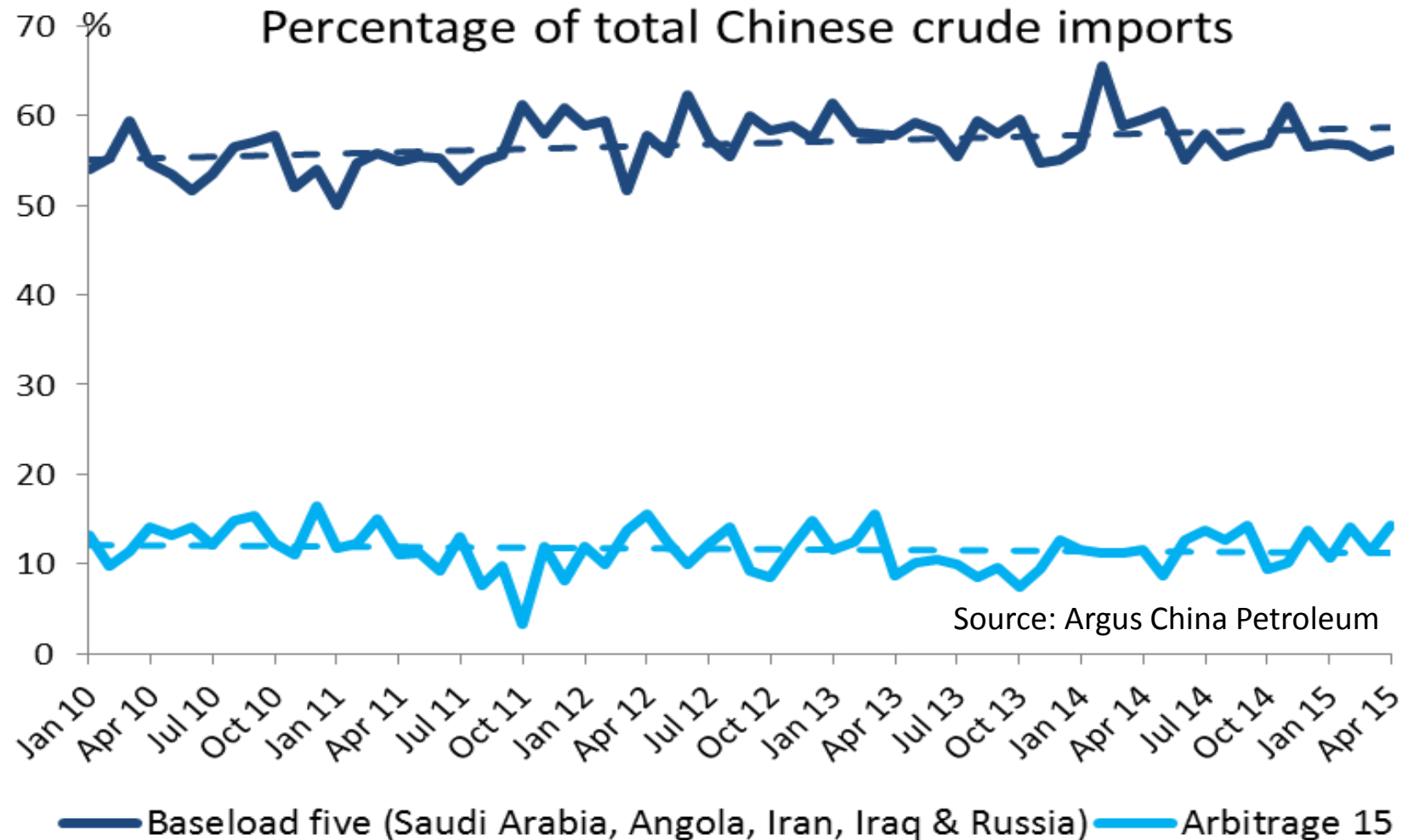
— Argus ESPO differential to Dubai

Contango helps trading companies store more crude

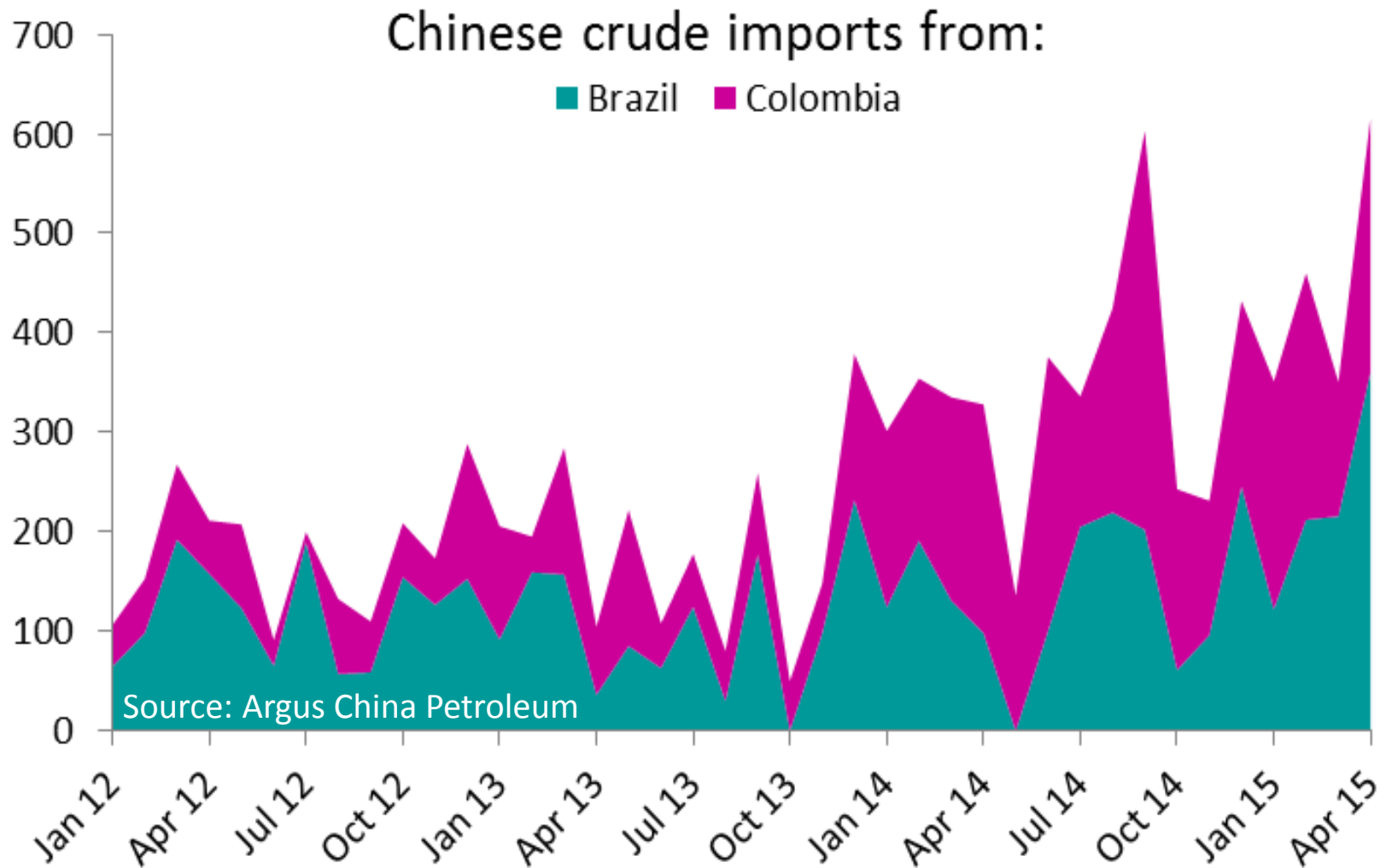


— ICE Brent front month vs third month

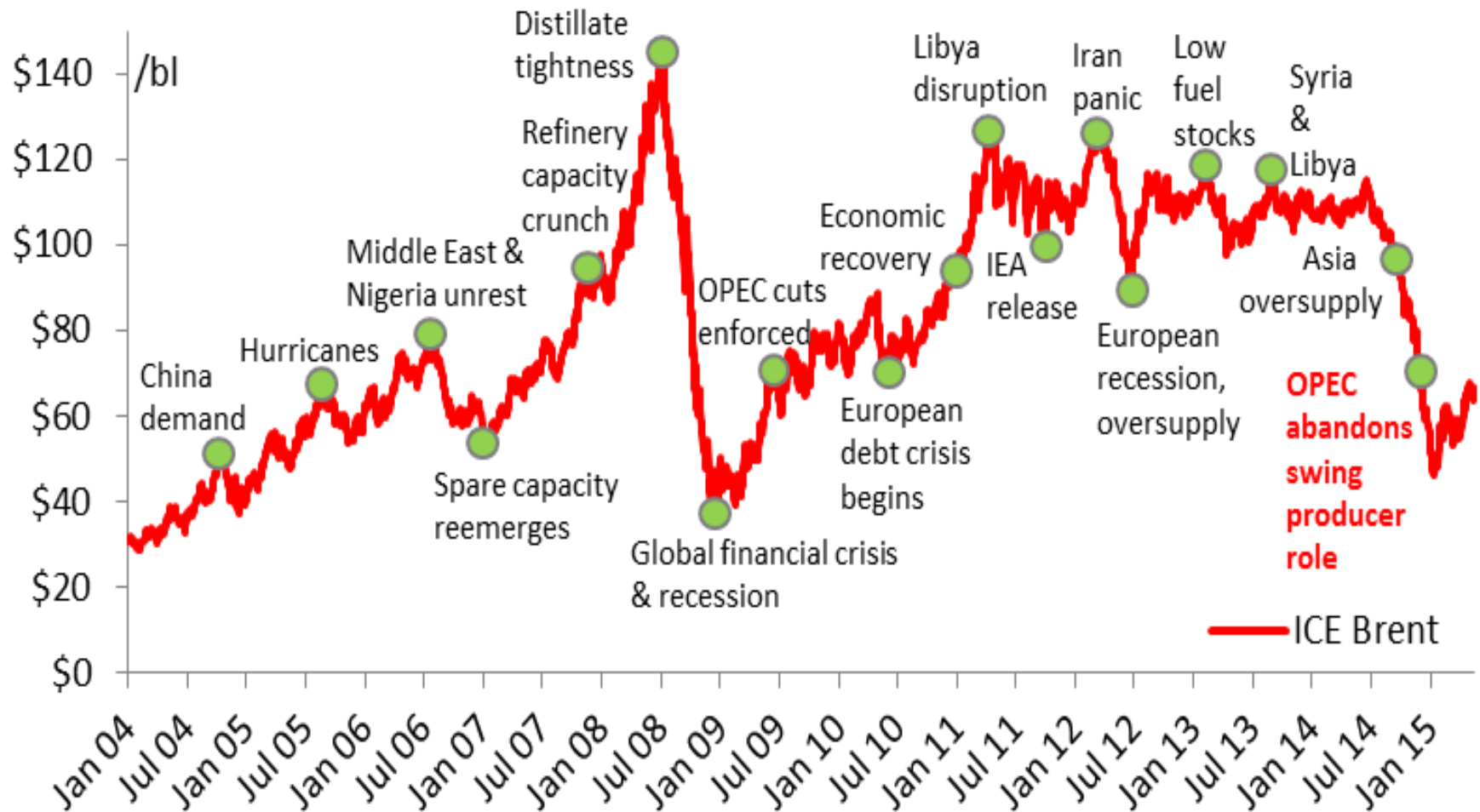
China maintains ratio of baseload imports vs arbitrage



China's Atlantic arbitrage imports exceeding 1mn b/d



China demand supports price in diversification strategy

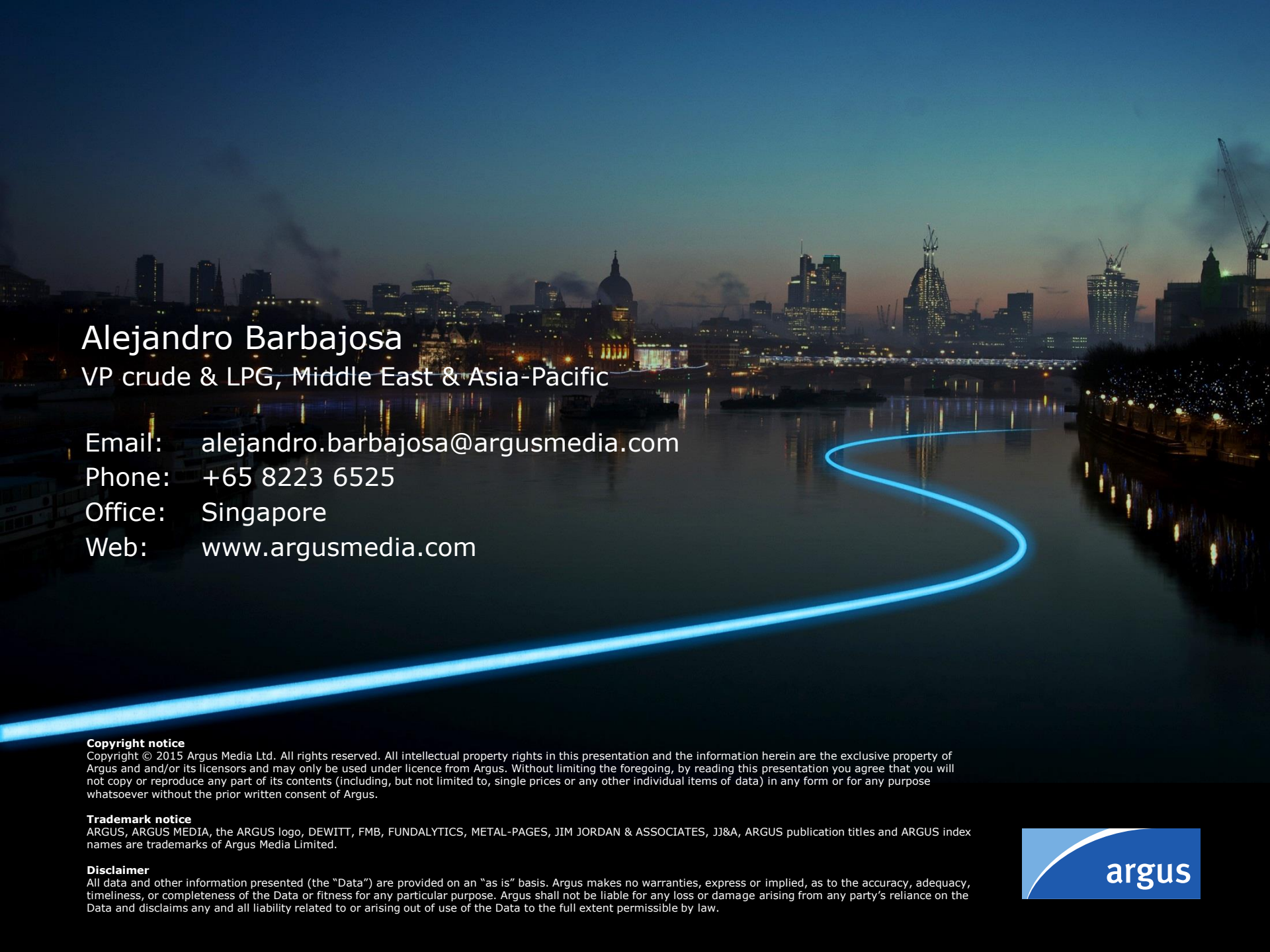


Asian refiners clear winners in new oil order

- OPEC's decision not to cut output shifted the global oil market into a new paradigm where price is determined by marginal cost
- Saudis haven't recovered market share in key China market so far; domestic refining and summer peak demand absorbing supply
- Basrah Light and Heavy crudes are set to keep gaining market share in Asia-Pacific as Iraq now targets two different segments
- Price volatility across regional benchmarks has yet to disrupt flows of Atlantic basin crude to Asia: Latin American shipments surging
- Asia-Pacific refiners must be flexible to adapt to volatile arbitrage economics, alternating with baseload Middle East crude

London
Houston
Washington
New York
Portland
Calgary
Santiago
Bogota
Rio de Janeiro
Singapore
Beijing
Tokyo
Sydney
Dubai
Moscow
Astana
Kiev
Porto
Johannesburg
Riga





Alejandro Barbajosa

VP crude & LPG, Middle East & Asia-Pacific

Email: alejandro.barbajosa@argusmedia.com

Phone: +65 8223 6525

Office: Singapore

Web: www.argusmedia.com

Copyright notice

Copyright © 2015 Argus Media Ltd. All rights reserved. All intellectual property rights in this presentation and the information herein are the exclusive property of Argus and and/or its licensors and may only be used under licence from Argus. Without limiting the foregoing, by reading this presentation you agree that you will not copy or reproduce any part of its contents (including, but not limited to, single prices or any other individual items of data) in any form or for any purpose whatsoever without the prior written consent of Argus.

Trademark notice

ARGUS, ARGUS MEDIA, the ARGUS logo, DEWITT, FMB, FUNDALYTICS, METAL-PAGES, JIM JORDAN & ASSOCIATES, JJ&A, ARGUS publication titles and ARGUS index names are trademarks of Argus Media Limited.

Disclaimer

All data and other information presented (the "Data") are provided on an "as is" basis. Argus makes no warranties, express or implied, as to the accuracy, adequacy, timeliness, or completeness of the Data or fitness for any particular purpose. Argus shall not be liable for any loss or damage arising from any party's reliance on the Data and disclaims any and all liability related to or arising out of use of the Data to the full extent permissible by law.



argus