

OIL

Medium-Term Market Report 2016



Spanish Energy Business Club

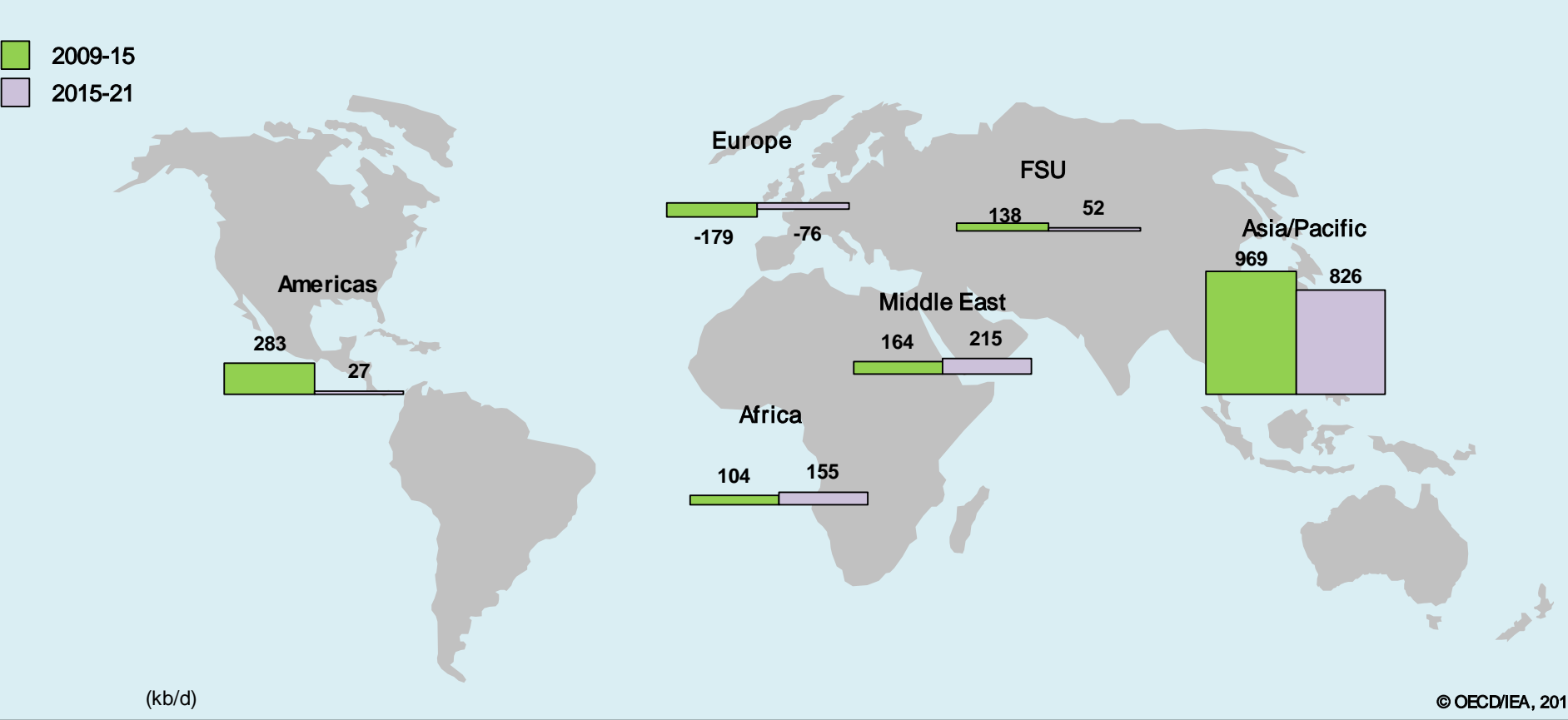
Madrid, 27 April 2016

Market Analysis and Forecasts to 2021

Oil issues to 2021

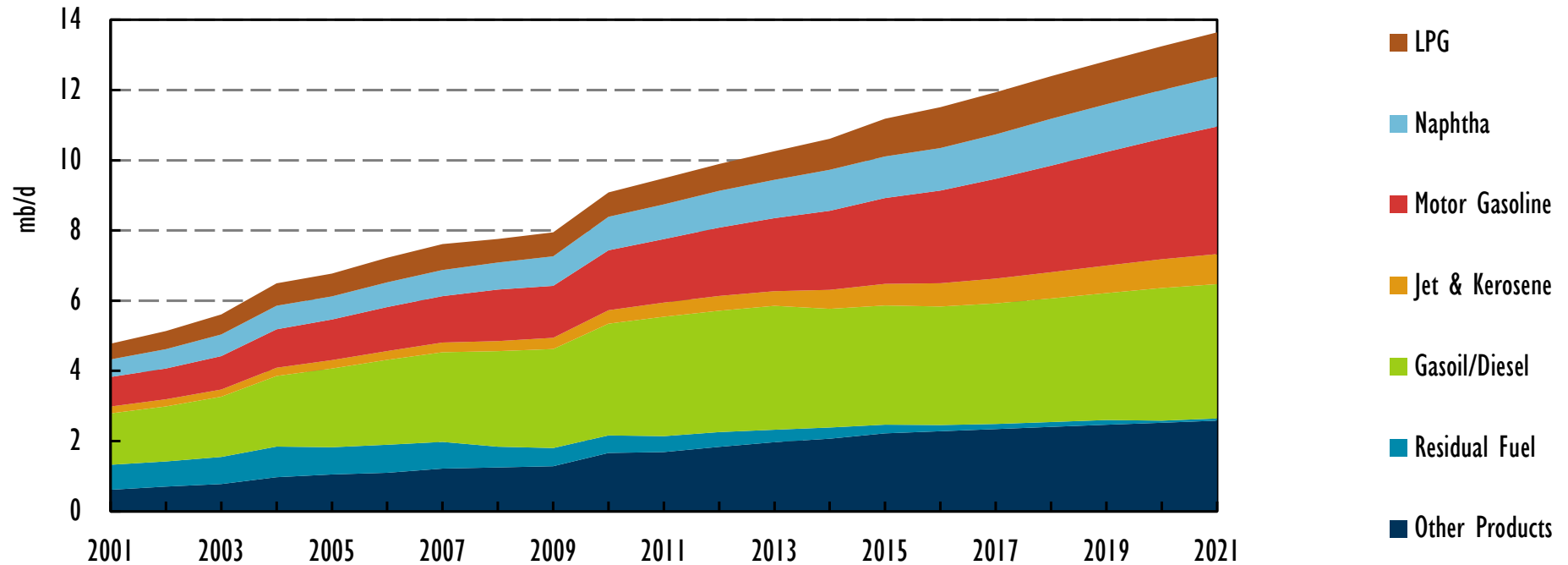
- **Demand growth solid at 1.2 mb/d through 2021**
- **Production growth slashed as investment cuts bite**
- **Crude trade shifts more and more eastwards**
- **Huge uncertainties**
 - ◆ **OPEC production policy**
 - ◆ **Non-OPEC**
 - ◆ **World economy**
 - ◆ **Efficiency gains**

World oil demand growth slows



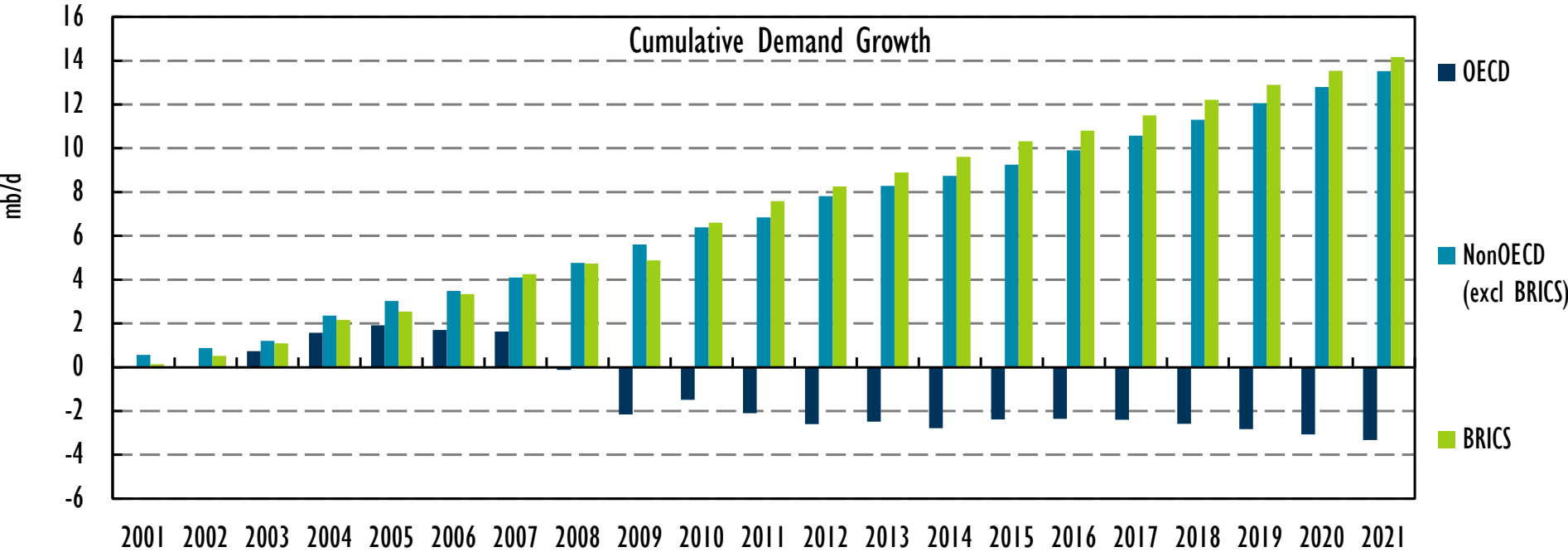
■ ***Cools from 1.7%/yr in 2009-15 to 1.2%/yr in 2016-2021***

Chinese demand growth slips a gear



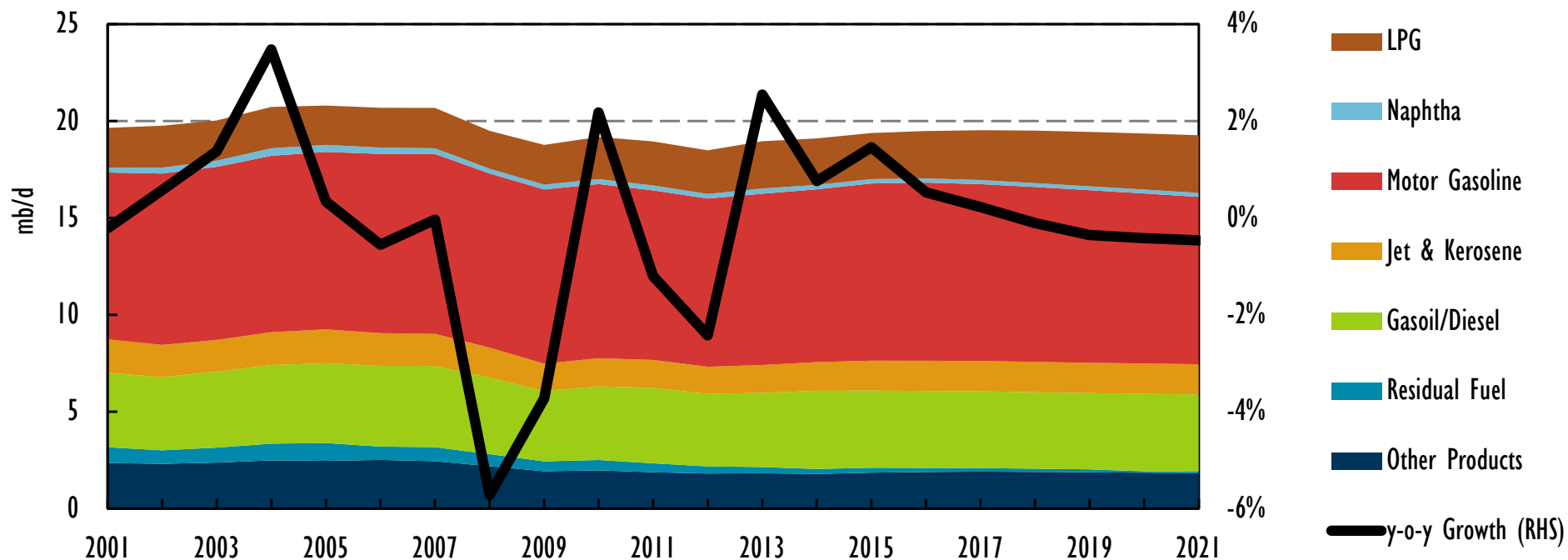
Economy slows and shifts from industry to services

OECD wanes, after rare growth in 2015



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

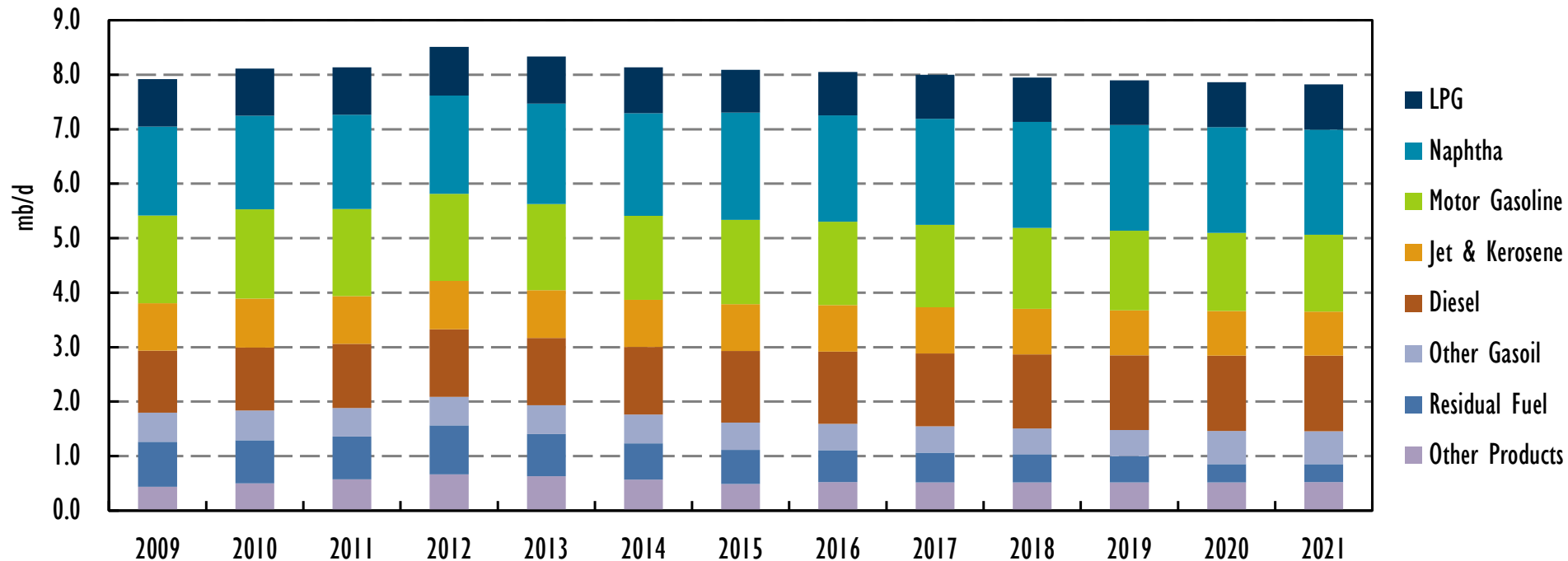
Rampant US gains ease then reverse



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

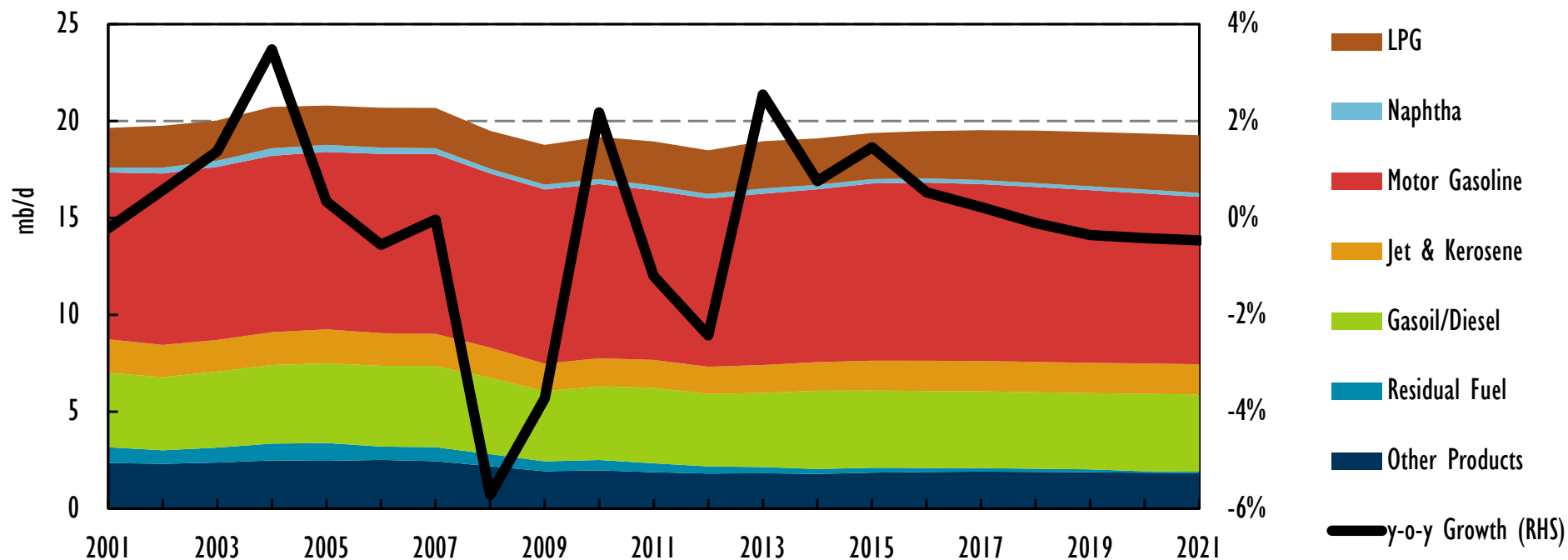
Entrenched declines in OECD Asia Oceania remain through 2021

Medium-Term
Market Report
2016



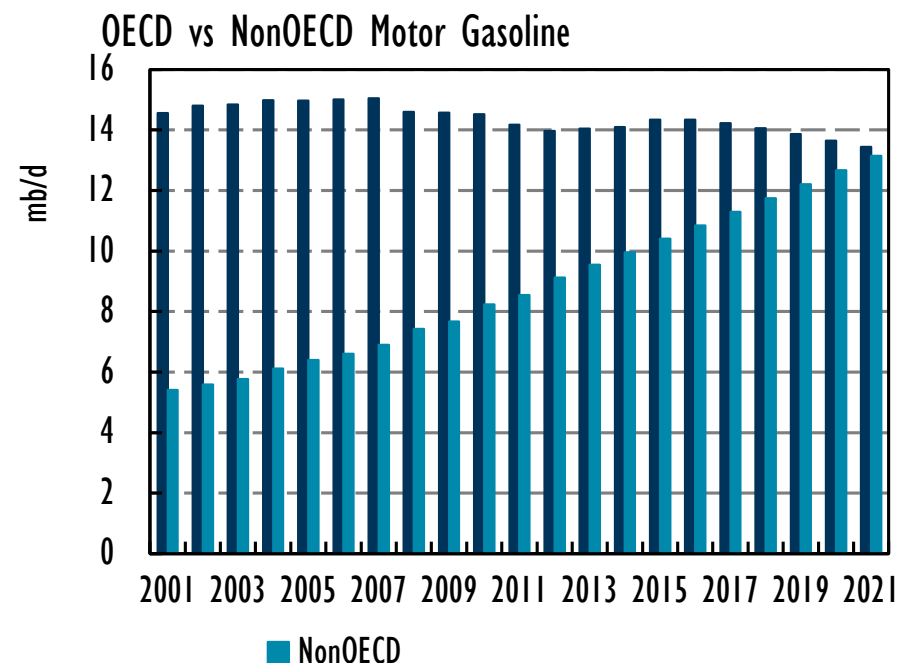
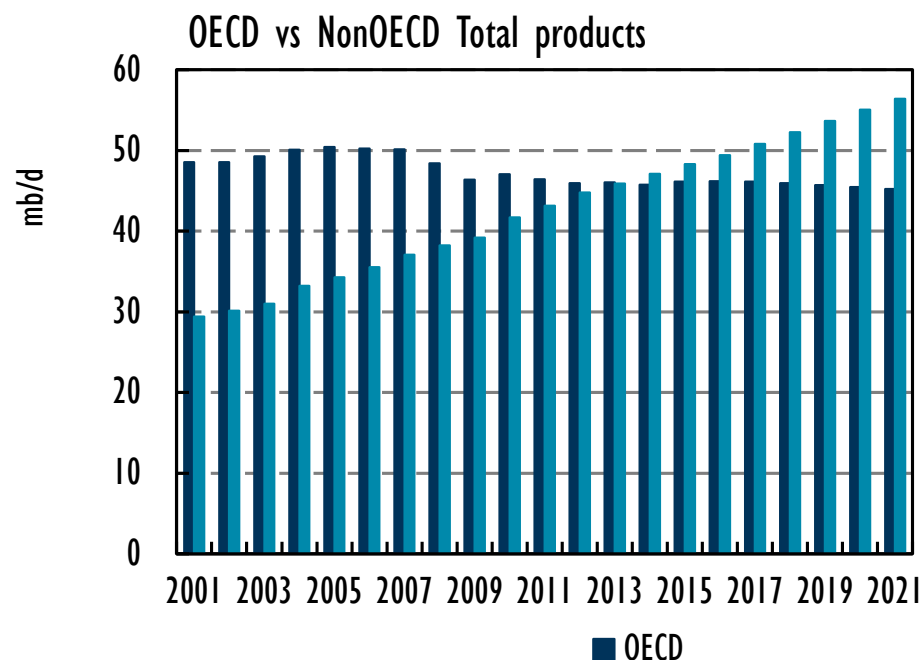
■ ***Rare region not to see absolute 2015 demand growth, continues to decline***

Europe slows even further



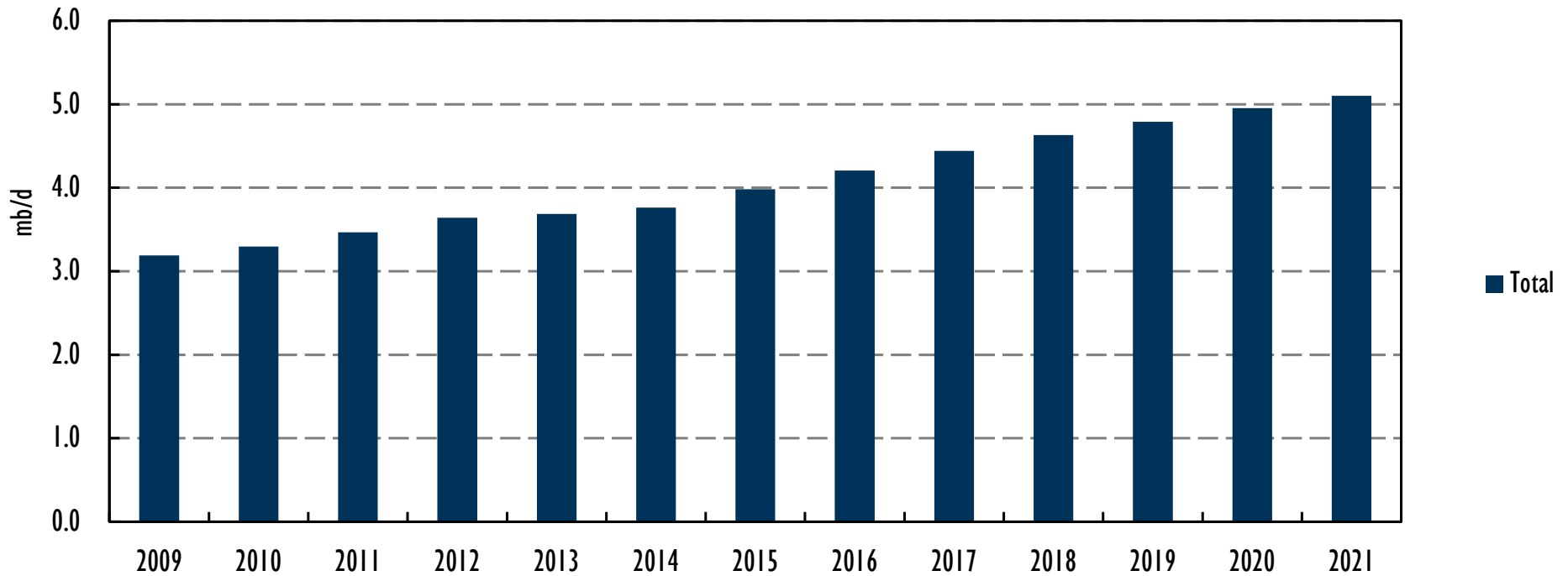
■ **0.2 mb/d gain of 2015 vanishes in 2016 before declines set in**

Demand sees non-OECD takeover



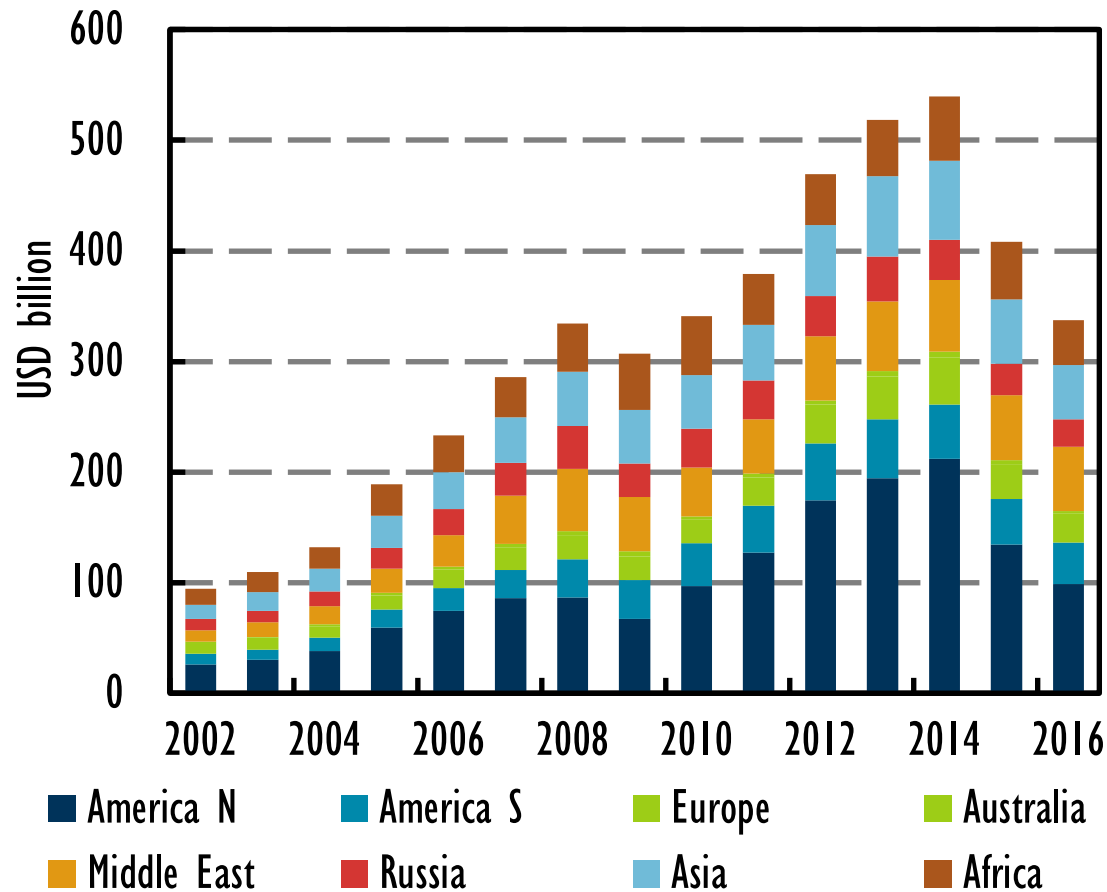
- ***Despite concerns about slowing Chinese demand, overall non-OECD momentum remains strong***

Indian oil use races ahead



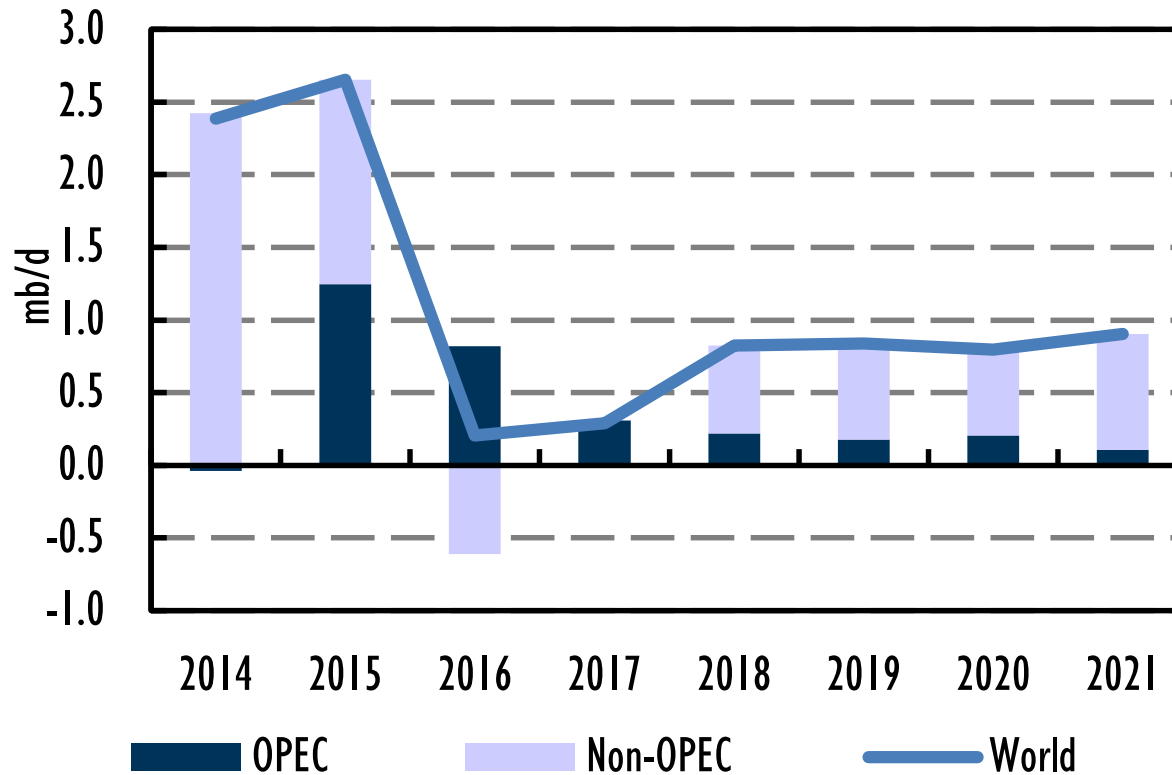
■ *Motorists take to the roads*

Upstream oil capex cut for 2nd year



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

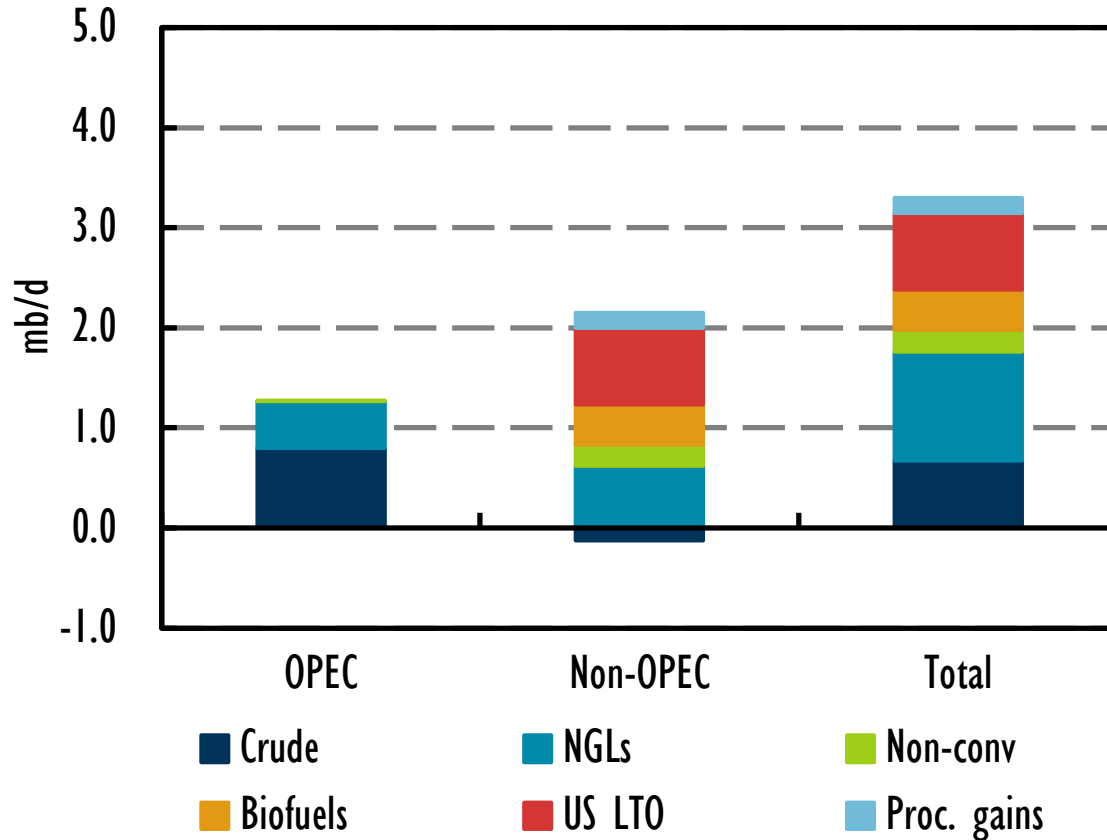
World supply growth plunges



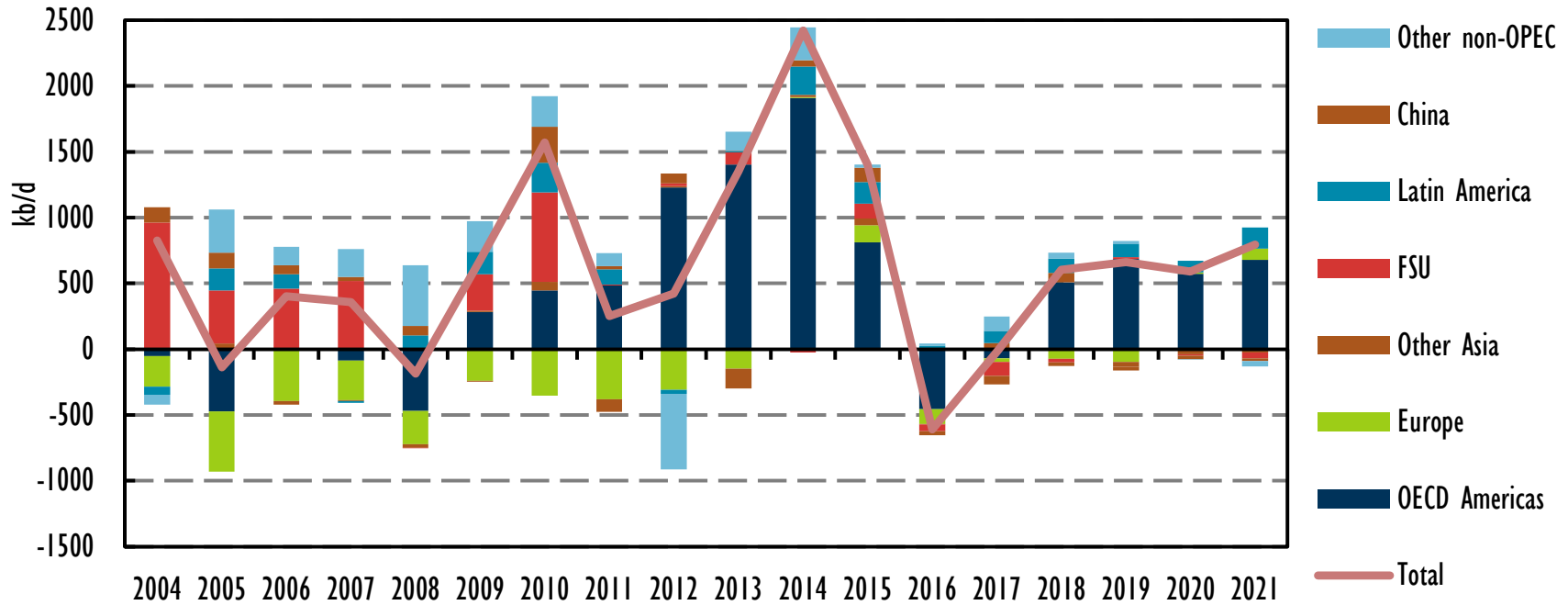
*2014 -15 shows actual output growth. 2016 assumes Iran ramp-up. OPEC capacity increases thereafter.

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

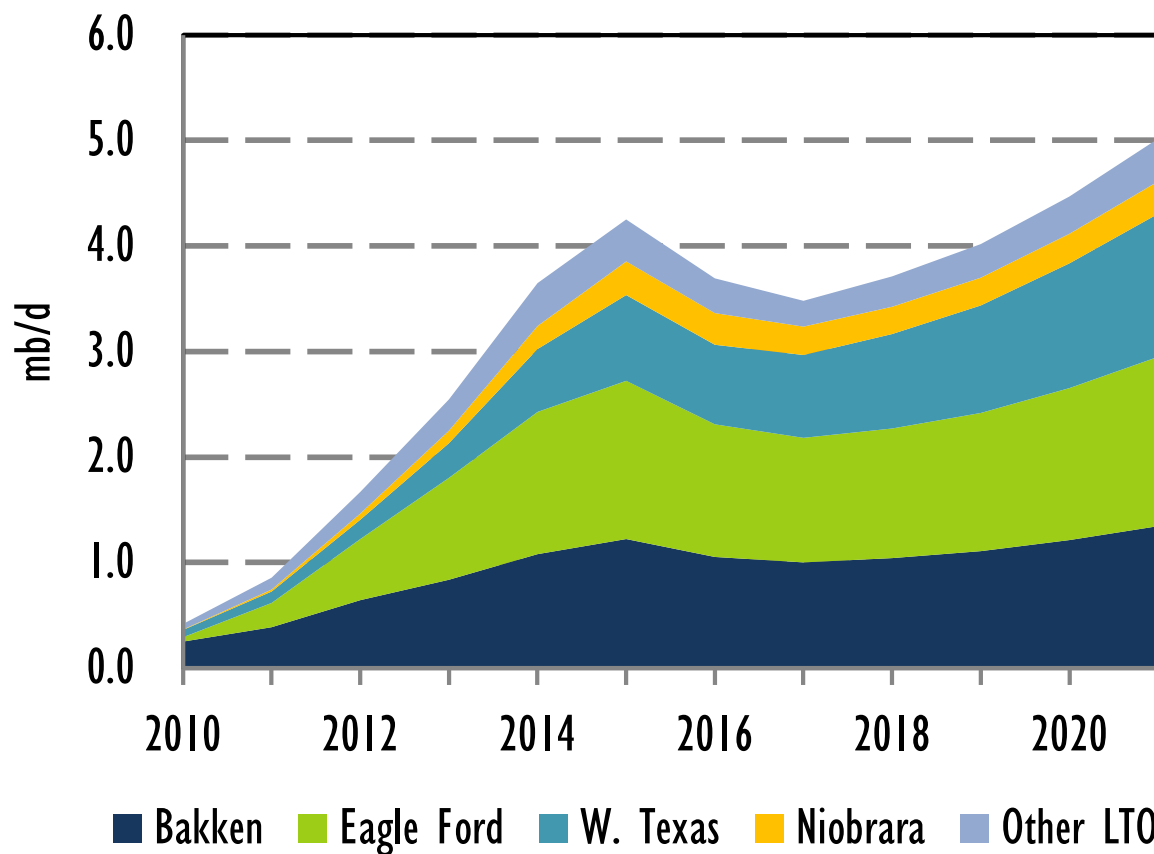
Total supply capacity up 3.3 mb/d by 2021



Non-OPEC supply growth collapses



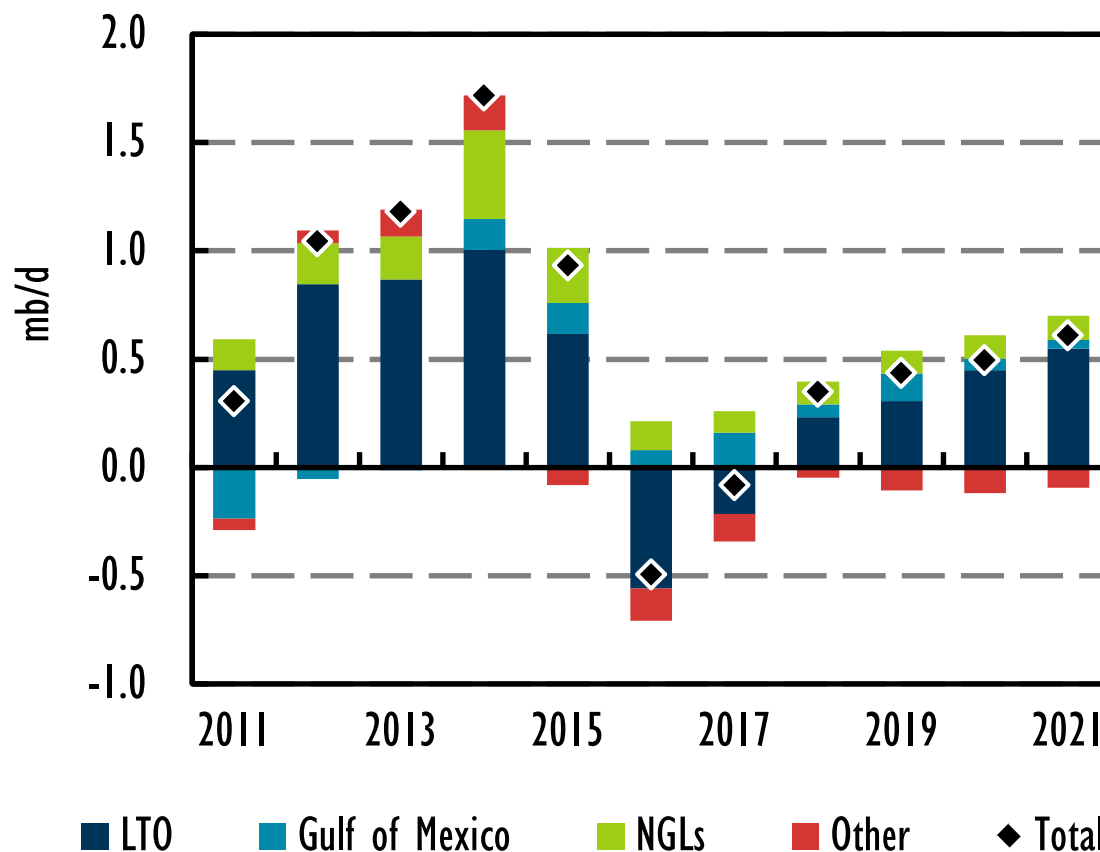
US LTO takes biggest hit for now



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

Gulf of Mexico and NGLs growth add to US liquids output

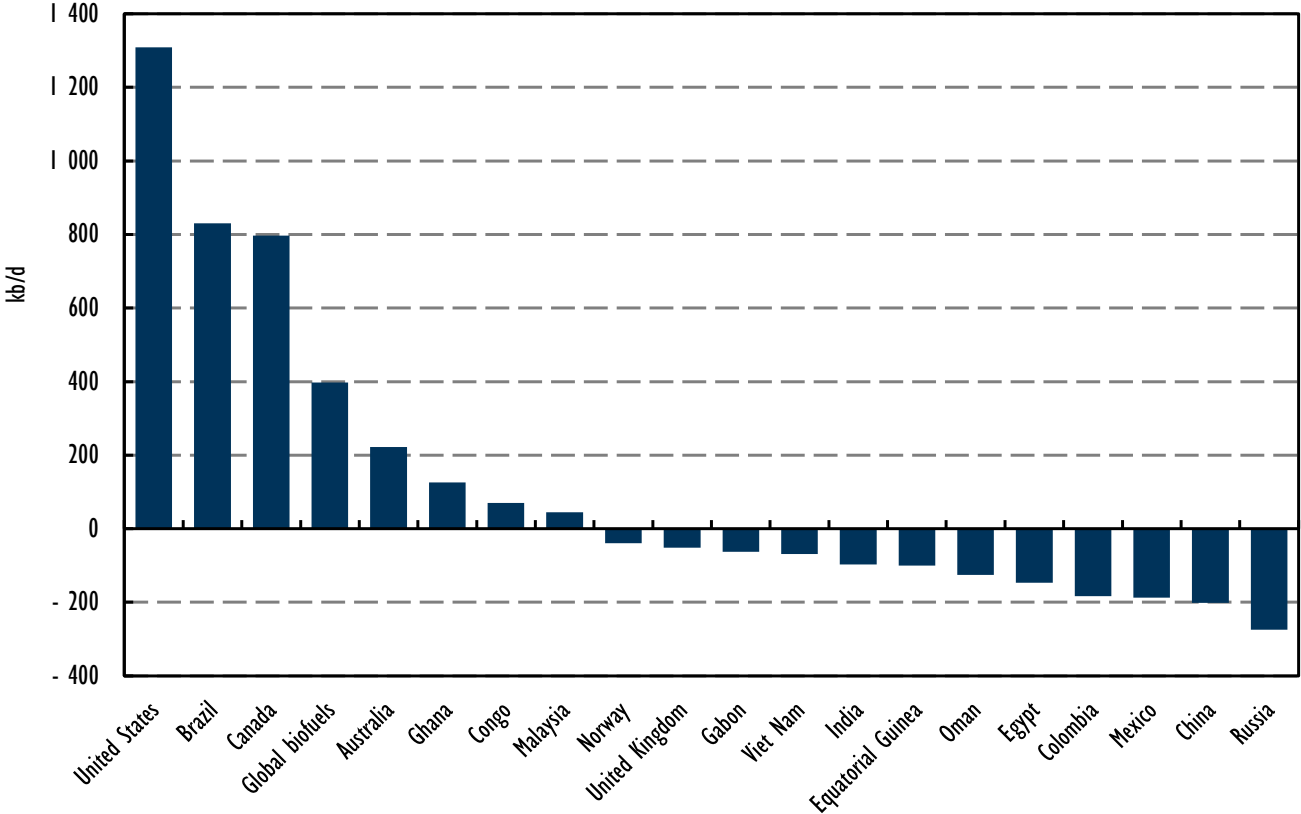
Medium-Term
Market Report
2016



■ **Total US supply up 1.3 mb/d by 2021, to 14.2 mb/d**

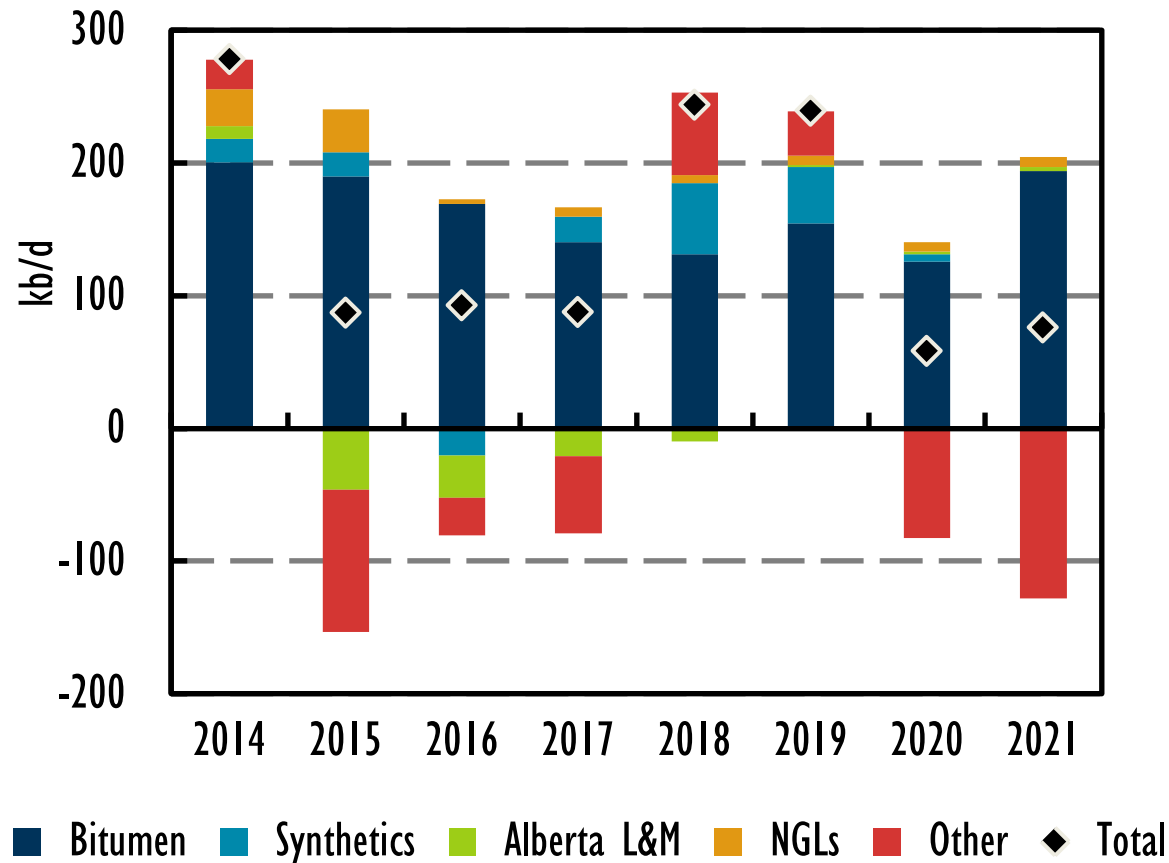
US is the world's growth engine

Selected sources of non-OPEC supply change 2015-21



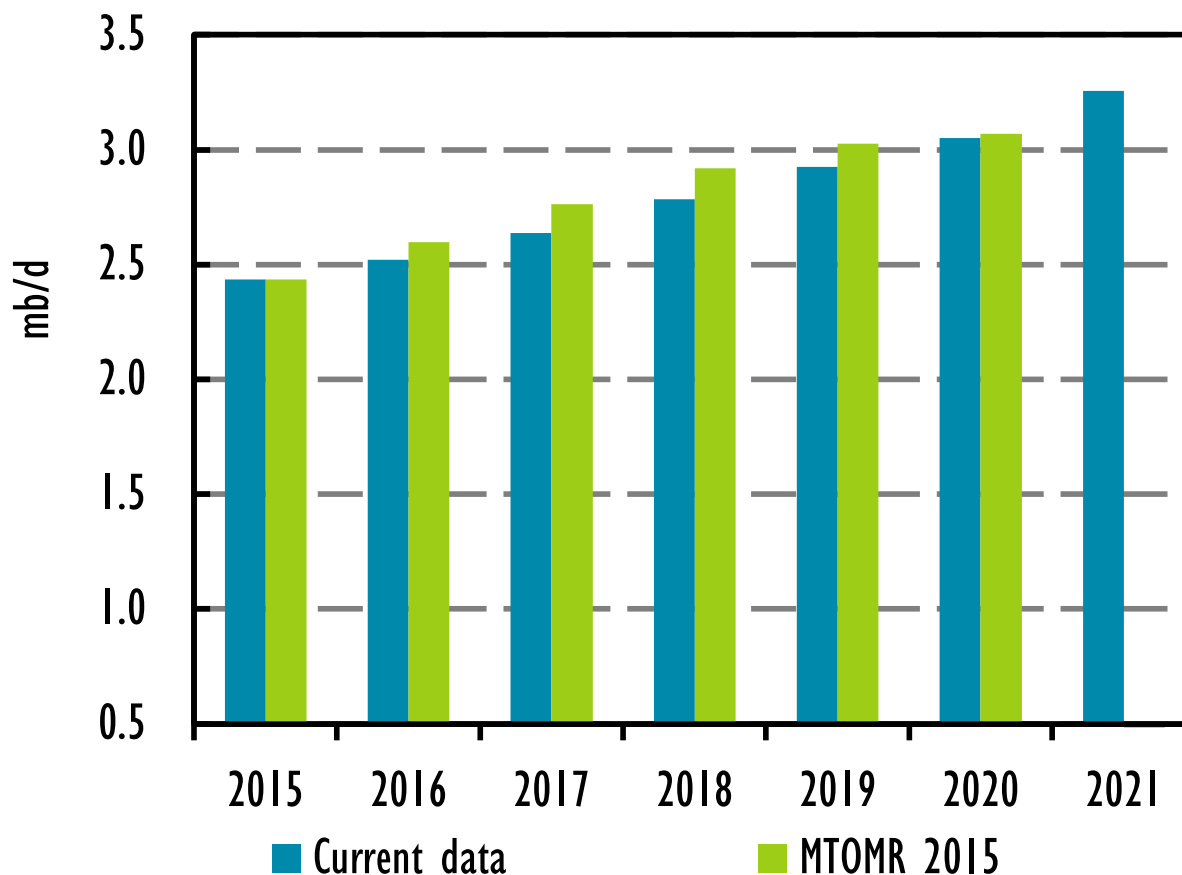
■ **Gains in Brazil, Canada; drops in Russia, China**

Canadian oil sands increasing



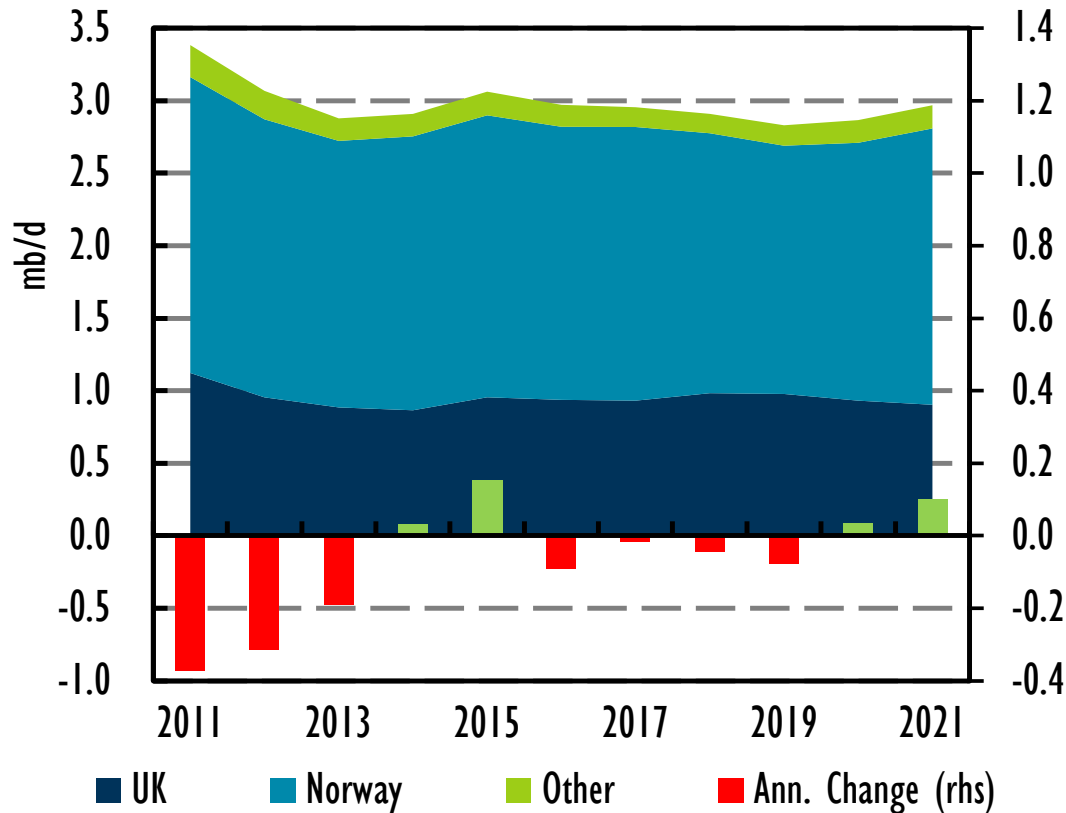
■ *Projects under development to lift output 0.8 mb/d*

Brazil expands despite challenges



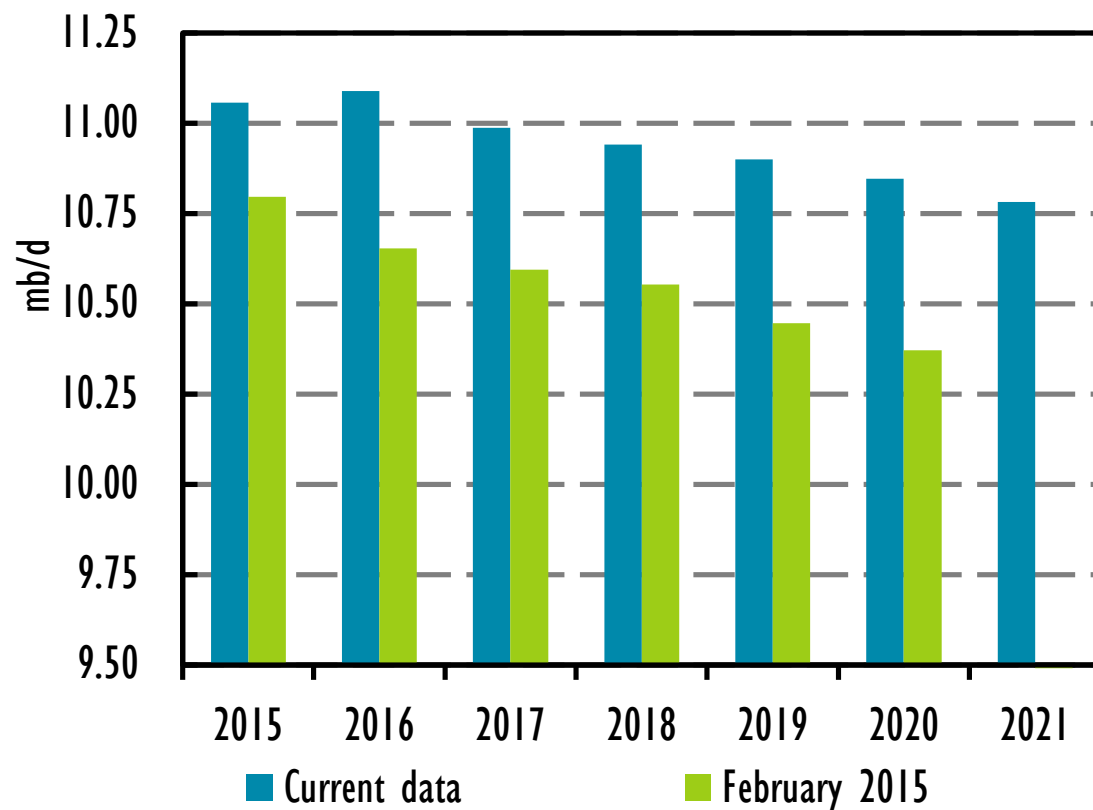
■ ***Output target cuts, in line with MTOMR forecast***

North Sea output recovers temporarily



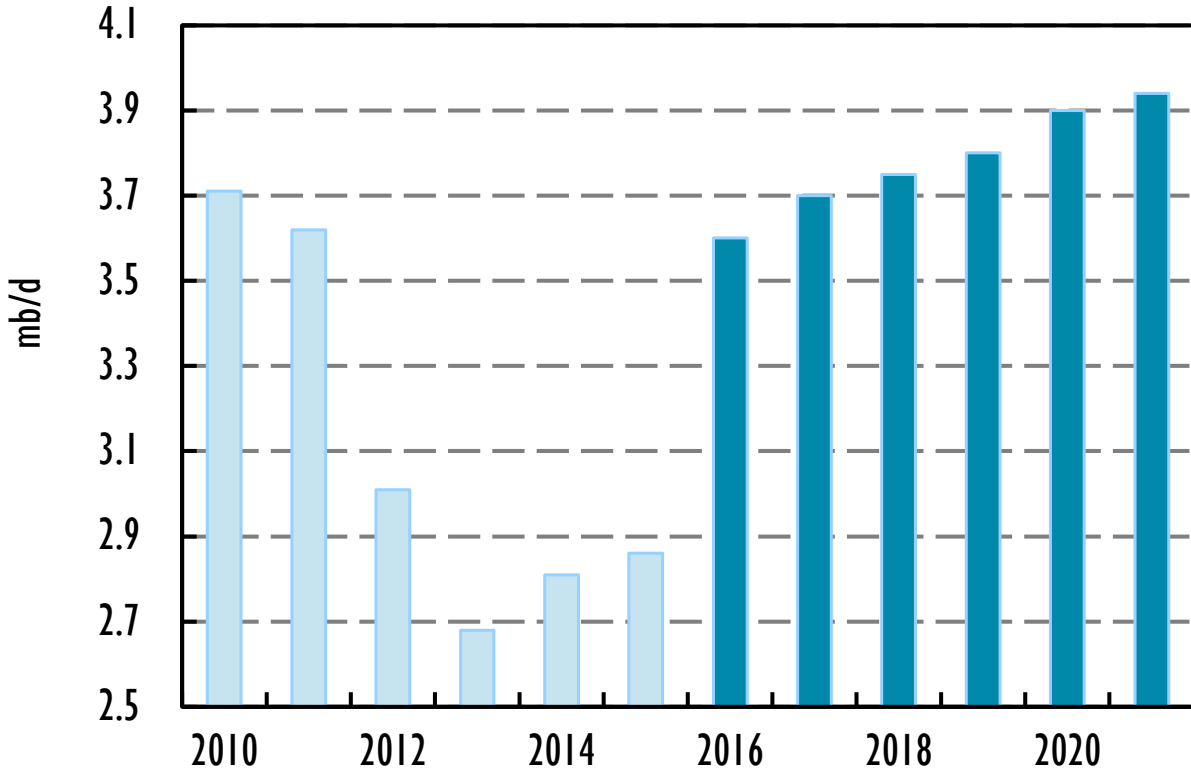
■ *New projects offset decline – downside risk remain*

Russia resilient



■ *Despite upward revisions, Russia takes biggest hit*

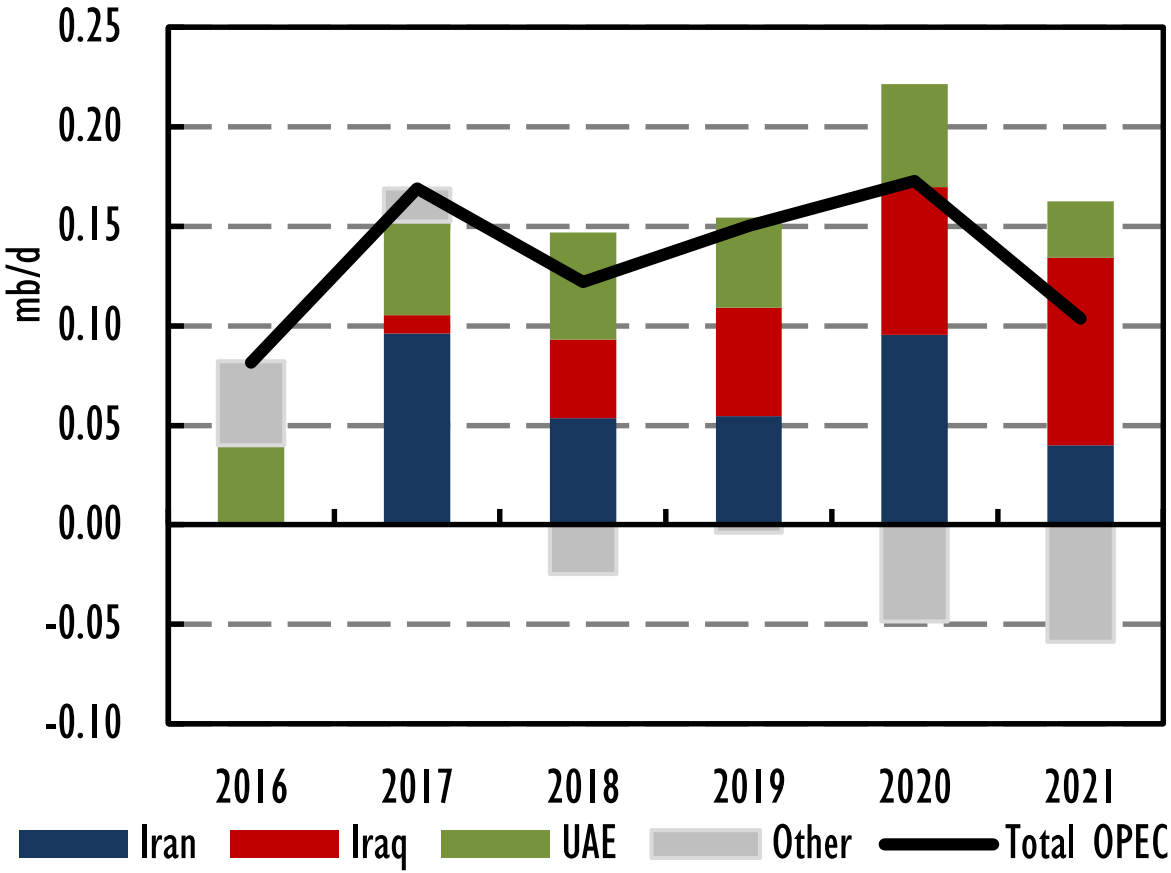
Post-sanctions Iran leads OPEC gains



Actual production 2010-15, capacity thereafter

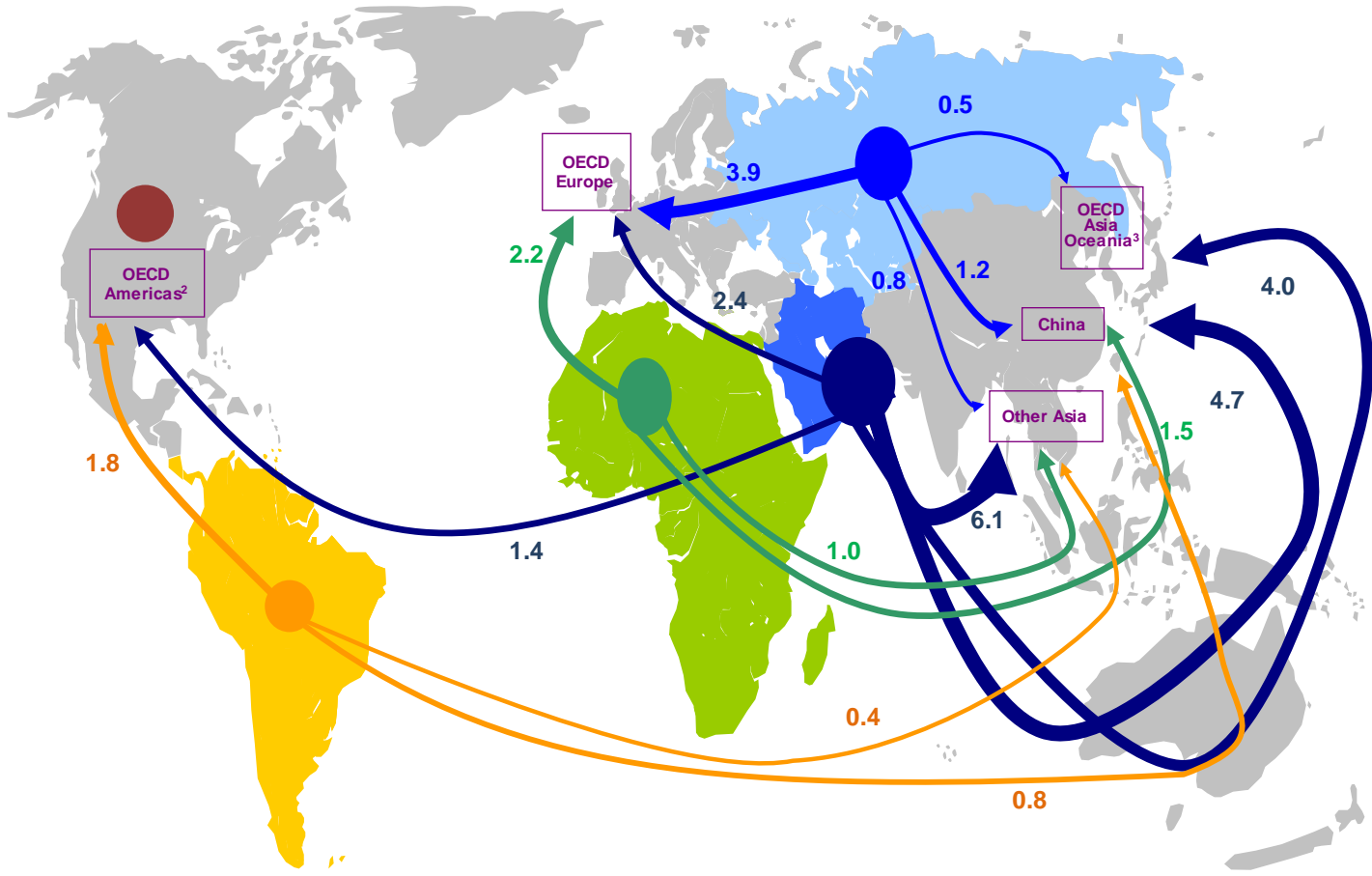
■ **Output to rise 1 mb/d to 3.9 mb/d by 2021**

Middle East dominates OPEC growth



Middle East dominates oil exports

Crude Exports in 2021 for Key Trade Routes
(million barrels per day)

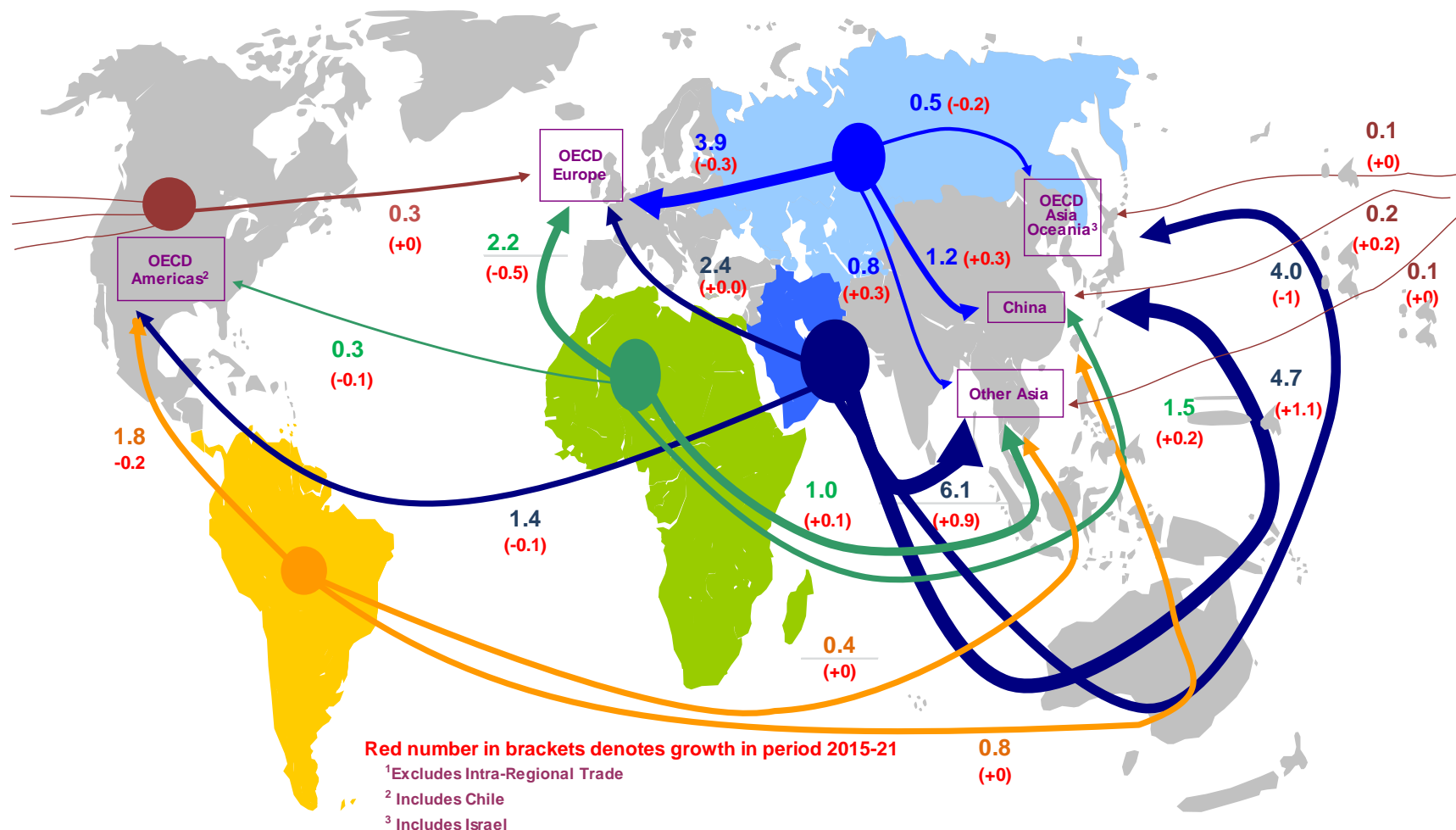


■ **Producers target non-OECD Asia**

Crude trade to shift eastwards

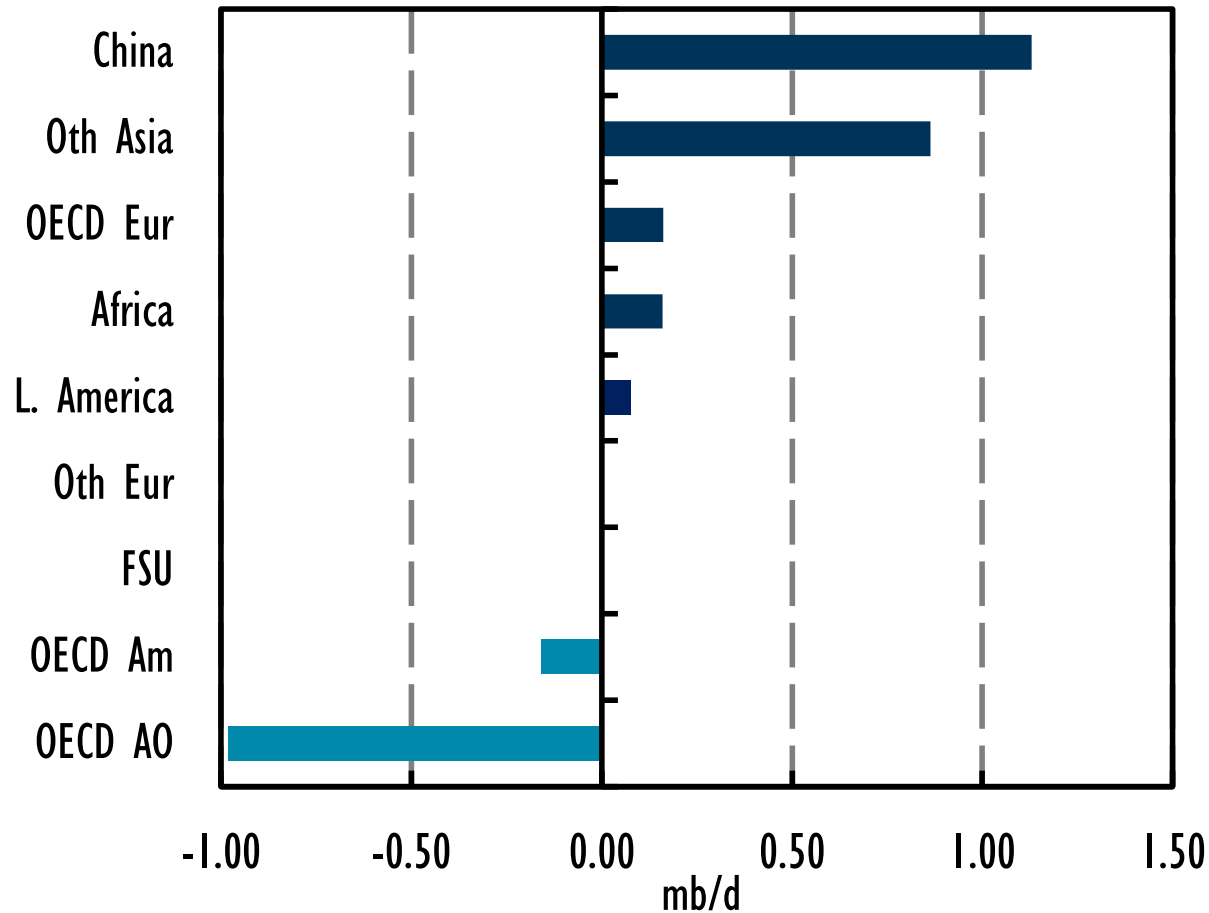
Crude Exports in 2021 and Growth in 2015-21 for Key Trade Routes¹

(million barrels per day)



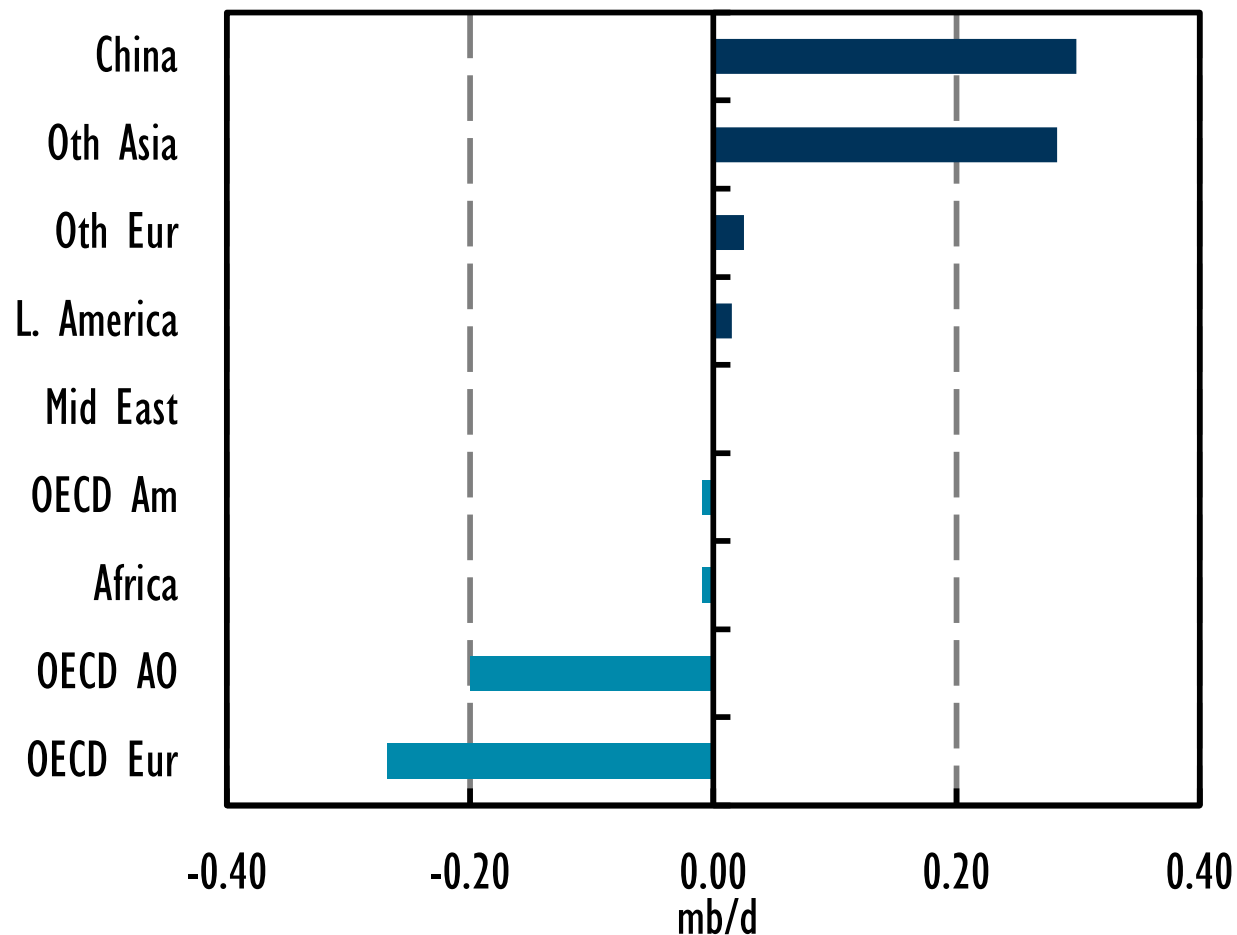
Middle East to increase crude export market share

Medium-Term
Market Report
2016



■ Will increasingly target non-OECD Asia

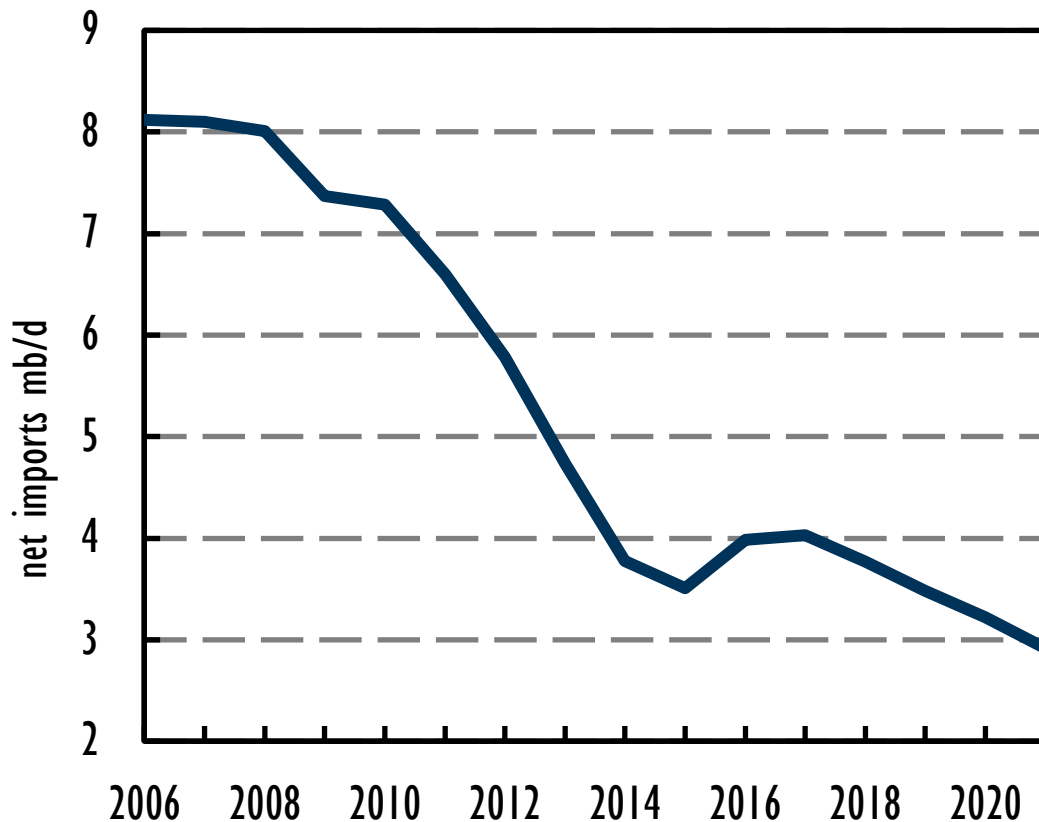
FSU to pivot to non-OECD Asia



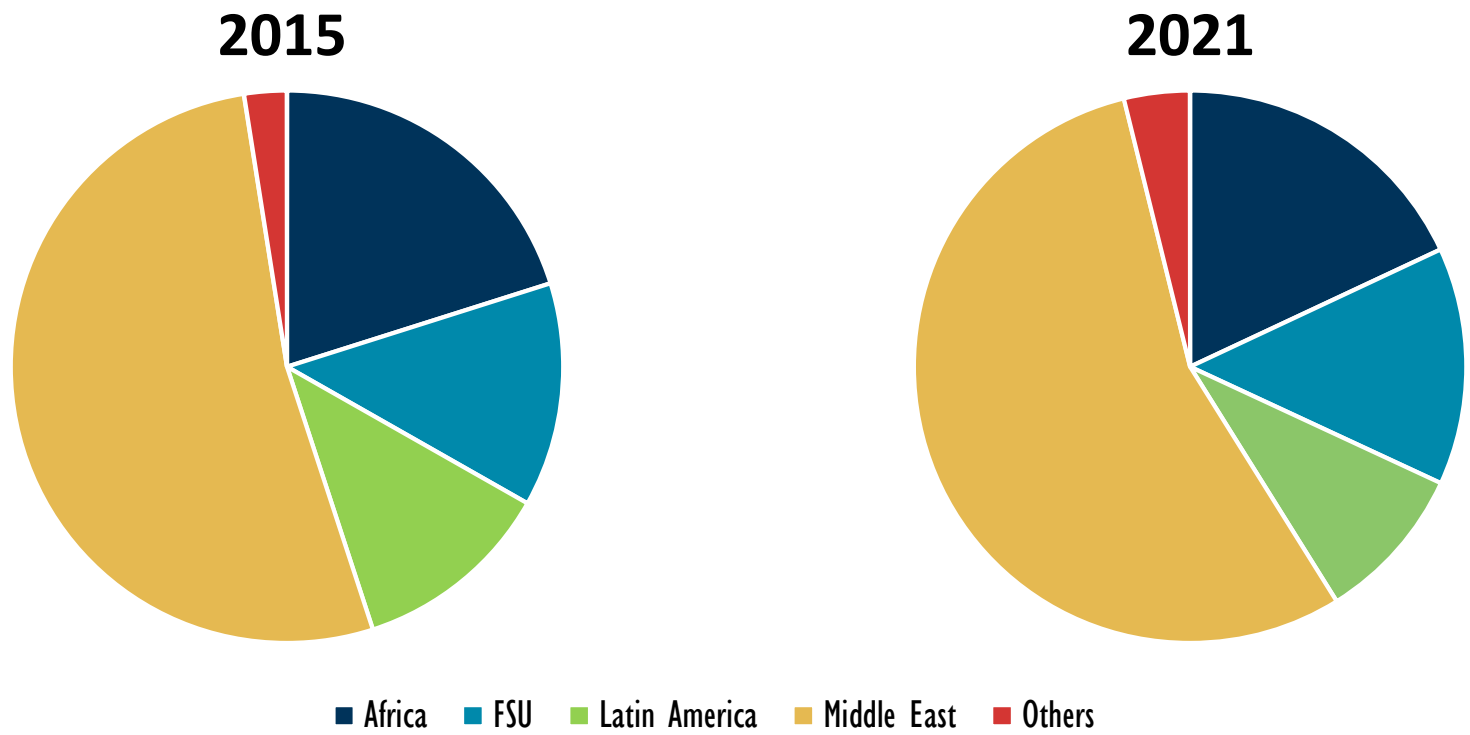
- But OECD Europe will remain the region's largest market

OECD Americas to remain a net-importer across the medium term

Medium-Term
Market Report
2016

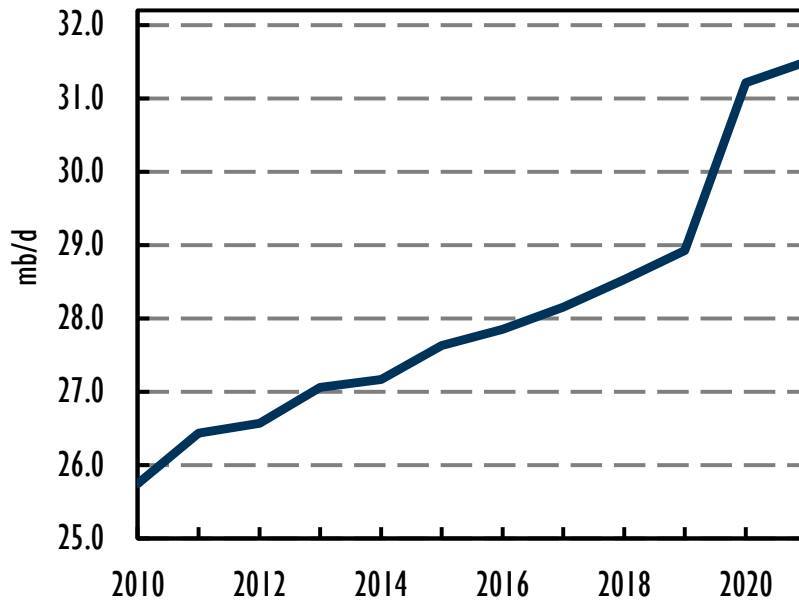


Chinese imports to surge to 8.5 mb/d

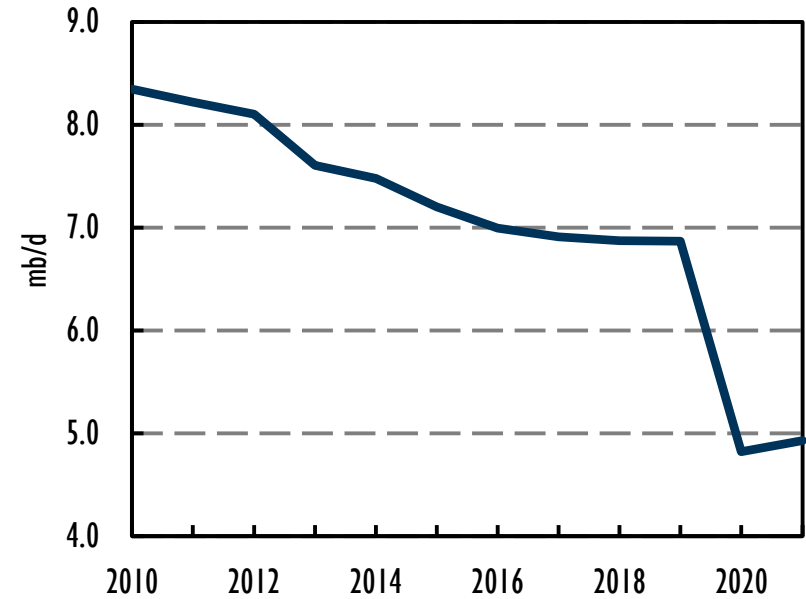


Tighter marine fuel legislation set to see gasoil demand surge

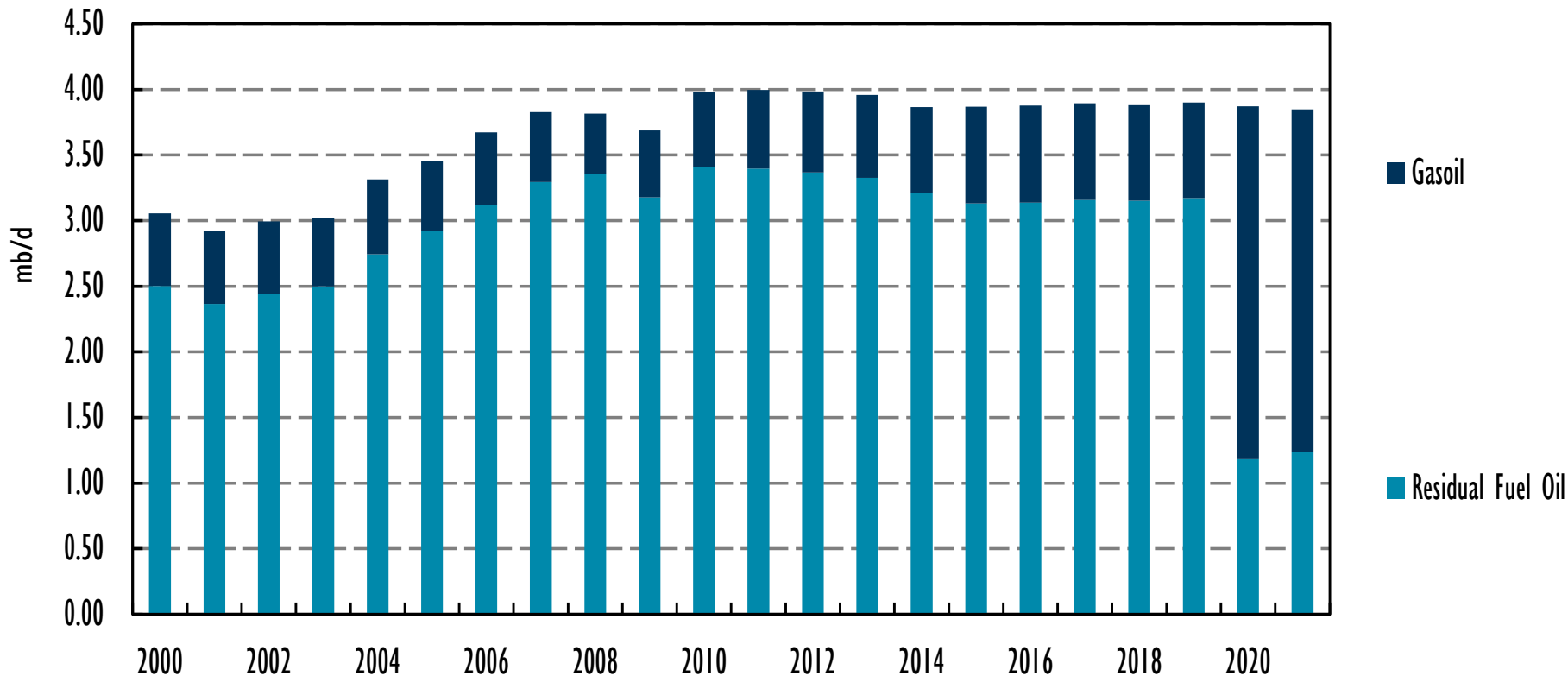
Global gasoil demand



Global residual fuel oil demand

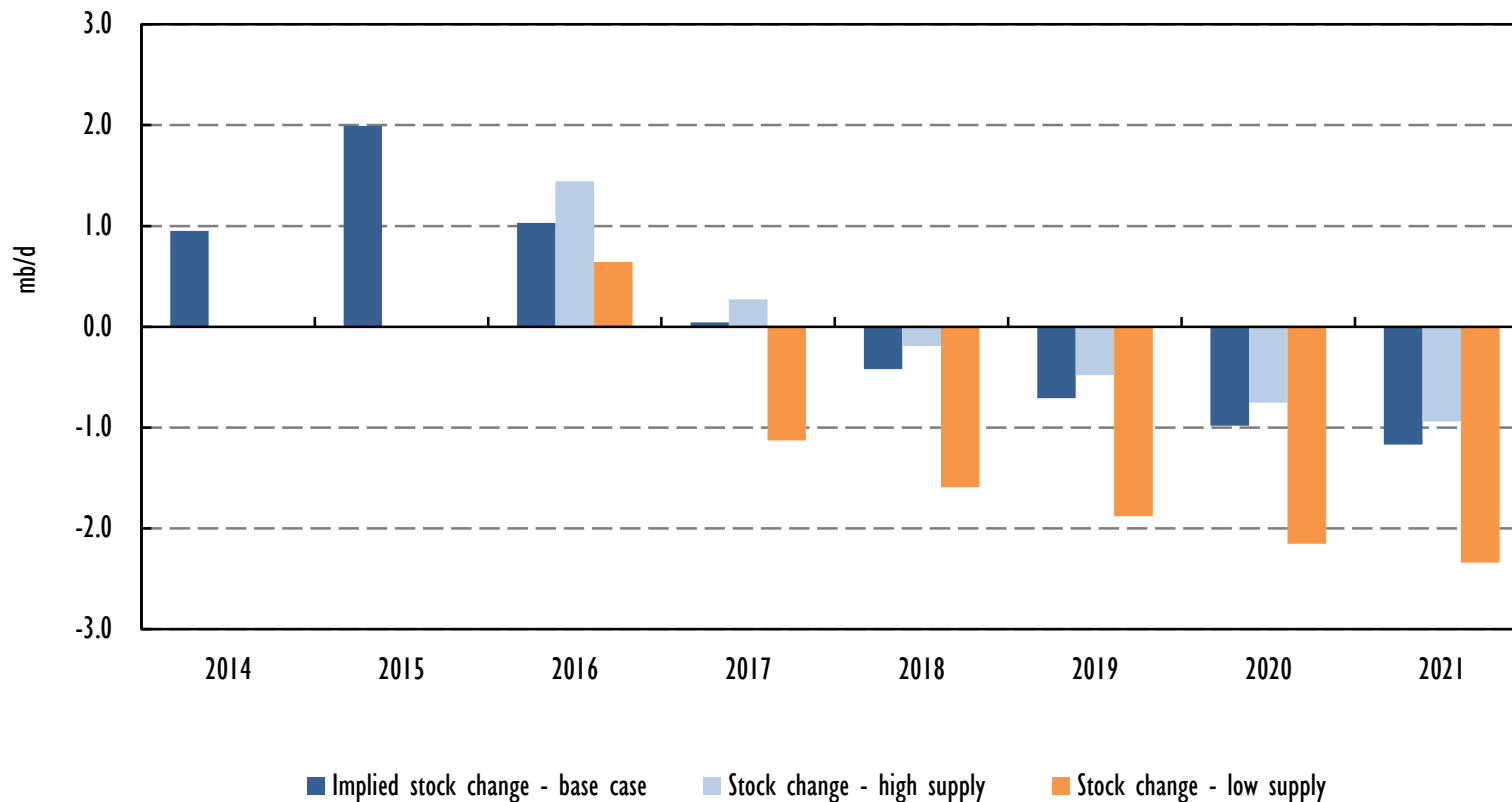


Marine gasoil demand to soar as bunker fuel legislation is tightened



■ **LNG to account for an additional 0.3 mb/d of bunker demand by 2021**

Surplus erodes in 2017



■ ***Tightening market drives price recovery***

- **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**