



Oil Market Outlook - Short & Long Term

Presentation to the New York Energy Forum

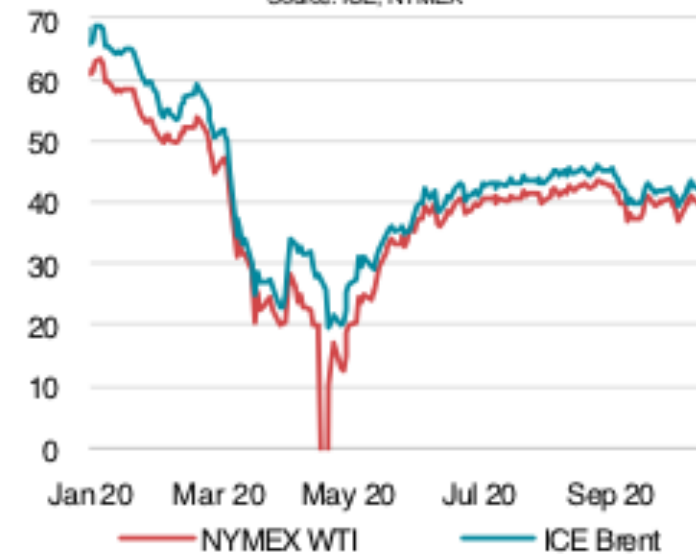
16 October 2020

Prices

Crude prices stuck in a narrow range, forward curves flattening

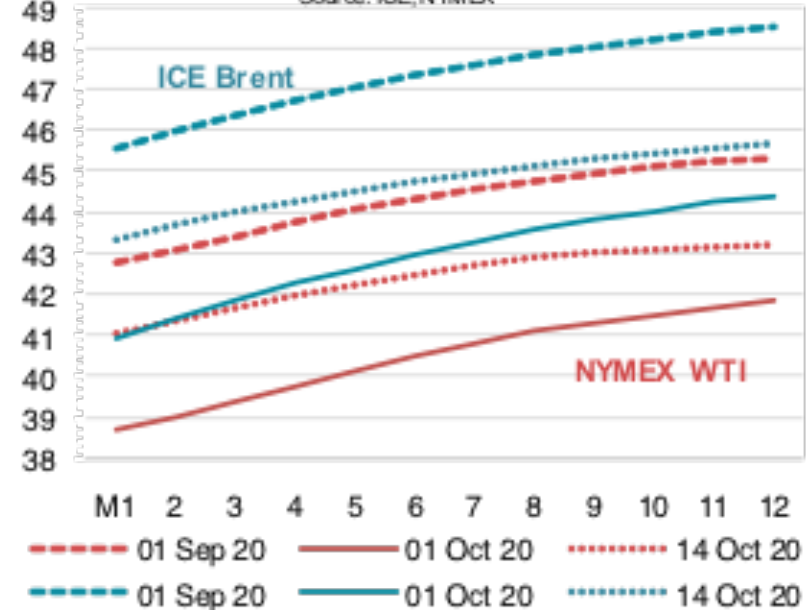
\$/bbl Crude Futures Front Month Close

Source: ICE, NYMEX



\$/bbl Forward Price Curves

Source: ICE, NYMEX



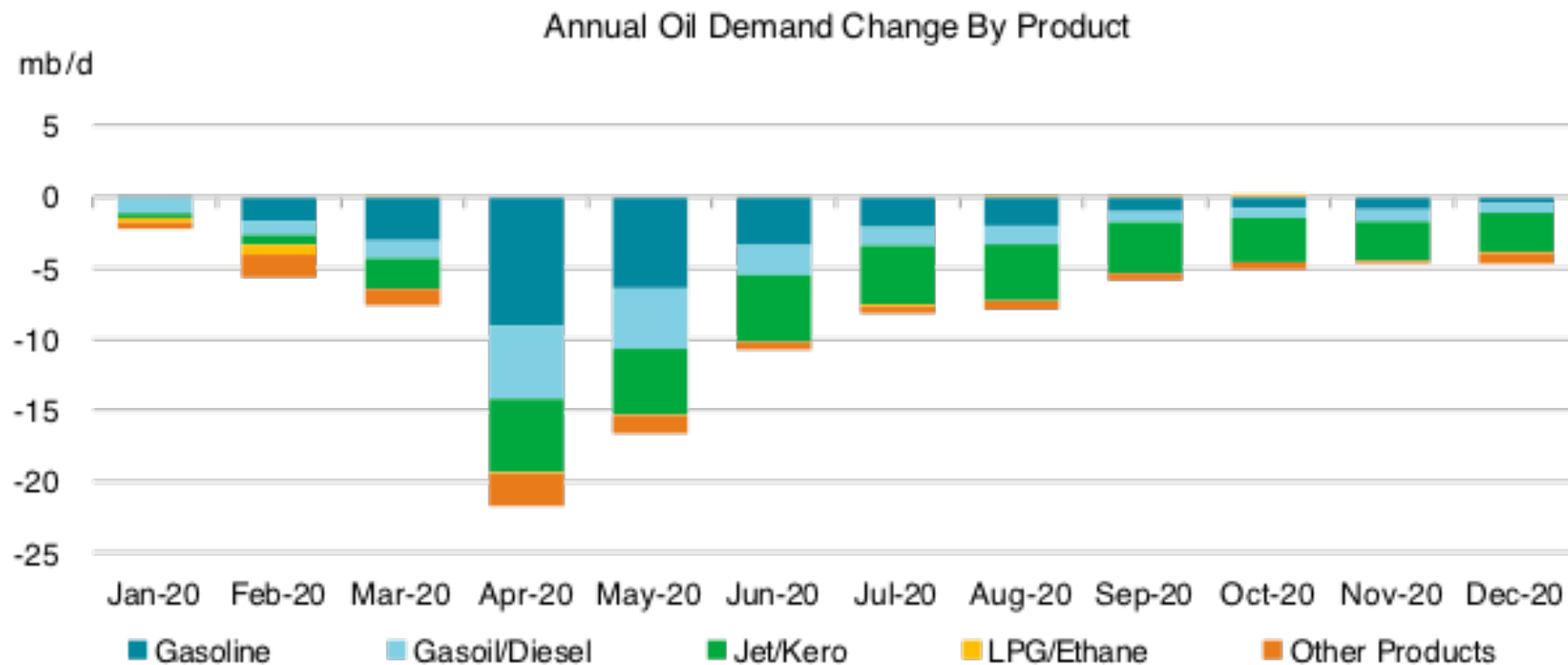
After the end-August drop, prices have fluctuated in a narrow \$2-3/bbl range

Prices fell across the forward curves in September then flattened in October – partly due to hedging

Through 14/10/2020

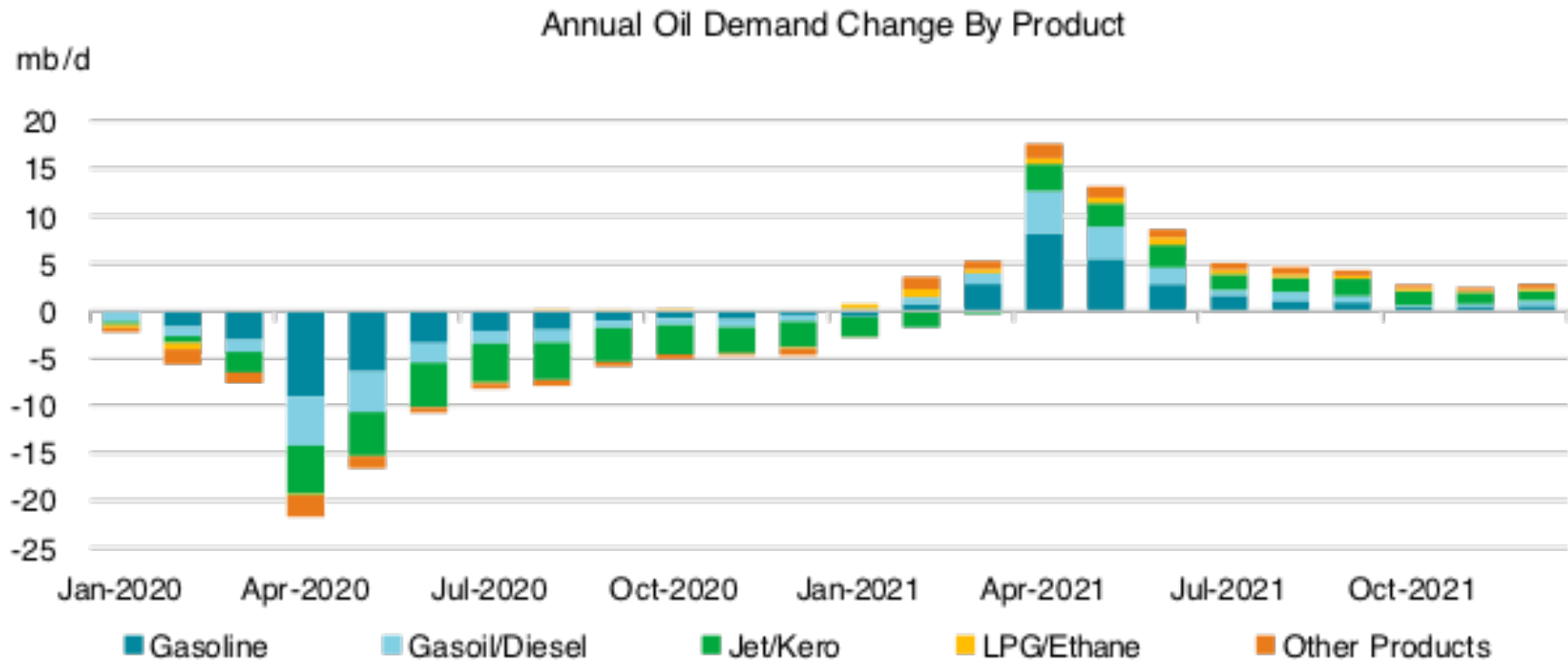
Demand

Global oil demand: recovery slowing down in 2H20



After a strong bounce back from the 2Q20 low (-17% y-o-y), demand in 4Q20 still 5% down y-o-y.. Demand in 2020 is 91.7 mb/d (down 8.4 mb/d on 2019).

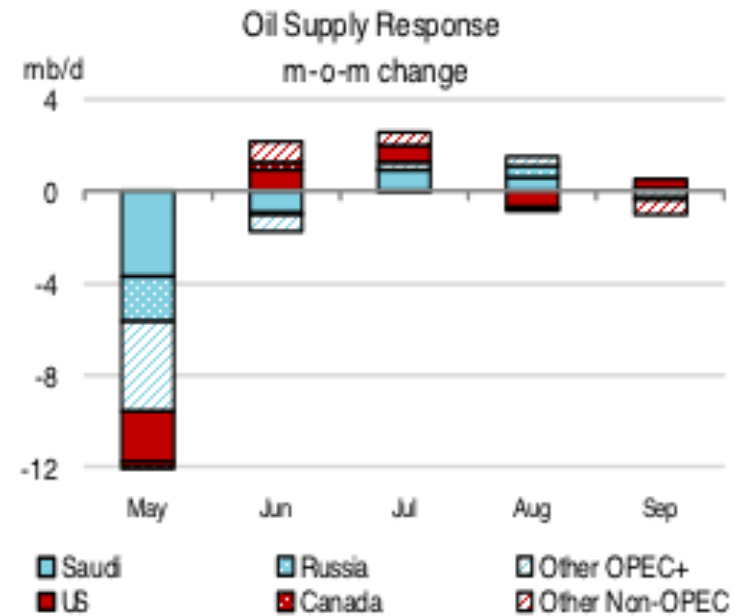
Demand will partially recover in 2021 but remains below 2019 level



Total demand rebounds 5.5 mb/d in 2021 but jet kerosene demand remains a major drag factor in first half. At 97.2 mb/d demand is back to 2017 levels and 2.9 mb/d below 2019.

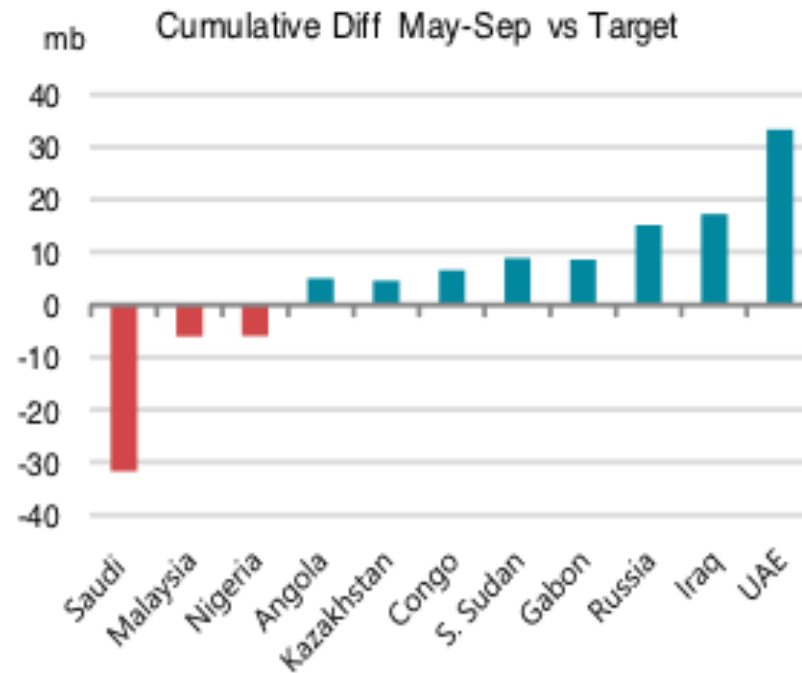
Supply

World oil supply falls remains close to 2012 levels



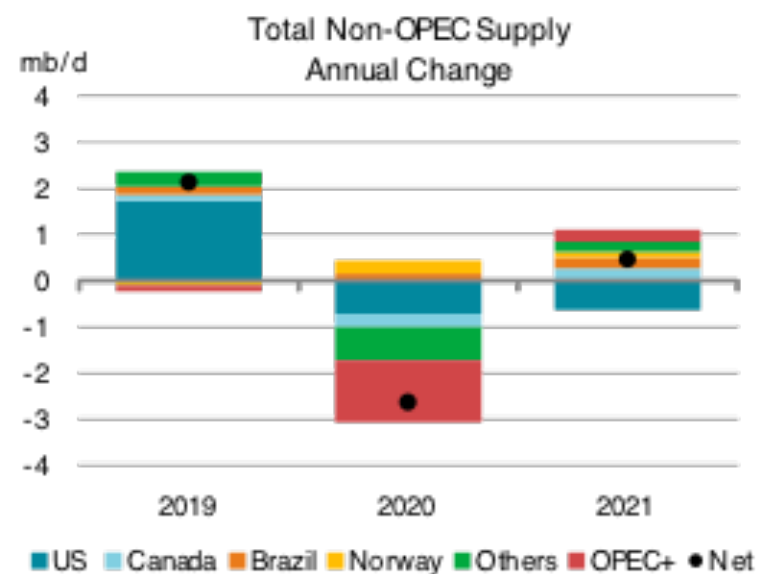
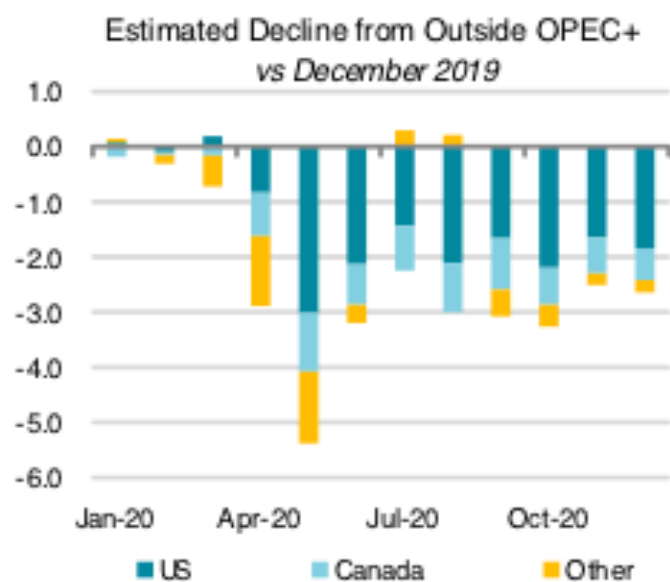
At 91.1 mb/d, output in September falls 0.6 mb/d m-o-m and nearly 9 mb/d y-o-y. UAE cut output sharply and Brazilian/North Sea output fell on maintenance.

OPEC+ compliance improves as laggards cut back



OPEC+ agreement compliance reaches 103% in September. Despite stricter compliance over-producers must cut output by more than 100 mb.

Non-OPEC (ex. OPEC+) production declines in 2020

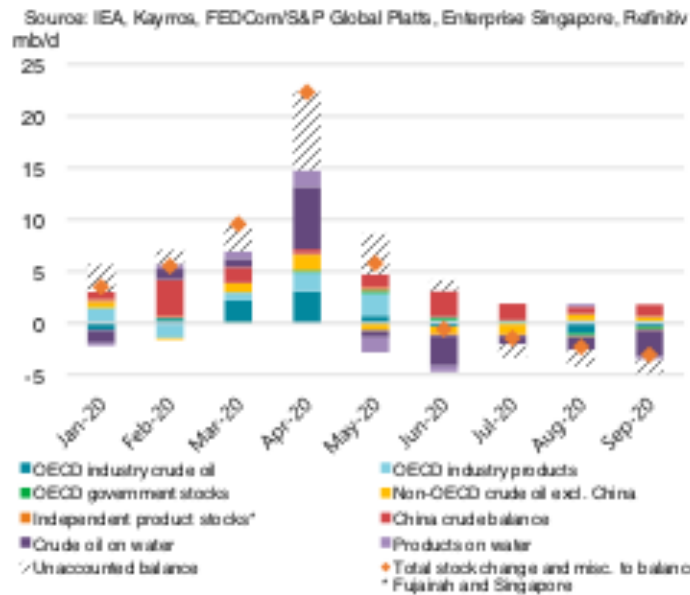


Supplies down 0.3 mb/d in September – down 3 mb/d since end-2019. Total non-OPEC set to fall by 2.6 mb/d in 2020, rebound by modest 0.4 mb/d next year.

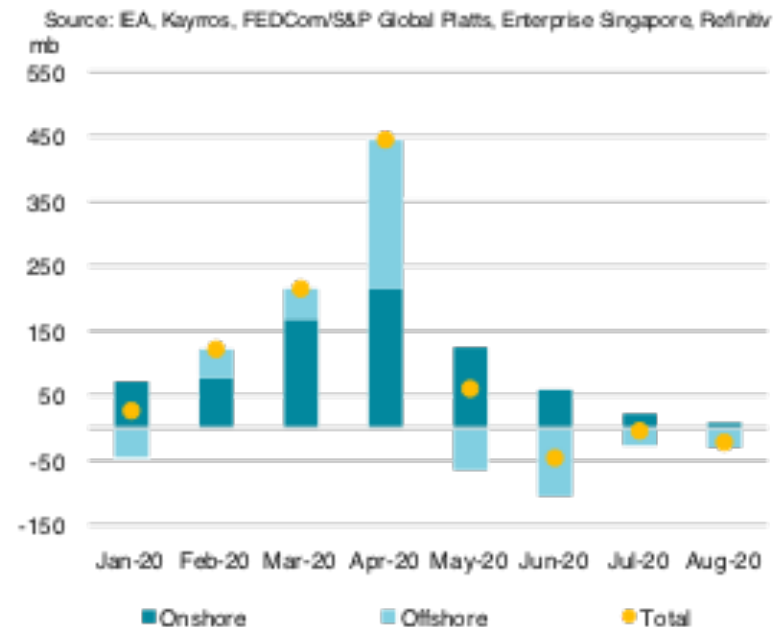
Stocks

Stock draws under way but threatened by weaker fundamentals

Stock changes by key components

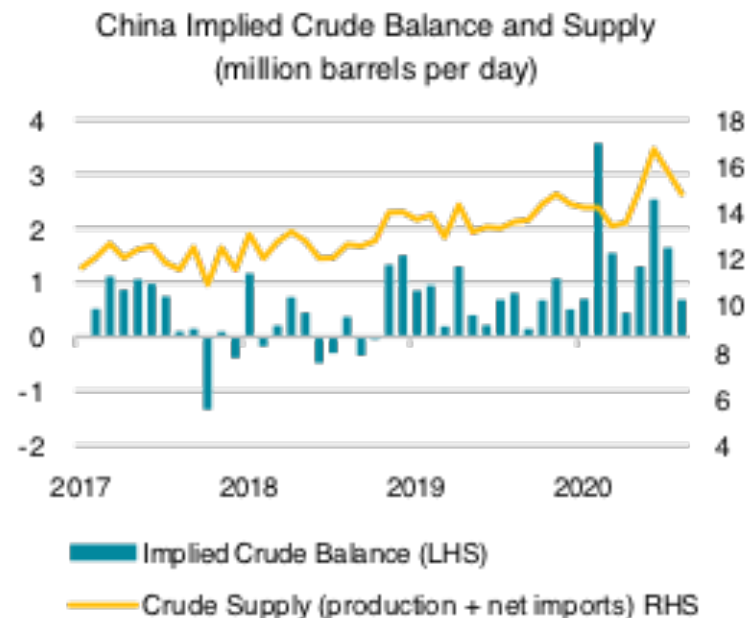


M-o-m total known stock changes by location



Global *implied* stocks are falling in 2H20 at 3.2 mb/d, but from a great height: they grew by 7.7 mb/d in 1H20.

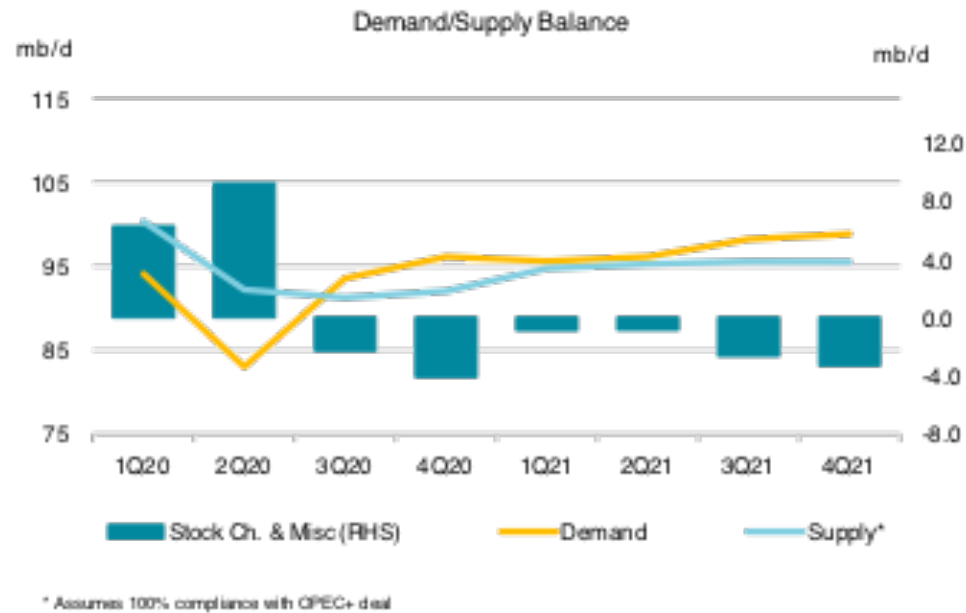
China's crude buying has been vital support for the market in 2020



Chinese implied crude stocks built by 21.3 mb or 0.69 mb/d in August. Chinese net crude oil imports in August fell 0.9 mb/d to 11.05 mb/d. Refinery runs were unchanged, 13.96 mb/d in July.

Market balance

Oil market is re-balancing but risks from Covid-19 & rising supply

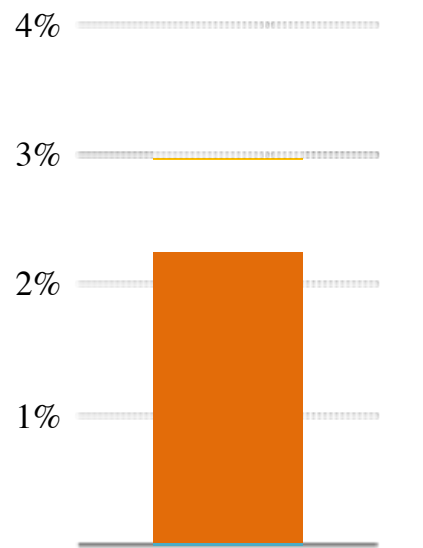


OPEC+ supply cuts and falls in US and Canada transformed the market from surplus to deficit. But the recent resurgence in Covid-19 cases threatens demand growth and could delay re-balancing.

Long term issues

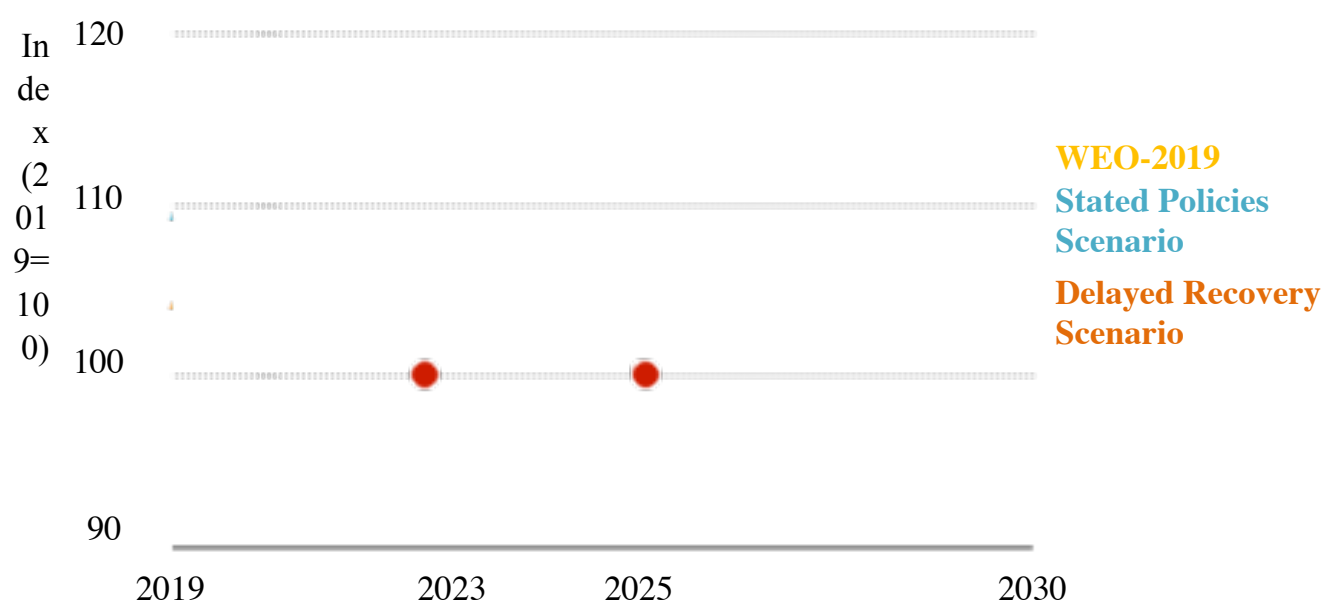
A massive shock to the energy system

Average annual GDP growth (2019-30)



Delayed Recovery Scenario

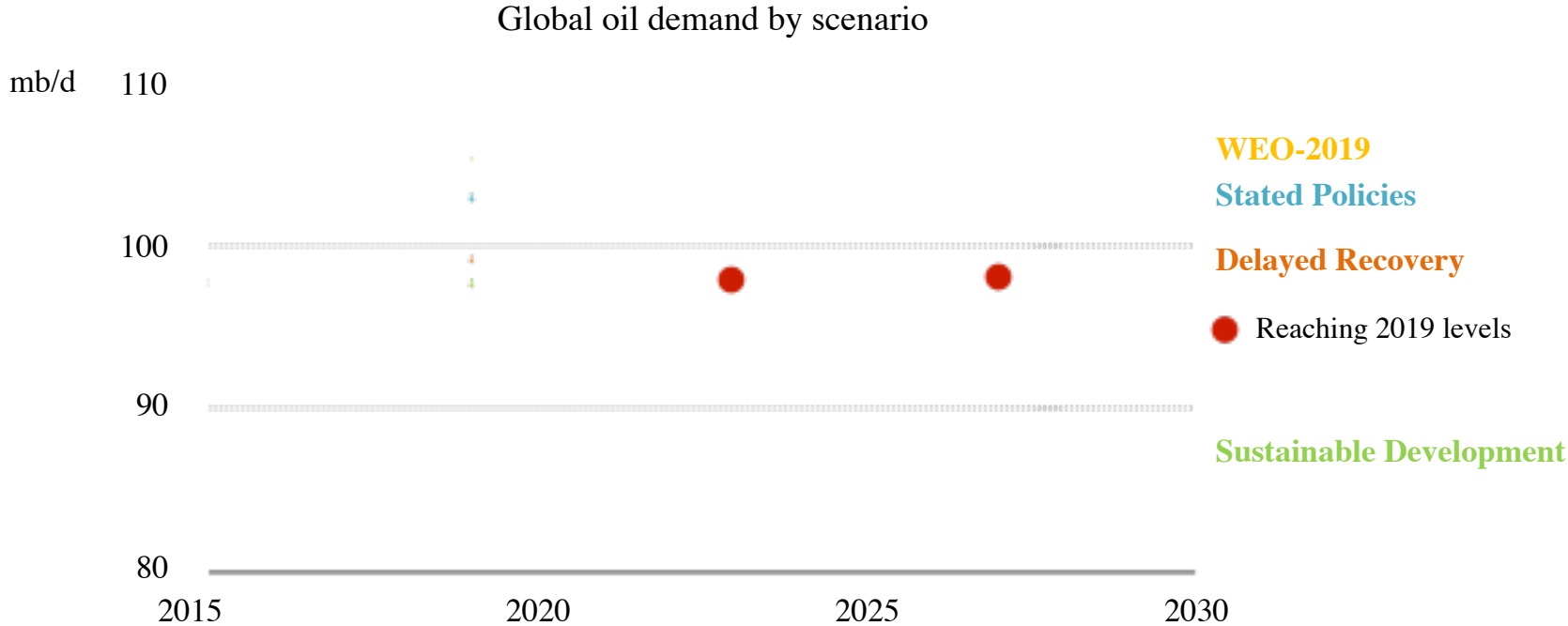
Energy demand



WEO-2019
Stated Policies Scenario
Delayed Recovery Scenario

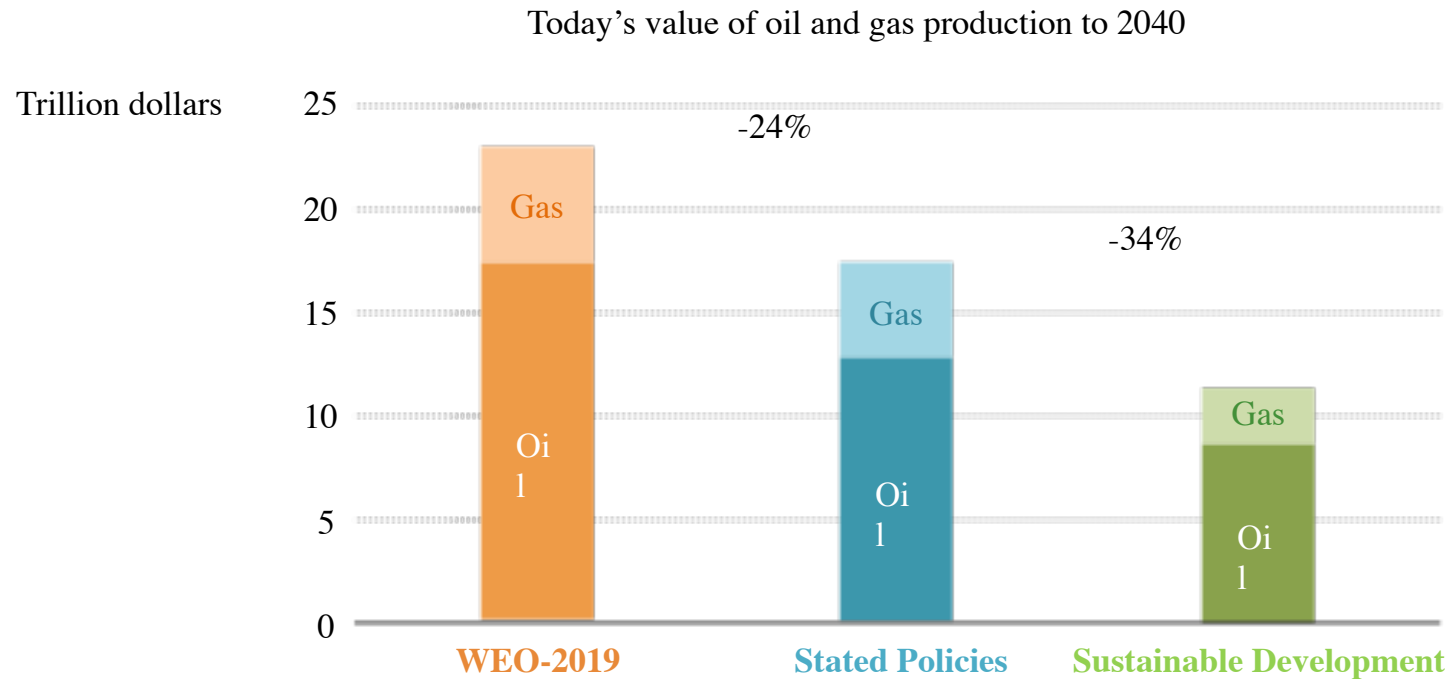
Bringing the pandemic under control in 2021 would allow energy demand to return to pre-Covid levels by 2023. A longer pandemic would usher in the slowest decade of growth for a century.

Without a larger shift in policies, no rapid decline in oil use



In Stated Policies & Delayed Recovery scenarios, demand plateaus in the 2030s as transport demand no longer drives growth. A stronger push for efficiency, electrification and recycling needed for oil use to fall.

Diversification: the critical watchword for oil and gas producers



A lower price and demand outlook, due to Covid-19, adds to the strains on countries dependent on oil & gas revenues. The pressure for changes in strategies and business models is even stronger in the SDS.

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