

OIL

Medium-Term Market Report 2016

Houston, Texas

22 February 2016



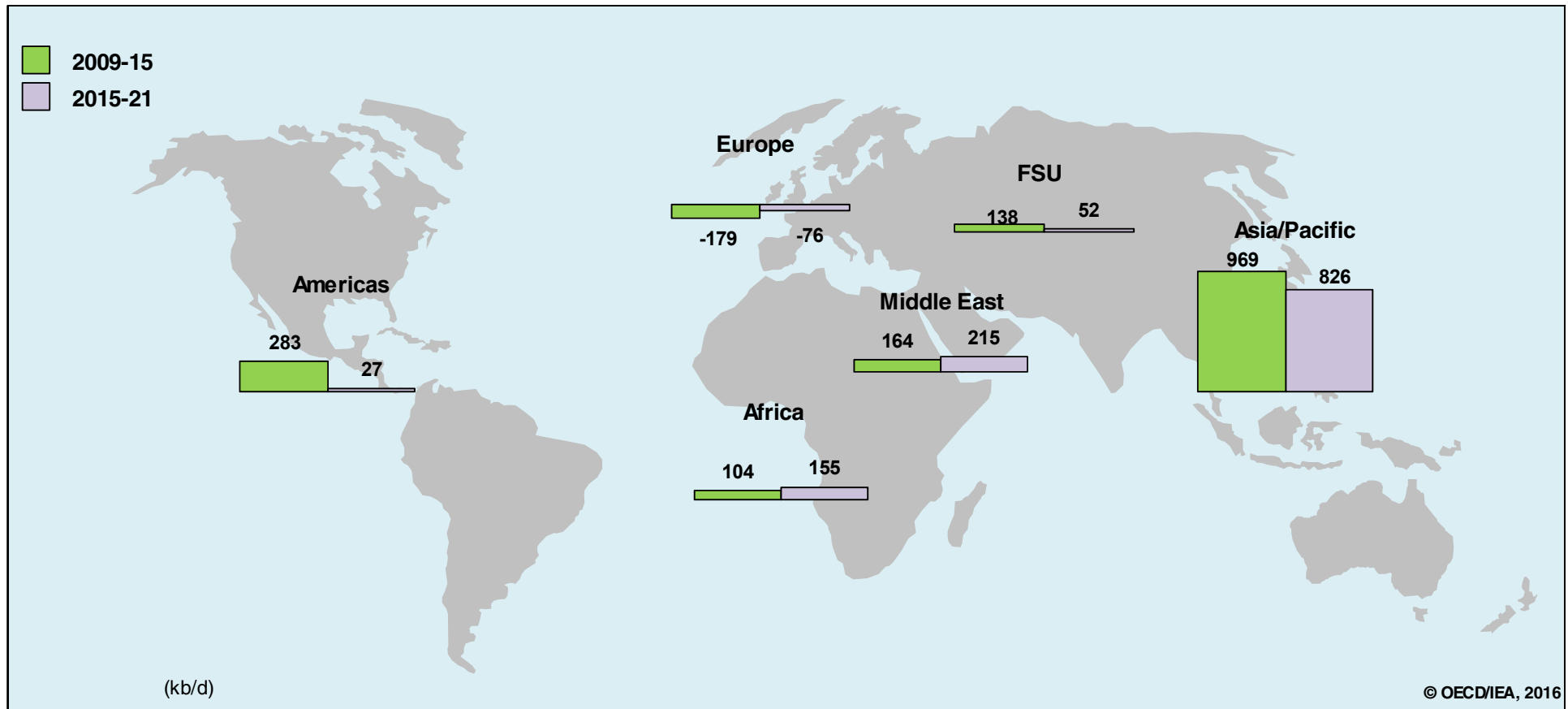
Market Analysis and Forecasts to 2021

The force of lower oil prices

- **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**

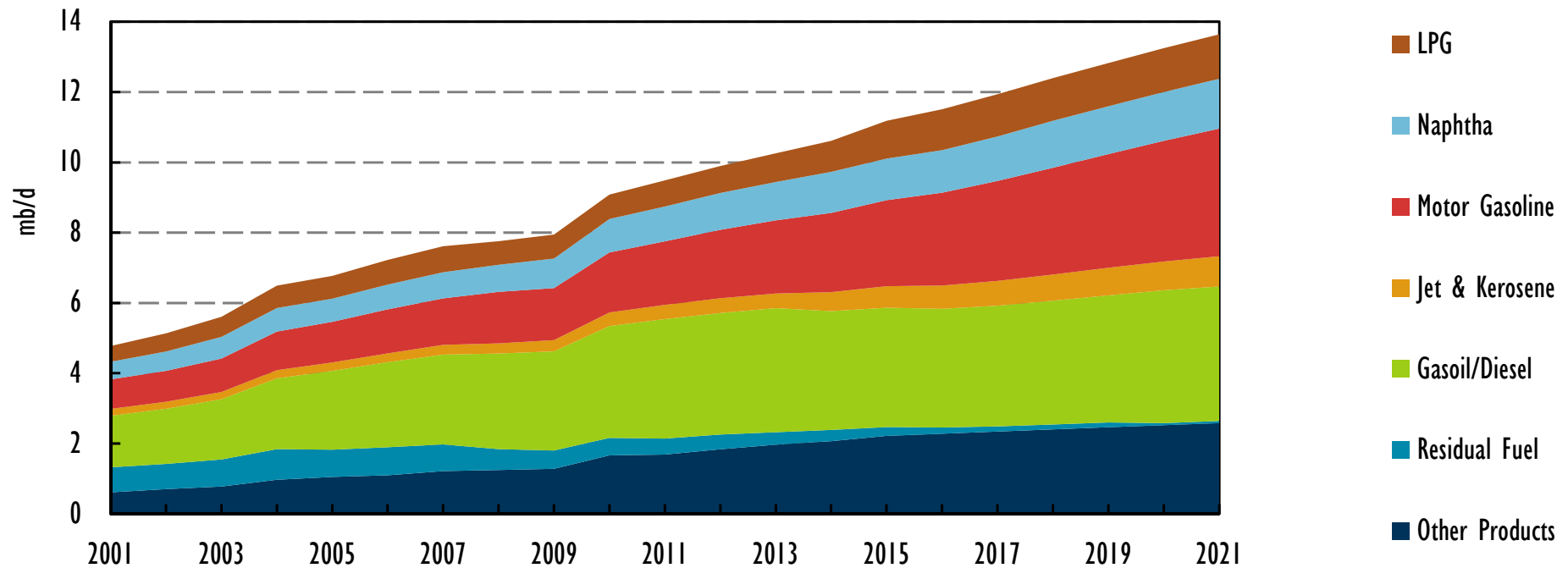
World oil demand growth slows

Medium-Term
Market Report
2016



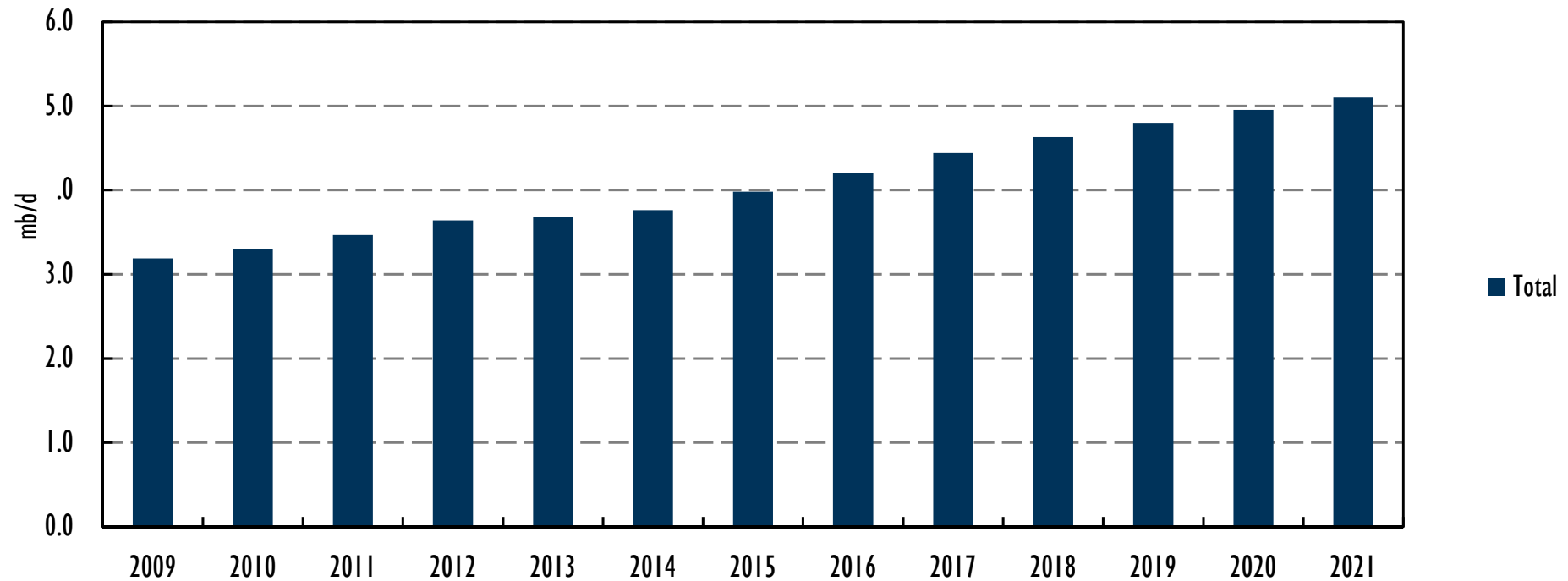
■ ***Cools from 1.7%/yr in 2009-15 to 1.2%/yr in 2016-2021***

Chinese demand growth slips a gear



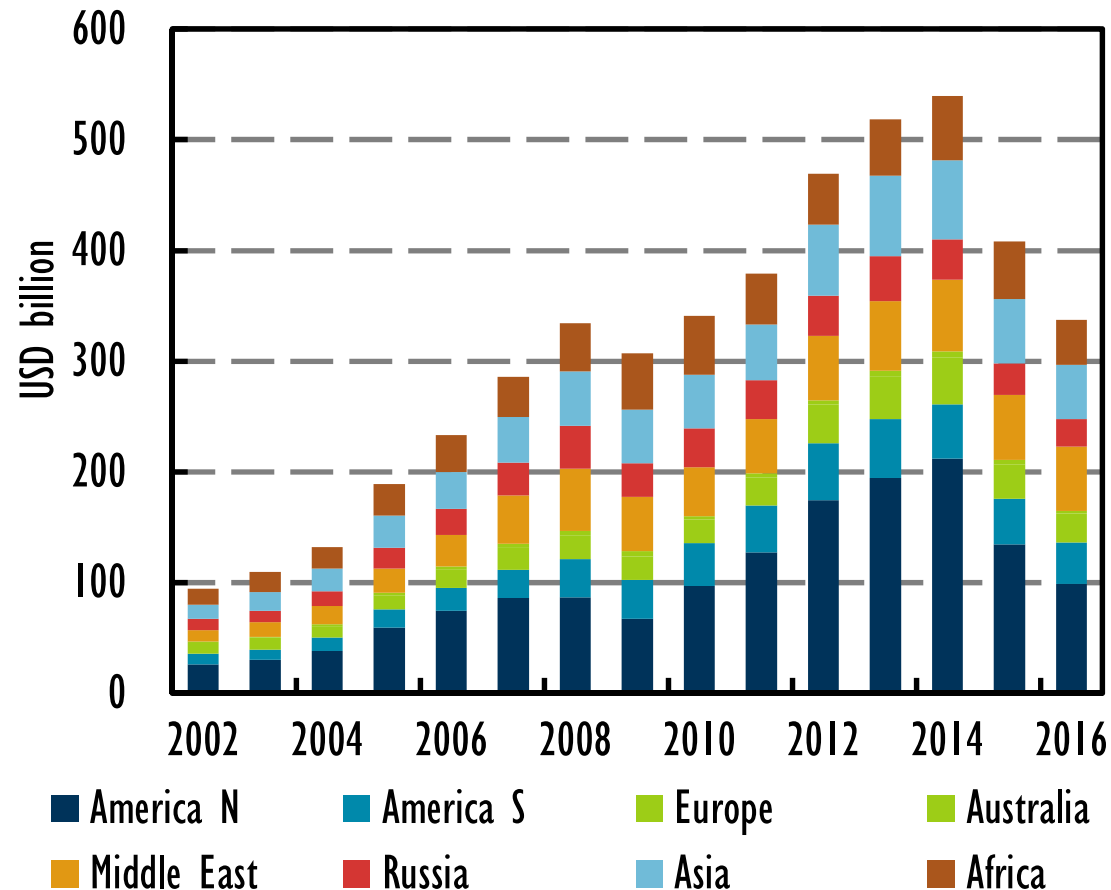
■ ***Economy slows and shifts from industry to services***

Indian oil use races ahead



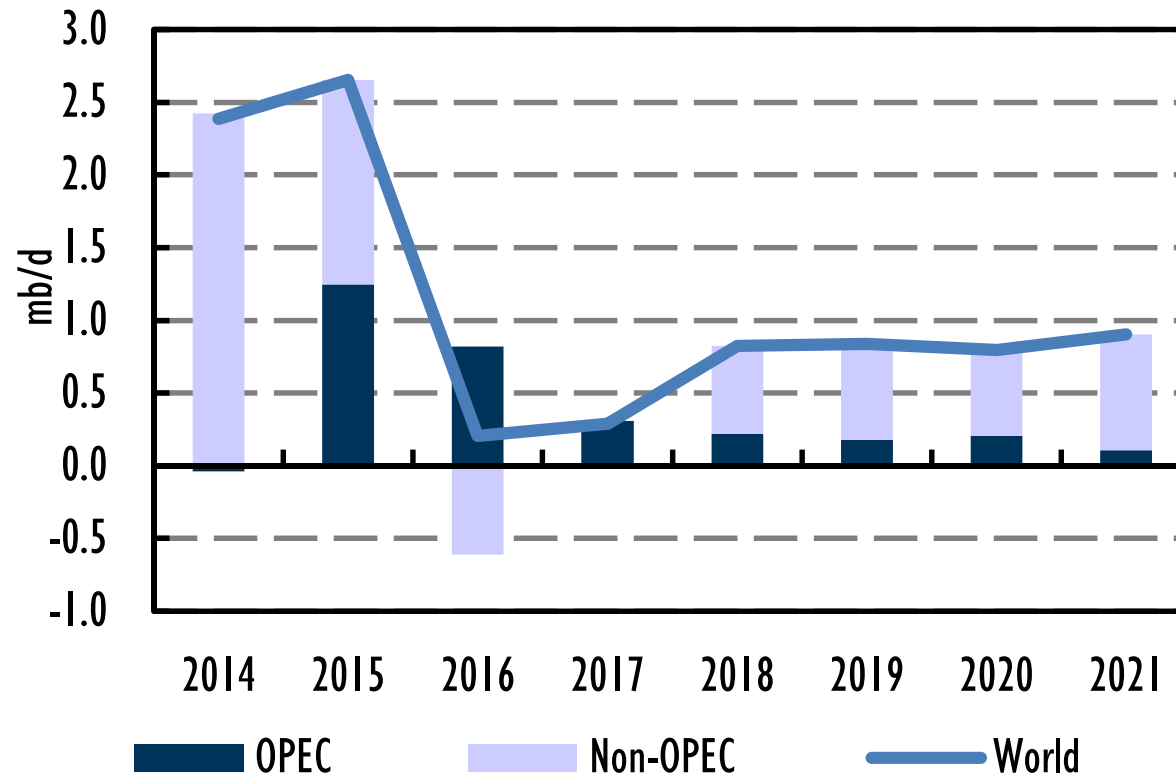
■ *Motorists take to the roads*

Upstream oil capex cut for 2nd year



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

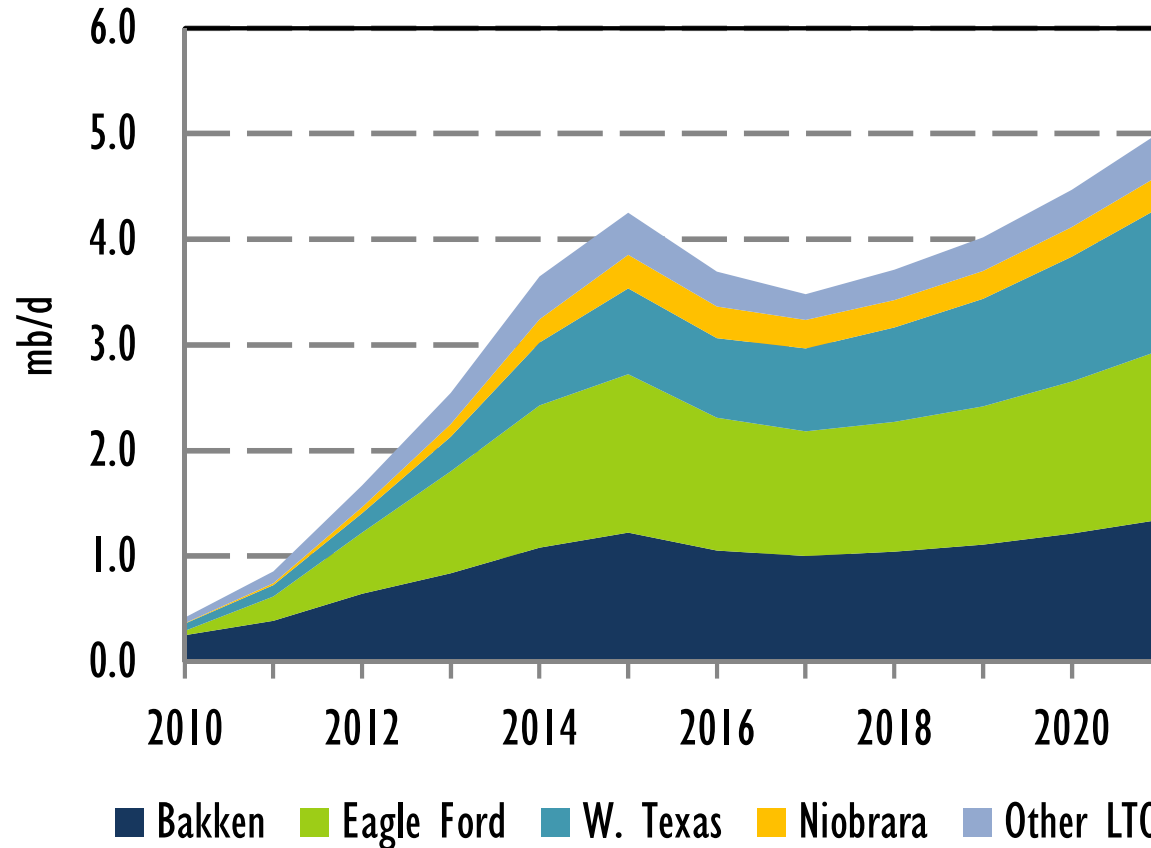
World supply growth plunges



*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**

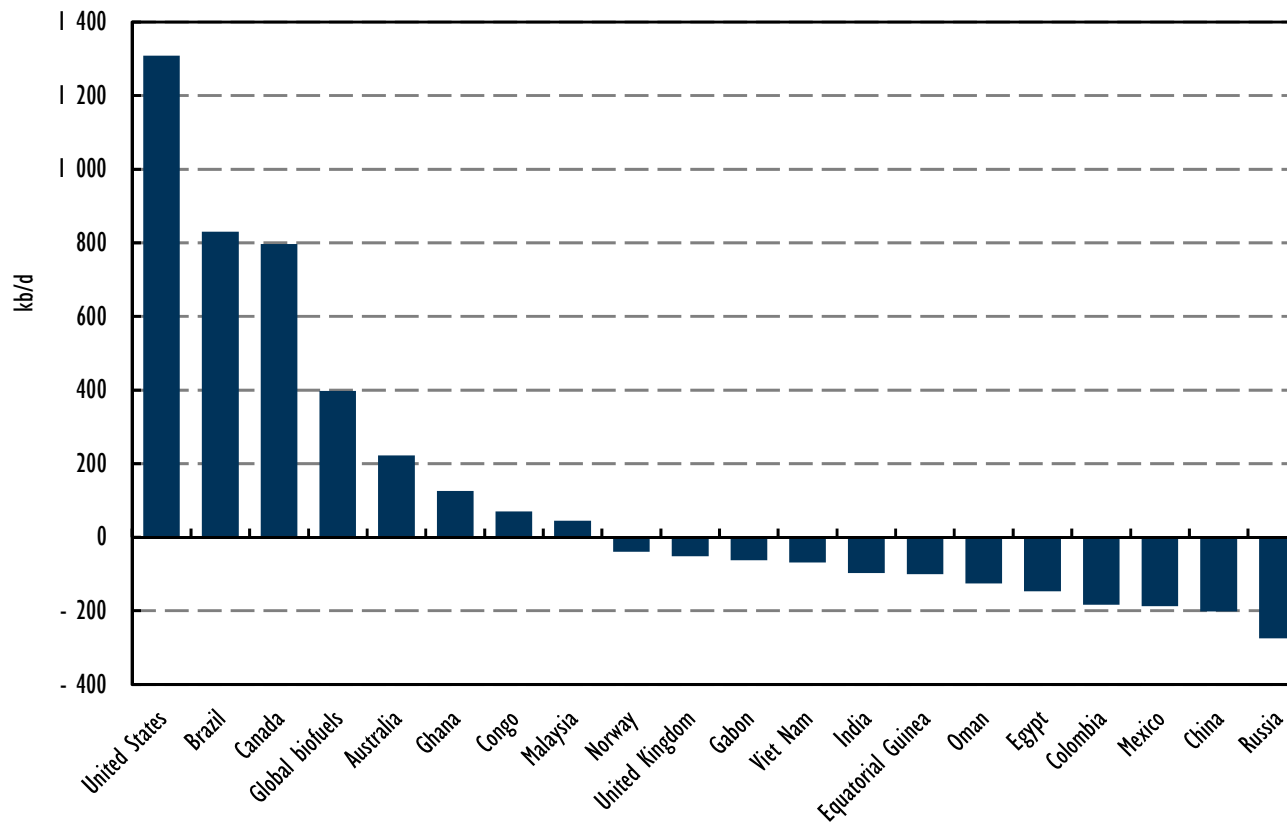
US LTO takes biggest hit for now



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

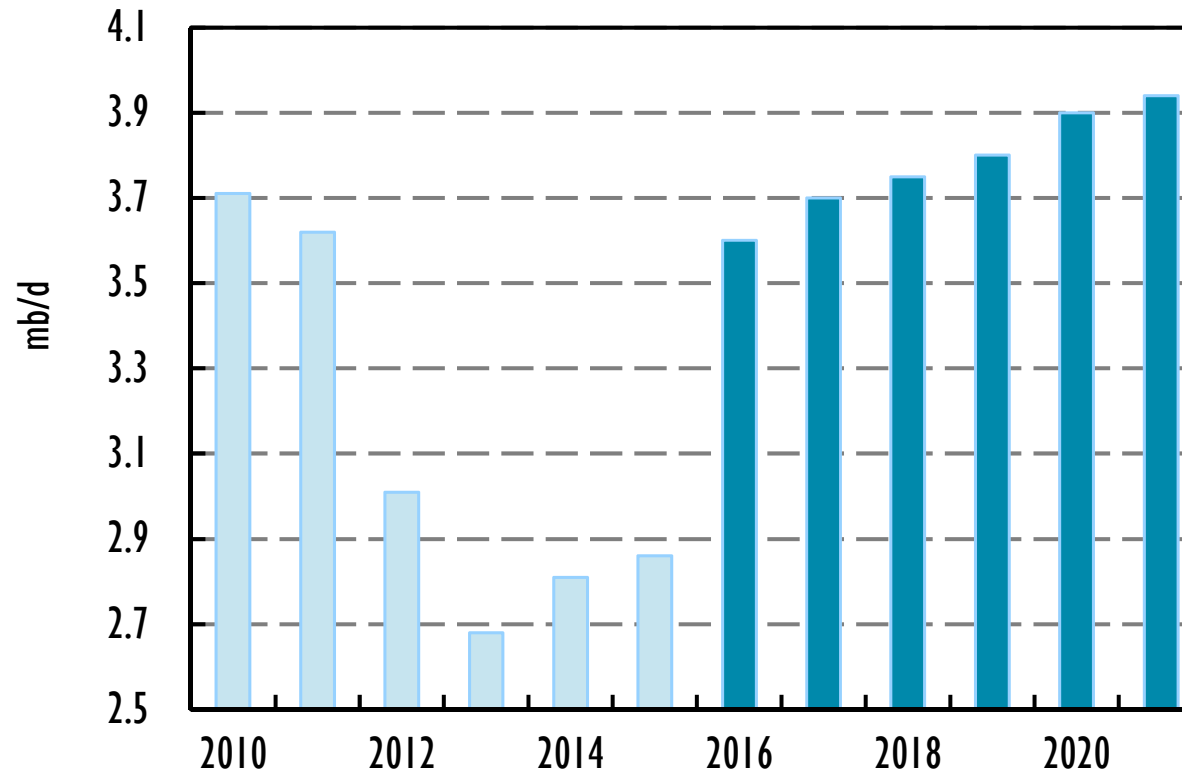
US still the world's growth engine

Selected sources of non-OPEC supply change 2015-21



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

Post-sanctions Iran leads OPEC gains

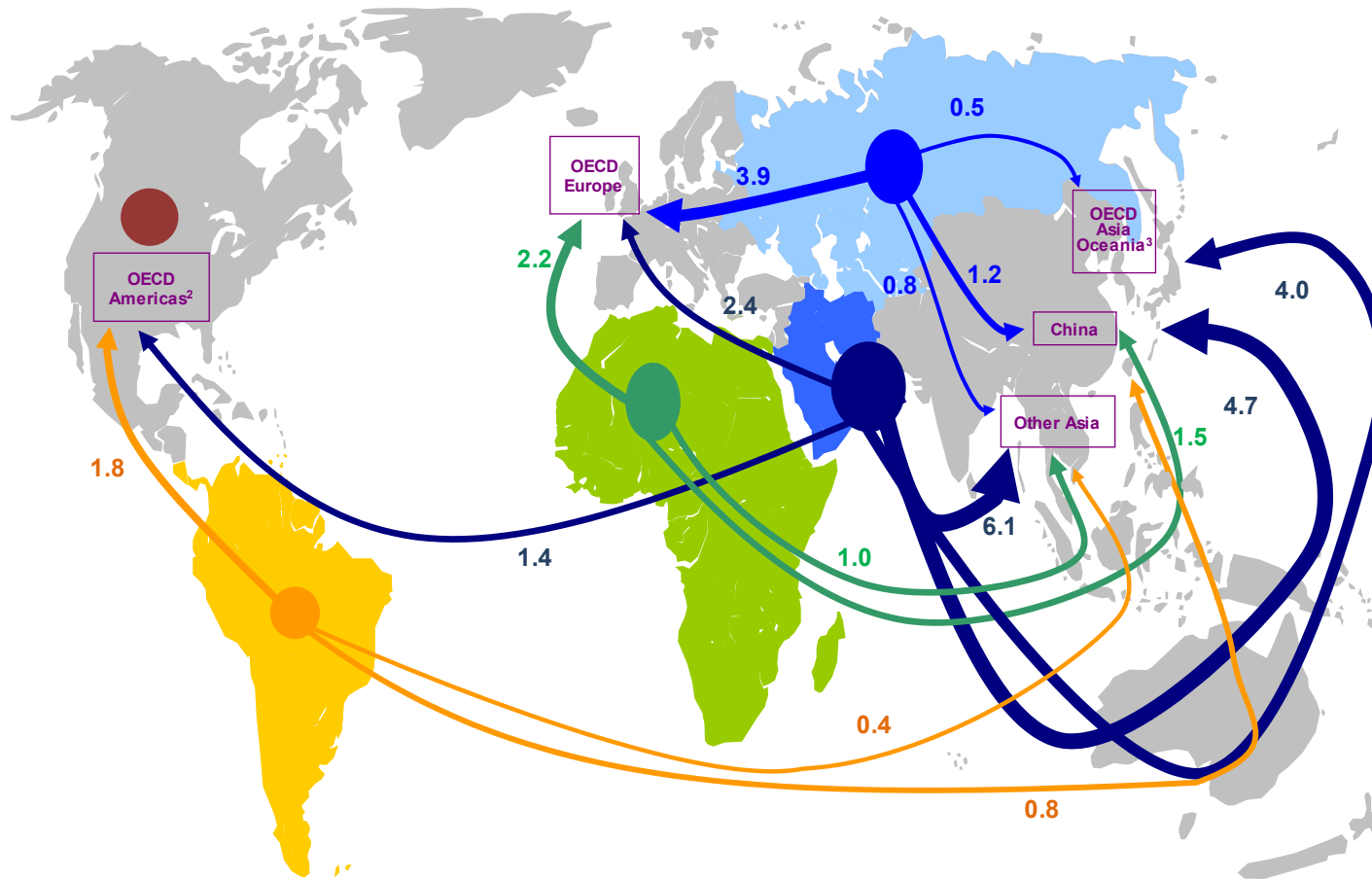


Actual production 2010-15, capacity thereafter

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

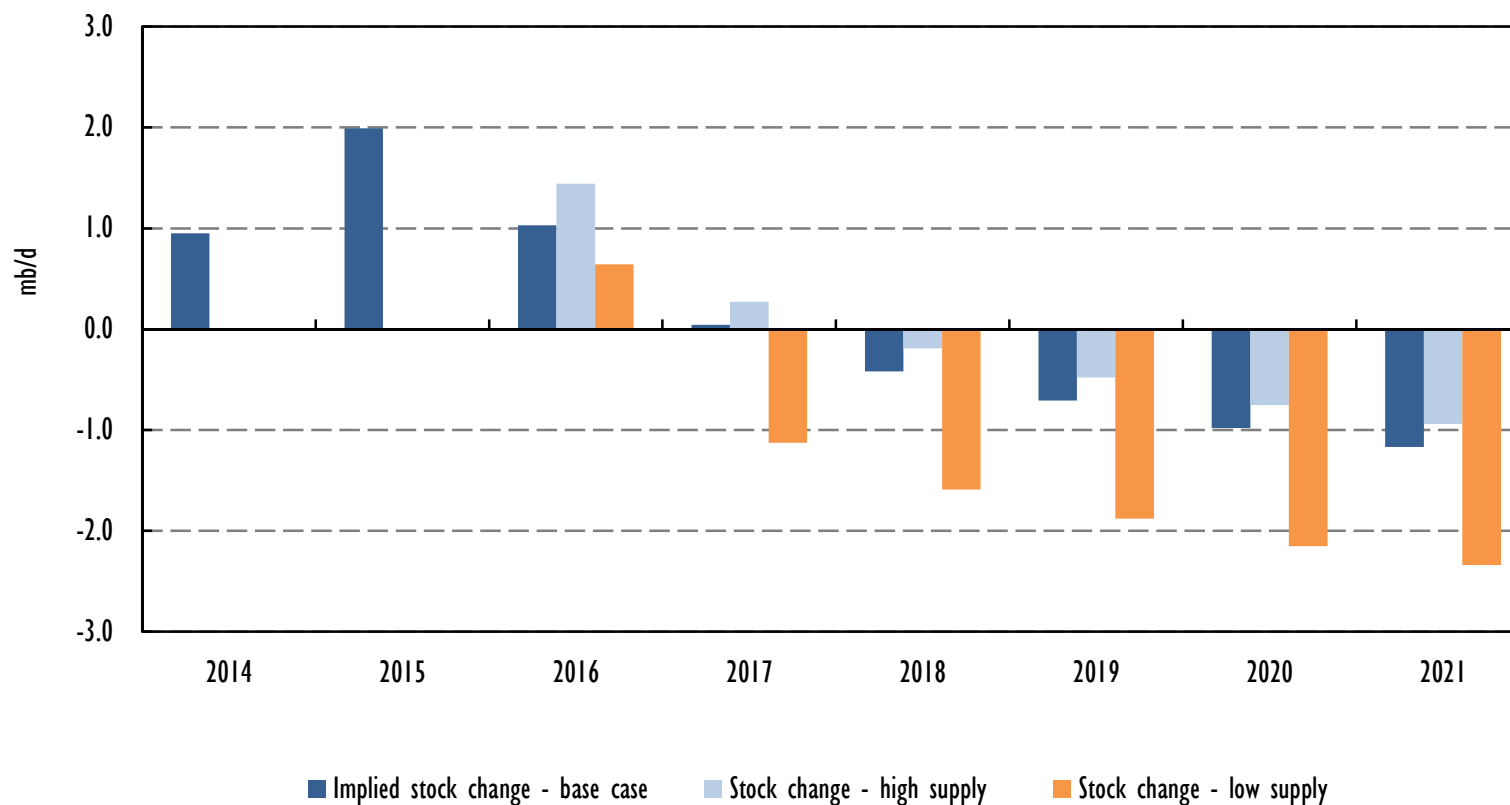
Middle East dominates oil exports

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



■ *Producers target non-OECD Asia*

Surplus erodes in 2017



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

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, US 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**