OIL
Medium-Term Market Report 2016

Ministry of Petroleum and Energy, Norway – March 1st 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

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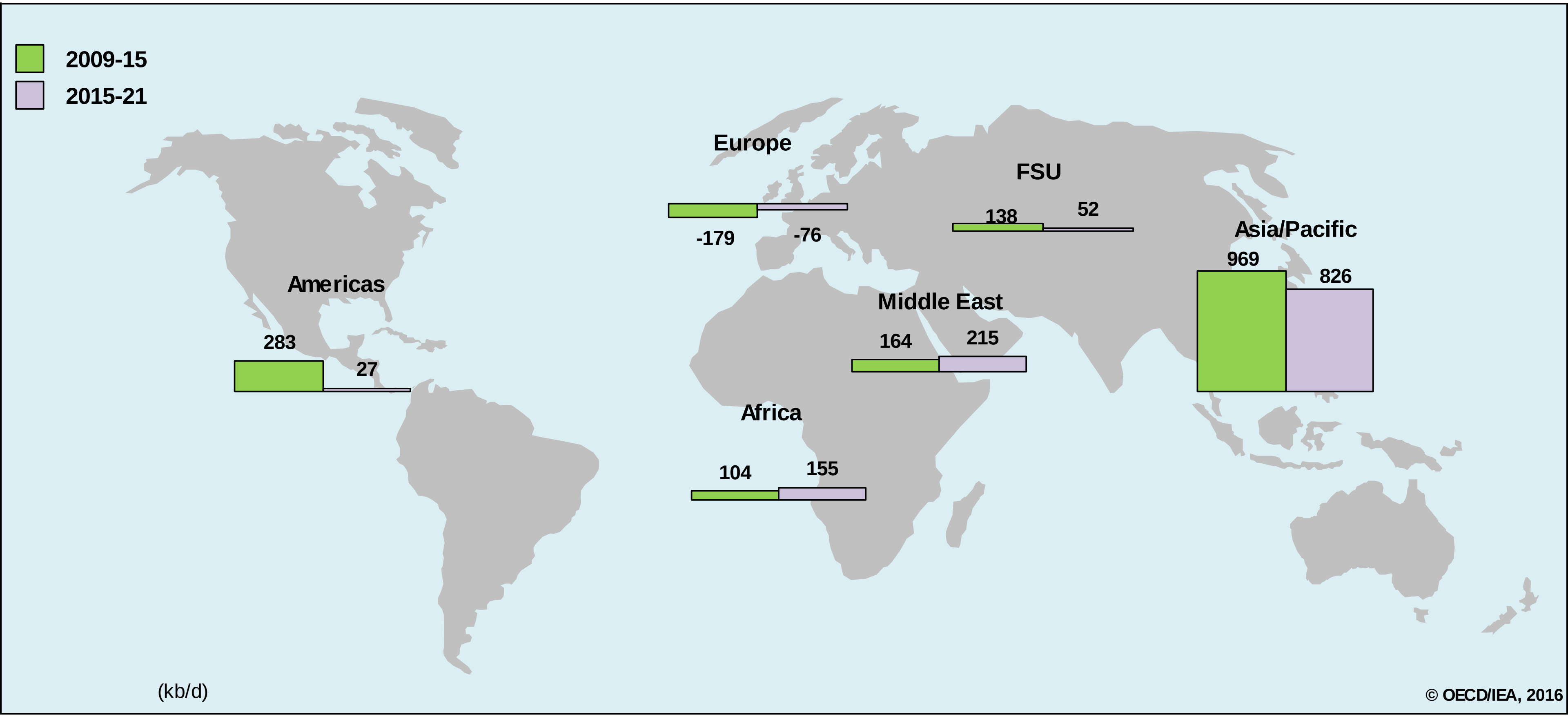
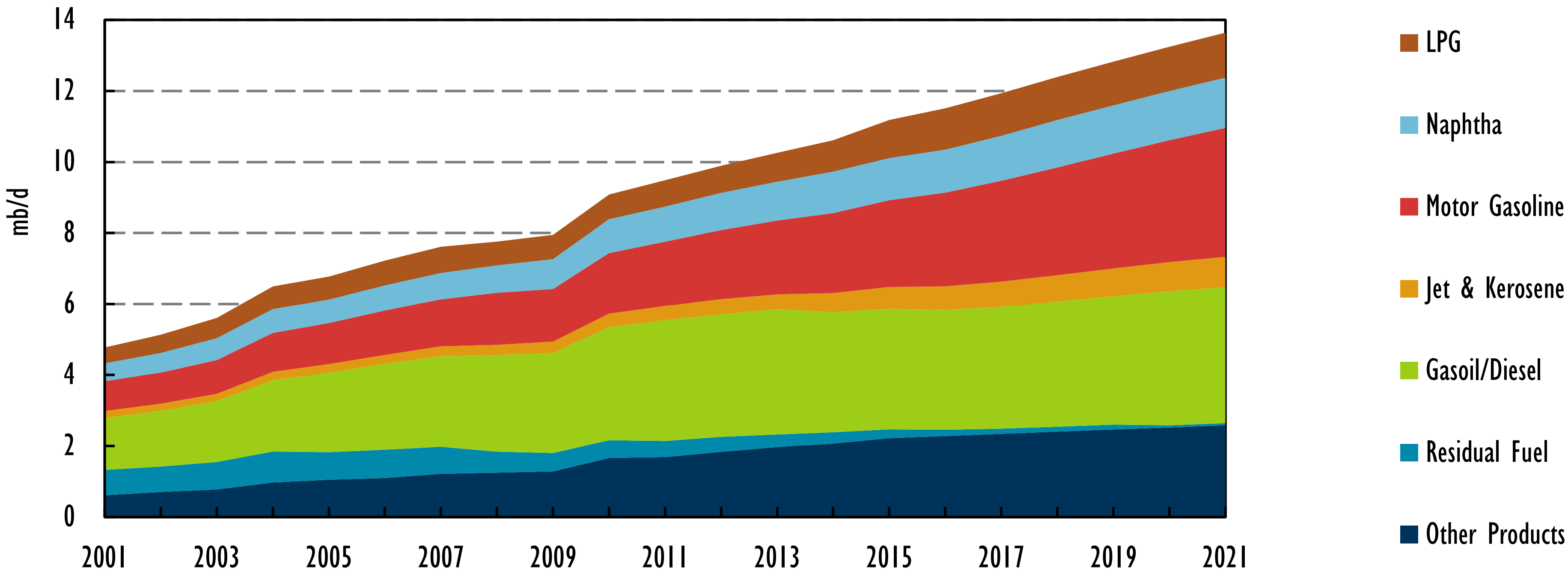


- ***Cools from 1.7%/yr in 2009-15 to 1.2%/yr in 2016-2021***

Chinese demand growth slips a gear



- *Economy slows and shifts from industry to services*

OECD wanes, after rare growth in 2015

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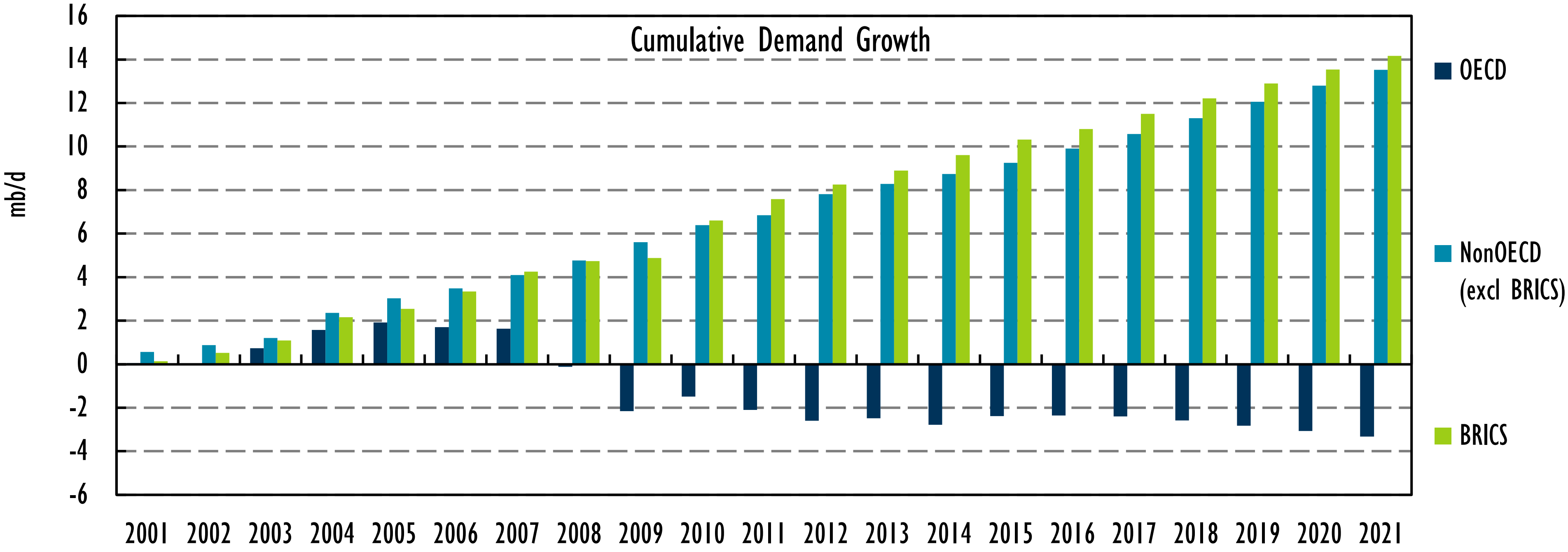
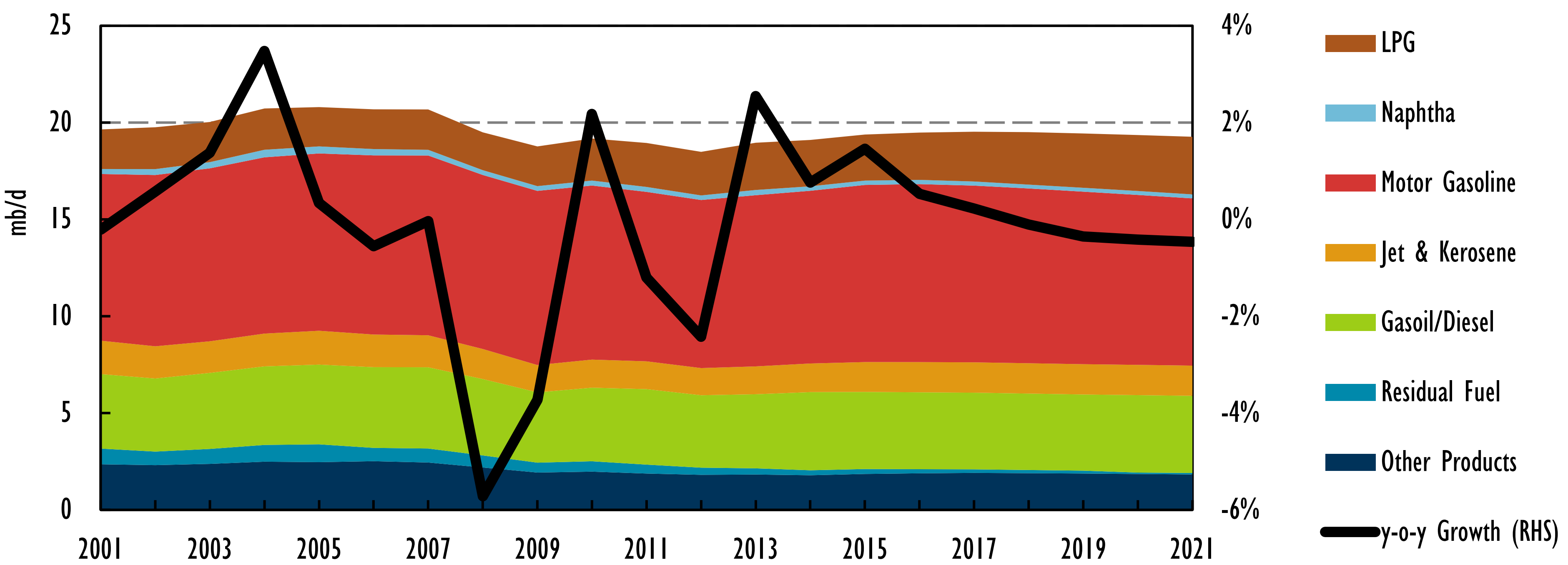


- ***Falling OECD demand trend returns post-2016***

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

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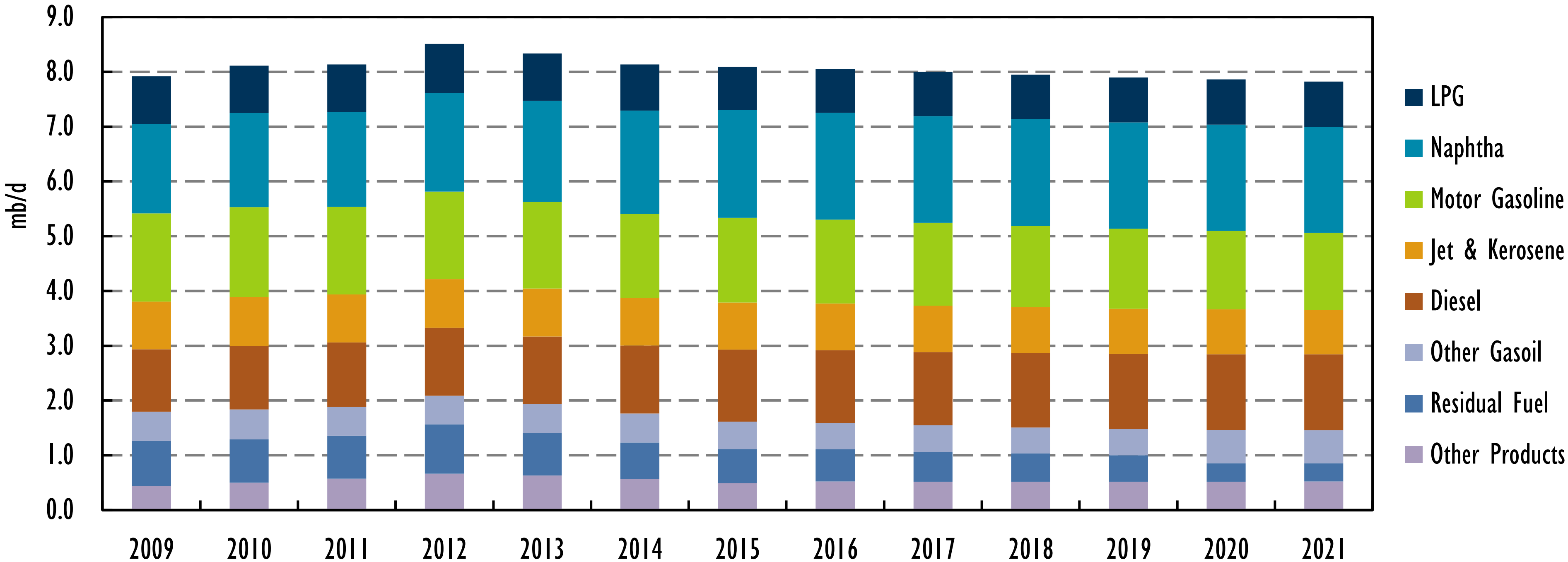
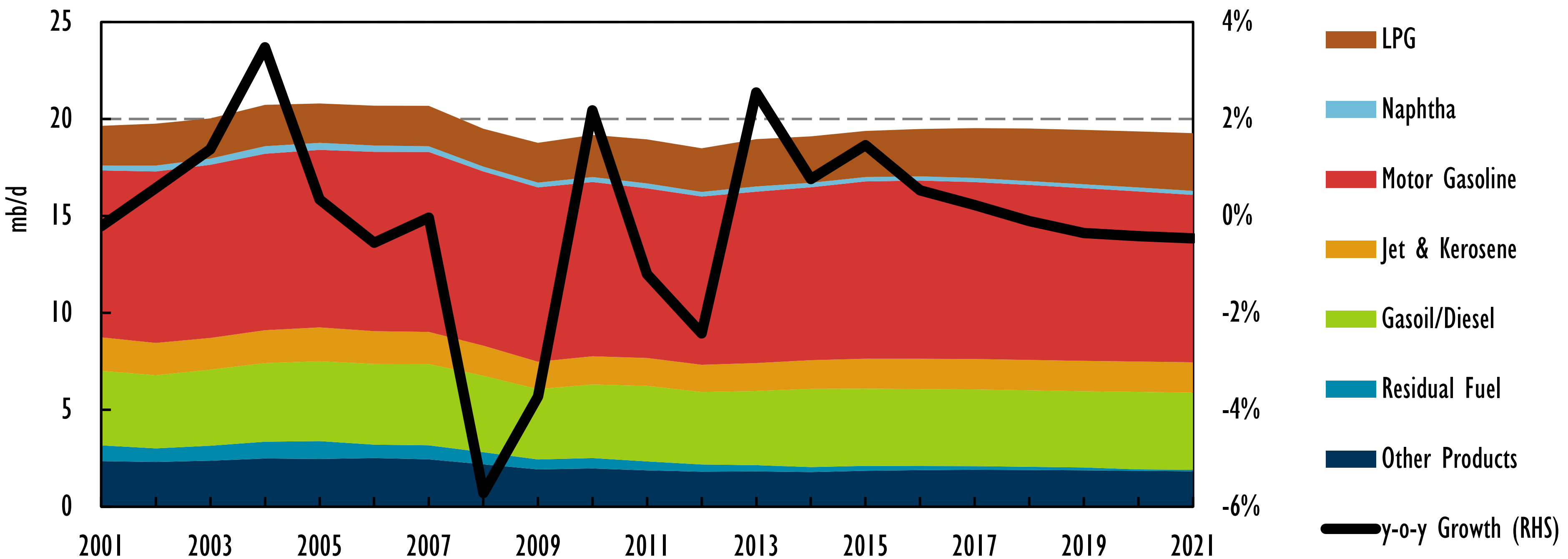


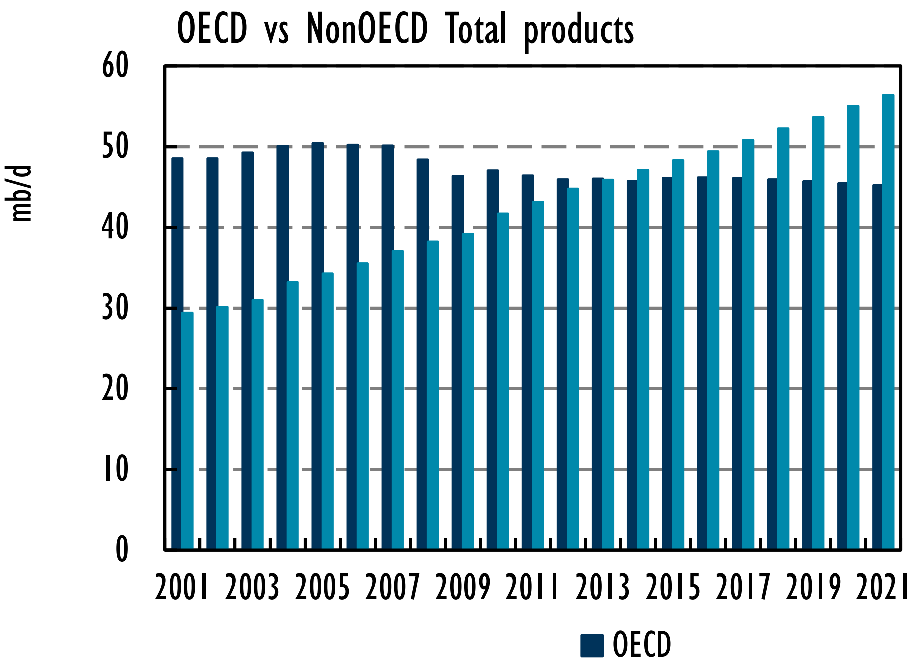
- ***Rare region not to see absolute 2015 demand growth, continues to decline***

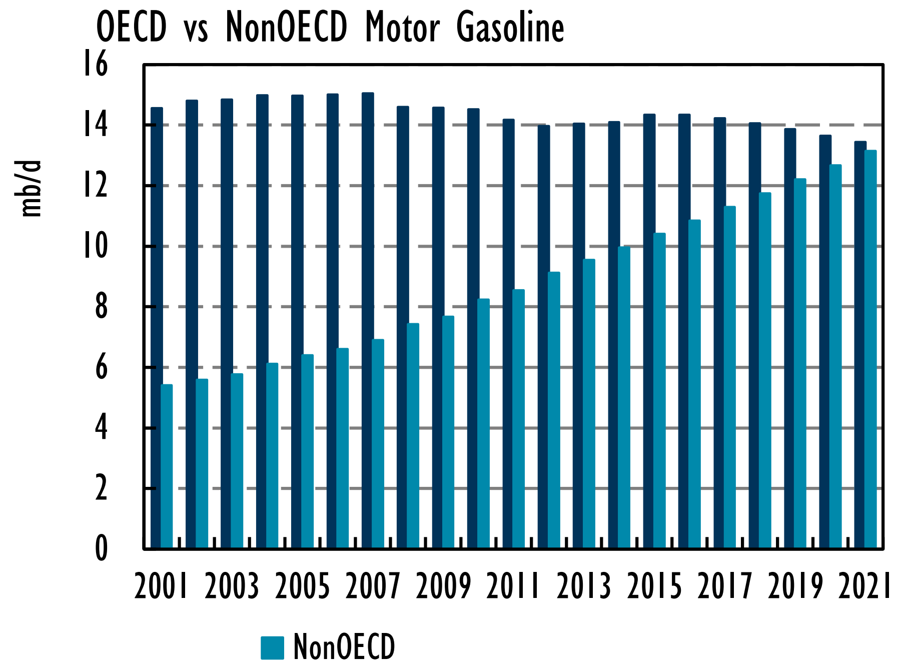
Europe slows even further



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

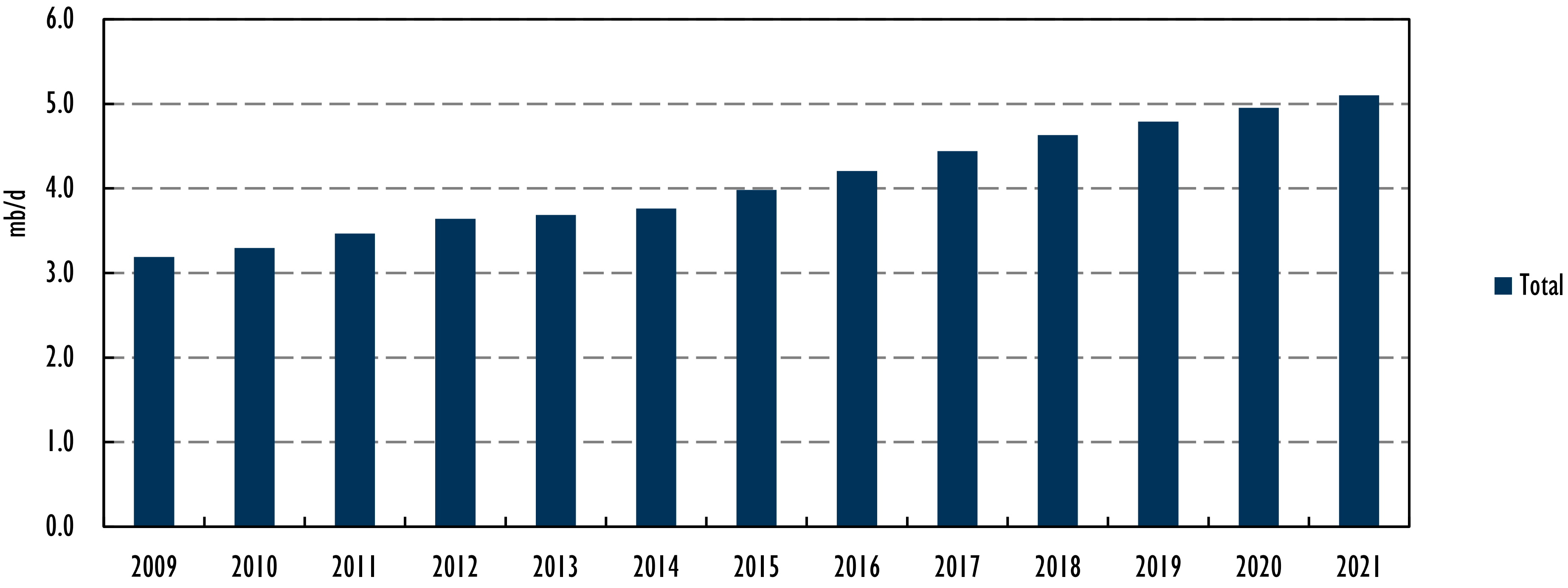
Non-OECD drives global demand





- ***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

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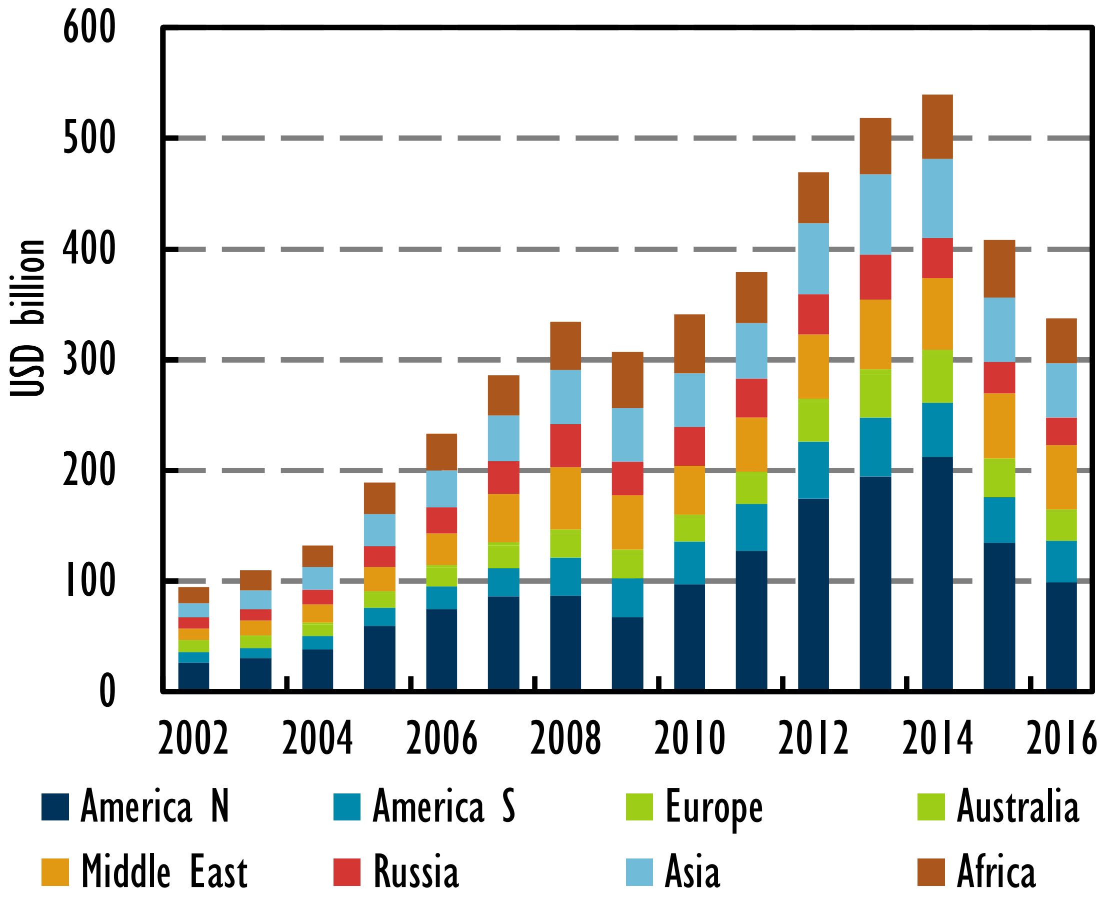

- ***Drop of 17% in 2016 follows 24% reduction in 2015***

World supply growth plunges

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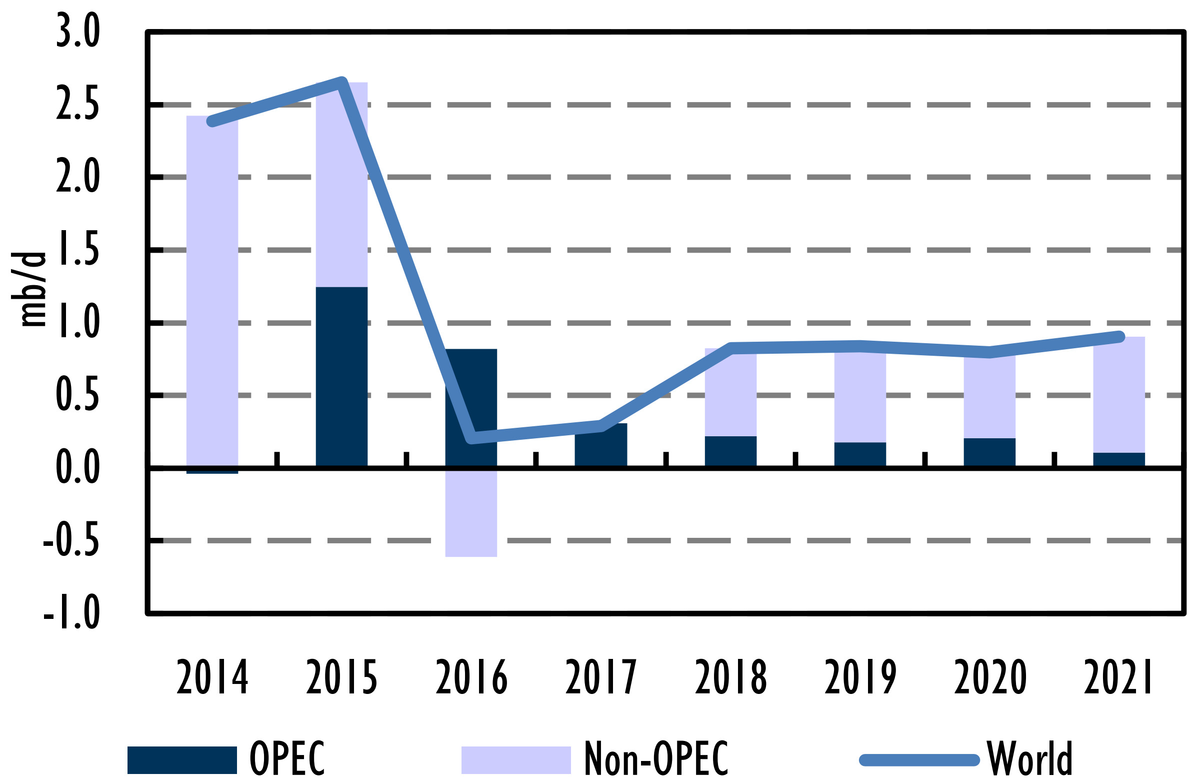
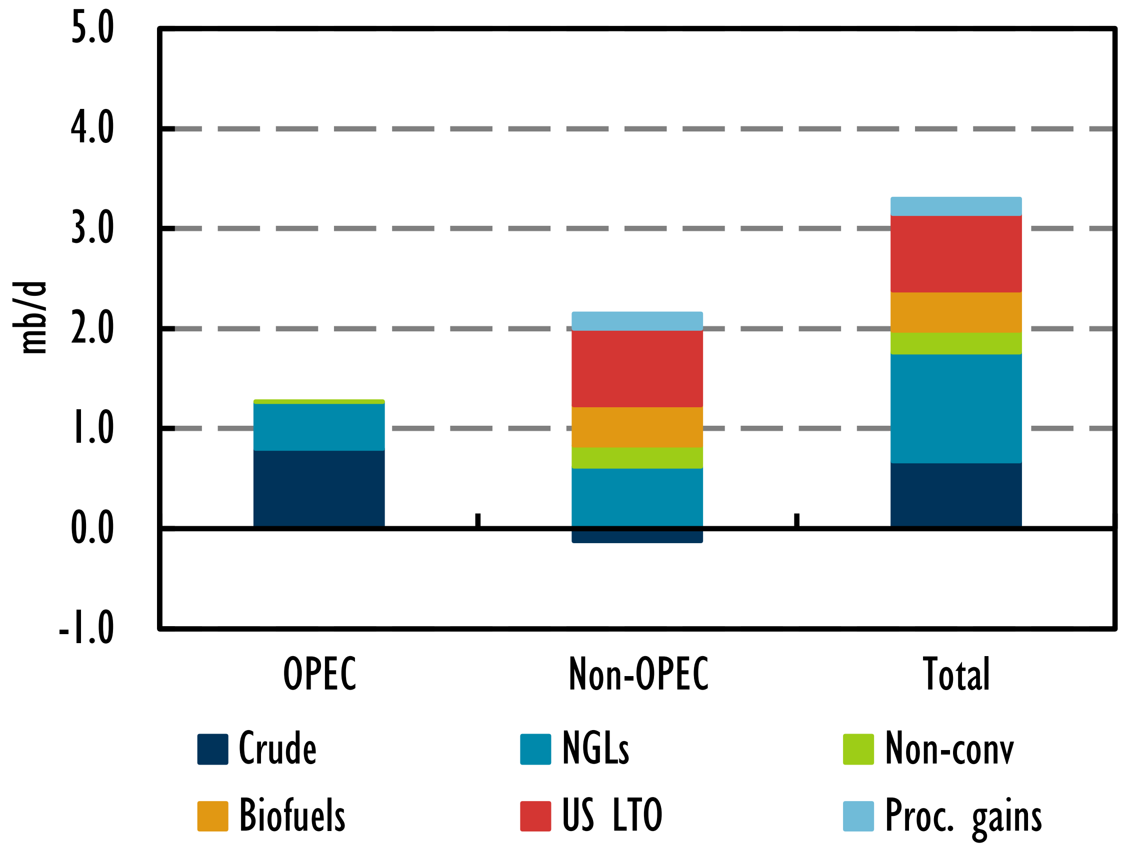


*2014 -15 shows actual output growth. 2016 assumes Iran ramp-up. OPEC capacity increases thereafter.

- ***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

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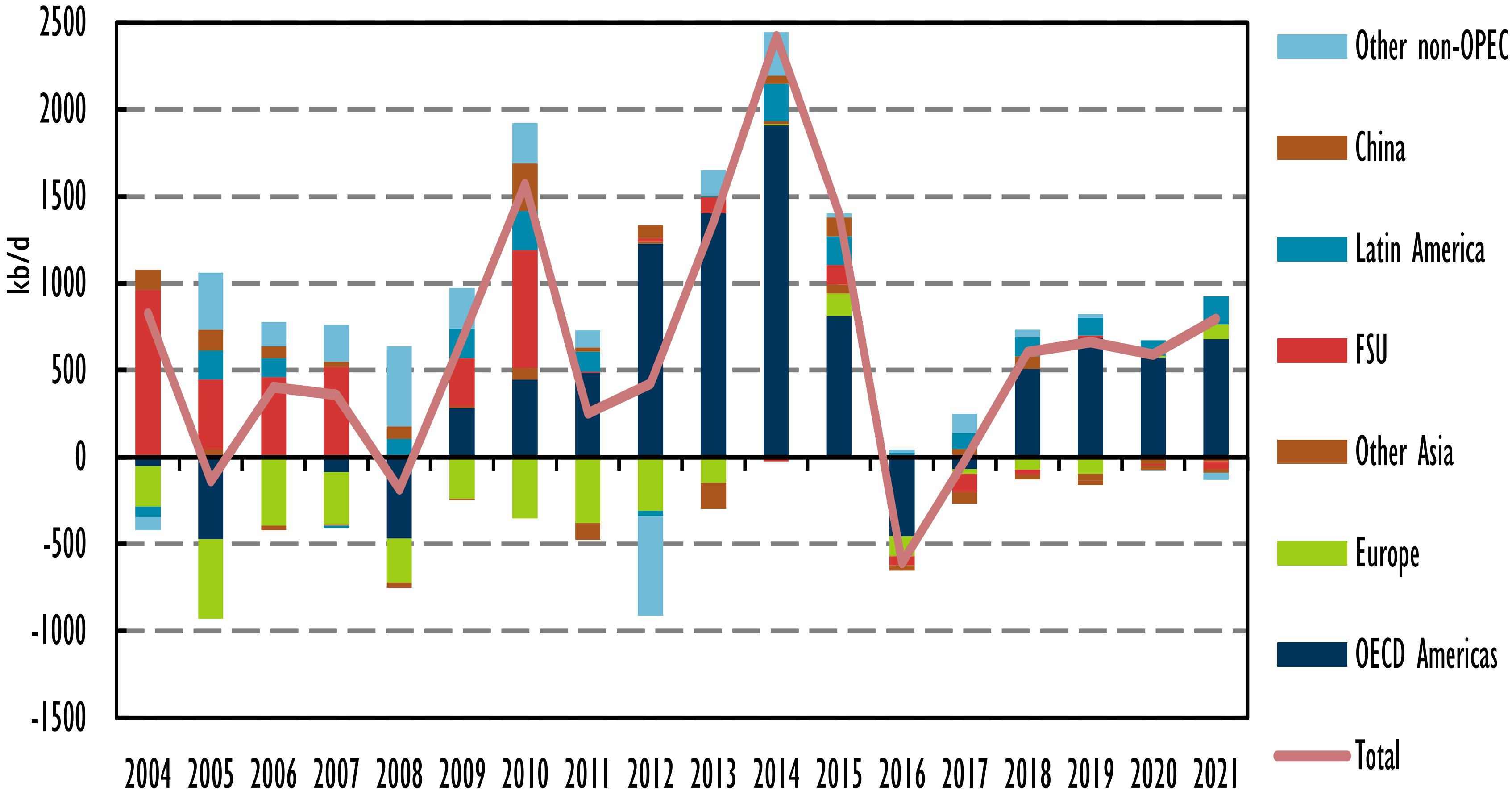

US LTO takes biggest hit for now

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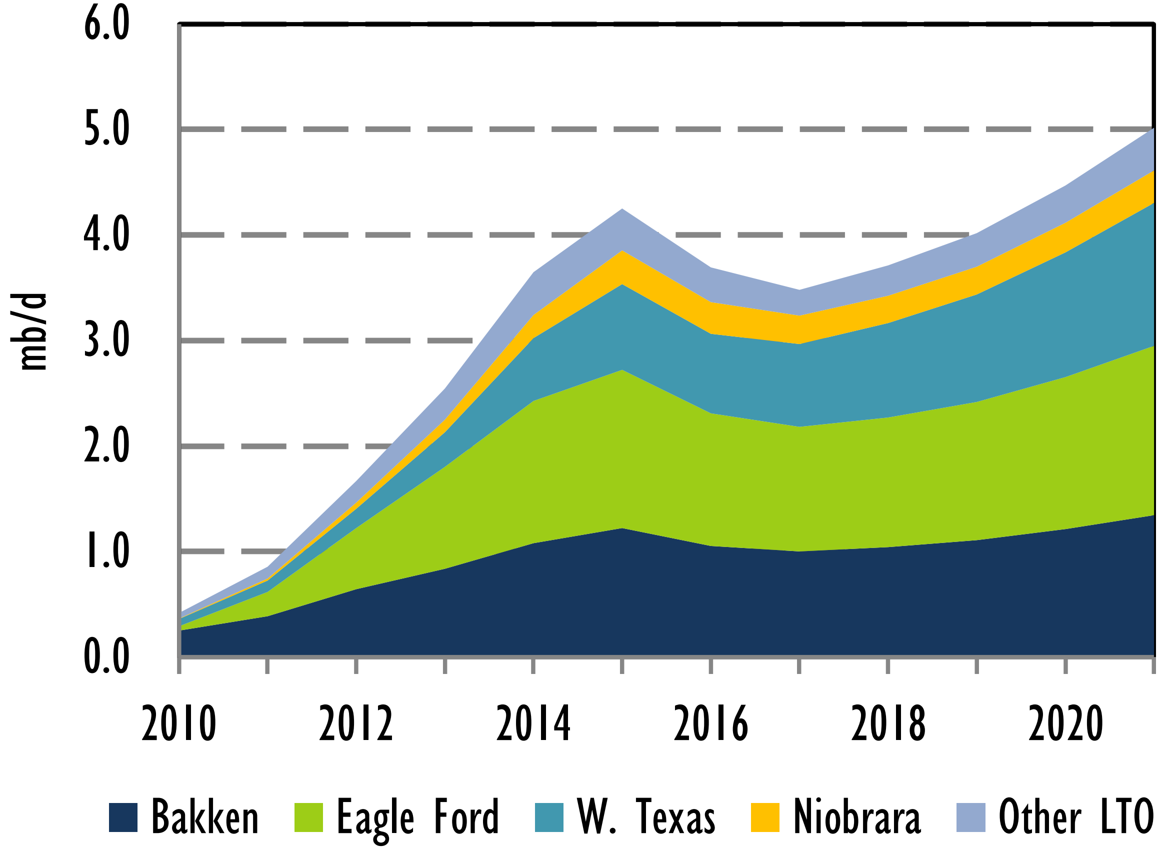

- ***Output to drop by 800 kb/d over 2016-17***

Gulf of Mexico & NGLs add to US output

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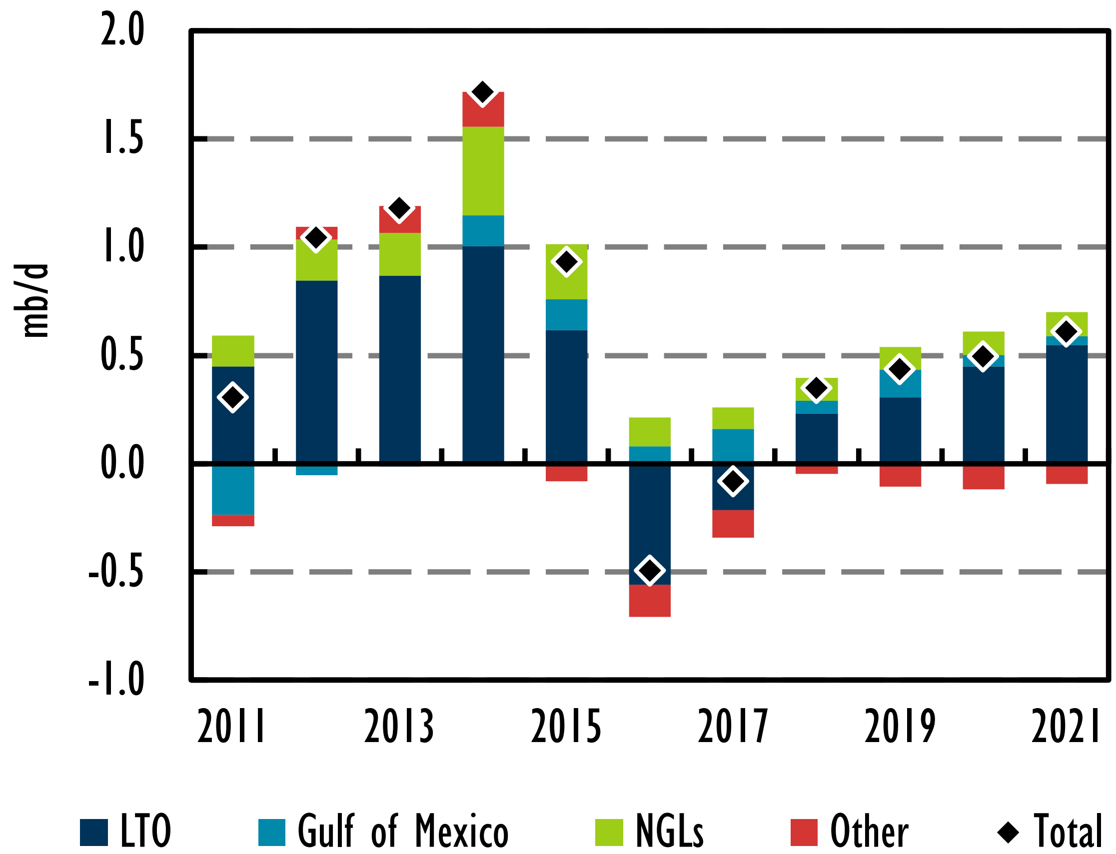

- ***Total US supply up 1.3 mb/d by 2021, to 14.2 mb/d***

US still the world's growth engine

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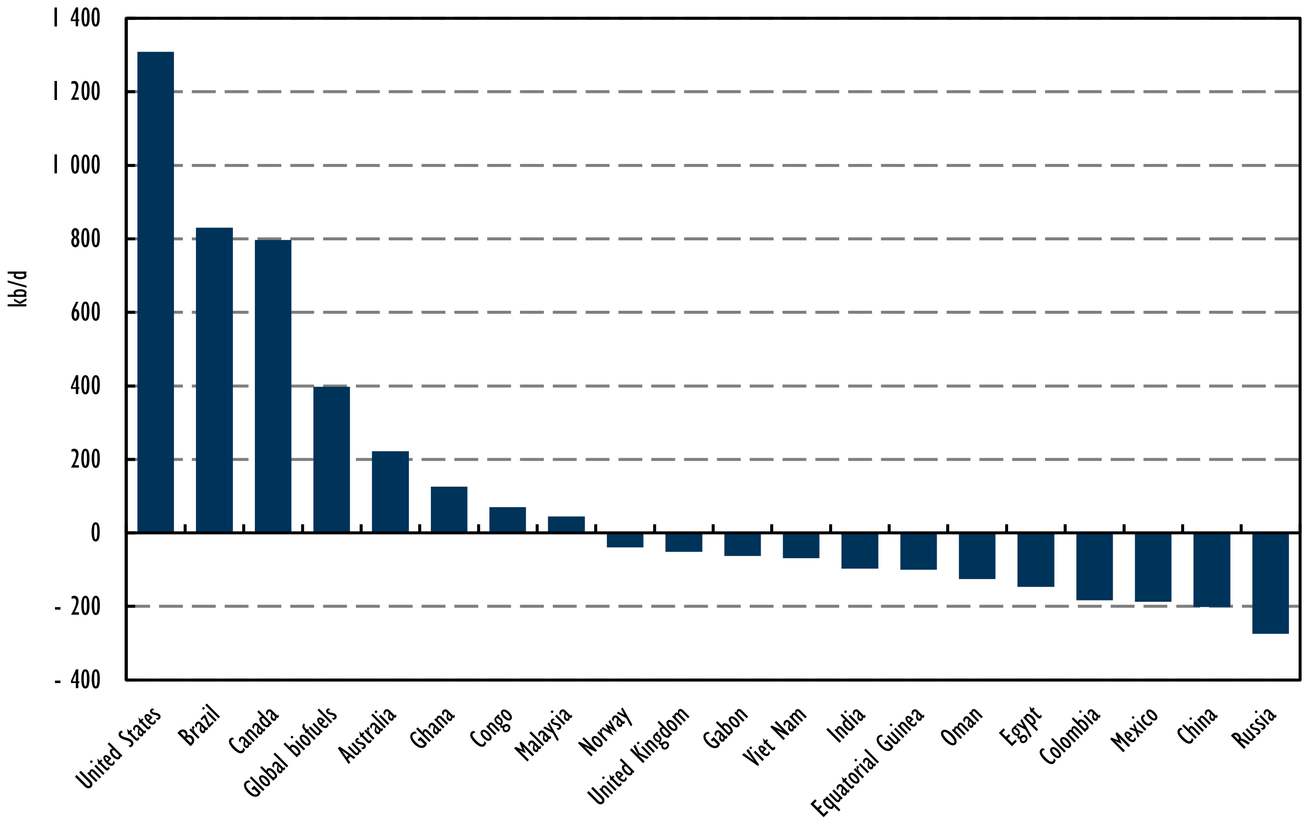
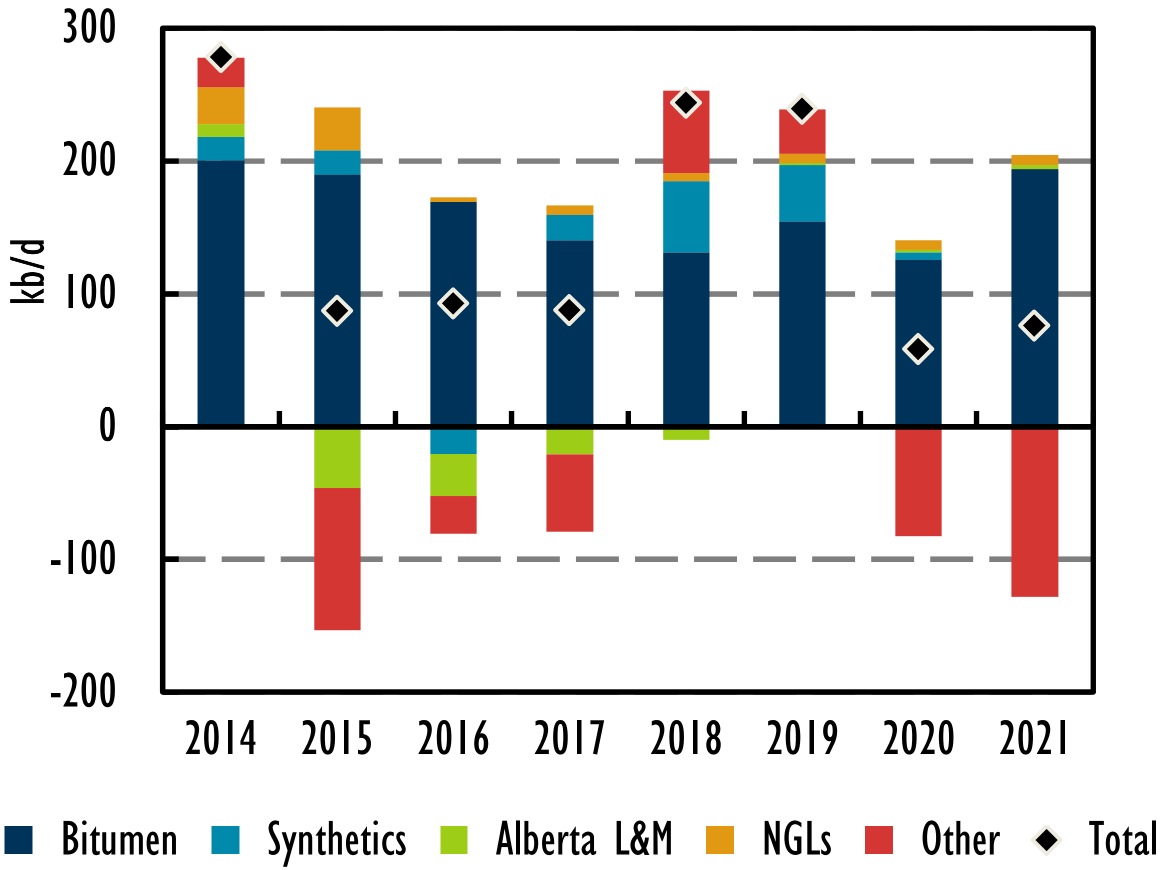
Selected sources of non-OPEC supply change 2015-21



- ***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

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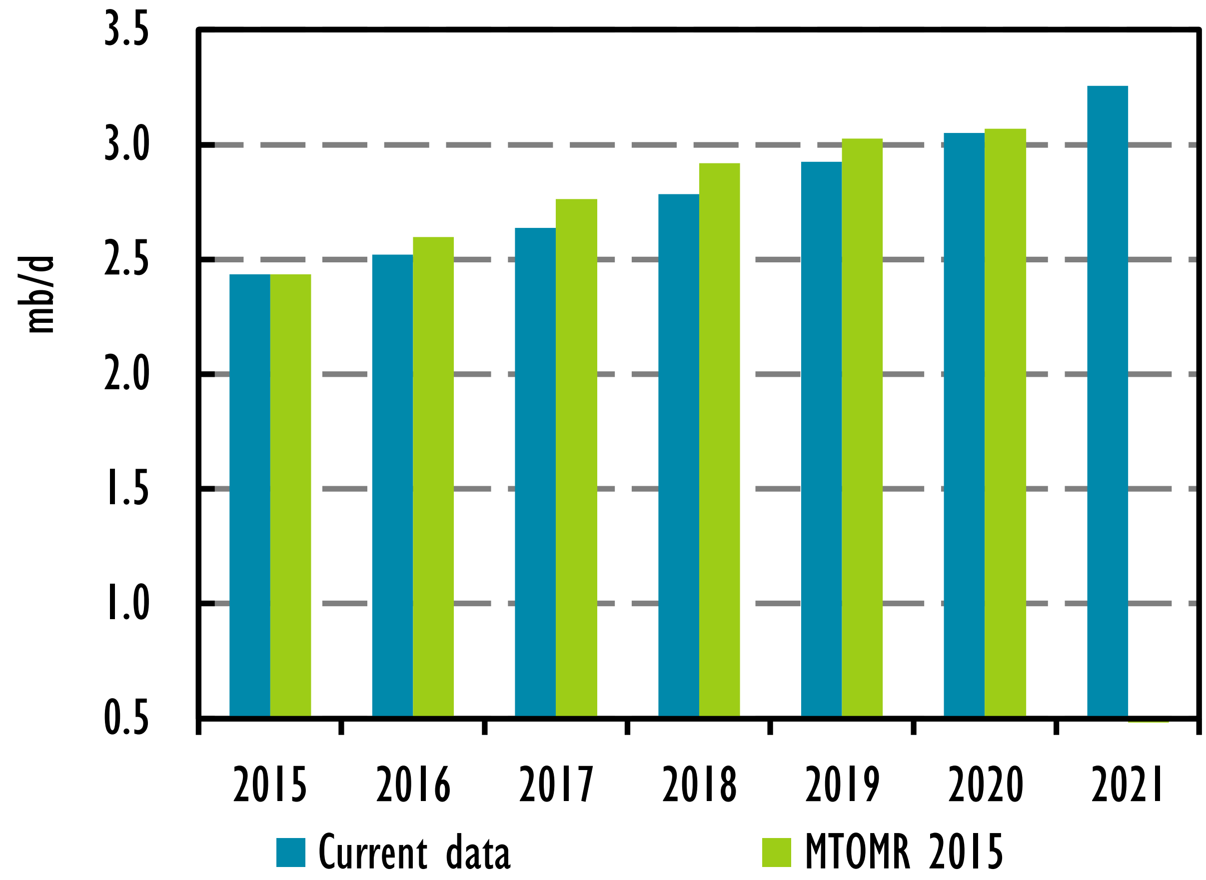
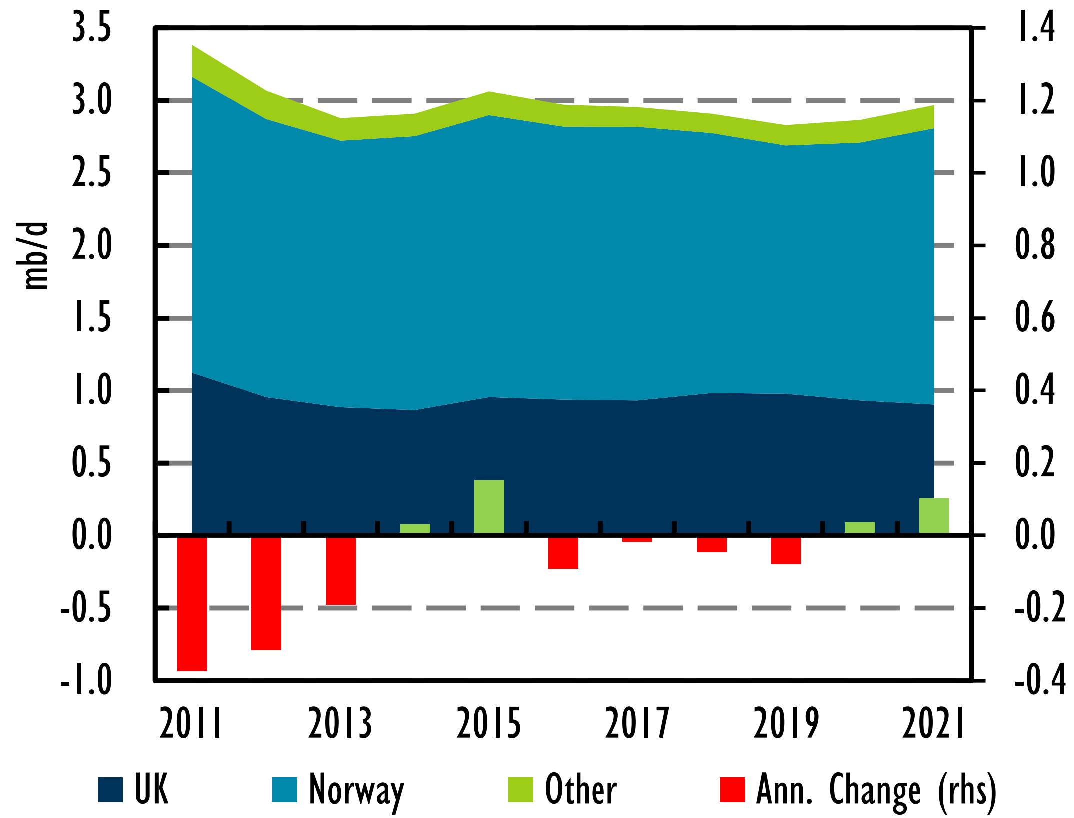


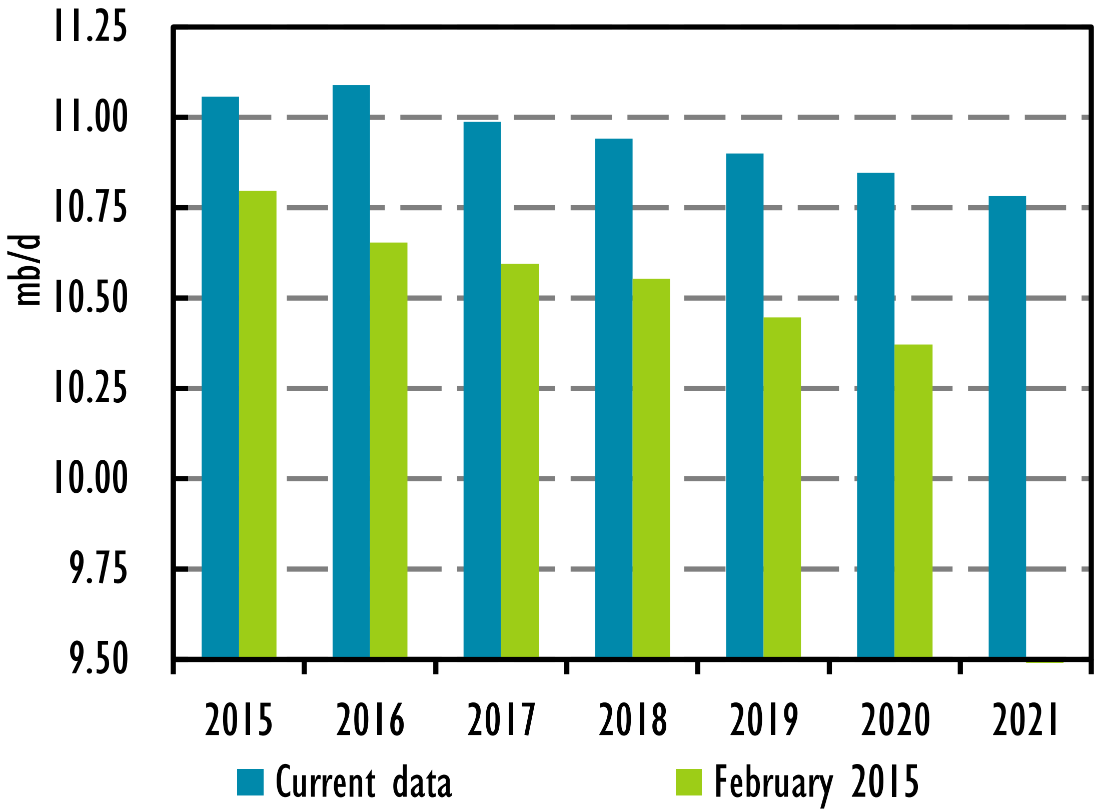
- ***Output target cuts, in line with MTOMR forecast***

North Sea output recovers temporarily



- ***New projects offset decline – downside risk remain***

Russia resilient now but declines later



- ***Despite upward revisions, Russia takes biggest hit***

Post-sanctions Iran leads OPEC gains

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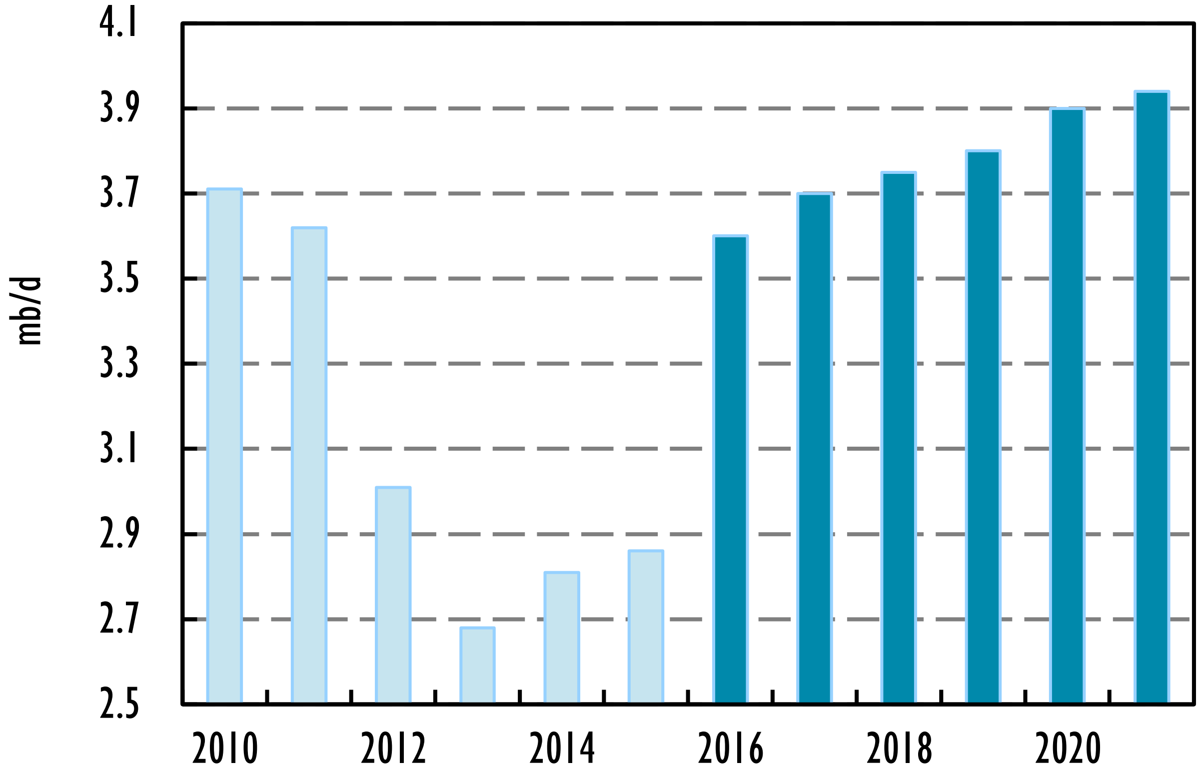
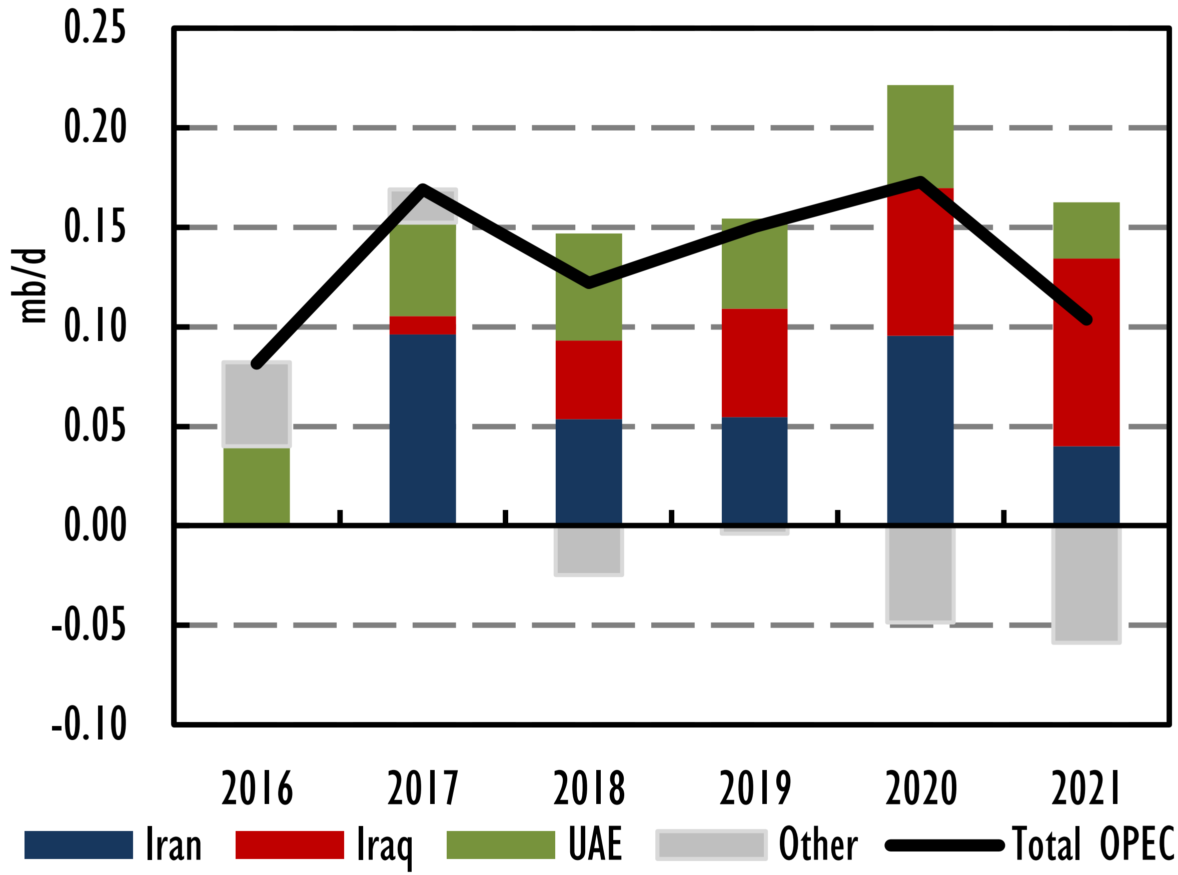


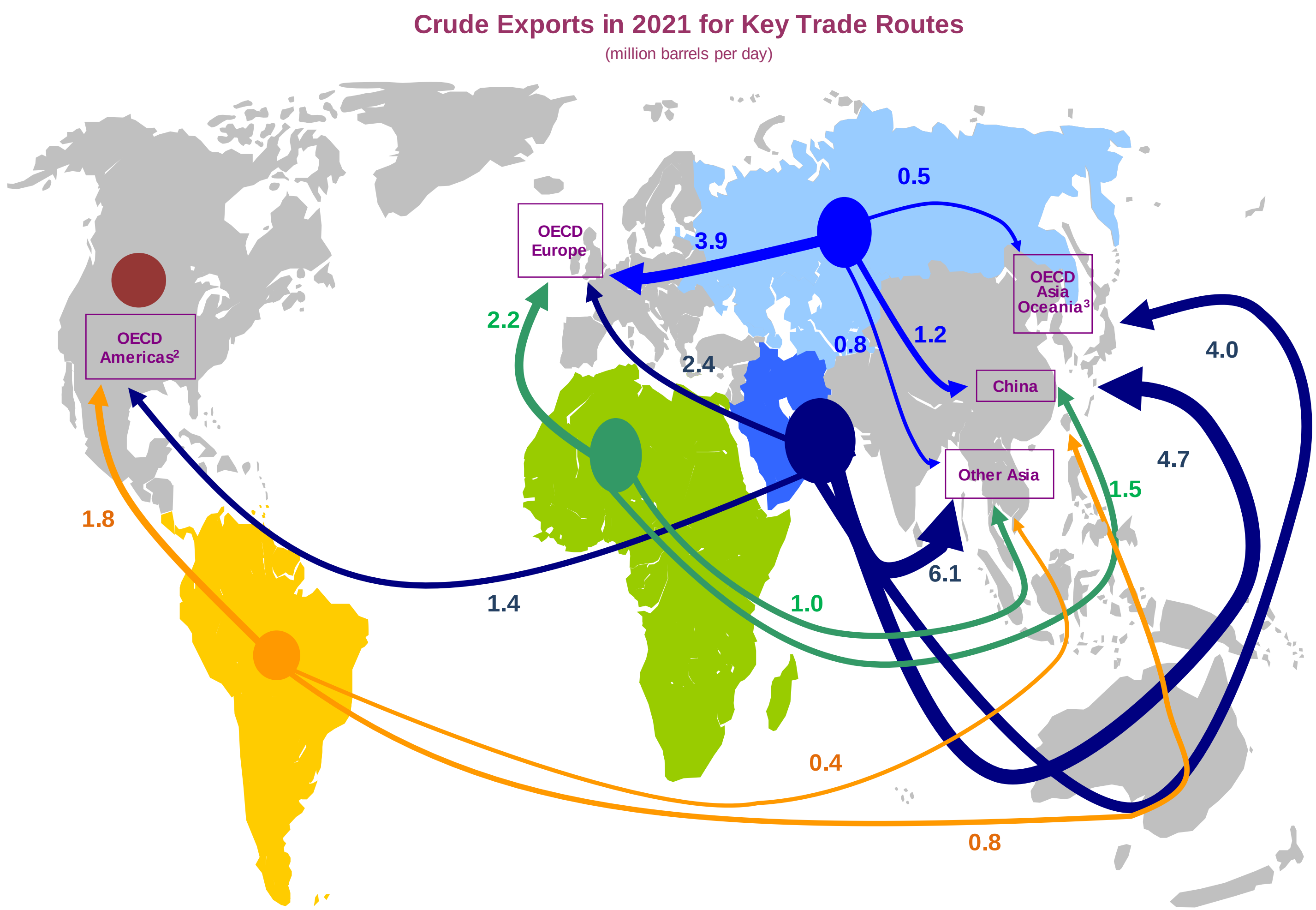
Actual production 2010-15, capacity thereafter

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

Middle East dominates OPEC growth



Middle East dominates oil exports



- *Producers target non-OECD Asia*

Chinese imports to surge to 8.5 mb/d

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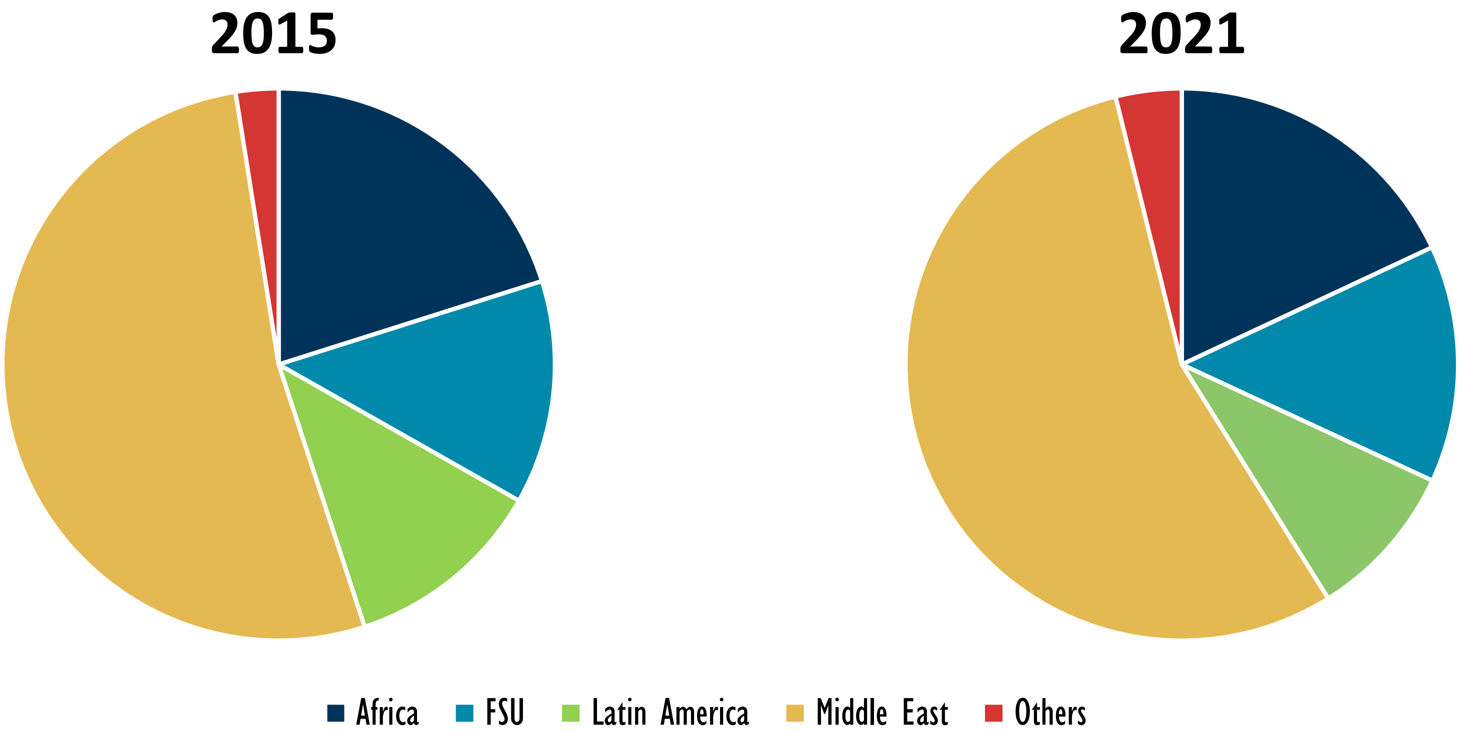
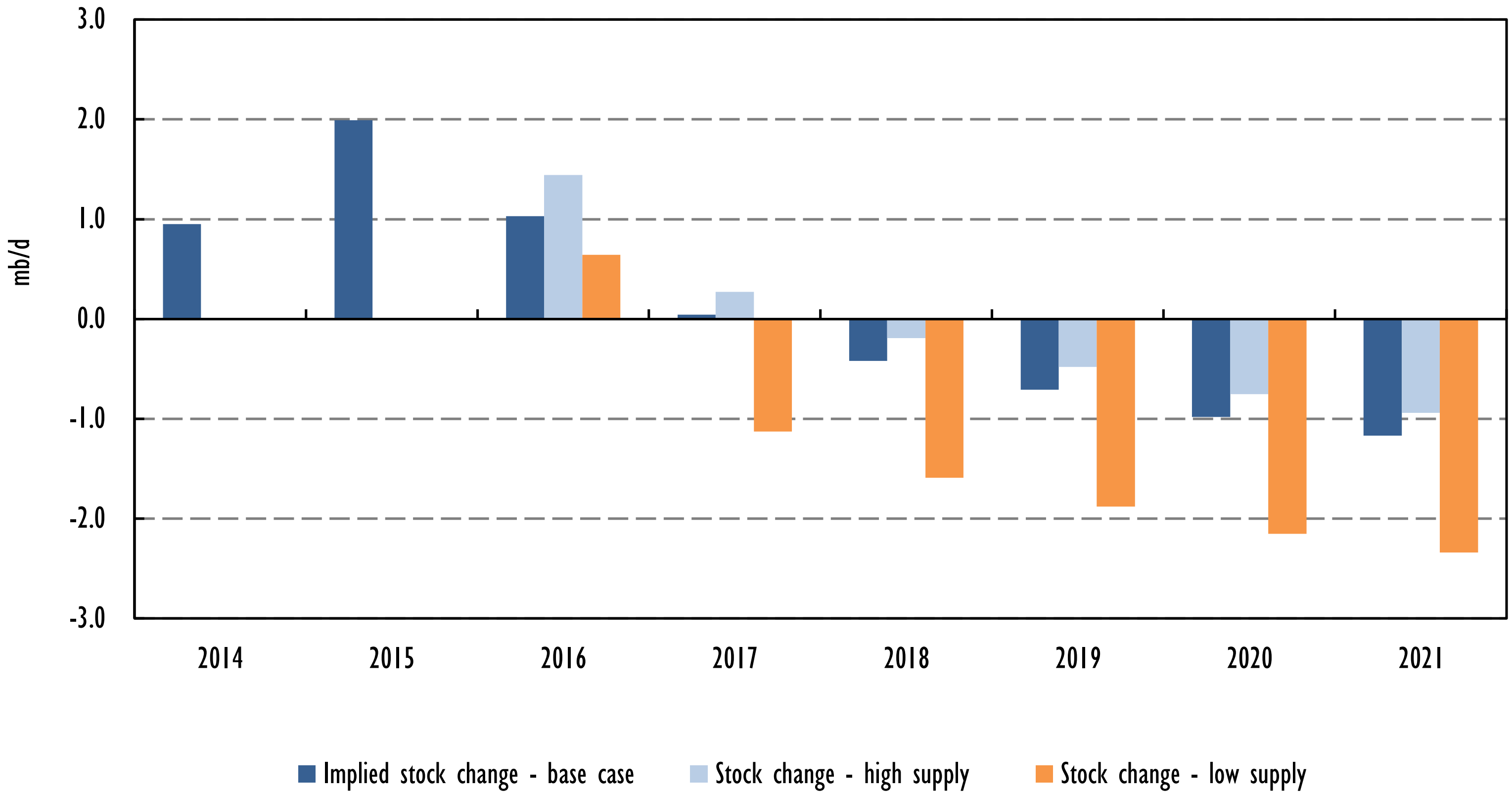


- ***Crude slate will remain remarkably similar across the forecast***

Surplus erodes in 2017



- ***Tightening market drives price recovery***

Conclusions

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- **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**