

Global Oil Markets Outlook

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28 May 2014, Shanghai

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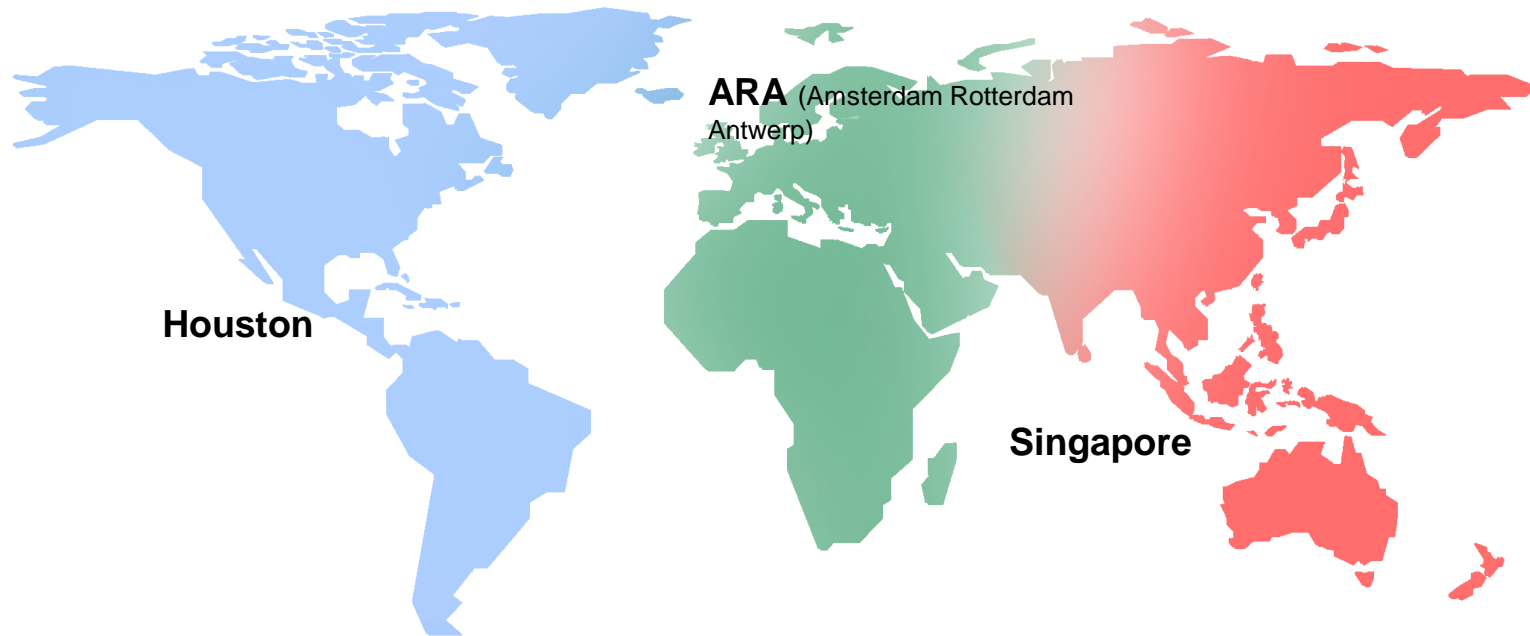
EDITORS

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Editorial and market assessments are conducted with complete **Independence & Impartiality**



- Key global crude and oil products benchmarks, including Brent and Dubai
- Intelligence on oil, petrochemicals, metals, gas & power, agricultural markets

Oil prices – End to volatility?

- What fundamentals and geopolitics tell us

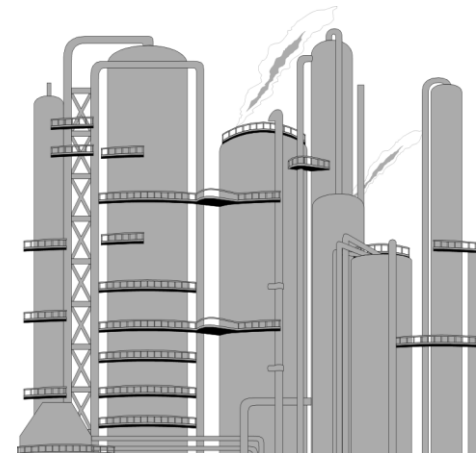


US shale boom

- The impact on global oil flows so far and going forward

Redefining refining

- Sector in a major flux globally



World Crude Oil Prices Locked Into Narrow Band

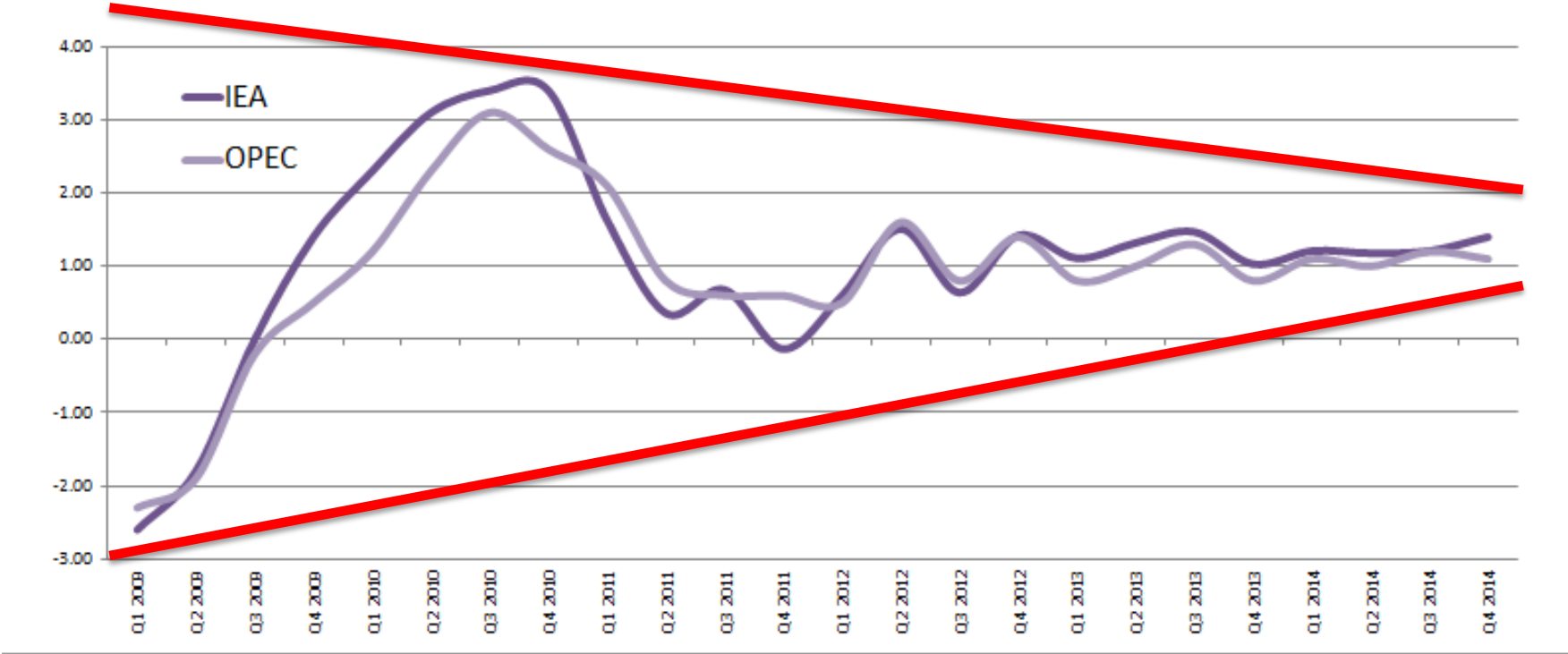
Platts Dated Brent Assessments, January 2009-May 2014 (\$/b)



Source: Platts Dated Brent assessments

Historic And Forecast Change In World Demand

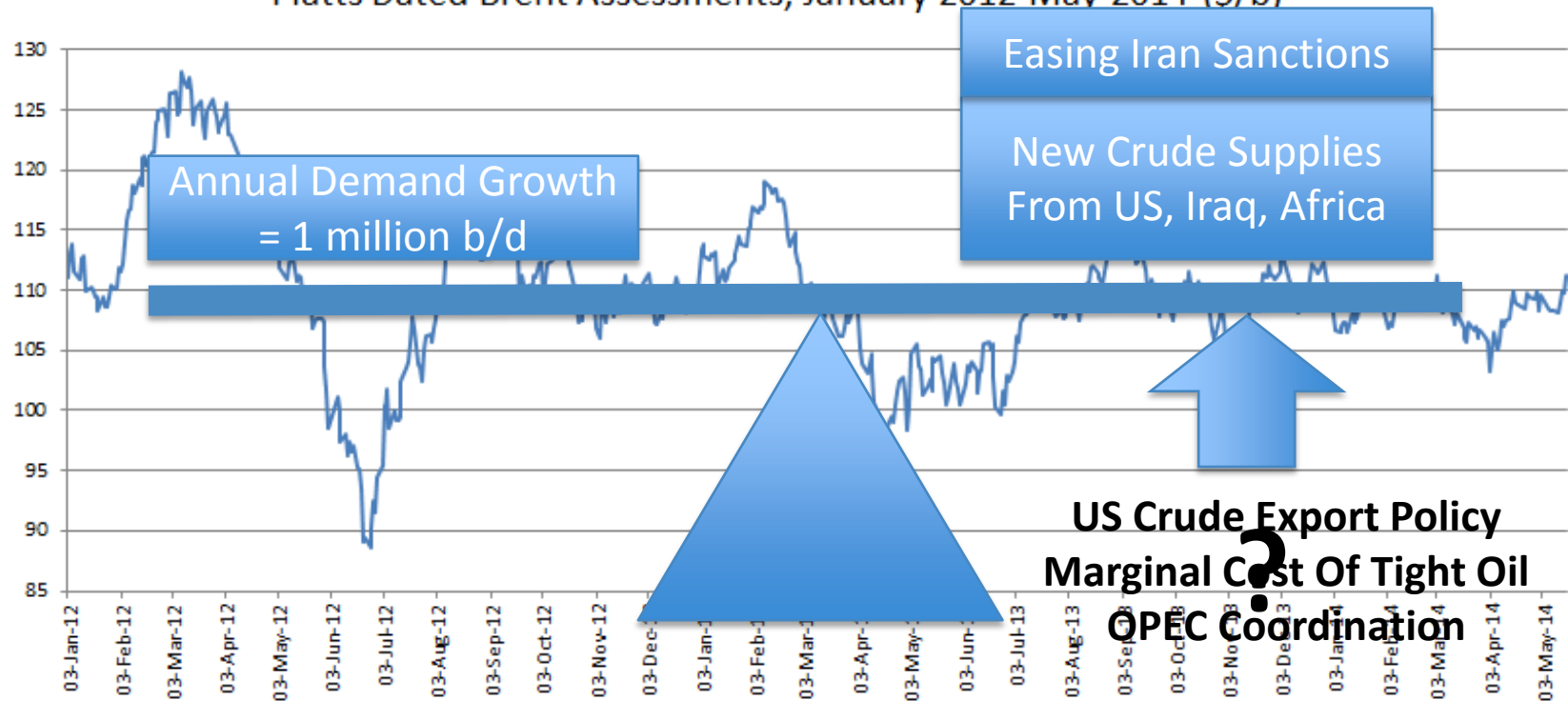
OPEC, IEA (Q1 2009-Q4 2014, million b/d change year on year)



Source: Platts analysis of quarterly historic and forecast demand from OPEC's Monthly Oil Market Report (January 2014) and IEA's Oil Market Report (January 2014)

Global Crude Markets Finely Balanced

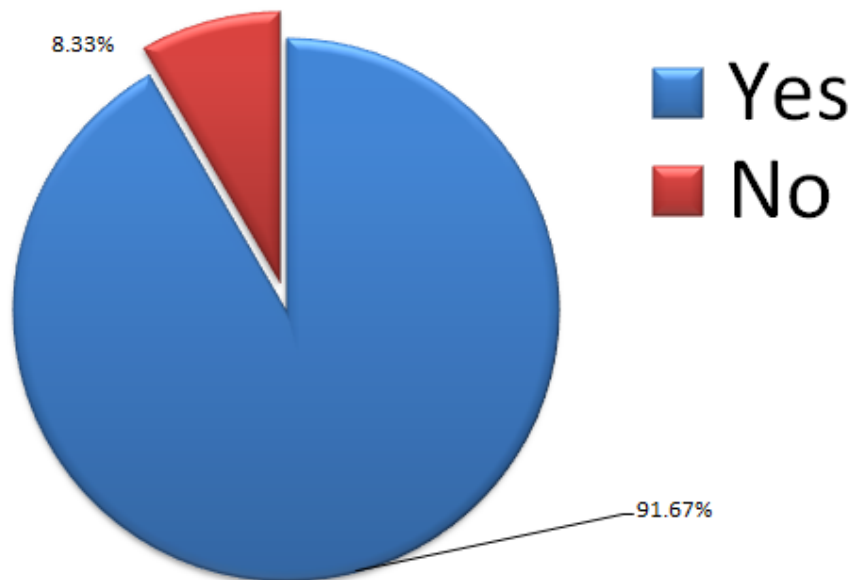
Platts Dated Brent Assessments, January 2012-May 2014 (\$/b)



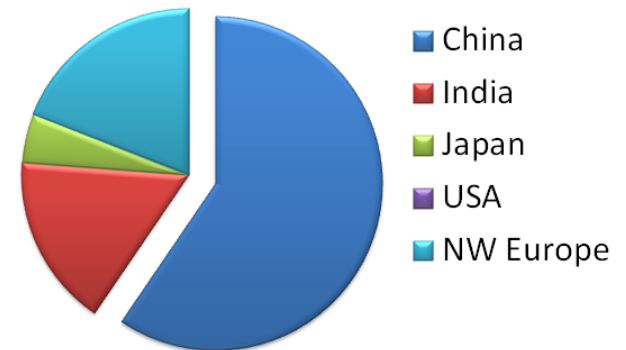
Source: Platts Dated Brent assessments

The mood at Platts 7th Global Crude Oil Summit May 13-14

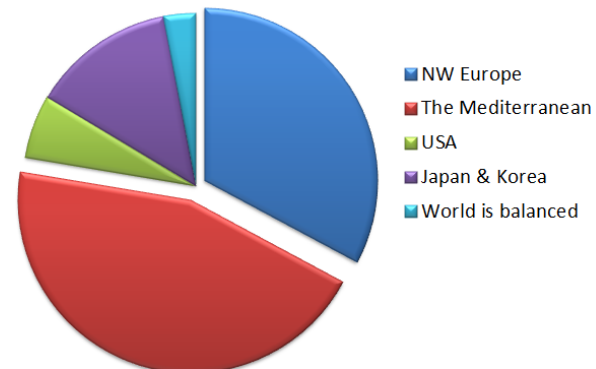
Q: Do you think there will be enough crude production for the rest of this decade to prevent the kinds of demand-led oil shocks that we saw last decade?



Q: Where is likely to be the best market for Africa's crude in the years ahead?



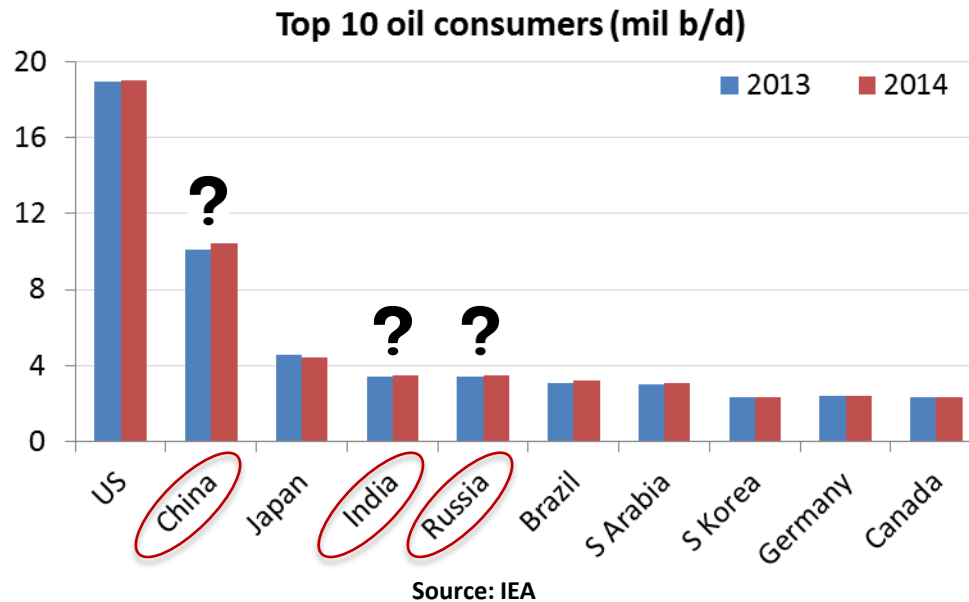
Q: Where will we see most refinery consolidation next?



- Economy losing steam; inventories piling up; major stimulus measures seen unlikely
- Growth becoming less oil-intensive
- Oil demand between Oct 2013-Mar 2014 **declined** ~1%
- Gasoil, naphtha consumption shrinking, more than offsets rise in gasoline demand



Demand: IEA projects 1.3 mil b/d growth for 2014
Too optimistic?



CHINA: Oil demand growth slowing down faster than GDP

RUSSIA: Ukraine tensions and sanctions dampen economic outlook

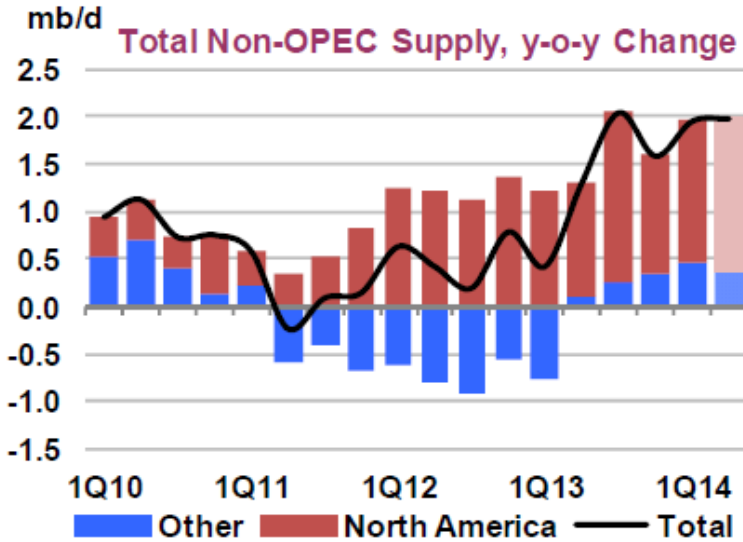
INDIA: Annual growth in consumption cools to <1%



Nearly 4 mil b/d of production reduced or under constant threat

- Libyan output slumped to around 200,000 b/d (versus 1.6 mil b/d capacity)
- Unrest, attacks on infrastructure curb crude production in Nigeria, Iraq, Libya, Sudan

But OPEC output remains mostly below 30 mil b/d “ceiling” since last Sep; Saudi pulls back from 10 mil b/d peak



Non-OPEC supply growing at its strongest in decades

Source: IEA

ON THE OPEC FRONT:

- Iran could raise output by ~1 mil b/d within 6 months if sanctions lifted; aims for 5 mil b/d output by 2018
- Iraq production is on a strong ascent – 3.4 mil b/d in Feb, highest since 1979
- Will OPEC be able to respond if there is a supply glut?

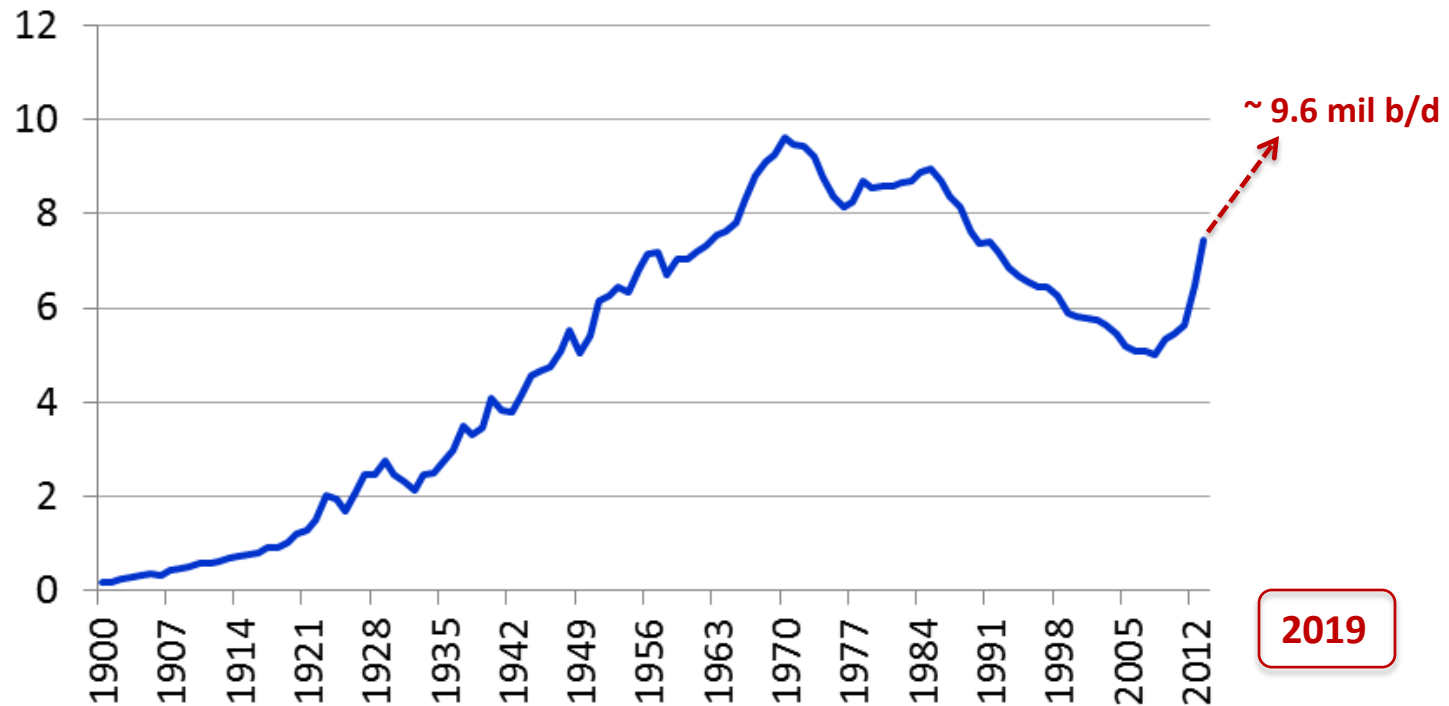
US Shale Bonanza

The Impact On Global Oil Flows So Far And Going Forward



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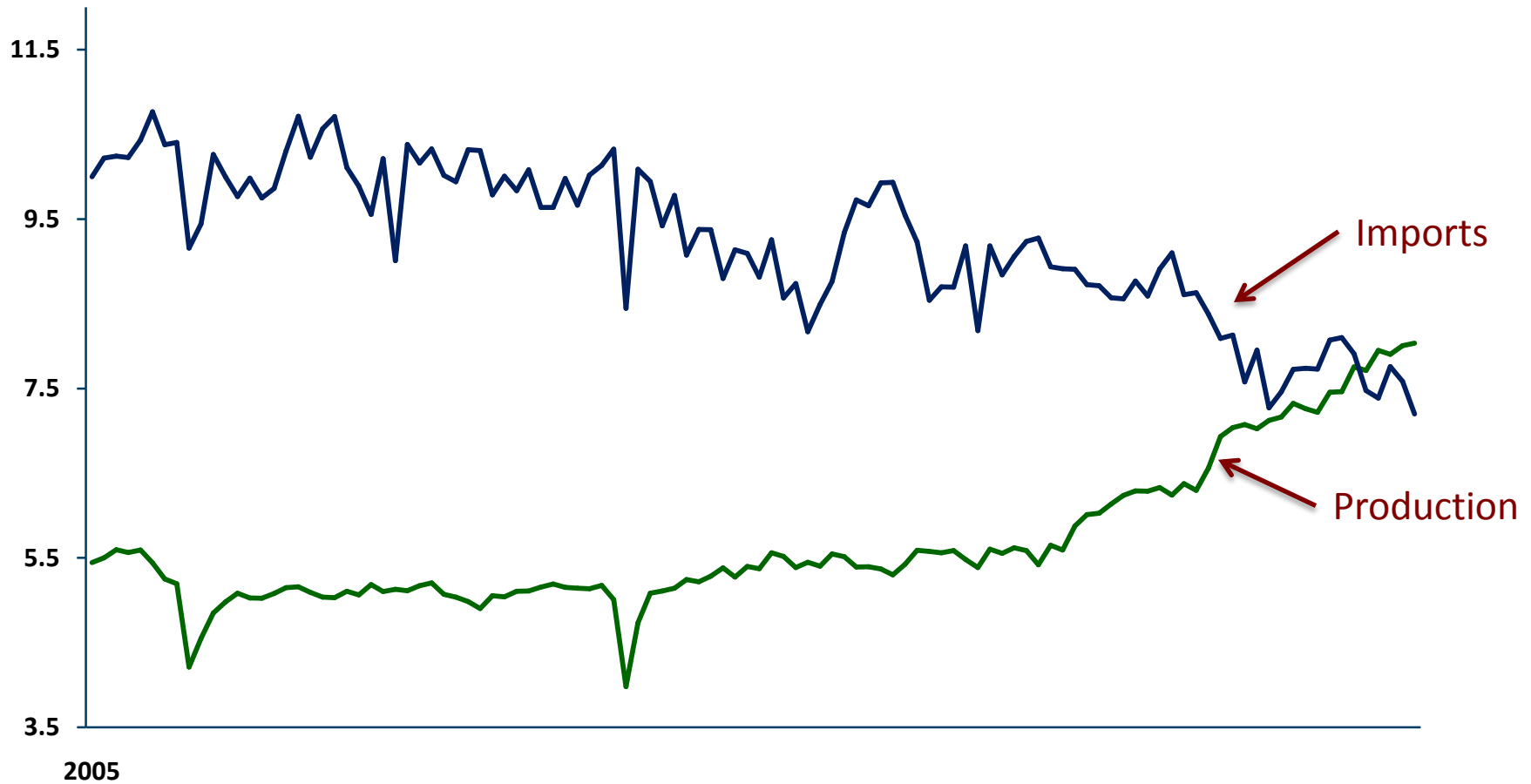
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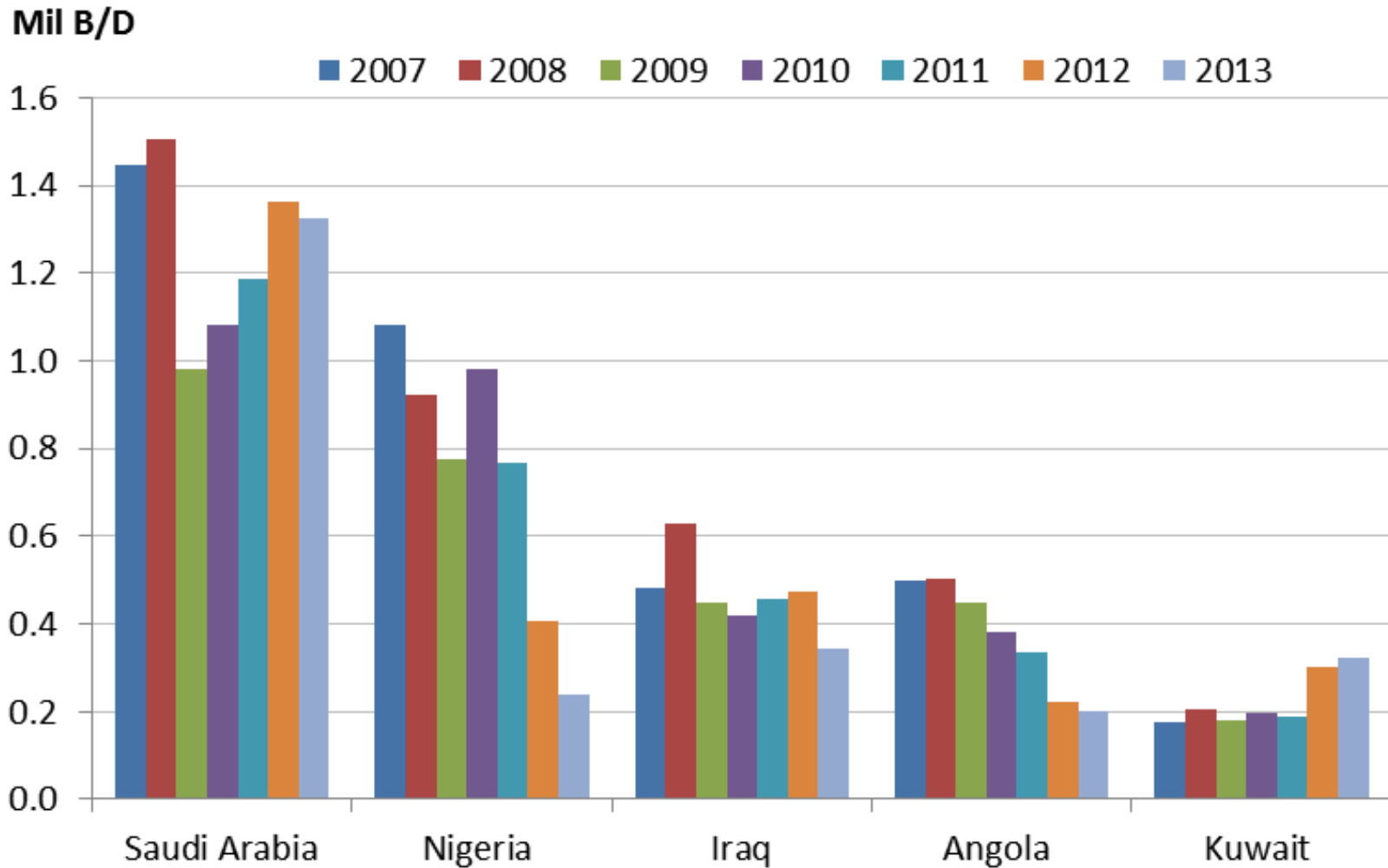
- 2020: Nearly half the output will be tight oil
- Most tight oil is light/ultra light sweet crude/condensate
- Nearly 2 mil b/d of excess light sweet crude foreseen

US Produces More Crude Than It Imports

Million B/D



Average Daily US Imports By Supplier





- Imports from Africa – light, sweet grades from Nigeria, Algeria, Angola – down 90% from 2 mil b/d in 2005 to 170,000 b/d in Jan-Apr 2014
- Imports of Canadian crude jumped 70% from 2005 to average 2.7 mil b/d this year
- Imports of Colombian crude doubled from 2005 to 300,000 b/d this year
- US TO ALLOW CRUDE EXPORTS?
UNLIKELY!

New **condensate splitters** coming on stream – Nearly 475,000 b/d new capacity over the next 2 years (source: Platts Bentek)

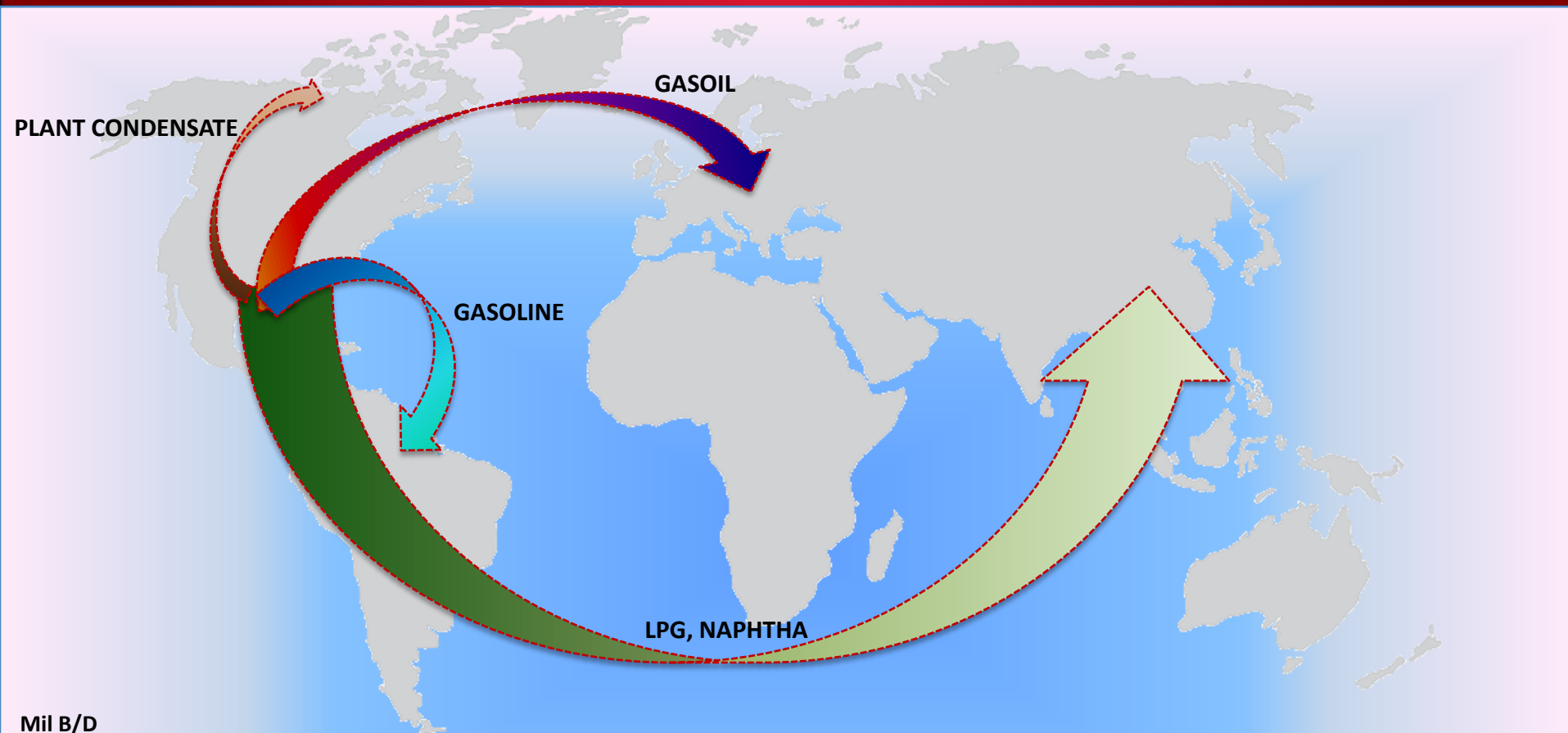
New **ethane crackers** being built – Around 12 mil mt/year of new ethylene capacity planned to come on stream by 2020

Nearly 50% capacity growth in both

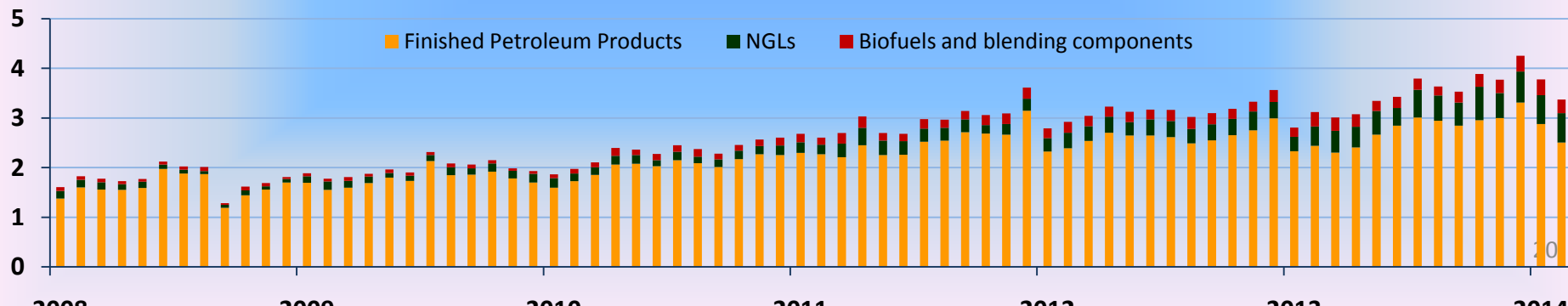
Unprecedented boom in US oil, gas infrastructure



US Oil Product Exports Vault Over 3 Mil B/D



Mil B/D

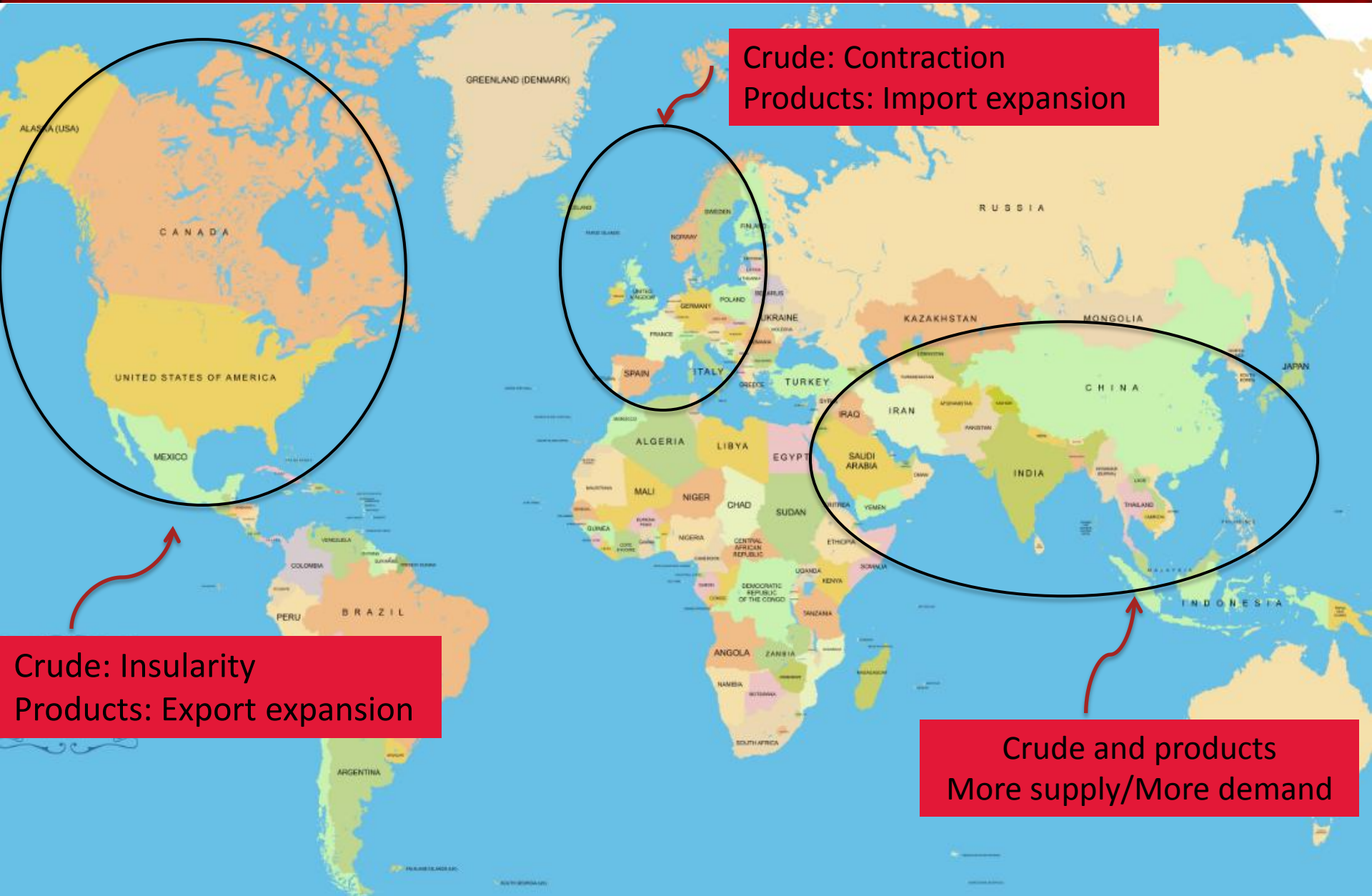


Redefining Refining

Sector In Major Flux Globally



Oil Markets In Three Very Different Worlds



Crude: Contraction
Products: Import expansion

Crude: Insularity
Products: Export expansion

Crude and products
More supply/More demand

Refining Sector Tilts To Overcapacity

Japan
Australia
Europe(?)

China
Middle East
India
US
Africa, Latin America (?)



- **Japan** – 20% reduction in capacity from 2008 peak of 4.9 mil b/d; more cuts likely by 2017
- Major product “sinks” in Southeast Asia:
 - **Indonesia** – About 500-600,000 b/d; could double by 2020
 - **Australia** – About 375,000 b/d; seen rising to 700,000 b/d by 2016
 - **Vietnam** – About 180,000 b/d; could vanish around 2020 if refining capacity rises

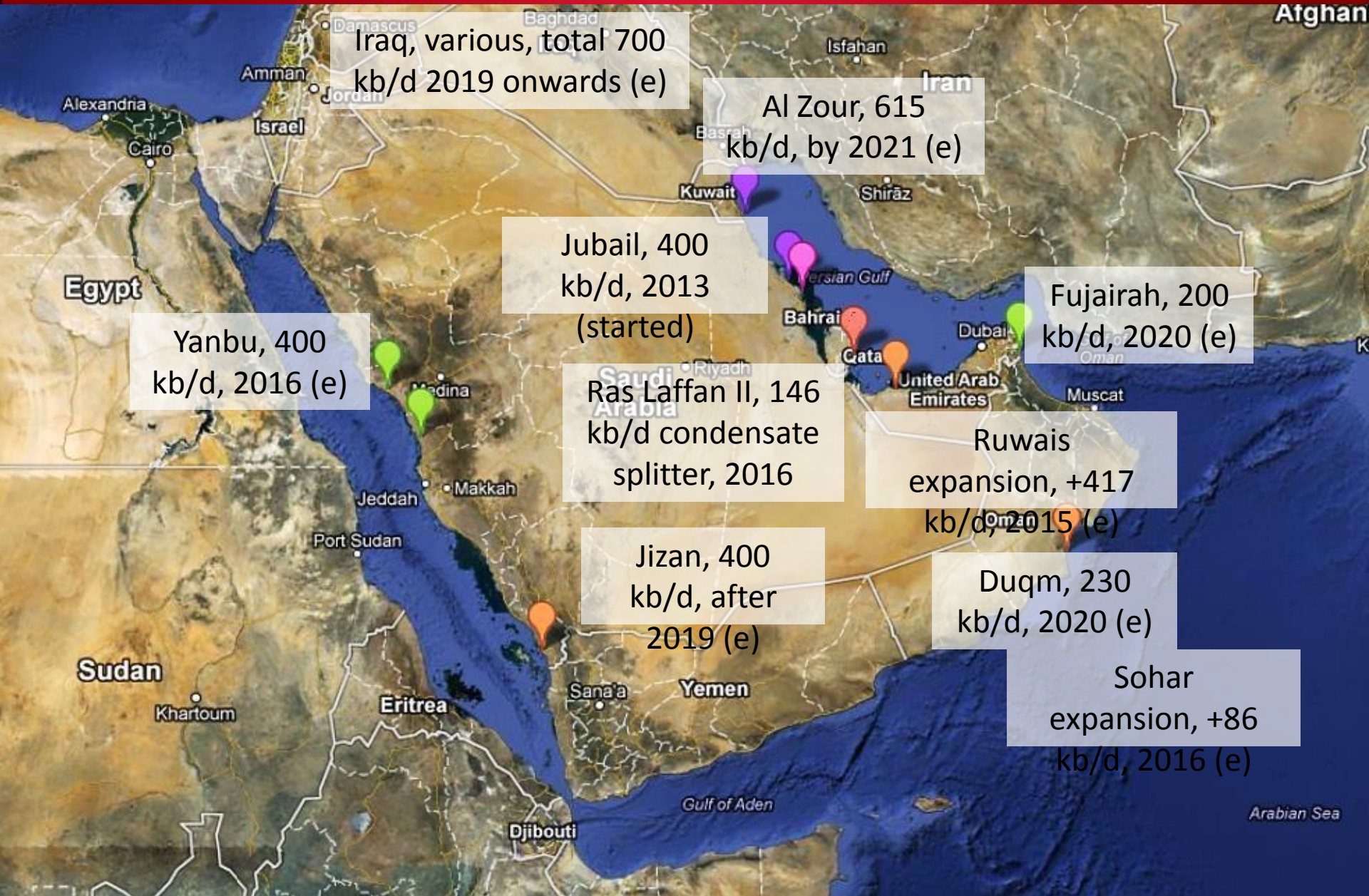
- Downstream additions surpass demand growth
- Some 4 mil b/d excess capacity seen by 2015
- Capacity utilization rates on a slippery slope
- Product exports rising, imports declining



“If China does not rein in excess capacity, refinery utilization rates could drop to 67% by 2020, lower than the 72-75% in the steel industry now”

– Sinopec Chairman Fu Chengyu (March ‘14)

Mideast In Unprecedented Refinery Boom



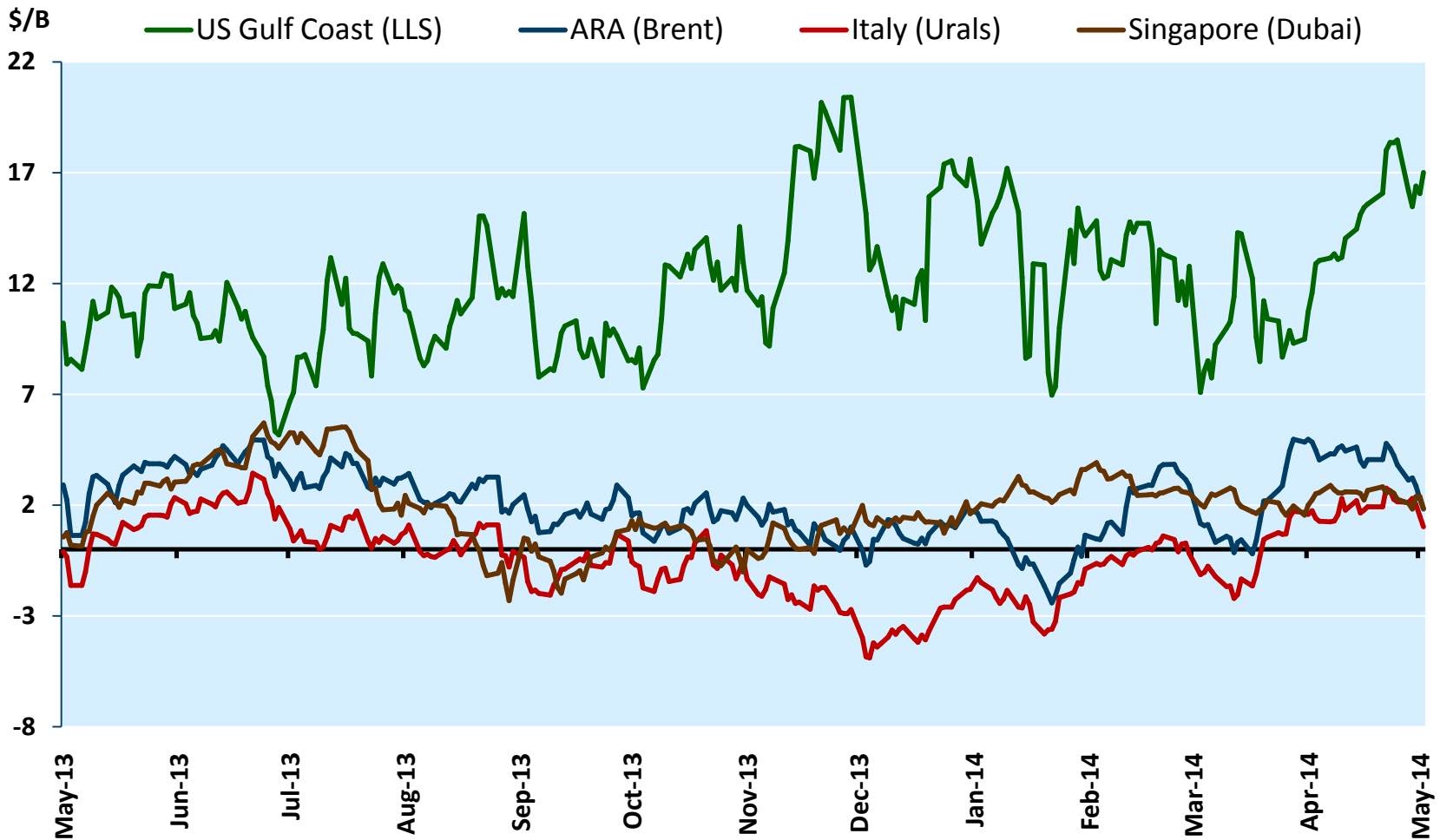
- Europe oil demand remains on a slippery slope
- Around 2.5 mil b/d products demand lost between 2005-2013
- Refiners opt to reduce rates rather than shut down
- Average refinery utilization rates languish around 75%



“1 mil b/d immediate capacity is needed to shut down along with a further 1.5-2.0 mil b/d by the end of 2017 to restore healthy utilization”

– Marcus Lippold, VP, MOL (April ‘14)

Cracking Margins Over The Past Year



Thank You!

Questions?

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