CURRENT CHANGES AND OUTLOOK IN GLOBAL OIL MARKET

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EUROPEAN BIOFUELS TECHNOLOGY PLATFORM
21 JUNE 2016 - BRUSSELS
The 4 biggest drop in crude oil price

1. 1985-86 OPEC End of regulated prices (-66%)
2. 1990-91 Gulf War (-48%)
3. 2008-09 Financial Crises (-77%)
4. 2014-2015 OPEC Decision (-51%)
Following four years of relative stability at around $105/b

Crude oil sharply decline

- Divided by 2 in 2015
- Bottomed out in 2016 at 26$/b

Since January 2016 price are recovering

- +90% since end January 2016
THE CAUSES: MULTIPLES - DIVERSIFIED

- Surprising production of unconventional oil
- Significant shift in OPEC policy
- Disequilibrium of the oil supply/demand balance
- High level of stocks
- Leading to oil price plugging

- Weakening world commerce
- Unwinding of some geopolitical risks
- Appreciation of the U.S. dollar.
THE CONSEQUENCES: WIDE RANGING

- Significant real income shift from oil exporters to oil importers
  +0.7-0.8 percent increase in global GDP
- Some oil-exporting countries under stress
- Weak global growth environment
- Deflation risks
- Decline in global inflation of around 1 percentage point
- Drastic reduction in oil & gas budgets

Upstream Oil & Gas Investment

2015/2014: -21%
2016/2015: -15/20%
TURNING POINT?

- US production resilience
- US Oil rigs: -80% since max. 2014
- US Oil production: -10% since max. 2015
- Since 2 weeks, US oil rigs count seems to have bottomed

- AIE & EIA have revised upwards their scenarios of oil demand growth for 2016 & 2017
- Oil Supply / Demand Scenario to be balanced by the end of 2016 (AIE)
CRUDE COST OF PRODUCTION - OIL’S ACHILLES HEEL

Current crude oil price

Source: Wood Mackenzie
OIL PRICE SCENARIOS

- **Low Oil Price = Lower Investment = Increasing oil shock risk**
  - **Scenario « Oil Price shocks»**
    - Strong demand
    - Depletion of existing fields
    - High cost oil development at risk (offshore, oil sands, ...)
    - Destabilization of some oil producers
  
- **Scenario « low oil price »**
  - Important role of Middle East and Oil shales
  - Cost reduction
In 2015 global investment in renewables rise 5% to $286 billion.

- Represents about 53% of investment in oil & gas (30% in 2005).
- Disconnected from oil price swings.

- Record-breaking investment in developing countries.
- China: about 36% of global total.