



**RAPIDAN**  
ENERGY GROUP

# The Return of Boom-Bust Oil Prices

**Robert McNally**

President, Rapidan Energy Group

**Sabanci Universitesi, Istanbul**

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[www.rapidanenergy.com](http://www.rapidanenergy.com)

t. +1 301.656.4480

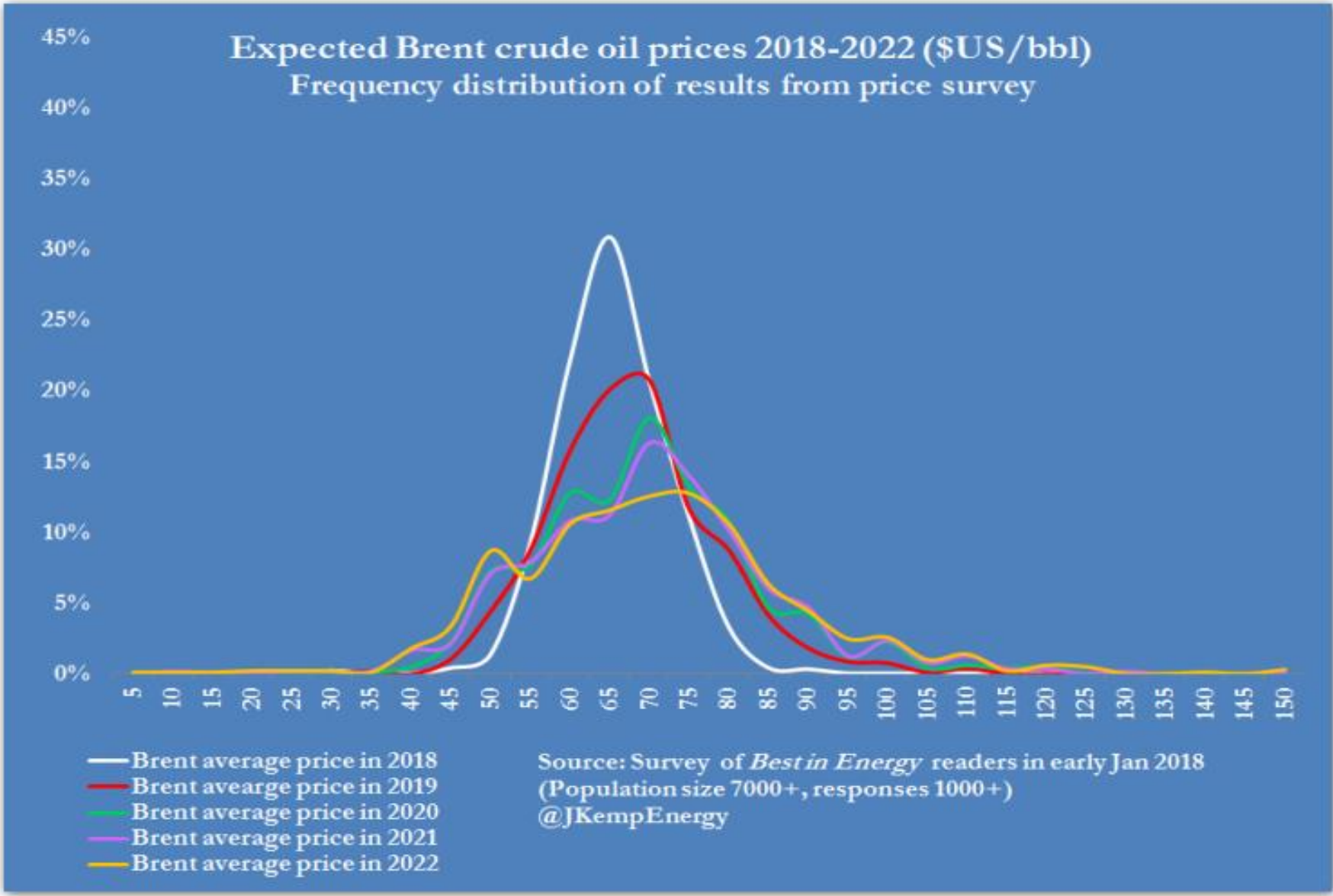
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Daily WTI Spot Price



Source: EIA, Rapidan Energy Group

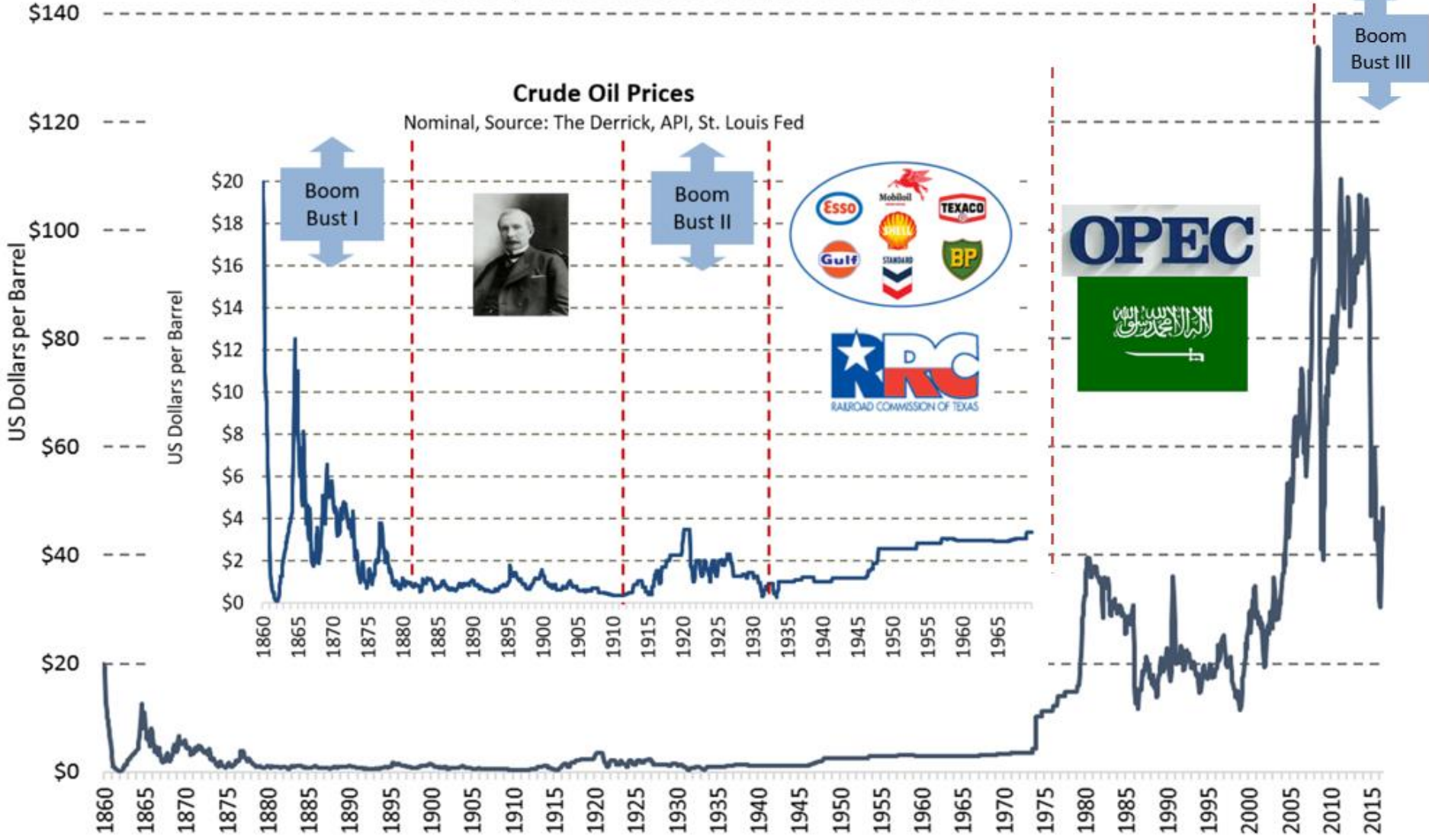




# Sticky Supply & Demand, Limited Storage Make Oil Prone to Big Price Swings

## Crude Oil Prices

Nominal, Source: The Derrick, API, St. Louis Fed, EIA



## Texas Resorted to Armed Force and 40 Years of Central Planning to Tame Oil Price Cycles

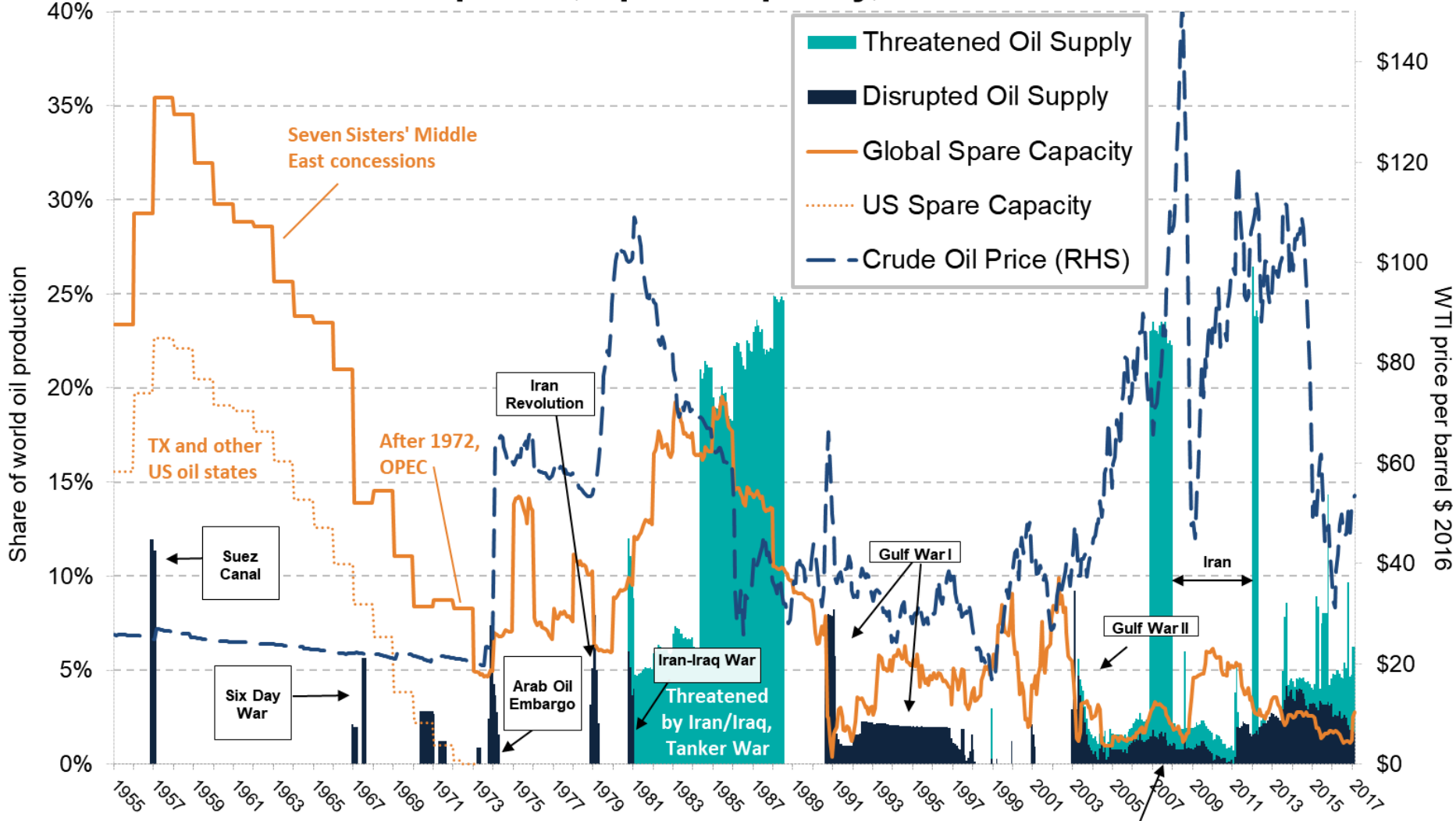


**FIGURE 4.2**

Martial law. Militia are deployed to shut wells in East Texas oil fields. The postcard reads “HOOF BEATS DROWN DRILLING DIN AS CAVALRY MEN PATROL EAST TEXAS OIL FIELDS.”

*Source:* From the postcard collection of Jeff Spencer; original postcard photo by Jack Nolan.

## Oil Disruptions, Spare Capacity, and Crude Prices



Data: Rapidan Energy Group, EIA, BP, St. Louis Fed, US Senate

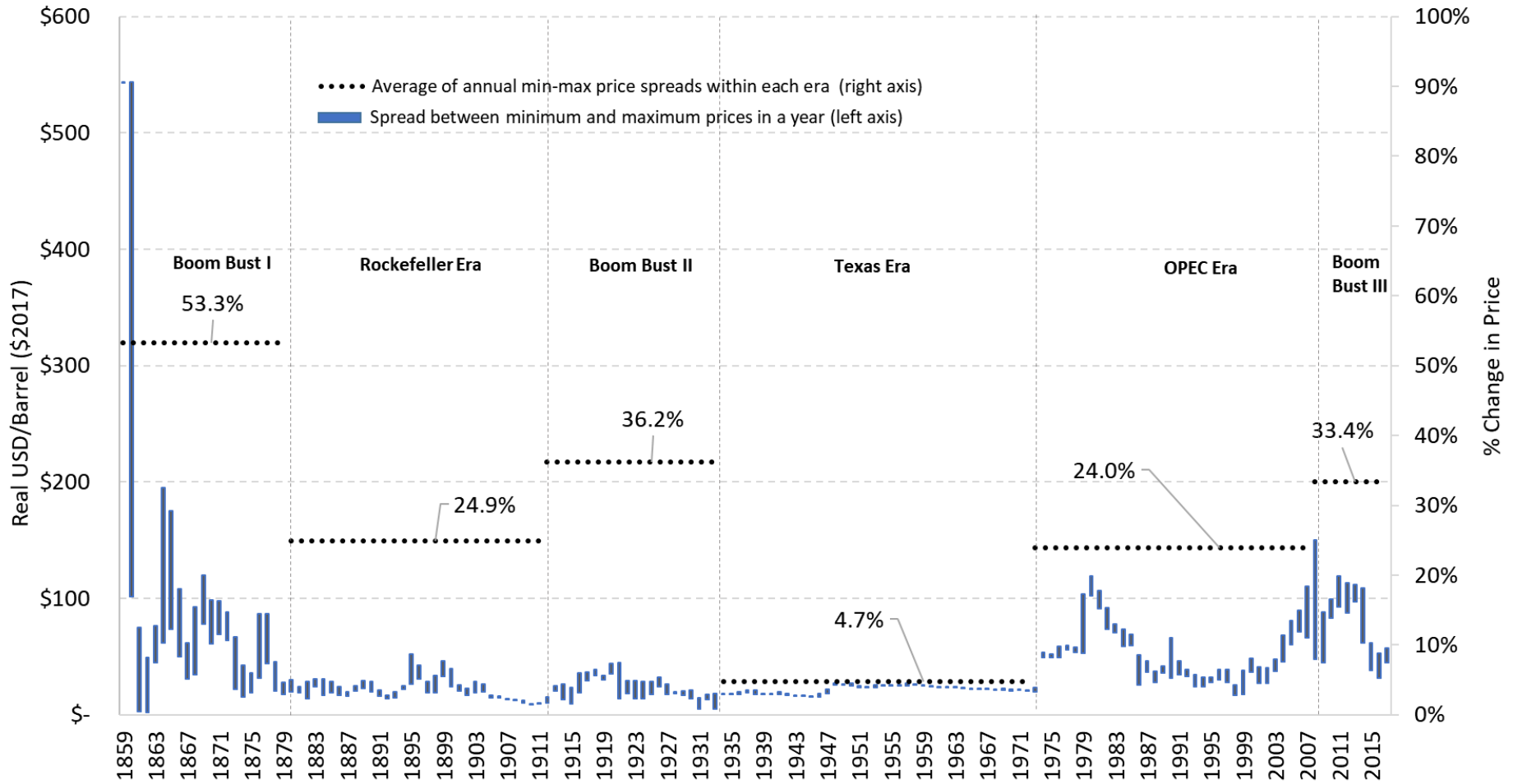
VZ '02-'03, Iraq '03, Nigeria '03 ->, Libya '10->, Iran '12-> and others



# 10 Years Ago Oil Entered History's Third Boom-Bust Era

Last prolonged boom and bust era ended over 80 years ago

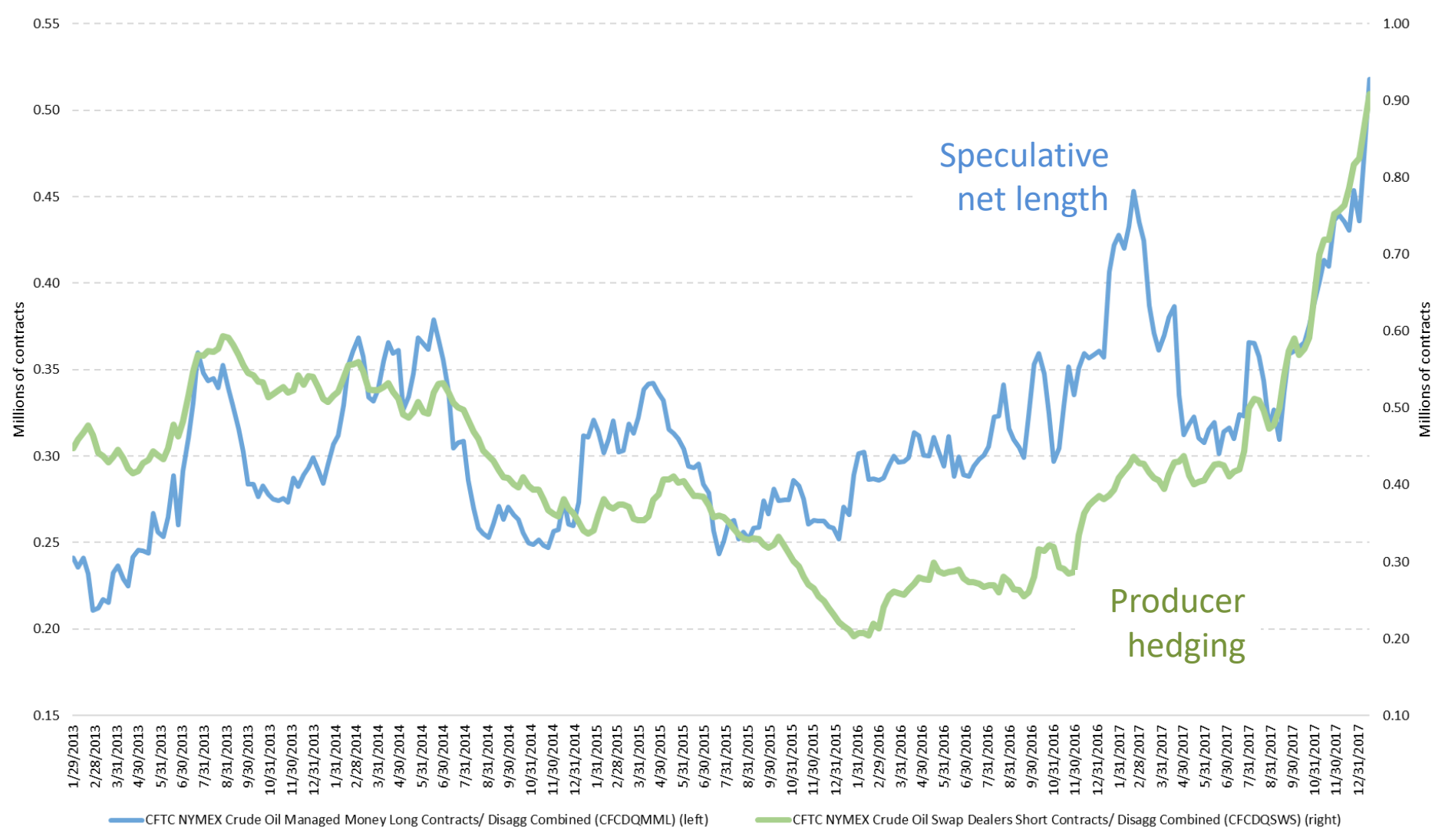
## Monthly Real Crude Oil Price Ranges, 1859-2017



Data Sources: The Rapidan Group, based on The Derrick, API, St. Louis Fed, and EIA

# Meanwhile, Speculators Hold Record Bets Crude Prices Are Going Higher Producers are hedging big against a collapse in oil prices - someone's offside

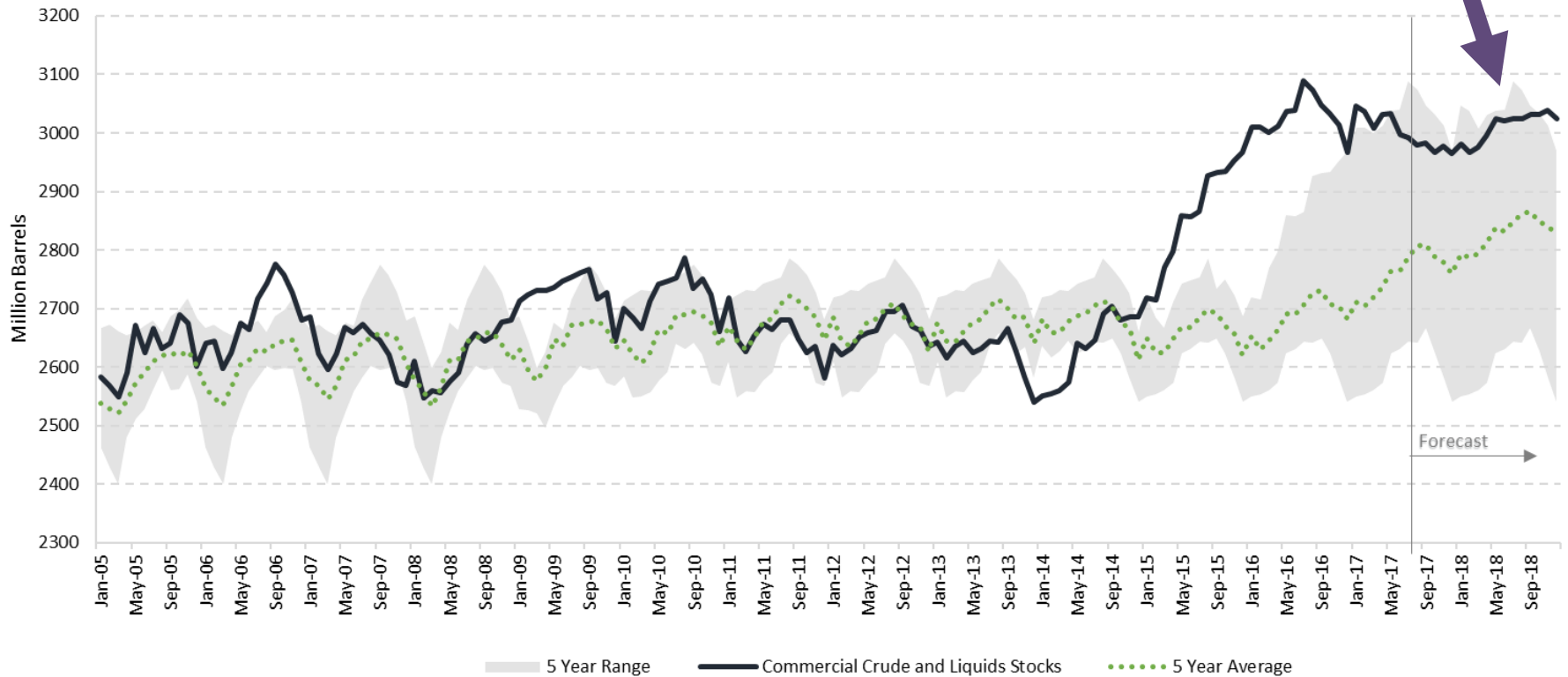
Crude Oil Managed Money Speculative Length and Producer Hedging





- EIA is the only agency that forecasts OECD inventories and it sees 42 mb build in inventories between Sep 2017 and Dec 2018 and a 25 mb widening between the actual level and 5-year average.
- Note: EIA's historical OECD data differ slightly from IEA's but the difference is not material to this analysis.

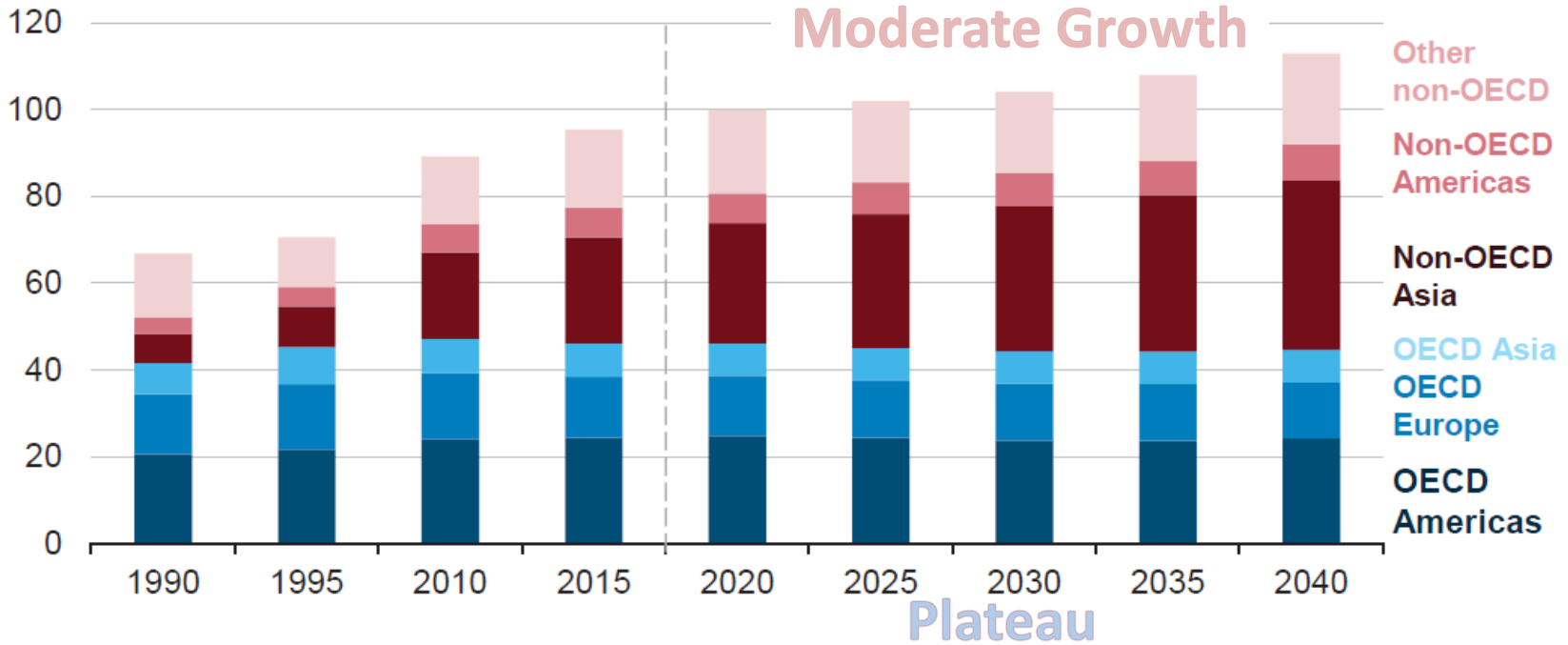
### OECD Total Commercial Crude and Liquids Stocks



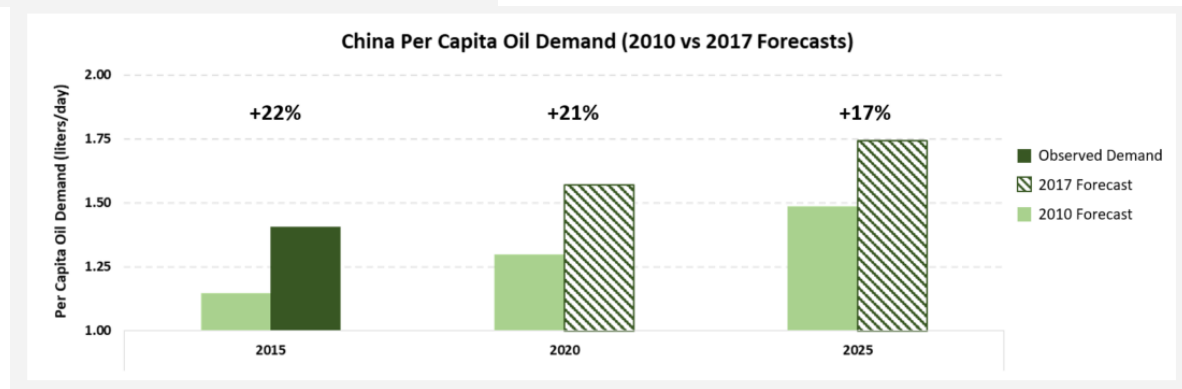
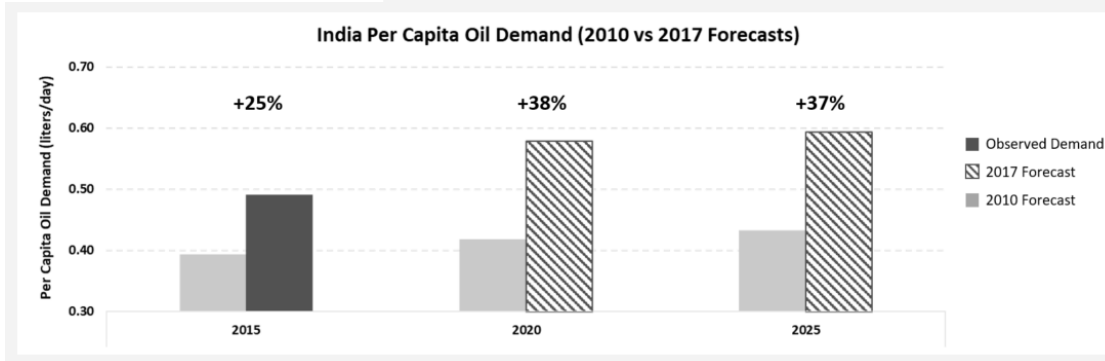
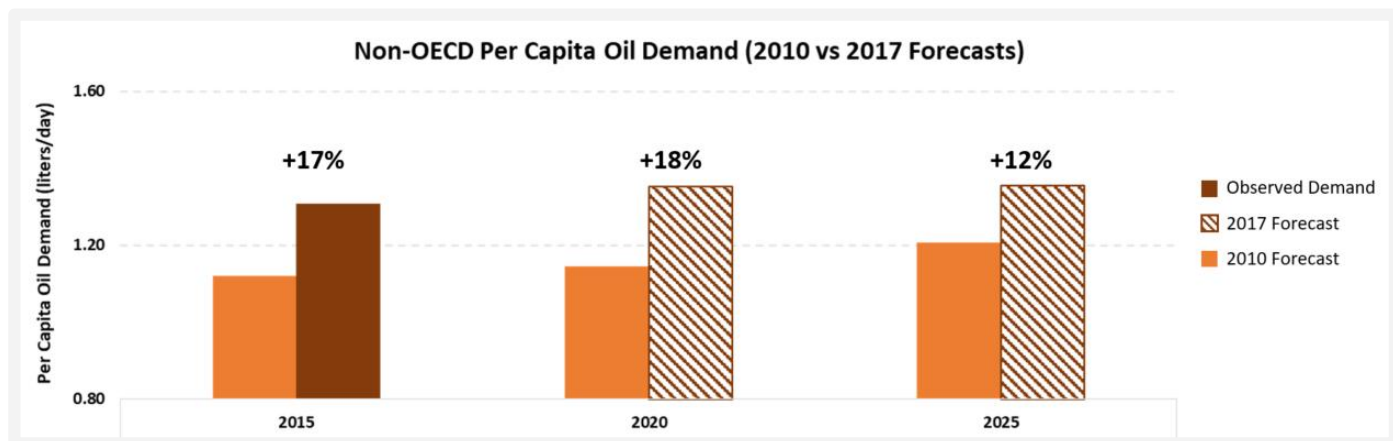
Source: EIA, Rapidan Energy Group

## World petroleum and other liquid fuels consumption grows by 18% between 2015 and 2040 in the Reference case—

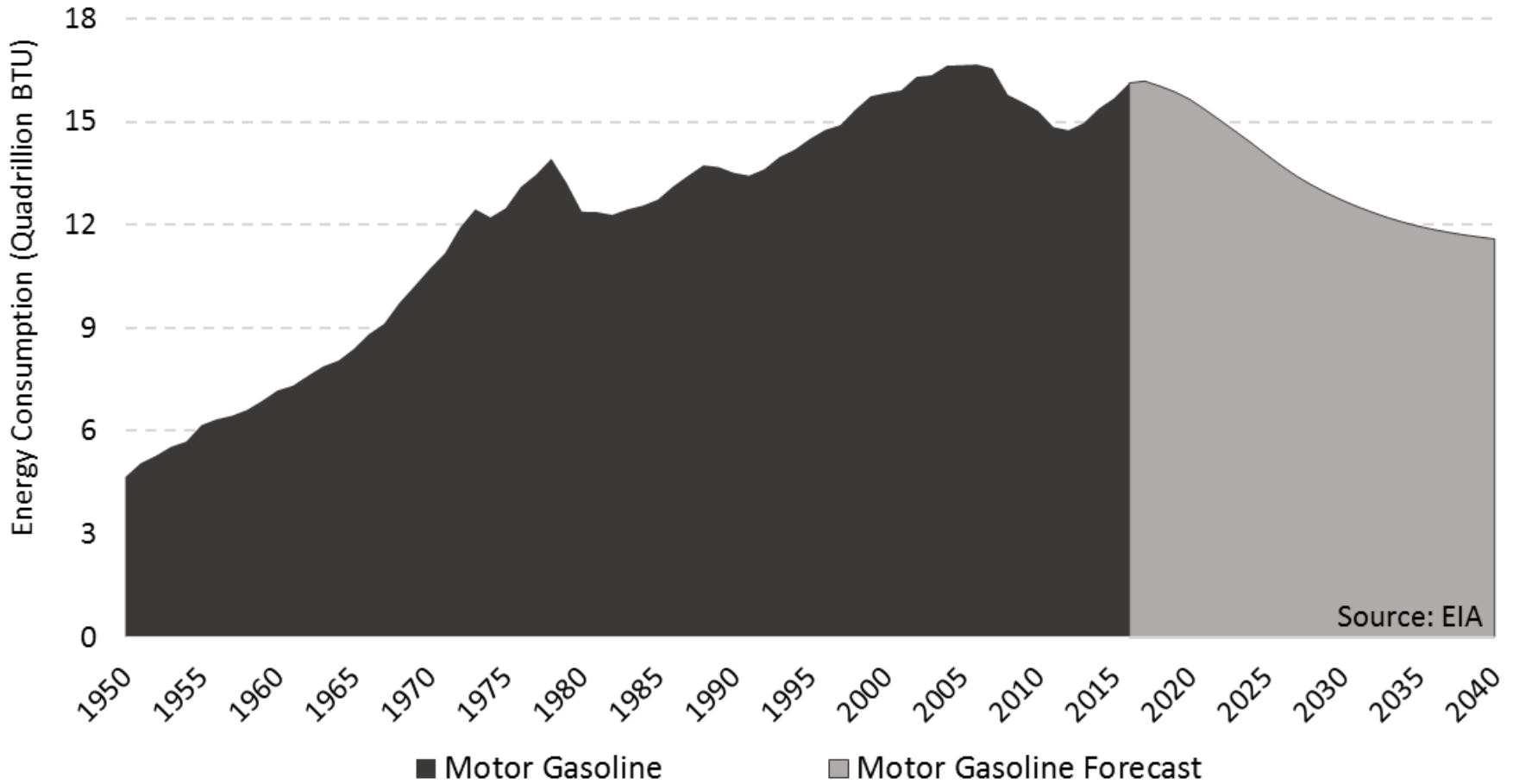
**Petroleum and other liquids consumption**  
million barrels per day



# Trend: Forecasters Upwardly Revising Non-OECD Demand

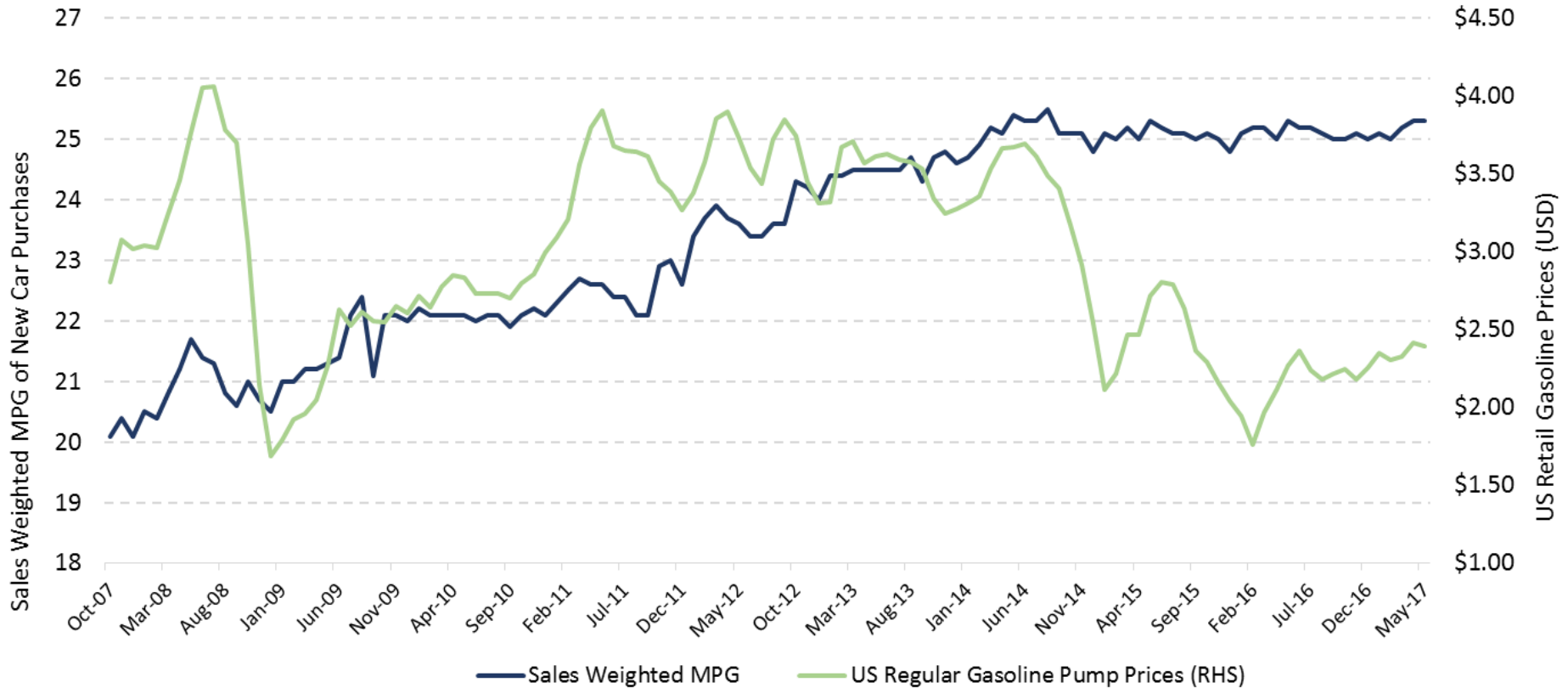


## Gasoline Consumption in the U.S. Transportation Sector 1950-2040



# Consumers Prefer Thirstier Cars When Pump Prices Fall - Will Elected Officials Stop Them?

## Sales Weighted Miles per Gallon of New Car Purchases vs Gasoline Prices

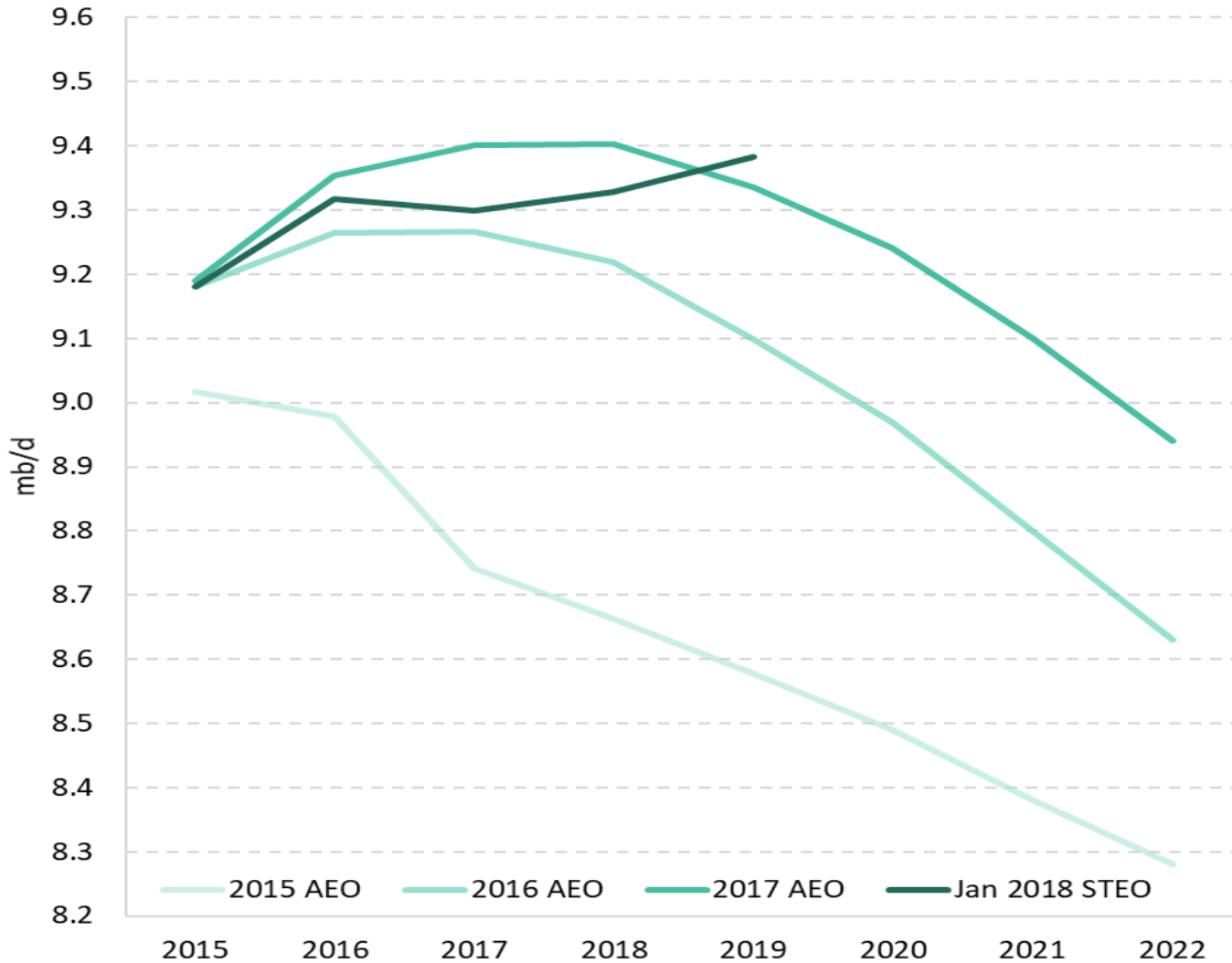


Source: University of Michigan, EIA, Rapidan Energy Group

# Latest EIA Forecasts Show Upward Revision Trend in Mogas Demand

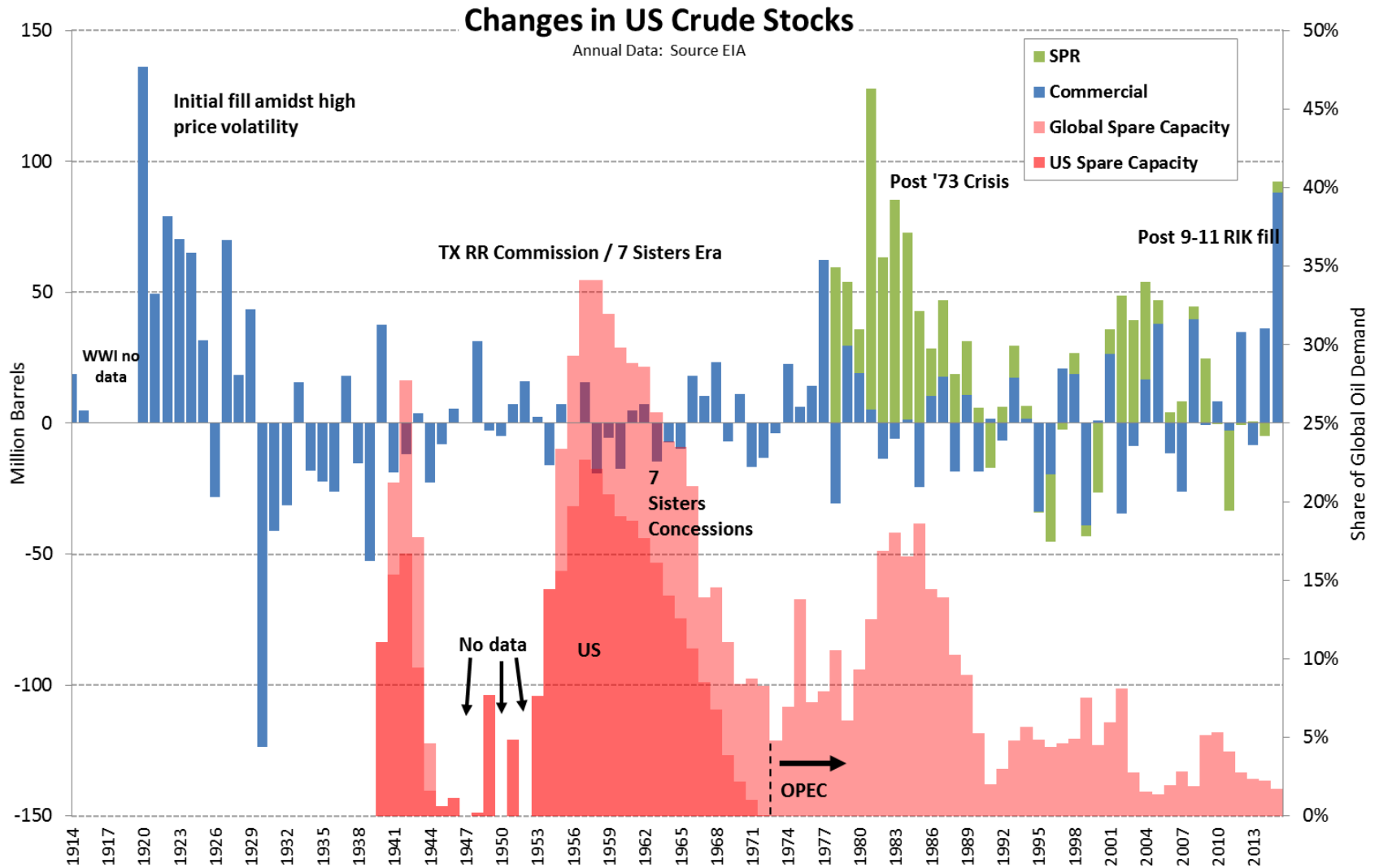
EIA's Updated 2019 Forecast Shows a +120kb/d Swing From Most Recent AEO

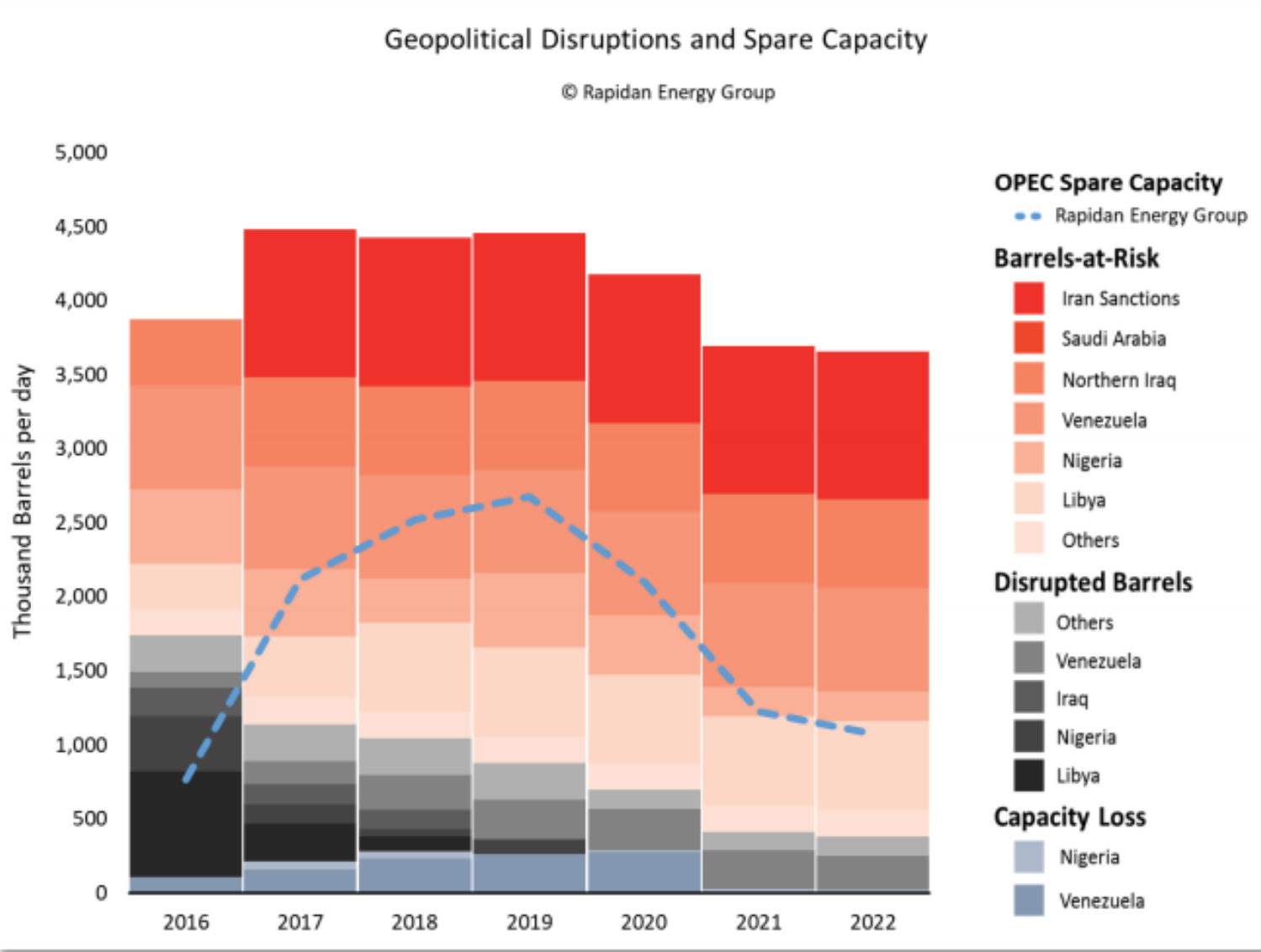
## US Gasoline Demand: Evolution of EIA's Forecasts



Source: EIA









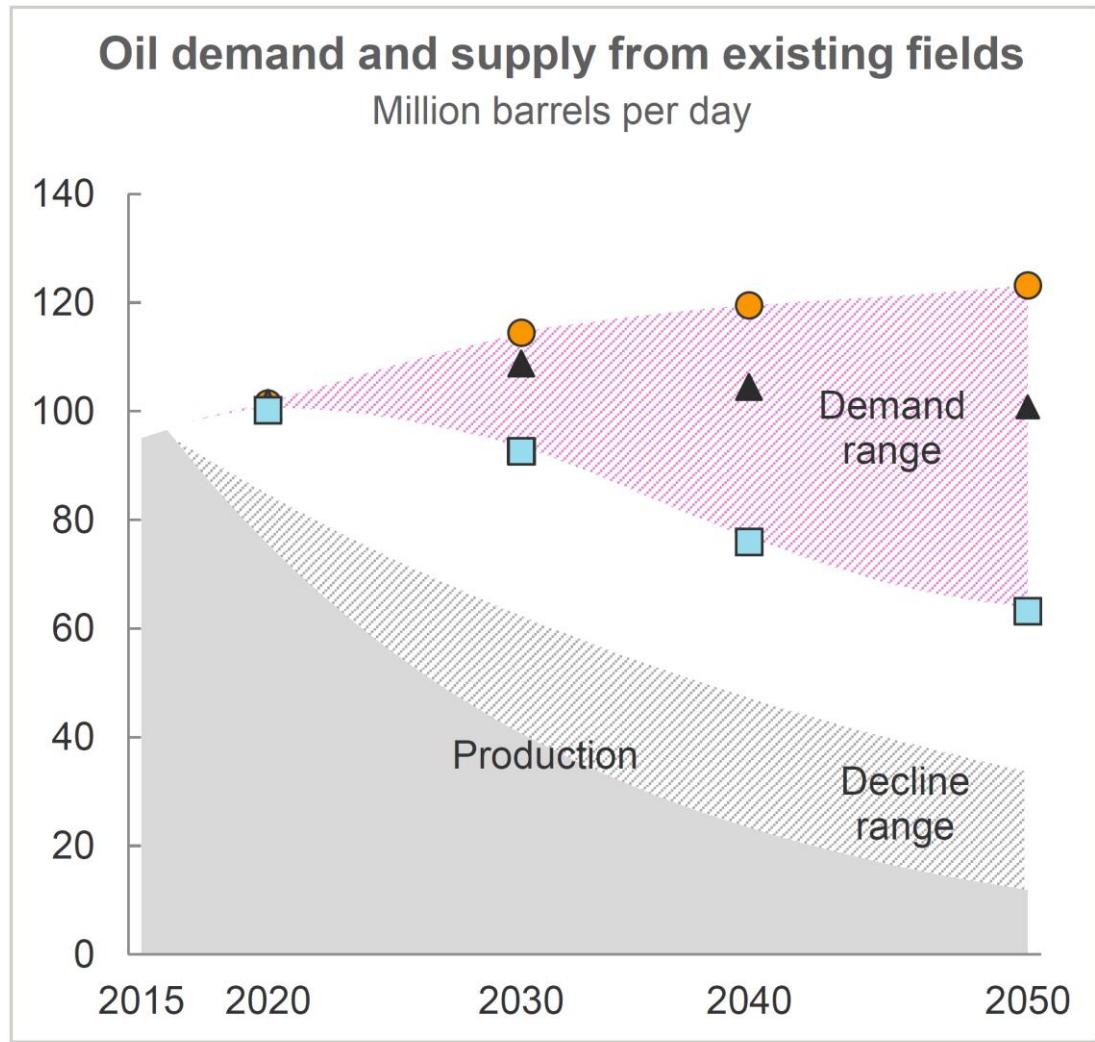
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**Retired**

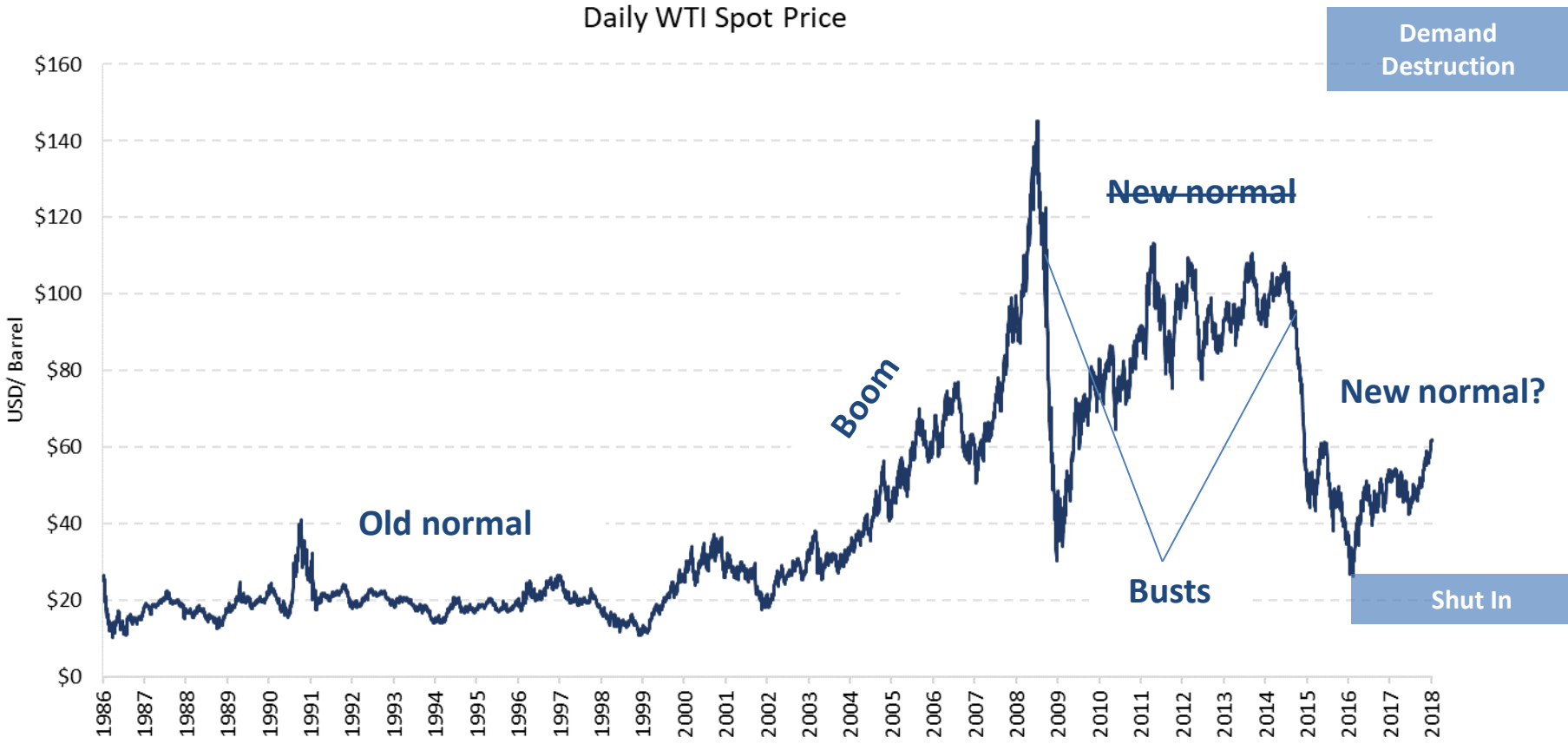


**Retired**



Source: Statoil [Energy Perspectives 2017](#)

# Unbalanced Market + No Swing Producer = Price Swings Between Demand Destruction and Shut In



Source: EIA, Rapidan Energy Group