SUPPLY DYNAMICS AMONG THE “BIG THREE” OIL PRODUCERS: RUSSIA, SAUDI ARABIA AND THE USA
“BIG THREE” ACCOUNT FOR OVER ONE-THIRD OF GLOBAL OIL SUPPLY AND SET THE RULES FOR NEW GREAT GAME
LONG AND PAINFUL MARKET REBALANCING
INCREMENTAL CHANGE IN CRUDE OIL OUTPUT

Source: CEPR, JODI data
WORLD OIL BALANCE AND OIL PRICE

Source: IEA, World Bank, shaped area represents IEA projection
NON-OPEC INVESTMENT BY SUPPLY SEGMENT

Source: OPEC Secretariat and Rystad Energy.

Source: OPEC WOO-2018
REGIONAL OIL DEMAND GROWTH BETWEEN 2017 AND 2023

Source: OPEC WOO-2018
GROWTH IN GLOBAL OIL DEMAND BY SECTOR BETWEEN 2017 AND 2023

Source: OPEC WOO-2018
U.S. CRUDE OIL STOCKS EXCLUDING SPR

Million barrels

Average for past 5 years (2013-2017)
Weekly stocks

Source: CEPR, EIA data
SHAPE OF THE FUTURES CURVE IN BRENT CRUDE

Contango (-) or backwardation (+)
averaged over 30 days M1-M7

Source: Thomson Reuters Eikon, ICE Futures@KempEnergy
OIL PRICE BREAKS $80 LEVEL – TALK OF RETURN OF $100 OIL
ANNUAL GLOBAL UPSTREAM CAPITAL EXPENDITURE, HISTORICAL AND FUTURE REQUIREMENTS

Source: Rystad Energy [historical, adjusted for inflation], OPEC [projection].

Source: OPEC WOO-2018
THE UNITED STATES: THE CONTINUING MIRACLE IN THE OIL FIELDS
OIL PRODUCING REGIONS IN THE USA

Source: EIA
OIL PRODUCTION IN THE CONTINENTAL UNITED STATES

Source: CERP NRU HSE, data from EIA
COMPOSITION OF U.S. PETROLEUM SUPPLY

Source: CEPR NRU HSE, data EIA
US MEDIUM-TERM TOTAL LIQUIDS SUPPLY

Source: OPEC WOO-2018
US TIGHT OIL SUPPLY GROWTH (Y-O-Y CHANGE)

Source: OPEC WOO-2018
SELECT CONTRIBUTORS TO NON-OPEC TOTAL LIQUIDS CHANGE 2017–2023

Source: OPEC WOO-2018
EVOLUTION OF WELLHEAD BREAKEVEN PRICES BY PLAY

Source: Rystad Energy.
COST OF DRILLING OIL & GAS WELLS IN US (JAN 2004 = 100)


Source: OPEC WOO-2018
US OIL RIG COUNT BY MAJOR BASIN

Source: Baker Hughes.

Source: OPEC WOO-2018
US UPSTREAM INVESTMENT BY TYPE OF LIQUIDS

Source: Rystad Energy.

Source: OPEC WOO-2018
US TIGHT CRUDE SUPPLY BY BASIN

Source: OPEC WOO-2018
US TOTAL LIQUIDS SUPPLY OUTLOOK

Source: OPEC WOO-2018
CRUDE OIL EXPORTS FROM THE US & CANADA BY MAJOR DESTINATIONS, 2017–2040

Source: OPEC WOO-2018
CRUDE OIL IMPORTS TO THE US & CANADA BY ORIGIN, 2017–2040

Source: OPEC WOO-2018
KINGDOM SAUDI ARABIA: SHIFTING VISION
GLOBAL COST CURVE FOR CRUDE OIL
OPEC SPARE PRODUCTIVE CAPACITY

Source: US EIA
MOST OIL PRODUCERS IN THE MIDDLE EAST HAVE HIGH FISCAL BREAKEVEN PRICE

Source: CEPR NRU HSE, IMF data
INTERNATIONAL CURRENCY RESERVES: SAUDI ARABIA VS. RUSSIA

Source: CEPR NRU HSE, data from IMF
CRUDE OIL EXPORTS FROM THE MIDDLE EAST BY MAJOR DESTINATIONS, 2017–2040

Source: OPEC WOO-2018
OPEC+ AGREEMENT: DIFFICULT TIMES – STRANGE BEDFELLOWS
OPEC+ DEAL DID NOT REQUIRE MAJOR CUTS FROM ACTUAL PRODUCTION

Source: World Bank, IEA
RUSSIA:
NEVER AS STRONG AS LOOKS,
NEVER AS WEAK AS IT LOOKS
OIL AND GAS – KEY TO RUSSIA’S STATE REVENUES

Share of oil & gas revenues (RHS)

Share of revenues from oil, condensate, and refined products

Share of revenues from natural gas


0% 5% 10% 15% 20% 25% 30% 35% 40% 45% 50%


0 50 100 150 200 250 300 350 400 450 500 Billion $
RUSSIA’S “SECRET WEAPON” – FLOATING EXCHANGE RATE AND CURRENCY DEPRECIATION – NO BUDGET DEFICIT SINCE 2017

RUSSIA'S BUDGET DEFICIT: SENSITIVITY TO OIL PRICE AND EXCHANGE RATE

OIL PRICE, US$/BBL

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PARAMETERS THAT KEEP RUSSIA'S BUDGET DEFICIT WITHIN 3% TARGET

SOURCE: KAPSARC'S RESEARCH, BANK OF AMERICA MERILL LYNCH ESTIMATES
OIL AND RUBLE HAVE DE-COUPLED IN 2018, WEAK CURRENCY – A FIX FOR RUSSIA’S BUDGET AND BOOSTER SHOT FOR OIL EXPORTERS
RUSSIA’S FOREIGN CURRENCY RESERVES GROW

Plus $60 Billion

Billion US$
RUSSIA’S OIL INVESTMENTS CONTINUED TO RISE IN RUBLES

Russia's oil production capex

Billion rubles

Billion US$

Source: CDU TEK
RUSSIA’S OIL PRODUCTION AND EXPORTS

Source: CEPR NRU HSE, Russia's Ministry of Energy data
RUSSIA MEDIUM-TERM TOTAL LIQUIDS SUPPLY

Source: OPEC WOO-2018
CRUDE OIL EXPORTS FROM RUSSIA & CASPIAN BY MAJOR DESTINATIONS, 2017–2040

Source: OPEC WOO-2018