



INTERNATIONAL ENERGY FORUM

COMPARATIVE ANALYSIS OF MONTHLY REPORTS ON THE OIL MARKET

Summary findings from a comparison of data and forecast
on the oil market by the International Energy Agency and
Organization of the Petroleum Exporting Countries

January 2018



IEF Summary of Key Oil Market Findings January 2018

Comparative Analysis of OPEC and IEA Monthly Releases on the Oil Market

Note by the Secretary General of the International Energy Forum

This summary report by the International Energy Forum (IEF) builds on the outcomes and insights gained from the comparative analysis of short-term reports on the oil market that the International Energy Agency (IEA), and the Organization of the Petroleum Exporting Countries (OPEC) release on a monthly basis.

The IEF conducts a comprehensive comparative analysis of the short-, medium-, and long-term energy outlooks of the IEA and OPEC, to inform the IEA-IEF-OPEC Symposium on Energy Outlooks that the IEF hosts in Riyadh as part of the trilateral work programme on a yearly basis.

This monthly summary provides key findings gained from comparing basic historical data and short-term forecasts that the IEA and OPEC provide in the IEA Oil Market Report, and the OPEC Monthly Oil Market Report, enhancing market transparency by informing IEF stakeholders on how perspectives on the oil market of both organization evolve over time on a regular basis.

Dr Sun Xiansheng
Secretary General
International Energy Forum



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Key points

Demand

- While IEA OECD demand growth for 2018 remains almost unchanged from last month at -0.01, OPEC forecasts a marginal increase of 0.29 mb/d in OECD demand growth based on healthy demand in the transportation and petrochemical sectors mb/d.
- The IEA and OPEC project a non-OECD growth of 1.28 mb/d and 1.24 mb/d growth in non-OECD countries. China and India lead the way for demand growth in 2018 for both IEA and OPEC, but China's growth may be limited by policy decisions targeting emissions. The IEA and OPEC divergence for non-OECD demand growth stands at 0.04 mb/d.
- The weakening of demand growth in OECD countries according to the IEA could be due to growth of renewables and realization of efficiency gains, however there remains the question of why stronger economic growth is not reflected in greater oil demand.

Supply

- IEA maintains that U.S. crude supply will push past 10 mb/d, overtaking Saudi Arabia and on par with Russia. OPEC agrees with this sentiment and states that a higher-than-previously expected supply is forecast for the U.S., Canada, Brazil.
- Both OPEC and IEA forecast U.S. production growth as a key driver in increased non-OPEC supply in the coming year. The IEA notes that the U.S., Canada and Brazil will drive up non-OPEC supply by 1.7 mb/d in 2018, versus last year's 0.7 mb/d (revised by 100 kb/d from December 2017 assessments) increase. OPEC forecasts an increase to 1.15 mb/d, versus last year's 0.8 mb/d.
- The divergence between IEA and OPEC on non-OPEC supply growth assessments in 2017 closed at 0.11 mb/d last month and is 0.55 mb/d for 2018 estimates.



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Analysis

The January 2018 edition of the monthly reports provide insights that help chart a potential trajectory of where the oil market is headed this year. Both the IEA and OPEC reports forecast greater demand in 2018, albeit if not at the same growth rate. The IEA's comparatively slower 1.3 mb/d demand growth is due to impact of higher oil prices, changing patterns of oil use in China, recent weakness in OECD demand and the switch to natural gas in several non-OECD countries. Notwithstanding, the IEA's greater overall demand of 99.11 mb/d is largely due to increased demand from non-OECD countries. OPEC meanwhile does see demand growth coming from OECD countries even though it may be modest at 0.29 mb/d. Yet on balance its total demand growth projections remain unchanged.

From a supply perspective, both reports support the notion that much of the growth will come from non-OPEC countries led by the U.S. These same increases are forecast to outweigh any potential declines. Though the IEA projects robust US-led OECD supply growth in 2018, OPEC notes that non-OECD declines offset more modest OECD supply growth.

Demand Data

IEA sees world demand growth fall to 1.26 mb/d in 2018 OPEC leaves total demand growth steady at 1.5 mb/d The IEA has left its estimates of global oil product demand in 2018 roughly unchanged at 99.1 mb/d, OPEC differs slightly by forecasting world demand growth for 2018, at around 1.53 mb/d, unchanged from the previous month's report, with anticipated world consumption expected to reach 98.51 mb/d. According to the IEA, OECD demand growth will fall only marginally but otherwise remain unchanged from 2017. OPEC's forecast meanwhile yields a marginal growth by 0.29 mb/d for OECD countries but otherwise remains close to its 2017 level which was revised up due to better-than-expected performance of oil demand growth due to healthy demand in the transportation and petrochemical sectors.

Both analyses report a demand growth in non-OECD countries for 2018. According to OPEC, non-OECD oil demand growth increases to 1.24 mb/d compared to last month. The IEA non-OECD demand growth does not differ by much at 1.28 mb/d. Demand growth in non-OECD countries was led by China, India and Brazil according to both the IEA and OPEC. The IEA highlights that several non-OECD countries have recently experienced significant declines in gasoil, fuel oil or crude oil demand resulting from the increasing use of natural gas. The impact is mainly found in the power generation sector. The IEA-OPEC divergence in 2018 overall demand growth stands at 0.27 mb/d.



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Supply Data

Based on OPEC data, for 2018, y-o-y growth of 1.15 mb/d is forecast, following an upward revision for production in the US, Canada, Brazil and the UK and downward revisions in Norway and Argentina, and showing total supply expected at 58.94 mb/d. The IEA agrees with this assessment and highlights growth in the U.S., Canada and Brazil will outweigh potential declines in Venezuela and Mexico. The IEA expects non-OPEC growth to reach 1.7 mb/d in 2018, with the US alone accounting for 1.35 mb/d.

Following growth of 730 kb/d on average in 2017, non-OPEC supply is forecast to expand by nearly 1.7 mb/d this year according to the IEA. As mentioned, growth in the U.S., Canada and Brazil will outweigh any declines from Mexico, Venezuela, Norway. Similarly, OPEC forecasts an increase of 1.15 mb/d in non-OPEC supply with a growth of 1.15 mb/d and 0.25 mb/d for the US and Canada, respectively.

When it comes to non-OECD supply, China's crude production is expected to drop by a further 140 kb/d this year following declines of 290 kb/d in 2016 and 140 kb/d in 2017. Russian production is expected to remain around 2017 levels if the cuts last until the end of the year as agreed. Kazakhstan, the highest production of former Soviet states, is expected to average 1.96 mb/d in 2018 which is unchanged from last year.

IEA and OPEC forecast for 2018 non-OPEC supply growth diverge by 0.55 mb/d that could be due to different perspectives on supply-side resiliency. The IEA outlook on US crude supply for 2018 has been raised to a record 10.4 mb/d. OPEC forecasts a slightly lower volume at 10.1 mb/d.

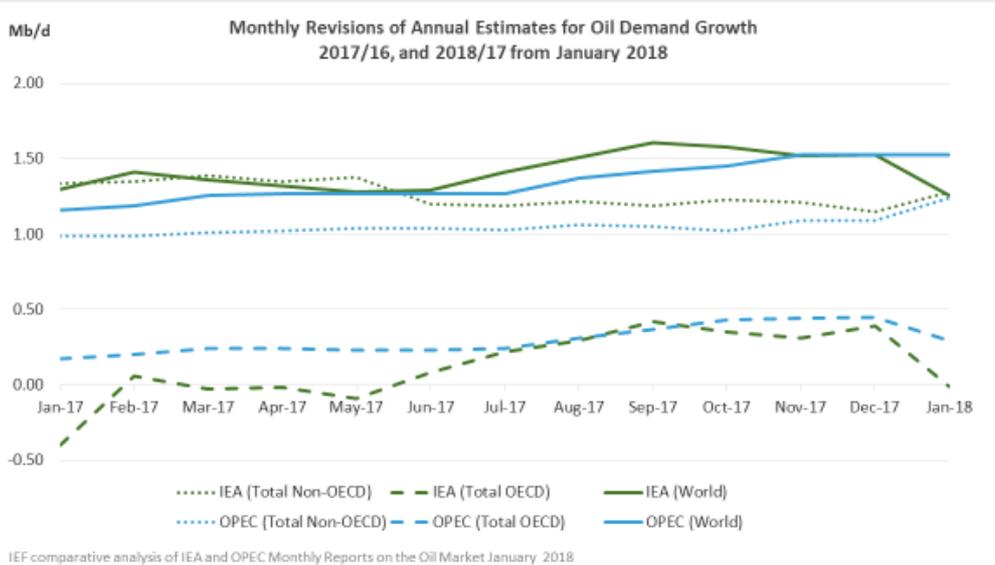


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See the graphs below for the monthly revisions of IEA and OPEC annual estimates for 2017 and new estimates for 2018 demand/supply, and the tables for annual estimates for total demand and supply.

IEA sees world demand growth fall to 1.26 mb/d in 2018 OPEC leaves total demand growth steady at 1.5 mb/d

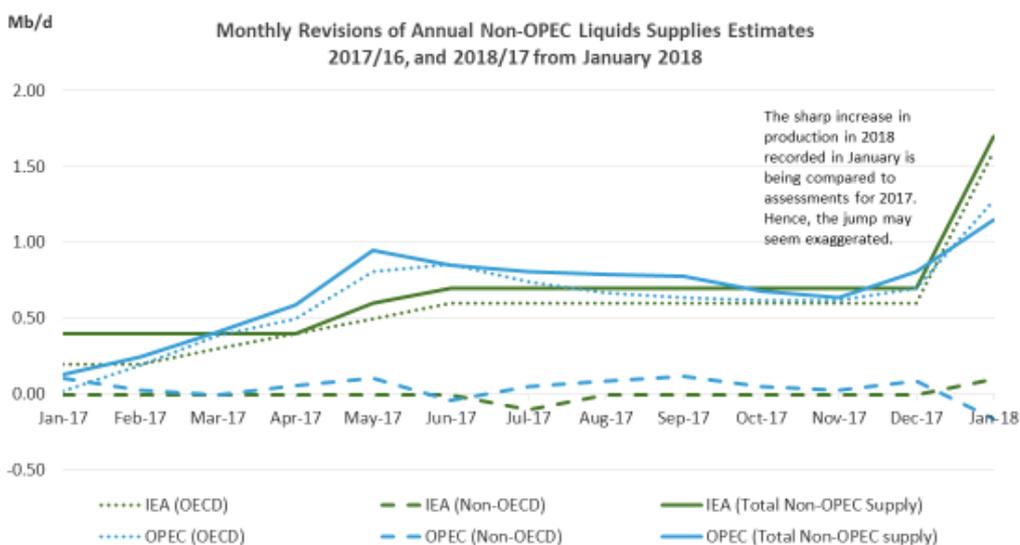


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IEA projects robust US-led OECD supply growth in 2018 Non-OECD declines offset more modest OECD supply growth estimates by OPEC



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IEA Report Total Demand (mb/d)			
	2017	2018	Difference
OECD	47.3	47.3	0
Non-OECD	50.6	51.8	1.2
Total	97.8	99.1	1.3
OPEC Report Total Demand (mb/d)			
	2017	2018	Difference
OECD	47.35	47.64	0.3
Non-OECD	49.63	50.87	1.2
Total	96.99	98.51	1.5

*Totals in table may not exactly reflect content due to independent rounding.

IEA Report Total Supply (mb/d)			
	2017	2018	Difference
Non-OPEC	58.1	59.8	1.7
Non-OECD	29.3	29.4	0.1
OECD	24.1	25.7	1.6
OPEC Report Total Supply (mb/d)			
	2017	2018	Difference
Non-OPEC	57.79	58.94	1.2
Non-OECD	30.07	29.91	-0.2
OECD	25.51	26.8	1.3

*Totals in table may not exactly reflect content due to independent rounding.

