



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

November 2017



IEF Summary of Key Oil Market Findings 27 November 2017

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

- Growing confidence in global economic growth, by both OPEC, and the IMF, contrast with the downward revisions of demand growth by the IEA on rising prices, and mild weather.
- Though IEA has further trimmed both OECD, and non-OECD oil demand growth, while OPEC sees demand in these regions climb still higher, both organisations show 2017 world oil demand growth at around 1.5 mb/d.
- 2017 IEA and OPEC views on non-OPEC supply growth diverge only slightly by 0.05 mb/d. However, views on U.S. driven non-OPEC output growth diverge by 0.5 mb/d in 2018; a ten fold increase that reflects a large short-term supply side uncertainty in the oil market.

OPEC sees world economic growth gaining further momentum. For the fourth consecutive month it has increased its growth forecast, by ten base points for 2017, and twenty base points for 2018 this month. World economic growth is now projected to reach 3.7% for both years, which follows the recent October update of world economic growth rate assessments for 2017 and 2018 by the IMF that stand at 3.6%, and 3.7% respectively, and that the IEA incorporates in its models.

IEA and OPEC demand growth assessments diverge mildly. OPEC has revised demand growth by 0.74 mb/d upwards for 2017 due to better third quarter data from China, and by 0.13 mb/d for 2018 on account of the significant uptick in its economic growth projections, estimating that world oil demand will grow by 1.53 mb/d and 1.51 mb/d in these years respectively. IEA, on the other hand, cites the impact of higher prices, and mild early winter weather to motivate downward adjustments of 0.1 mb/d for both 2017, and 2018 to world oil demand growth that it estimates at 1.5 mb/d in 2017, and reaching 1.28 mb/d in 2018, showing demand growth to be 0.22 mb/d below OPEC's 2018 assessment.

Though these minor differences in demand growth assessments across regions may shed more light on the perspectives taken by both organisations than on the market fundamentals reflected in the underlying data, IEA and OPEC assessments on non-OPEC supply growth assessments diverge strongly. OPEC has revised its non-OPEC supply growth projections by 0.01 mb/d for 2017, and by 0.07 mb/d for 2018 estimating non-OPEC supply growth will reach 0.65 mb/d, and 0.87 mb/d in 2017, and 2018 respectively.

This contrast with the IEA's evenkeeled bullish short-term outlook on non-OPEC oil supply growth. IEA projects growth to reach 0.70 mb/d in 2017, and rise to 1.4 mb/d in 2018 largely



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driven by a resurgence in U.S. tight-oil production. Though IEA's 2017 assessment of non-OPEC supply growth at 0.7 mb/d, held steady since June, now differs only by 0.05 from OPEC's estimate of 0.65 mb/d for non-OPEC supply growth, the differences in assessments by both organisations reach 0.5 mb/d in 2018. This tenfold increase indicates how the uncertainties to which the oil market is exposed, remain on the supply side, and reside in the difficulty of accurately predicting U.S. unconventional oil producers' responses to tightening supply and demand balances, price movements, and other variables, including within technology, and financial markets.

IEA projects that global oil supply will not balance with demand before the second half of 2018, and that US led supply growth may well continue to outpace increases in oil demand after it trimmed its forecasts. This is despite the high compliance rate that IEA notes with the agreement between OPEC, and non-OPEC member countries to adjust production.

Demand data

In contrast to the growing confidence of OPEC that marks the fourth consecutive month of upwards revisions in oil demand growth and stronger economic data, IEA has further moderated its demand growth projections. OPEC and the IEA see 2017 world demand total reach 96.9 mb/d, and 97.65 mb/d, diverging by 0.75 mb/d, marking a year to year demand increase of 1.5 mb/d each. OPEC and the IEA project 2018 world demand totals 98.45 mb/d, and 98.93 mb/d and mark a year to year increase of 1.5 mb/d and 1.28 mb/d respectively. Divergence in 2018 demand growth assessments of the IEA and OPEC has been reduced from 0.93 mb/d last month, to 0.43 mb/d.

Supply data

High compliance with the OPEC - non-OPEC agreement to adjust production, and incidental data revisions and outages notwithstanding, world oil supply remains resilient as year-on-year increases show: OPEC and the IEA project total world supply in 2017 at 97 mb/d and 97.5 mb/d, diverging by 0.5 mb/d, and mark a year-on-year increase of 1.2 mb/d, and 0.5 mb/d in 2017 respectively. OPEC and IEA forecast total world supply in 2018 at 98.4 mb/d, and 99.0 mb/d, diverging by 0.6 mb/d, and mark a year-on-year increase of 1.4 mb/d, and 1.5 mb/d respectively.

Non-OPEC supply

OPEC expects non-OPEC supply to grow by 0.65 mb/d and 0.87 mb/d in 2017 and 2018



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reaching 57.7 mb/d, and 58.5 mb/d in 2017 and 2018 following downward revisions by 0.02 mb/d and 0.07 mb/d in this month's OPEC report respectively. This compares to the IEA projections of non-OPEC supply to grow year-on-year by 0.7 mb/d and 1.4 mb/d, reaching 58.1 mb/d, and 59.5 mb/d in 2017, and 2018 respectively. OPEC and IEA forecast for 2018 non-OPEC supply growth now diverge by 0.53 mb/d mostly on account of different perspectives on US tight oil production.

OPEC supplies

IEA notes 2017 OPEC crude production fell by 0.08 mb/d to 32.53 mb/d in October, down by 0.83 mb/d compared to last year, but 2017 third quarter output remains relatively unchanged from the 32.9 mb/d OPEC crude output that IEA recorded for the third quarter of 2016, as well as that year's average of 32.8 mb/d. For 2018, IEA estimates the call on OPEC crude production at 32.4 mb/d, down by 100 kb/d this month and 300 kb/d year-on-year. OPEC notes that OPEC crude output reached 32.7 in the third quarter of 2017 September and, projects 2017 OPEC crude output to reach 33 mb/d, marking a 100 kb/d monthly increase and a 710 kb/d year-on-year increase in contrast to IEA assessments. OPEC projects OPEC crude production to increase by 400 kb/d reaching 33.4 mb/d on average in 2018, 100 kb/d higher than in last month's report.

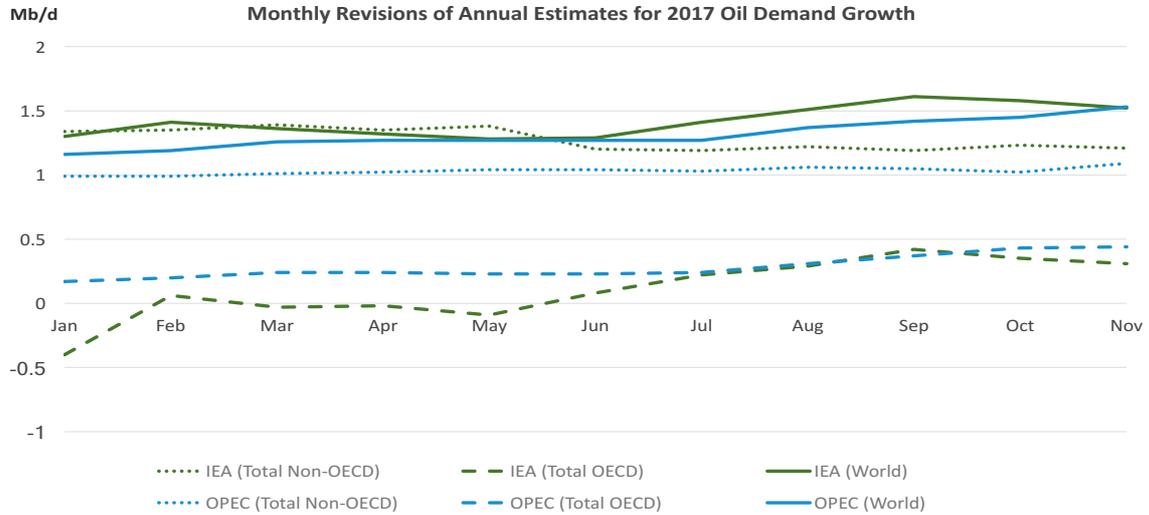
See the graphs on next page for the monthly revisions of IEA and OPEC annual estimates for 2017 demand, and non-OPEC liquids supply growth.



GRAPHS

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

IEA and OPEC settle 2017 Demand Growth at 1.5 mb/d But OPEC is more bullish on demand growth that IEA reduces further



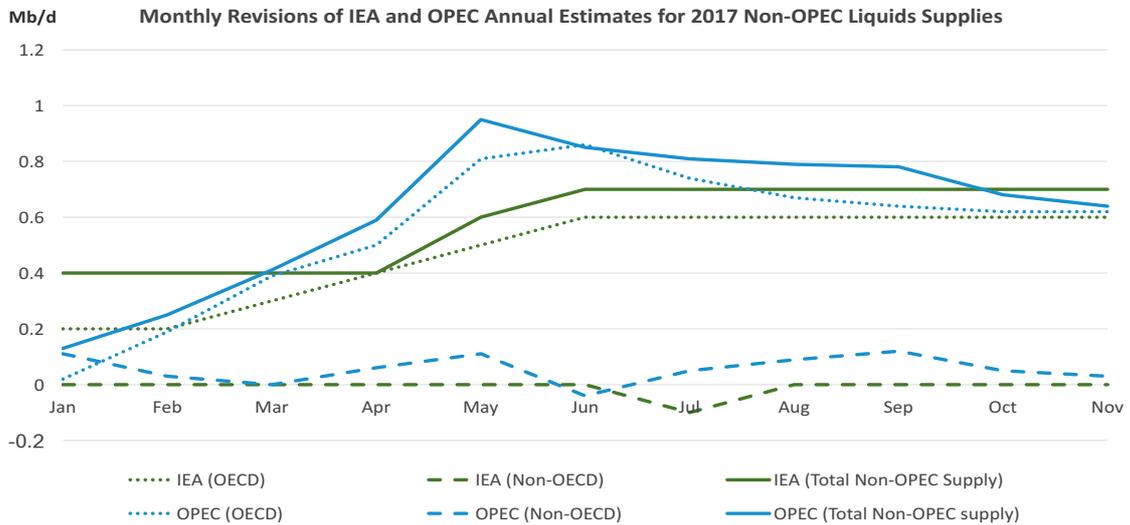
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OPEC reduces Non-OPEC, and non-OECD supply further IEA 2017 assessments remain unchanged; even keeled at 0.7 mb/d since August



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