OPEC Energy Market Outlook: Short-, Medium- and Long-term

Presented to

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Outline

● **Short-term market outlook**
  – Short-term oil market outlook
  – Economy, demand, supply and stock assessments
  – Key takeaways

● **Medium- and Long-term Market Outlook**
  – Key assumptions
  – Energy outlook
  – Oil outlook
  – Key takeaways
World economy growth expected higher in 2020

GDP percentage change from the previous year, %

**GDP growth in selected countries**

<table>
<thead>
<tr>
<th>Country</th>
<th>2019*</th>
<th>2020*</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>1.5</td>
<td>3.0</td>
</tr>
<tr>
<td>OECD</td>
<td>1.6</td>
<td>2.9</td>
</tr>
<tr>
<td>US</td>
<td>1.5</td>
<td>2.3</td>
</tr>
<tr>
<td>Euro-zone</td>
<td>1.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Japan</td>
<td>0.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Non-OECD</td>
<td>3.9</td>
<td>4.0</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Russia</td>
<td>1.1</td>
<td>1.5</td>
</tr>
<tr>
<td>India</td>
<td>5.2</td>
<td>6.1</td>
</tr>
<tr>
<td>China</td>
<td>5.4</td>
<td>6.1</td>
</tr>
<tr>
<td>OPEC</td>
<td>-0.4</td>
<td>1.0</td>
</tr>
</tbody>
</table>

**Global GDP and trade**

Sources: Netherlands Bureau for Economic Policy Analysis, Haver Analytics and OPEC Secretariat.

Note: 2019 = Estimate and 2020 = Forecast.
Sources: OPEC Secretariat, IMF, IHS Markit and Haver Analytics.
World oil demand growth expected higher in 2020, y-o-y change, mb/d

Source: OPEC Secretariat.

Note: * 2019 = Estimate and 2020 = Forecast.
Non-OPEC supply growth expected higher in 2020; US projected lower compared to 2019, y-o-y change, mb/d

Non-OPEC supply growth

Annual growth for selected countries
y-o-y change, 2019 and 2020

US supply growth

US liquid production breakdown

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2018</th>
<th>2019*</th>
<th>Change 2019/18</th>
<th>2020*</th>
<th>Change 2020/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tight crude</td>
<td>6.51</td>
<td>7.69</td>
<td>1.19</td>
<td>8.56</td>
<td>0.86</td>
</tr>
<tr>
<td>Gulf of Mexico crude</td>
<td>1.76</td>
<td>1.89</td>
<td>0.13</td>
<td>1.99</td>
<td>0.10</td>
</tr>
<tr>
<td>Conventional crude oil</td>
<td>2.72</td>
<td>2.66</td>
<td>-0.07</td>
<td>2.58</td>
<td>-0.08</td>
</tr>
<tr>
<td>Unconventional NGLs</td>
<td>3.60</td>
<td>4.00</td>
<td>0.42</td>
<td>4.38</td>
<td>0.38</td>
</tr>
<tr>
<td>Conventional NGLs</td>
<td>0.77</td>
<td>0.80</td>
<td>0.01</td>
<td>0.78</td>
<td>-0.02</td>
</tr>
<tr>
<td>Biofuels + Other liquids</td>
<td>1.35</td>
<td>1.35</td>
<td>0.00</td>
<td>1.37</td>
<td>0.02</td>
</tr>
<tr>
<td>US total supply</td>
<td>16.71</td>
<td>18.39</td>
<td>1.68</td>
<td>19.65</td>
<td>1.26</td>
</tr>
</tbody>
</table>

Source: OPEC Secretariat.

Note: * 2019 = Estimate and 2020 = Forecast.
Strong conformity led to a drop in OECD commercial oil stocks

Conformity by OPEC and non-OPEC participants (%)

OECD commercial oil stocks
(deviation from 5-year average, mb)

Sources: Eurollstock, IEA, METI, OPEC Secretariat and US EIA.
However, assessing OECD commercial oil stocks overhang depends on different reference time periods.

OECD absolute stocks

OECD stocks is days of forward cover

5-year average
2010-14 average

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Excessive stock surplus strongly impacted negatively oil prices leading to a deep cut in E&P spending

Sources: Barclays, IHS Markit, Rystad Energy, Wood Mackenzie and OPEC Secretariat.
Concluding remarks

The global economy is estimated at 2.9% in 2019 and forecasted at 3.0% in 2020, however, uncertainties such as CoV, trade restrictions, geopolitical instabilities, etc. remain.

In 2019, world oil demand grew by 0.9 mb/d, and forecast to grow by 1.0 mb/d in 2020.

Non-OPEC supply in 2019 increased 1.88 mb/d and is forecast at 2.25 mb/d in 2020. US oil supply grew by 1.68 mb/d in 2019 and is projected to increased by 1.26 mb/d in 2020.

The OECD stocks overhang has been reduced since the beginning of the Declaration of Cooperation to stand at 30 mb above the latest five-year average.
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Total global primary energy demand is forecast to reach 357 mboe/d by 2040

- Total primary energy demand increases by 72 mboe/d (25%) between 2018 and 2040
- Demand growth seen mostly in non-OECD regions, predominantly in Asia
- Oil maintains its leading role in the global energy mix (28% by 2040)
All forms of energy will be required

- ‘Other renewables’ (including solar, wind and geothermal)
  - largest growth in percentage terms (+6.9% p.a., or +17.9 mboe/d)
- Gas
  - largest increase in demand by volume (+24.7 mboe/d)
- Oil
  - demand remains at relatively healthy levels (+10.6 mboe/d)
Long-term oil demand to reach 110.6 mb/d in 2040

- **Non-OECD** drives oil demand growth (+21.4 mb/d by 2040)
- Demand in the **OECD** is estimated to contract (-9.6 mb/d by 2040)
- Largest demand increase comes from **petrochemicals** (+4.1 mb/d)
- The largest portion of oil demand will continue to be for **transportation** (63.2 mb/d by 2040)
Vehicle fleet will continue shifting towards AFVs

- Conventional ICEs will continue to dominate road transportation through to 2040.

- Increasing penetration of alternatively-fuelled vehicles (AFVs) will accelerate after 2030.

- Electric vehicles (EVs) constitute only 13% of the total fleet in 2040.

![Composition of the global vehicle fleet, 2018–2040](image)
OPEC Members remain key providers of oil to market

- Robust medium-term non-OPEC supply growth dominated by US tight oil
- US total liquids supply peaks in mid-2020s
- Long-term, only a few other non-OPEC sources keep growing
- OPEC total liquids to increase by 7.8 mb/d to 44.4 mb/d by 2040
Long-term distillation capacity additions projected at around 16.5 mb/d

- 8 mb/d of new refining capacity projected online by 2024
- 70% of the medium-term expansions in the Asia-Pacific and the Middle East
- US & Canada to increase crude and condensate exports in the medium-term
- Middle East crude exports to increase by around 7 mb/d in the long-term
Long-term oil investment requirements of $10.6 tn

- **Global upstream capex investment requirements** to average $370 bn p.a.

- The bulk will be required in North America due to:
  - high share of growth
  - relatively high cost

- **OPEC Member Countries remain fully committed** to investments across the whole industry value chain
Key takeaways

• All energy sources will be needed for the foreseeable future.
• The dual challenge of providing for growing energy needs and reducing emissions requires further efforts and cooperation.
• Innovative technology advances could help to overcome this challenge.
• The challenge of economic uncertainties likely to persist.
• Oil will continue to play a vital role in fueling economic progress and improving livelihoods.
• Substantial investments in the oil industry will be needed to ensure stable supply.
• The downstream sector will be exposed to the challenges of shifting capacity and environmental requirements.
• The global energy policy framework has to take into account everybody’s needs.
Available as:
- Book
- Interactive version
- Smart app
Thank you.