Global Oil Market Outlooks: Short- to Long-term

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Outline

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

● **Medium- and Long-term Market Outlook (WOO)**
  – Key assumptions
  – Energy outlook
  – Oil outlook
  – Key takeaways
World economic growth expected higher in 2021

GDP change from the previous year, %

GDP growth in selected countries

<table>
<thead>
<tr>
<th>Region</th>
<th>2020</th>
<th>2021*</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>-3.9</td>
<td>4.8</td>
</tr>
<tr>
<td>OECD</td>
<td>-5.1</td>
<td>3.9</td>
</tr>
<tr>
<td>US</td>
<td>-3.5</td>
<td>4.1</td>
</tr>
<tr>
<td>Euro-zone</td>
<td>-6.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Japan</td>
<td>-5.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Non-OECD</td>
<td>-2.8</td>
<td>5.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>-4.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Russia</td>
<td>-3.1</td>
<td>3.0</td>
</tr>
<tr>
<td>India</td>
<td>-8.2</td>
<td>7.5</td>
</tr>
<tr>
<td>China</td>
<td>-6.7</td>
<td>7.4</td>
</tr>
<tr>
<td>OPEC</td>
<td>-6.7</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Note: 2020 = Estimate and 2021 = Forecast.

Sources: OPEC, IMF, IHS Markit and Haver Analytics.

Global GDP and trade

% change y-o-y

Global GDP (LHS) Global trade volume (RHS)

Sources: Netherlands Bureau for Economic Policy Analysis, Haver Analytics and OPEC.
World oil demand growth expected higher in 2021, y-o-y change, mb/d

Note: * 2020 = Estimate and 2021 = Forecast. Source: OPEC.
Non-OPEC supply growth expected higher in 2021; US projected lower compared to 2020, y-o-y change, mb/d

Annual growth for selected countries
y-o-y change, 2020 and 2021

US liquid production breakdown

Note: * 2020 = Estimate and 2021 = Forecast. Source: OPEC.
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: Euroilstock, IEA, METI, OPEC and EIA.

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OECD commercial oil stocks: Difference to the latest five-year average

OECD absolute stocks

Days of forward cover

Source: OPEC.
Excessive stock surplus strongly impacted negatively oil prices leading to a deep cut in E&P spending
Concluding remarks (short-term outlook)

- The global economy is expected at -3.9% in 2020 and 4.8% in 2021, however, significant uncertainties remain.

- In 2020, world oil demand is estimated to have decreased by 9.7 mb/d and is expected to increase by 5.8 mb/d in 2021.

- Non-OPEC liquids production in 2020 is estimated to have decreased by 2.5 mb/d and is forecast to increase by 0.7 mb/d in 2021. US oil supply is expected to have declined by 0.81 mb/d in 2020 and projected to increase by 0.16 mb/d in 2021.

- OECD commercial stocks fell in December to stand at 138 mb above the latest five-year average (2015-2019), crude (+72 mb), products (+67 mb).
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All energy sources needed to meet future demand, fuel economic growth & eradicate energy poverty

- Global energy demand projected to **increase by around 25%** between 2019 and 2045
- Demand increases in **non-OECD regions** but drops in **OECD**
Extending time horizon to 2045 amplifies the role of other renewables in future energy demand mix

- **Other renewables** projected to experience the largest growth (+25.5 mboe/d)
- **Gas** expected to see a large demand increase (+24 mboe/d)
- **Coal** demand set to decline
- **Oil** will retain the highest share in the energy mix
Transport & petrochemicals remain key to future demand

- Various transport modes will continue providing basis for oil demand growth
  - Aviation sector +2.8 mb/d
  - Road transport +2.6 mb/d
  - Marine bunkers +0.8 mb/d

- Petrochemicals will be the largest incremental demand (+3.7 mb/d)

- Some demand increase also in “other industry” and “res./comm./agriculture”

- Electricity generation demand is expected to decline by more than 1 mb/d
The share of EVs is projected to reach more than 16% in 2045.

- **2.6 billion** vehicles on the road by 2045
- Around **430 million EVs**
- The share of EVs projected to reach around **5% in 2030**, **13% in 2040** and more than **16% in 2045**
- **NGVs** will account for around **120 million** vehicles in 2045
- Oil demand in the **road transport** sector at a **relatively stable** level around 47 mb/d after 2030
Ample scope for OPEC total liquids supply

- After 2020 sharp decline, non-OPEC liquids supply to recover from pandemic-related shut-ins in medium-term
- Few non-OPEC producers to see growth beyond late 2020s, resulting in supply to return almost to 2019 levels
- Over long-term, OPEC liquids will fill the gap, growing from 34 mb/d in 2019 to 44 mb/d by 2045
Distillation capacity additions in the LT follow demand growth in developing regions. Towards the end of the projection period, average annual addition is around 0.35 mb/d. Almost 85% of new additions are projected in Asia-Pacific, the Middle East and Africa.
Cumulative oil-related needed investments
~$12.6 trillion

- Recent drop in global upstream investments is a major concern
- Upstream spending needs to average $380 billion per year
Key takeaways

- The **COVID-19 pandemic** has transformed oil markets and increased uncertainties.
- Oil markets experienced their largest-ever demand contraction when the pandemic struck, but first signs of recovery are visible.
- All forms of energy will be needed to allow for economic recovery, a reduction of energy poverty and a sustainable energy future.
- Healthy oil demand growth in the first part of the forecast period will be followed by plateauing demand in the second part.
- Nevertheless, oil will retain the highest share in the global energy mix, even while the share of renewables grows rapidly.
- Prospects for growth in non-OPEC supply are also dimmed, and will require steady investment. OPEC Member Countries will need to increase production to meet the world’s needs.
- The downstream sector has also been affected by weaker oil demand prospects, and will need consolidation.
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