China and the Quest for Oil Price Stability

Bob McNally
President, Rapidan Energy Group
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Sticky Supply & Demand, Limited Storage = Oil Prone to Boom-Bust
Supply Managers and Swing Producers Tried to Stabilize Prices

Crude Oil Prices
Nominal, Source: The Derrick, API, St. Louis Fed, EIA

US Dollars per Barrel

US Dollars per Barrel


Boom Bust I

Boom Bust II

Boom Bust III

No quotation or distribution
10 Years Ago Oil Entered History’s Third Boom-Bust Era
Last prolonged boom and bust era ended over 80 years ago

Monthly Real Crude Oil Price Ranges, 1859-2017

- Average of annual min-max price spreads within each era (right axis)
- Spread between minimum and maximum prices in a year (left axis)

Data Sources: The Rapidan Group, based on The Derrick, API, St. Louis Fed, and EIA
China’s Huge and Growing Role in the Global Oil Market
China’s oil policies can significantly contribute to global oil price stability

China surpassed the United States as the world’s largest crude oil importer in 2017

million barrels per day

Note: December U.S. imports derived from weekly crude oil imports.
China’s Huge and Growing Role in the Global Oil Market

China’s oil policies can significantly contribute to global oil price stability

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China is a key destination for increasing U.S. energy exports

U.S. exports of selected energy goods (Jan 2015-Apr 2018)

Source: U.S. Energy Information Administration, Petroleum Supply Monthly, Natural Gas Monthly
China’s Role In Oil Market and Oil Price Stability

1. Consistently improve quality and quantity of oil market data
2. Boost IEF’s efforts to promote data transparency and dialogue between producers and consumers
3. Build commercial and strategic stocks, coordinate in the latter’s use with other importers during emergencies
4. Assist in multilateral anti-piracy and regional stability efforts
5. Diversify sources of imports
6. Liberalize domestic oil prices
7. Fuel economy standards and other efficiency incentives
8. Promote breakthroughs in alternative fuels
Thank you!

Bob McNally
Bob.McNally@RapidanEnergy.com

www.rapidanenergy.com
t. +1 301.656.4480

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