Recent market developments and near-term prospects

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Points for discussion

- Review of the oil market for 2011 and outlook for 2012
- Oil price developments
- Challenges in forecasting/assessing the short-term
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Global growth in 2012 is forecast below the 2011 growth level in the major economies.

The OECD economies are expected to contribute only 0.8 percentage points (pp) to the 3.5% global GDP growth in 2012.

* DCs is without China and India

*Source: OPEC Secretariat*
Global activity and trade is slowing

Stimulus measures have lifted growth in 2009 and 2010

Fiscal stimulus is not expected for the future, due to OECD budget constraints

Contrary to this, **austerity measures** in developed economies combined with high **unemployment**, **deleveraging at global banks** and active measures to slow growth in developing economies, have led to deceleration

Source: Haver Analytics, International Monetary Fund, JP Morgan and OPEC Secretariat
World oil demand growth by regions, y-o-y change, mb/d

Oil demand recovered the 2008-2009 loss

North America Other Asia Middle East China Others Total World
World oil demand growth 2012, mb/d

Uncertainty in demand forecast, 2012
Non-OPEC supply continues positive growth
y-o-y change, mb/d

Non-OPEC supply by regions

Annual growth 2012 for selected countries

US
Brazil
Canada
Colombia
Russia
Australia
Azerbaijan
Others

Mexico
UK
Norway
Others

OECD Pacific
OECD W. Europe
OECD N. America
Total DCs
FSU- ex Russia
Russia
Net Non-OPEC (Supply)
Non-OPEC supply and OPEC NGLs growth 2012, by various sources

Non-OPEC supply growth 2012
by various sources

OPEC NGL growth 2012
by various sources

mb/d

Average 0.83 mb/d

Average 0.41 mb/d

0.0 0.1 0.2 0.3 0.4 0.5 0.6

0.69 1.02 0.91 0.60 0.70 0.70 1.00 1.26 0.47

0.36 0.55 0.41 0.50 0.40 0.40 0.30 0.29 0.42

OPEC IEA DOE CERA CGES PIW PFC WM Barclays

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Product markets

**Refinery throughput in major markets**

- **US, EU-16, JP**
- **CH, IN, RU**

**Refinery utilization: Difference from 5-year average**

- **US**, **EU and Norway**, **Japan**

**Refinery maintenance**

- **Asia-Pacific**, **Europe**, **US**, **Average 1Q12**
OECD commercial oil stocks

OECD commercial stocks:
Absolute value, mb

Days of forward cover

Max/Min 2006-10
Avg. 2006-10
2009
2010
2011

Days of forward cover
Rolling average
Change in demand for OPEC crude in 2012

Supply demand yearly, y-o-y change

Revisions

Uncertainties
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Price developments

OPEC Reference Basket

WTI-Brent Dated differential

WTI dislocation from the global market

MENA’s conflict premium diminished & EU crisis took over
Close link with speculative activity and equity markets

Nymex WTI price vs. speculative activity

- Managed money net long positions (RHS)
- WTI (LHS)

Nymex WTI price vs. equities

- Nymex WTI
- S&P 500 index
Points for discussion

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Challenges in forecasting/assessing the short-term

**World**

- Lack of data from main consumers (China, FSU, etc.)
- Lack of data for important flows (i.e. bunkers for Singapore)
- Lack of accuracy of preliminary data from main consuming countries (e.g. US weekly data from DoE)
- Lagged qualitative historical data with considerable revisions (OECD and Non-OECD)
- Uncertainty in economic data
- Differences due to product interpretations (e.g. Middle East ethane)
Challenges in forecasting/assessing the short-term

China

- Lack of reliable consumption data

OPEC definition: Apparent oil demand is oil production ± net oil trade ± oil stock changes, however some sources do not include oil stocks data

- For instance, a significant amount of oil was transferred to storage during 2010

- Although some Chinese oil stocks data has been available as of 2008 and is regularly published (commercial stocks for crude, gasoline, diesel and kerosene), however some sources do not use them in their assessments
Challenges in forecasting/assessing the short-term

Non-OPEC

Supply forecast is based on bottom-up approach, adding growth to the baseline, therefore the base year is essential in estimating the year ahead.

Data availability and accuracy for the base year.

Lack of projects development transparency in some of non-OPEC countries.

Changes in crude price levels and the impacts on Capex and future supply.

Lack of decline rate information.

Taxation, political, environmental, and weather factors.

Renewable policies and biofuels mandates.

NGLs

Change in natural gas prices and its impact on NGLs production.

Discrepancy among various sources.
Challenges in forecasting/assessing the short-term

**Stocks data:**

- Frequent revision in historical monthly OECD commercial stocks
- Discrepancy between weekly and monthly US inventory data
- Lack/inaccuracy of some non-OECD countries’ stocks data

The oil inventories should reflect the interaction between supply and demand, therefore the global picture of stocks is the ultimate tool for checking the supply and demand numbers. However, the lack/inaccuracy of stocks data makes it difficult to check the supply/demand figures.