16^{TH} International Energy Forum Ministerial Meeting

Kate Dourian

Programme Officer, Middle East and North Africa , International Energy Agency

New Delhi, India, 11-12 April 2018

IEA

Today's agenda

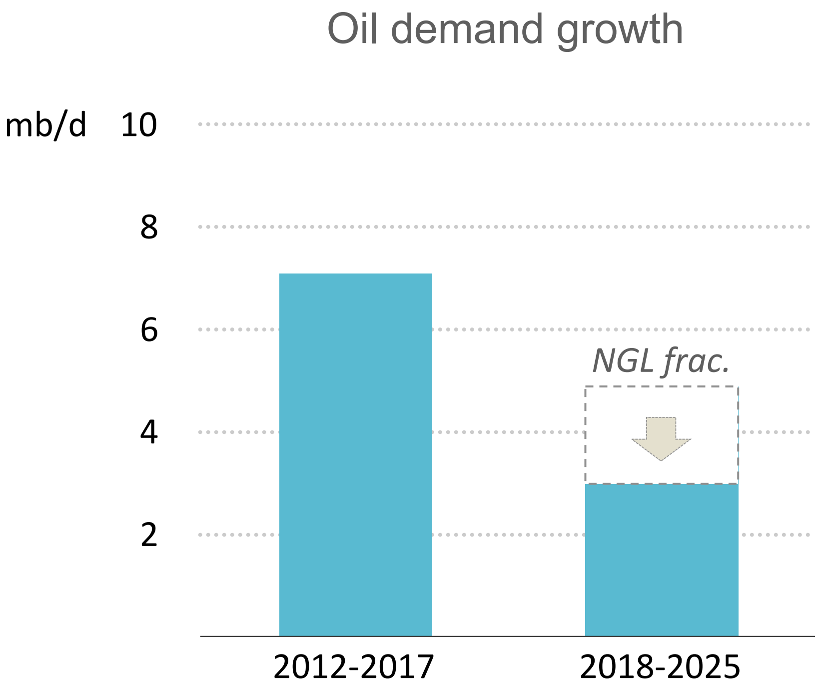
- Refiners are enjoying a period of relatively good margins due in part to lower oil prices and lagging capacity additions compared with demand growth in recent years.

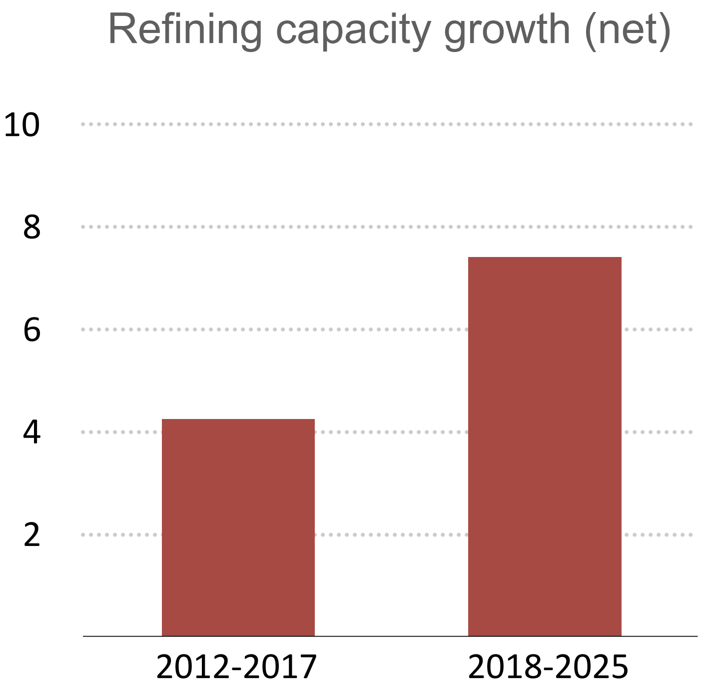
- New refining capacity additions, mainly in Asia and the Middle East, point to tougher times ahead as downstream capacity outweighs oil demand growth. Rising NGL production also weighs on the refining sector.

- Refiners will have to adapt to changes in crude slates as the barrel gets lighter and heavier and medium grades decline.

- In a low-carbon world, the required level of refinery runs declines and product demand patterns shift dramatically, particularly for gasoline and diesel.

Refining: changing demand-capacity dynamics

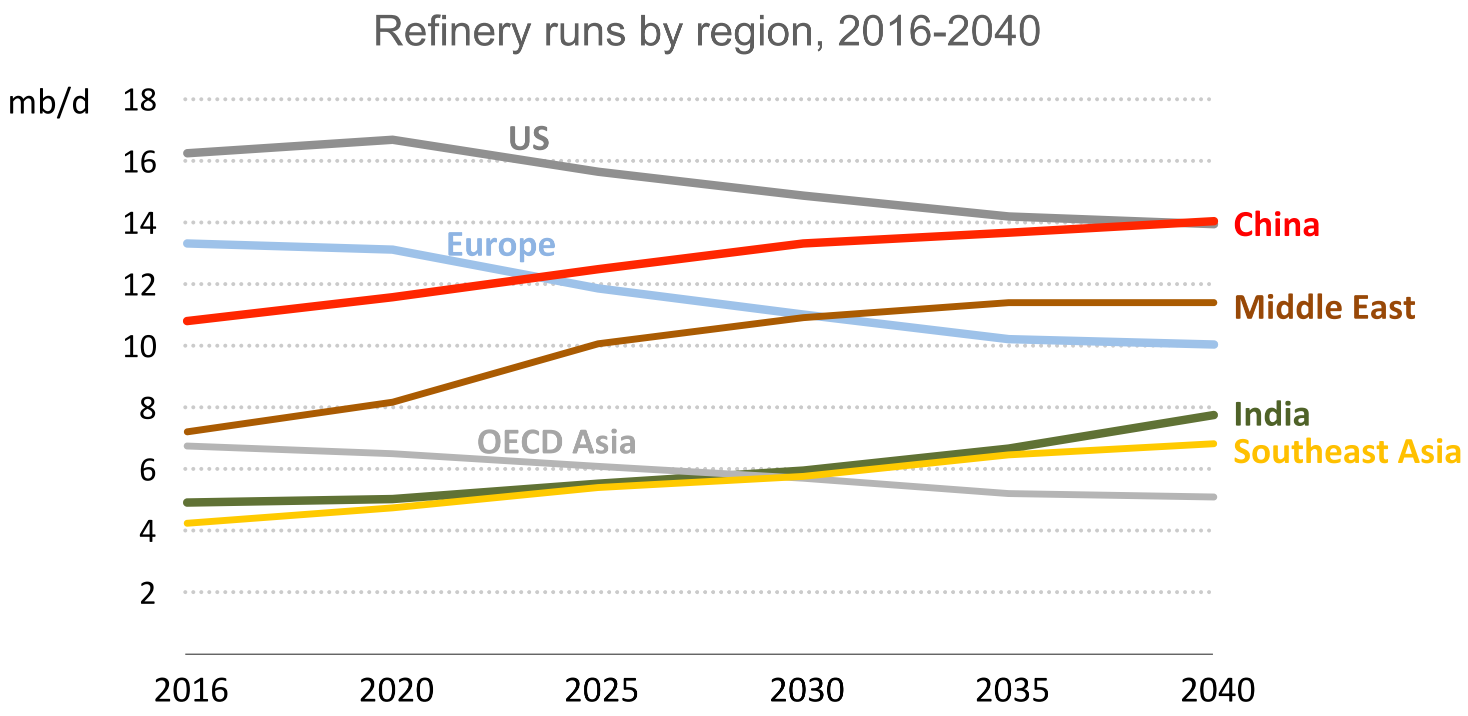




The expected volume of capacity additions surpasses oil demand growth; NGL fractionation further weighs on the incremental "call on refineries"

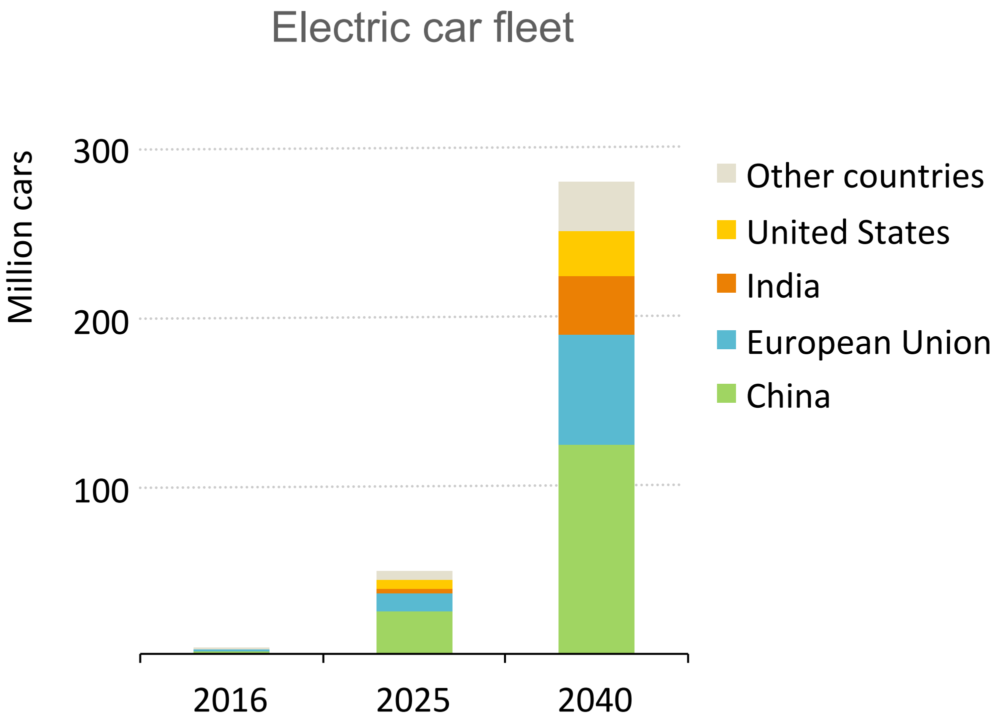
A new wave of capacity additions is on the way

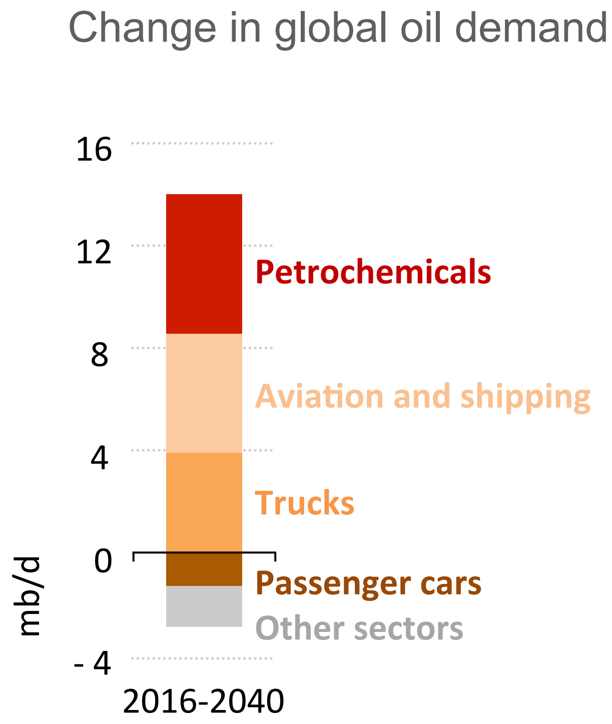
World Energy Outlook 2017



Asia and the Middle East collectively account for nearly 80% of the new additions globally to 2040.

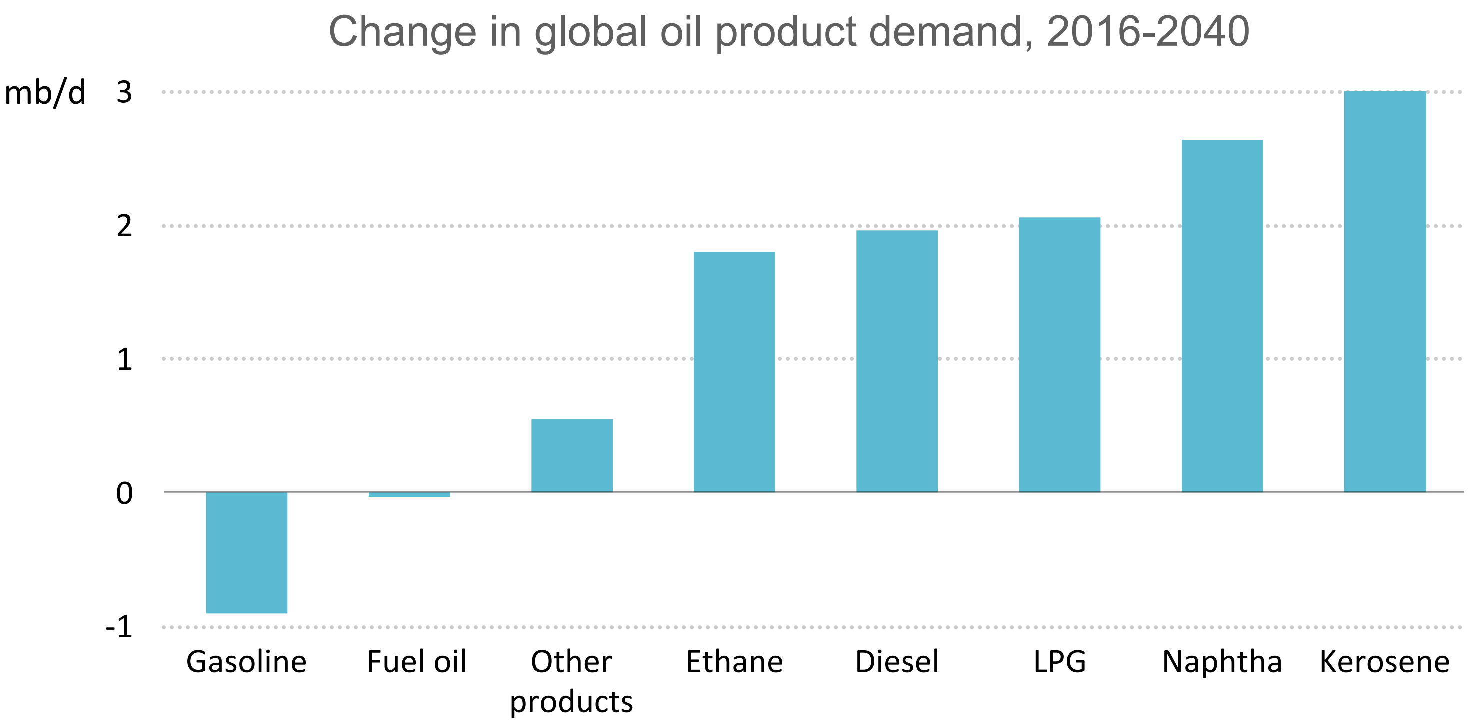
EVs are on the way, but oil demand keeps rising





Electric cars are helping to transform energy use for passenger cars, *slowing the pace of global oil demand growth. However, trucks, aviation, shipping & petrochemicals keep oil on a rising trend*

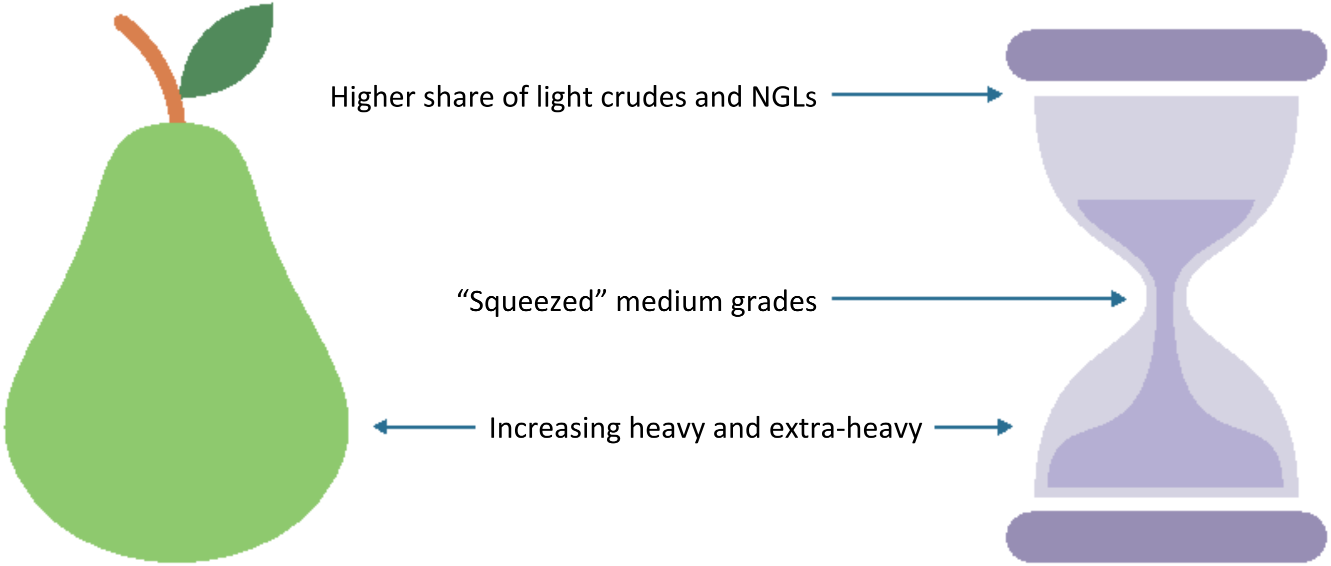
Which products are leading the way?



Kerosene and petrochemical feedstocks register the largest demand growth

Changing perceptions about the future feedstock slate

Future crude oil slate perceptions



Source: IEA market report series – Oil 2018

Both light and heavy barrels grow, but conventional middle grades decline

Conclusion

- The wave of capacity additions in Asia and the Middle East is likely to fundamentally reshape the competitive landscape of the refining industry.

- Petrochemicals will be the main driver of oil demand with China at the centre of this increase. Shipping, aviation and heavy vehicle transport also contribute. .

- EVs are coming but no peak in gasoline demand till the mid 2020s. it is therefore too early to write oil's obituary as petrochemical feedstocks and kerosene lead the way.

- A 'mini-golden' period cannot be sustained for long; refiners need to be flexible to meet challenges of changing demand patterns, feedstock substitution and rising competition