

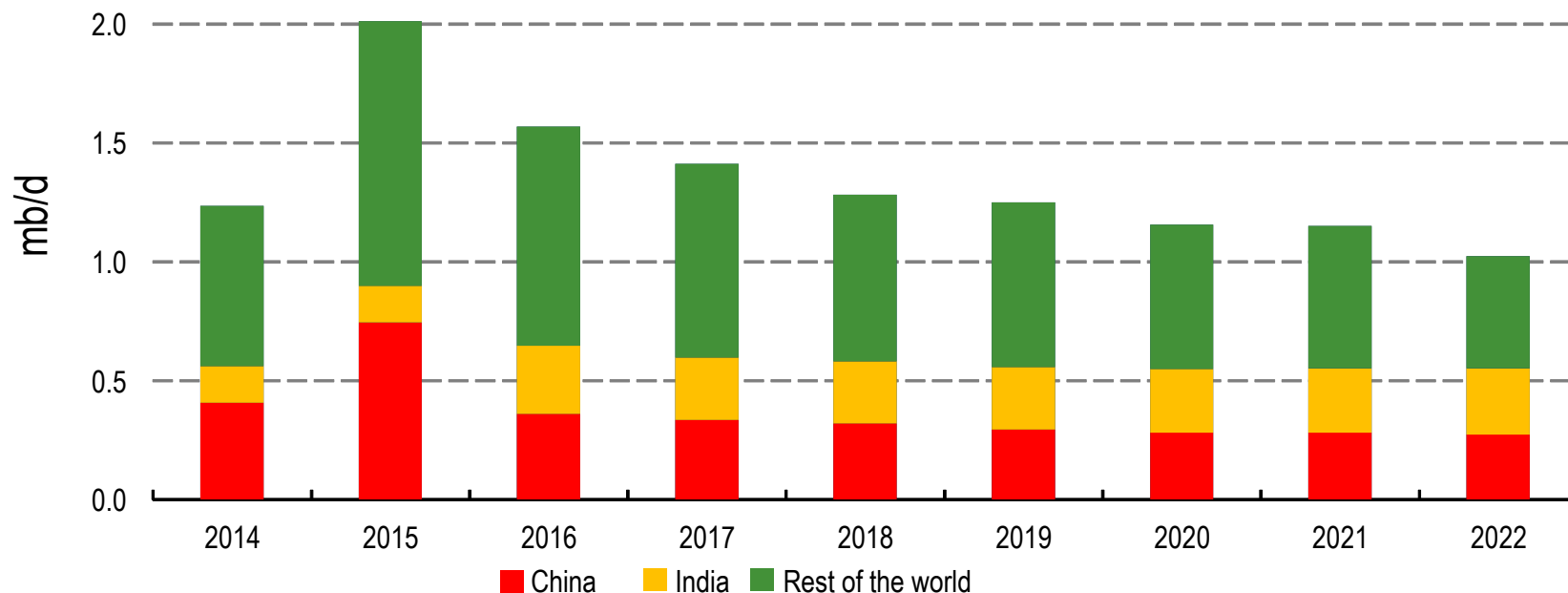


Market Report Series Oil 2017

SIEW 2017 launch - 28 March 2017

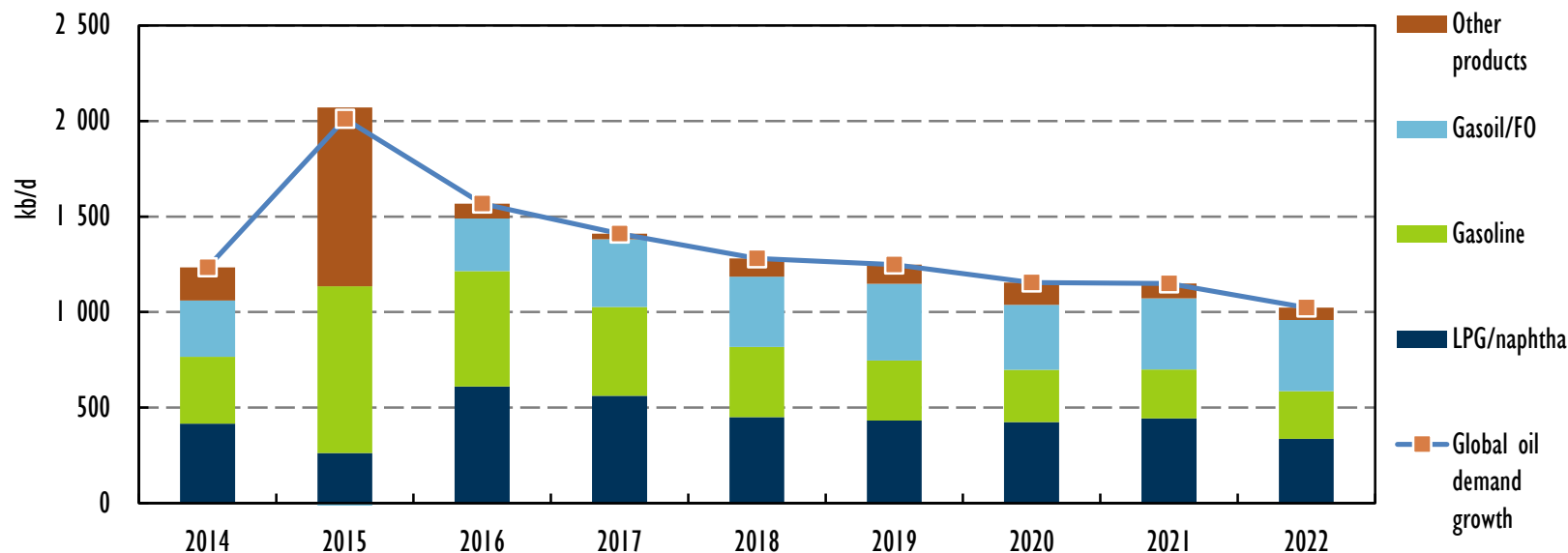
Oil demand continues to grow but at a slower pace

Global oil demand growth 2014-2022



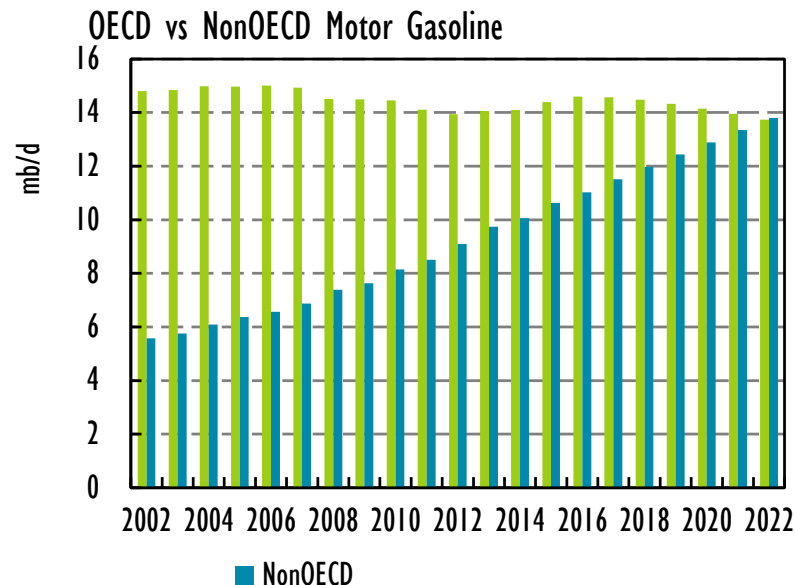
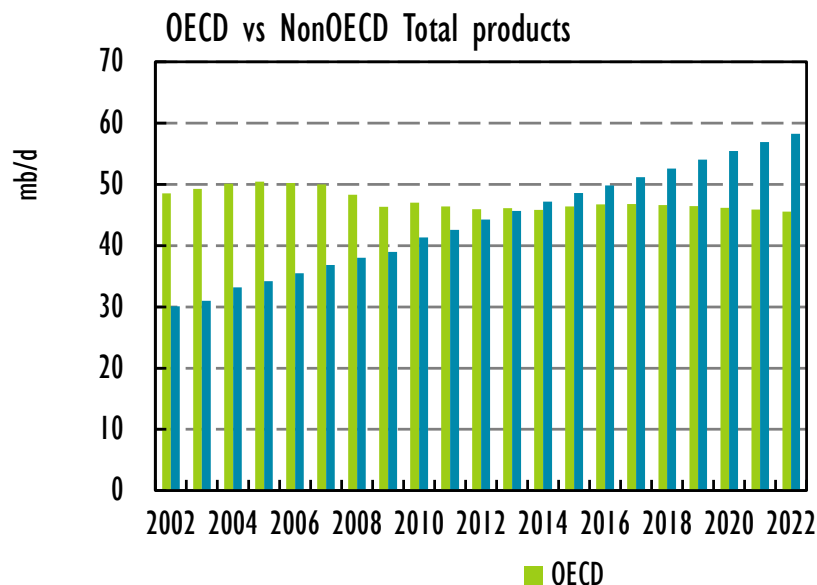
**China & India account for 46% of world demand growth to 2022.
Global oil product demand passes 100mb/d in 2019.**

Petrochemicals and transport make up the majority of the growth



Both areas particularly supported by ongoing and accelerating economic growth

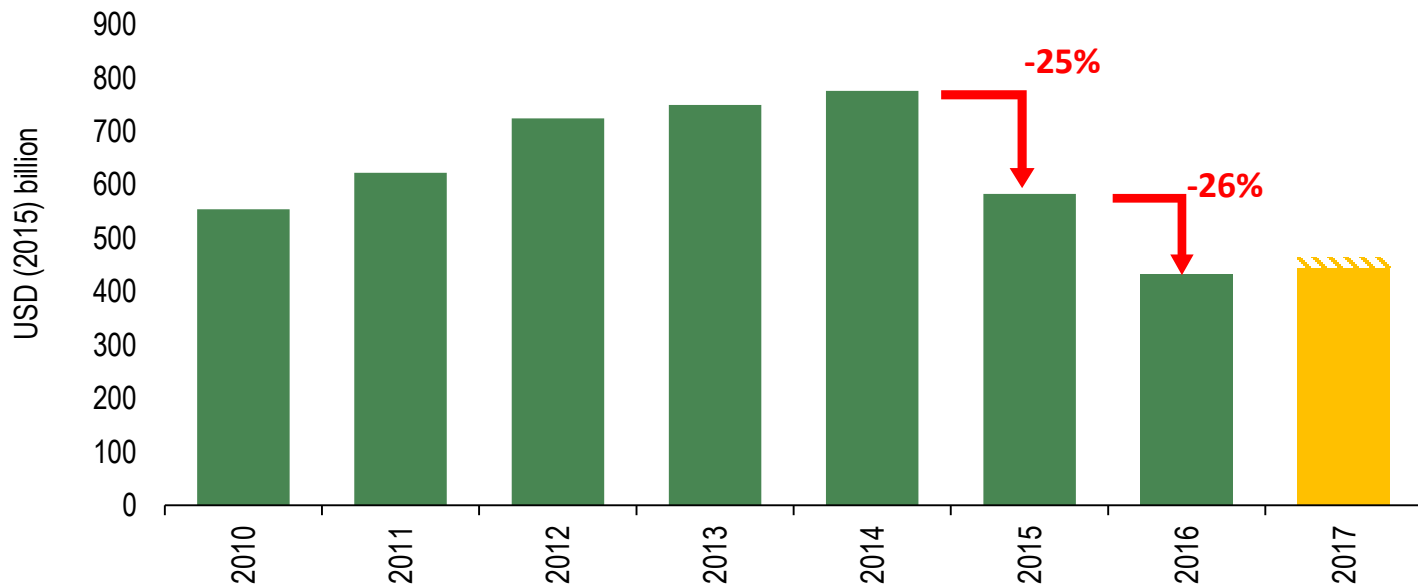
Emerging markets dominate growth while OECD demand wanes



Non-OECD accounts for all of the forecast demand growth, averaging +1.4 mb/d 2016-22
OECD severely lags, pulled down by sharp declines in road transport

Global upstream investments to see modest rebound

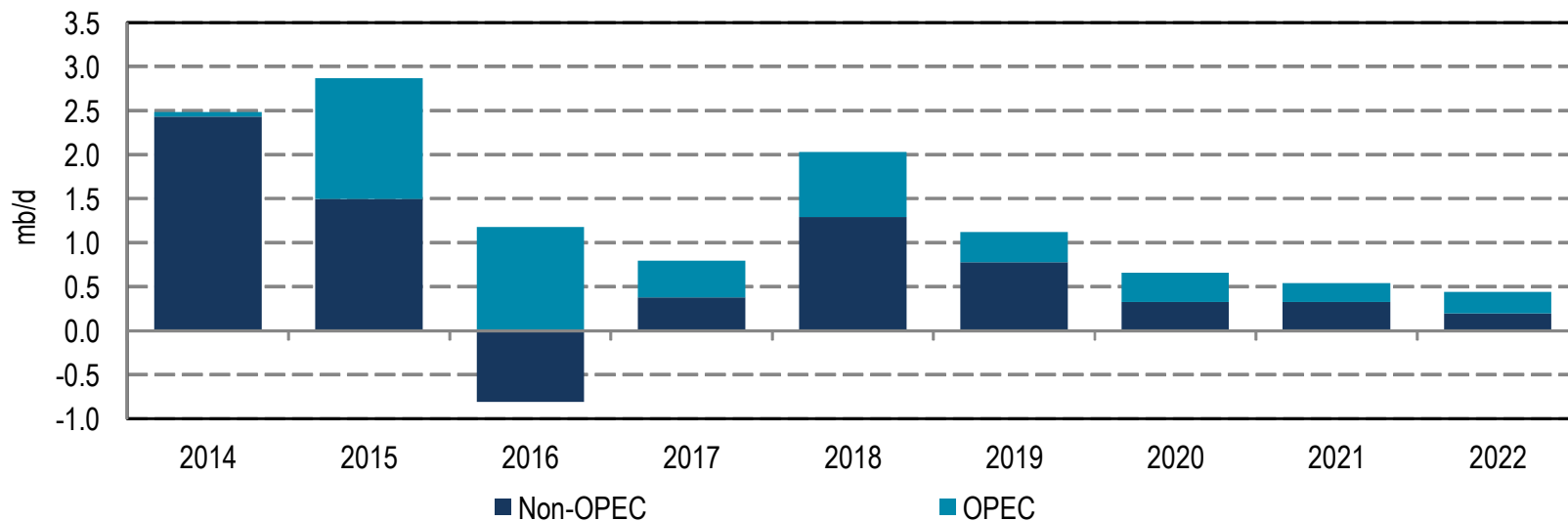
Global oil and gas upstream capital spending 2010-2017



After falling by 25% in 2015 and 26% in 2016, to USD 433 billion, global upstream investments look on track to post gains in the range of 3-7% in 2017

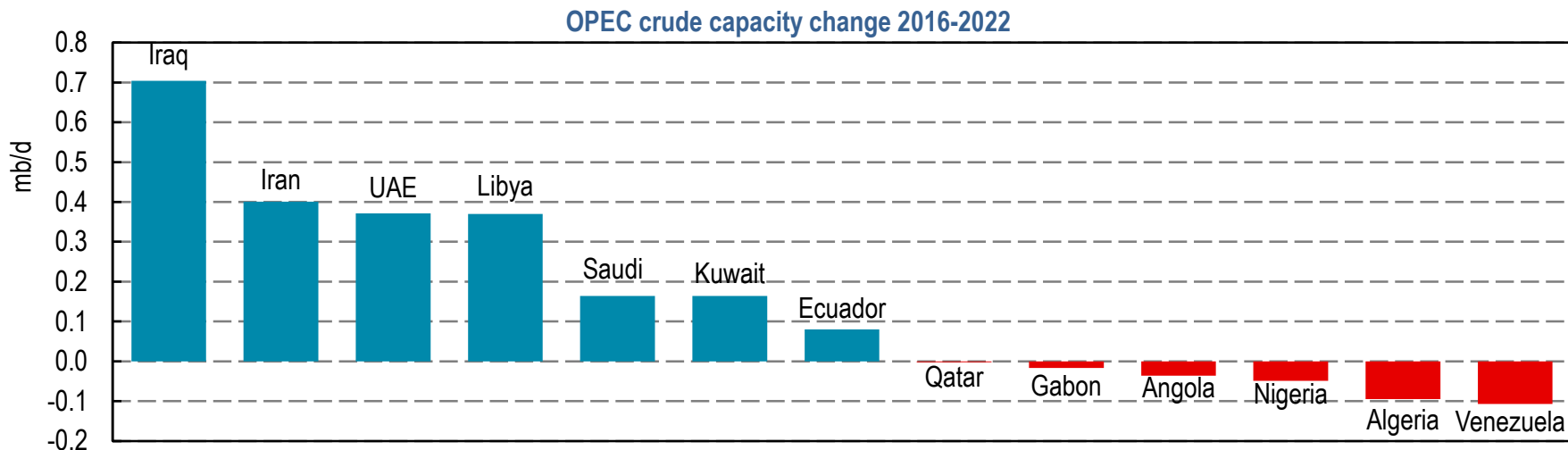
Global oil supply rebounds then slows markedly

Global oil supply capacity growth

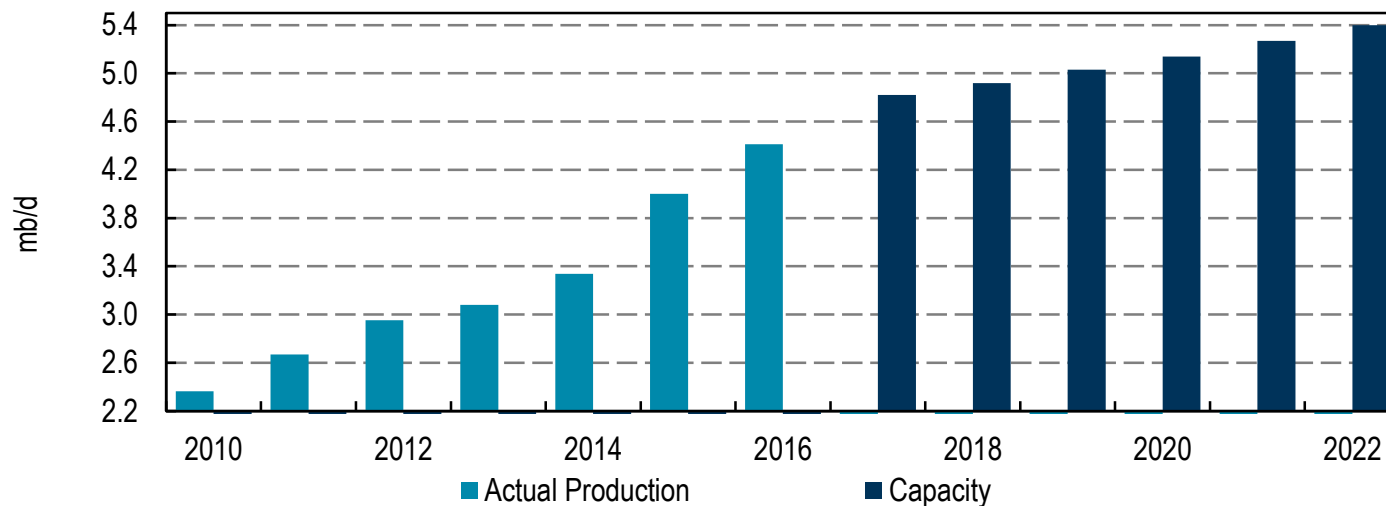


**Following record slide in global upstream spending over 2015/16, only modest recovery seen in 2017
Unless significant new projects sanctioned quickly, growth all but stalls by 2020.**

Low-cost Middle East drives solid OPEC capacity growth

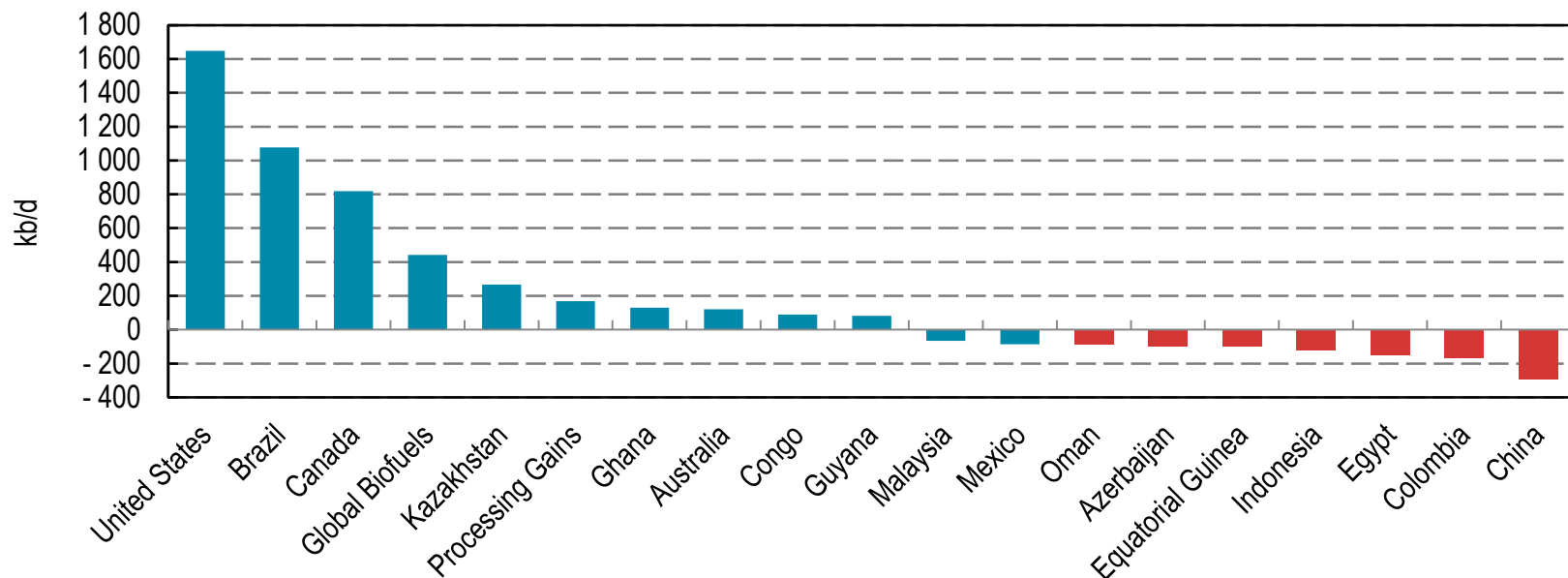


**OPEC builds 1.95 mb/d of new capacity by 2022 in anticipation of higher demand.
Iraq leads gains, capacity shrinks in Africa and Latin America.**



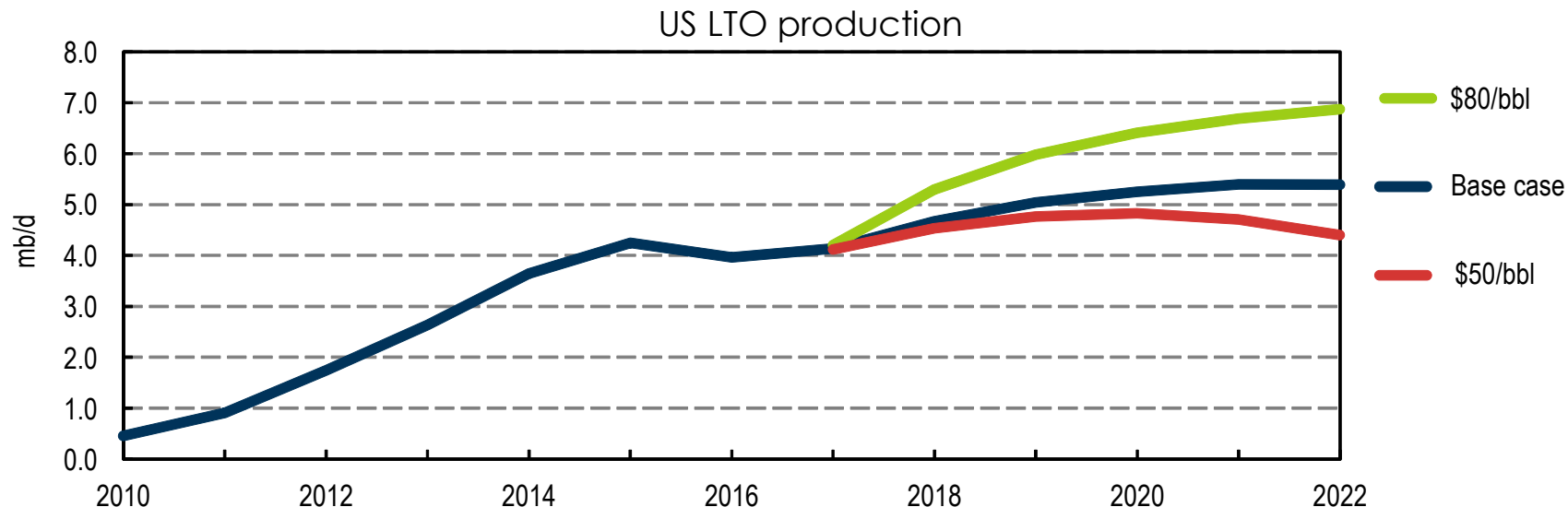
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Non-OPEC production returns to growth



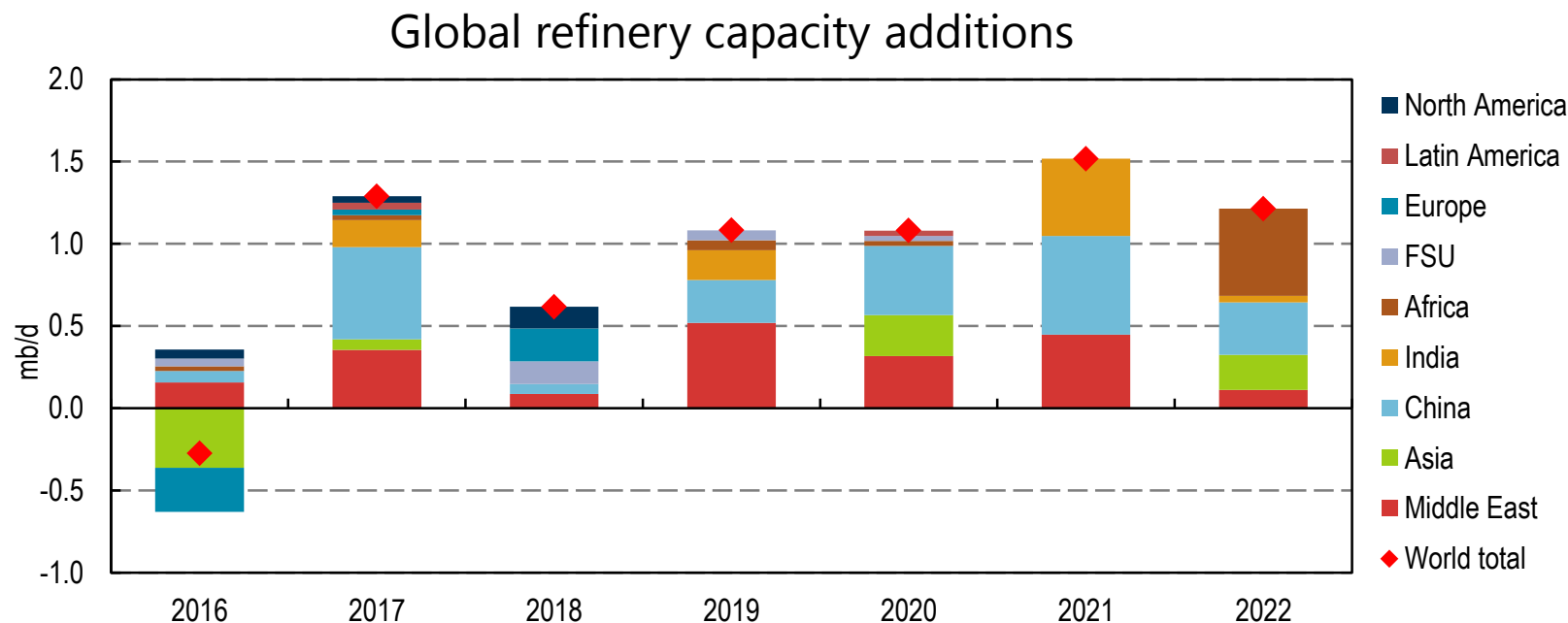
After dropping by 0.8 mb/d in 2016, non-OPEC oil output is set to return to growth in 2017. By 2022, non-OPEC liquids production is seen 3.3 mb/d higher – led by higher output in the Americas

US LTO production rebounds – but highly price sensitive



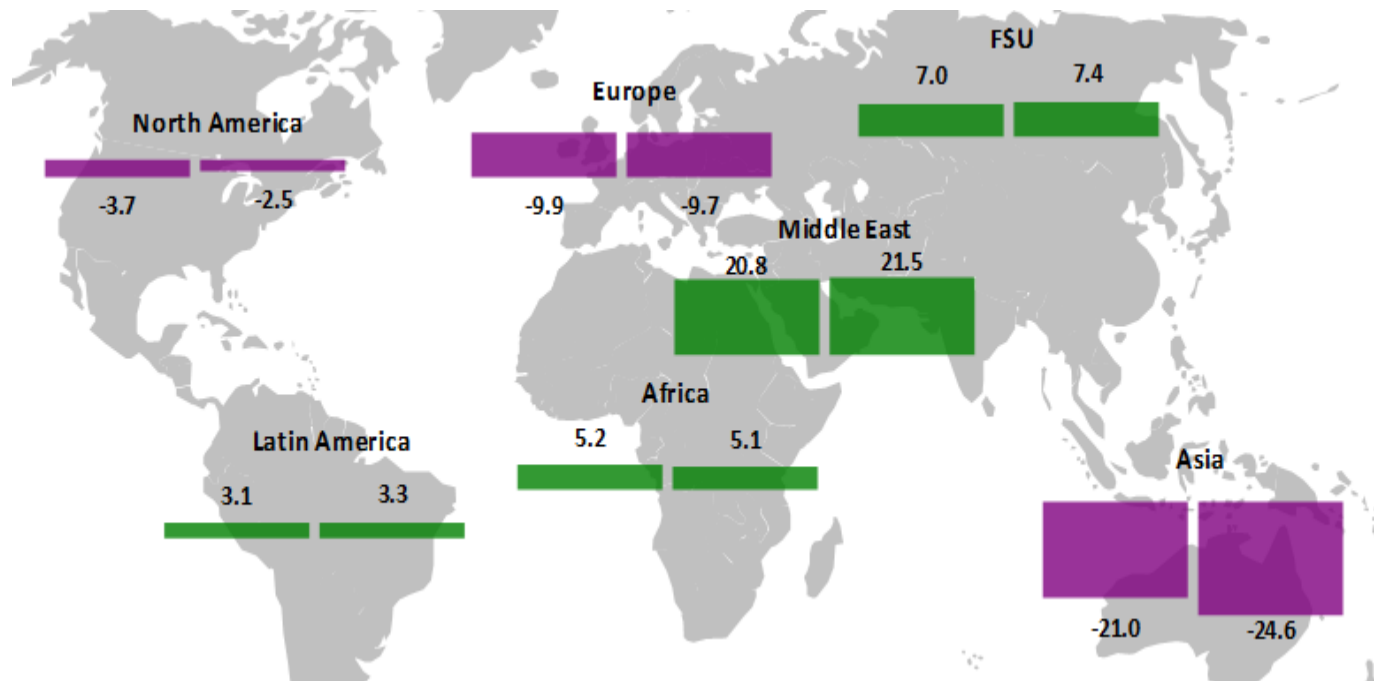
LTO set to expand by 1.4 mb/d by 2022 in our base case. At \$80/bbl, output could expand by 3.0 mb/d over the same period

Middle East, China and India drive refining growth



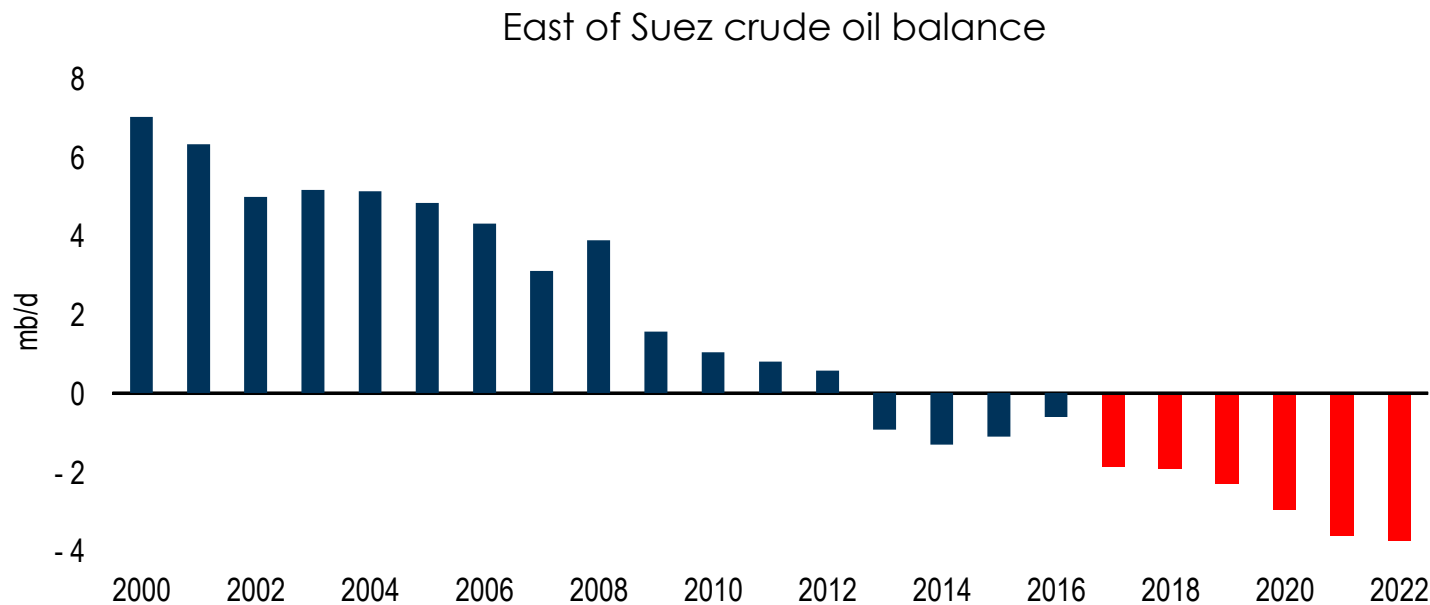
After a rare fall in global refining capacity in 2016, global capacity sets out for a 7 mb/d addition, dominated by Middle East, China and Africa

Major shift of crude oil flows to Asia



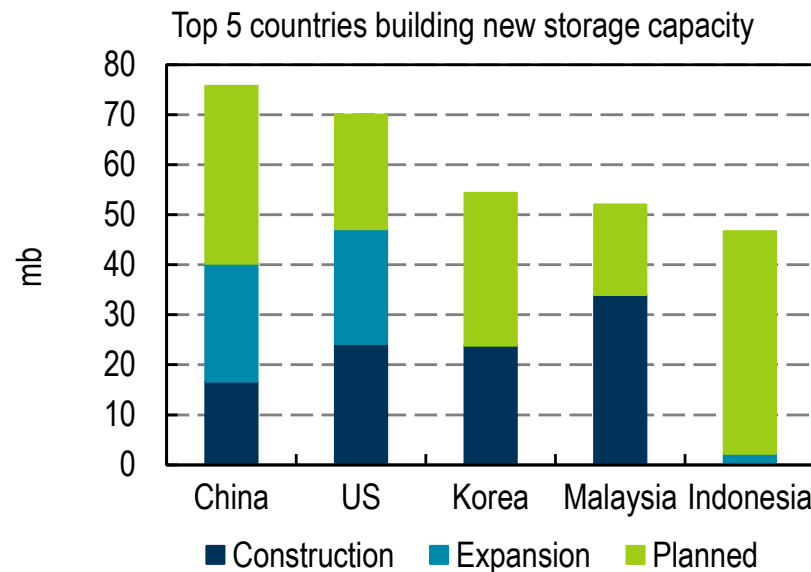
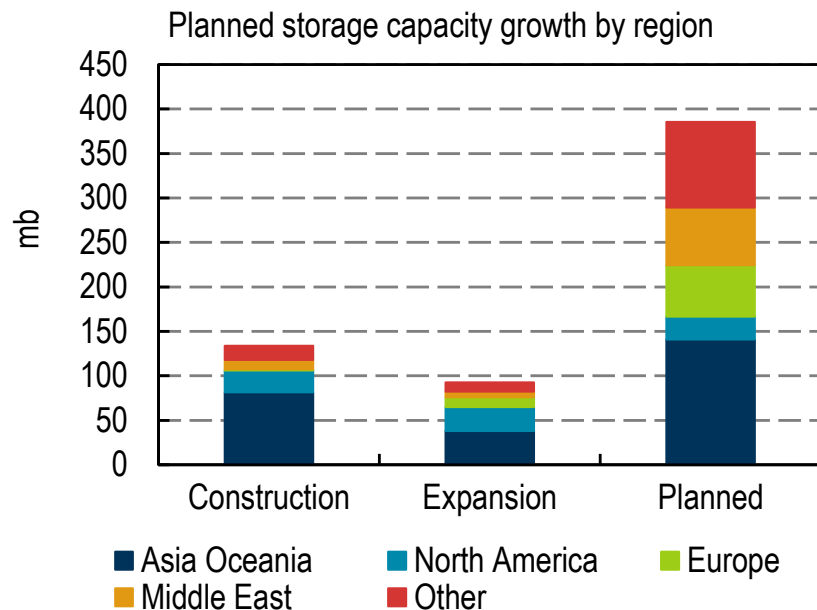
By 2022 there will be no net crude oil exporting country in Asia. 3 mb/d growth in refinery runs results in 3.6mb/d net import growth.

Crude flows West to East in even bigger volumes



With massive growth in Asian market, East of Suez crude deficit widens as Middle East exports are not sufficient to meet demand. Exports growth from Brazil and Canada each is higher than from the Middle East.

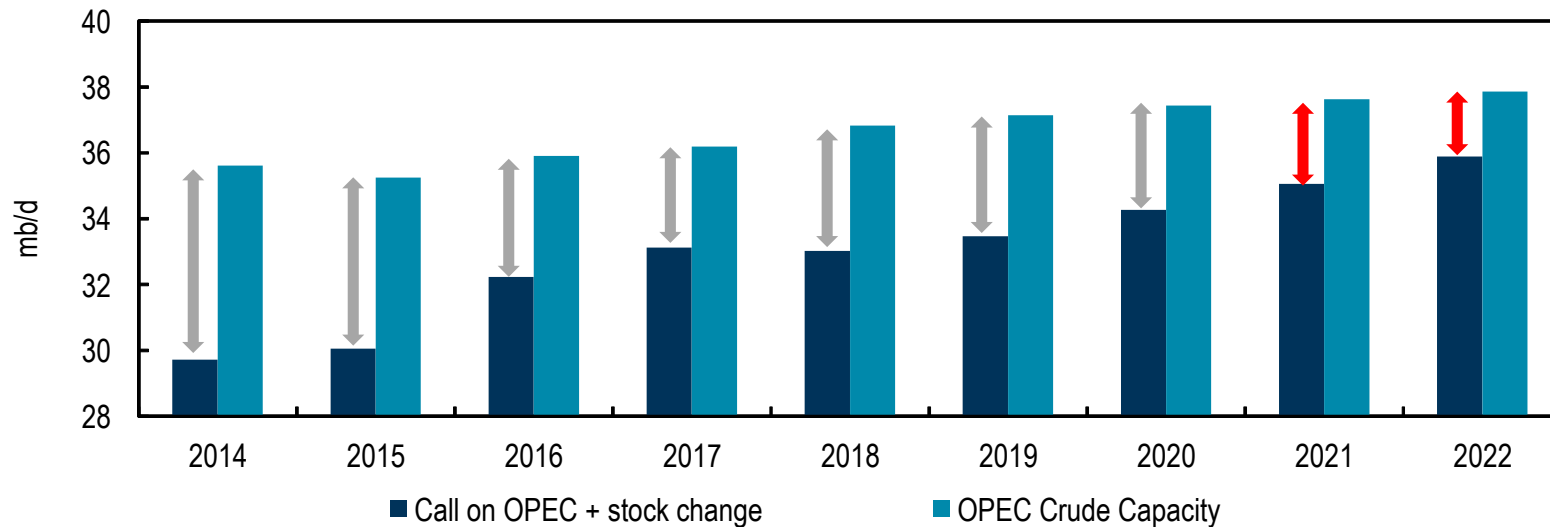
Oil storage capacity to grow in Asia, North America



Global storage capacity to grow by 226 mb over the next few years
Only 40% of capacity growth to occur in the OECD. Non-OECD Asia and North America in the lead

World oil market grows tighter from 2020

Call on OPEC crude and stock change



Call on OPEC rises and spare capacity shrinks without further upstream investment. Less than 2% in 2022 versus 3.7% in 2008 when prices rose sharply.

- Demand continues to grow steadily -- up 7.3 mb/d by 2022 -- driven by China and India, which will account for almost half of growth over the period
- Global production capacity will also grow -- up 5.6 mb/d -- led by the United States, Brazil and Canada
- Asian demand growth draws extra Middle East oil but also needs supply from other areas. Trade routes will shift and lengthen.
- Global investment remains weak in 2017 after two-year record plunge and OPEC spare capacity contracts to less than 2% in 2022 -- a 14-year low
- Risk of greater volatility & security of supply concerns: could lead to higher prices by 2020

