Oil Market Recovery
and the Future Role of US Unconventionals

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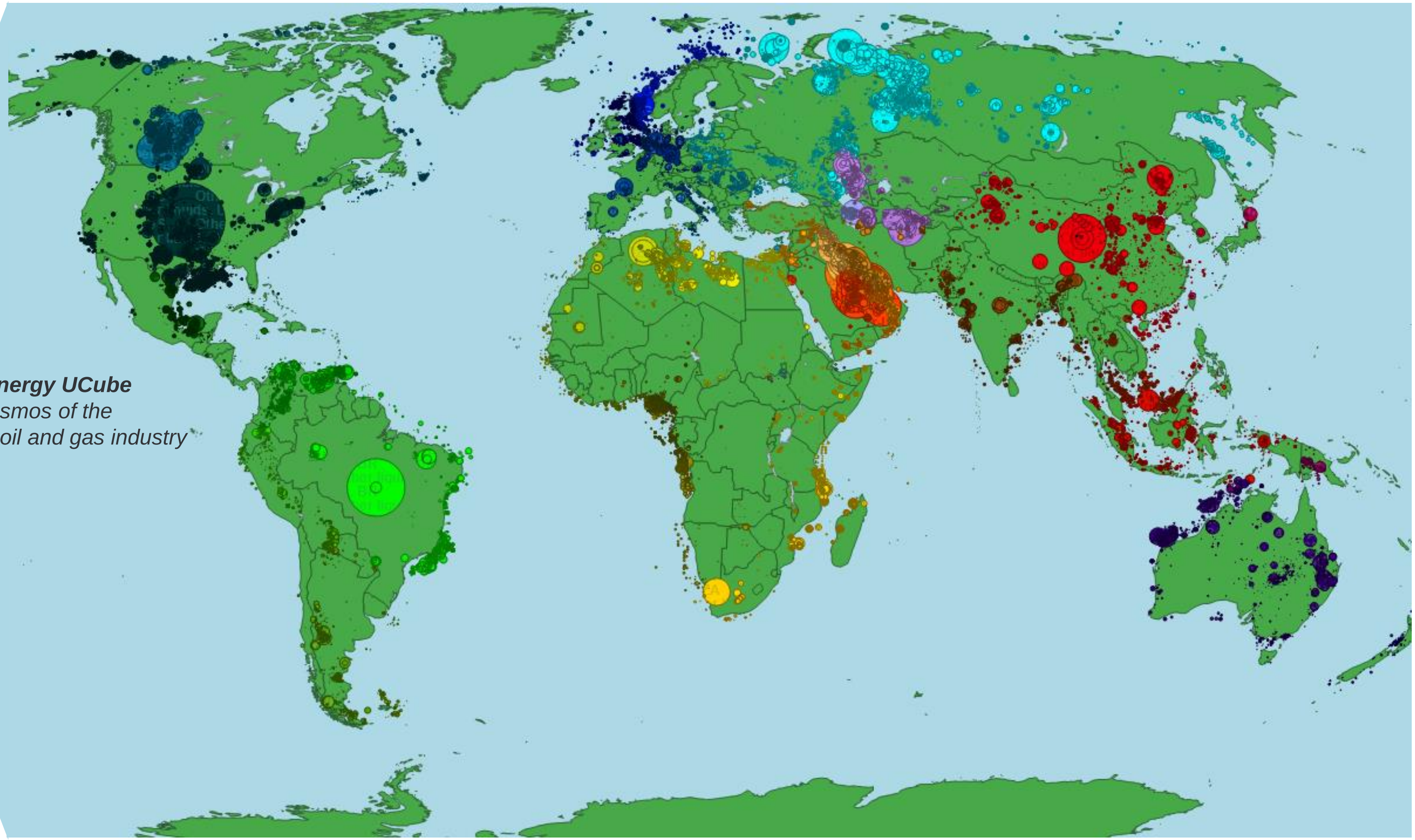
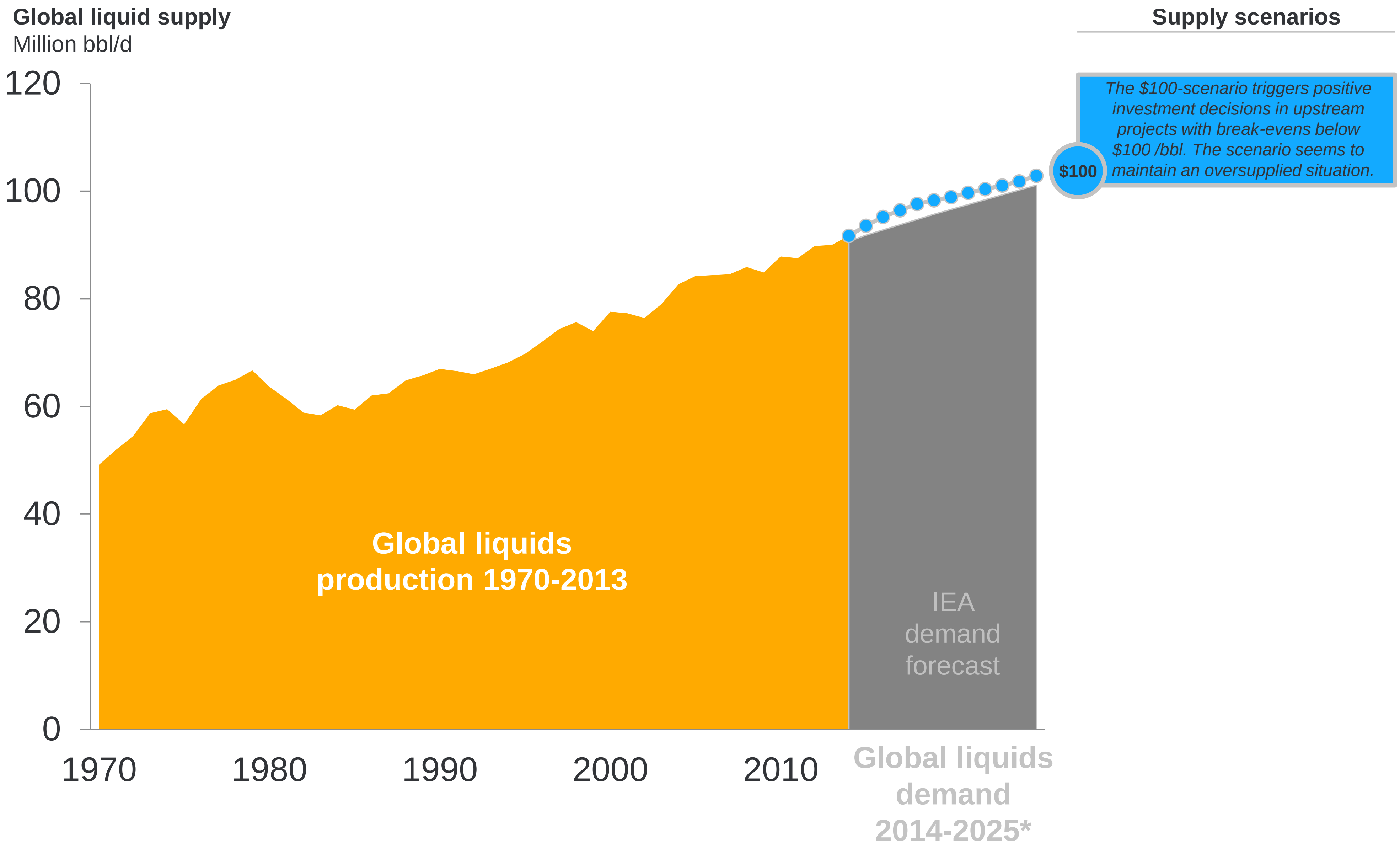
Our approach and heritage: A bottom-up database of ~60.000 upstream oil and gas projects



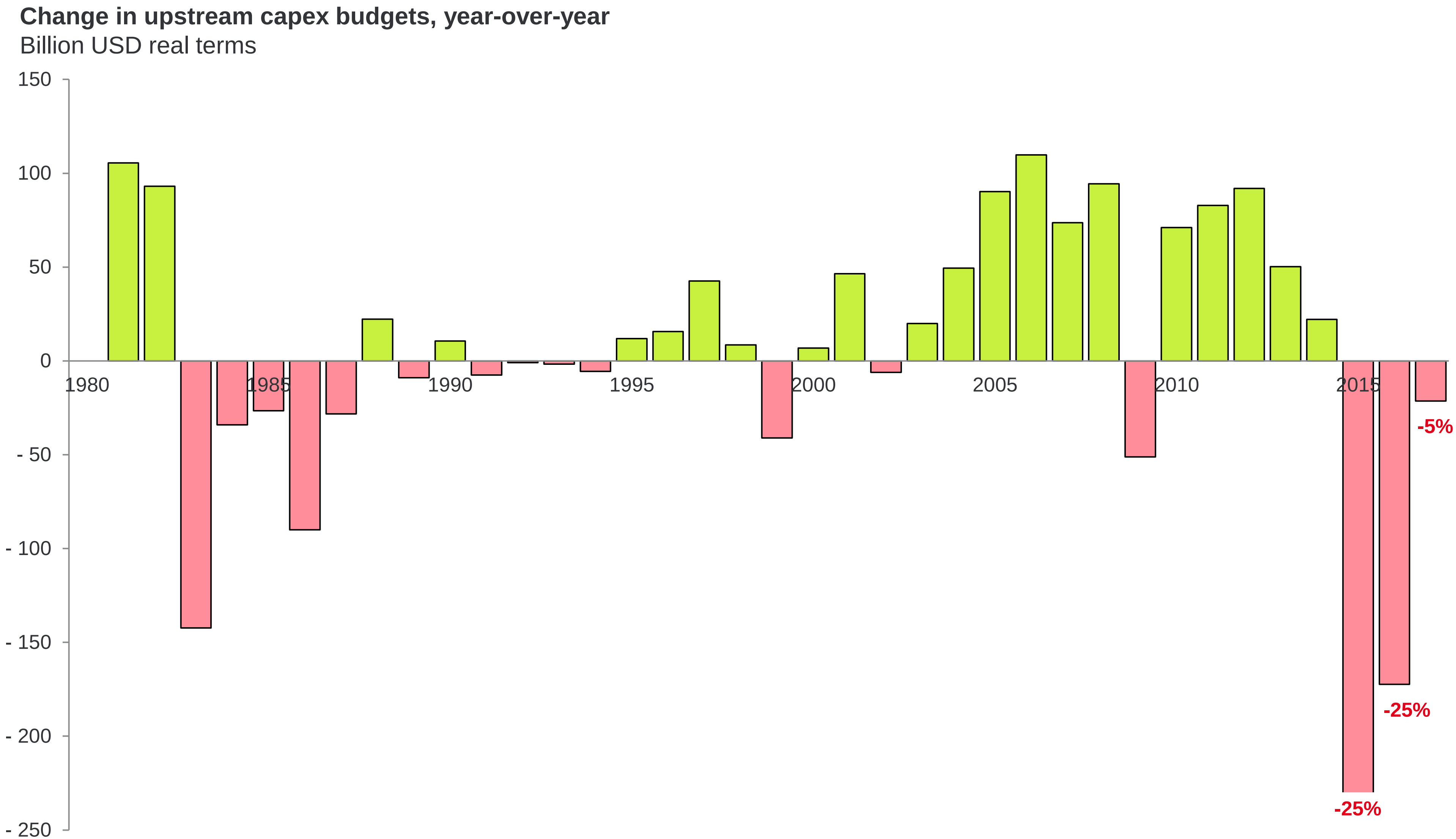
Rystad Energy UCube
A microcosmos of the
upstream oil and gas industry

Setting the stage: $100 oil took us into an oversupply of 1-2% and prices plummeted to $30



* Future demand is based on the IEA World Energy outlook 2014 New Policies demand scenario – approx. +1% per annum

2015 saw record E&P capex contraction and 2016 followed suit – 2017 still shrinking



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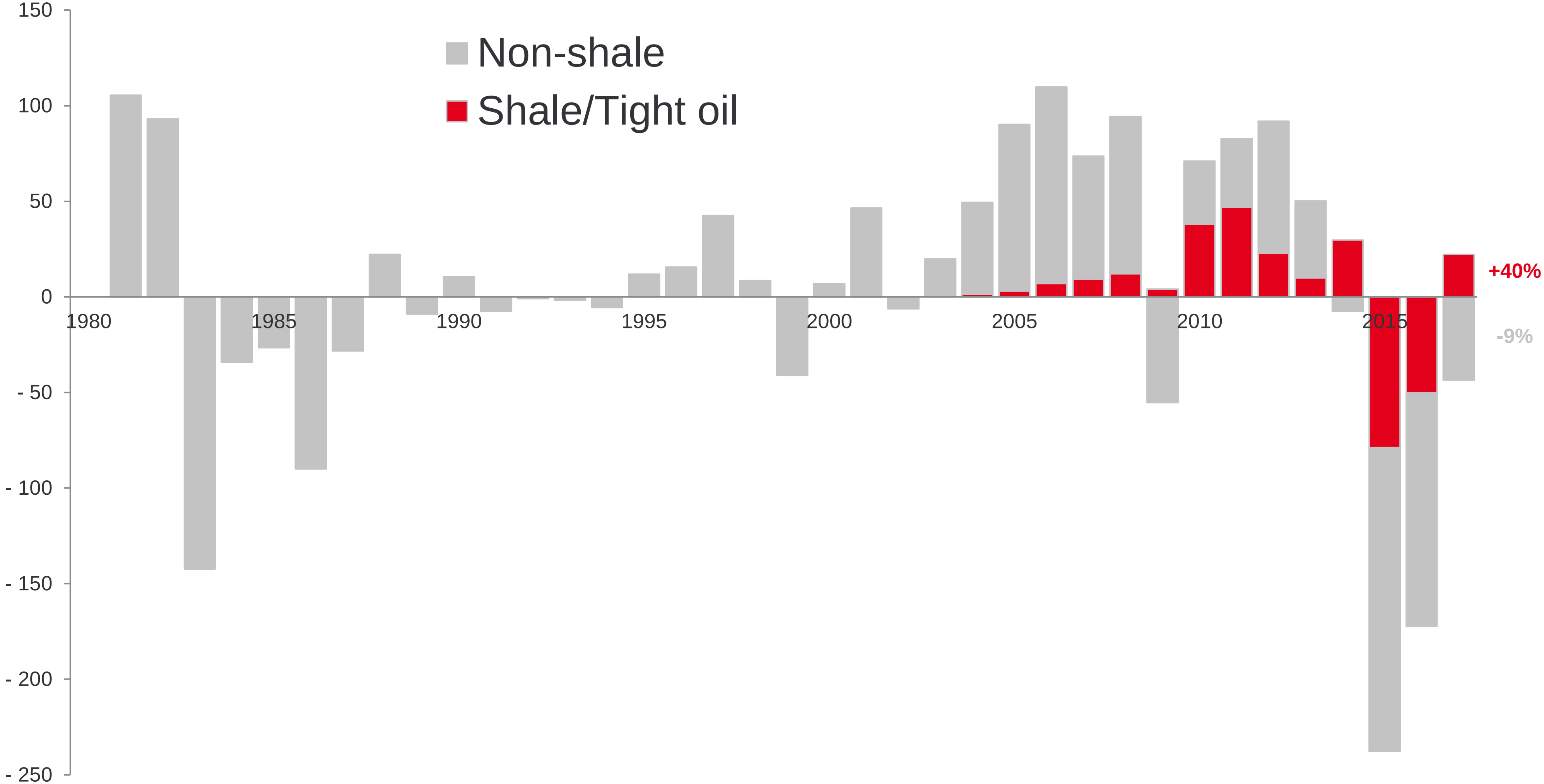
2017 will see shale budgets expand again, while rest of upstream capex budgets contracts

Change in upstream capex budgets, year-over-year
Billion USD real terms



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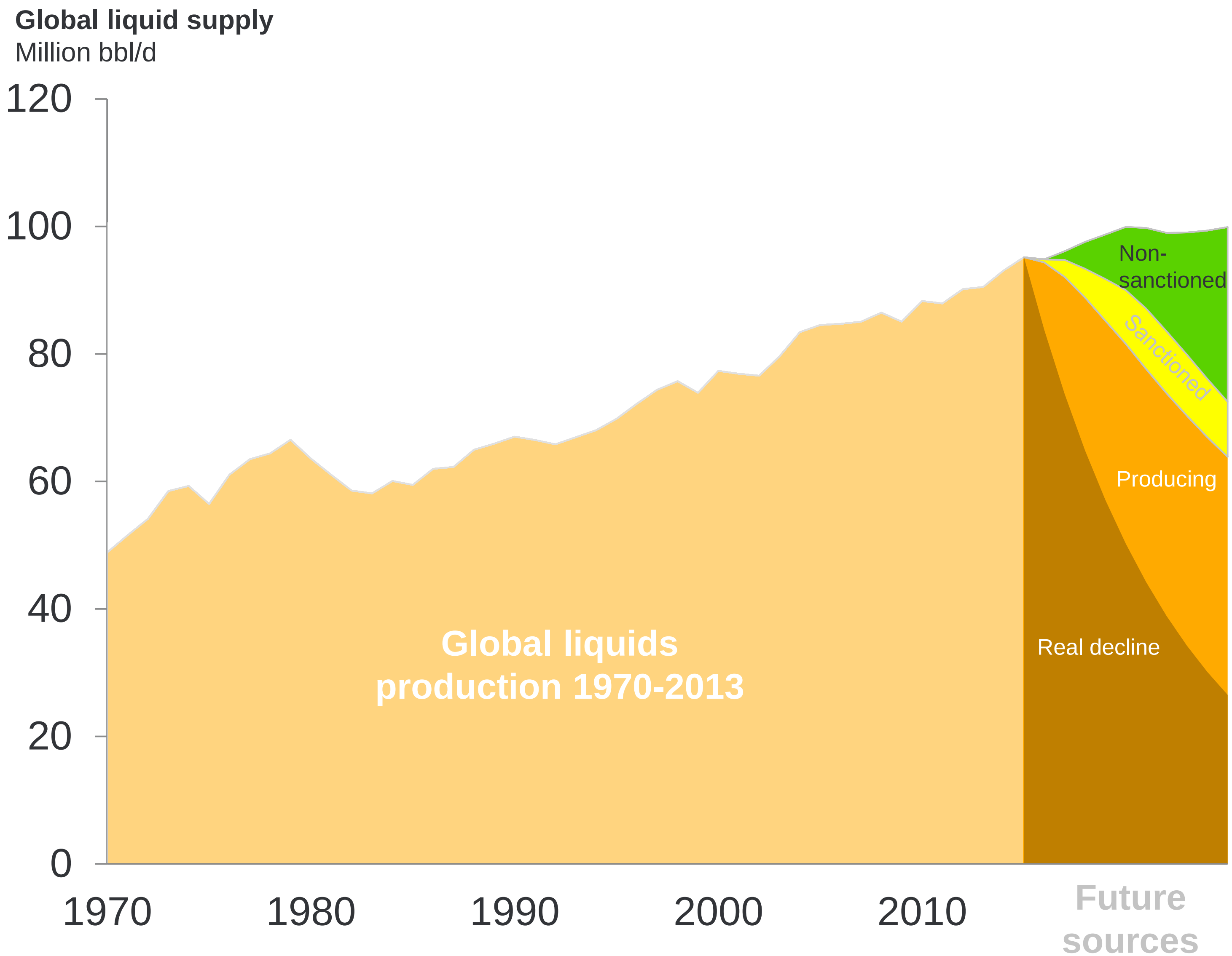
How supply responds to lower oil prices: Four key forces at work



Forces at work

4. "Non sanctioning"
When yesterdays hangover becomes tomorrows party-starter

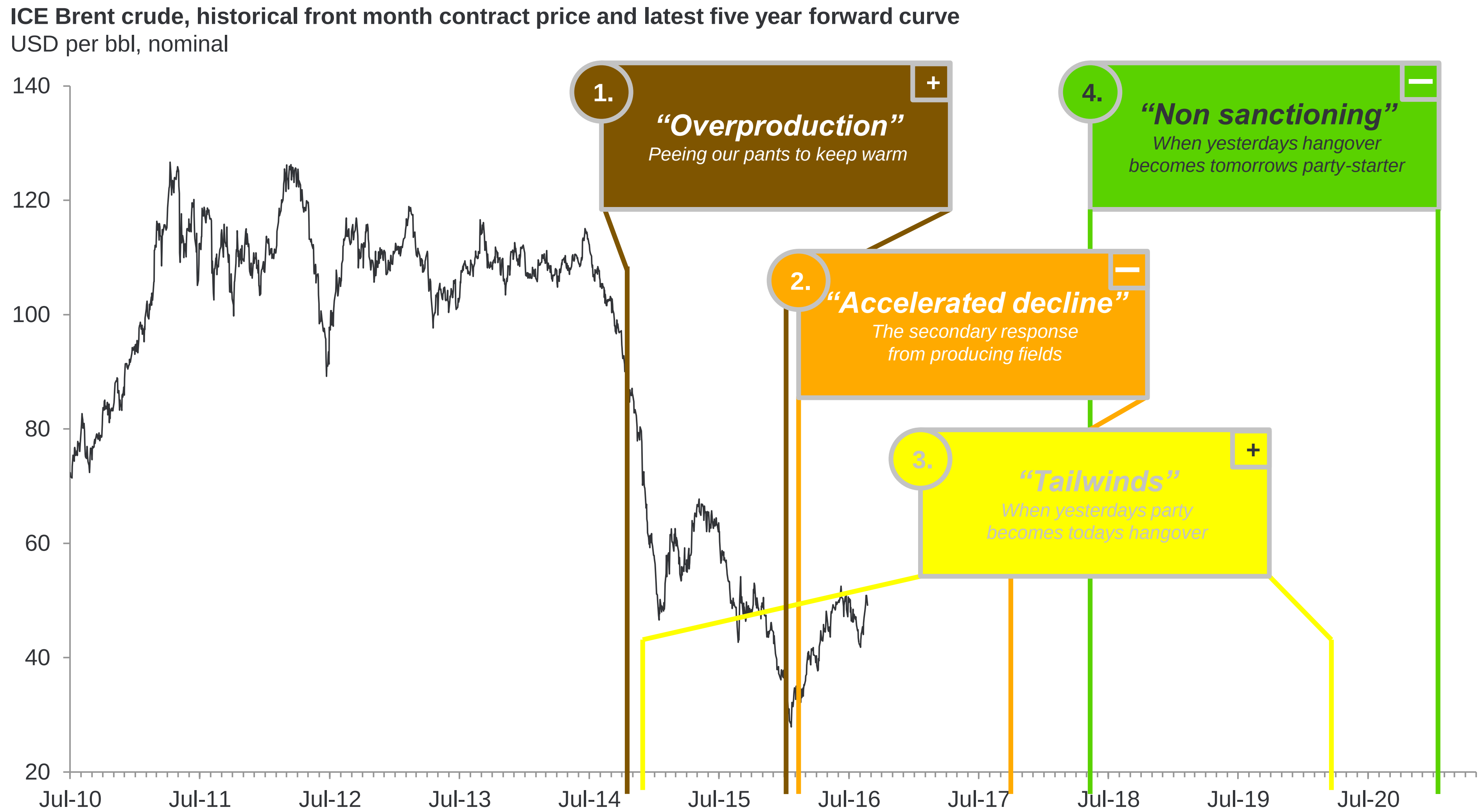
3. "Tailwinds"
When yesterdays party becomes todays hangover

2. "Accelerated decline"
The secondary response from producing fields

1. "Overproduction"
Peeing our pants to keep warm

Source: Rystad Energy UCube

Supply responding to lower oil prices summarized: Shortfall ahead?



Source: Bloomberg, Rystad Energy research and analysis

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