

# Oil Market Recovery and the Future Role of US Unconventionals



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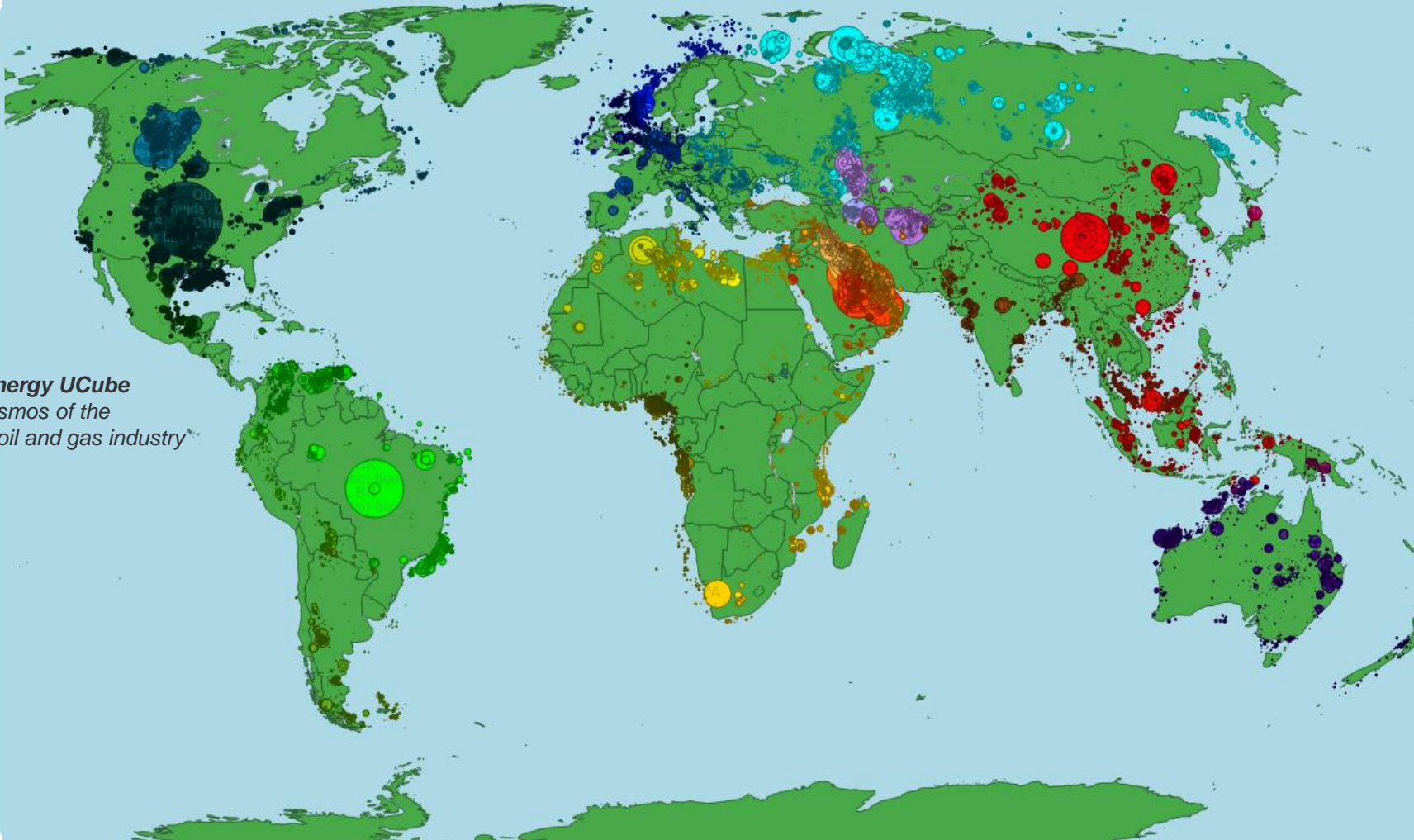


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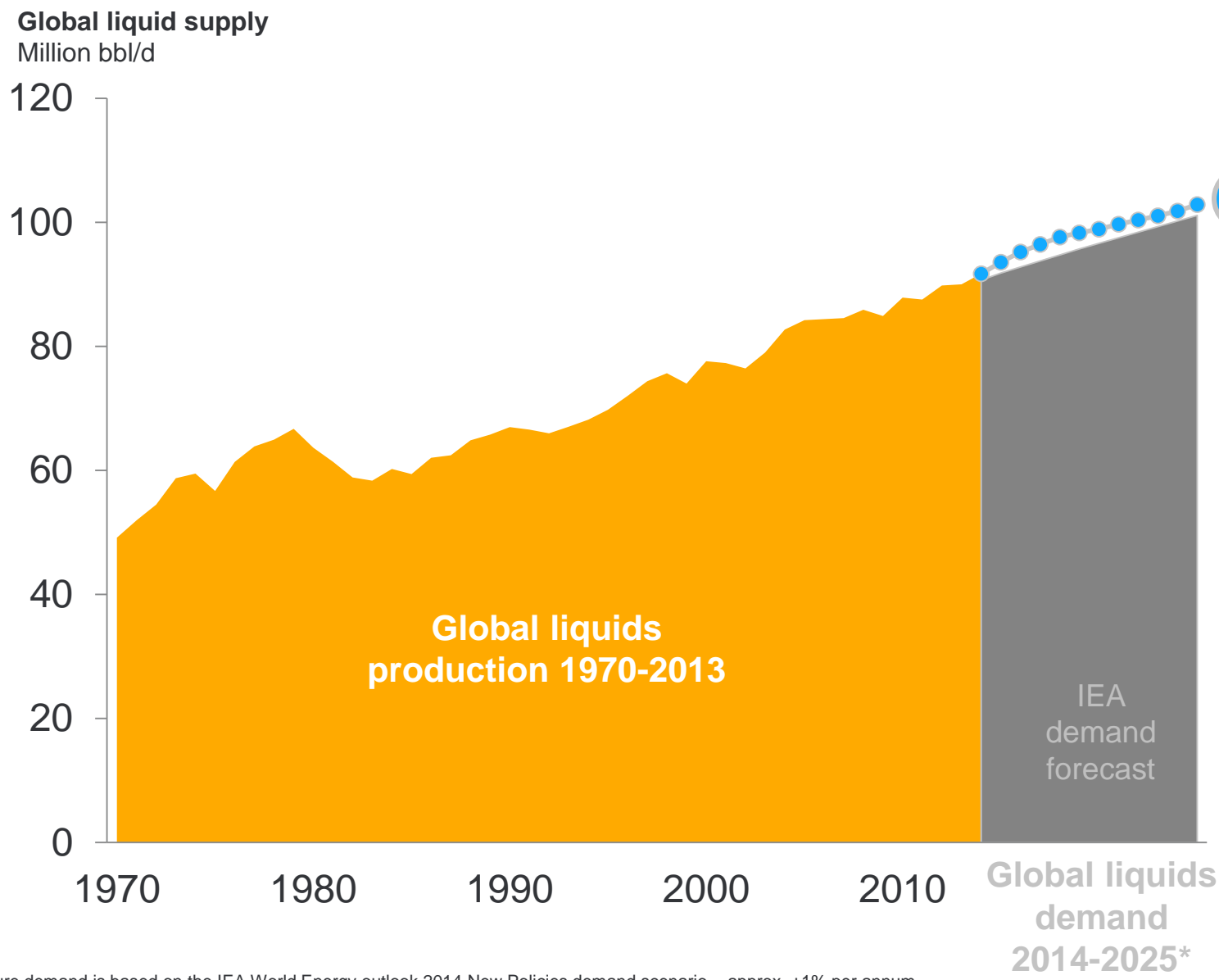
# Our approach and heritage: A bottom-up database of ~60.000 upstream oil and gas projects



**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



**Supply scenarios**

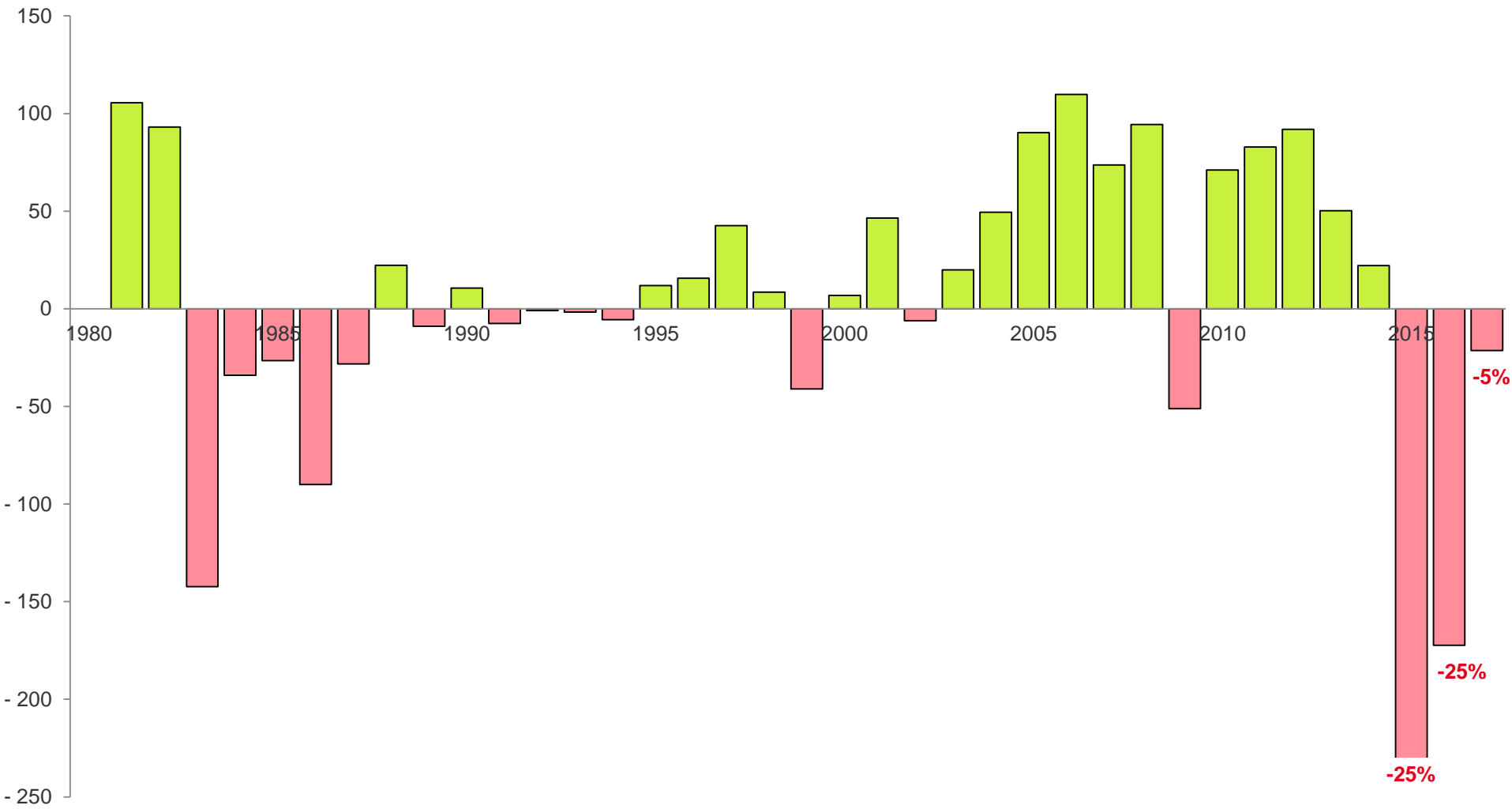
The \$100-scenario triggers positive investment decisions in upstream projects with break-evens below \$100 /bbl. The scenario seems to maintain an oversupplied situation.

\* 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

**Change in upstream capex budgets, year-over-year**

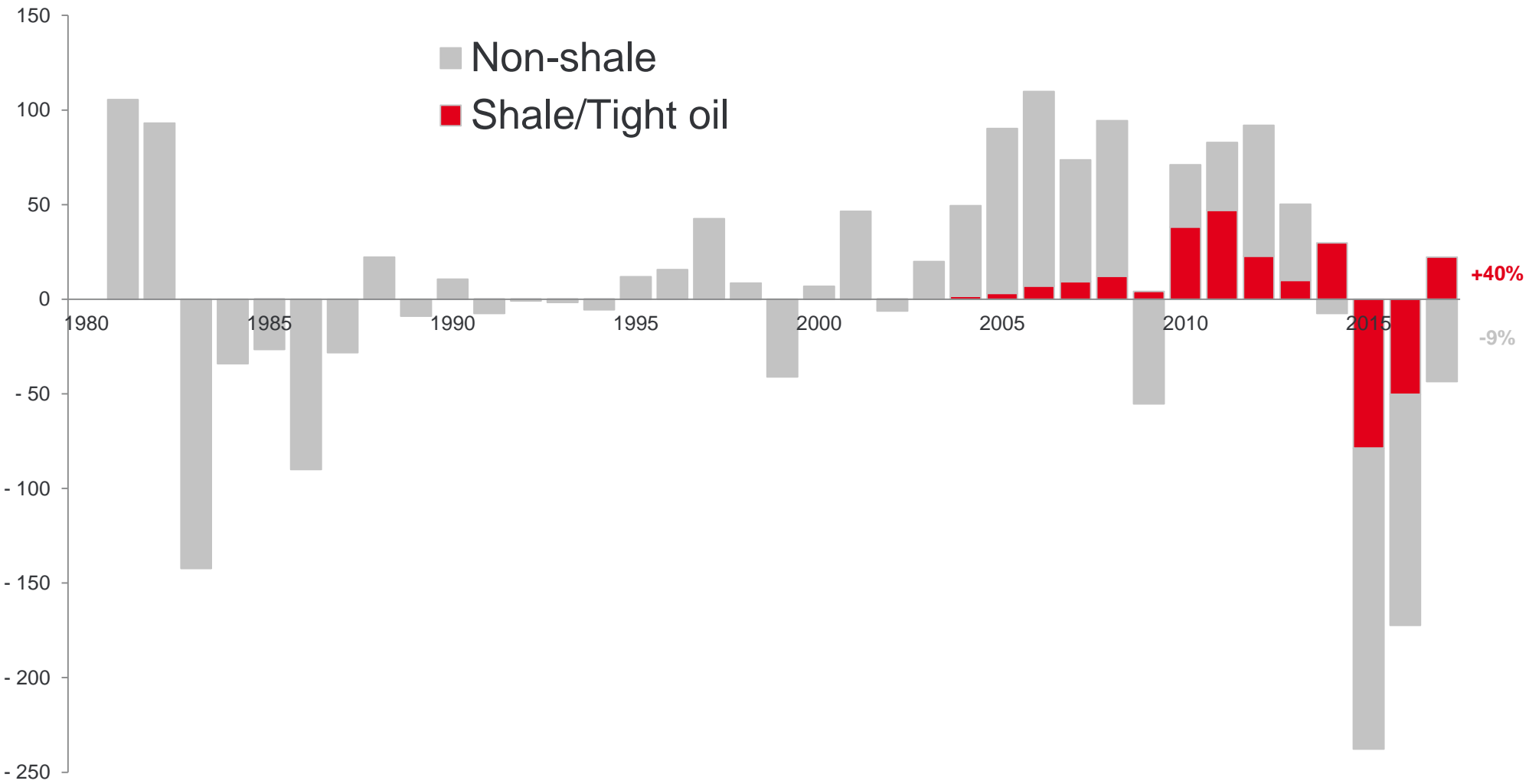
Billion USD real terms



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

**Change in upstream capex budgets, year-over-year**

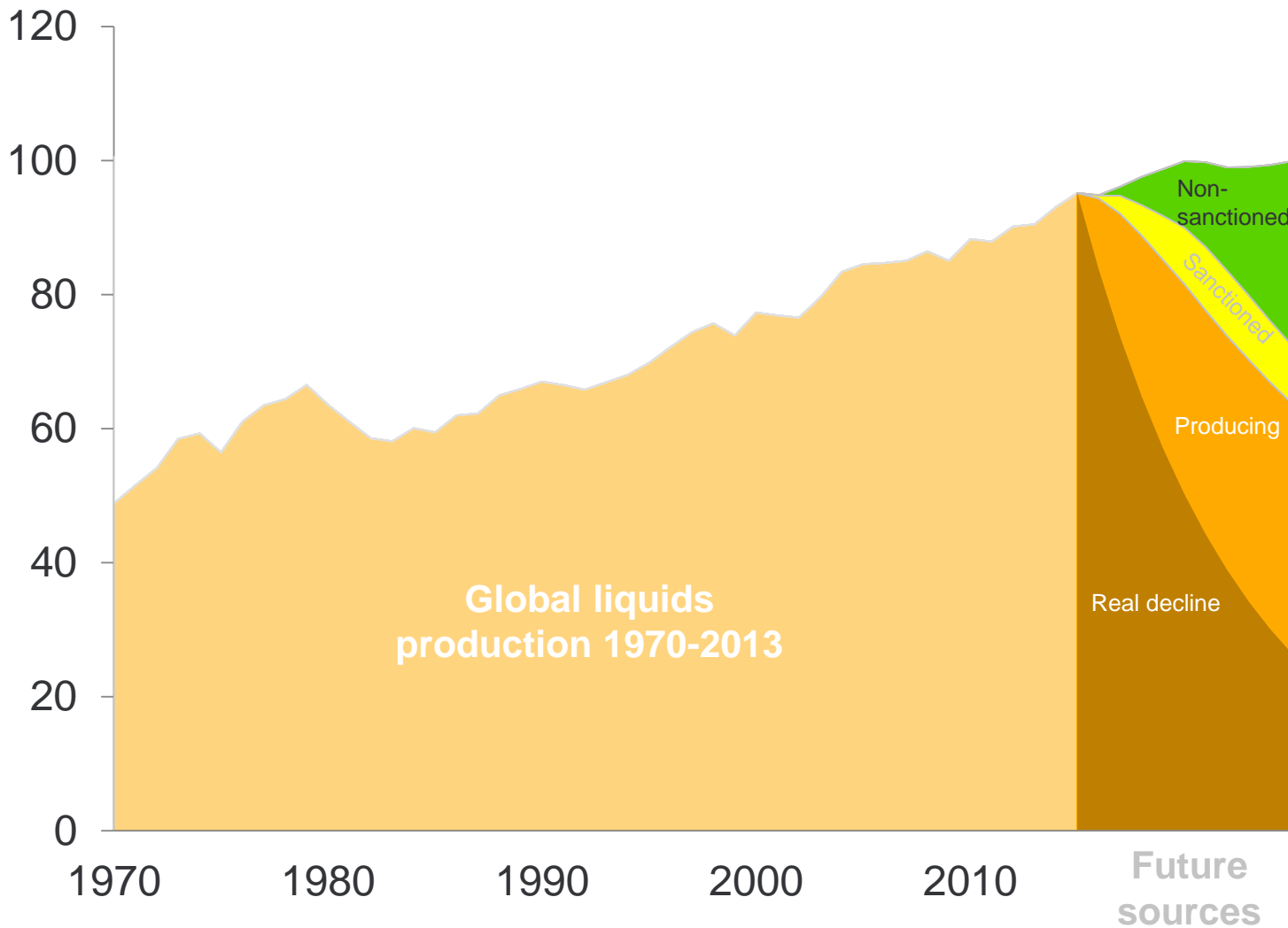
Billion USD real terms



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

## Global liquid supply

Million bbl/d



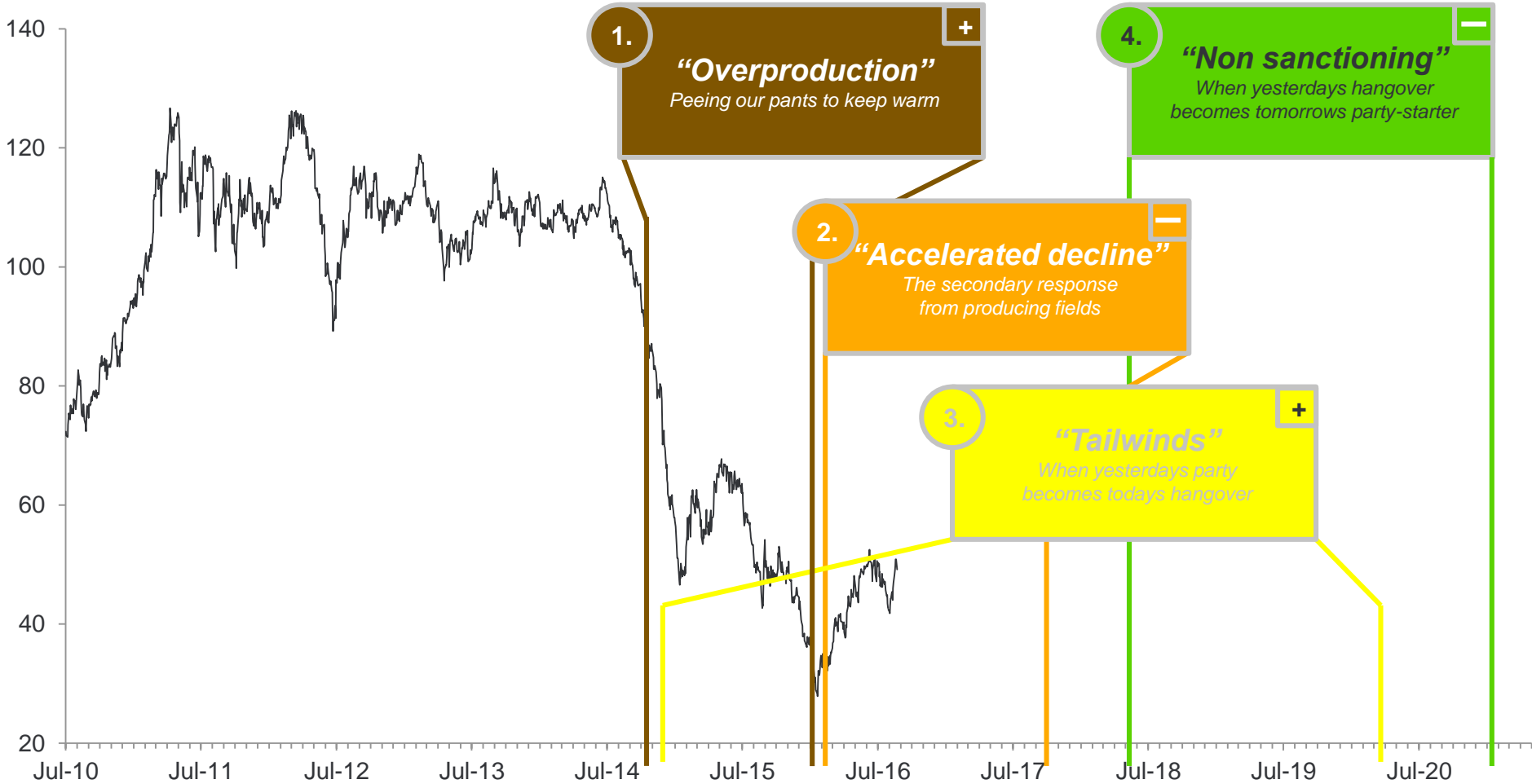
## Forces at work

- 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?

ICE Brent crude, historical front month contract price and latest five year forward curve  
 USD per bbl, nominal



Source: Bloomberg, Rystad Energy research and analysis

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