Oil Market Recovery and the Future Role of US Unconventionals

Lars Eirik Nicolaisen
(lars.eirik.nicolaisen@rystadenergy.com)
Partner, Rystad Energy

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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

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

1. "Overproduction" - Peeing our pants to keep warm
2. "Accelerated decline" - The secondary response from producing fields
3. "Tailwinds" - When yesterday's party becomes today's hangover
4. "Non sanctioning" - When yesterday's hangover becomes tomorrow's party-starter

Global liquid supply
Million bbl/d

Global liquids production 1970-2013

Source: Rystad Energy UCube
Supply responding to lower oil prices summarized: Shortfall ahead?

Rystad Energy’s base case oil price is the forecast used in the base case scenario in our bottom-up field upstream database UCube. Rystad Energy forecasts a higher crude price curve than the current futures curve traded in the market as we set our base case prices at the level necessary to prevent significant supply shocks from occurring in the market.

Our bottom-up global liquids production profile at the current base case Brent oil price (nominal terms) by year shows:

- 2015: 94.9 mmbbl/d baseline production
- 2016: 94.8 mmbbl/d at 47 USD Brent
- 1Q 16: 94.6 mmbbl/d at 35 USD Brent
- 2Q 16: 95.0 mmbbl/d at 42 USD Brent
- 3Q 16: 95.2 mmbbl/d at 47 USD Brent
- 4Q 16: 94.6 mmbbl/d at 64 USD Brent
- 2017: 95.4 mmbbl/d at 67 USD Brent
- 2018: 97.0 mmbbl/d at 80 USD Brent
- 2019: 97.9 mmbbl/d at 95 USD Brent
- 2020: 98.7 mmbbl/d at 105 USD Brent

Source: Bloomberg, Rystad Energy research and analysis
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