

# Of bulls and bears in energy markets

Returning to structural scarcity or continued 'under-demand'?

**ABN AMRO Bank – Capital Link**

Group Economics – Sector Research

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## Presentation structure

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- 1) Introduction: Major issues
- 2) Reserves, demand and supply in January 2011
- 3) Price developments
- 4) Upstream capacity additions in 2011
- 5) Reality check: Overall outlook to 2015
- 6) Factors affecting demand and supply in the short and long term
- 7) Conclusion

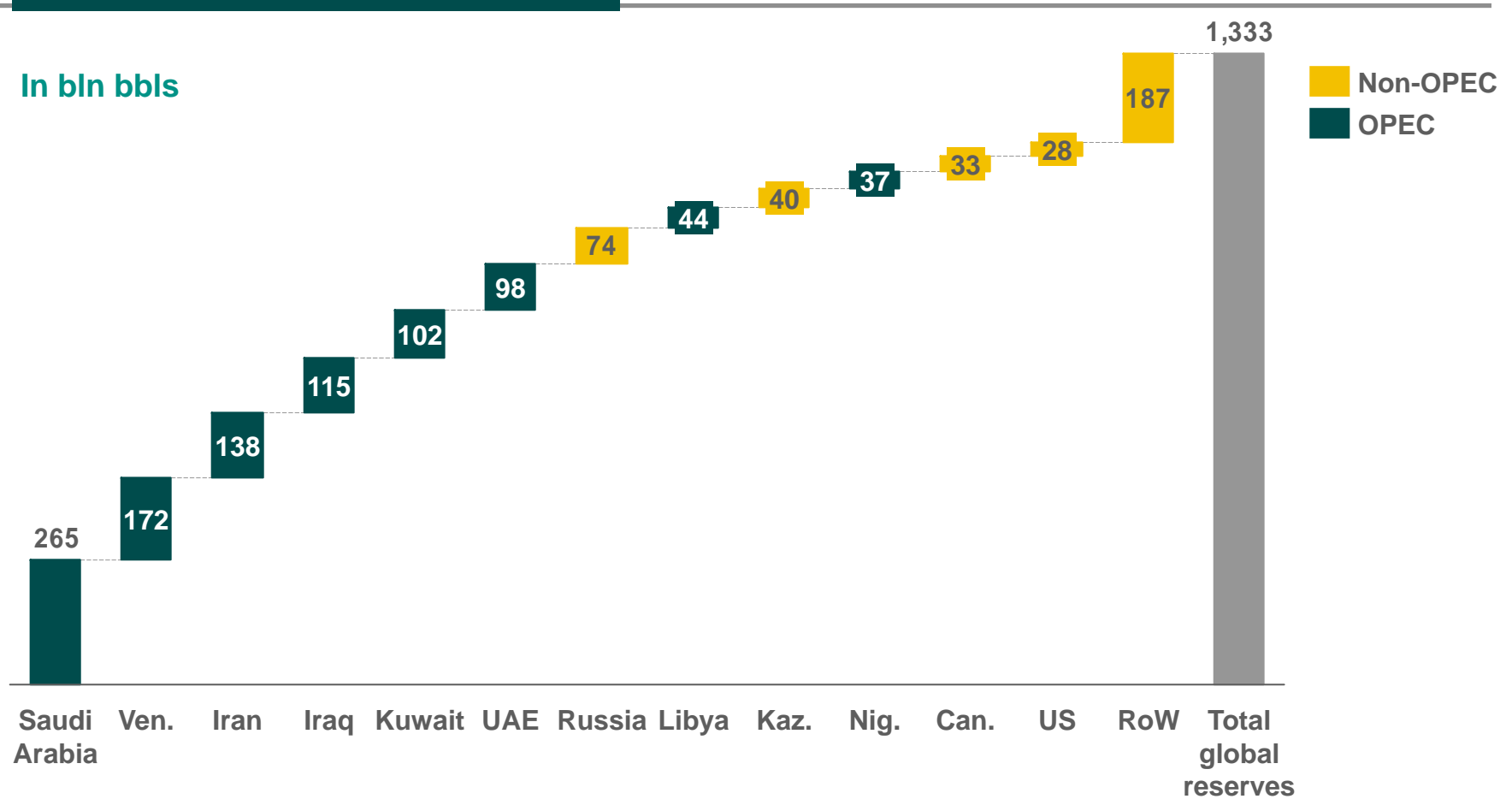
## Introduction: Major issues

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- Uncertainty in major oil markets: Is a major surge in oil demand underway or is the world still recovering?
- Instability in wider Middle East
- Different oil demand fundamentals in major OECD oil markets
- Changing dynamics of oil demand in the medium-term

# Oil reserves in 1/2011

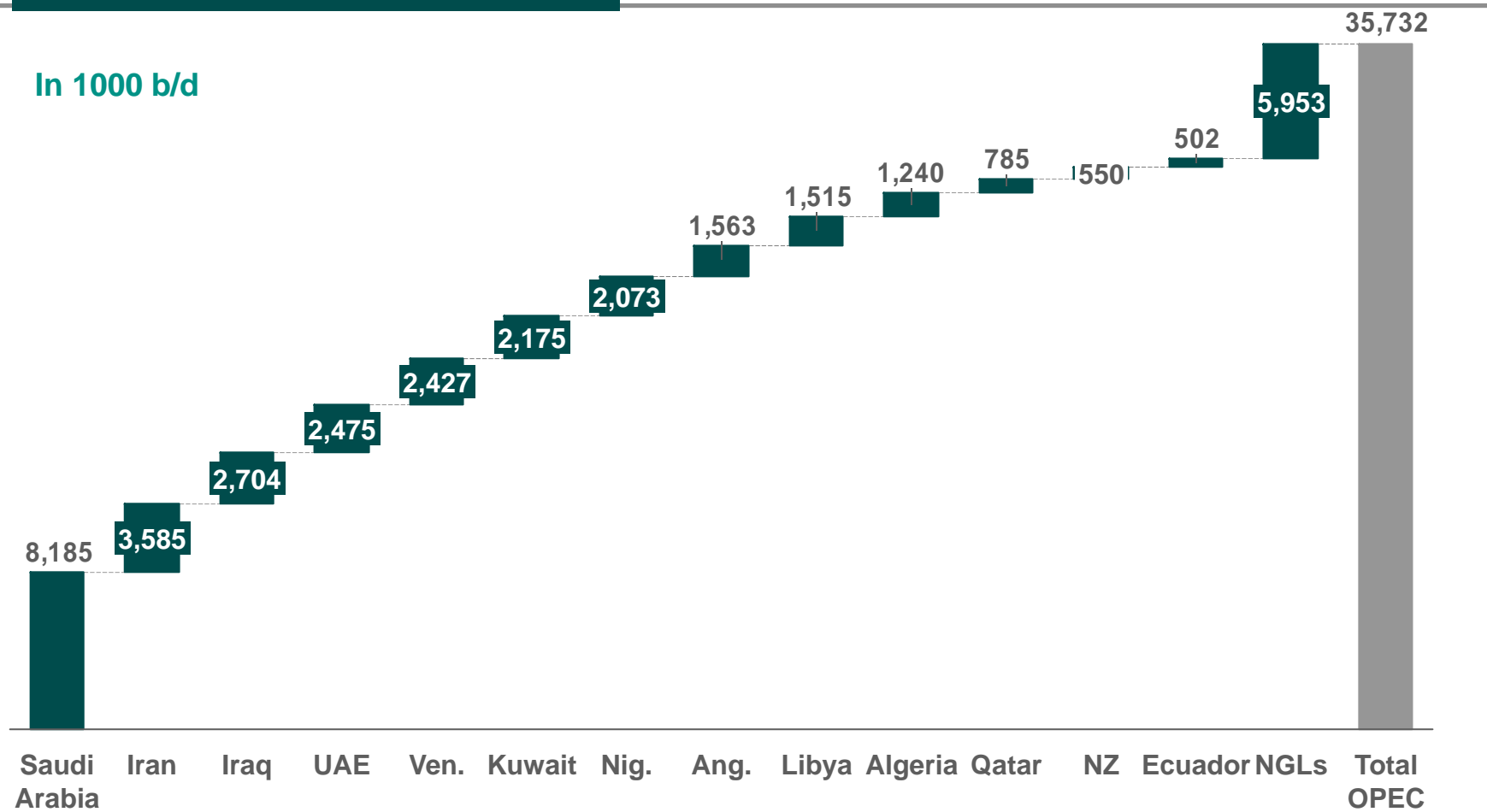
In bln bbls



Data source: BP Statistical Review 2010  
 Note: Totals may not add up due to rounding

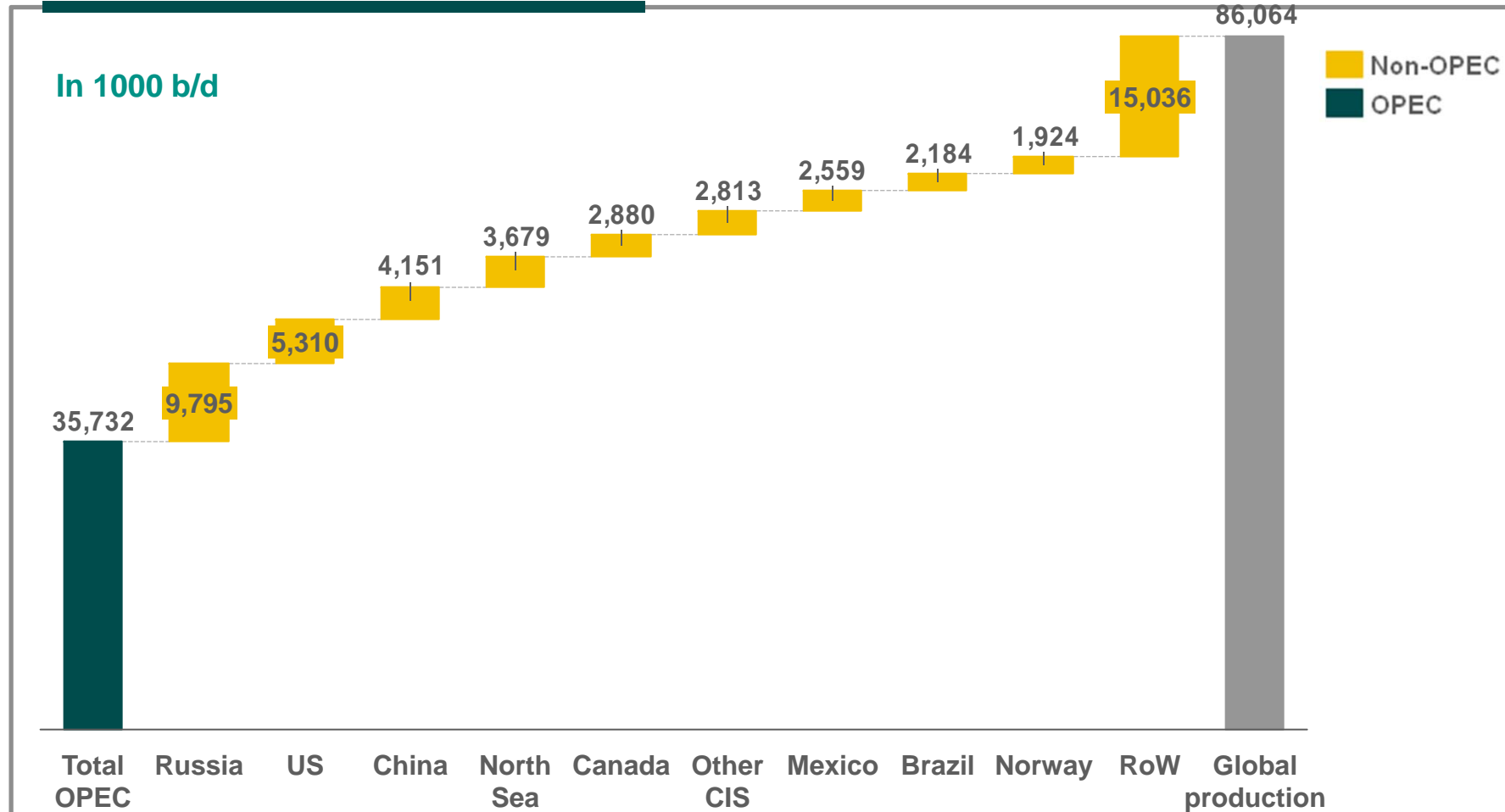
# OPEC oil supply in 1/2011

In 1000 b/d



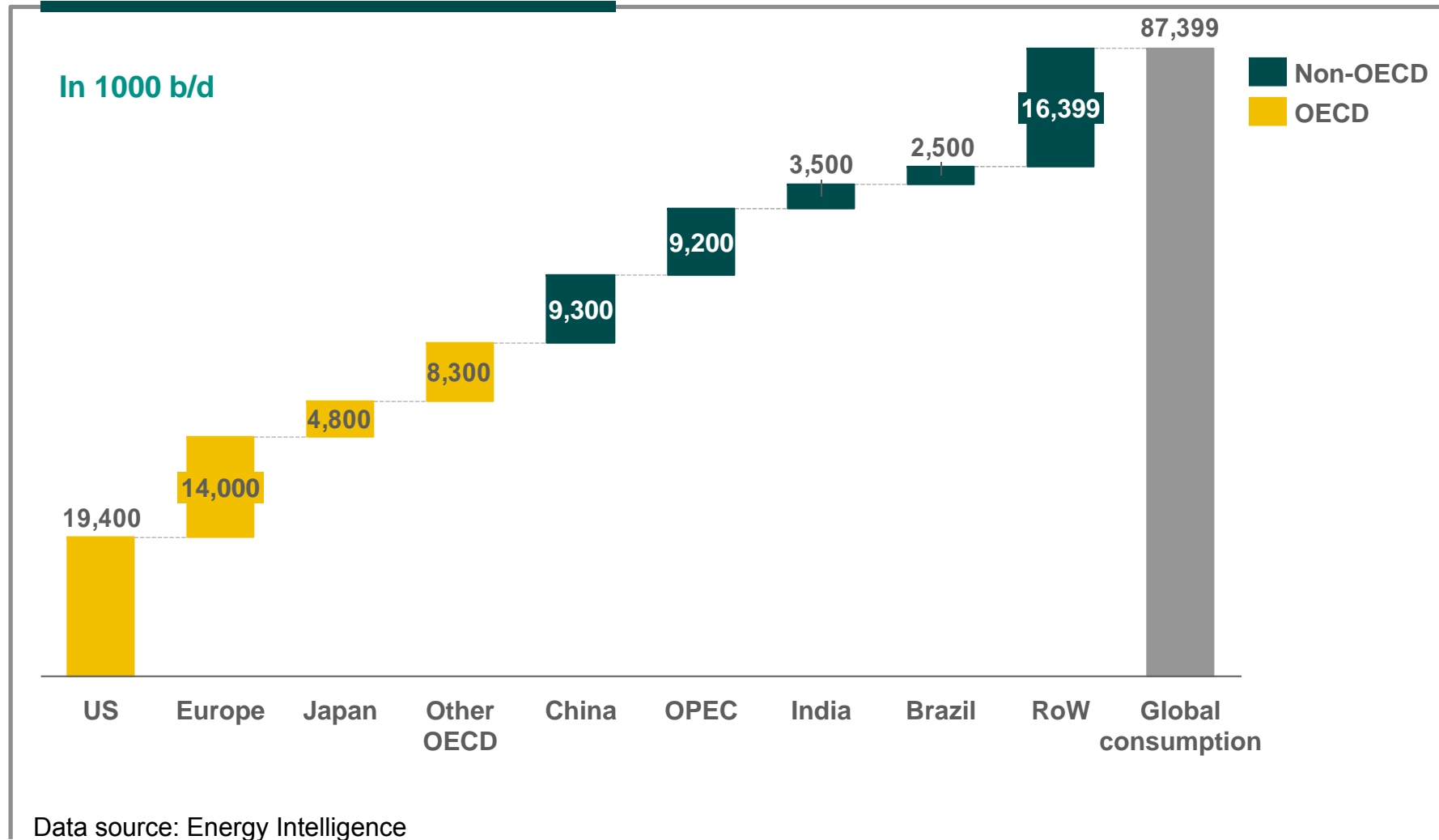
Data source: Energy Intelligence  
 Note: Totals may not add up due to rounding

# OPEC & non-OPEC oil supply in 1/2011



Data source: Energy Intelligence  
 Note: Totals may not add up due to rounding

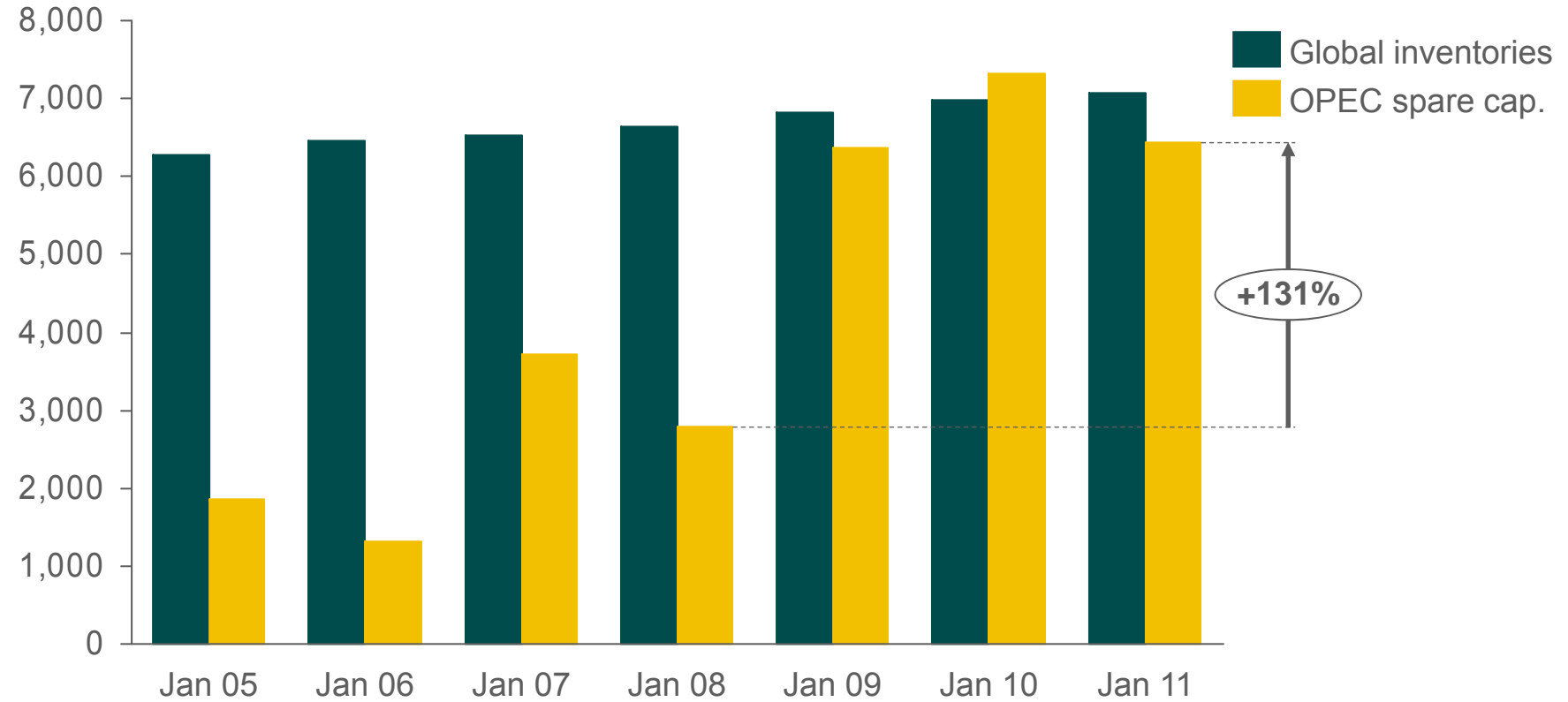
# Global oil demand in 1/2011



Data source: Energy Intelligence  
 Note: Totals may not add up due to rounding

# Global observed oil inventories and OPEC spare capacity

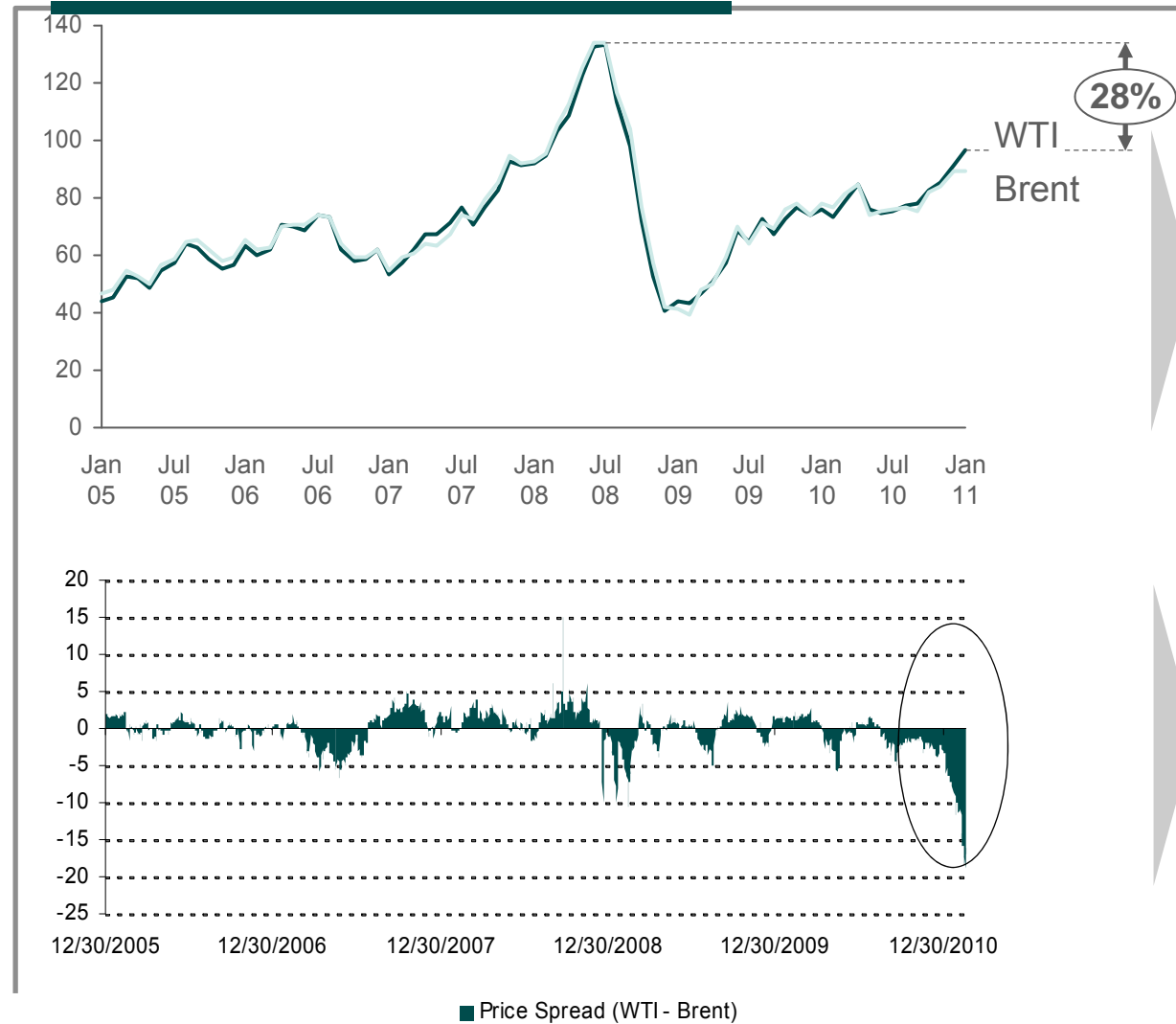
In 1000 b/d



Data source: Energy Intelligence  
Note: Totals may not add up due to rounding



# Oil price development, 2005 – 1/2011 (in USD/bbl)



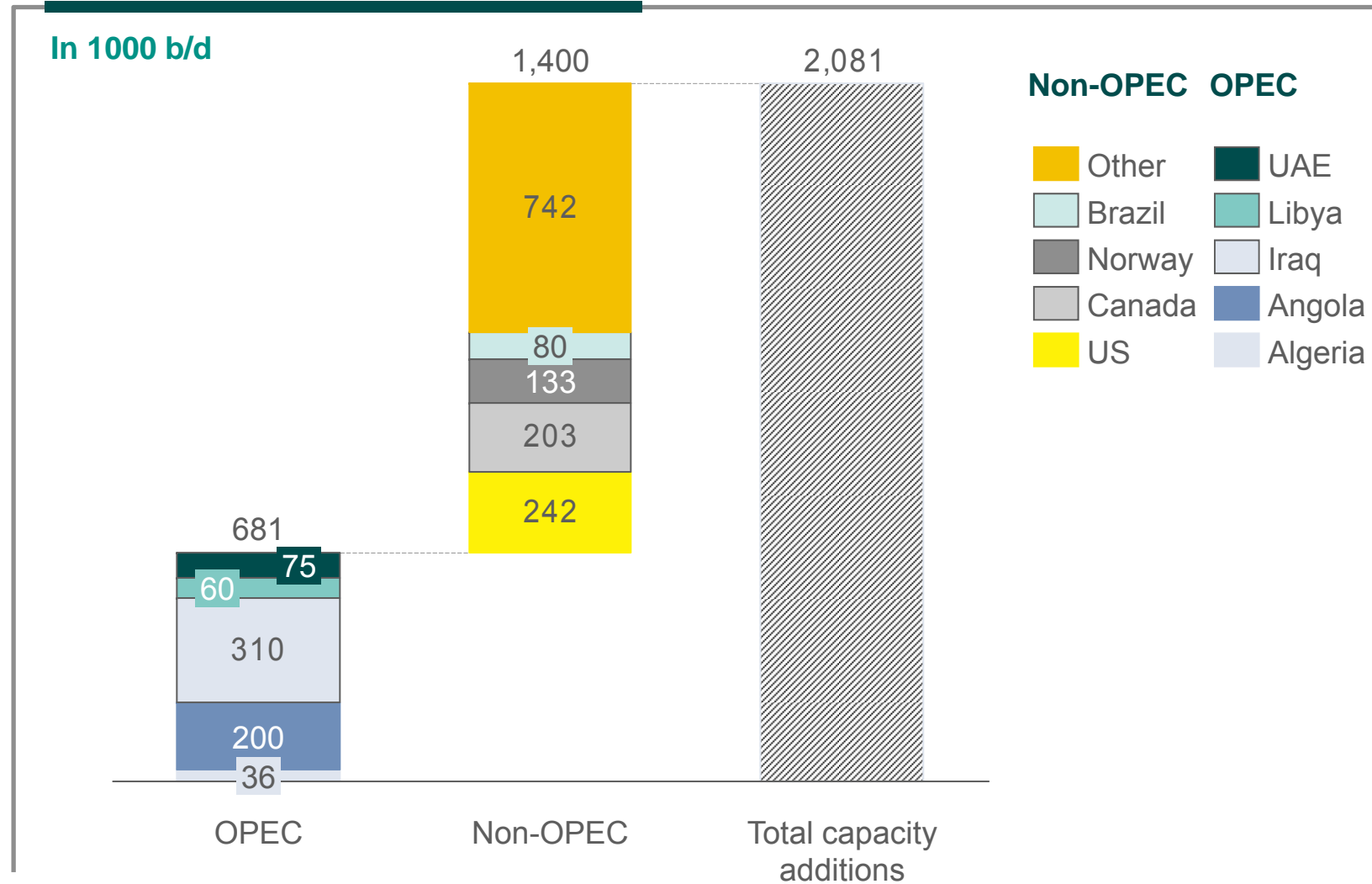
## Newly rising oil prices

- Post-recession economic recovery in OECD countries
- Continued economic growth in non-OECD countries

## Rising Brent-WTI spread

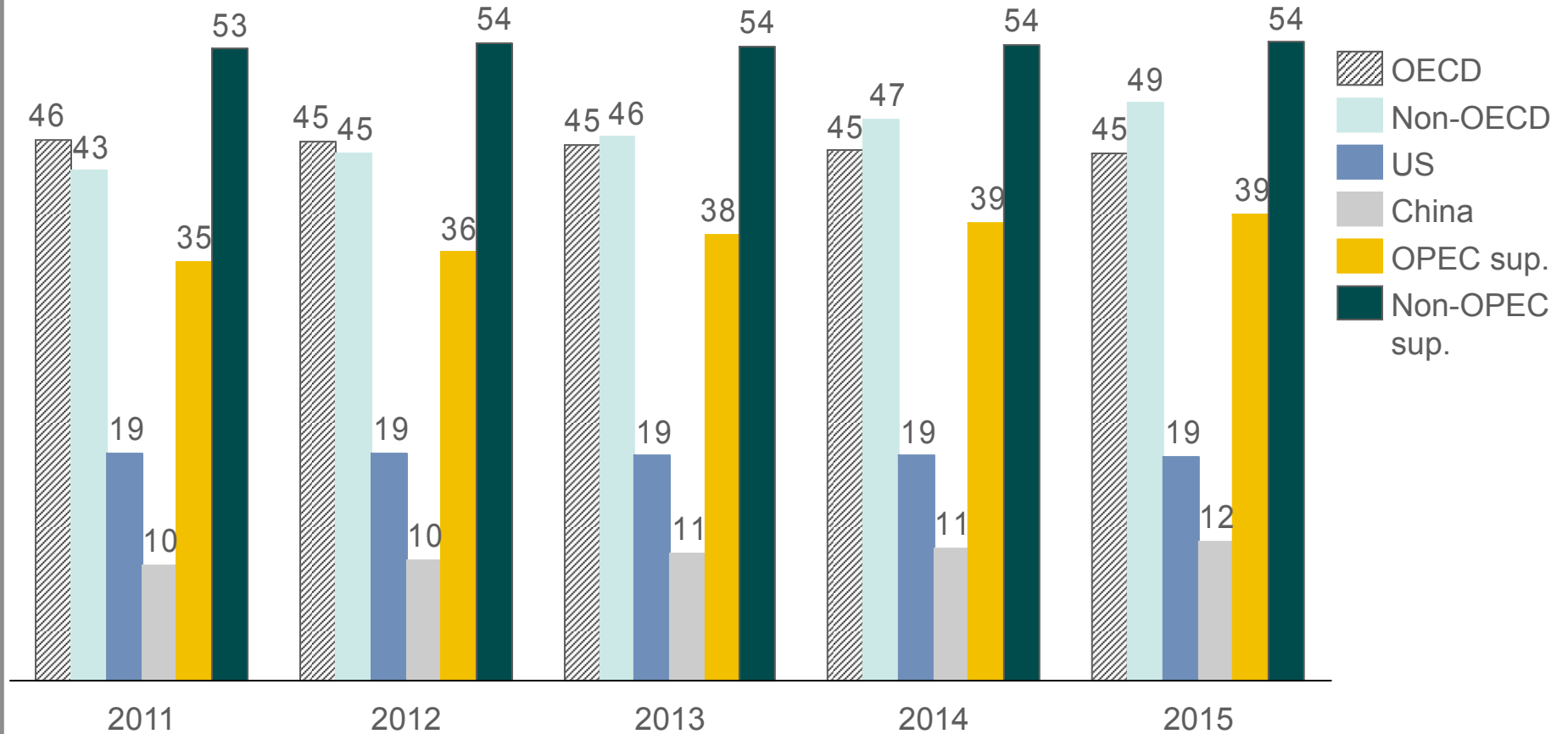
- Immense inventory overhang in US depressing WTI
- Unrest in Middle East and Asian demand putting upward pressure on Brent

# OPEC and non-OPEC capacity additions in 2011



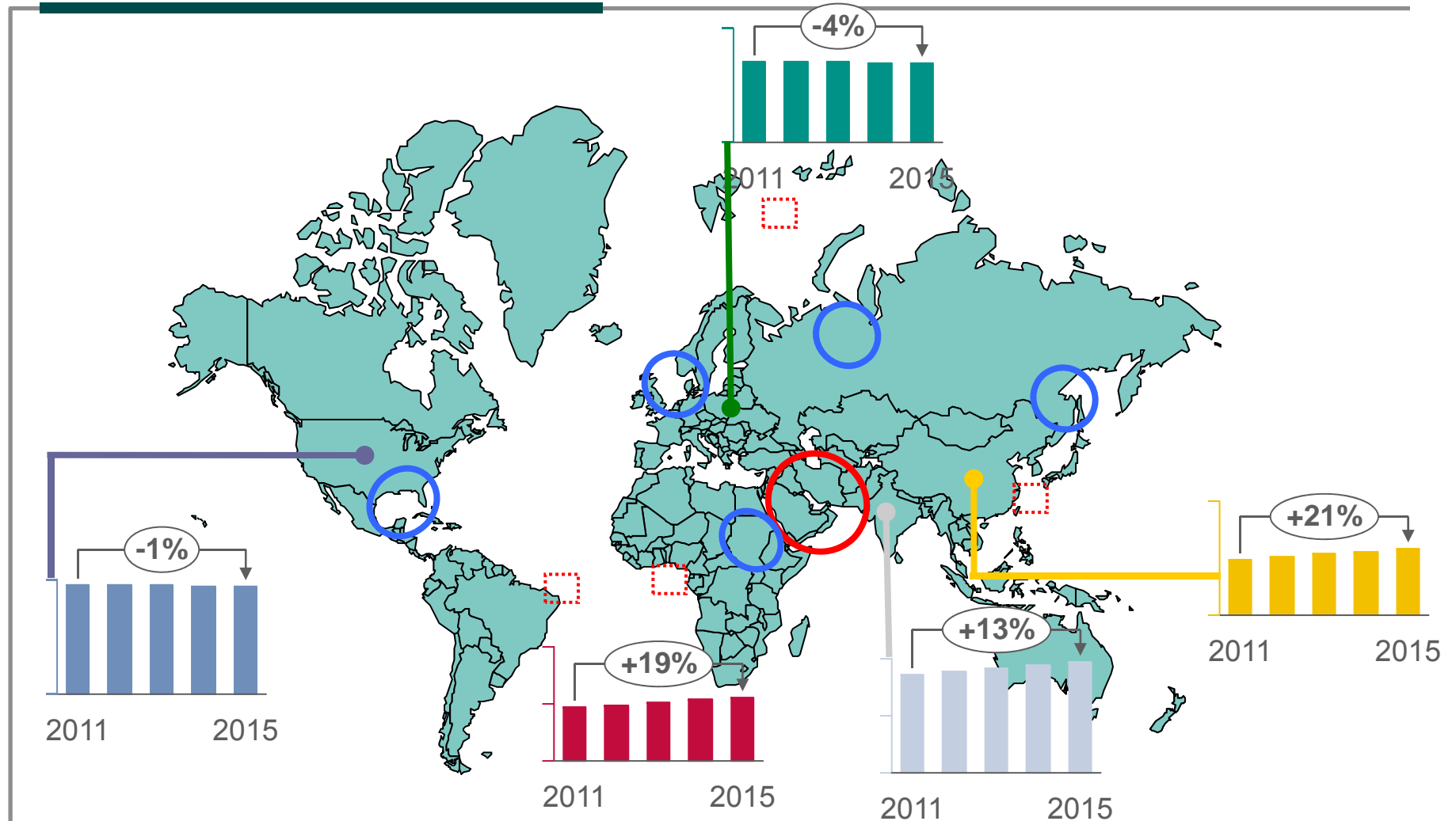
# Medium term oil demand and supply outlook

In mb/d



Data source: International Energy Agency

# Mapping global oil supply and demand fundamentals



# Factors affecting oil demand in the short- to medium term

## Short term (2011-2012)

- Pace of global economic recovery, which is uncertain
- Interest rate decisions in key economies
- Demand for different oil products by region
- Euro/USD exchange rate

## Long term (to 2015)

- Pace of continued non-OECD demand growth (incl. subsidies)
- Hence structurally higher demand likely, meaning higher prices
- Stagnating, bearish demand in OECD economies
- Subsidies in oil-producing countries

# Factors affecting oil supply in short- to medium term

## Short term (2011-2012)

- OPEC decision in June 2011
- Non-OPEC outlook and project realization
- Social unrest in wider Middle East (unlikely to impact major oil producers)
- Inventories and OPEC spare capacity

## Long term (to 2015)

- Oil price subsidies in oil-producing countries
- The Iraq factor and upstream OPEC investments
- Ability of US to maintain control of sea lanes, influence on regional governments
- Geopolitical relationships change in and between oil-producing and consuming countries
- Increased control of the value chain, especially upstream by National Oil Companies (NOCs)

## Conclusion

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- With macro-economic uncertainty in OECD and non-OECD countries...
- ...and continued economic growth in non-OECD countries, bulls and bears struggle for control in 2011
- So overall assessment is positive but cautious for 2011
- Avoid comparison between 2008 and 2011
- Expect structural scarcity in the global oil market beyond 2012

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