THE OXFORD INSTITUTE FOR ENERGY STUDIES

Short-Term Oil Market Outlook

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Oxford Institute for Energy Studies

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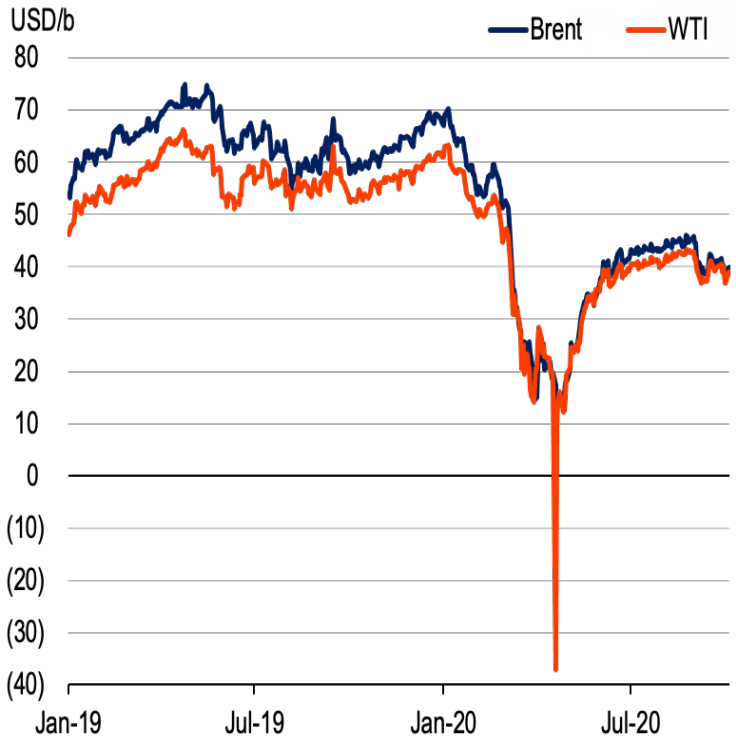
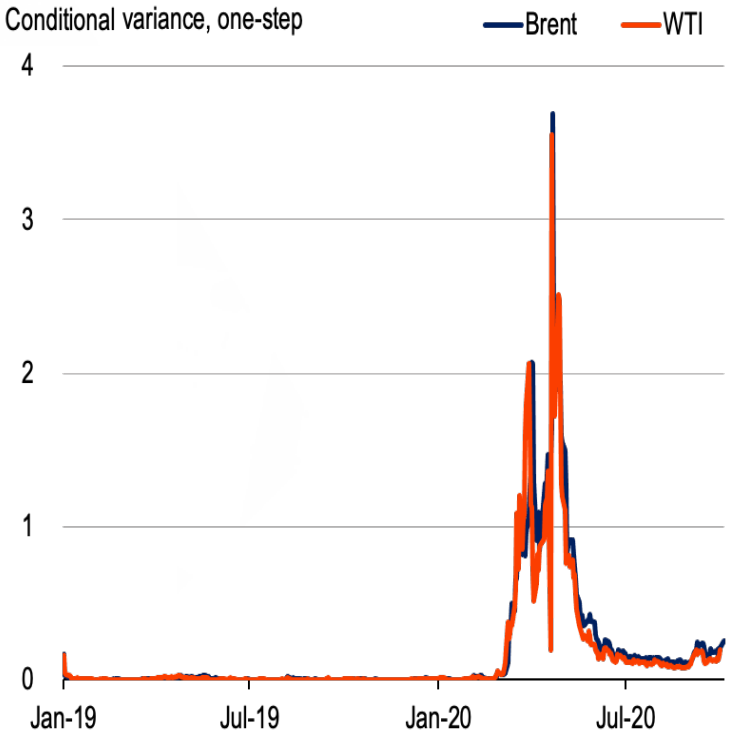
Despite recent weaknesses, $40/b oil price floor holds

Daily oil prices



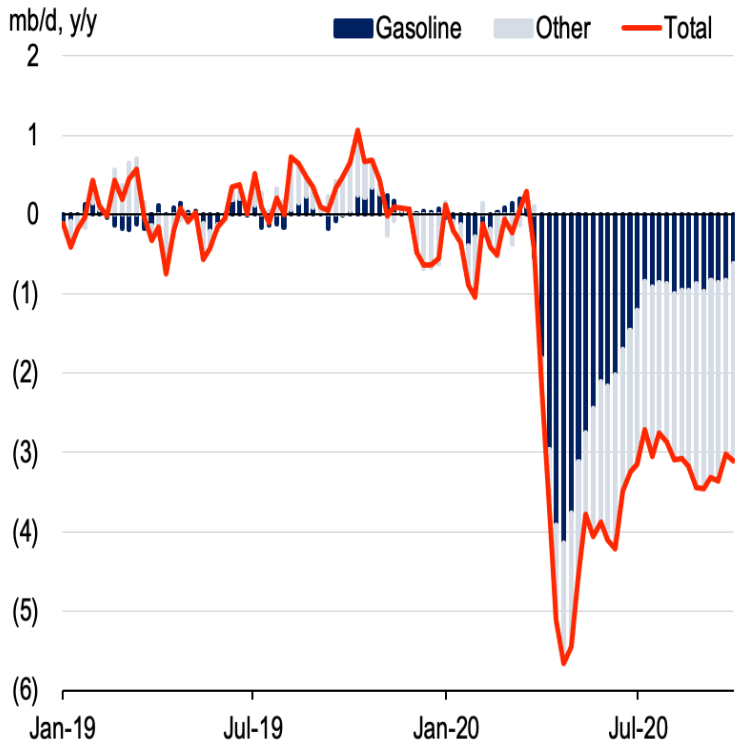
Oil price volatility



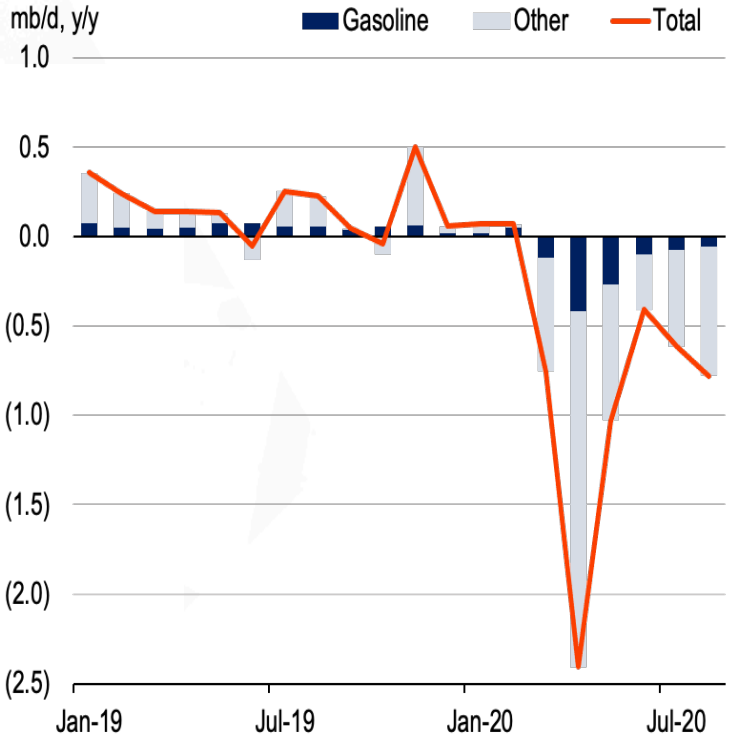
Source: EIA, OIES

Oil demand recovery entered a slower stage

US oil demand

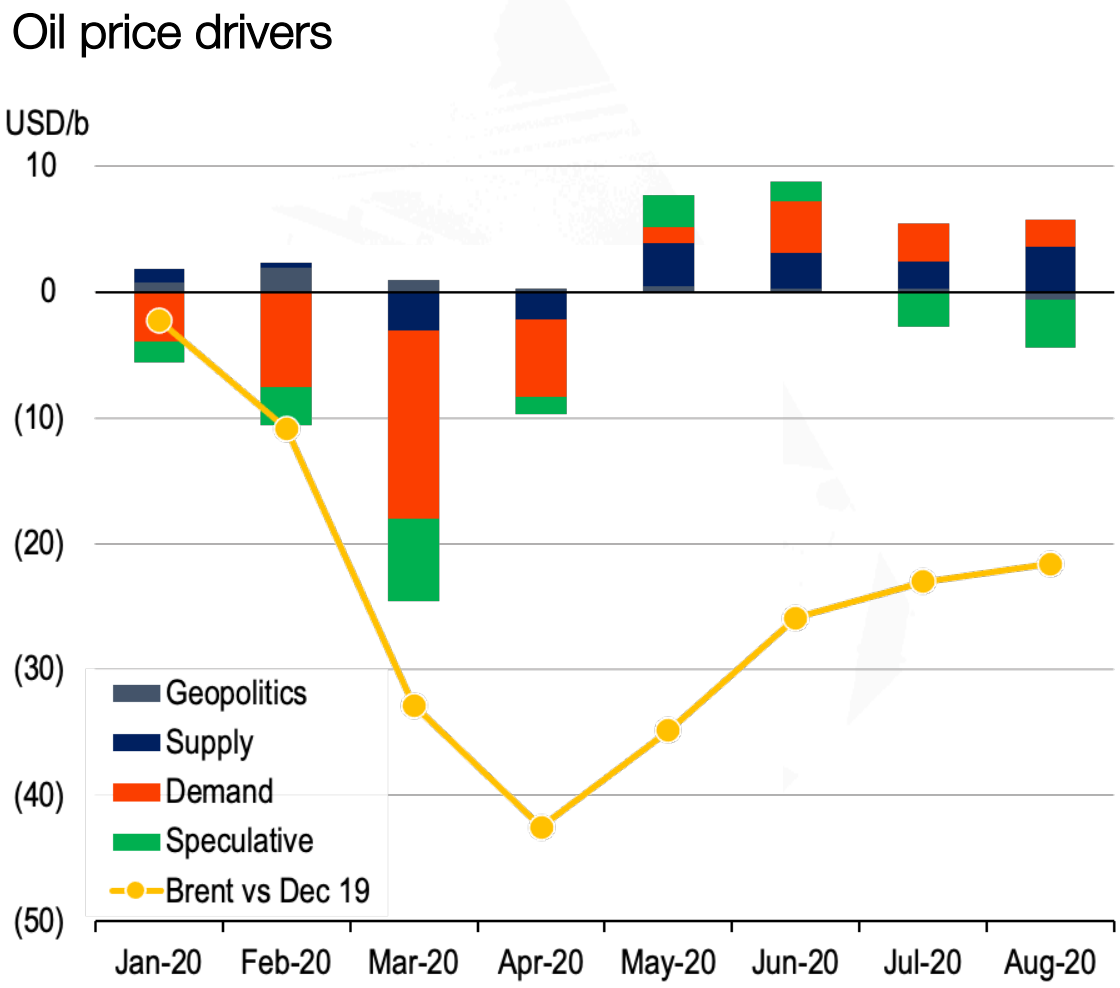


India oil demand



Source: EIA, Argus, OIES

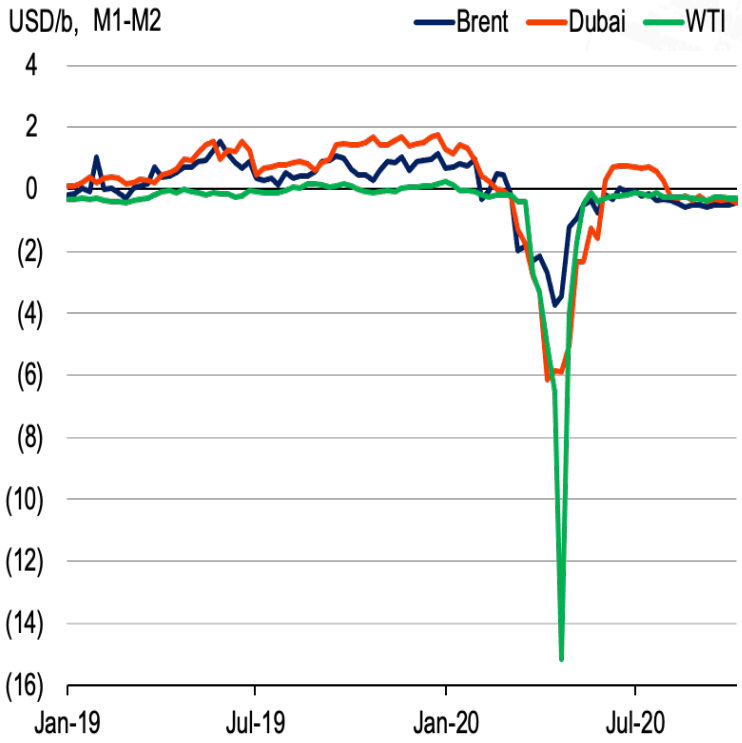
Price recovery flattened amid weaker demand support and deteriorating market expectations



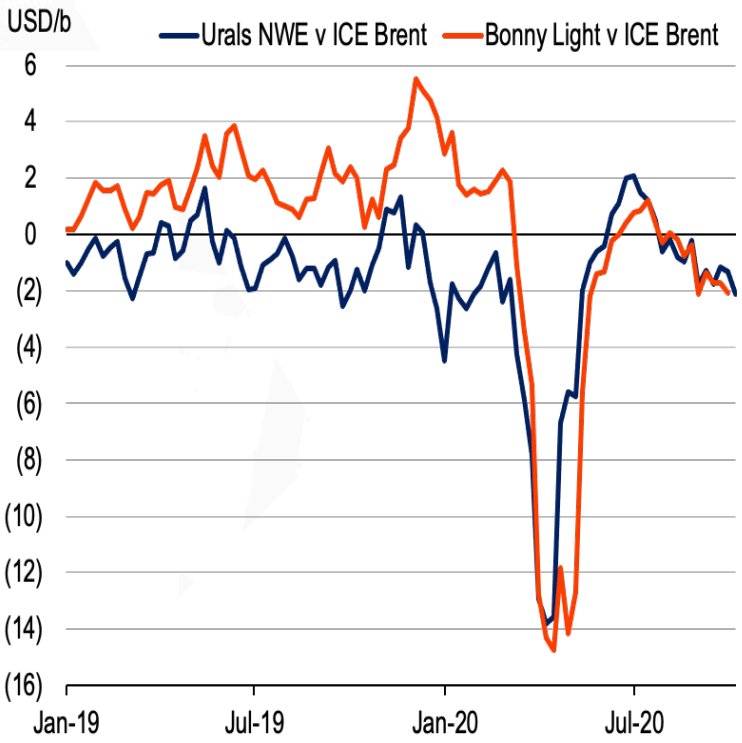
Source: OIES

Reflected in time spreads and differentials

Time spreads



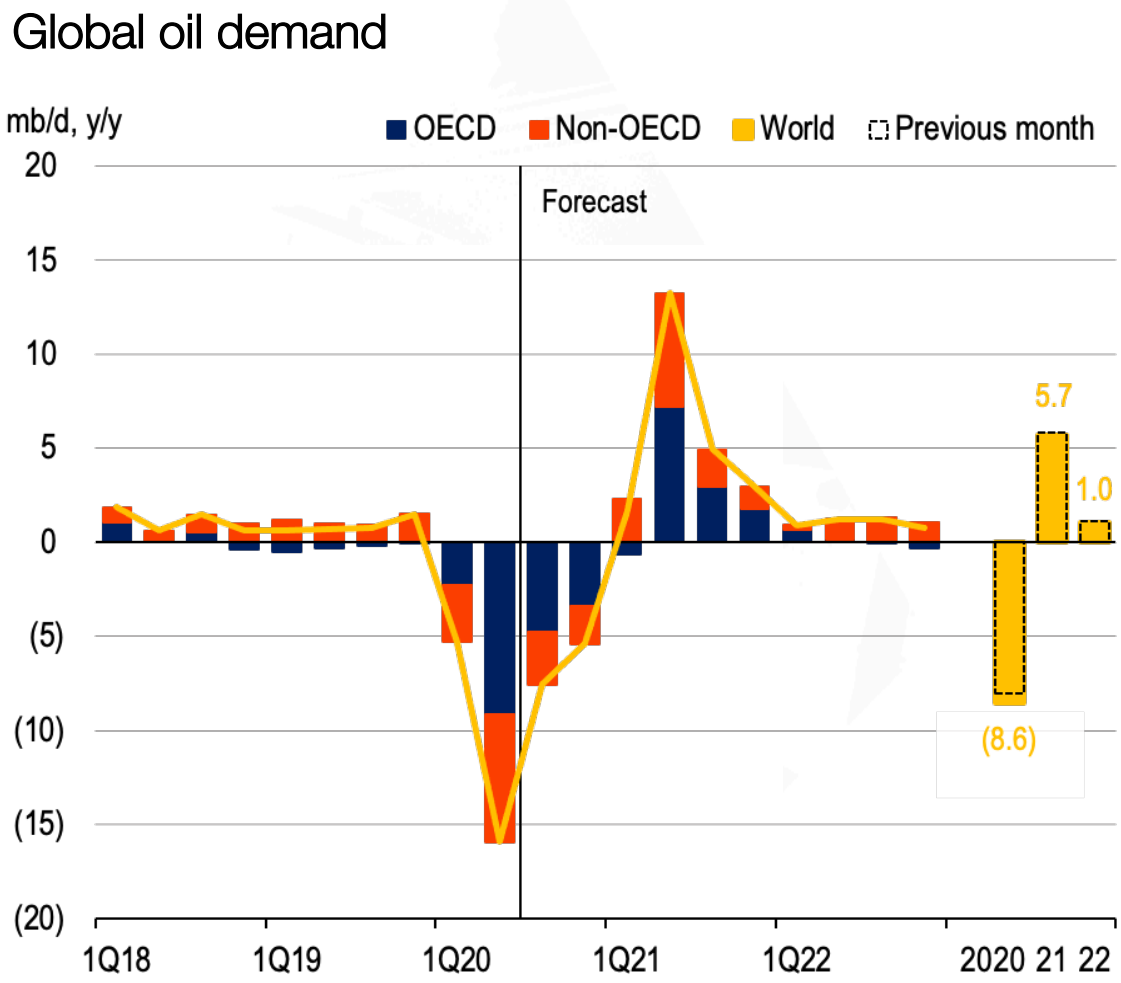
Price differentials



Source: Argus, OIES

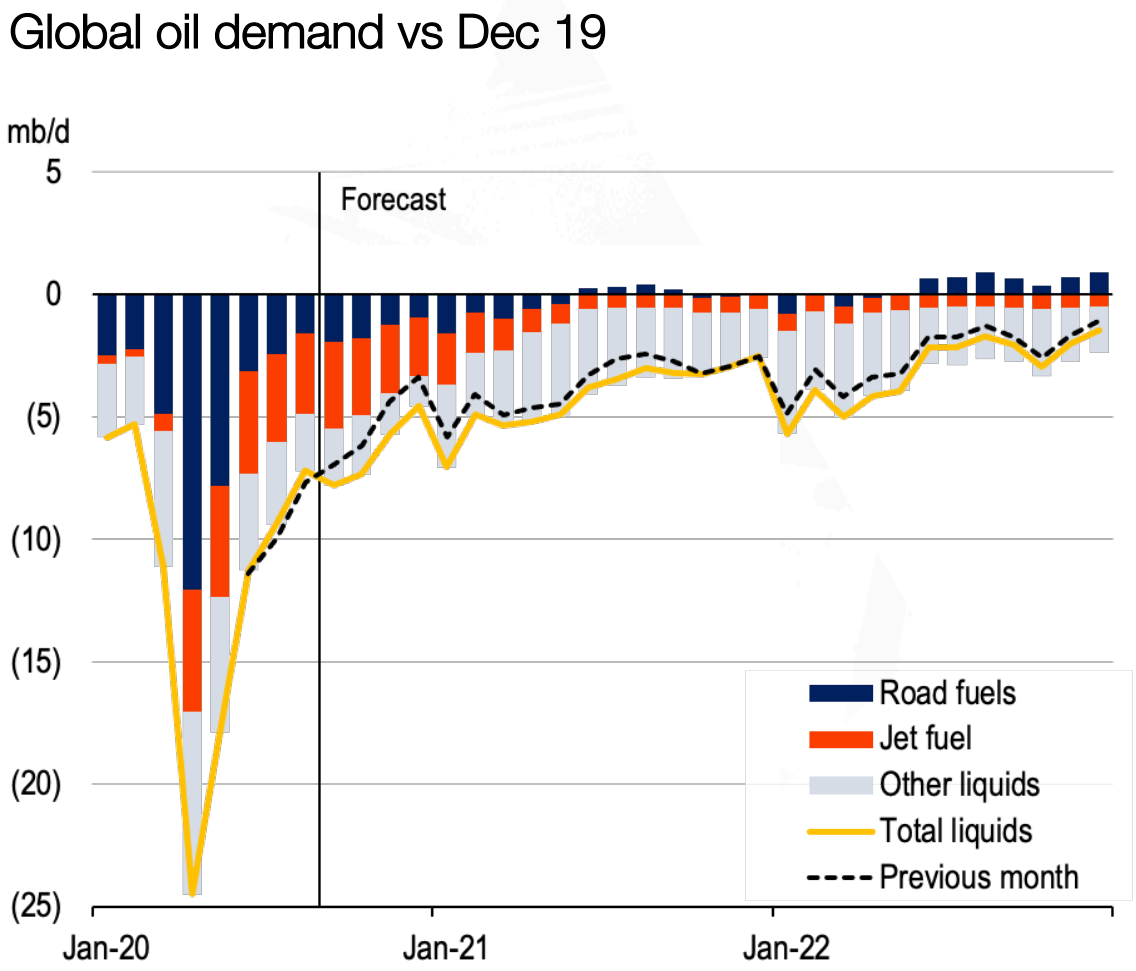
Demand

First downgrade of global demand forecast since “Black April”



Source: OIES

When will oil demand reach its pre-virus level?

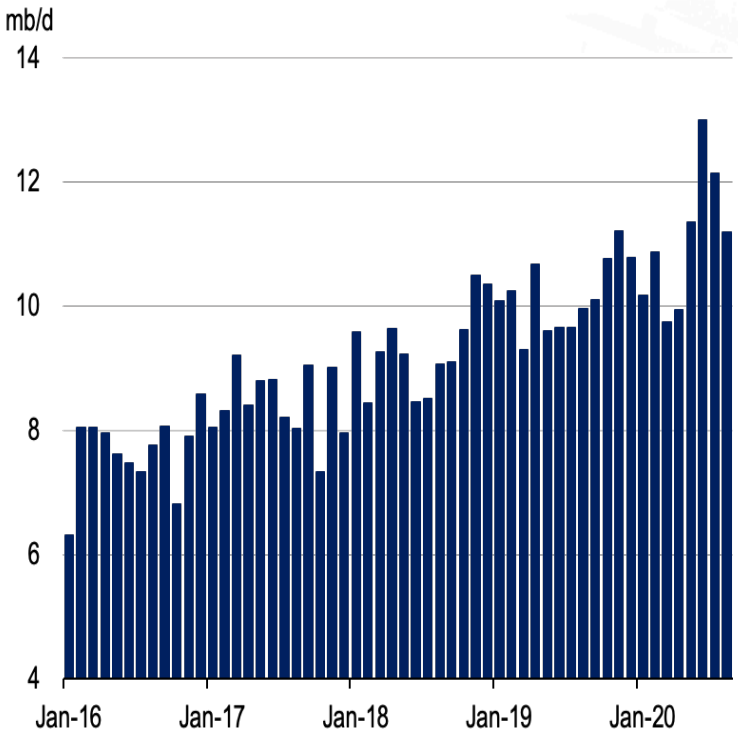


Other liquids include fuels for other transport, commercial/residential use, industry and other uses.

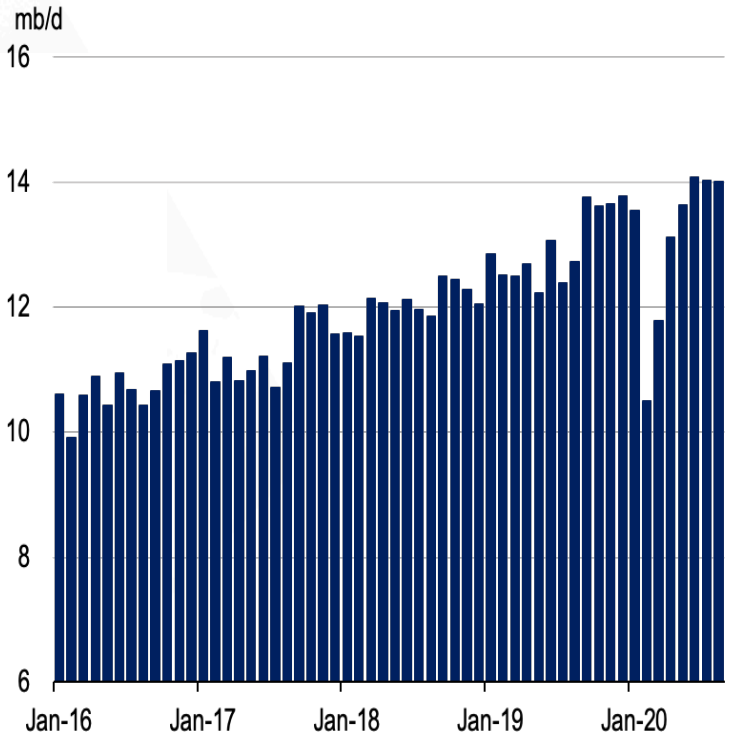
Source: OIES

China crude oil imports going strong

China crude oil imports



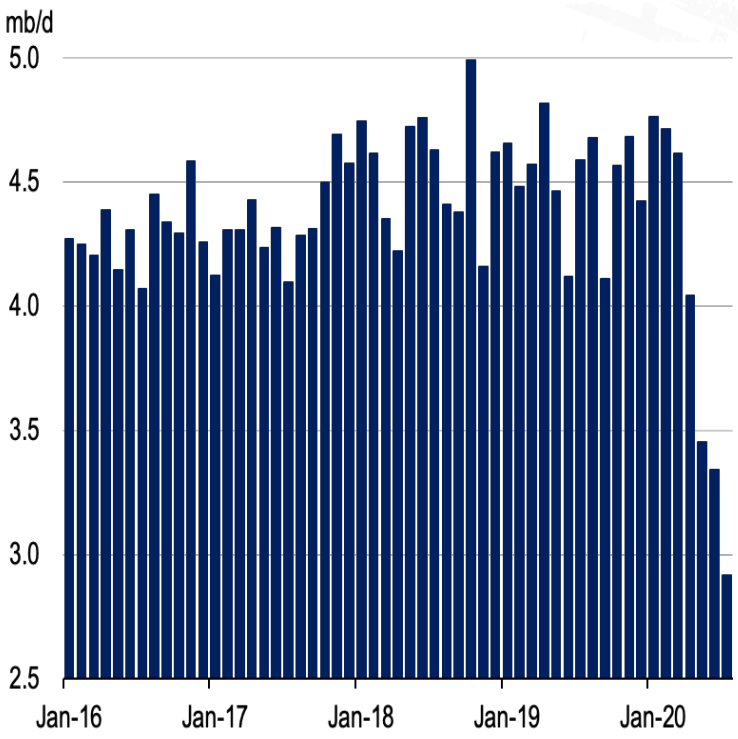
China refinery runs



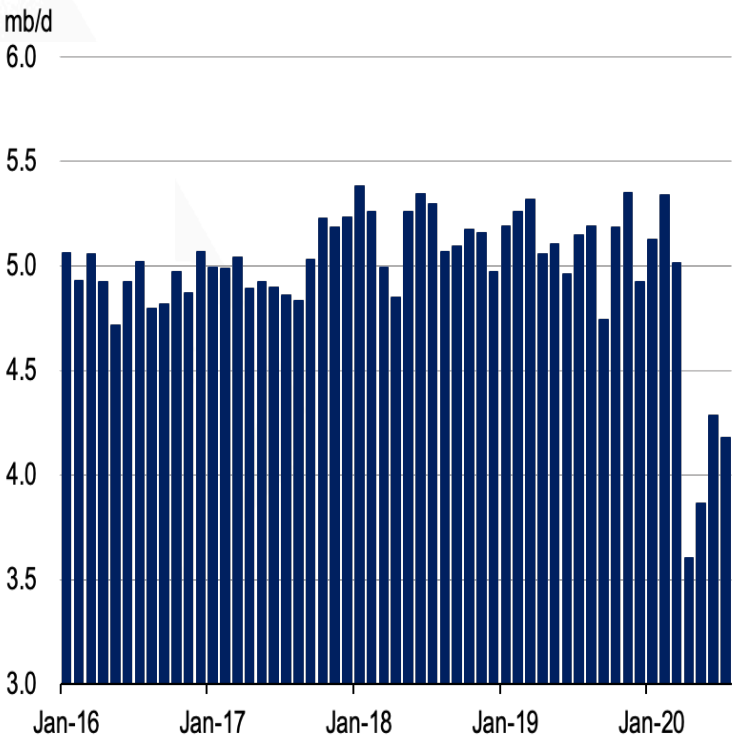
Source: Argus, OIES

India demand outlook

India crude oil imports



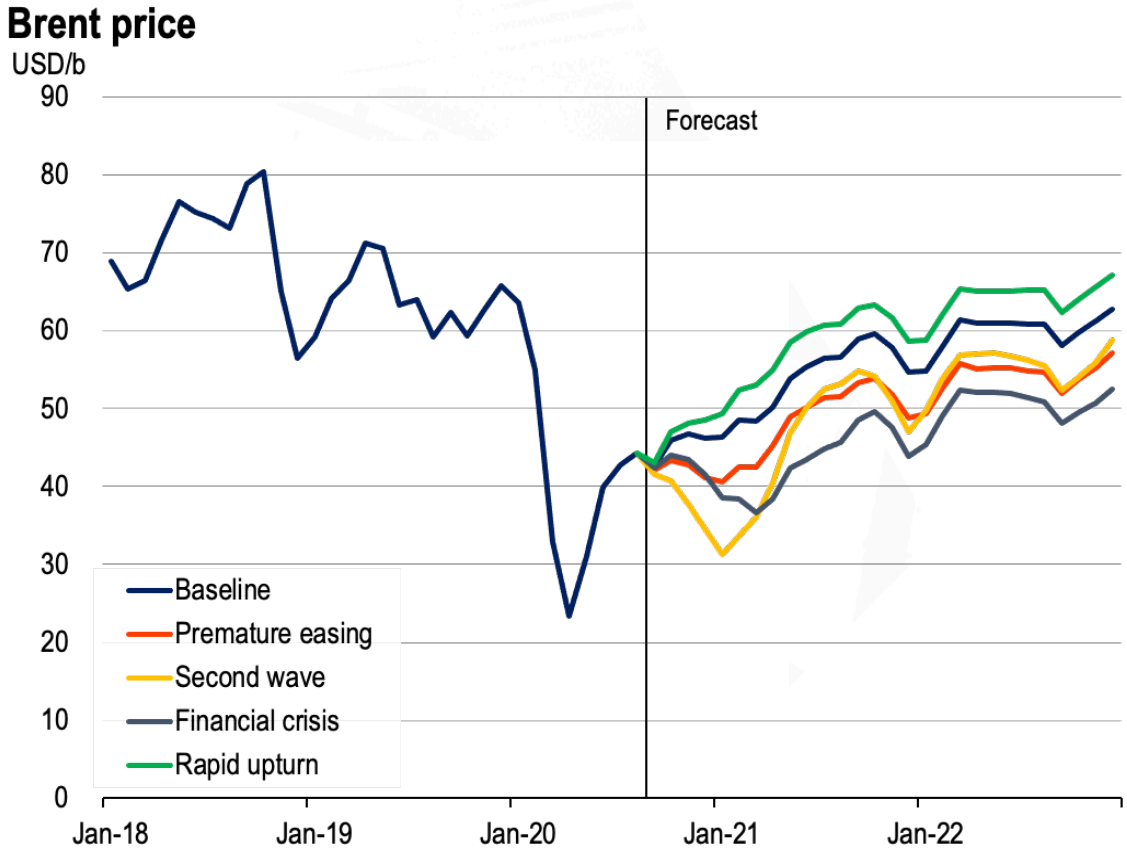
India refinery runs



Source: Argus, OIES

Growth risks weigh on the downside

Global growth risks

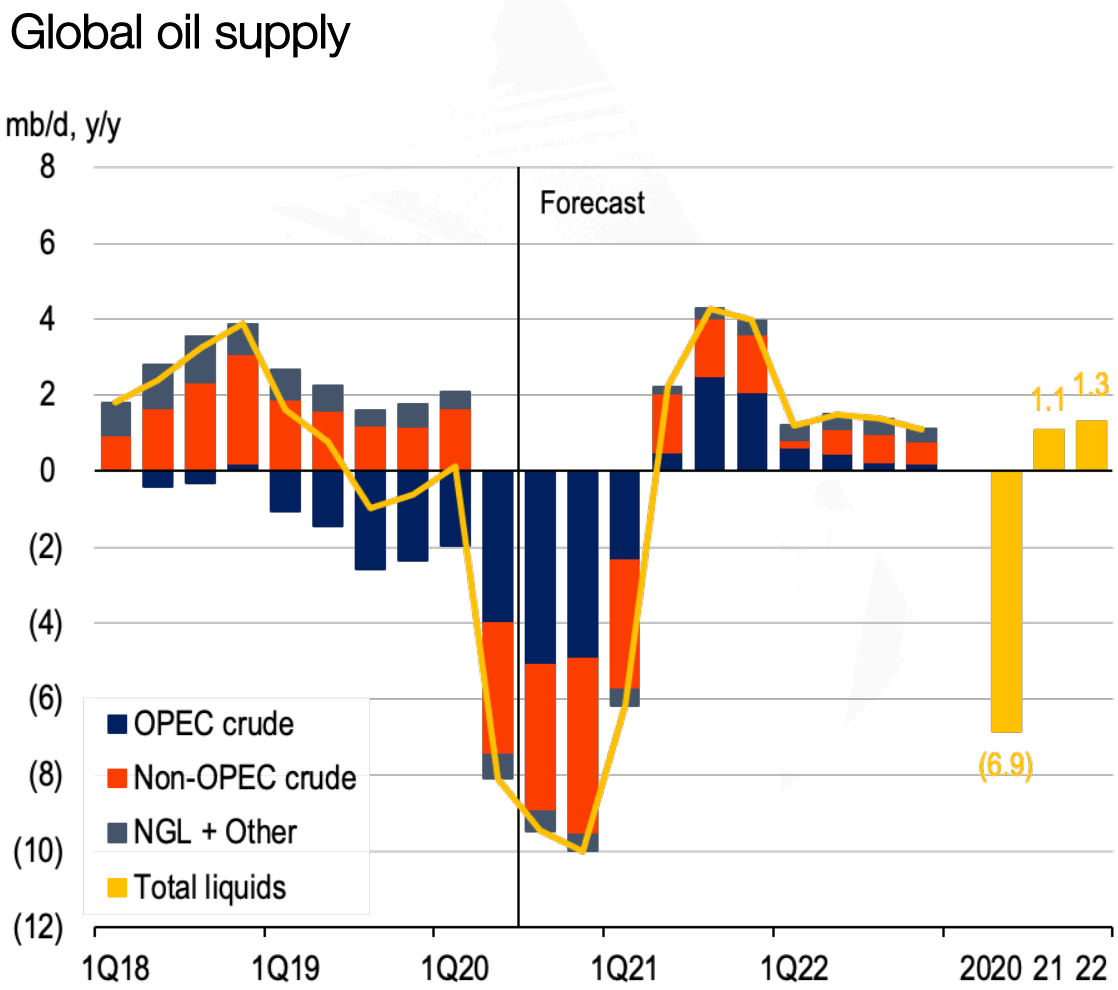


Baseline assumes 100% compliance with OPEC+ deal and no compensation.

Source: OIES

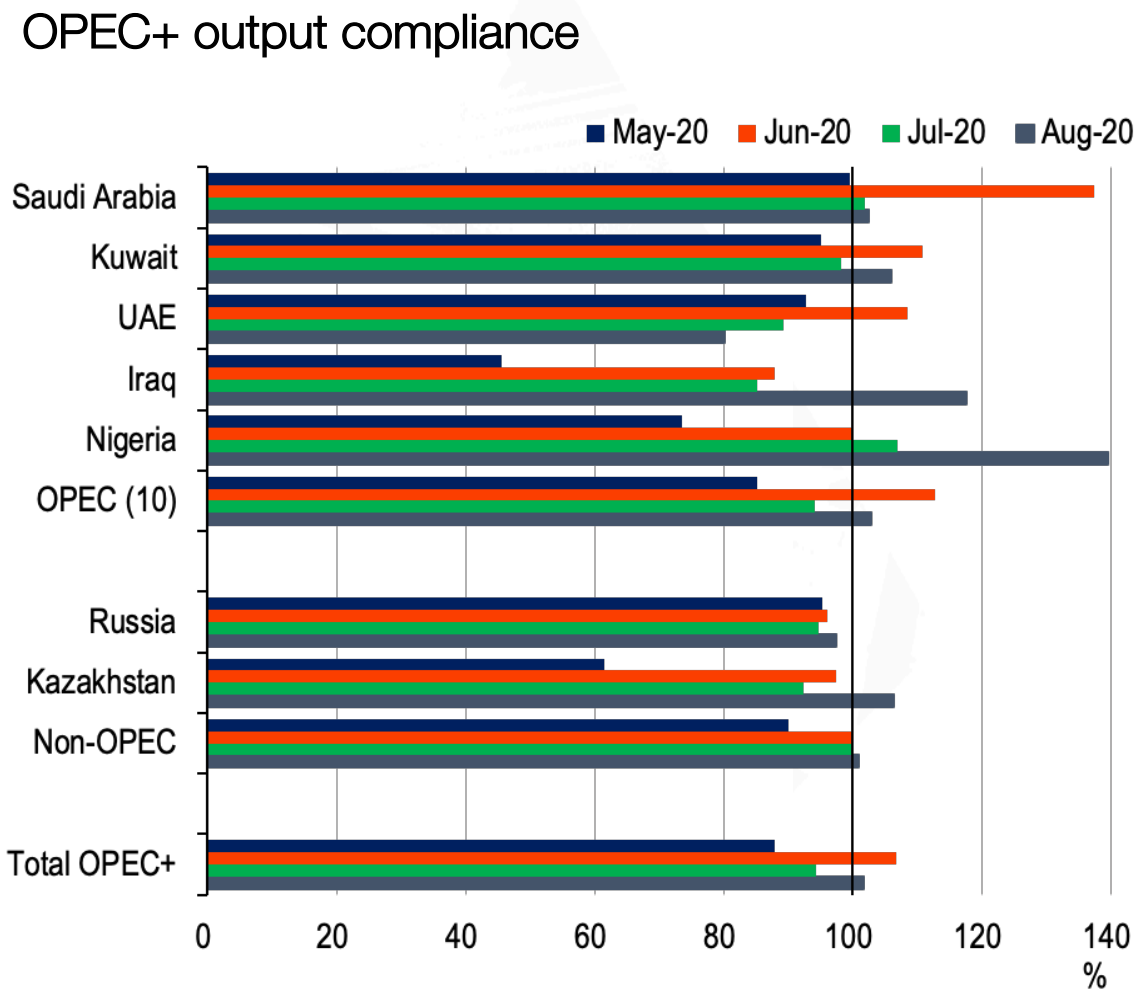
Supply

Supply taking a center stage



Source: OIES

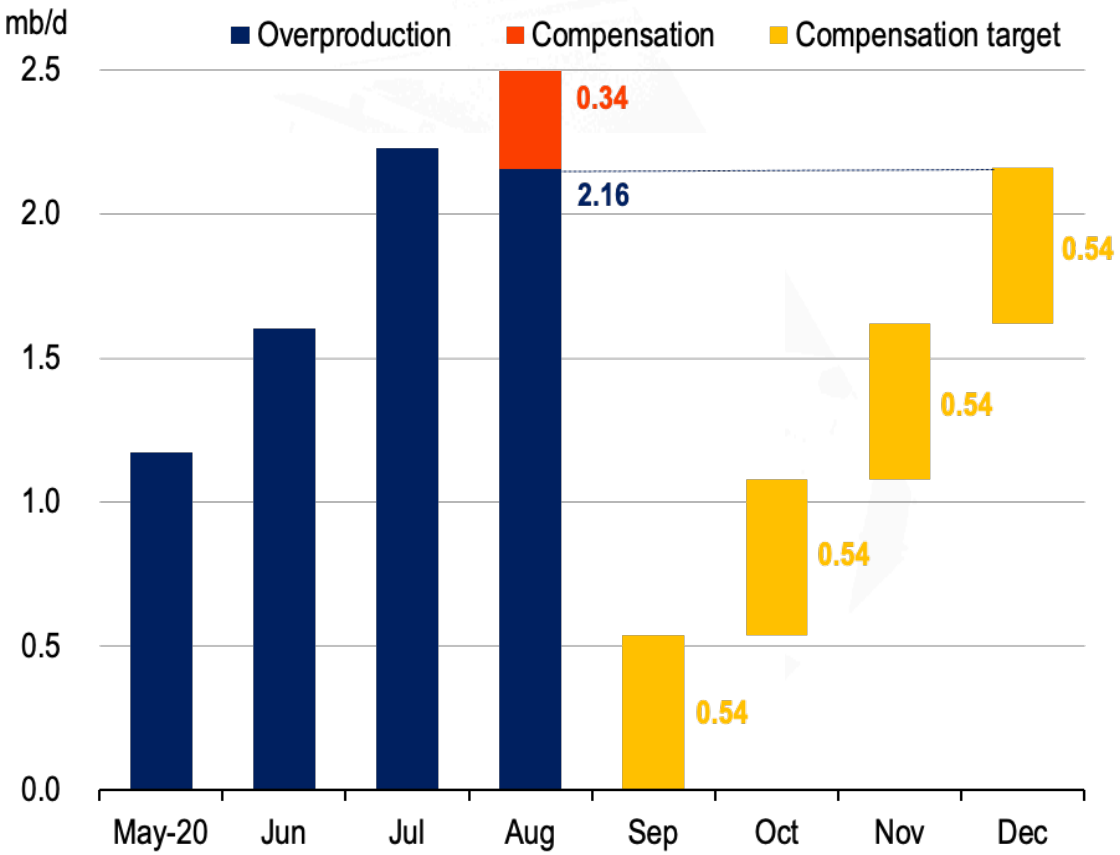
A key feature in this cycle is high OPEC+ compliance



Source: OIES

Another unique feature is the compensation regime

OPEC+ compensation scheme

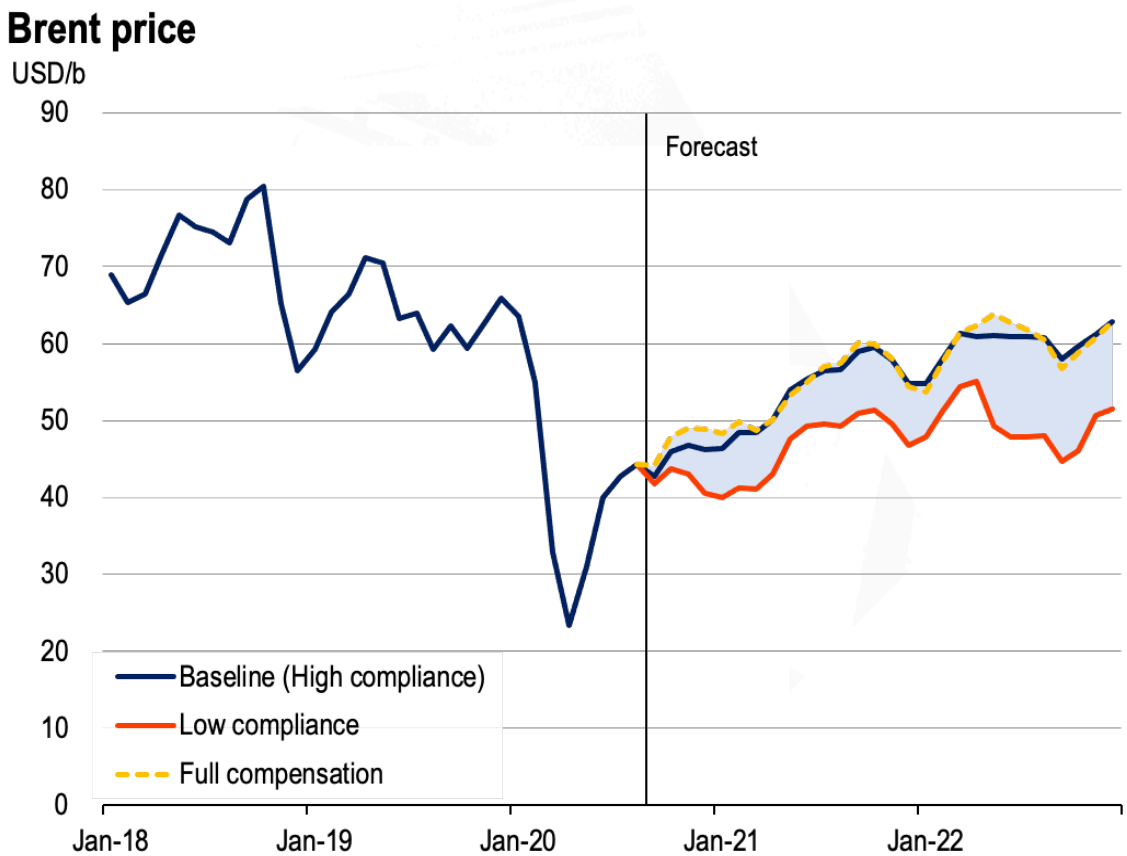


Overproduction excludes the extra 1.1 mb/d voluntrary cut from the GCC(3) in June 2020.

Source: OIES

Both factors will remain key throughout 2022

OPEC+ compliance risk

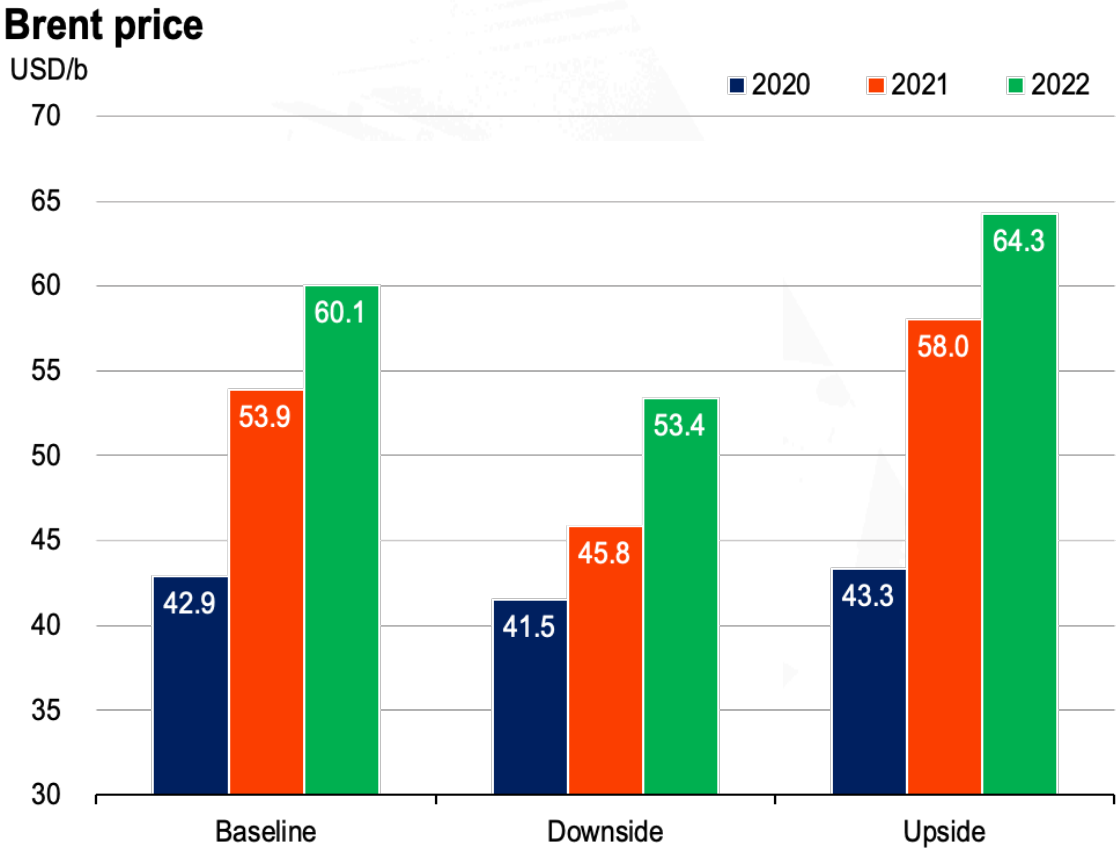


Baseline assumes 100% compliance with OPEC+ deal and no compensation.

Source: OIES

OPEC+ balancing act remains fragile

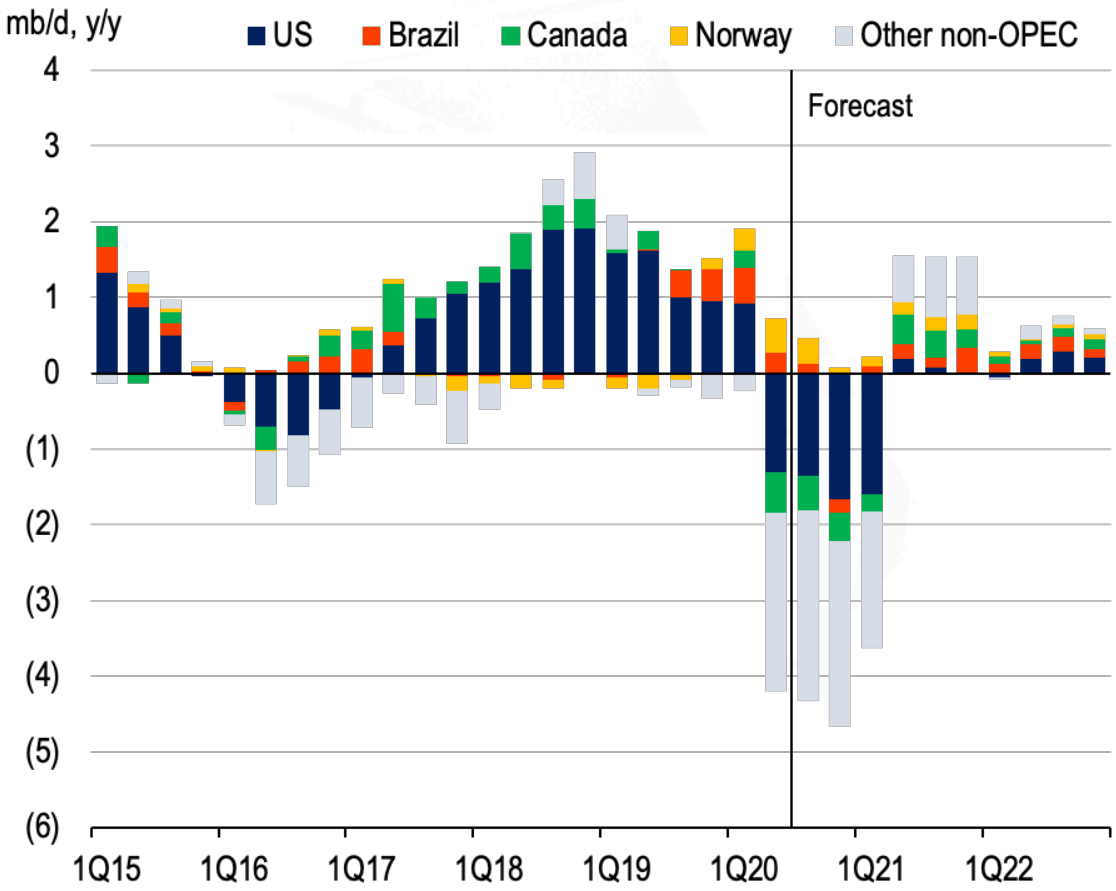
OPEC+ demand-side risks



All scenarios assume 100% compliance with OPEC+ deal.

Source: OIES

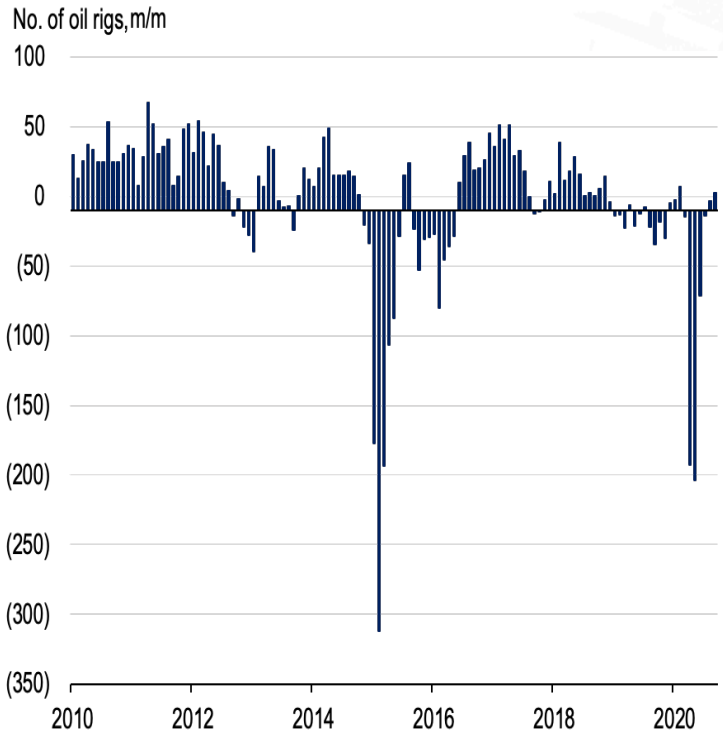
Non-OPEC supply growth outlook



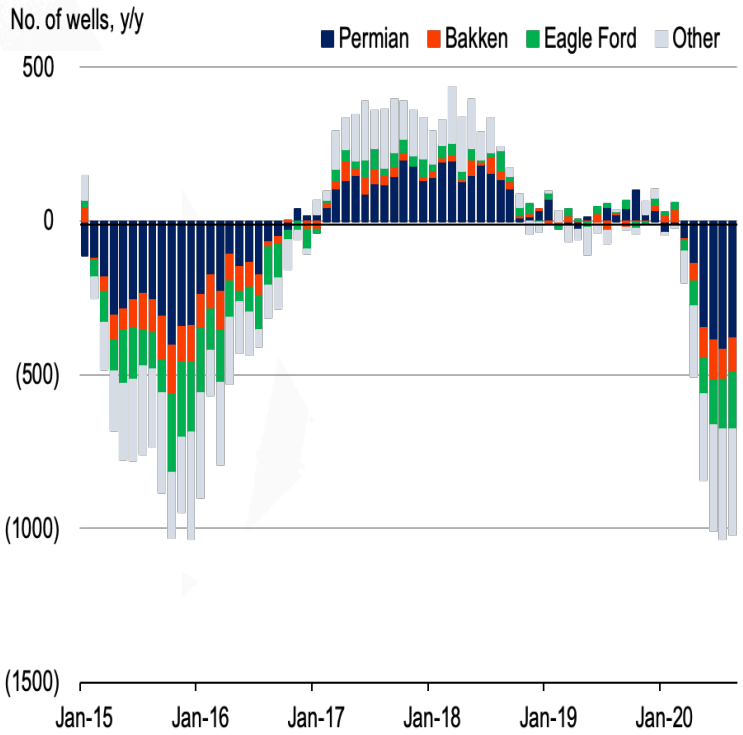
Source: OIES

US shale key factor shaping non-OPEC supply

US drilling activity

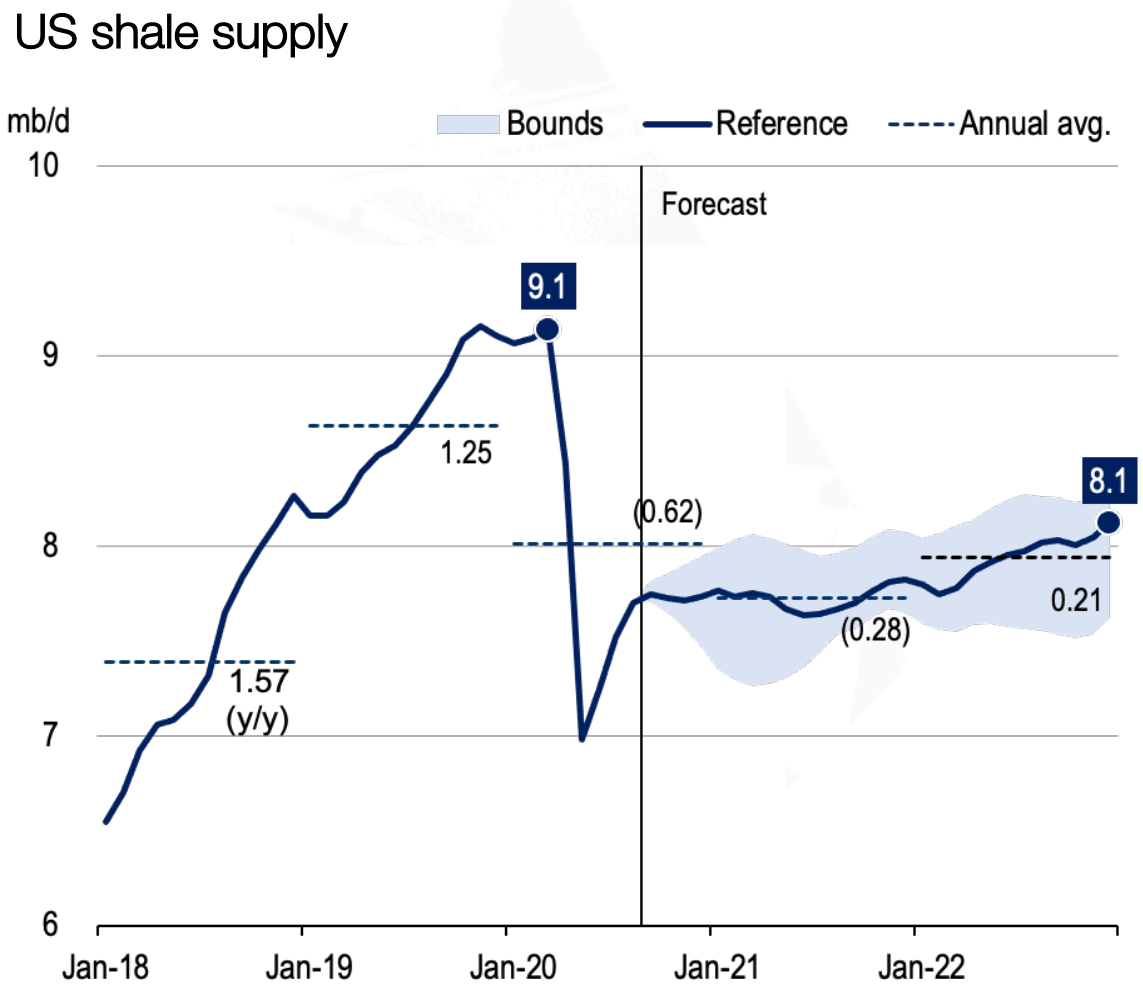


US shale regions well completions



Source: Baker Hughes, EIA, OIES

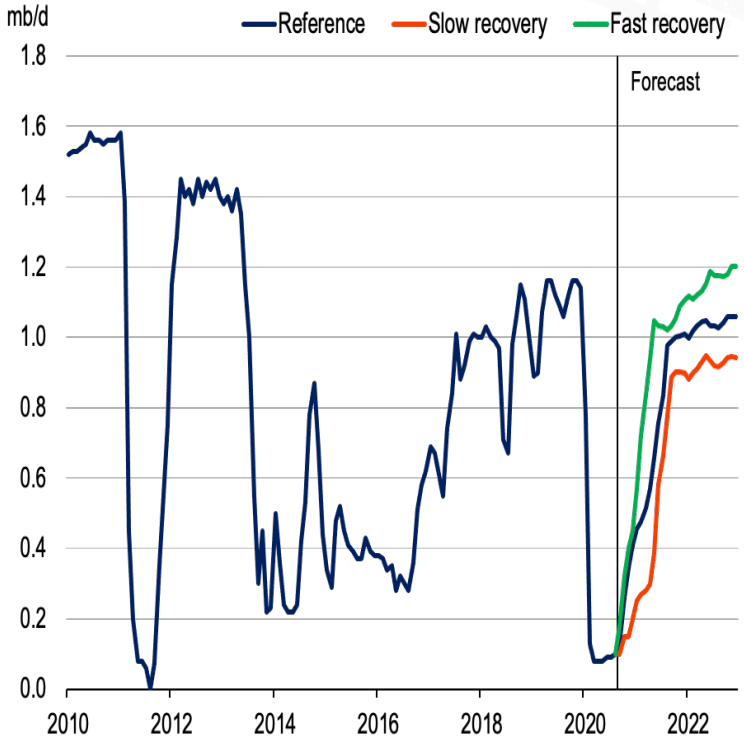
US shale recovery entering a slow and lengthy phase



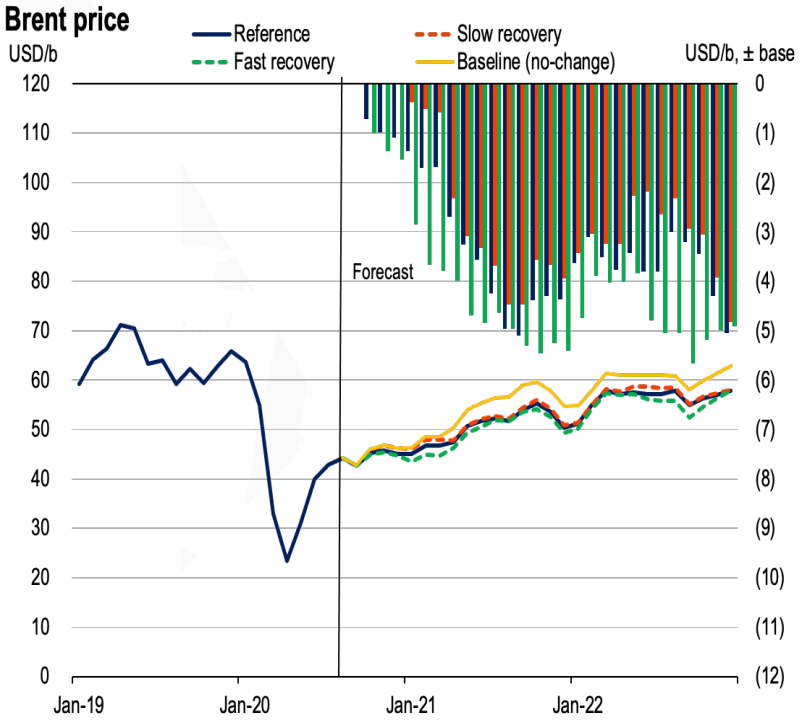
Source: OIES

Libya's revival remains highly fragile, yet disruptive

Libya production scenarios



Libya revival risks



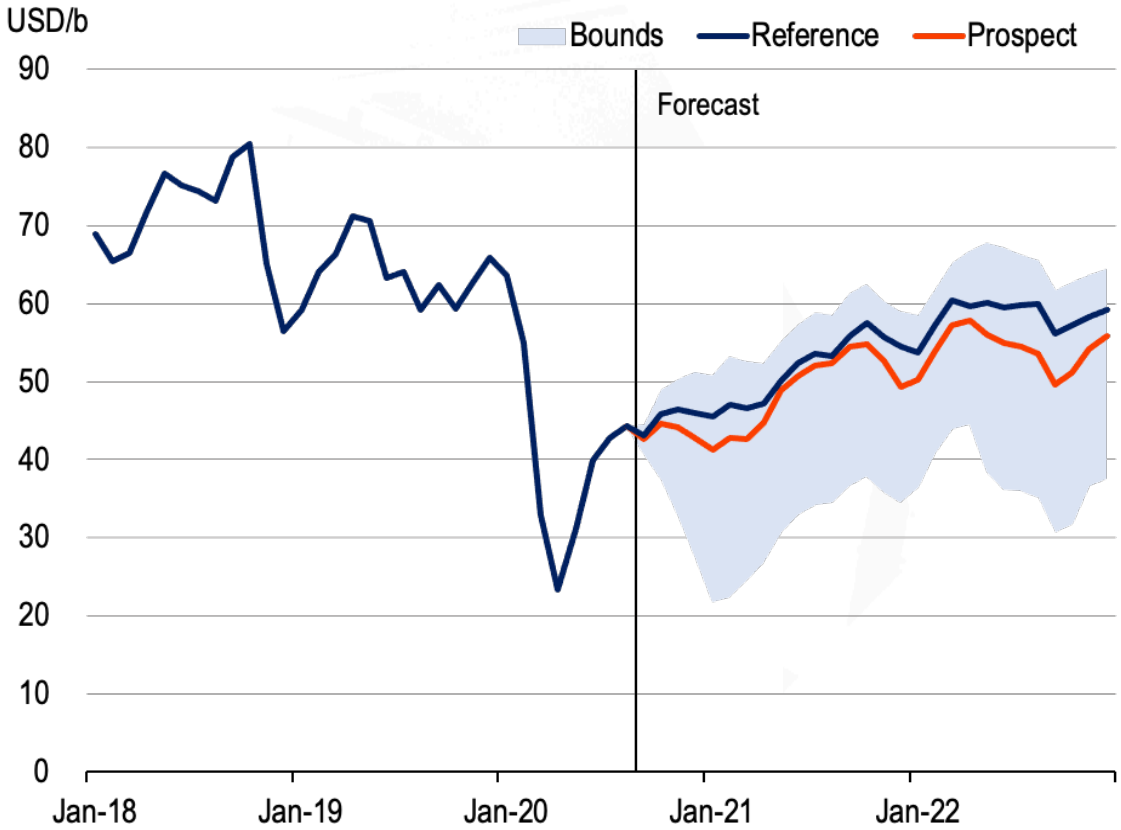
Baseline assumes 100% compliance with OPEC+ deal and no compensation.

Source: OIES

Outlook

Despite bearish headwinds, oil recovery expected to persist

Brent price outlook

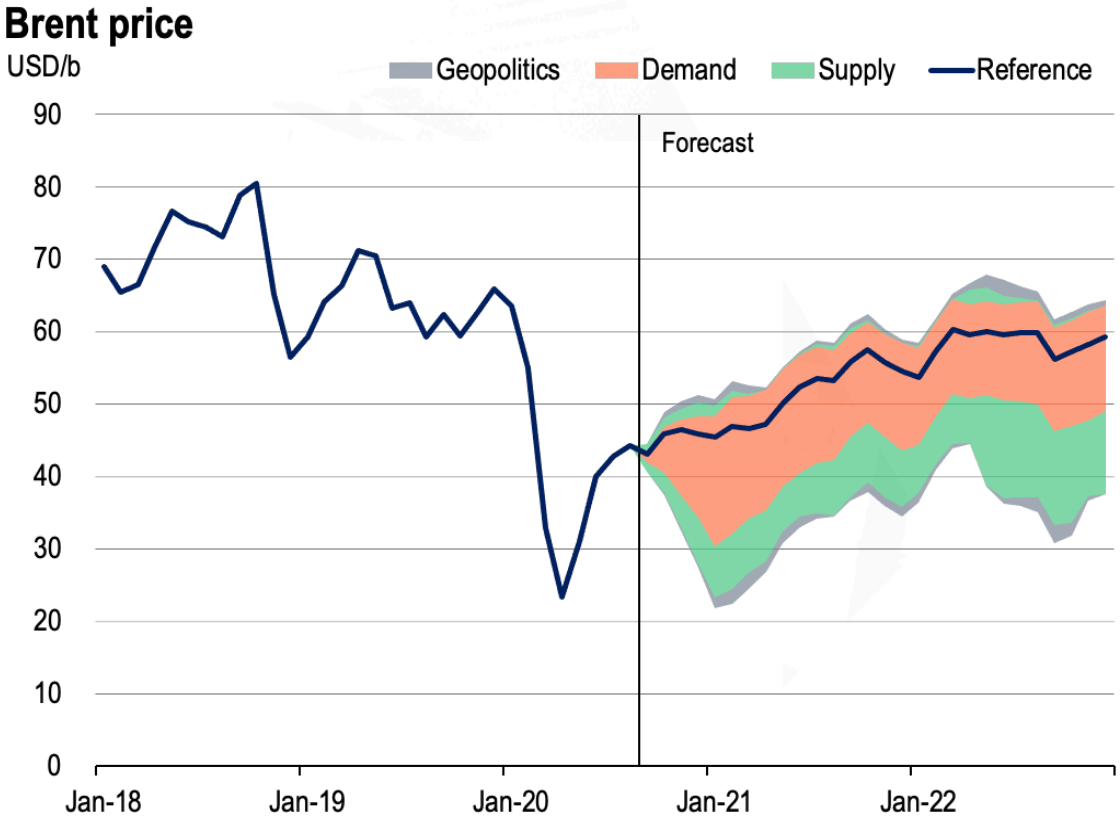


Reference assumes 100% compliance with OPEC+ deal and 0.15 mb/d compensation from non-compliers in Sep/Dec 2020.

Source: OIES

But risks remain firmly tilted to the downside

Balance of risks

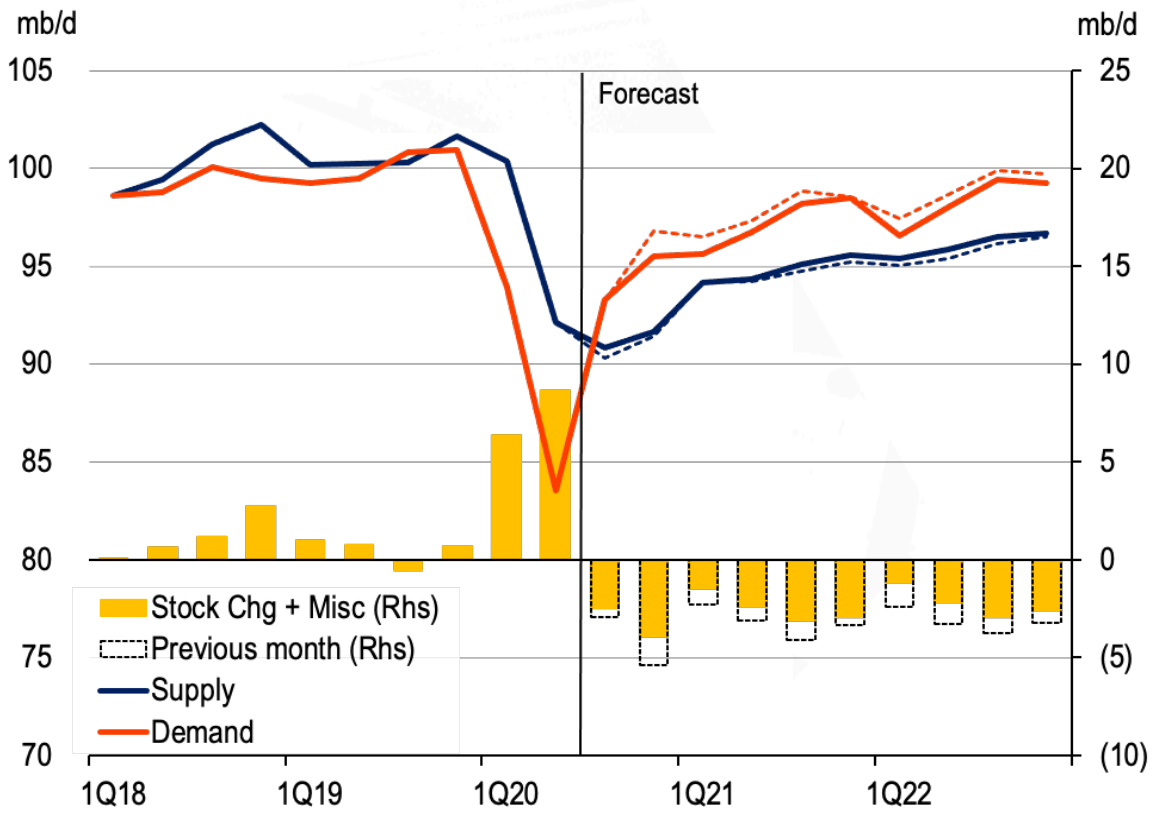


Reference assumes 100% compliance with OPEC+ deal and 0.15 mb/d compensation from non-compliers in Sep/Dec 2020.

Source: OIES

Market deficits weakened

Global supply/demand balance

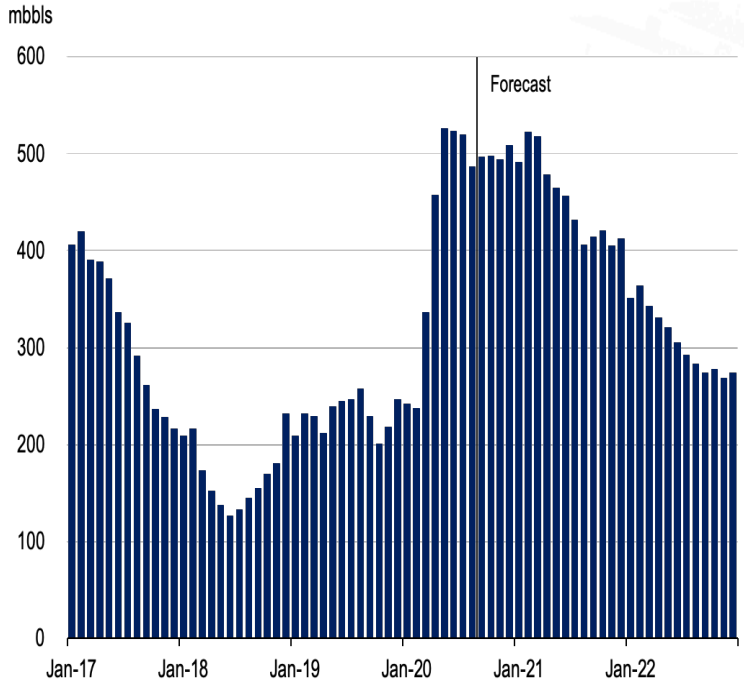


Reference assumes 100% compliance with OPEC+ deal and 0.15 mb/d compensation from non-compliers in Sep/Dec 2020.

Source: OIES

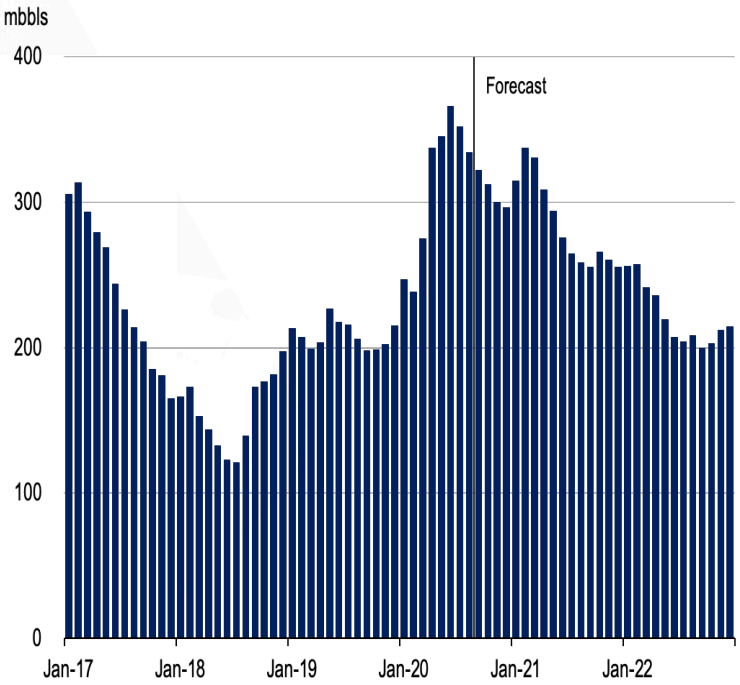
Clearing the stocks overhang will be slower

OECD commercial stocks vs 2010/14 avg



Reference assumes 100% compliance with OPEC+ deal and 0.15 mb/d compensation from non-compliers in Sep/Dec 2020.

US commercial stocks vs 2010/14 avg



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Source: OIES

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