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What Awaits Oil Markets in 2021-2022?

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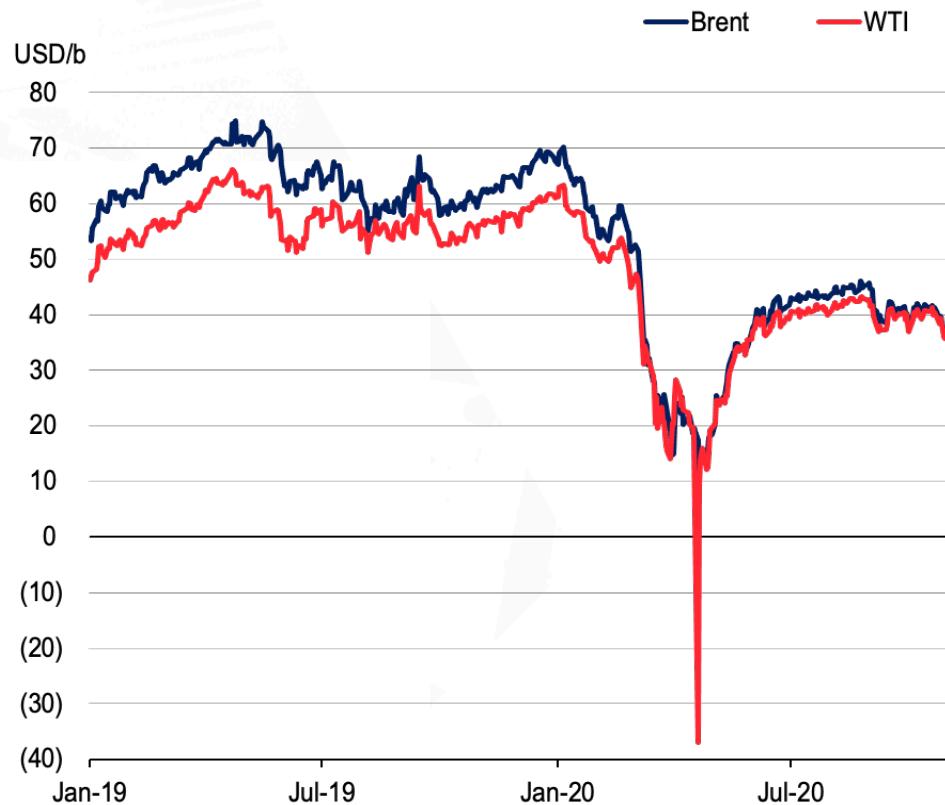


Brent prices supported

Oil market continues to shrug off many of the downside risks and Brent remains supported

- Renewed restrictions and lockdowns
- Return of Libyan barrels
- Easing of Chinese crude imports
- Potential return of Iranian barrels
- US shale shut-in well return sooner than expected
- Buffers in the system remain high
- But positive news on vaccine and demand in Asia remains robust
- OPEC+ delivering and extending the cut for 3 months

Daily oil prices



Source: EIA, OIES

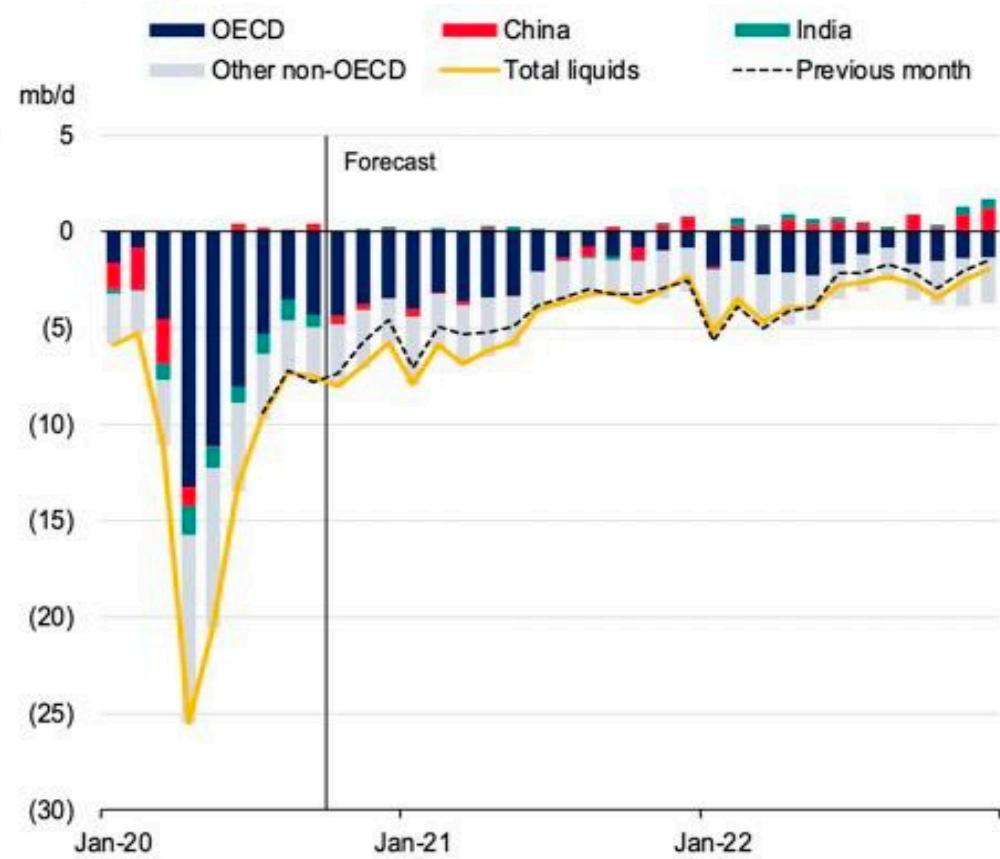


Oil risks still dominated by demand factors

The recovery of oil demand has been slower than expected, leading to downward revisions in oil demand forecasts for 2020- 2022

- Global oil demand is now expected to take longer to reach its pre-crisis levels
- Pace of oil demand recovery is highly uneven both in terms of geography and fuels
- Outside Asia, demand growth seems to have stalled but lockdown measures incomparable to those in Spring
- Asian demand remains robust led by China and India
- The unevenness in demand for different parts of the barrel
- Jet fuel remains the weakest link

Global oil demand



Source: OIES

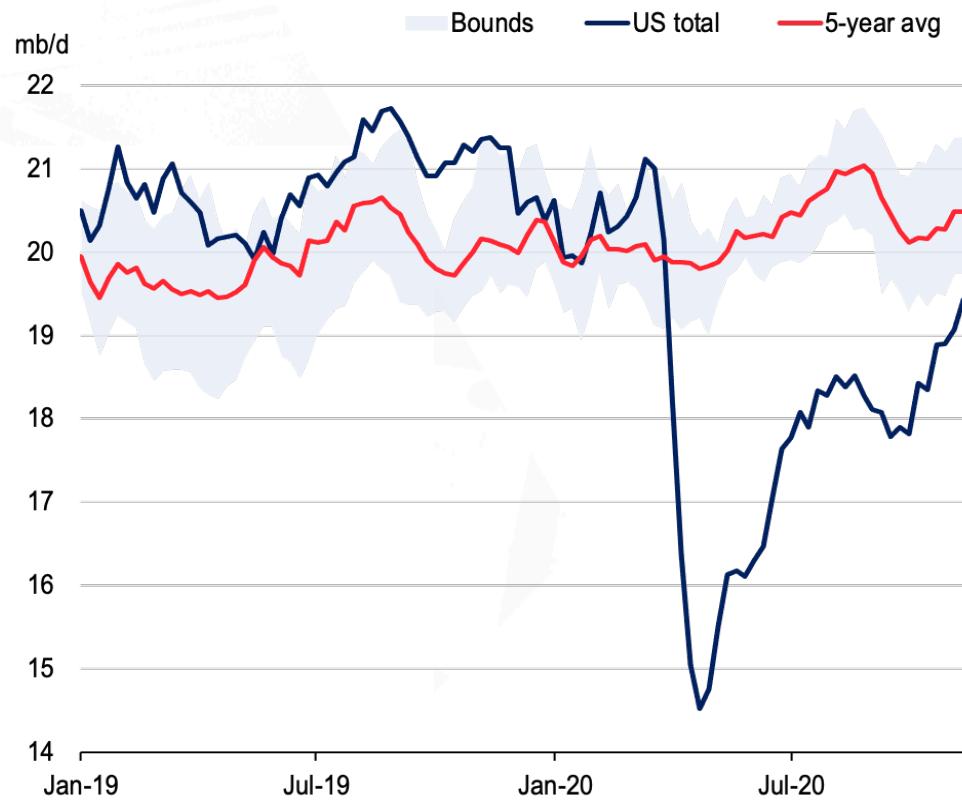


Session 1: Oil demand: A very uneven recovery

Key Questions

- When or whether oil demand will return to its pre-crisis level?
- Will demand growth go to a lower trajectory path?
- What are some of the implications of the differentiated impacts of the shock?
- The problem of missing barrels: Are we underestimating demand?
- How strong is China's demand?
- Will US oil demand peak under Biden?
- What has been the impact on the various parts of the barrel?
- How is the refining sector coping?
- Will see a massive shift in crude and product flows and what are the implications?

US total products supplied



Source: OIES

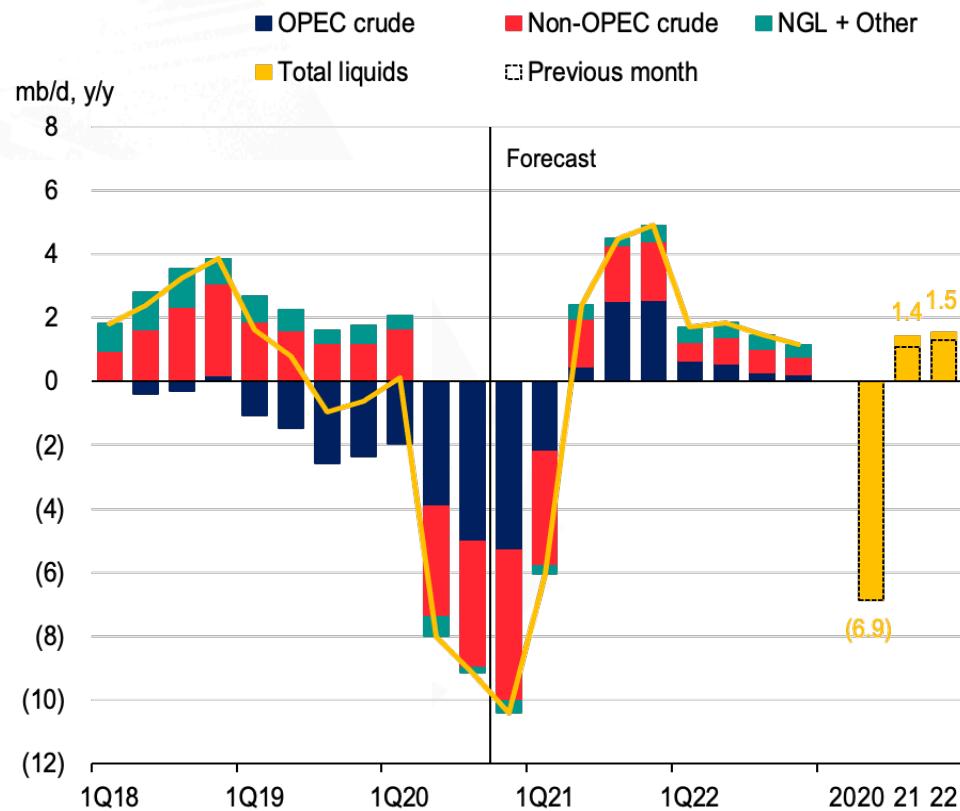


OPEC+ high compliance a key feature of this cycle

Risks on the supply side rising

- High compliance has been a key feature in 2020 & this will remain key throughout the entirety of the deal
- Restrictions and return of Libya may move the OPEC+ goalposts
- Iran's potential return is increasingly becoming a wildcard for 2021
- Non-OPEC supply finds small pockets of growth (Norway, Canada) but the growth of US production remains constrained and more so under Biden administration

Global oil supply



Source: OIES

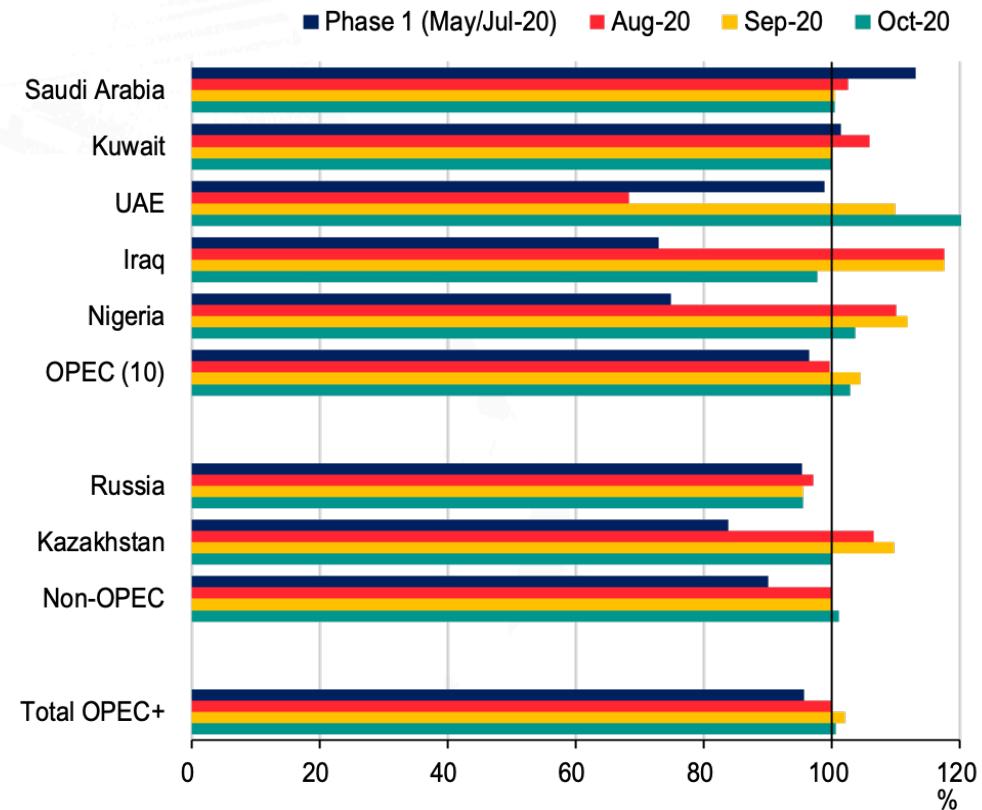


Session 2: OPEC+ Dynamics During Covid-19

Key Questions

- What are some of the key lessons from the current cycle?
- Can OPEC+ maintain its cohesion?
- Saudi-Russia oil relations: From strength to strength?
- Can Iraq hold the line?
- What would an exit strategy for OPEC+ look like?
- Can OPEC+ accommodate the Iranian barrels?
- OPEC+ under Biden: A relief?
- OPEC+ and US shale: New dynamics?
- Could we see another shift in conduct?

OPEC+ output compliance

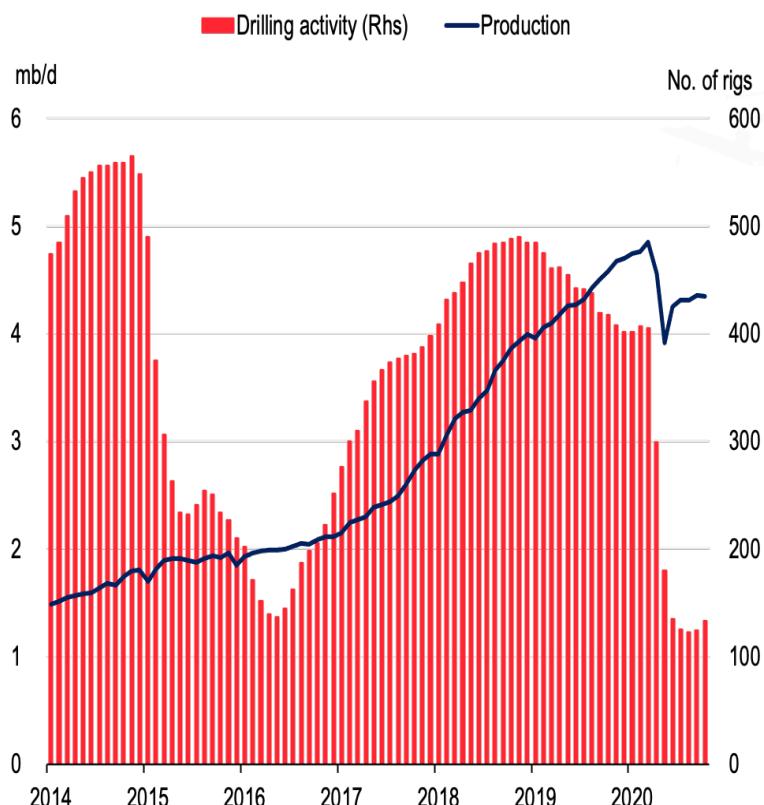


Source: OIES

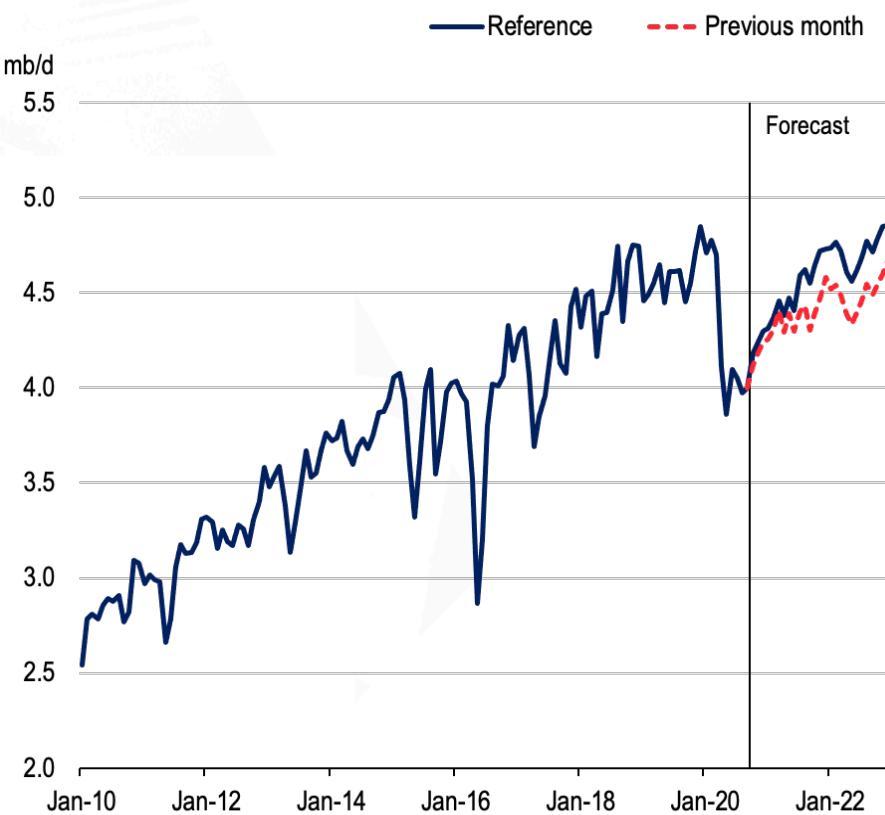


North America's oil production

Permian production v drilling activity



Canada crude supply



Source: OIES

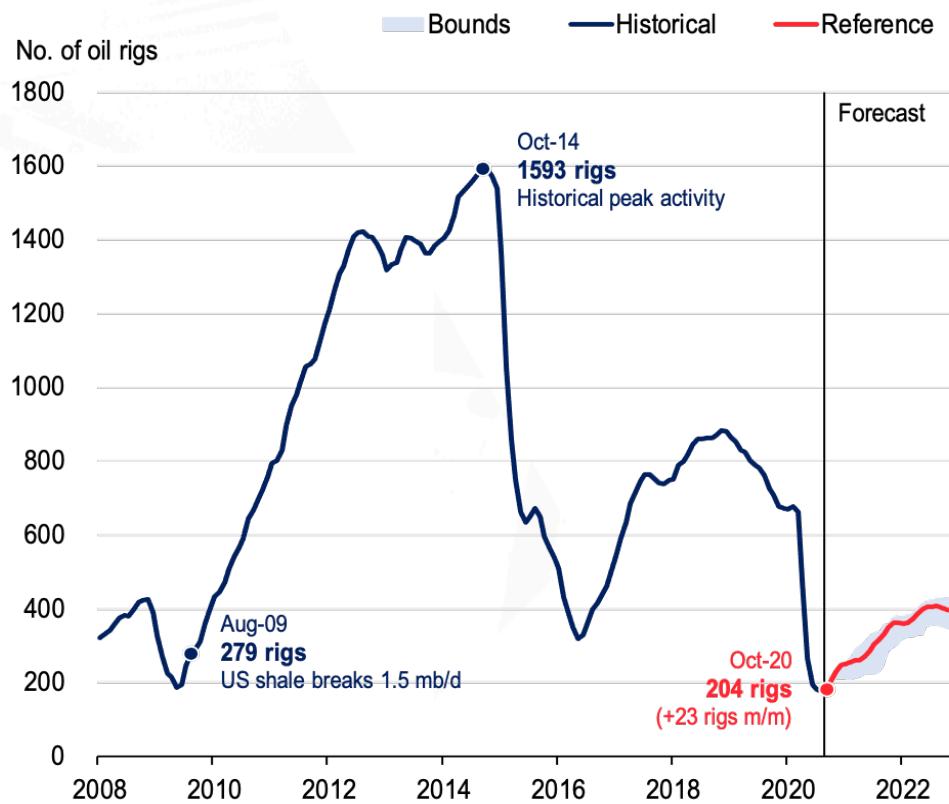


Session 3: North America's oil production: Already peaked?

Key Questions

- Has US shale production peaked or will US shale surprise yet again?
- What does a Biden Administration mean for US shale?
- Will consolidation of US shale accelerate?
- Do US shale bankruptcies impact growth?
- Has the view of finance fundamentally changed?
- Can growth be achieved outside the Permian?
- Can US shale still achieve productivity gains?
- What is the outlook for Canadian production?
- Will Canadian production escape from the bottlenecks?

US drilling activity



Source: Baker Hughes, OIES



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