What’s next for Oil?
High-level Meeting, EU Refining Forum – 25 April 2018

Keisuke SADAMORI, Director, Energy Markets and Security, IEA
Robust global oil demand growth to 2023

China and India account for almost half of world oil demand growth

World oil demand growth (y-o-y change)
Petrochemicals drive global oil demand growth to 2023

Feedstock requirements for new steam crackers

Petrochemical feedstocks (ethane and naphtha) responsible for 25% of global oil demand growth
Booming non-OPEC supply growth reshapes world oil market...

...more than covers demand growth for next three years. By 2023, non-OPEC supply grows by 5.2 mb/d. OPEC oil capacity rises only 1.2 mb/d due to Venezuelan collapse and limited increases elsewhere.
Higher oil prices unleash second wave of US supply

Total output reaches 17 mb/d by 2023 – and could be even higher if prices rise.
China net crude oil imports double the US in 2023

Indian imports, too, surpass the US in 2023 as shale growth reduces US import dependence.
Oil industry needs to replace one North Sea each year

Ageing oil fields lose more than 3 mb/d per year despite slowing decline rates.
US oil finds new markets

Refiners in Asia and Europe look for suitable crude oil to produce petrochemical feedstocks and low-sulphur fuels
Middle East accounts for 30% of global refining capacity growth. International downstream expansion becomes a strategic objective for the region’s NOCs.
Challenges remain for European refiners despite recent optimism.

Recent high utilisation rates have been partly possible thanks to refinery closures.
End-February, OECD stocks were 30 mb above the five-year average. Could be zero/- in April/May.
Market tightens in 2018

Risks to outlook include: Venezuelan supply fall; weaker oil demand on trade slowdown

Demand/Supply Balance until 4Q18

*Note: For scenario purposes, OPEC/non-OPEC cuts remain constant.
Conclusions

• Robust world oil demand growth to 2023 – petrochemicals key driver.
• Non-OPEC output growth exceeds demand increase through 2020.
• US, Brazil, Canada, Norway dominate growth. New infrastructure investments relieve US export bottlenecks.
• US crude finds new markets as refiners seek light, low-sulphur crude to meet petrochemical demand and IMO specifications.
• More upstream investment needed today to meet future demand and offset 3 mb/d of declines from mature oil fields each year.
• Market could have reached balance. Call on OPEC likely to be above the current OPEC production level for the rest of 2018.
• As spare capacity cushion shrinks, supply security concerns remain critical.