

Effects of low oil prices



For

2015 EIA Energy Conference

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By

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U.S. Energy Information Administration

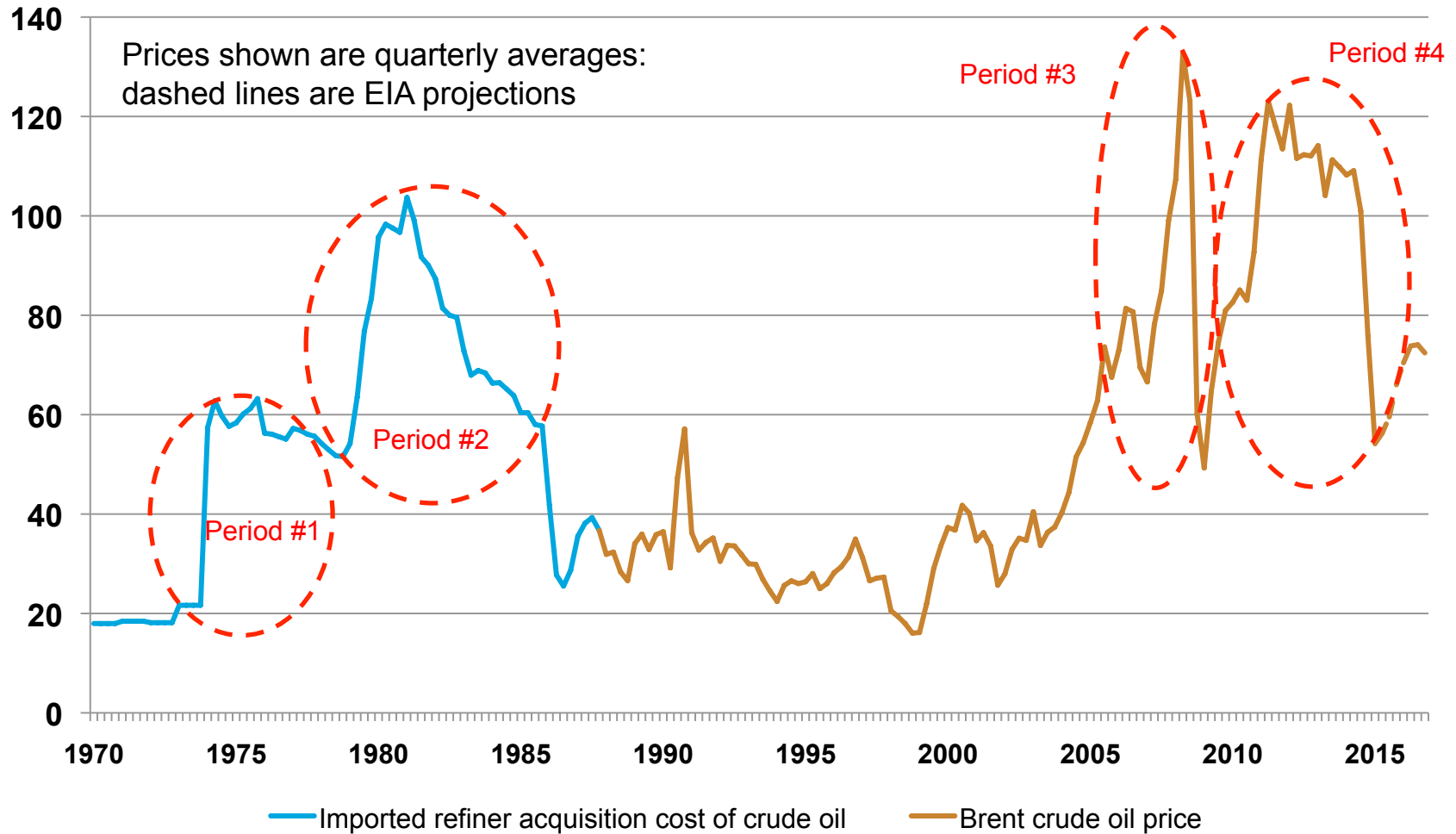


U.S. Energy Information Administration

Independent Statistics & Analysis | www.eia.gov

Historical and projected oil prices

Crude oil price
price per barrel (real 2015 dollars)



Source: U.S. Energy Information Administration (EIA), Thomson Reuters

Historical price period comparisons

	Period #1
Start - date	1Q 74
- reason	Arab Oil Embargo
End - date	2Q79
- reason	No real end
Length - yrs	5.5
Price Change - \$/Bbl	\$40
- %	186%

Historical price period comparisons

	Period #1	Period #2
Start - date	1Q 74	2Q 79
- reason	Arab Oil Embargo	Iran Revolution
End - date	2Q79	1Q 85
- reason	No real end	Demand (4-6%)
Length - yrs	5.5	5.75
Price Change - \$/Bbl	\$40	\$40
- %	186%	63%

Historical price period comparisons

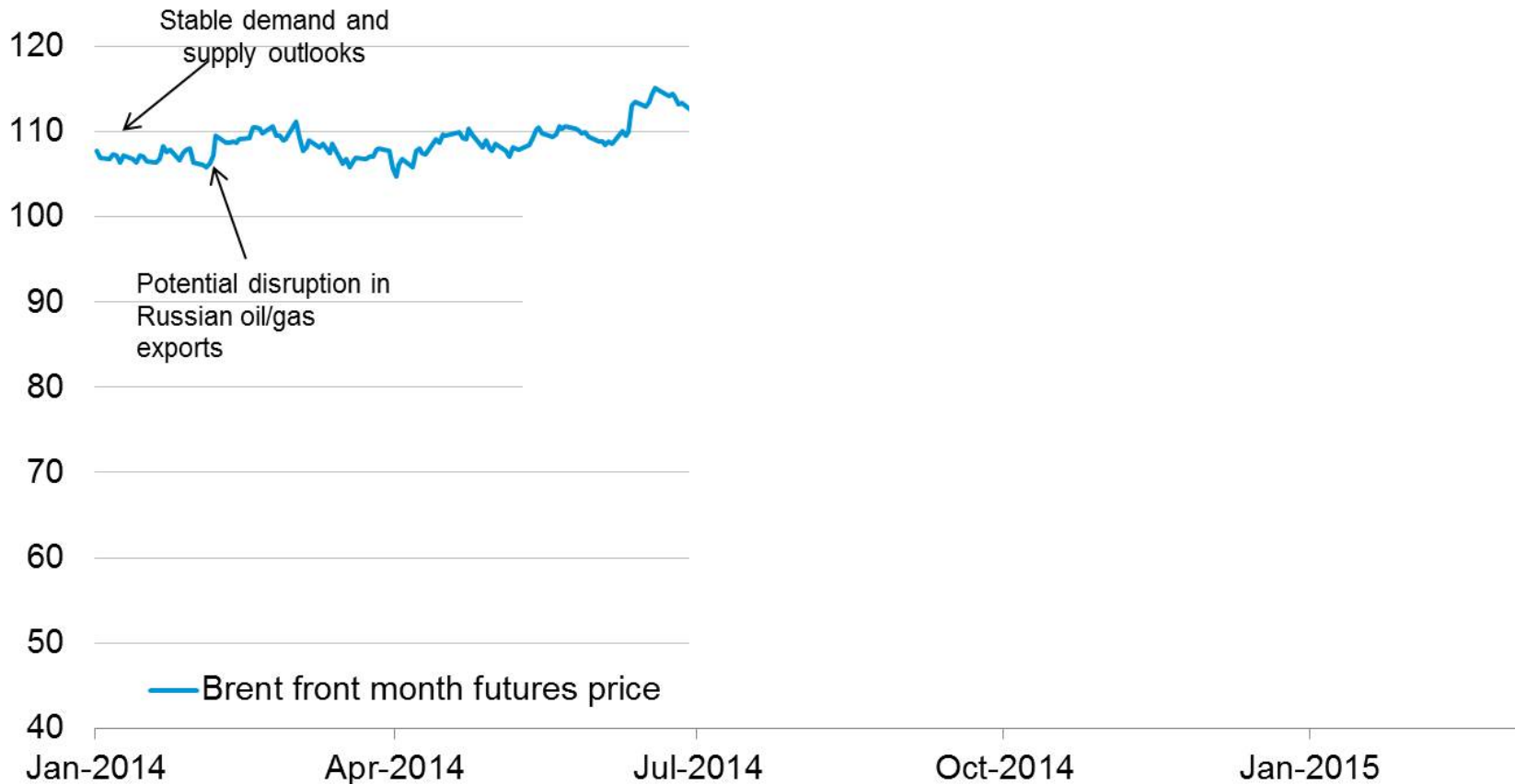
	Period #1	Period #2	Period #3
Start - date	1Q 74	2Q 79	2Q 05
- reason	Arab Oil Embargo	Iran Revolution	Demand +2.6%
End - date	2Q79	1Q 85	3Q 08
- reason	No real end	Demand (4-6%)	Demand (0.8%)
Length - yrs	5.5	5.75	3.25
Price Change - \$/Bbl	\$40	\$40	\$74
- %	186%	63%	125%

Historical price period comparisons

	Period #1	Period #2	Period #3	Period #4
Start - date	1Q 74	2Q 79	2Q 05	3Q09
- reason	Arab Oil Embargo	Iran Revolution	Demand +2.6%	Demand +3.9% Arab Spring
End - date	2Q79	1Q 85	3Q 08	1Q 15
- reason	No real end	Demand (4-6%)	Demand (0.8%)	Demand + Production
Length - yrs	5.5	5.75	3.25	5.75
Price Change - \$/Bbl	\$40	\$40	\$74	\$63
- %	186%	63%	125%	105%

Brent crude oil prices were relatively stable through the first half of 2014; increased oil supply and lower global economic growth expectations lowered prices from July 2014 to January 2015

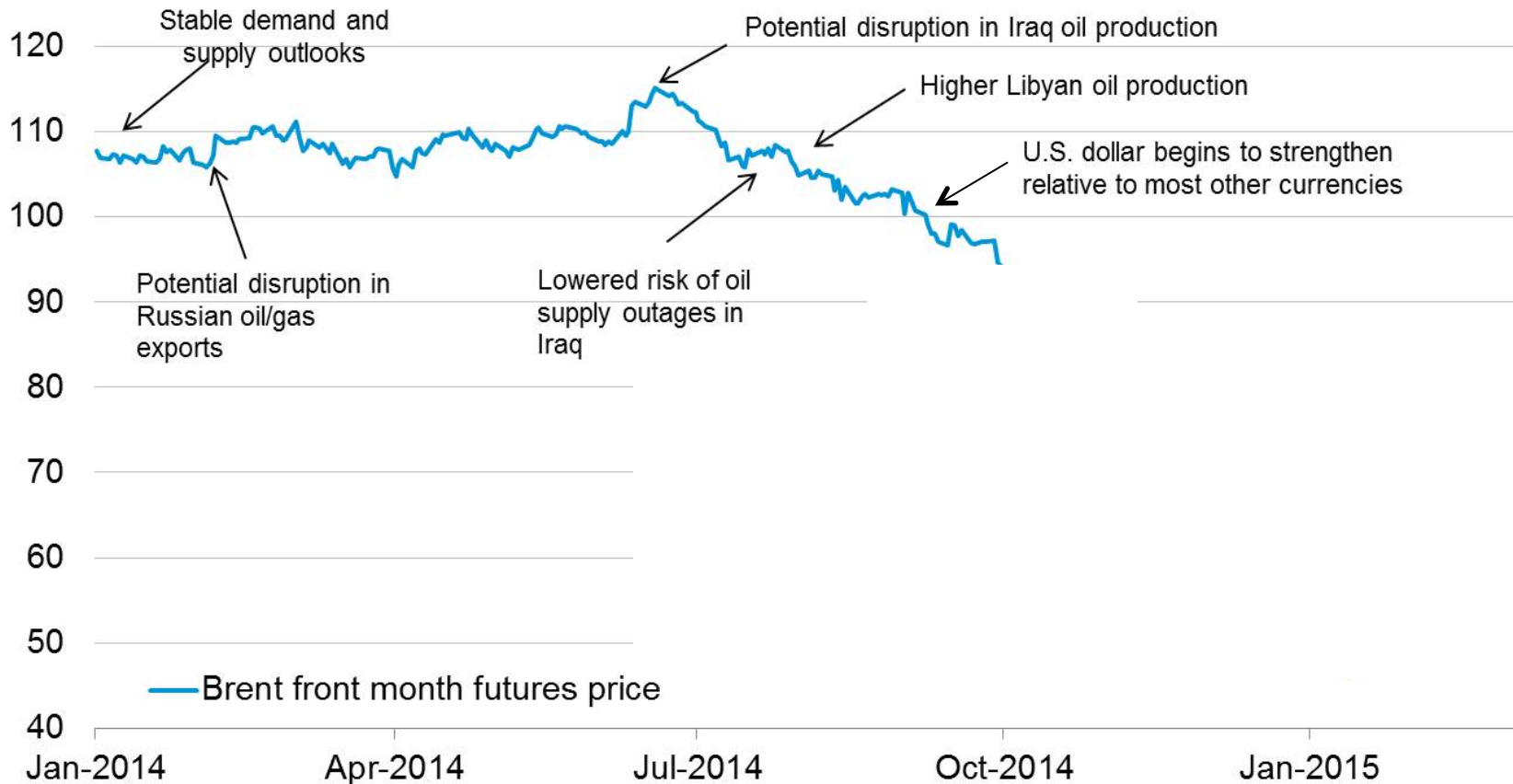
dollars per barrel



Source: EIA, Bloomberg

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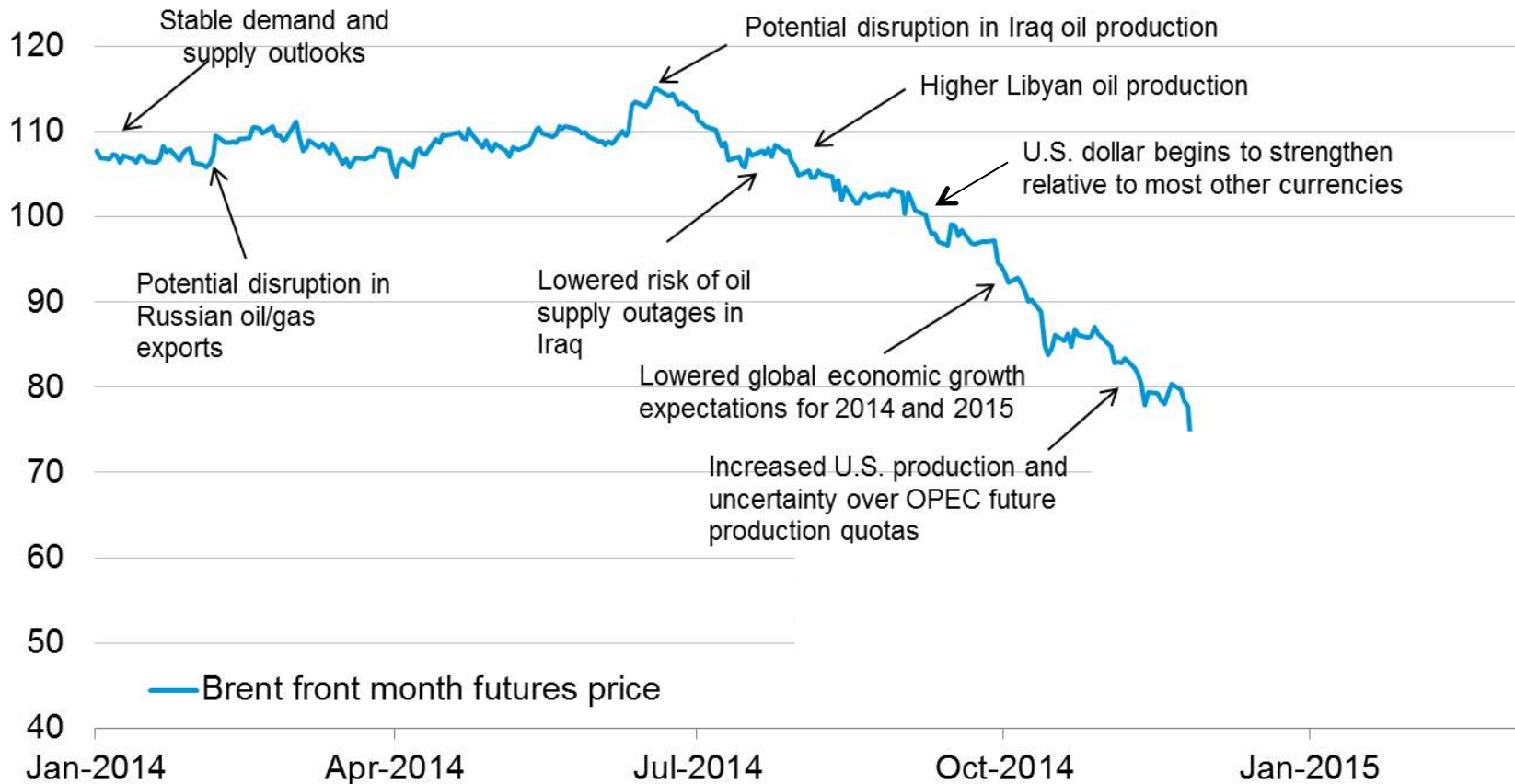
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Source: EIA, Bloomberg

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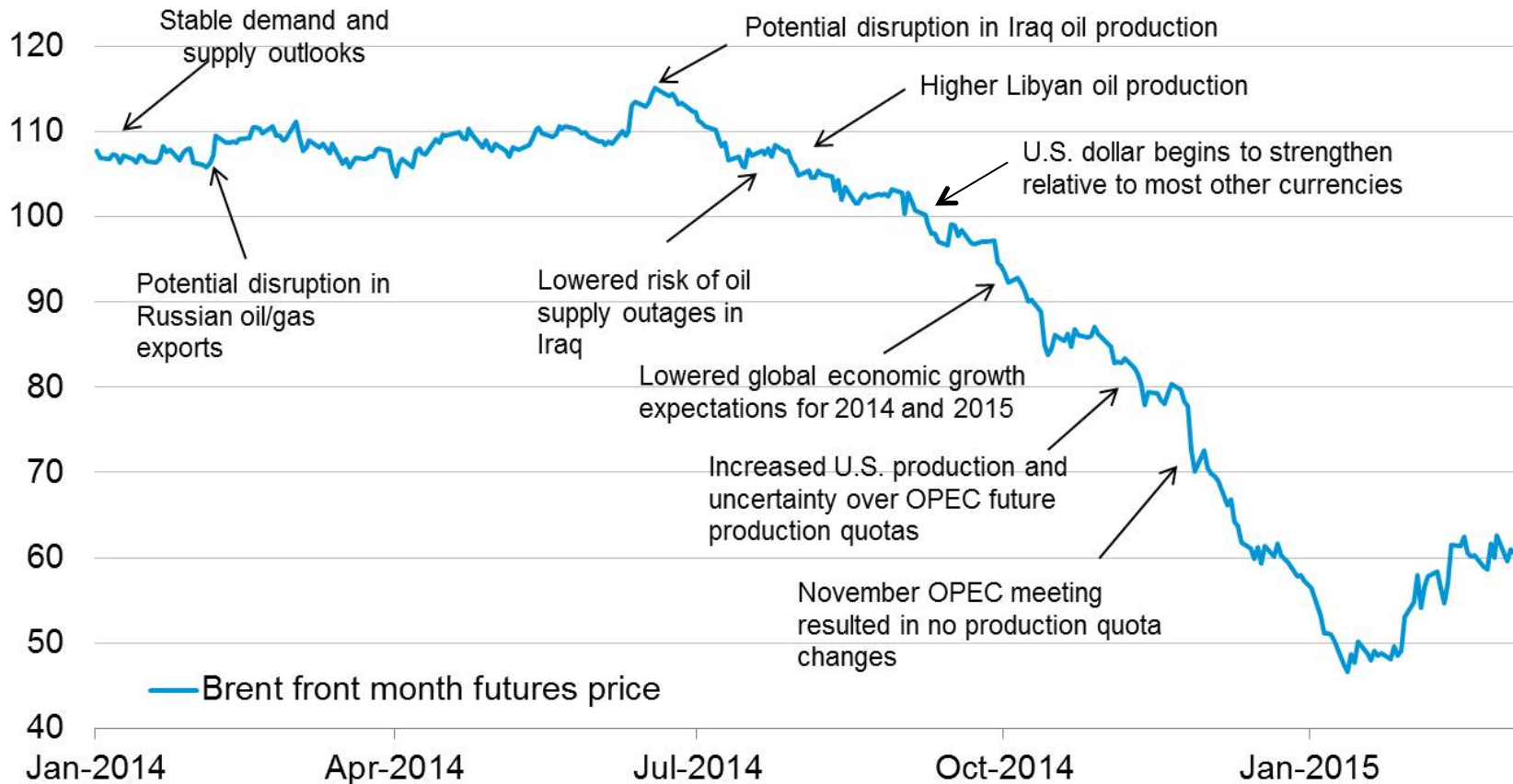
dollars per barrel



Source: EIA, Bloomberg

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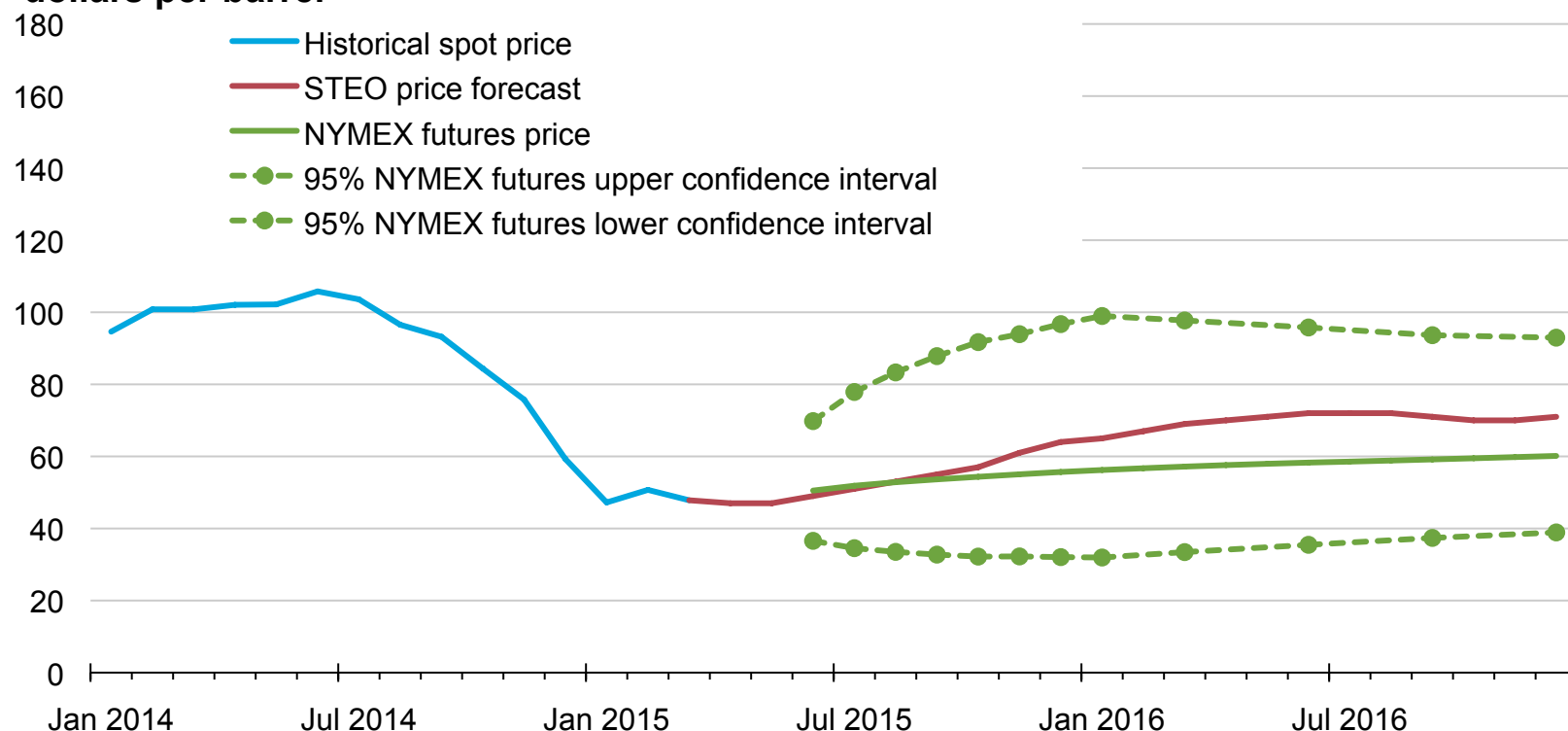
dollars per barrel



Source: EIA, Bloomberg

Oil prices rise from mid-2015 through mid-2016 in EIA's forecast – however, the market-implied confidence band is very wide

West Texas Intermediate (WTI) Crude Oil Price dollars per barrel



Note: Confidence interval derived from options market information for the 5 trading days ending Apr. 2, 2015. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Source: Short-Term Energy Outlook, April 2015.

Various events could lead to changes in global supply or demand that could push future crude oil prices higher or lower than the STEO forecast

Increase Prices

Event
Social unrest in Venezuela leads to supply disruptions
ISIL disrupts Iraqi exports
Iranian sanctions are tightened
Social unrest in oil-dependent countries leads to supply disruptions
OPEC cuts output more than projected

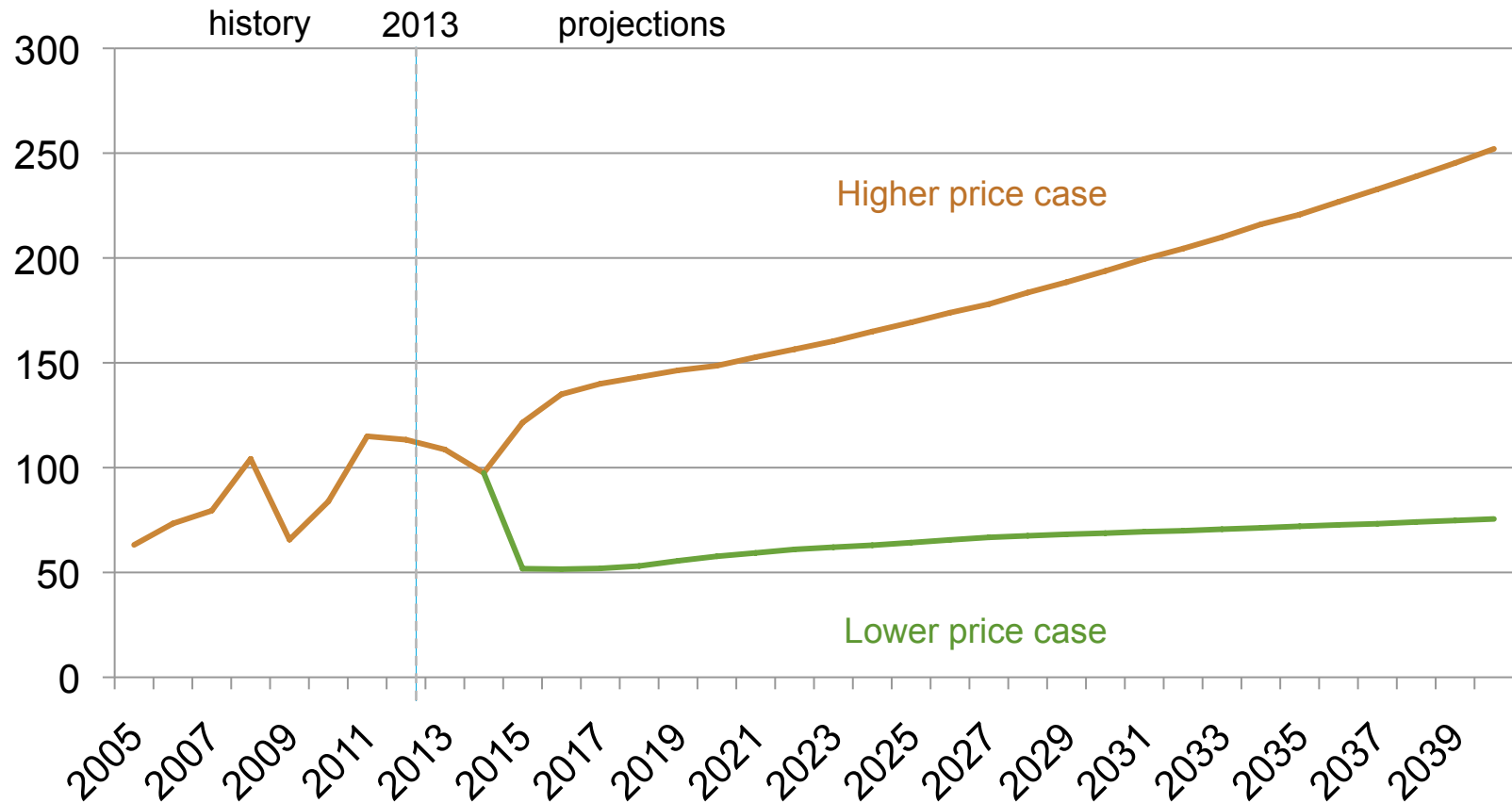
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Increase Prices	Social unrest in Venezuela leads to supply disruptions
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<hr style="border-top: 1px dashed red;"/>	
Decrease Prices	World economic growth is lower than projected (e.g., China)
	Saudi Arabia keeps production at 9.6-9.7 million bbl/d in 2016
	Reduction in unplanned production outages
	Iranian sanctions are lifted

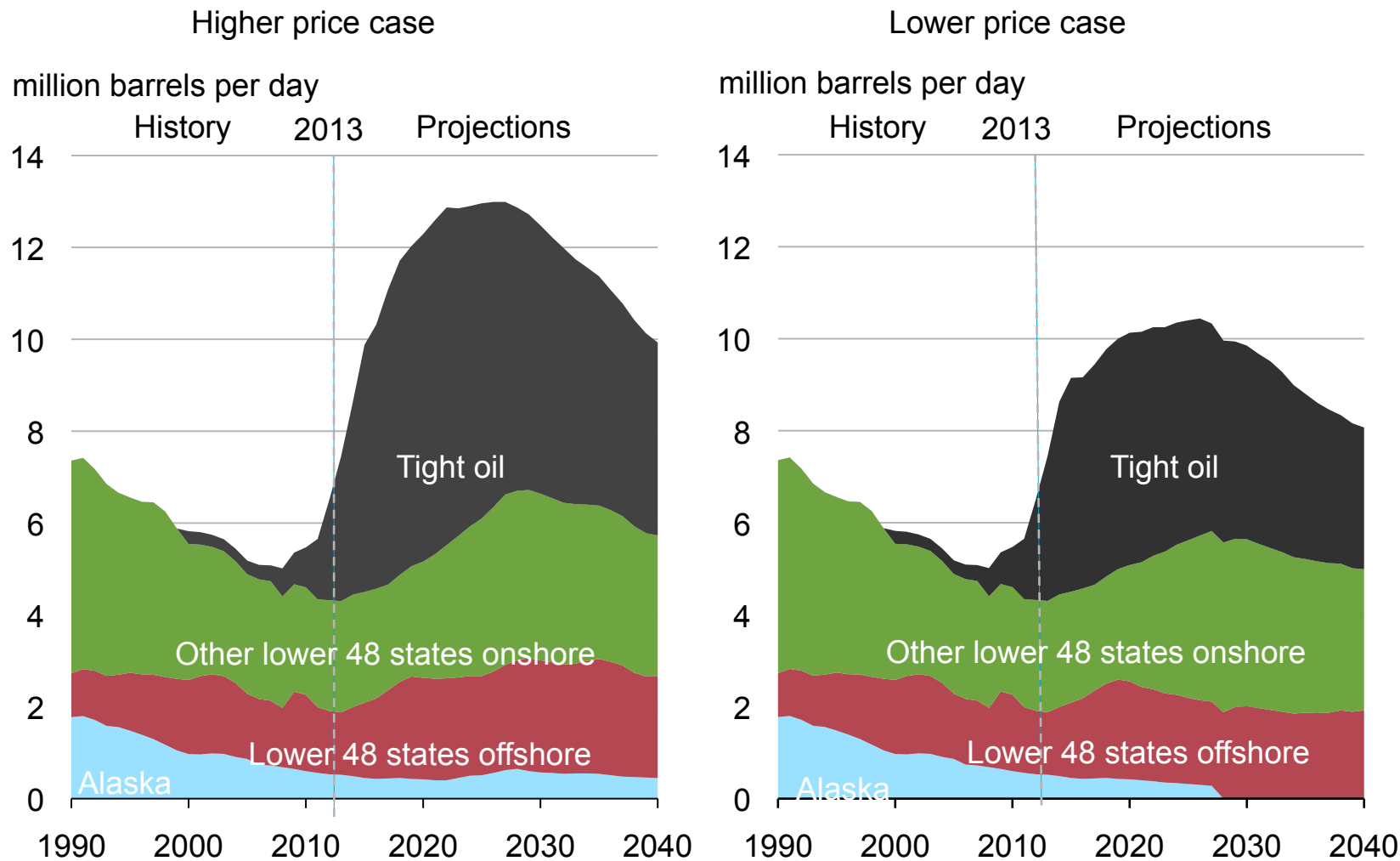
EIA's long-term price scenarios cover a wide range of potential prices

North Sea Brent crude oil spot price
2013 dollars per barrel



Source: EIA, Annual Energy Outlook 2015

The higher price case results in 2-3 million barrels per day of increased production



Source: EIA, Annual Energy Outlook 2015