

# OPEC PRODUCTION AND CONSEQUENCES FOR SHORT TERM OIL PRICE

September 19<sup>th</sup>, 2017

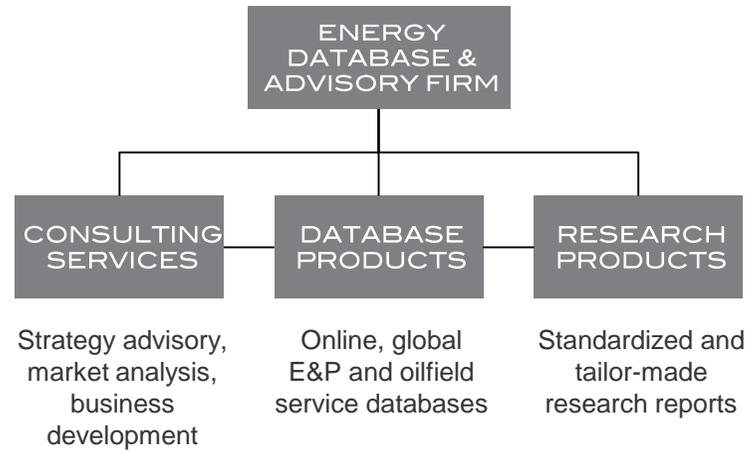
Havar Blakset – Partner Rystad Energy



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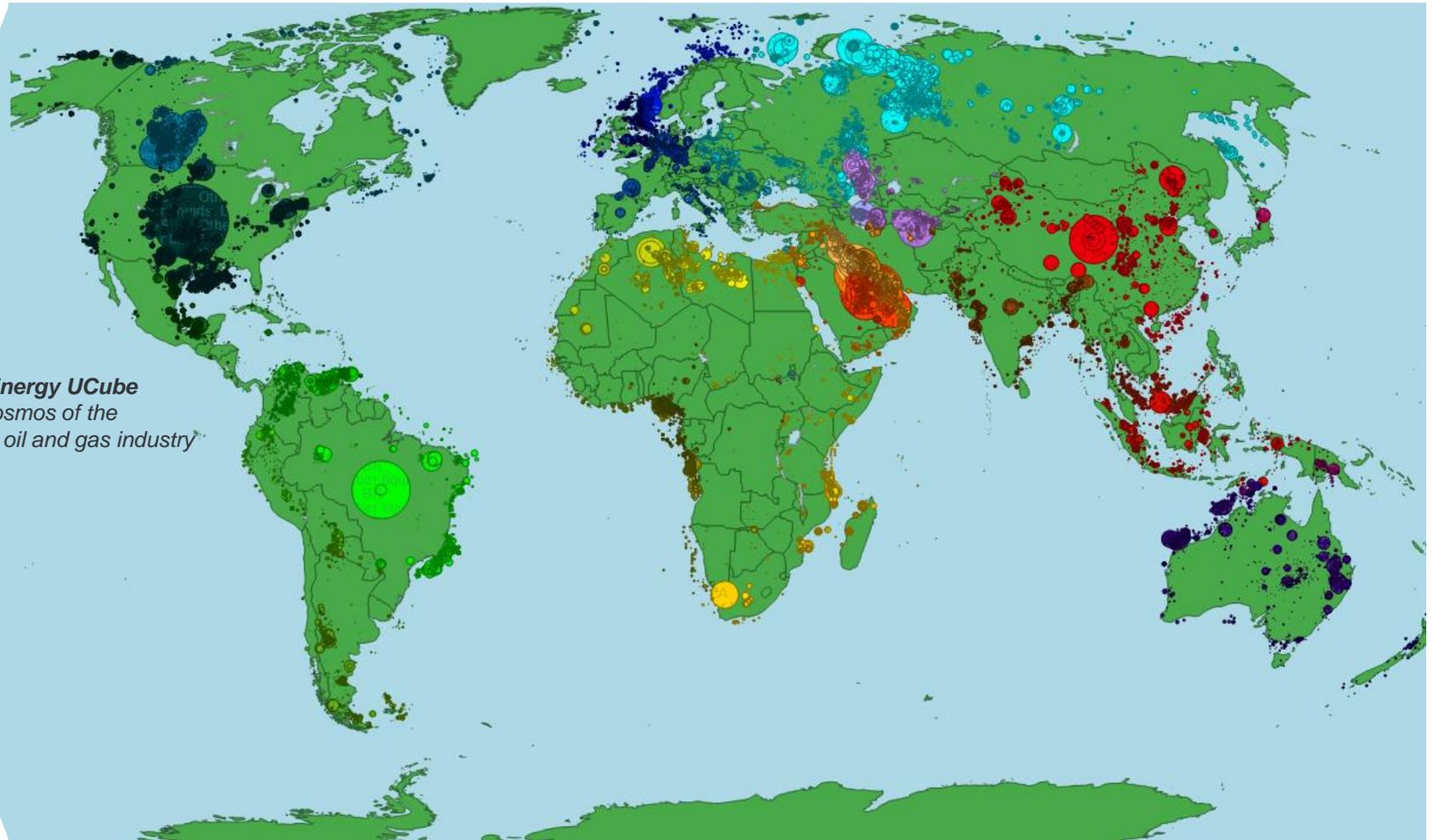
# Introduction to Rystad Energy – an energy database and advisory firm

- Independent energy database & advisory firm established 2004
- Headquartered Oslo, Norway with offices in major oil & finance hubs globally.
- Vendor of business intelligence databases for the global oil & gas industry
- A leading energy advisor within E&P, MIDSTREAM and OFS strategy, market analysis and business development
- Publishing a number of industry reports on high impact topics



Source: Rystad Energy

# Our approach and heritage: A bottom-up database of ~65.000 upstream oil and gas projects

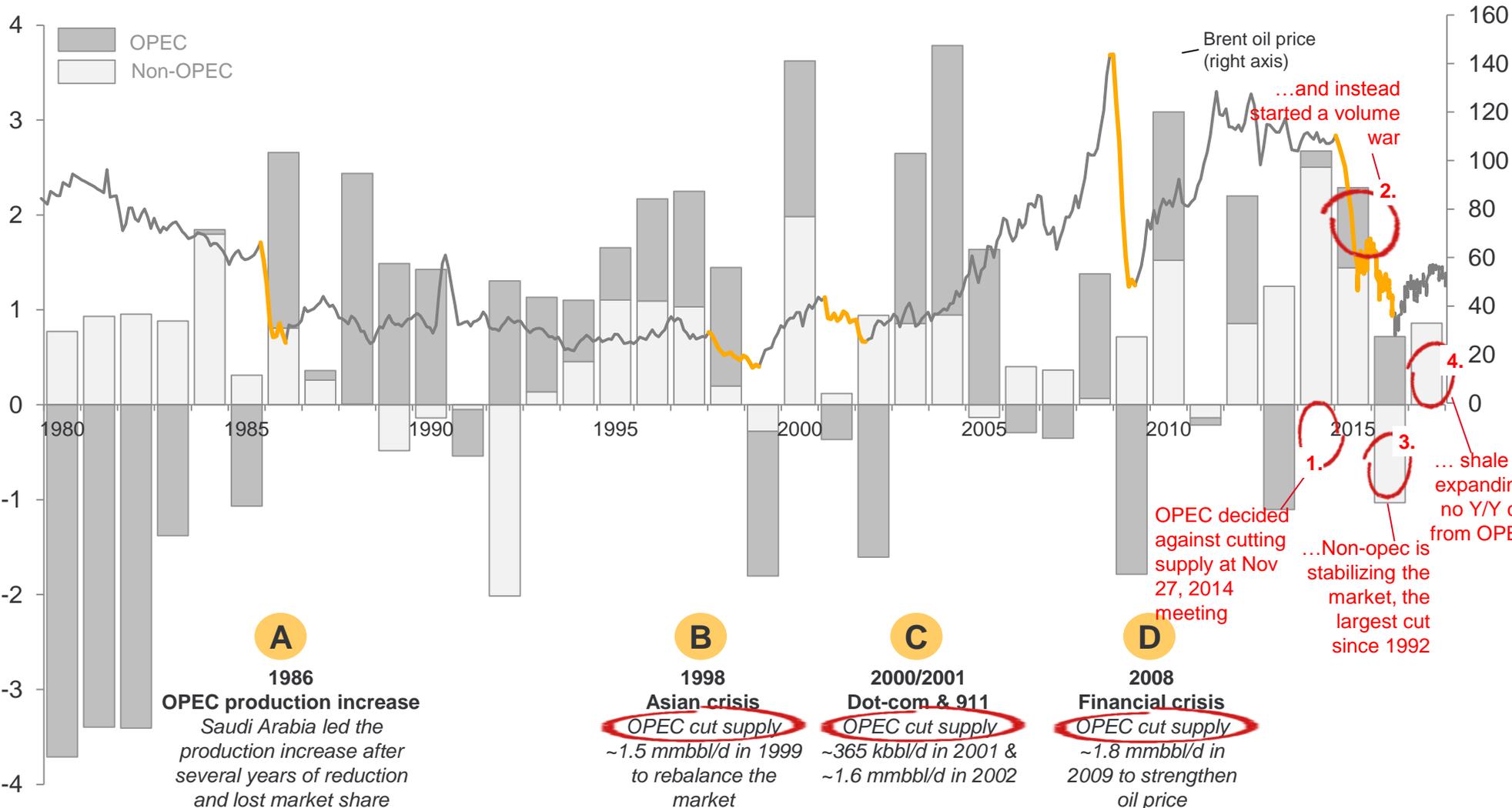


**Rystad Energy UCube**  
*A microcosmos of the  
upstream oil and gas industry*

# 2017 OPEC cutting growth, Non-OPEC/shale oil is responding immediately to the cuts

**Change in liquids production year on year**  
Million bbl/d

**Historical oil price (Brent\*), 1980-2017**  
Dollar per barrel, real December 2017



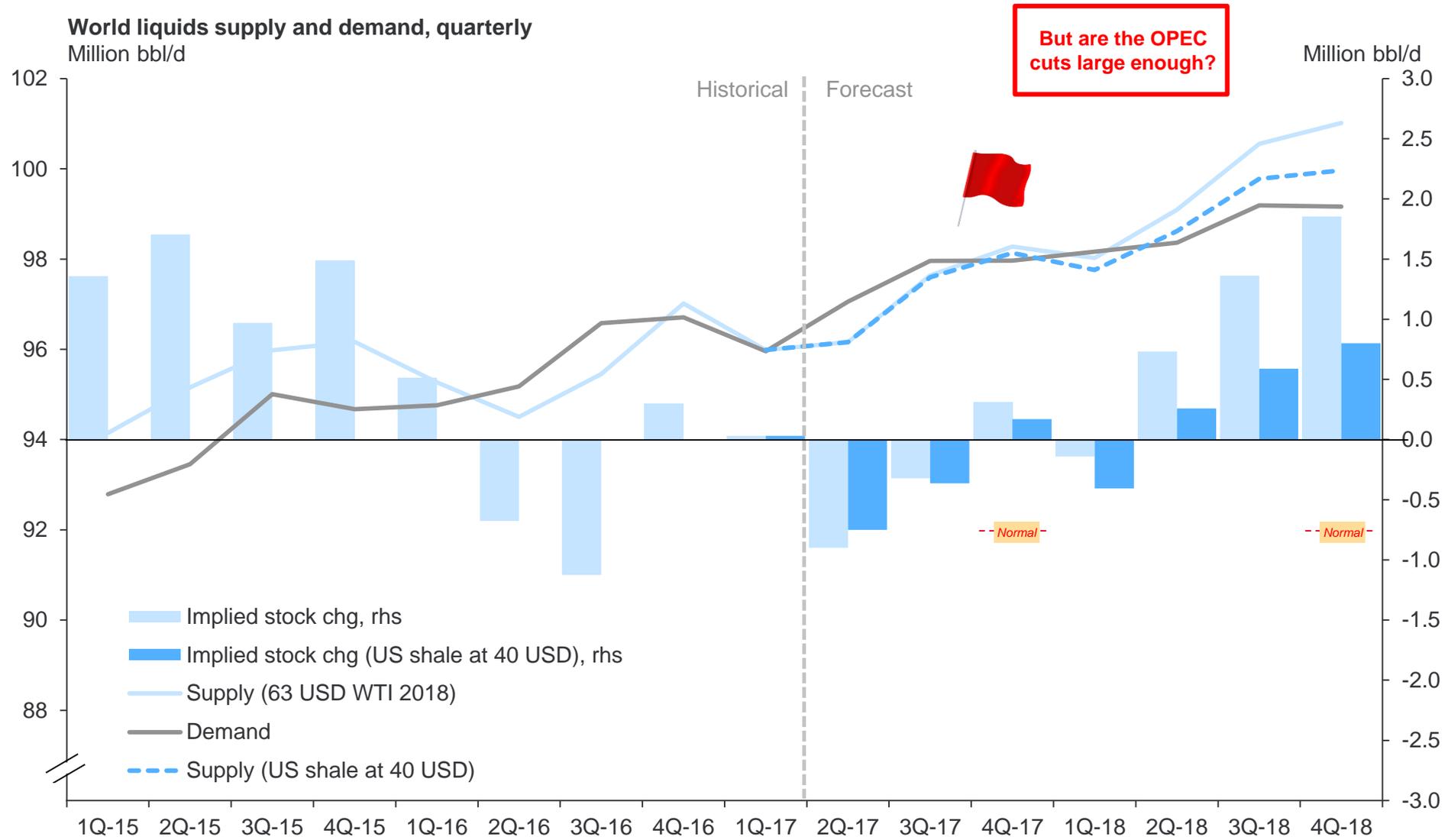
Source: Rystad Energy UCube

# Despite no Y/Y cut from OPEC, the OPEC communication matters and moves the market



Source: Bloomberg, Rystad Energy research and analysis

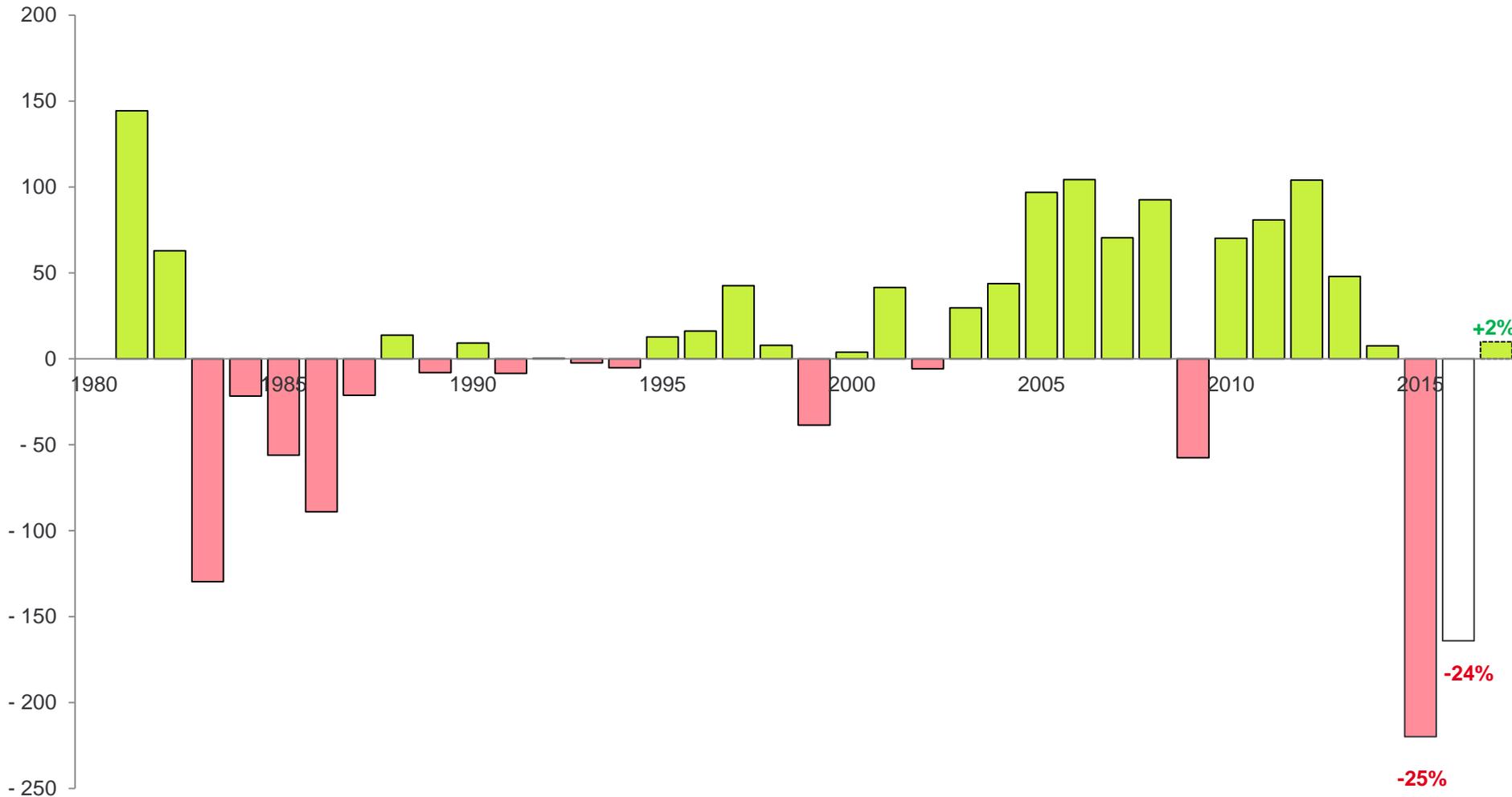
# March 2017 - OPEC needed to continue the cuts, if not 2014/15 all over again, 40 USD/bbl not clearing the market



Note: The 1Q drop in global supply in 2017 and 2018 is partly driven by the ~400 kbbl/d seasonal drop q/q in biofuels production in Brazil.  
Source: Rystad Energy research and analysis

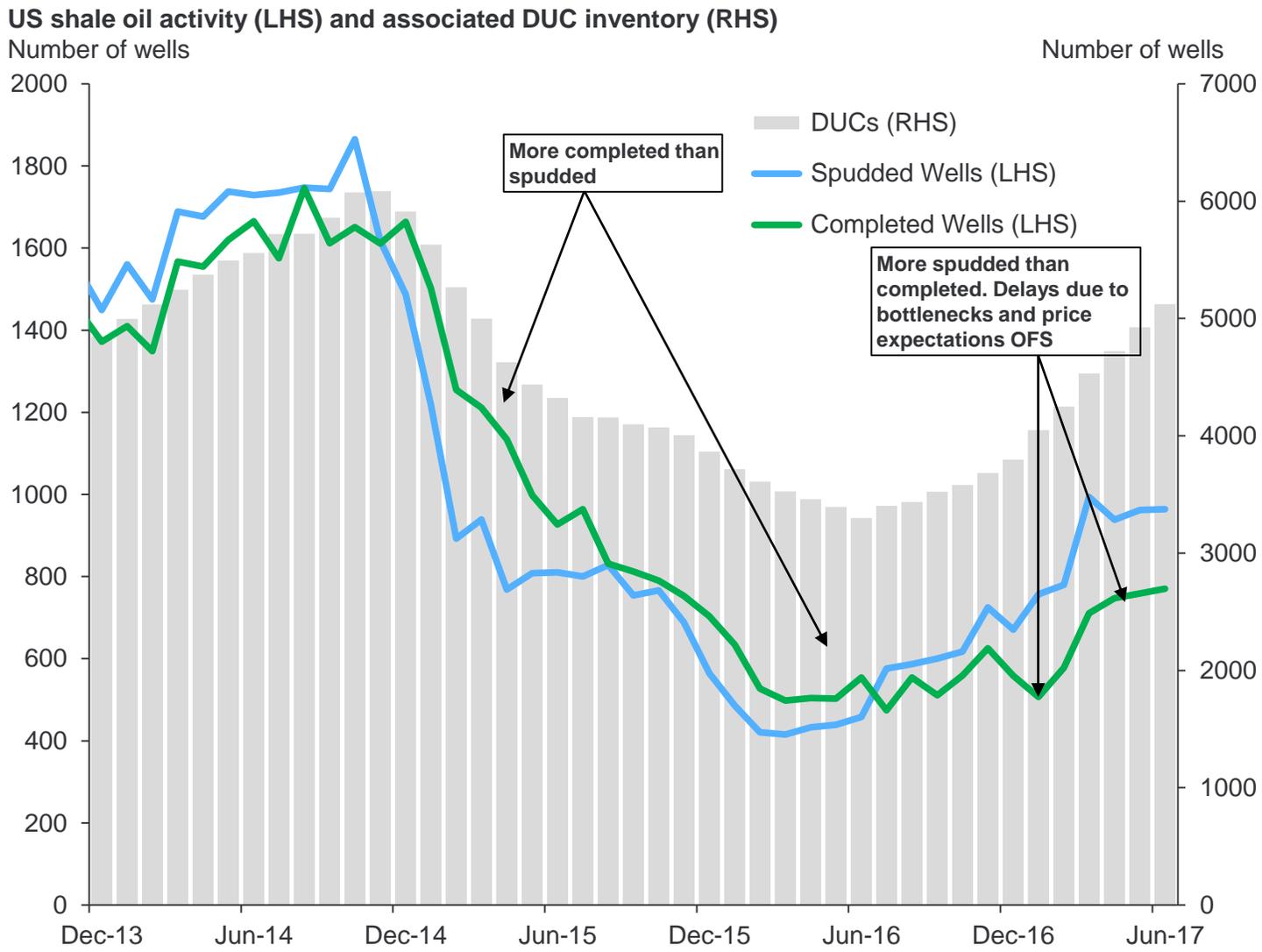
# Spending wise the cycle turned in 2016

**Change in upstream capex budgets, year-over-year**  
Billion USD real terms



Source: Rystad Energy UCube

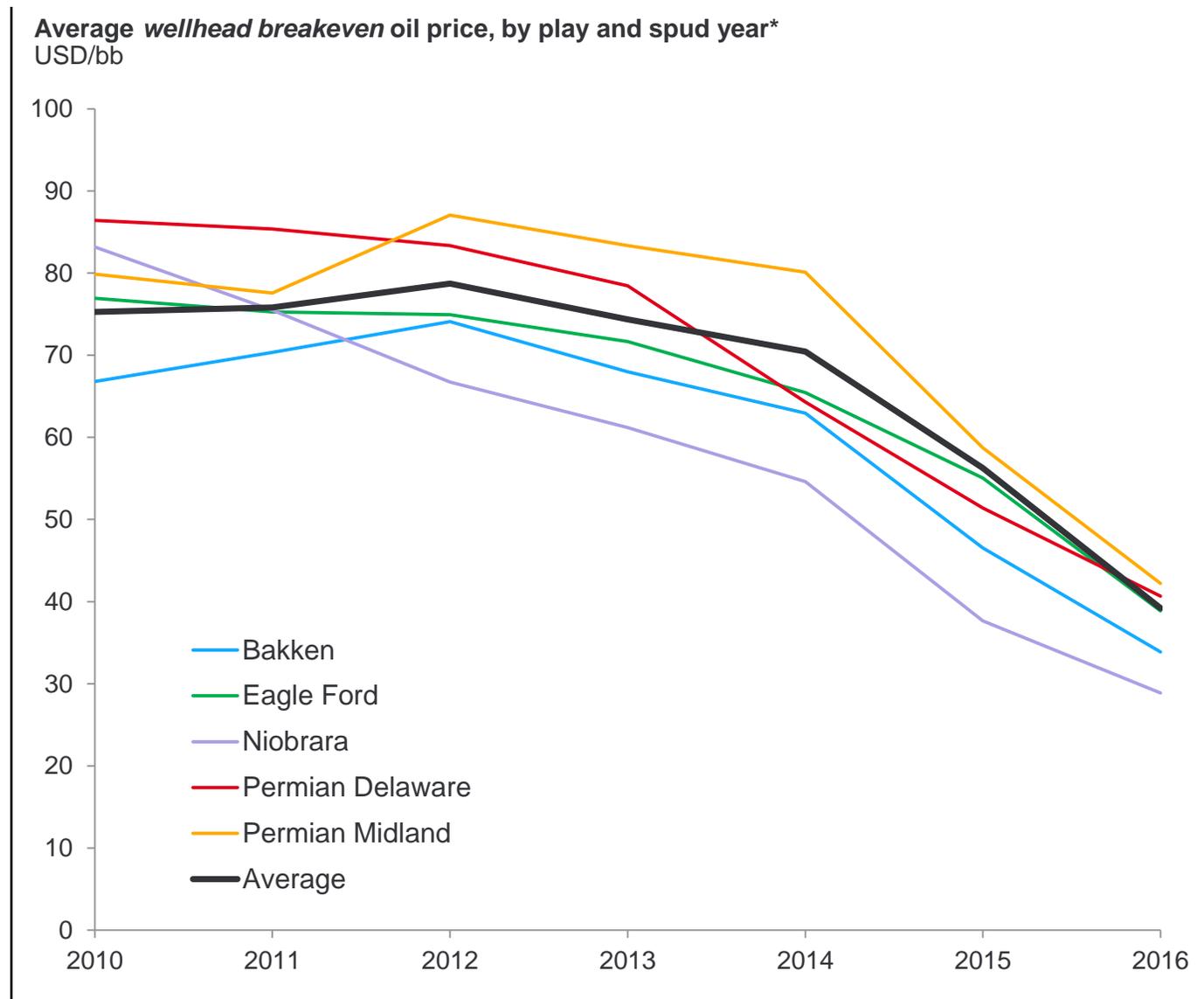
1. Driven by shale oil – already more than a doubling in spudded wells



Source: Rystad Energy NASWellCube

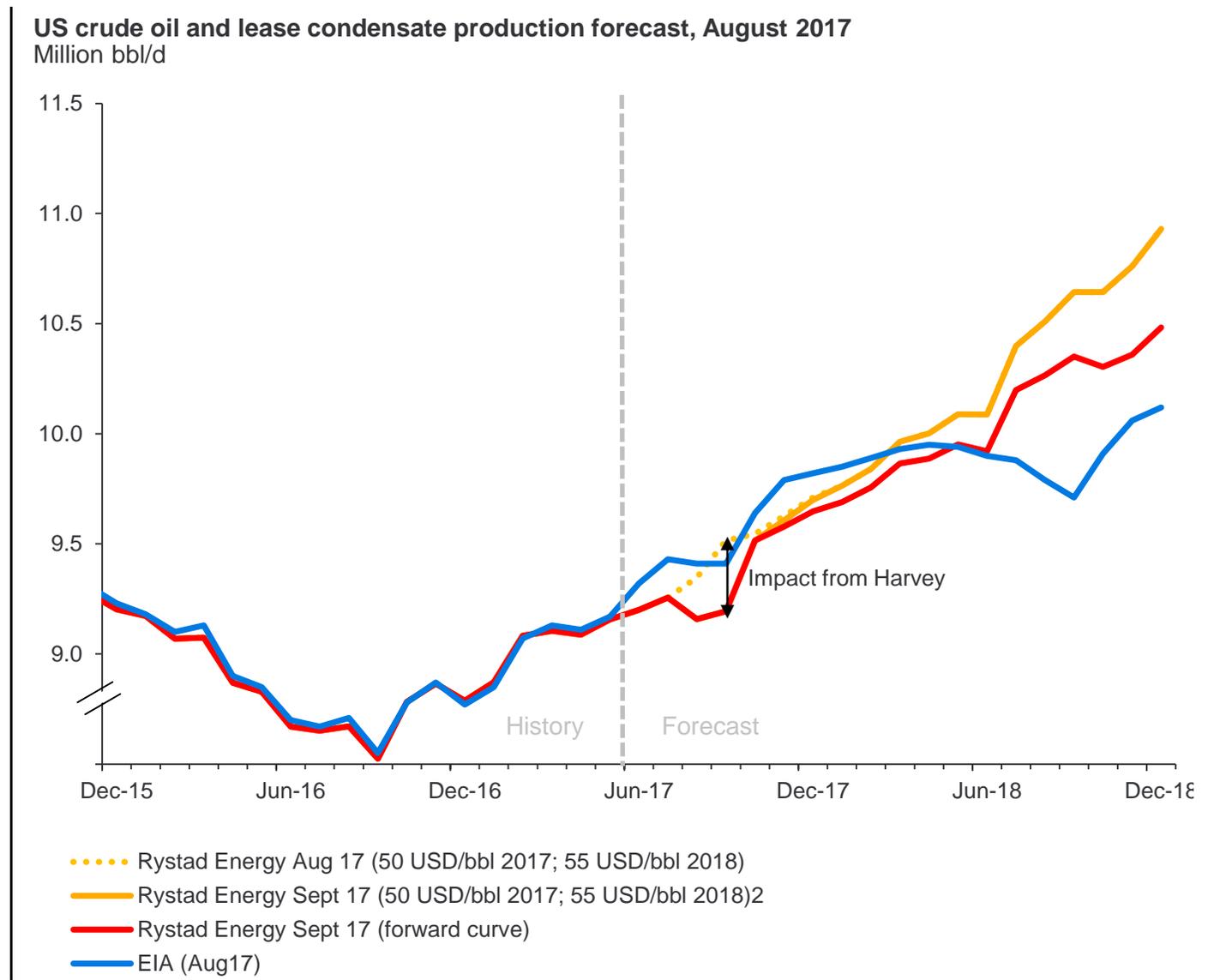
1.

# Main driver for shale comeback – significant reduction in breakevens and oil price above 45



\*Does not include test activity, where well was shut-down after completion  
Source: Rystad Energy NASWellCube Premium

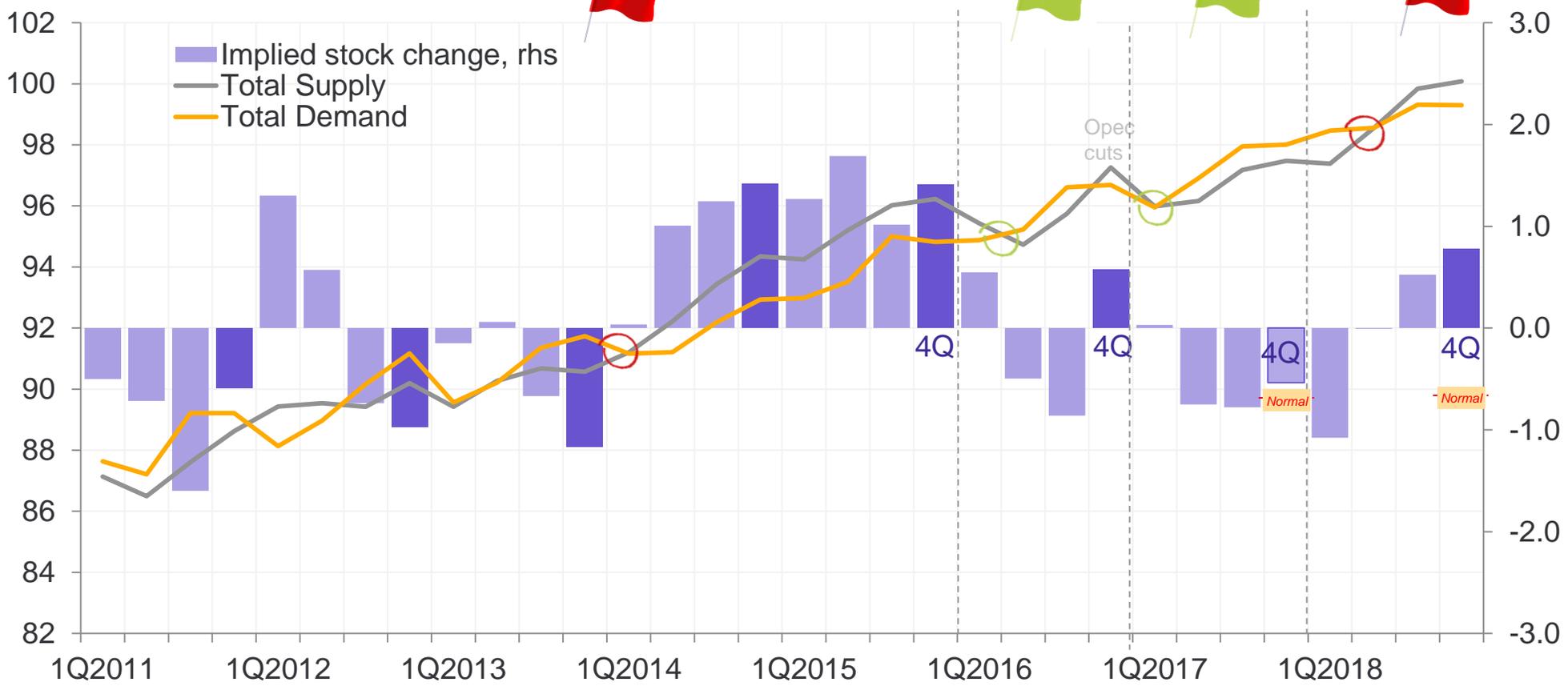
1. Total US supply up by 1.0 mbb/d Dec17 vs Dec16 – first time EIA is overestimating



Source: Rystad Energy research and analysis, EIA

# Stock draws through 1Q 18, OPEC will need to continue the cuts 2H 18 due to US shale surge

**World liquids supply and demand, quarterly**  
 Million bbl/d



Source: Rystad Energy research and analysis, IEA OMR



# RYSTAD ENERGY

Havar Blakset  
Partner  
New York



RYSTAD ENERGY

Main: +1 646 774 2943  
Mobile: +1 917 254 5938  
200 Park Avenue, 17th Floor New York, USA  
[www.rystadenergy.com](http://www.rystadenergy.com)

*Oslo, Stavanger, Singapore, Dubai, Moscow, London, New York, Houston, Rio*

*Consulting: strategy, market studies, DD, macro  
Databases: E&P, Oil Service, Carbon Footprint*

