

**EIA Workshop: Economic Activity & Oil Prices,  
OPEC Policies, Production and Price Responses  
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\* Disclaimer: The opinions / views expressed are my own and do not necessarily reflect those of my employer

# Factors affecting crude oil prices



- Prices are set by individual agreements among willing buyers and sellers
- Each buyer and seller makes its own assessment of market value based on many factors

## Current Assessments

## Future Expectations

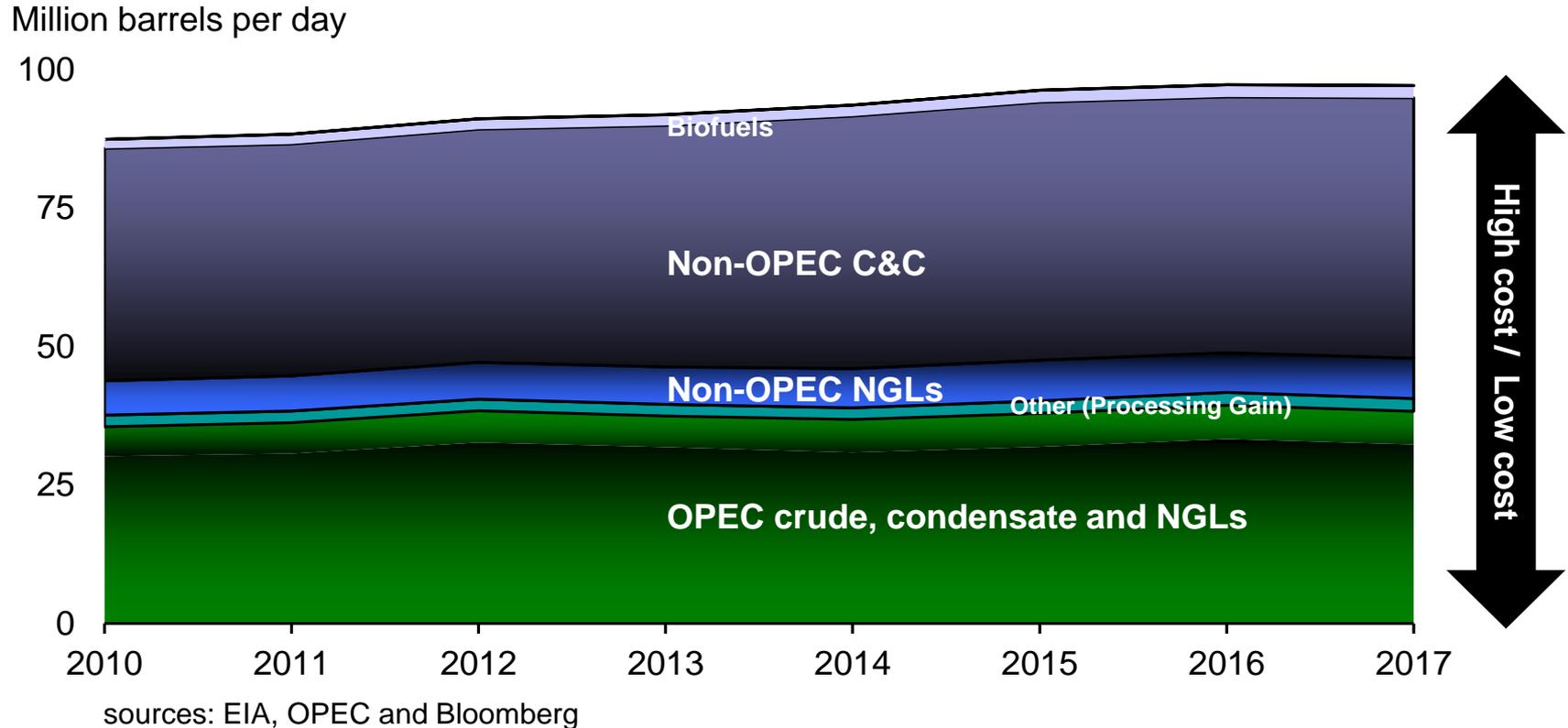


\* Graphic based on Foreman (2009)

# Global oil supply dynamics

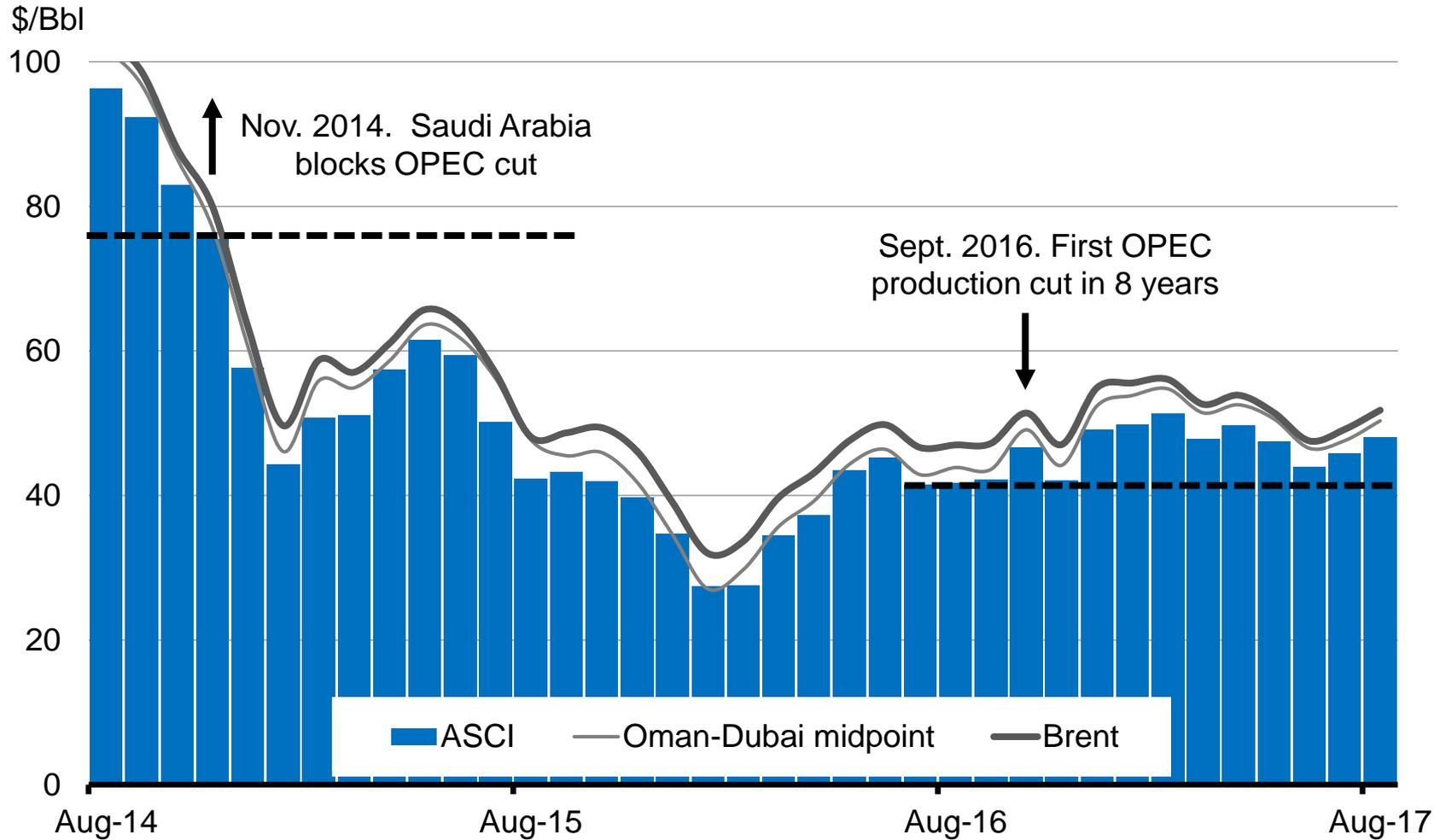


Crude supply by source: a cost-based seriatim



- OPEC volumes remain the most cost-competitive globally
- Tight oil, pre-sanction high-cost conventional and VHO developments should remain the marginal supplies

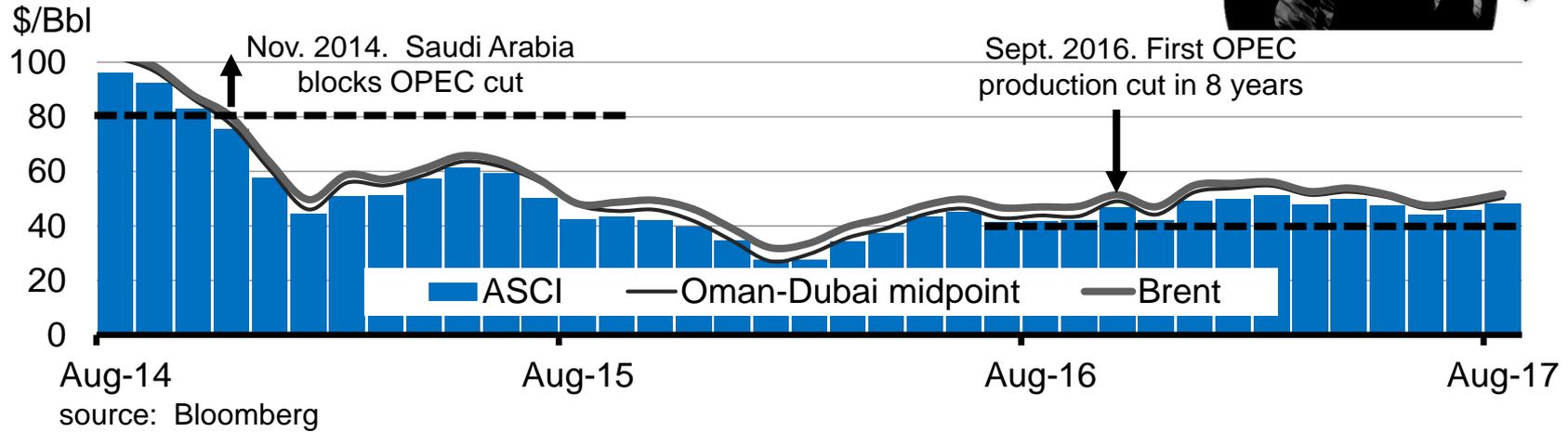
# Recent oil prices and OPEC announcements



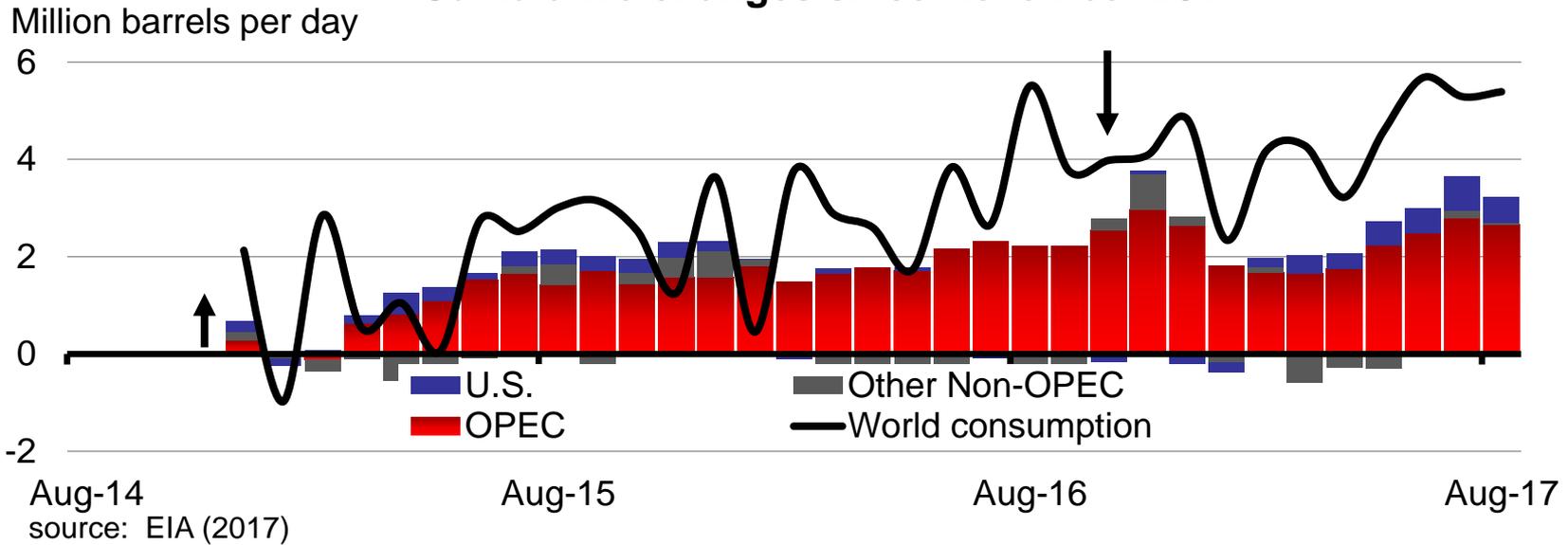
source: Argus, Bloomberg

- OPEC announcements have corresponded with the desired directional price impact

# Comparisons with oil production by region



## Cumulative changes since November 2014

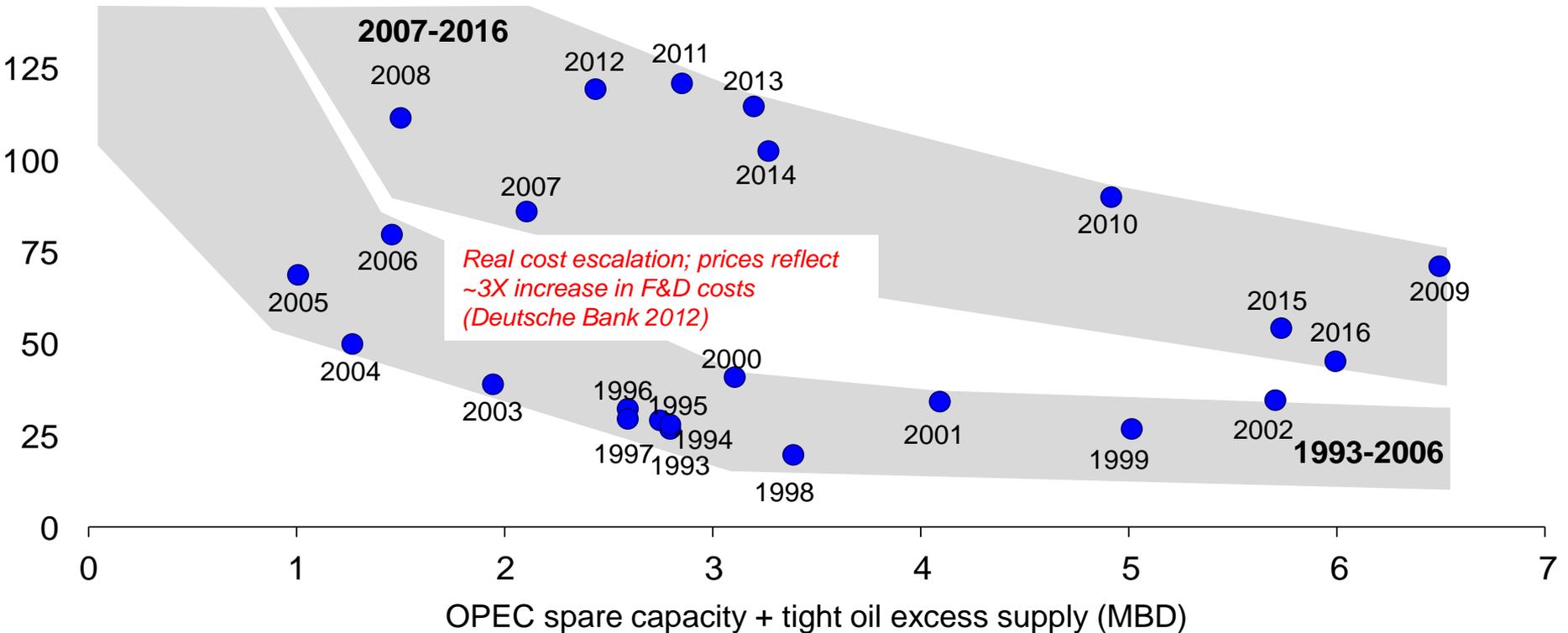


- OPEC announcements also appear to have influenced effective production and market capture

# Brent crude oil prices & spare productive capacity



2017\$US/Bbl



\* Graphic based on Foreman (2009)

- Although the OPEC swing producer model is outdated, excess productive capacity continues to correspond with prices

# Current issues



- Credible commitments
- Uncertainties in reporting and discrepancies among reported data sources
- Inventory measurement (Non-OECD)

## Key points



- Myriad factors affect crude oil prices
- OPEC volumes remain the most cost-competitive, and tight oil, pre-sanction high-cost conventional & VHO developments remain marginal supplies
- OPEC announcements have influenced prices, production and market capture
- Although the OPEC swing producer model is outdated, excess productive capacity continues to correspond with prices
- Issues: credible commitments, reporting discrepancies and Non-OECD inventory measurement