The Short-Term Oil Market Outlook

Saudi Arabia – United States Energy Consultations
February 2, 2011
Washington, D.C.

Richard G. Newell, Administrator
EIA expects monthly average crude oil prices to rise through 2012, but options market valuations indicate a high degree of uncertainty.

Richard Newell, February 2, 2011
Markets tell us there is roughly a 20% chance the price of oil could be higher than $120 per barrel by December 2011.

Probability of exceedence:

- $100/barrel: 44%
- $110/barrel: 30%
- $120/barrel: 20%
EIA expects world consumption growth to resume the trend seen from 2000 through 2007

Source: EIA, Short-Term Energy Outlook, January 2011
EIA’s forecast of world consumption growth is led by non-OECD Asia

Change from previous year
million barrels per day

<table>
<thead>
<tr>
<th>Year</th>
<th>OECD</th>
<th>Non-OECD Asia</th>
<th>FSU and Eastern Europe</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>0.50</td>
<td>0.96</td>
<td>0.19</td>
<td>-0.01</td>
</tr>
<tr>
<td>2011</td>
<td>0.60</td>
<td>0.82</td>
<td>0.10</td>
<td>0.08</td>
</tr>
<tr>
<td>2012</td>
<td>0.67</td>
<td>0.77</td>
<td>0.12</td>
<td></td>
</tr>
</tbody>
</table>

Source: EIA, Short-Term Energy Outlook, January 2011
Forecasts of 2011 growth in world consumption vary, but agree growth will be led by non-OECD countries

Change from previous year
million barrels per day

<table>
<thead>
<tr>
<th></th>
<th>EIA forecast</th>
<th>IEA forecast</th>
<th>OPEC forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD</td>
<td>-0.01</td>
<td>0.18</td>
<td>-0.16</td>
</tr>
<tr>
<td>non-OECD</td>
<td>1.46</td>
<td>1.57</td>
<td>1.04</td>
</tr>
<tr>
<td>World</td>
<td>1.45</td>
<td>1.41</td>
<td>1.23</td>
</tr>
</tbody>
</table>

EIA expects that gasoline and distillate fuel will account for nearly all growth in U.S. demand for liquids over the next two years.
EIA’s forecast of world supply growth is led by OPEC countries

Change from previous year
million barrels per day

2.0
1.5
1.0
0.5
0.0
-0.5

2010
2011
2012

Forecast

North America
Russia and Caspian Sea
Latin America
Other Non-OPEC
OPEC Countries

Source: EIA, Short-Term Energy Outlook, January 2011
Projected non-OPEC supply growth over the next two years is limited to a few countries.

- EIA expects growth in total non-OPEC supply to average less than 100,000 bbl/d each year in 2011 and 2012.

Source: EIA, Short-Term Energy Outlook, January 2011
EIA expects the decline in Gulf of Mexico crude oil production will pull down U.S. supply

Change from previous year
million barrels per day

-0.5 -0.22 -0.18 -0.02 0.25 0.07 0.03 0.01

-0.05 0.0 0.5 1.0


Richard Newell, February 2, 2011
EIA’s world balance forecast indicates a larger increase in the call on OPEC crude and stock draw in 2011

Change from previous year
million barrels per day

EIA expects OECD stocks days-of supply to fall to “normal” levels
The supply-demand growth forecast looks similar to 2005-2008, with a principal difference being the current availability of spare capacity.

Sources: EIA, Thomson Reuters
During 2003-2008, OPEC’s spare production levels were low, limiting its ability to respond to demand and price increases.
For more information


Short-Term Energy Outlook  www.eia.gov/emeu/steo/pub/contents.html

Annual Energy Outlook  www.eia.gov/oiaf/aeo/index.html


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