

Oil market outlook

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Caroline Bain
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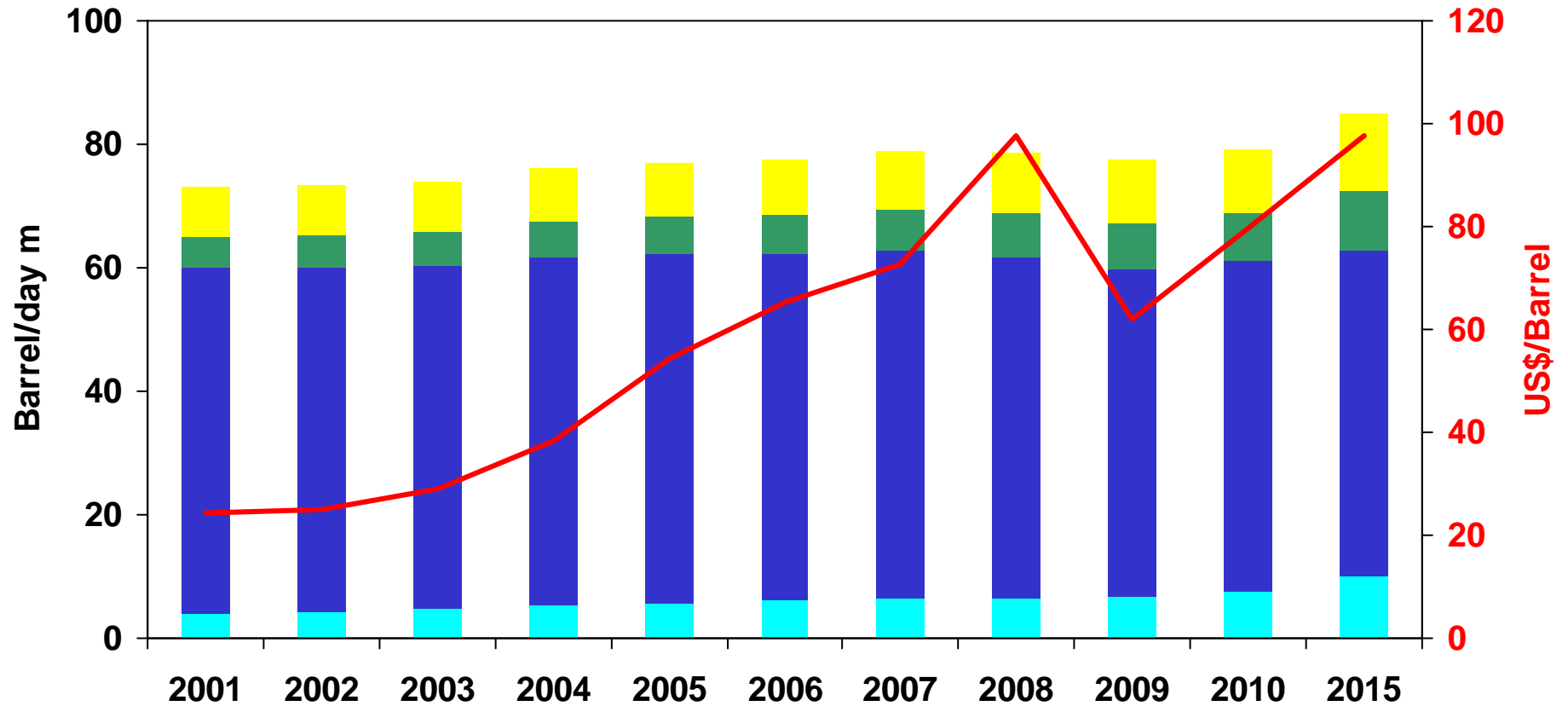
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A structural shift in demand

Rest of the world Middle East Other Asia China Price US\$, Brent, av (RHS)



Sources: International Energy Agency;
Economist Intelligence Unit, Country Data.

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All the growth in the developing world

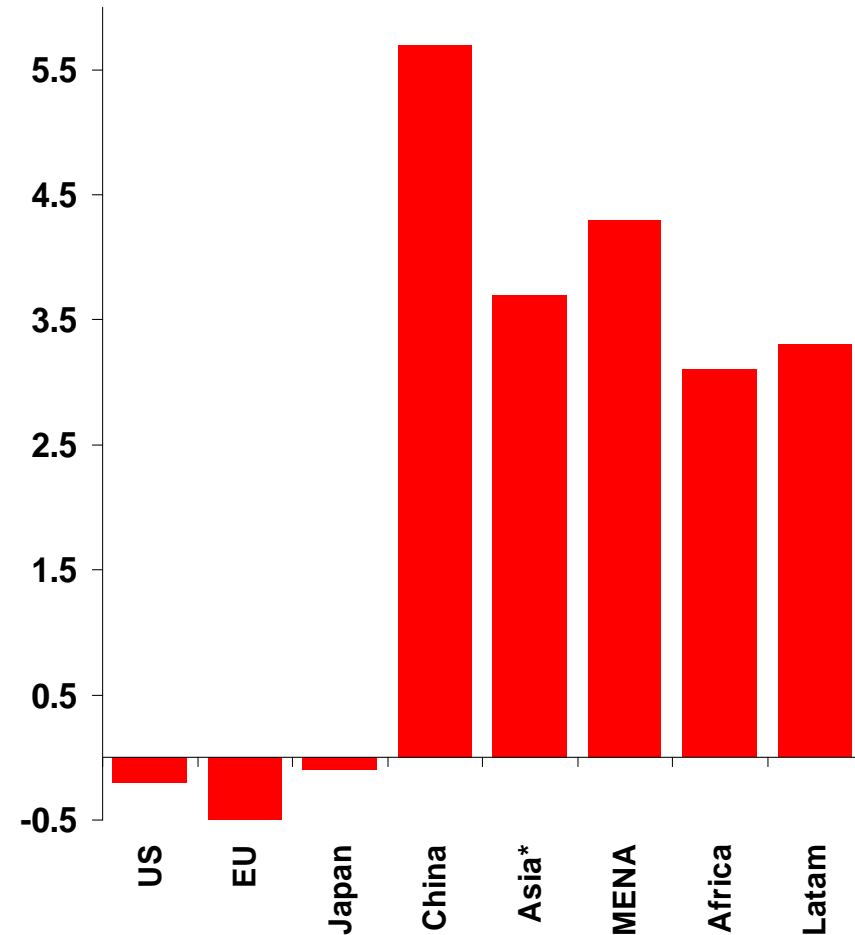
Global oil consumption grew by 3.4% in 2010, rebounding from a contraction of 1% in 2009. Consumption growth will slow in 2011-14 but remain relatively strong

All the growth in the non-OECD

- Stronger GDP growth
- Subsidies
- Industrialisation and urbanisation
- Rising disposable incomes

OECD consumption to contract

- Falling energy intensity of GDP
- Some demand destruction as economies slow and prices remain historically high?



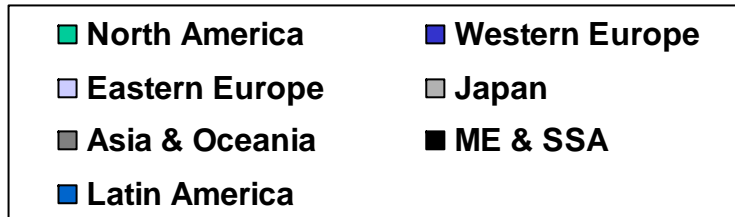
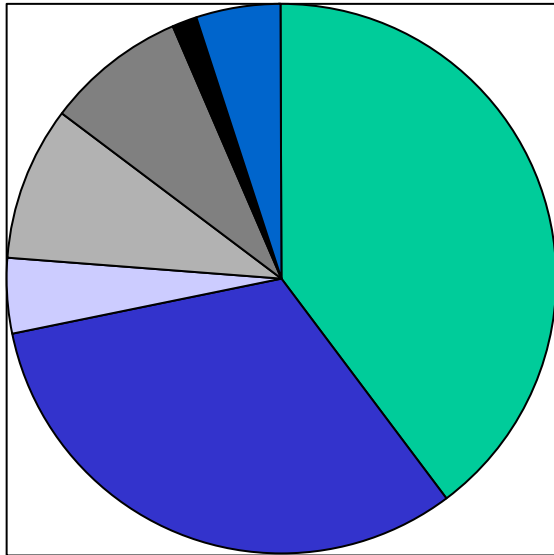
*Excluding China.

Average annual growth in consumption 2011-14.

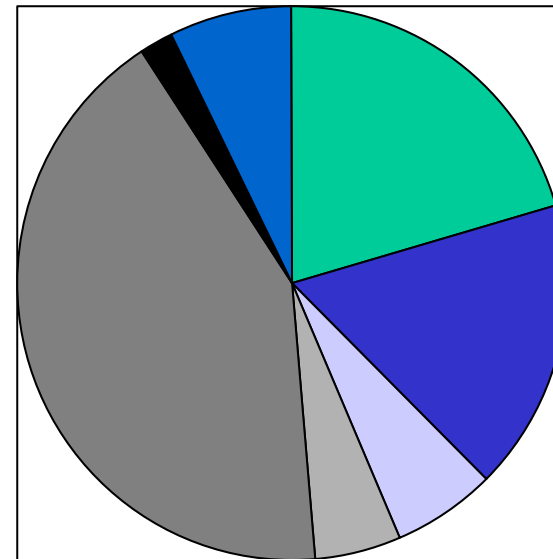
Sources: IEA; Economist Intelligence Unit forecasts.

The changing world order

**Total car sales 2000:
45.9m units**



**Total estimated car sales
2015: 82.3m units**



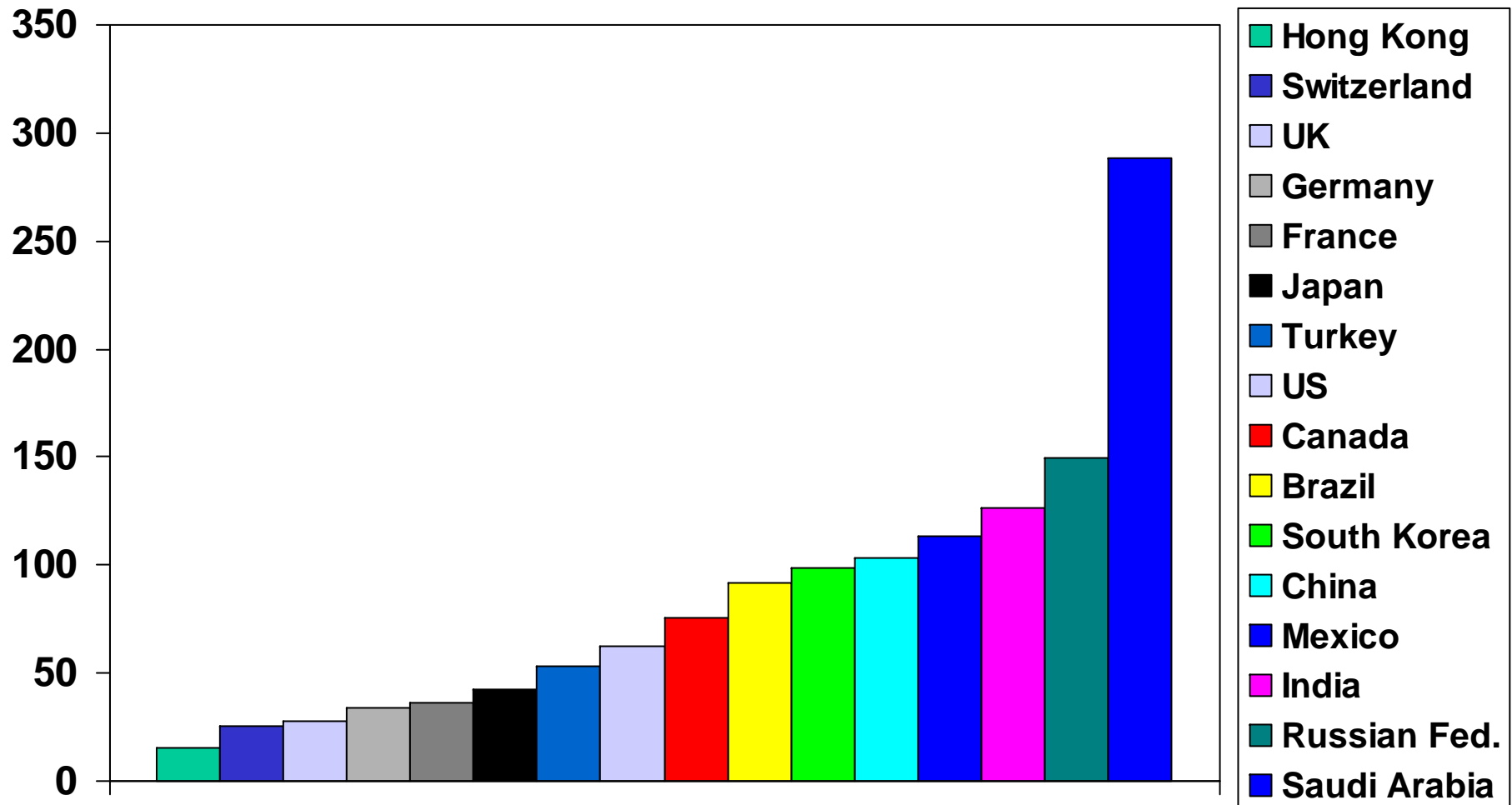
Source: Economist Intelligence Unit,
Industry Briefing.

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Large variations in energy intensity



Energy intensity, Tonnes of equivalent oil/million US\$ GDP.
Source: Economist Intelligence Unit, Country Data.

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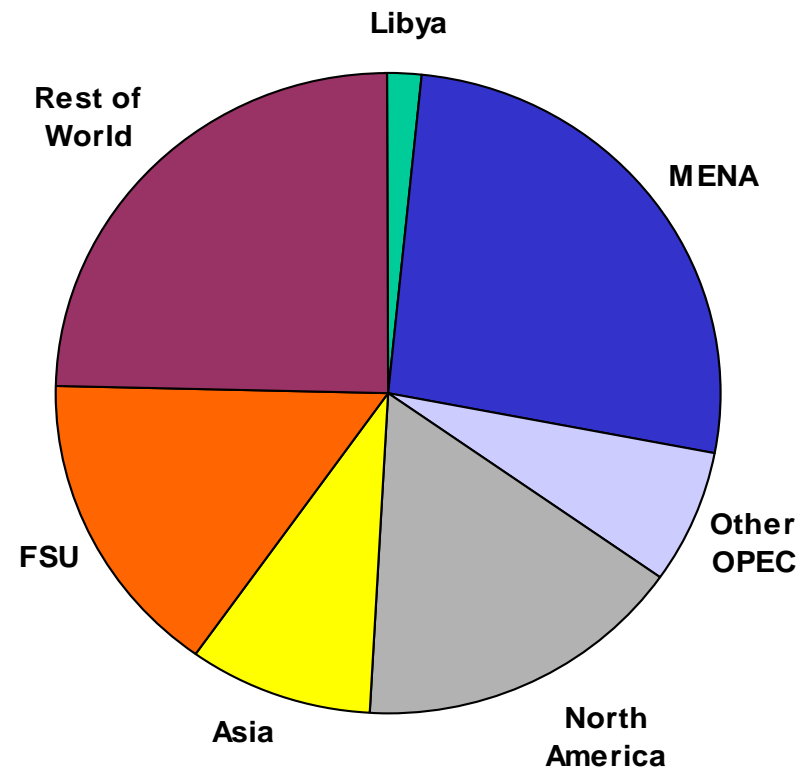
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Libya: why so important?

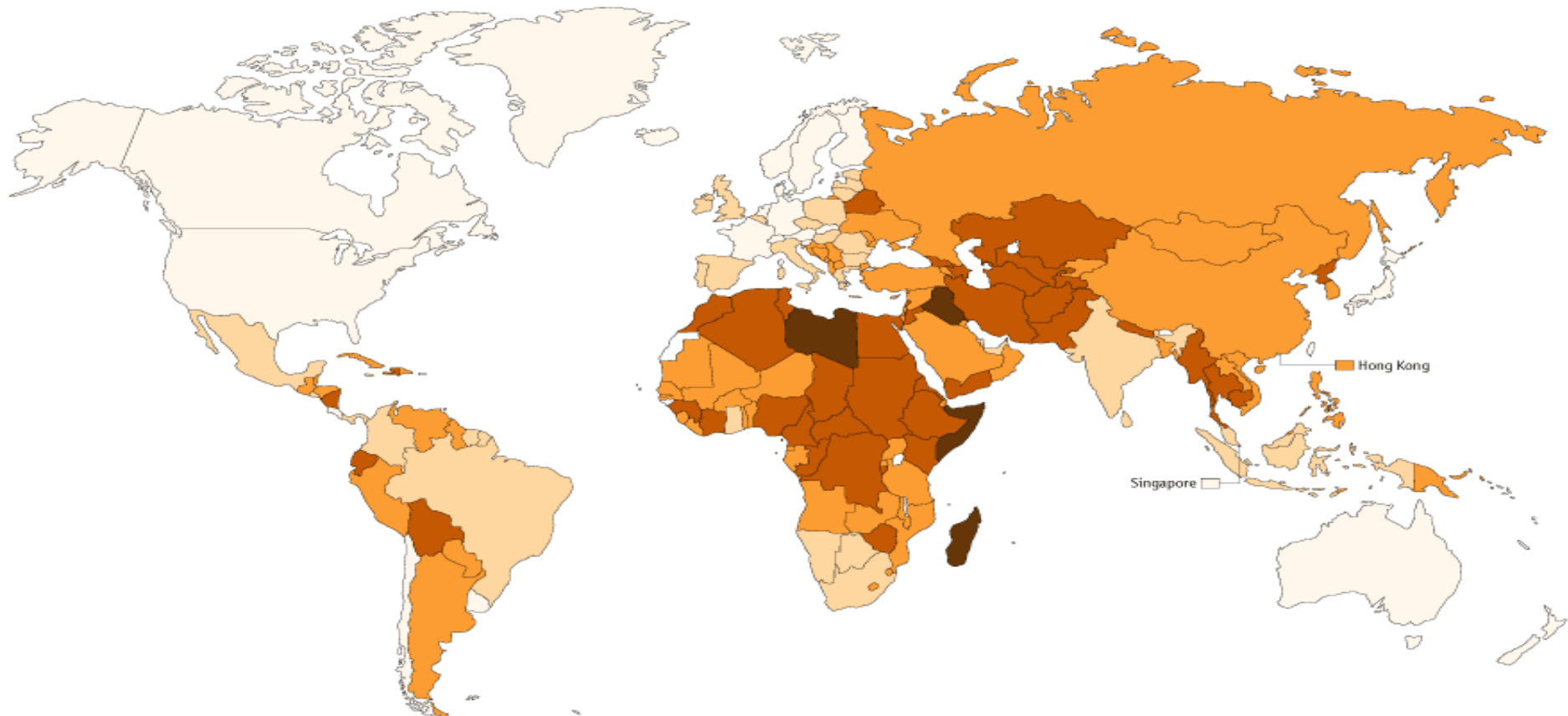
- Libya produced just 1.6m b/d out of total global supply of 87.7m b/d in 2010
- But the world's 12th largest exporter,
- Libyan oil difficult to replicate
- Perhaps more importantly ...
- Market tightness
- New administration should quell fears in the market but geopolitical risk likely to remain a factor – and a support for prices – in the medium term

Global oil supply 2010



Sources: International Energy Agency, EIU Country Data.

Political risk



Risk colour key: light to dark represents increasing risk.
Source: EIU Risk Briefing.

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The risks we are aware of...all on the upside?

Political

- Popular movements in the Middle East lead to further disruptions to supply
- Uncertainty over the succession in Saudi Arabia
- Popular protests seek to depose the Gulf monarchies
- Civil unrest in Nigeria
- Iran experiences popular uprisings
- Civil unrest returns to Iraq

Economic

- Further QE, US dollar weakness, ultra low-global interest rates, currency debasement

There will be no shortage of supply

Economist Intelligence Unit's Oil Market outlook

m barrels/day

	2011	2012	2013	2014	2015
Total world oil production	89.2	91.8	93.7	95.8	97.7
Non-OPEC	51.1	51.9	52.3	52.9	53.6
OPEC	35.7	37.6	39.0	40.5	41.6
Total world oil consumption	90.3	92.1	93.7	95.3	97.0
Market balance	-1.09	-0.26	0.01	0.47	0.7
Oil price forecast (dated Brent Blend, US\$/b)	108.5	94.5	90.0	92.0	97.5

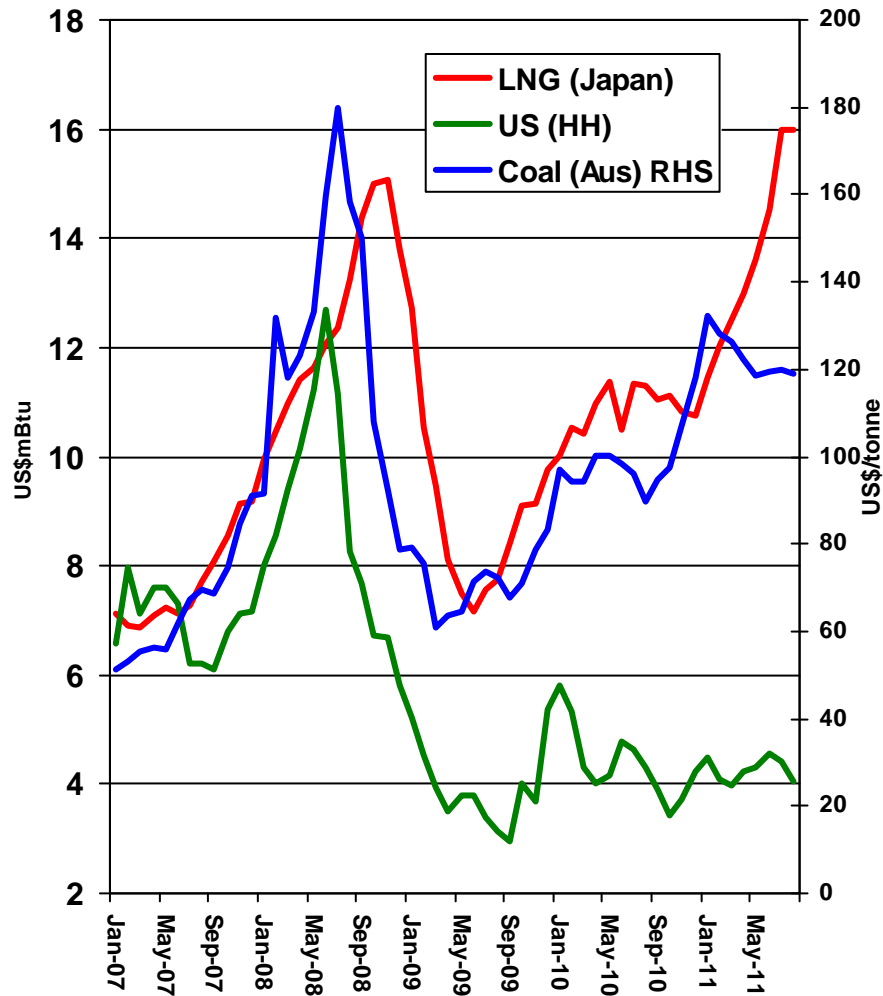
Source: Economist Intelligence Unit, *CountryData*.

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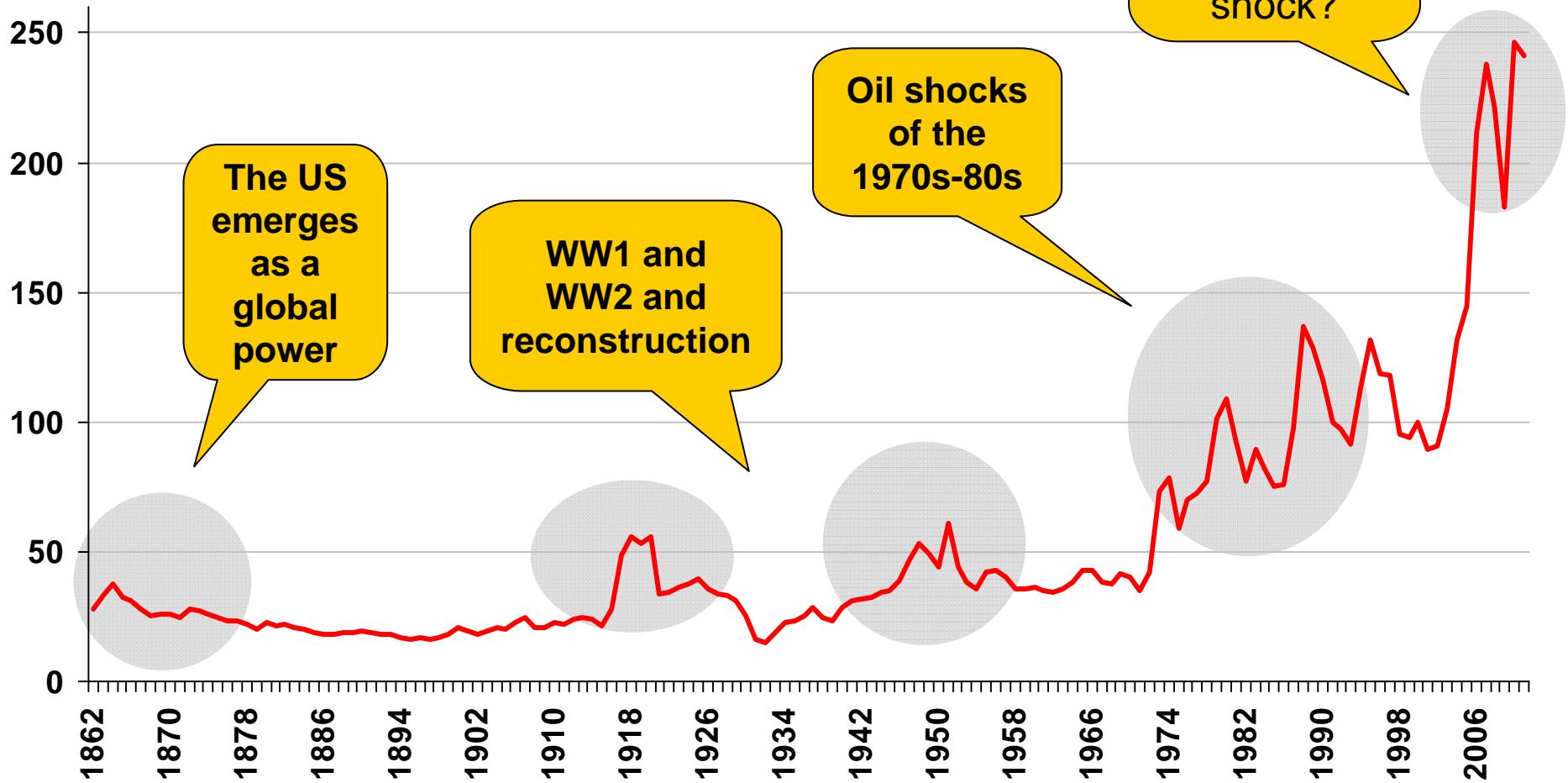
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Implications for the wider energy sector



- Gas: a highly diversified market
Less fungible than other fuels
Cleaner, but upward pressure on prices even in the US
- Thermal coal: ample supply
Relatively low cost but carbon pricing could change this
The fuel of choice for electrification in many emerging countries

Commodity prices: A supercycle?



Source: *The Economist* industrial raw materials price index. (2000=100).

Questions and Answers

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- World oil: EIU's September oil outlook**
August 19th 2011
FROM THE ECONOMIST INTELLIGENCE UNIT
Demand
The Economist Intelligence Unit expects global oil consumption growth to ease to 2.2% 2011, having bounced back strongly in 2010 amid the global economic recovery. We expect rapid consumption growth in the emerging world this year, particularly in China and India and the Middle East, to be offset by weakness in the US and the EU. Consumption growth in the US will fall slightly in 2011, owing to the weak performance of the economy in the first half of the year, and there will be a further marginal decline in 2012. EU consumption is expected to continue to contract in both 2011 and 2012, but there could be a small uptick in 2012.
- World coal: EIU's September coal outlook**
August 19th 2011
FROM THE ECONOMIST INTELLIGENCE UNIT
Demand
The Economist Intelligence Unit expects global thermal coal consumption to grow at a healthy annual average of 5.3% a year in 2011-12, slightly lower than our estimate of 5.9% growth in 2010. Although China's demand growth is expected to slow slightly as a result of efforts to curtail emissions, consumption in Germany and Japan is likely to be some stronger than we forecast earlier in the year, reflecting the use of more coal-fired power generation to compensate for lower nuclear output. Consumption growth will be particularly strong in non-OECD countries—especially India, as it continues to pursue its rural electrification plans, and traditional exporters such as South Africa and Indonesia. US coal consumption is estimated to have picked up strongly in 2010, but we expect growth to slow in 2011.

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Thank you.

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