



# The 18<sup>th</sup> International Oil Summit

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# Disclaimer

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## Taking stock of the current oil market

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- **Brief overview of the historic decisions taken by OPEC and non-OPEC in 2016**
- **What has happened to the market since the decisions came into effect?**
- **Where are we today in terms of the rebalancing process?**
- **What is potentially ahead of us?**

## Oil price episodes: unparalleled drop in 2014-2016

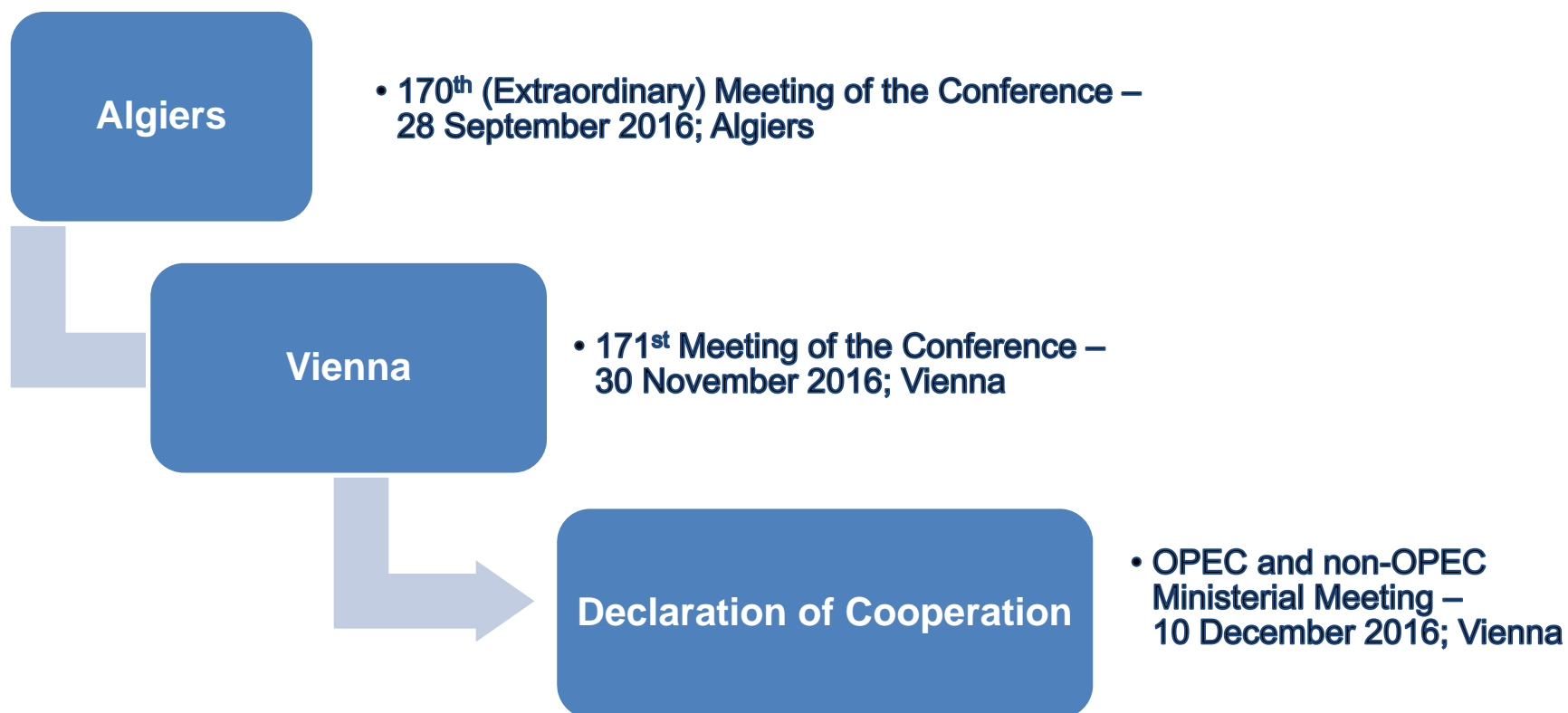


### Unprecedented 80% price drop from June 2014 – January 2016

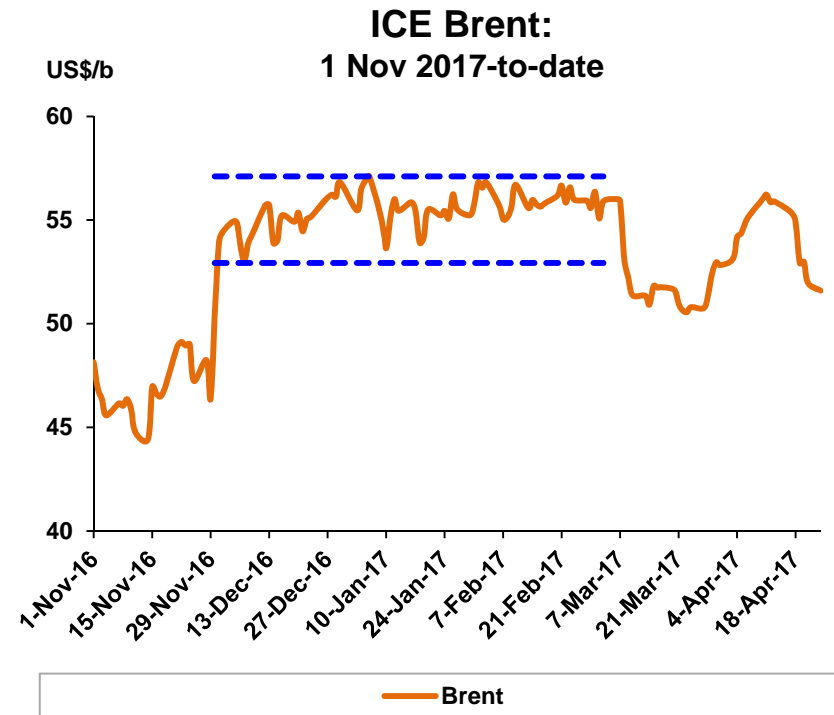
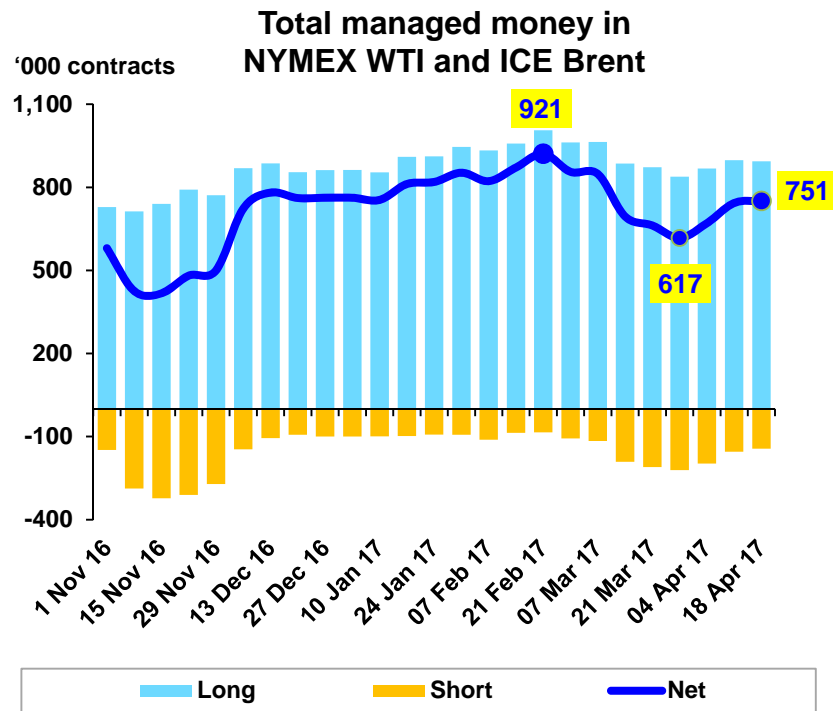
Episodes in OPEC Reference Crude Oil Price

	High		Low		Change		Recovery	
	Date	US\$/b	Date	US \$/b	US\$/b	(%)	Date	Duration
1985-1987	25-Nov-85	28.7	28-Jul-86	8.3	-20.4	-71	4-Sep-90	50 months
1990-1991	28-Sep-90	38.9	1-Apr-91	15.9	-23.0	-59	2-Aug-04	160 months
1997-1999	3-Oct-97	20.9	10-Dec-98	9.1	-11.8	-56	7-Sep-99	10 months
2000-2001	7-Sep-00	33.8	19-Nov-01	15.9	-18.0	-53	30-Apr-04	30 months
2008-2009	11-Jul-08	139.9	24-Dec-08	33.4	-106.5	-76	13-Mar-12	51 months
<b>2014-2016</b>	<b>20-Jun-14</b>	<b>110.5</b>	<b>16-Jan-16</b>	<b>22.5</b>	<b>-88.0</b>	<b>-80</b>		

## OPEC landmark decisions in 2016



# Market sentiment since the OPEC and non-OPEC decisions

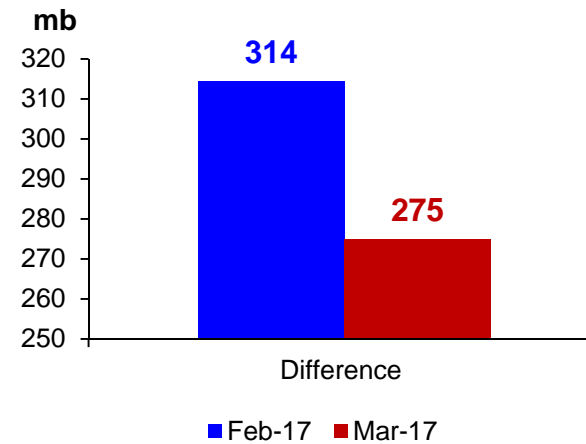
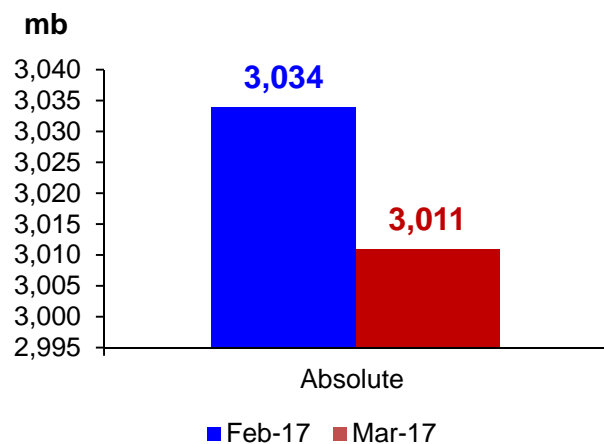


Sources: CFTC, CME Group, Intercontinental Exchange and OPEC Secretariat.



## Drop in onshore and offshore inventories

- Floating storage has declined since January 2017 (**more than 40 mb**)
- OECD commercial stocks from February 2017 to March 17:
  - **Absolute: reduction by 23 mb**
  - **Difference to 5-year average: reduction by 39 mb**





## Restoring oil market stability

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- **Market rebalancing – heading in the right direction**
  - Demand expectations in the coming months generally bullish
  - The return of refineries from seasonal maintenance
  - High conformity from OPEC and non-OPEC
  
- **For OPEC, focus remains on the implementation of the voluntary production adjustment decisions**
- **Monitoring mechanism through a Joint Ministerial Monitoring Committee (JMMC) and the supporting Joint Technical Committee (JTC)**
- **Openness and transparency is key to the process**
  
- **Conformity with the decisions has been positive: 87% in January, 94% in February, 98% in March**
- **Firm goal is 100% conformity**

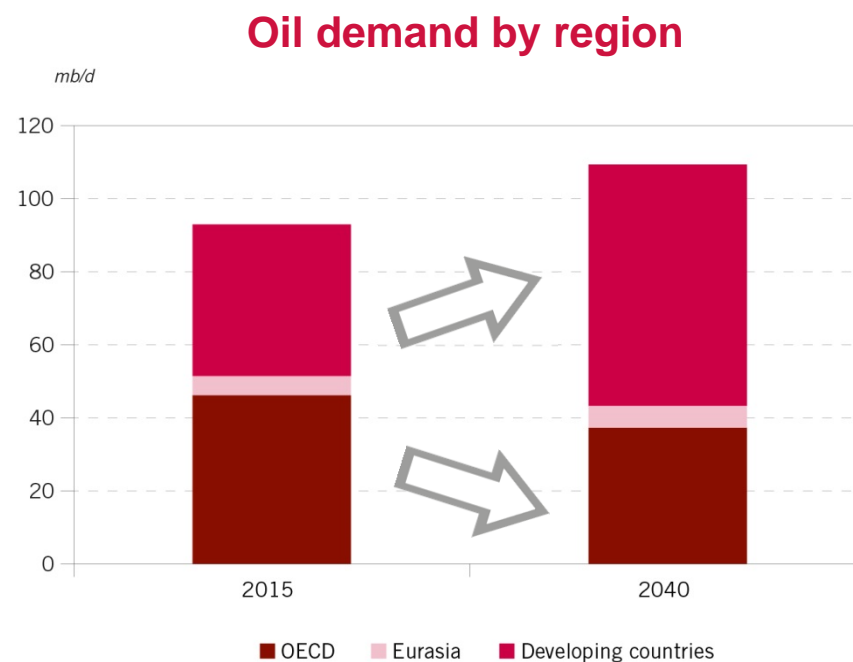


## Steady rise in long-term oil demand



➤ Oil demand increases by **16.4 mb/d** to reach **109.4 mb/d** in 2040

- Growth is driven by developing countries
- **One-third** of total growth comes from the **road** transportation sector
- Oil-related investment requirements of around **\$10 trillion** over the period to 2040



## Lessons learned from the 2014-2016 collapse

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- **Largest percentage price fall in the six episodes of sharp price declines observed over the past four decades**
- **Producer, consumers, and the global economy all impacted**
- **Calls from both producers and consumers to bring the market rebalancing forward**
- **Widespread recognition that on occasions that market needs a helping hand**
- **Cooperation and dialogue among 24 OPEC and non-OPEC nations unparalleled in the history of the oil industry**
- **Collective action was vital. No-one could have acted alone**
- **Vital this type of cooperation and dialogue continues in the years ahead**
- **While the market rebalancing is moving forward, it is essential we do not take our eyes of our desired goals:**
  - **Global stock overhang closer to the five-year average**
  - **Return of more long-cycle investments**
  - **Ensure sustainable stability in the decades ahead**



Thank you

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