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Taking stock of the current oil market

- 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

<table>
<thead>
<tr>
<th>Date</th>
<th>US$/b</th>
<th>Date</th>
<th>US$/b</th>
<th>US$/b</th>
<th>(%)</th>
<th>Date</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-1987</td>
<td>28.7</td>
<td>1985-1987</td>
<td>28.7</td>
<td>-20.4</td>
<td>-71</td>
<td>4-Sep-90</td>
<td>50 months</td>
</tr>
<tr>
<td>1990-1991</td>
<td>38.9</td>
<td>1990-1991</td>
<td>38.9</td>
<td>-27.0</td>
<td>-59</td>
<td>2-Aug-04</td>
<td>160 months</td>
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<tr>
<td>2000-2001</td>
<td>33.8</td>
<td>2000-2001</td>
<td>33.8</td>
<td>-18.0</td>
<td>-53</td>
<td>30-Apr-04</td>
<td>30 months</td>
</tr>
<tr>
<td>2008-2009</td>
<td>139.9</td>
<td>2008-2009</td>
<td>139.9</td>
<td>-10.6</td>
<td>-76</td>
<td>13-Mar-12</td>
<td>51 months</td>
</tr>
<tr>
<td>2014-2016</td>
<td>110.5</td>
<td>2014-2016</td>
<td>110.5</td>
<td>-88.0</td>
<td>-80</td>
<td>16-Jan-16</td>
<td>51 months</td>
</tr>
</tbody>
</table>
OPEC landmark decisions in 2016

- **Algiers**
  - 170th (Extraordinary) Meeting of the Conference – 28 September 2016; Algiers

- **Vienna**
  - 171st Meeting of the Conference – 30 November 2016; Vienna

- **Declaration of Cooperation**
  - OPEC and non-OPEC Ministerial Meeting – 10 December 2016; Vienna
Market sentiment since the OPEC and non-OPEC decisions

Total managed money in NYMEX WTI and ICE Brent

Total managed money in NYMEX WTI and ICE Brent

ICE Brent: 1 Nov 2017-to-date

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

- 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

- 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 off 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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