The Emerging Era of Resource Abundance

May 28, 2015
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The Oil Market in Historical Context

- **1970**: Arab-Israeli War; OPEC oil embargo
- **1979**: Iranian Revolution
- **1980**: Collapse of OPEC’s pricing structure
- **1983**: Arab-Israeli War; OPEC oil embargo
- **1984-1990**: OPEC market share still down due to N. Sea production; defends market share
- **1990**: Iraq invades Kuwait; Global crude oversupply
- **1991**: U.S. investment funds shift from equities to cash and commodities
- **1995**: Asian financial crisis
- **2000**: China-driven commodity super cycle
- **2004**: Global financial crisis
- **2005**: Global crude oversupply
- **2010**: Saudi Arabia defends market share
- **2015**: Global oversupply

History of Crude Oil Forecasts

**Crude Oil Production Forecasts** (MMBPD)

**Crude Oil Price Forecasts** (Real $/BBL)

- **2015 Forecast**
- **2014 Forecast**
- **2013 Forecast**
- **2012 Forecast**
- **2011 Forecast**
- **2010 Forecast**

*Source: EIA*
Global Market Demand Growth

Global Oil Intensity (Bbl/$M of GDP)

Source: IEA, Industry Consultants
Global Crude Oil Demand

Global Oil Intensity\(^1\)
(Oil Intensity Index, 1989 = 100)

Oil Intensity by Country
(Bbl/$M of Real $2010 GDP, PPP)

Source: EIA, IEA, Industry Consultants; (1) Oil intensity equals ratio of oil demand divided by GDP.
Global GDP Growth Outlook (Real GDP, PPP)

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<td>North America</td>
<td>2.0%</td>
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<td>Latin America &amp; Caribbean</td>
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<td>2.0%</td>
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<td>2.0%</td>
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<tr>
<td>Africa &amp; Middle East</td>
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<td>3.0%</td>
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Source: Industry Consultants
Global Petroleum Demand

Global Demand by Region (MMBD)

Global Product Demand Growth (Change Y/Y, MMBD)

Source: Industry Consultants.
U.S. Crude Oil Imports vs. Production

Source: EIA

U.S. Crude Oil Imports vs. Domestic Production (MMBPD)
U.S. Crude Oil Market Re-Orientation

U.S. Crude Production vs. Brent–WTI Diff (MMBPD)

- U.S. Crude Oil Production
- Brent-WTI ($/bbl, right axis)

U.S. Crude Exports vs. Brent–WTI Diff (MBPD)

- Crude Oil Exports
- Brent - WTI ($/bbl, right axis)

Source: EIA
Upstream Financial Metrics

U.S. Independent\(^4\) E&P CAPEX/CFO\(^2\)

(\%)  

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<th>2008</th>
<th>2010</th>
<th>2012</th>
<th>2014</th>
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<tr>
<td>100%</td>
<td>200%</td>
<td>300%</td>
<td>400%</td>
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CAPEX/CFO Range

Average CAPEX/CFO

WTI (Nominal $/bbl, Right Axis)

Henry Hub (Nominal $/bbl, Right Axis)

(1) List of companies included: Occidental, Devon, Anadarko, Continental, Southwestern, Apache, Cabot, EOG, Marathon, Pioneer, and ConocoPhillips; Marathon and ConocoPhillips data only for 2012-14.
(2) CAPEX excludes capital used for acquisitions
Source: Bloomberg.
U.S. Crude Export Economics

- Suezmax to Asia via Expanded Panama Canal: $3-4/bbl
- Net cost to put WTI on water\(^1\) ~$2/bbl

\(^1\) Net cost includes transportation, terminal costs, & quality differential.

Source: EIA, IEA, Industry Consultants
Emerging Market Limited Era

- Integrated Majors Evolved During Last Era of Abundance

- Last 30 Years of U.S. Investment Defined by Resource Scarcity
  - Refinery investment driven by feedstock availability
  - Logistics infrastructure investments driven by imports

- Next 20 Years Defined by Resource Abundance
  - Investment driven by Market Capacity

Theoretical Margin Capture by Energy Supply Chain Activity (%)

- Resource Limited: 85%
- Market Limited: 70%