



# Oil 2019

# Analysis & Forecast to 2024

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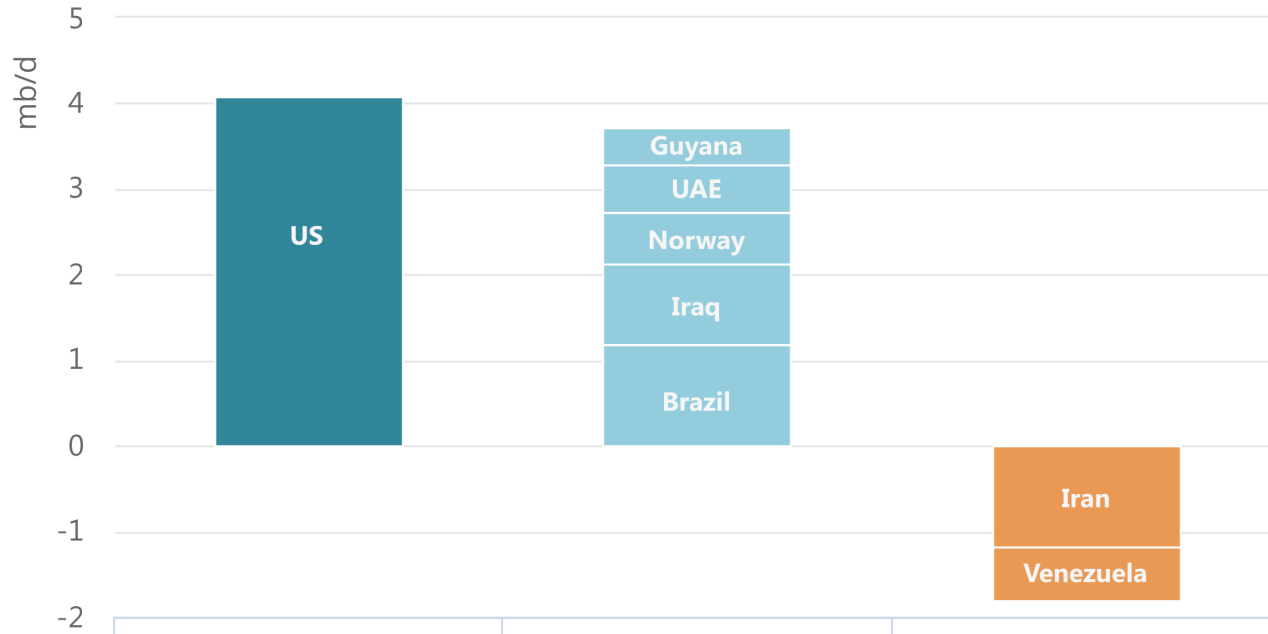
CERAWeek, Houston, 11 March 2019



- Geopolitics is casting growing shadows over oil markets
- Global economic growth is losing momentum, with a long list of risks skewed to the downside
- In 2018, the United States led the growth in global oil production – and for the first time in two decades, also global demand growth
- Rules & regulations of the oil game are changing, including
  - Increasing attention to the sustainability of oil & gas production
  - IMO's Sulphur Cap – possibly biggest shakeup of oil product markets since the phase-out of lead
- Technological advances continue to reshape market perceptions, including:
  - US shale improving productivity & lowering costs
  - Uptake of Electric Vehicles & digital transformation of society

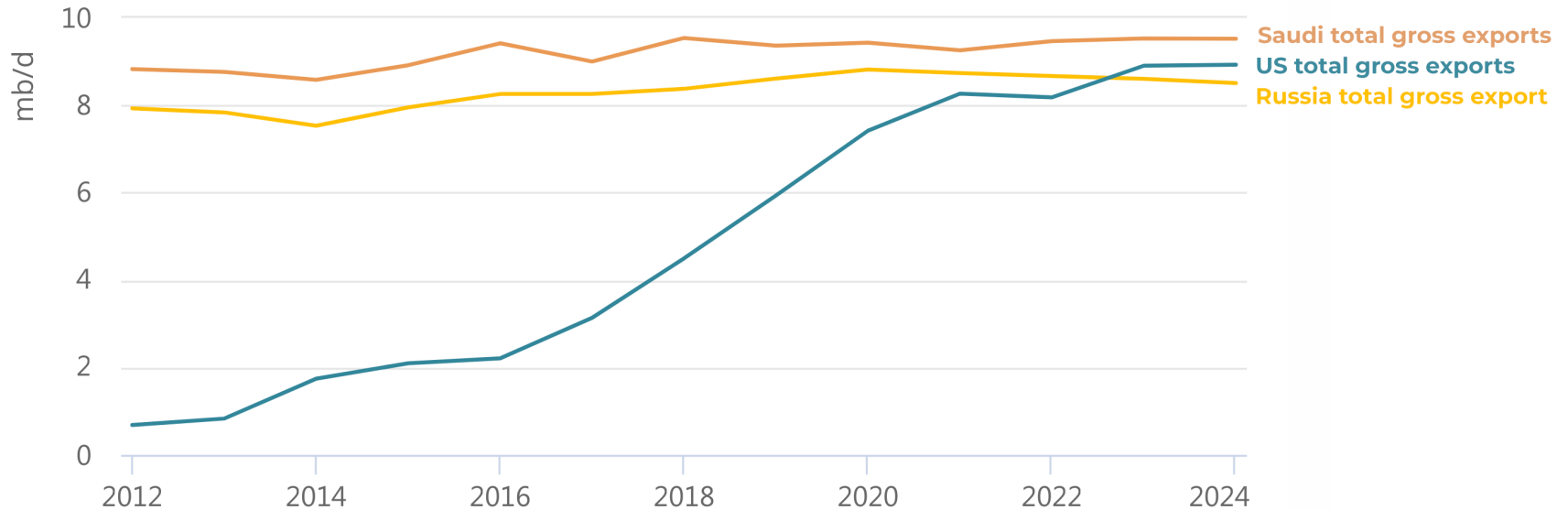
# US leads the way in global supply growth

Change in total oil supply 2018-24



**US expansion is 70% of global growth. Gains in Brazil, Iraq, Norway, the UAE and Guyana. Main declines in Iran and Venezuela.**

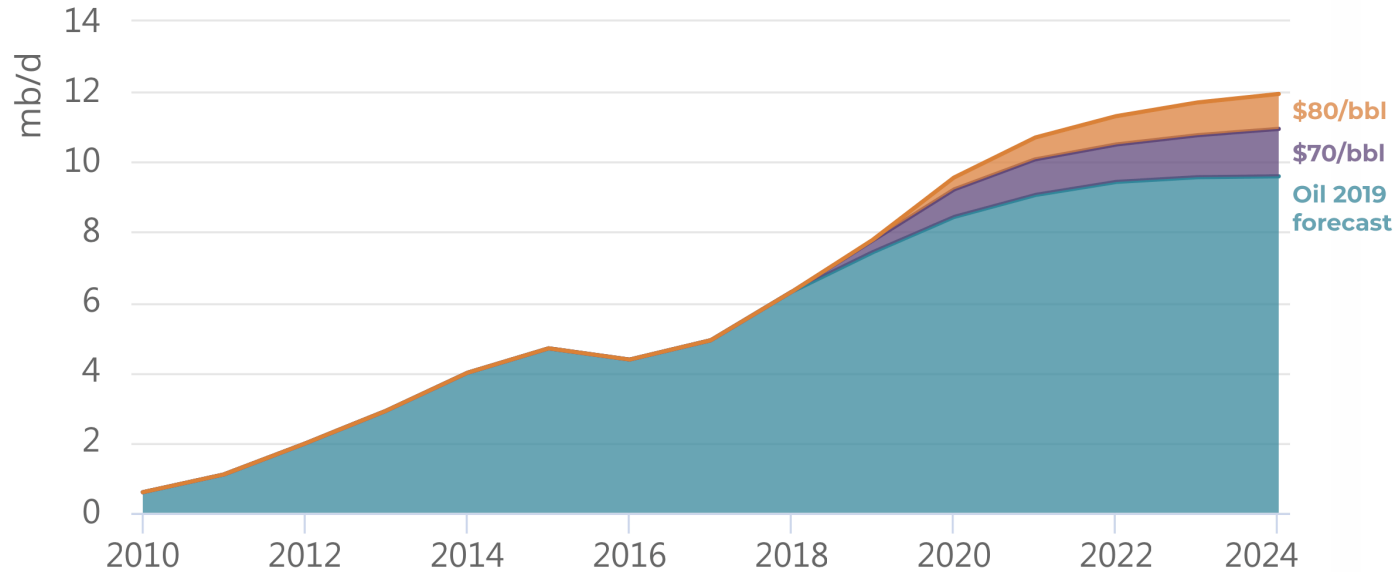
# US gross exports overtake Russia, catch up with Saudi Arabia



**US is *net* oil exporter in 2021 after 75 years of import dependency. US exports add to market flexibility.**

# US shale ready to respond

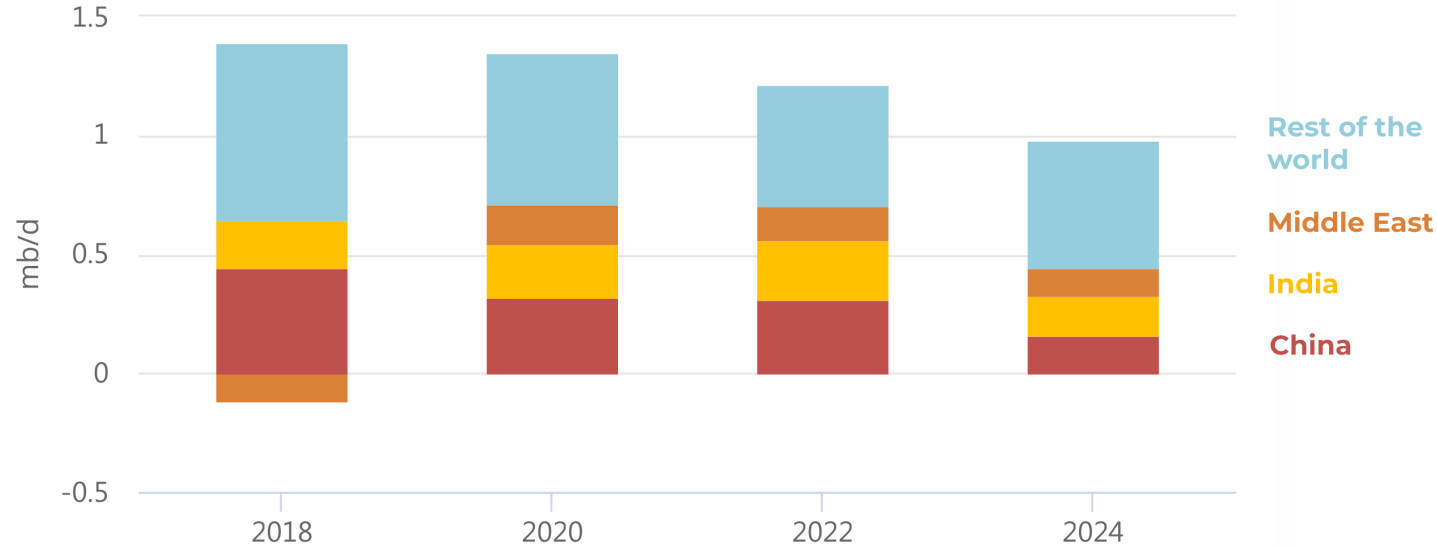
## US shale oil prospects



**In higher price environment production could be even greater.**

# Demand growth 1.2 mb/d per year, no peak in sight

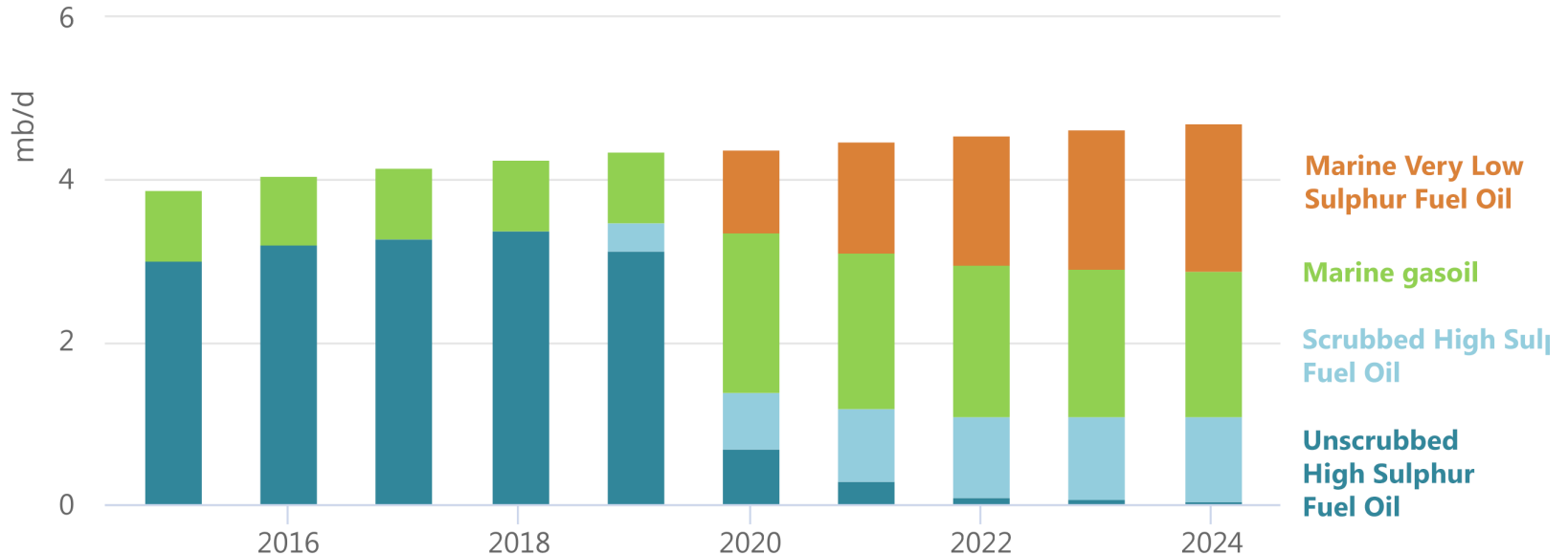
World oil demand growth



**China eases on shift to consumer economy and environmental policies. India's *volume* growth similar to China by 2024. Middle East fuel oil demand boosted after IMO 2020. US demand steady.**

# Shippers and refiners adjust to IMO 2020 shakeup

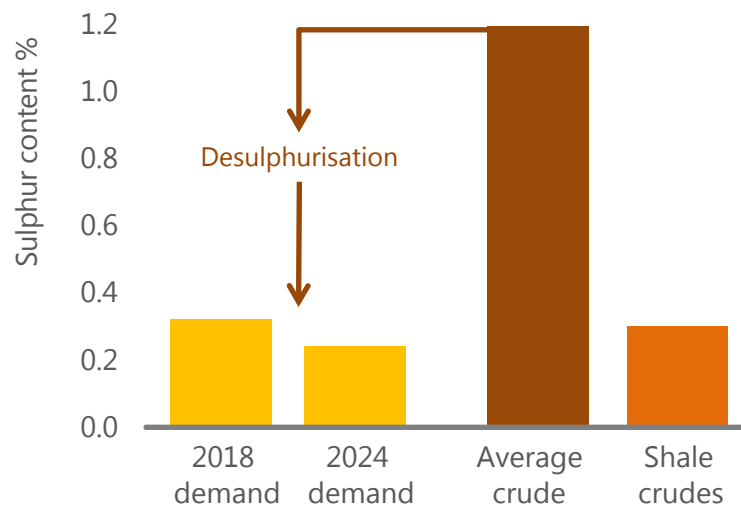
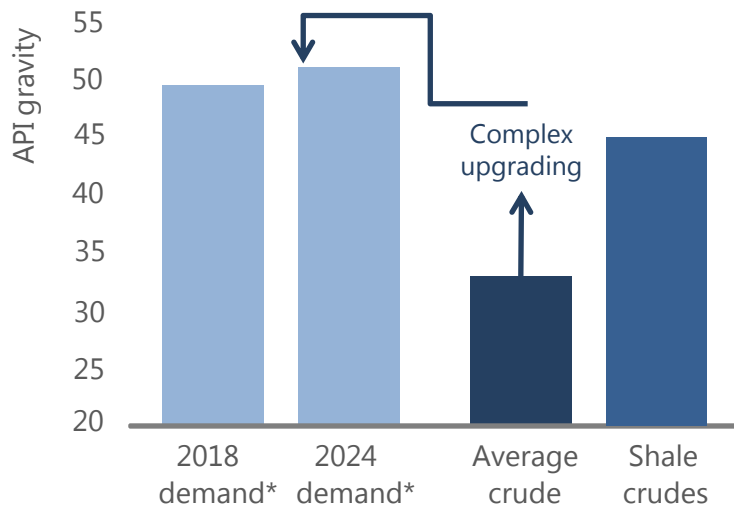
Marine bunkers product demand



**Over 2 mb/d of HSFO shifts to gasoil and VLSFO. Main impact in first year but manageable over time.**

# US shale fits the new demand landscape

Global refined product barrel vs crude barrel



\*excludes natural gas liquids and other non-refinery products

**Shale crudes reduce need for complex refining, first reversal of the historical trend.**



- The United States to provide 70% of the increase in global oil supply over next five years, with Iraq, Brazil, Norway & Guyana other major contributors
- Global oil demand growth to slow modestly, but still average 1.2 mb/d, with petrochemicals a key driver
- The oil industry needs to do more to cut its carbon footprint, including on flaring & methane leakages, and use of CCUS, EOR, hydrogen & renewables
- While there may be teething problems, refiners & shippers are relatively well prepared to respond to the new IMO bunker fuel regulations
- The 2<sup>nd</sup> wave of the US shale revolution is coming – it will shake-up international oil & gas trade flows, with profound implications for the geopolitics of energy



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