



Oil 2021 – Analysis and forecast to 2026

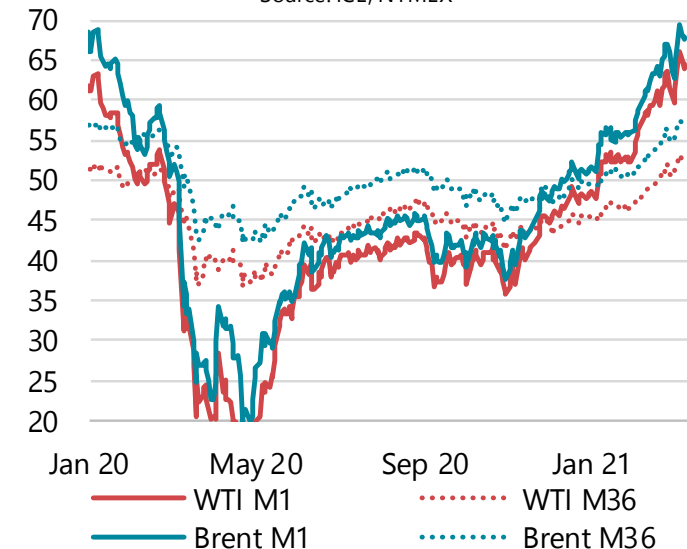
Baker Institute Center for Energy Studies, 19 March 2021

Toril Bosoni

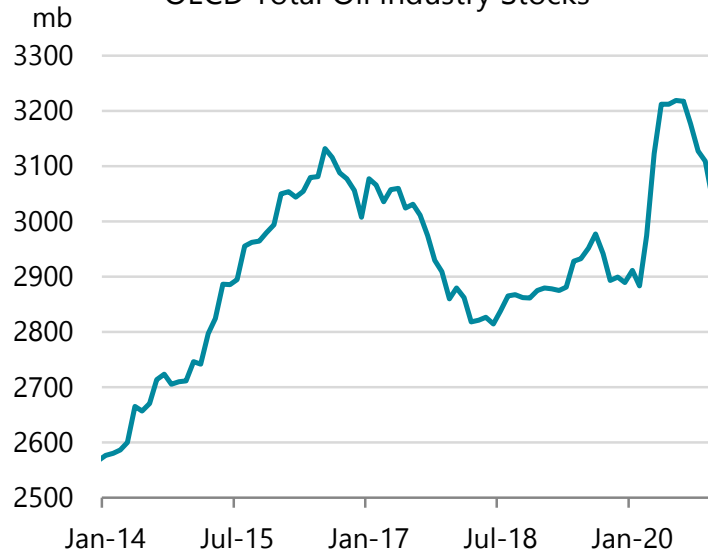
Crude prices surge to \$70/bbl on tightening market, OPEC+ deal

\$/bbl Crude Futures Month 1 vs Month 36

Source: ICE, NYMEX

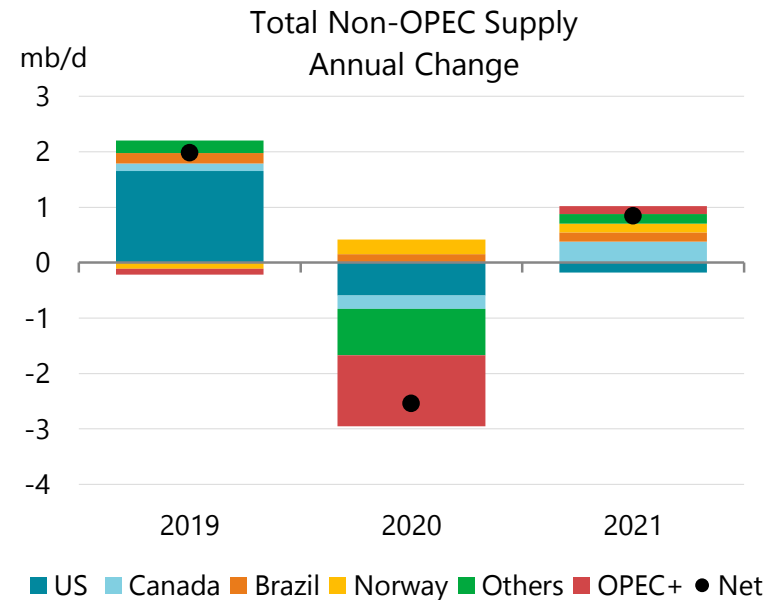
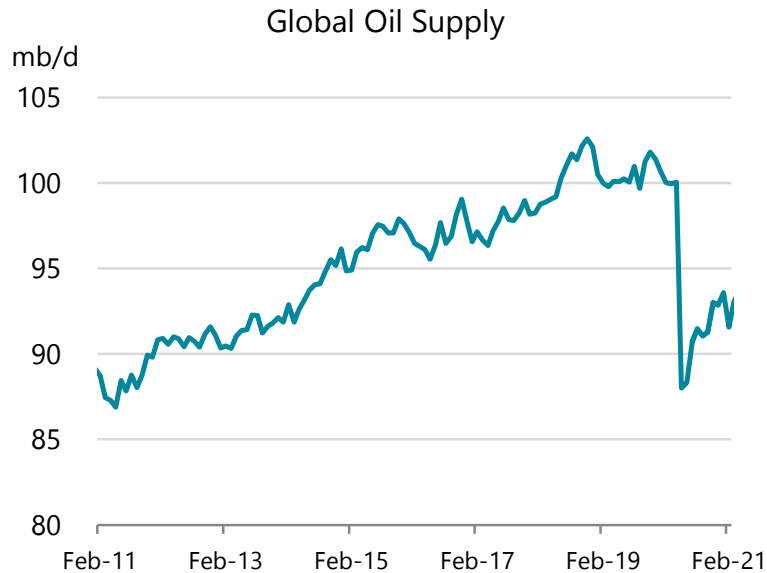


OECD Total Oil Industry Stocks



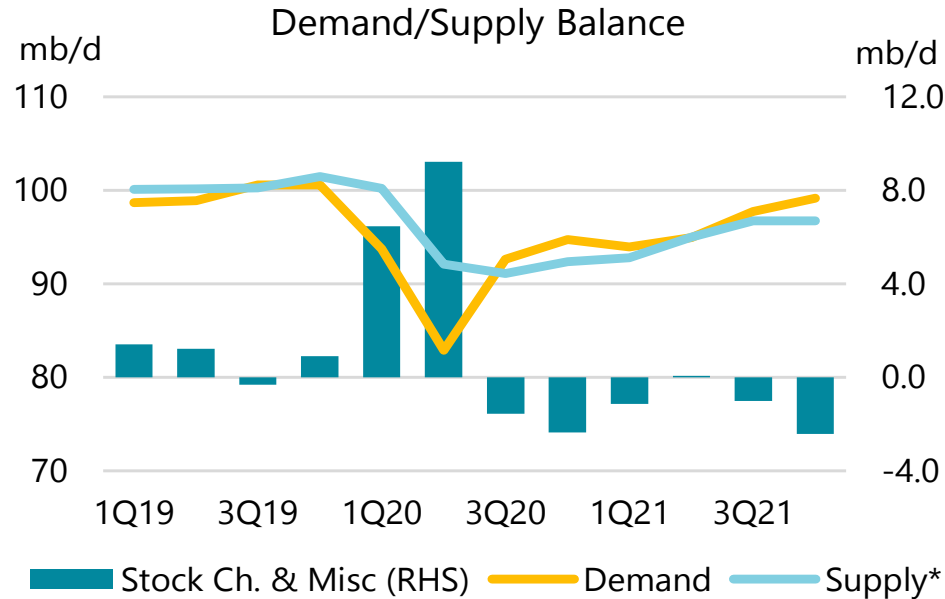
**Crude futures rose by more than \$10/bbl over February and early March
OECD stocks continue to fall but still look comfortable compared with historical levels.**

Global oil supply tumbles in February on sharp US, Saudi declines



February output drops 2 mb/d to 91.6 mb/d; cold snap shuts in over 1 mb/d in US, Saudi cuts extra 1 mb/d. Non-OPEC+ supply set to grow by 700 kb/d in 2021, following last year's 1.3 mb/d decline.

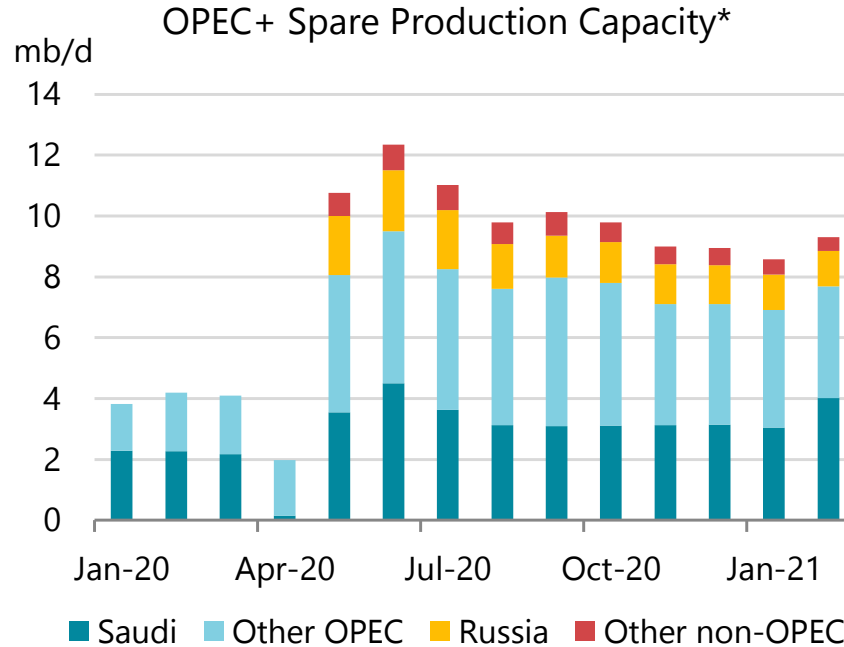
OPEC+ cut extension keeps market finely balanced in 2Q21



* Assumes 100% compliance with OPEC+ deal and gradual easing of Saudi voluntary reduction

Expected demand recovery in 2H21 leaves room for higher than scheduled output boost.

OPEC+ cuts leave ample OPEC spare capacity cushion



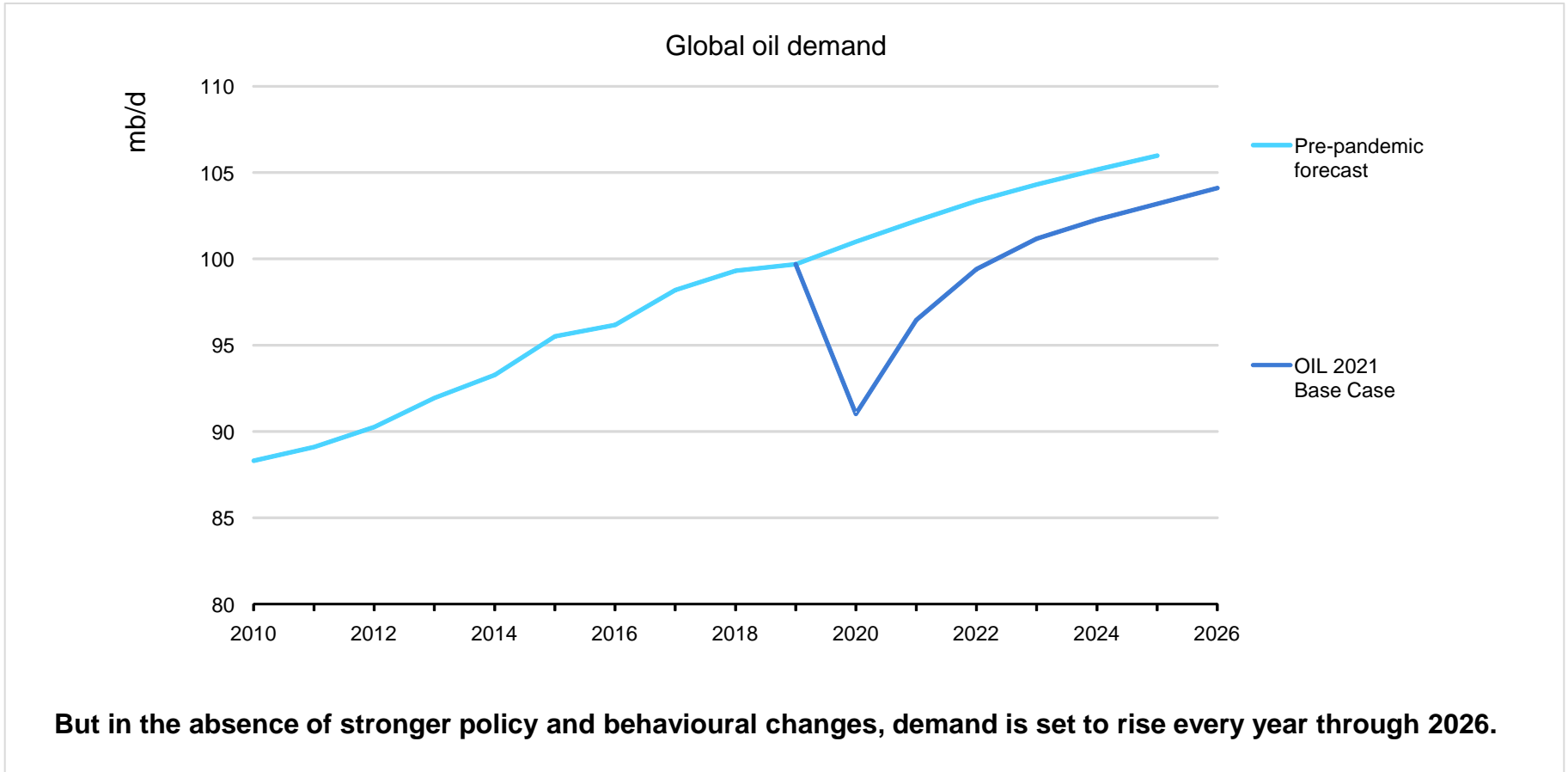
*OPEC crude oil only. Excludes Iran.

Effective OPEC spare capacity in February at 7.7 mb/d.

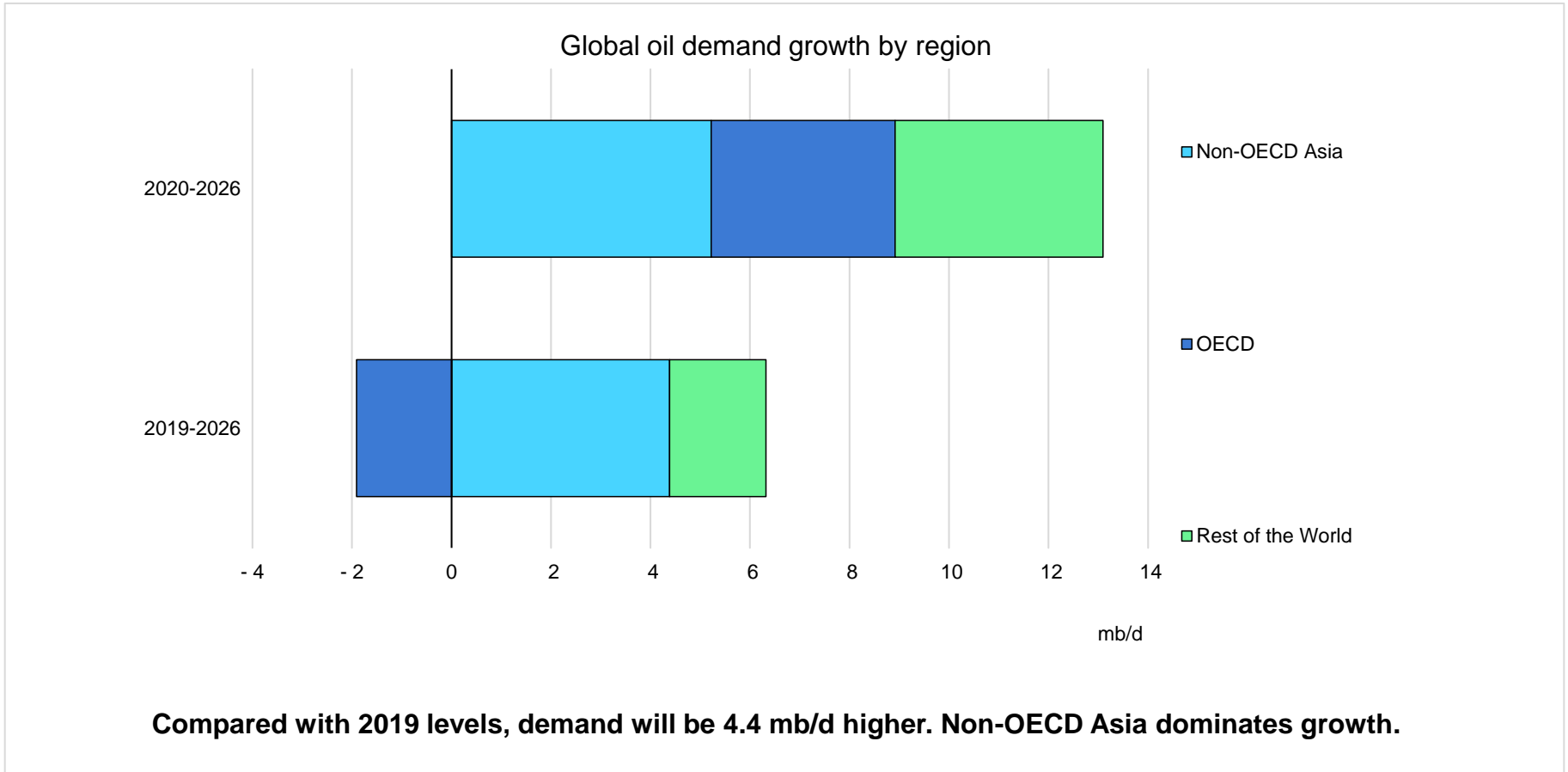
Non-OPEC countries part of the deal holds additional 1.6 mb/d that could be brought to market in short order.

OIL 2021

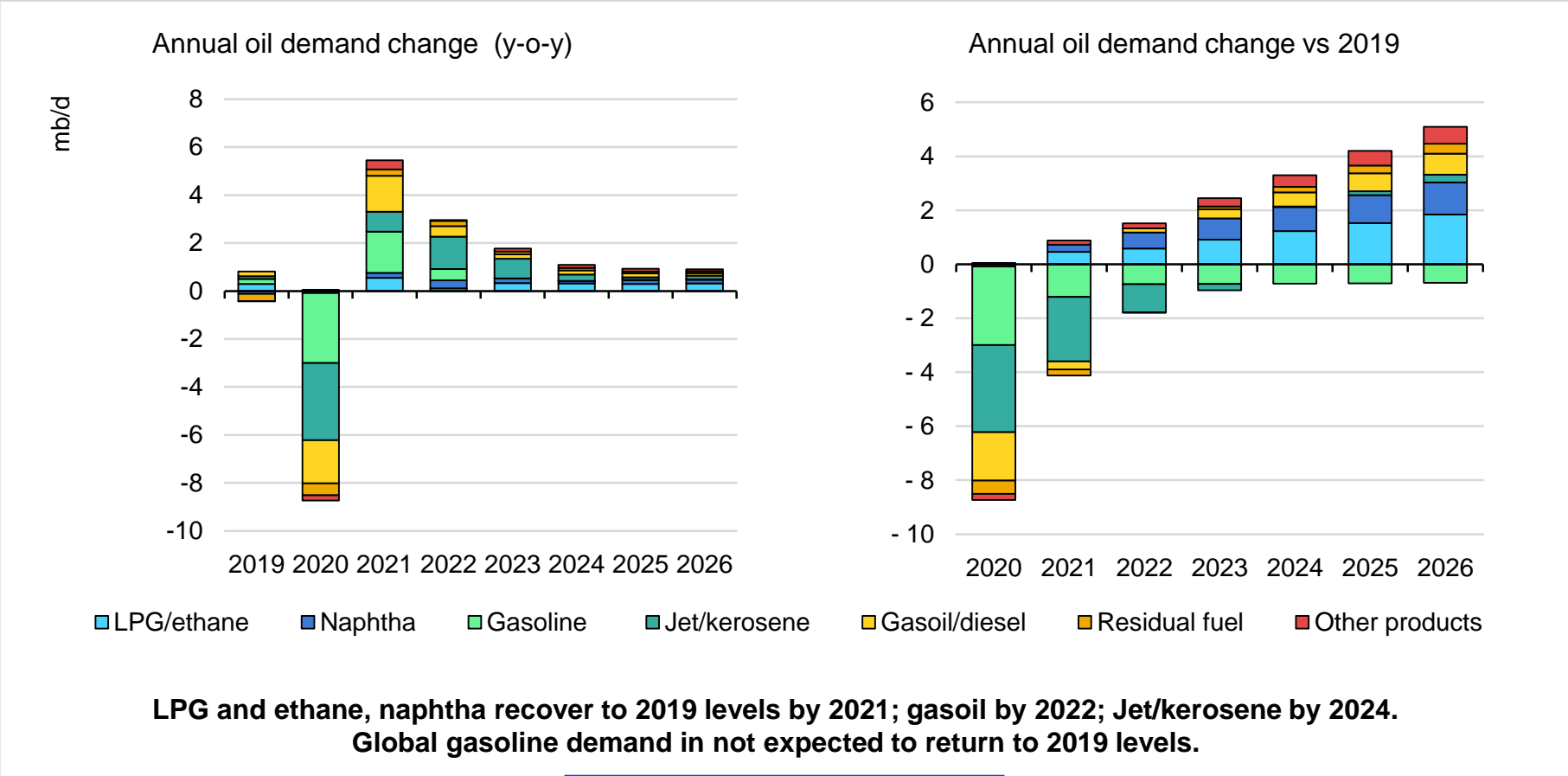
Global oil demand shifts lower after historic collapse



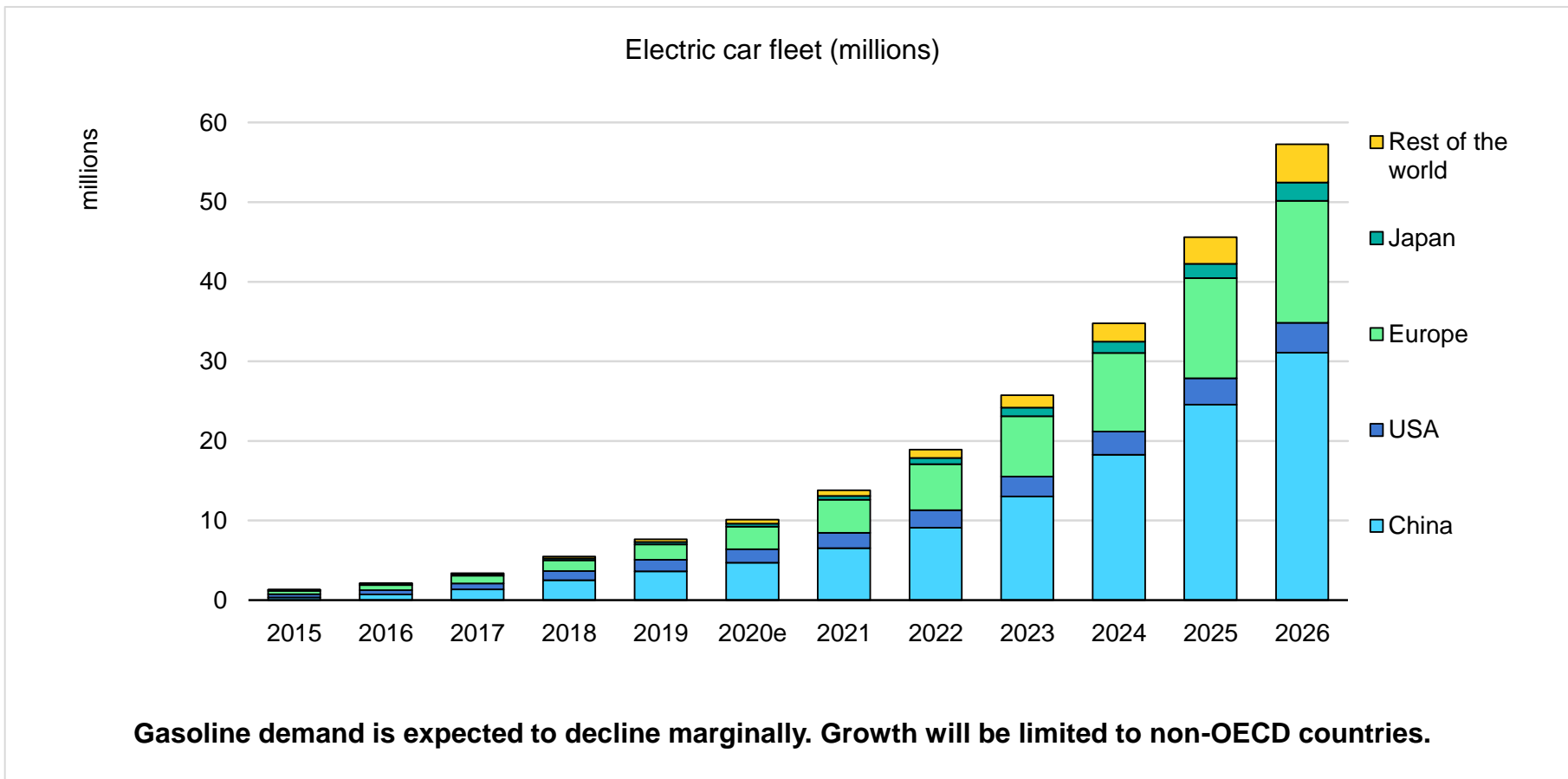
Oil demand now on track to grow by 13 mb/d by 2026 from 2020 low



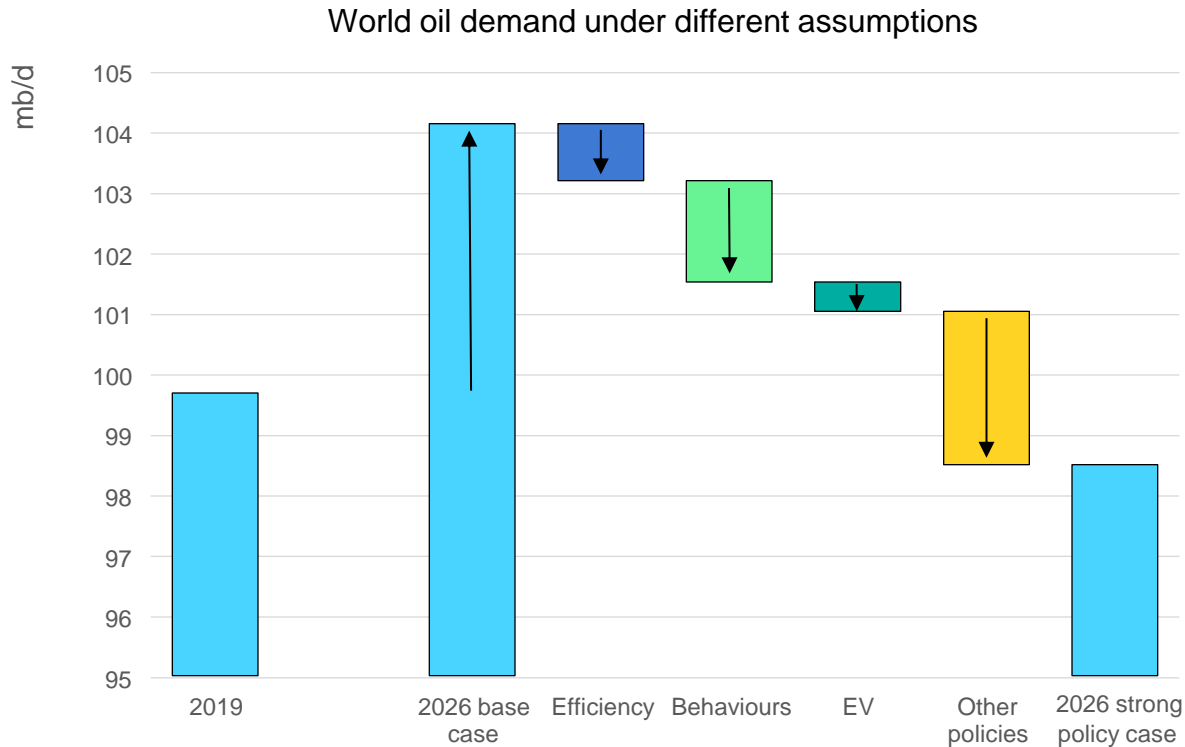
Petrochemical feedstocks drive demand growth, gasoline to fall



Gasoline demand reduced by EVs and efficiency progress

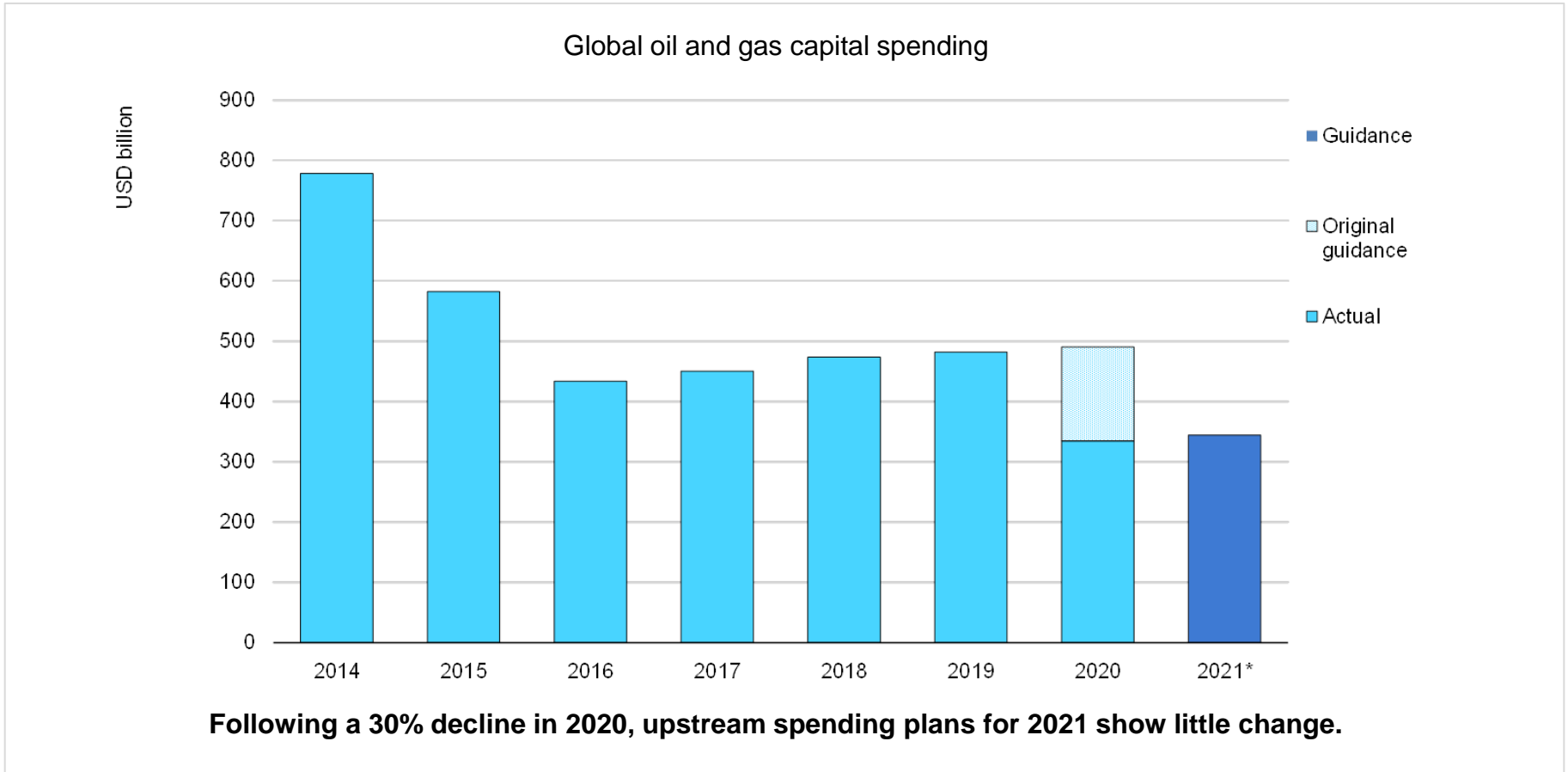


Stronger policy action needed for oil demand to decline

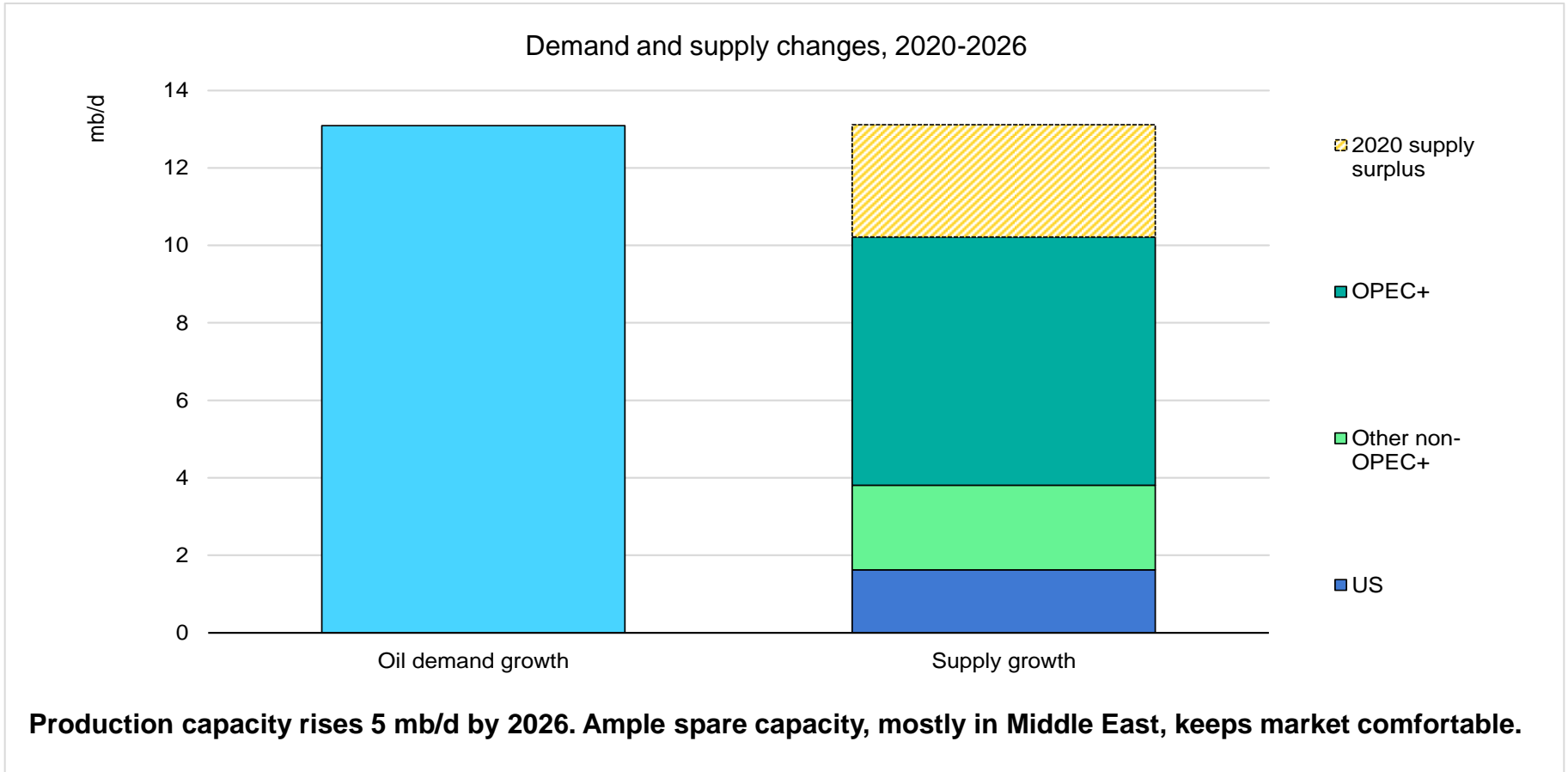


Increased fuel efficiency improvements, more teleworking and business travel, higher EV penetration and additional policies to curb oil use could reduce 2026 oil demand by 5.6 mb/d.

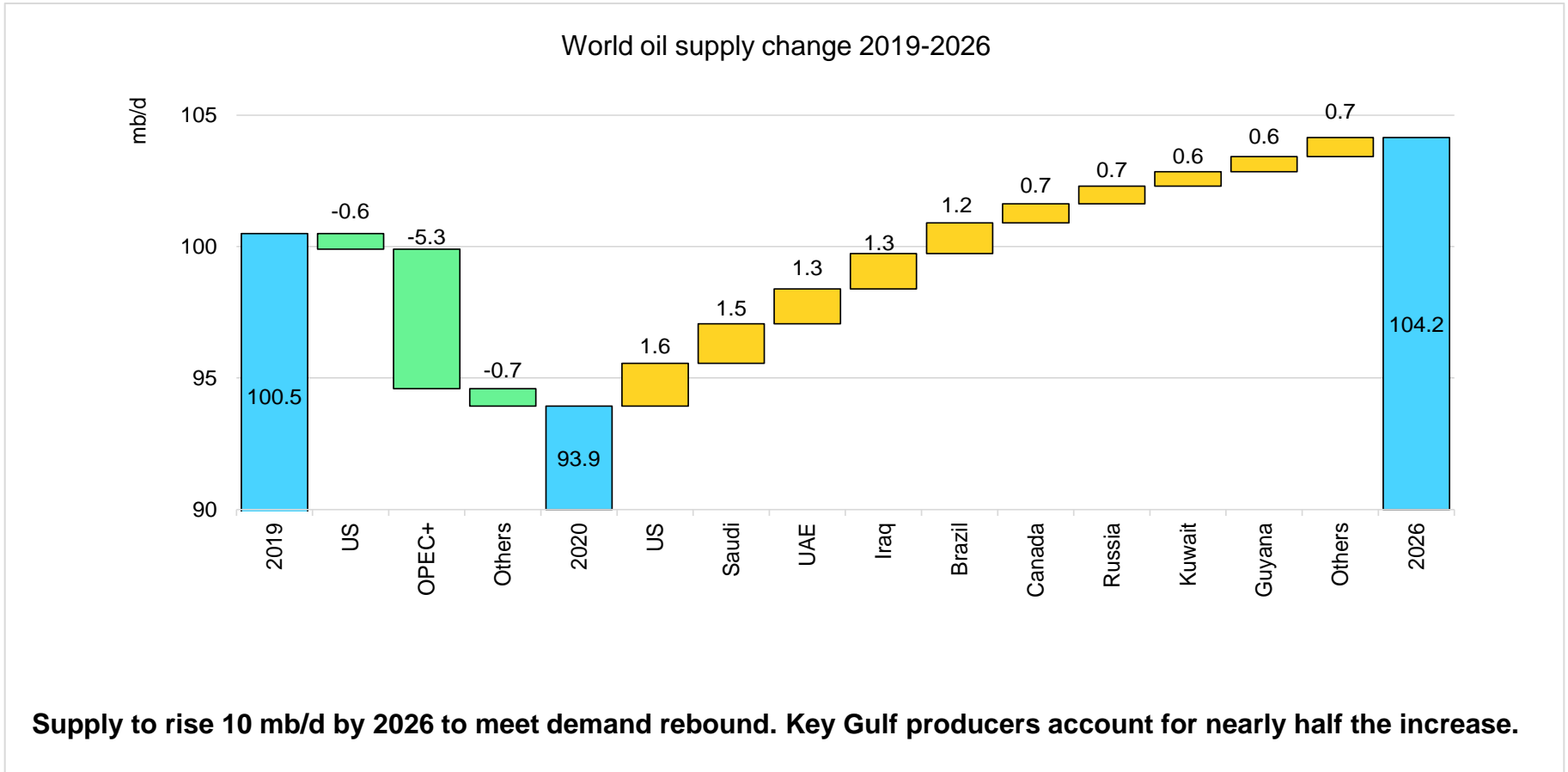
Industry cuts spending on uncertain outlook



Oil capacity building slows, hefty spare cushion helps cover demand

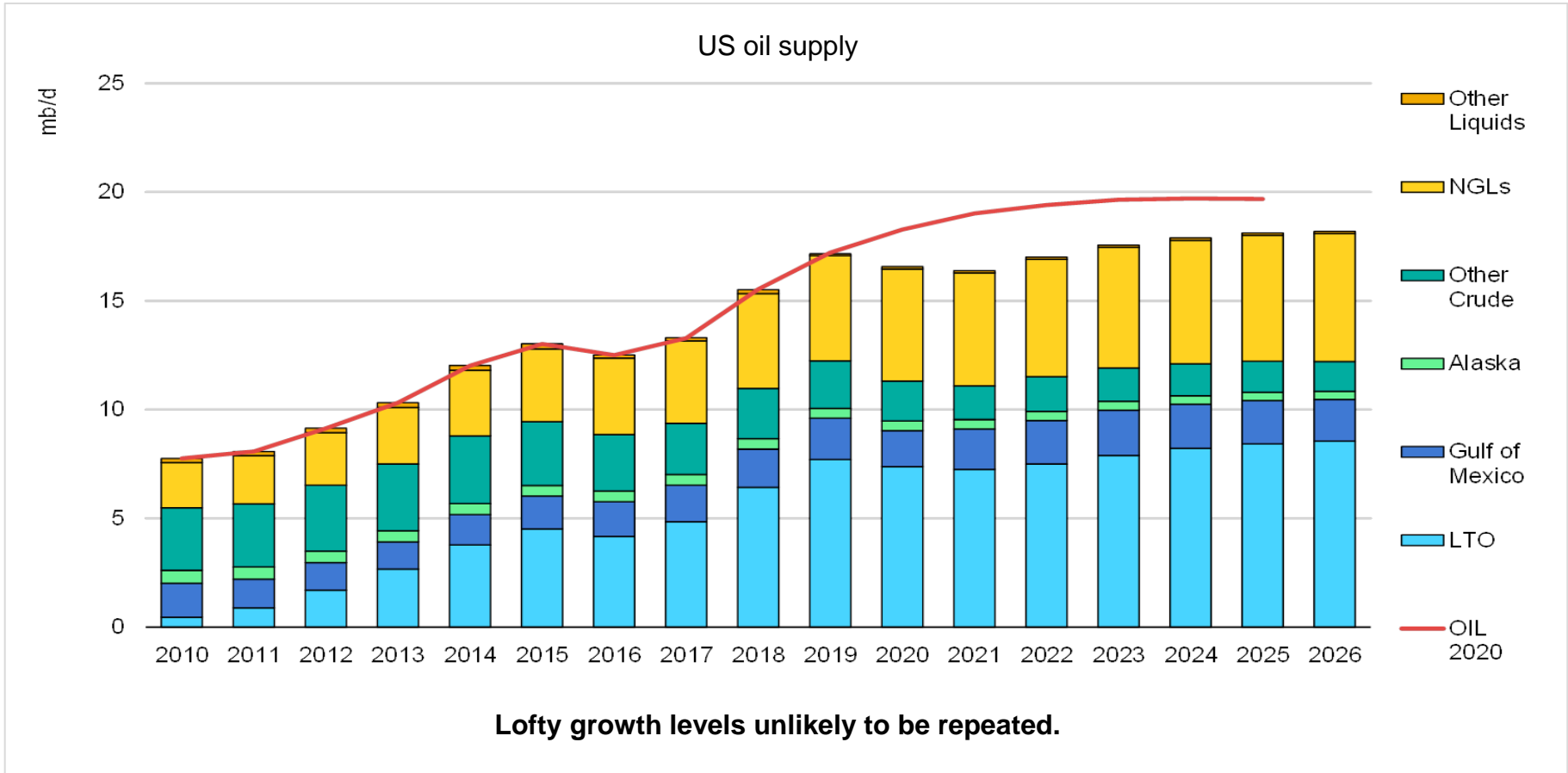


Middle East dominates global oil supply increase

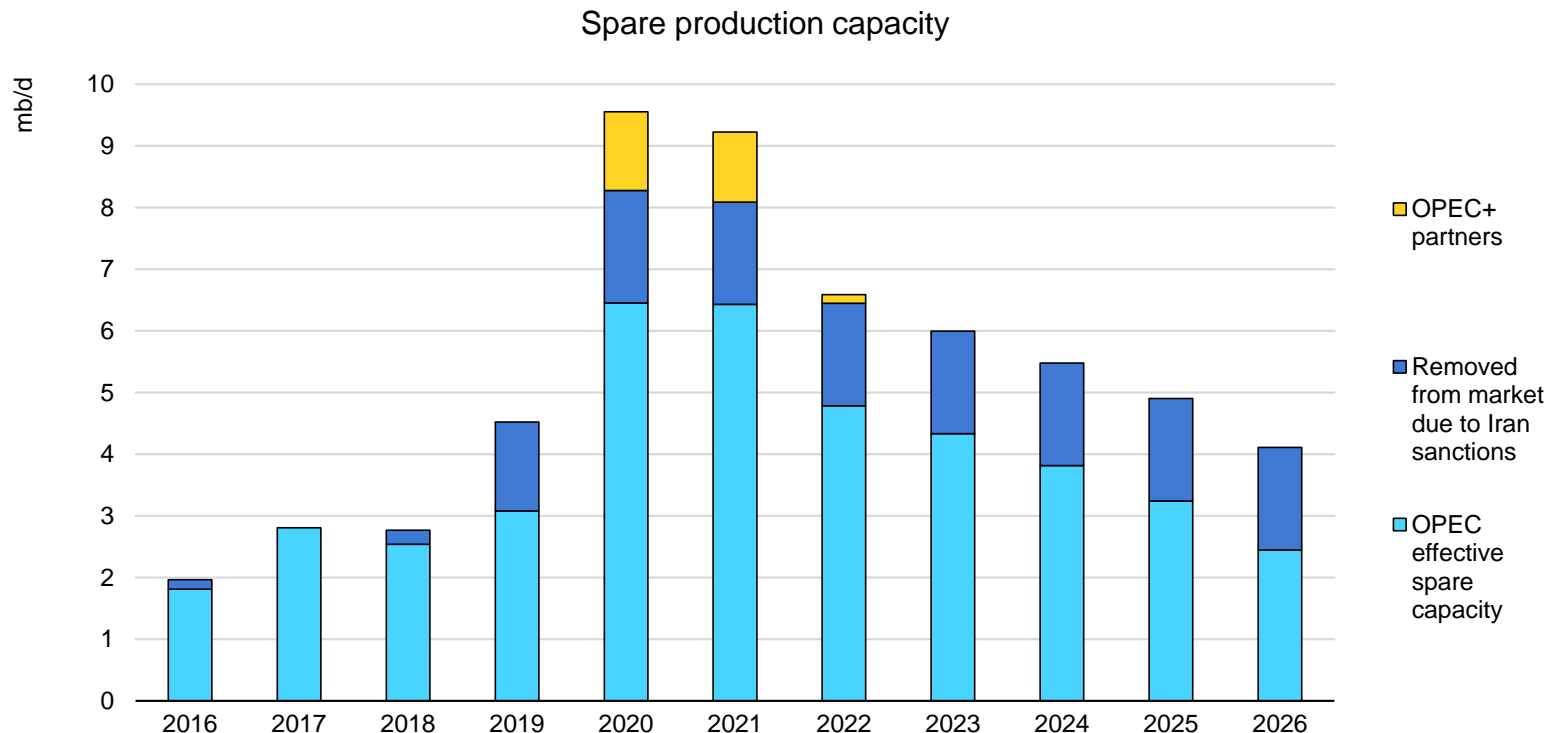


Supply to rise 10 mb/d by 2026 to meet demand rebound. Key Gulf producers account for nearly half the increase.

Modest US growth expected as investment strategy shifts

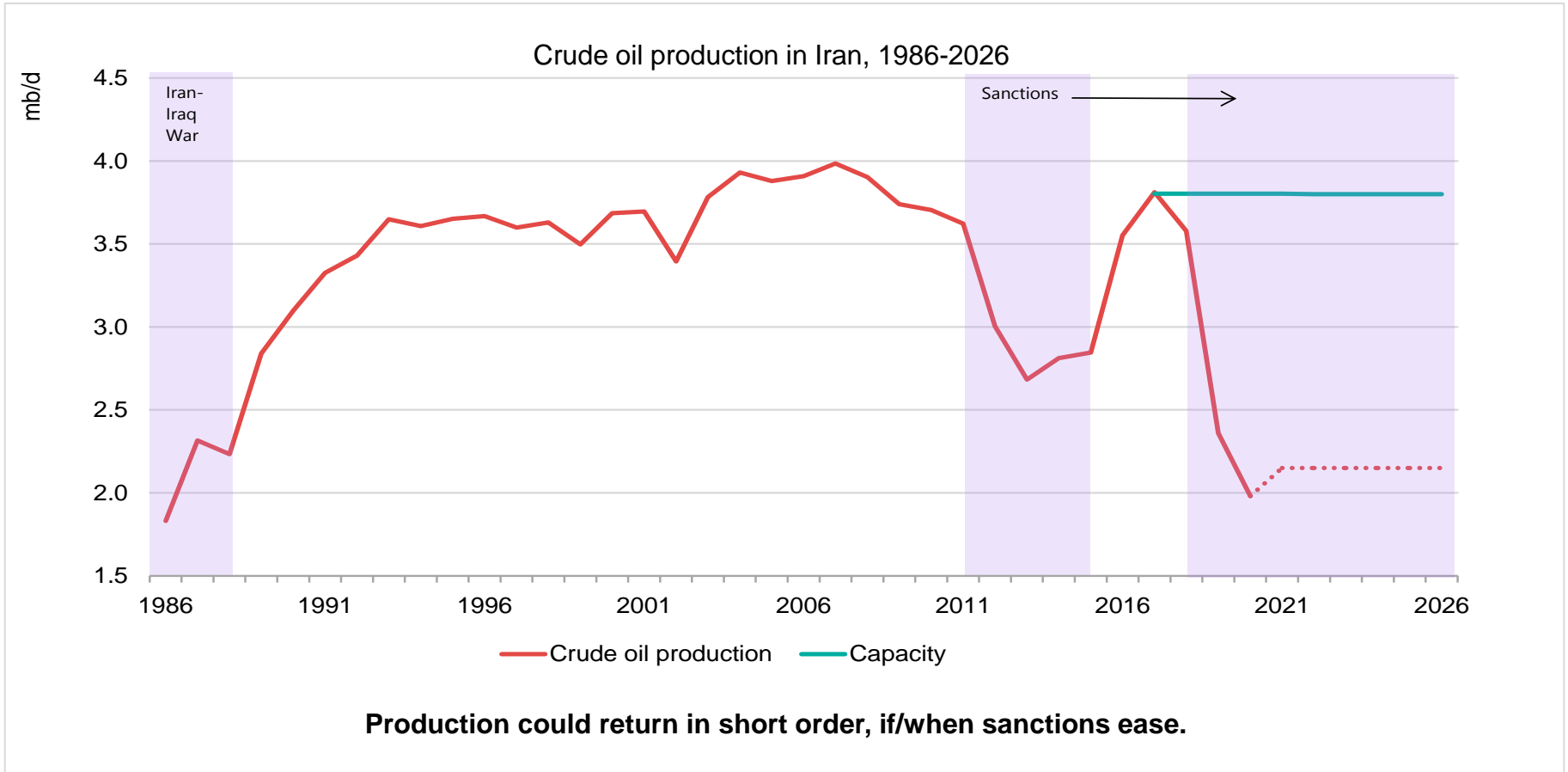


OPEC spare capacity looks comfortable through medium-term

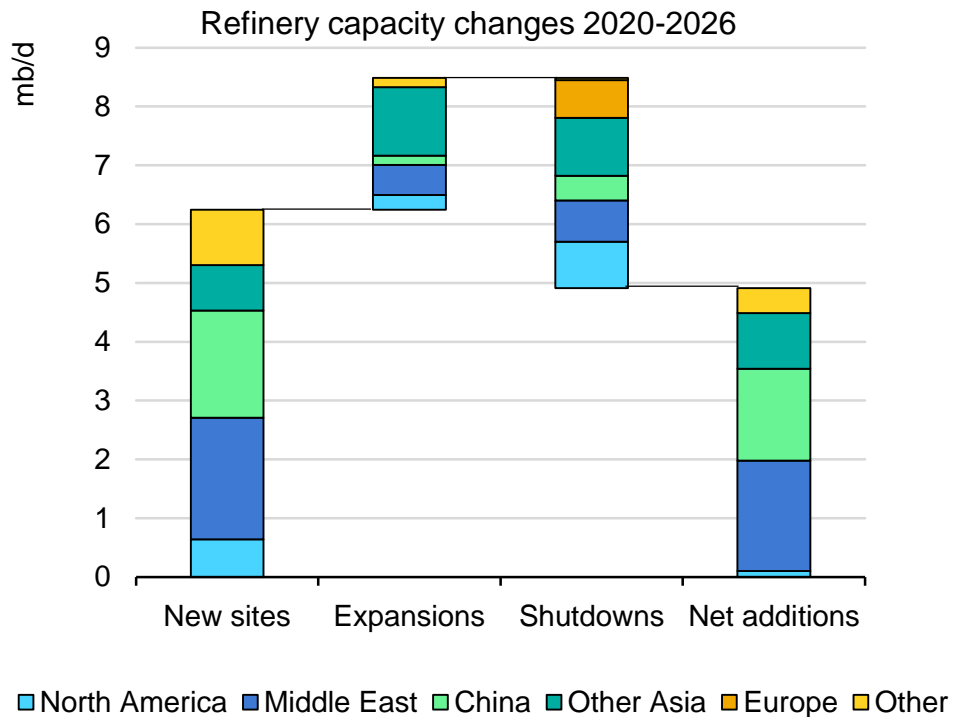


An additional 1.7 mb/d of crude supply could be brought to market if sanctions on Iran ease.

Iran awaits market return; sanctions shut in 1.7 mb/d of crude supply

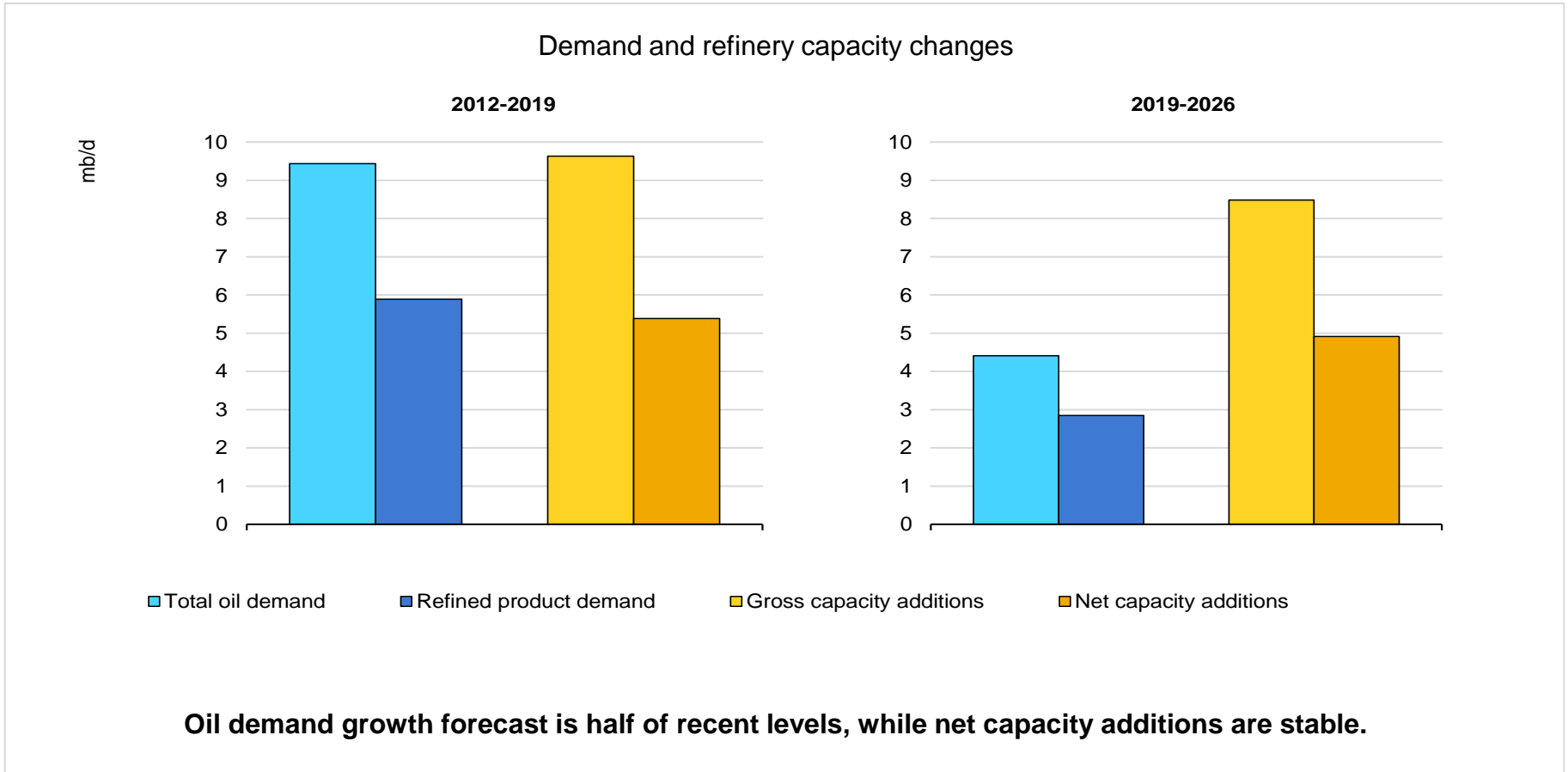


Great downstream migration continues

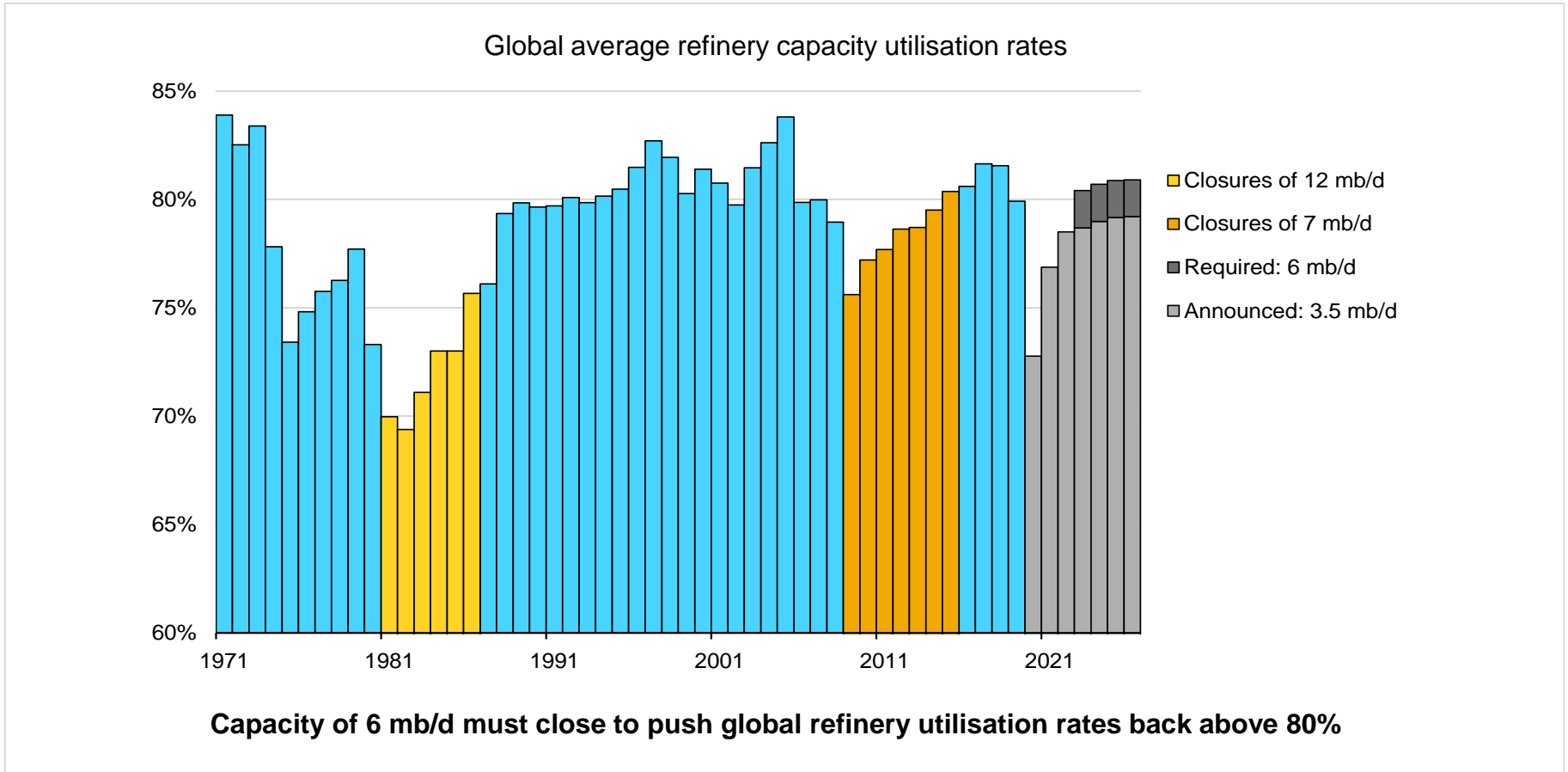


East of Suez accounts for 90% of net capacity additions by 2026

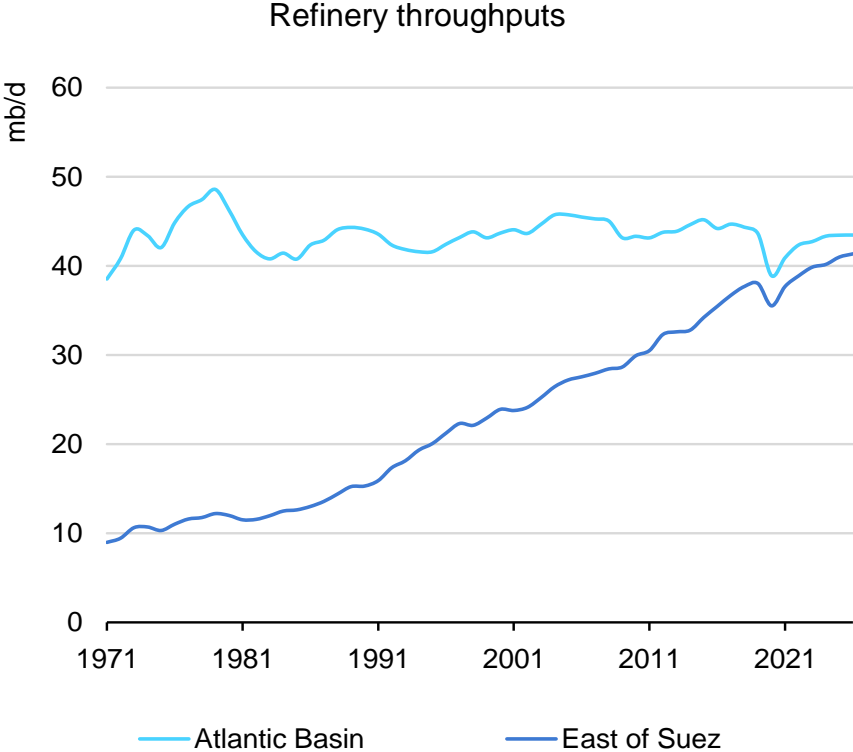
Sharp decline in oil demand growth and call on refineries



Covid-19 speeds up third round of global refinery closures



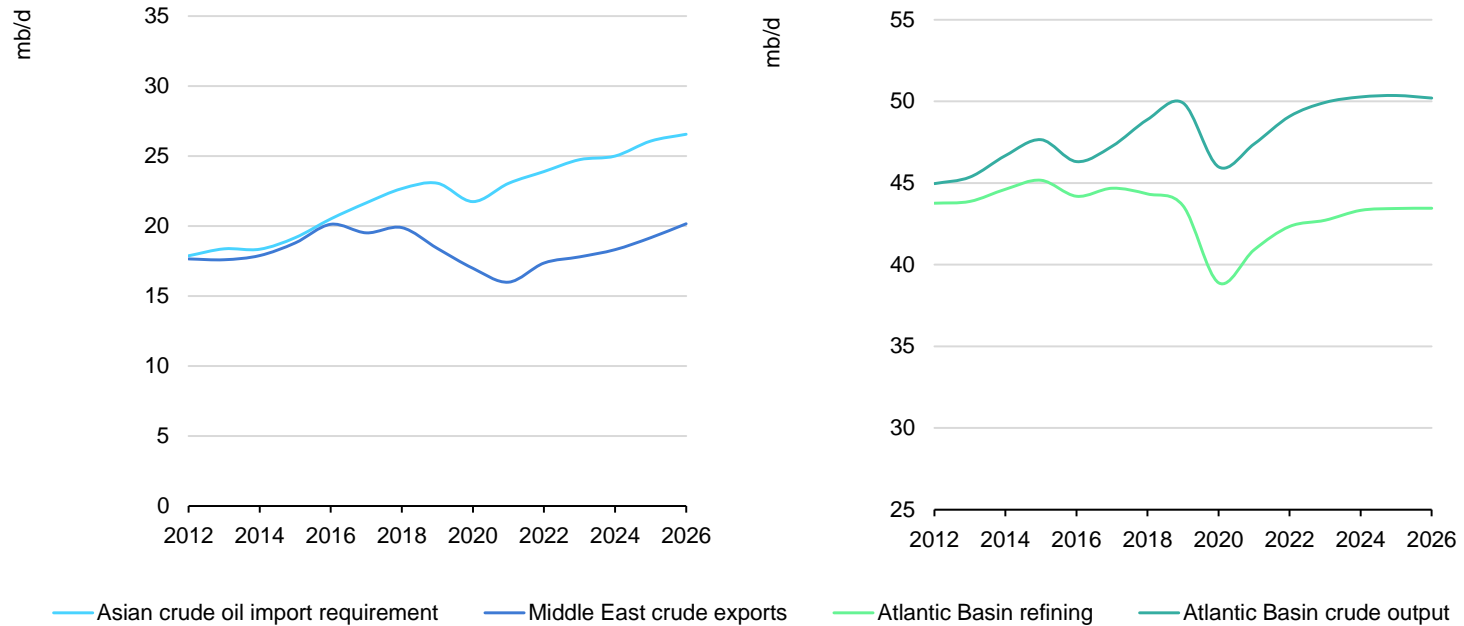
East of Suez drives increase in global refining throughput



Atlantic Basin refinery throughputs do not recover to 2019 levels

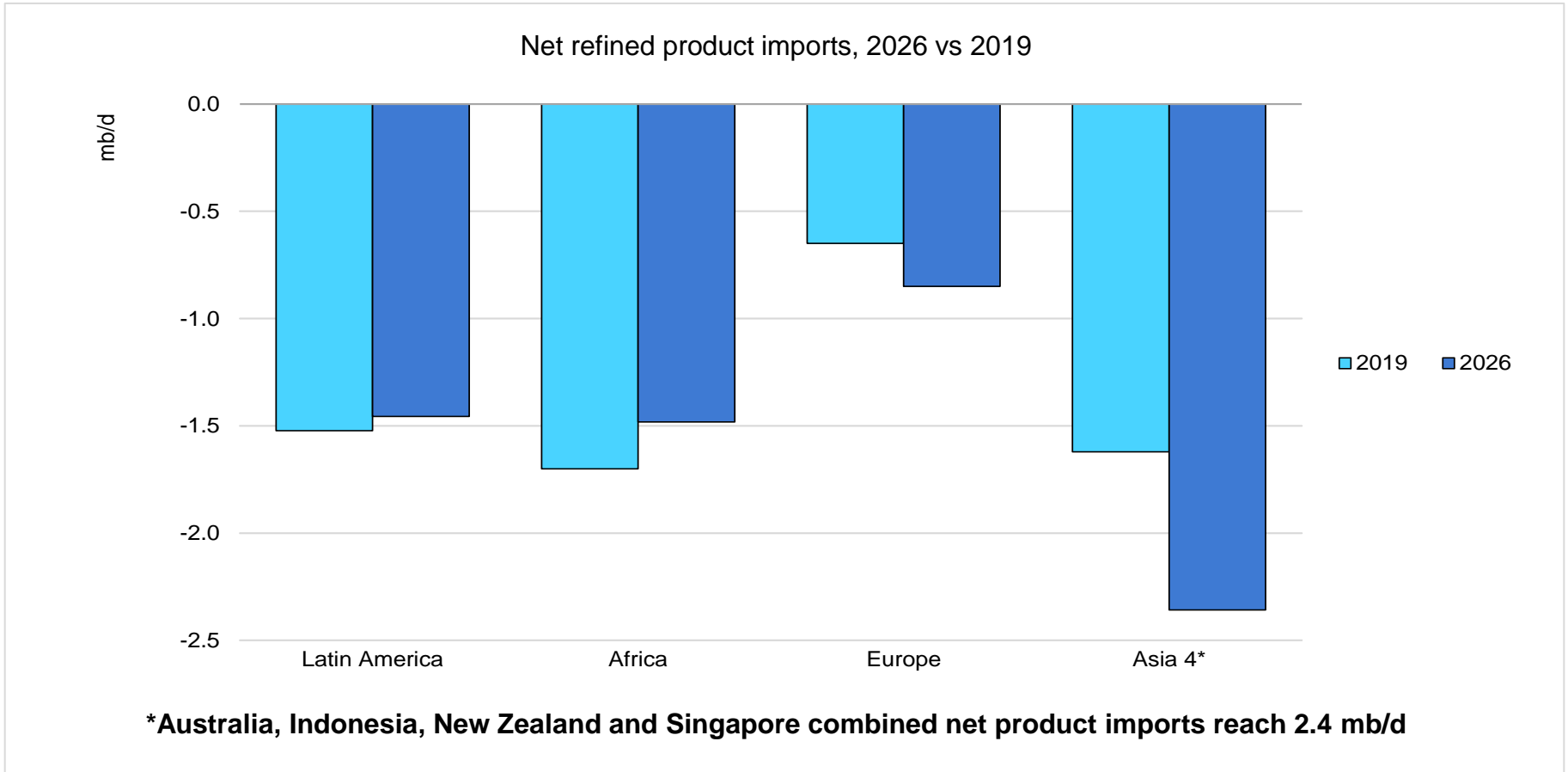
Asian crude oil imports reach 27 mb/d

Atlantic Basin and East of Suez crude oil fundamentals



Average net oil import dependence reaches 82% in 2026, up from 77% in 2019

The centre of gravity for products trade shifts to Asia



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