The world oil outlook

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
World Oil Market
Outline

- Short-term outlook
  (Based on January 2021 Monthly Oil Market Report)

- Medium- and long-term outlook
World economy is expected to recover in 2021

Source: OPEC, aggregations are based on 2017 ppp levels.

Note: Data refers to January OPEC Monthly Oil Market Report (MOMR).
Steady oil demand growth in the decade pre-2020

**Total global oil demand**

<table>
<thead>
<tr>
<th>Year</th>
<th>OECD</th>
<th>Non-OECD</th>
<th>World</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>47.9</td>
<td>44.7</td>
<td>99.8</td>
</tr>
<tr>
<td>2009</td>
<td>44.7</td>
<td>47.9</td>
<td>90.0</td>
</tr>
<tr>
<td>2010</td>
<td>42.2</td>
<td>51.2</td>
<td>95.9</td>
</tr>
<tr>
<td>2011</td>
<td>41.2</td>
<td>53.4</td>
<td>94.6</td>
</tr>
<tr>
<td>2012</td>
<td>42.0</td>
<td>52.3</td>
<td>94.3</td>
</tr>
<tr>
<td>2013</td>
<td>42.8</td>
<td>51.6</td>
<td>94.4</td>
</tr>
<tr>
<td>2014</td>
<td>43.1</td>
<td>51.9</td>
<td>95.0</td>
</tr>
<tr>
<td>2015</td>
<td>43.9</td>
<td>52.5</td>
<td>96.4</td>
</tr>
<tr>
<td>2016</td>
<td>45.2</td>
<td>53.9</td>
<td>99.1</td>
</tr>
<tr>
<td>2017</td>
<td>46.8</td>
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</tr>
<tr>
<td>2018</td>
<td>48.4</td>
<td>58.3</td>
<td>106.7</td>
</tr>
<tr>
<td>2019</td>
<td>35.0</td>
<td>57.7</td>
<td>92.7</td>
</tr>
<tr>
<td>2020*</td>
<td>53.0</td>
<td>54.0</td>
<td>107.0</td>
</tr>
<tr>
<td>2021*</td>
<td>58.0</td>
<td>55.0</td>
<td>113.0</td>
</tr>
</tbody>
</table>

Note: * 2020 = Estimate and 2021 = Forecast. Source: OPEC.

Data refers to January OPEC MOMR.
2021 oil demand to grow by 5.9 mb/d, but uncertainties remain high

- Losses in transportation fuels accounted for more than 70% of last year’s decline
- Total world oil demand foreseen at 90.0 mb/d in 2020 and 95.9 mb/d in 2021
- Historical low baseline and strong economic recovery is estimated to support consumption potential in 2021
- Uncertainties are high and clouding the outlook particularly to issues related to COVID-19 development

Note: * 2020 = Estimate and 2021 = Forecast. Source: OPEC.
Data refers to January OPEC MOMR.
Non-OPEC supply to grow by 0.8 b/d in 2021

Non-OPEC annual supply growth by region
Y-o-y change, mb/d

OECD Americas
OECD Europe
India
Other Asia
Africa
OECD Asia Pacific
Latin America
Eurasia
China
Middle East
Non-OPEC supply

Note: * 2020 = Estimate and 2021 = Forecast. Source: OPEC.
Data refers to January OPEC MOMR.
Upstream spending down by 30% in 2020, y-o-y

- Market volatility and demand uncertainty negatively impacted spending in 2020.
- The sharper decline in capex was observed in shale tight oil sector, down by around half in 2020.
- Financial discipline is expected to continue into 2021.

Global E&P capex by upstream sectors

- Offshore deepwater
- Offshore midwater
- FLNG
- Shale/Tight oil
- Oil Sands
- Offshore shelf
- Other Onshore
- Onshore LNG
- Total capex

Sources: OPEC and Rystad Energy.
Note: Data refers to January OPEC MOMR.
Huge build in global oil stocks is in decline

OECD commercial stocks

Non-OECD stocks

Floating storage

Sources: EIA, Eurolistock, IEA, OMI, Energy Intelligence, METI and OPEC.
Note: Data refers to January OPEC MOMR.
Outline

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- Medium- and long-term outlook
All energy sources needed to meet future demand, fuel economic growth, and eradicate energy poverty

- Global energy demand projected to increase by around 25% between 2019 and 2045
- Demand increases in non-OECD regions but drops in OECD
Transport & petrochemicals remain key to future demand

• Various transport modes will continue providing basis for oil demand growth
  ➢ Aviation sector +2.8 mb/d
  ➢ Road transport +2.6 mb/d
  ➢ Marine bunkers +0.8 mb/d

• Petrochemicals will be the largest incremental demand (+3.7 mb/d)

• Some demand increase also in “other industry” and “res./comm./agriculture”

• Electricity generation demand is expected to decline by more than 1 mb/d
Ample scope for OPEC total liquids supply

- After 2020 sharp decline, non-OPEC liquids supply in medium-term to recover from pandemic-related shut-ins.
- Few non-OPEC producers to see growth beyond late 2020s, resulting in supply to return almost to 2019 levels.
- Over long-term, OPEC liquids will fill the gap, growing from 34 mb/d in 2019 to 44 mb/d by 2045.
Cumulative oil-related needed investments ~$12.6 trn

- Recent drop in global upstream investments is a major concern
- Upstream spending needs to average $380 billion per year
Thank you