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# Crude Oil Price Prospects

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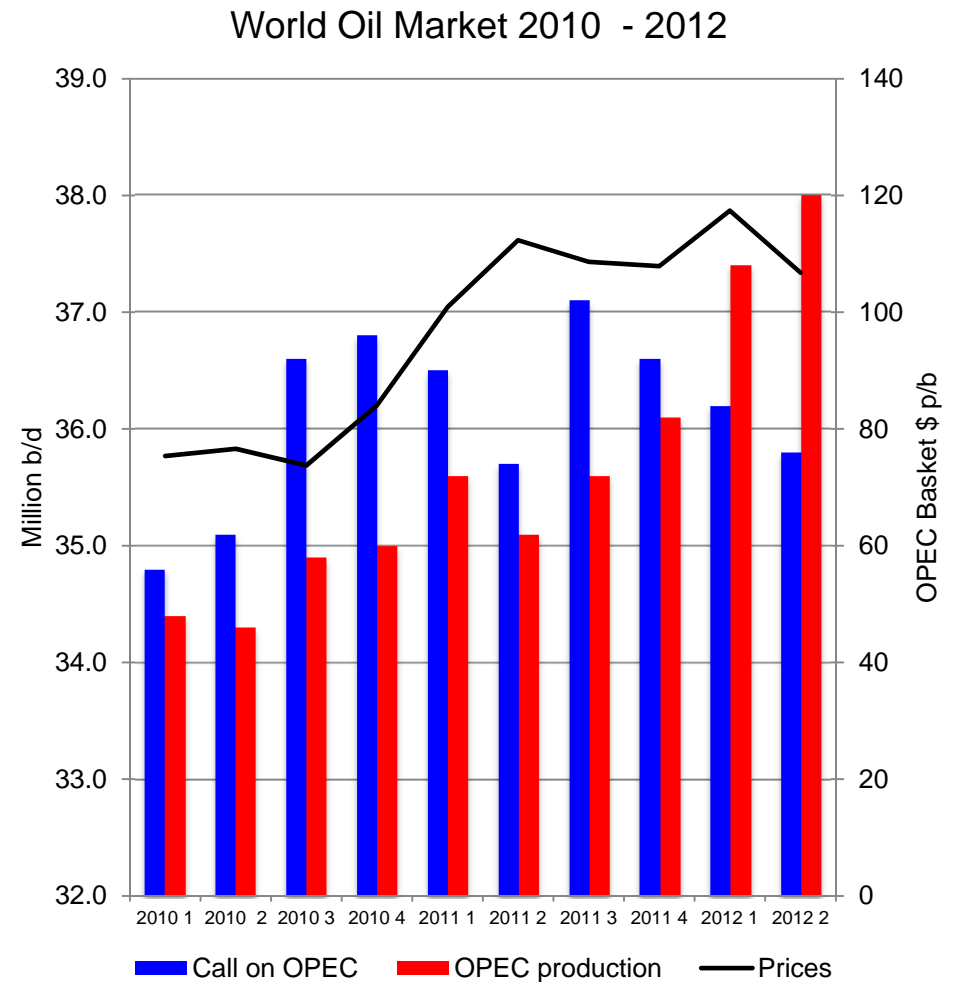
**London 3<sup>rd</sup> July 2012**

## Presentation outline

- **The recent history of oil prices**
  - The Arab Uprisings
  - The EU oil embargo against Iran
  - Recent price weakness
- **The short terms prospects**
  - “Ground Hog Day” and the global economy
  - The legacy of higher prices
- **The medium to longer terms prospects**
  - The legacy of the Arab Uprisings
  - The legacy of the “shale gas revolution”
  - OPEC’s dilemma

# The recent history of oil prices

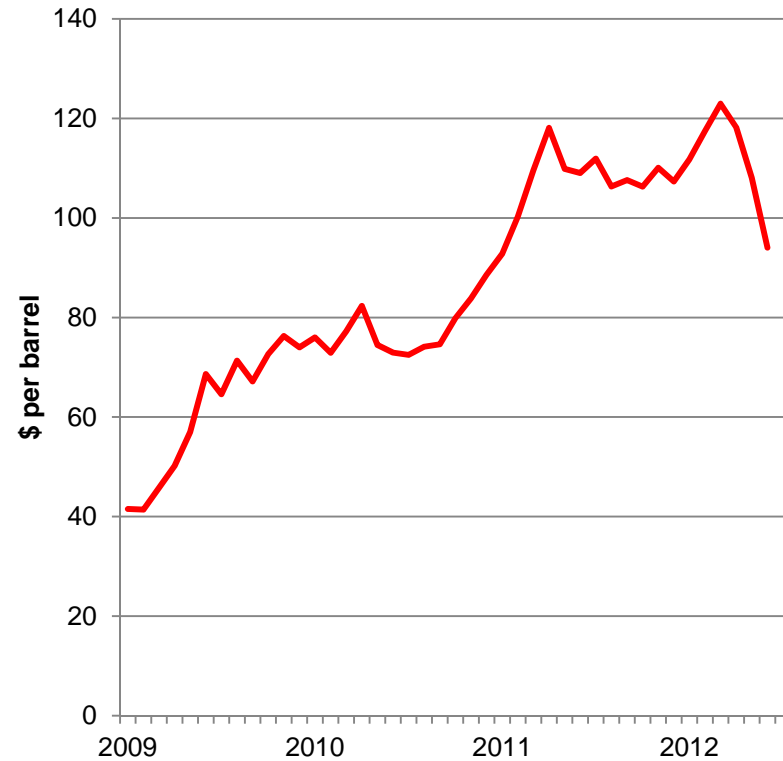
- Arab Uprisings
  - Wet barrel market
  - Paper barrel market and contagion fears
- EU Embargo
  - Transitional price friction
- Recent decline
  - Saudi supply increase
  - Demand destruction
  - Asia slowing



# The short term prospects

- The global economy
  - “Ground Hog Day” and the euro zone
  - Asia slowing
- Legacy of higher prices
  - The IEA suggests the MICs will account for 68% of Non-OECD oil demand growth 2009-2035

OPEC Basket Monthly Price 2009-12

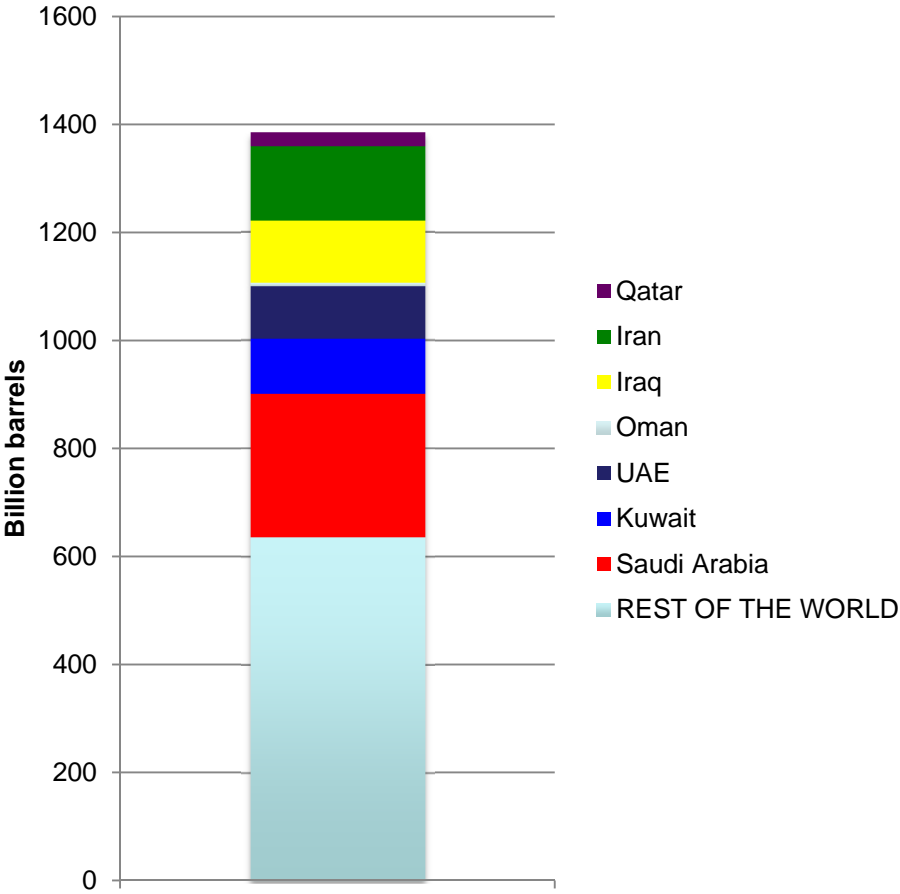


## The medium to long term prospects

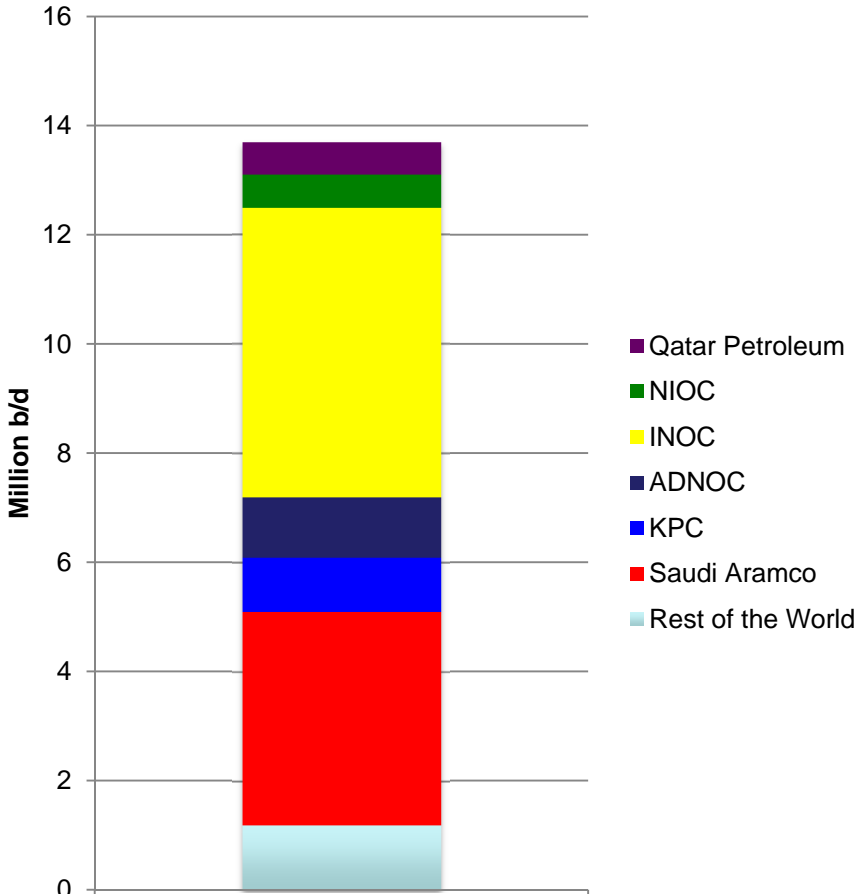
- The legacy of the Arab Uprisings
  - Contagion to the GCC unlikely **BUT** need to pacify populations
  - “Supply price” risen. Saudi Arabia 2008 =\$50 2012 = \$70-90
- The legacy of the “shale gas revolution”
  - Application of shale gas technology
  - Other unconventional oil
  - North America moving to oil independence?
- OPEC’s dilemma
  - They need higher prices BUT....
    - Higher prices = demand destruction
    - Higher prices = increasing Non-OPEC supply

# OPEC's expectations and its dilemma

MIDDLE EAST NOCs IN CONTEXT - GLOBAL RESERVES = 54%



Sources of growth in oil production\* 2010-2035 IEA WEO 2011 New Policies Scenario



\*Includes NGL's and unconventional oil

The "six brothers" account For 91.2% of the growth

# Conclusions

- OPEC faces a major dilemma
- They need the “golden eggs” but they need them at a rate which will probably kill the goose that lays them...