Global oil overview and outlook
1. Global oil overview & outlook – Sophie Udubasceanu
2. North Sea developments – Richard Price
3. Insight into the US oil market – Ignacio Sotolongo
4. Oil products outlook – Michael Connolly
5. Focus on the US naphtha market – Michael Sims
6. Q&A
World Crude Report

• Round the clock coverage
• 3 daily updates
• Physical and futures market pricing
• Assessments at 5 daily timestamps
• Market 7-day outlook and editorial features
• Regional physical sections:
  • Asia Pacific, Arab Gulf, North Sea, West Africa, Mediterranean, CIS and Americas
Crude oil overview & outlook

Sophie Udubasceanu
- 30 m bbl/day of demand
A three-pronged attack from Coronavirus

01 Travel: Lockdown leads to reduced flights, car usage. Started off with China and spread swiftly across the world

02 Industry: Many factories, heavy industry and construction, including a reduced refining activity

03 Economy: World could enter recession; China’s GDP growth rate for 2020 revised down while other countries also followed suit. Most governments rolled out economic relief packages

Fall in oil and energy demand
“No prospect of demand returning to the historical average during the remainder of 2020”

IEA
More than 24m bbl/day

-7.7m bbl/day

The OPEC+ agreement came into force on 1 May
US oil rig count weakening

10.7m bbl/day
US Oil production

179
US oil rig count down from 562 in April
The sustainability transformation

Traditional refinery

Bio-diesel

Bio-gasoline

Bio-Jet

Sustainable oil products

Global Oil Overview and Outlook
Oil Supply Outlook

The US supply forecast decrease is vs the January 2020 oil production figure

Source: OPEC+, EIA

Revised forecast: world oil use to rise to 96.7 MMB/D next quarter before decreasing seasonally to 95.6 MMB/D during the first quarter of next year.

Source: CDI, part of ICIS

Global oil overview and outlook
Market outlook

• **Concerns over a recession**
  • Will global economies recover over the next few months?

• **Extent of a second Covid-19 wave in October**
  • How will this impact oil demand?

• **Double dip in Chinese demand**
  • Difficult in restarting when other countries continue to have restrictions

• **Demand improvement**
  • Jet fuel demand, Long term consequences
Key factors to watch

- Improvement in demand could ease the oversupply
- Is the deal enough?
- Reaction to the US presidential elections
- How the dispute will progress?

Electrification
The sustainability movement

Economy
The threat of a global recession
North sea developments

Richard Price
North Sea CIF cargoes

High volume of floating storage incentivised CIF Rotterdam offers in May

Cumulative activity

- CIF
- FOB

CIF offers surge as majors look to offload floating storage
Plateau of CIF activity as coronavirus-driven contango fades
North Sea CIF cargoes

Percentage of CIF trades increased in May as majors attempted to offload floating cargoes

FOB activity dominates market ahead of coronavirus pandemic

76% of May market activity on a CIF delivered Rotterdam basis

Source: ICIS
Insight into the US oil market

Ignacio Sotolongo
Top five oil producing countries (2019)

- USA
- Russia
- Saudi Arabia
- Canada
- Iraq
The Challenge
A Perfect Storm
US Crude Oil Production
US Crude Oil -Import/Export

US/China Trade Agreement
Trade Agreement – Phase 1

US PRESIDENTIAL ELECTIONS
The Candidates
## Top 10 importing countries in 2020

<table>
<thead>
<tr>
<th>Countries</th>
<th>2020 Percentage</th>
<th>9/18/20</th>
<th>9/11/20</th>
<th>Difference</th>
<th>9/20/19</th>
<th>Percent Change</th>
<th>9/21/18</th>
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<tbody>
<tr>
<td>Canada</td>
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### Notes:
- Data may not add to total due to independent rounding. Differences and percent changes are calculated using unrounded numbers.
- Source: See page 29.

### Crude imports in k bbl/day
Overview of the US pipeline sector
Typical products from a 42-gallon Barrel of Crude Oil

- **3% Asphalt/Bitumen**
  Used in road construction.

- **4% Liquefied Petroleum Gas (LPG)**
  A mixture of propane and butane (plus ethane and other heavier hydrocarbons) used as heating fuels, transport fuel and feedstock for the petrochemical industry.

- **10% Jet Fuel**

- **18% Other Products- Naphta, Waxes and Lubricants**
  Naptha a mixture of hydrocarbons used as a feedstock for the petrochemical industry.

- **23% Diesel Fuel and Heating Oil**
  Diesel fuel used in trucks, trains, boats, ships, cars, heavy construction equipment and electricity generators.

- **47% Gasoline or Petrol**
  Used as a fuel in transportation by most automobiles.
Top 10 importing countries in 2020
US crude stocks continue to swell

10.7m bbl/day
US Oil production

494m bbl
Hurricane Laura impacted oil injections
Trump Republican candidate vs Biden Democrat candidate
Oil products outlook

Michael Connolly
The impact of COVID-19 will continue through 2021 as cities, regions and entire countries have further waves, resulting in lockdowns.

**Key Product Demand 2020 vs. 5 yr. Average**

<table>
<thead>
<tr>
<th>Product</th>
<th>YTD</th>
<th>Recent Month</th>
<th>Estimated Mbbl/d reduction</th>
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</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>87%</td>
<td>93%</td>
<td>-3.3</td>
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<tr>
<td>Jet</td>
<td>64%</td>
<td>53%</td>
<td>-2.8</td>
</tr>
<tr>
<td>Diesel</td>
<td>91%</td>
<td>95%</td>
<td>-2.5</td>
</tr>
</tbody>
</table>

Source: ICIS Analytics, local Gov’t data;
Based on sample of countries totalling c.70% of total demand in each product.

**Reduction in Gasoline / Jet / Diesel demand on average from 2019 in first 7 months of 2020**

**Recovery**

In 2021 broadly expected gas/diesel to be relatively flat or declining compared to “recent month” levels. Jet will continue to recovery at a slow pace.
Focus on the US naphtha market

Michael Sims
Naphtha’s place in the value chain
Supply outpaces demand before and after coronavirus

- Coronavirus demand shock and crude oil crash temporarily increase attractiveness of naphtha as cracking feedstock

- Exports soar on low US prices

- Recovering crude buoys prices, subdues exports
US Stream Cracking Margins

- After brief uptick in Q2/Q3, Naphtha’s share of US steam cracking feedslate falls to record low (between 2 and 3 percent)

Source: ICIS Margin Analytics
US Exports to Asia Soar in H1 2020

-A wide arbitrage window and surging demand in Asia resulted in record export volumes in H1.
Outlook - Global Oil Markets

Main drivers

- Demand
- OPEC+
- US
- Economy
- Lockdown
Thanks for listening. Questions?

For further questions, please send market enquiries to:

Sophie Udubasceanu  
*Global Oil Editor*  
*T*: +44 (0) 20 7911 1889  
*E*: Sophie.udubasceanu@icis.com

Ignacio Sotolongo  
*Senior Oil Editor*  
*T*: +1 832 404 3710  
*E*: Ignacio.sotolongo@icis.com

Richard Price  
*Deputy Global Oil Editor*  
*T*: +44 (0) 20 7911 3118  
*E*: Richard.price@icis.com

Michael Connolly  
*Senior Consultant*  
*T*: +44(0)7816 547234  
*E*: Michael.connolly@icis.com

Michael Sims  
*Markets reporter*  
*Feedstocks & Olefins*  
*T*: +1 713 569 8659  
*E*: Michael.sims@icis.com