EIA’s short-term oil market outlook

Federal Reserve Bank of Dallas and Federal Reserve Bank of Kansas City joint conference: Energy and the Economy: Charting the Course Ahead

September 7, 2018 | Dallas, Texas

By

Dr. Linda Capuano, EIA Administrator
Key takeaways

• Crude oil prices are expected to remain near current levels as oil markets are expected to be in relative balance in the coming months
  – Pipeline constraints in the Permian basin are expected to contribute to lower Permian well head and Cushing prices
  – Lower global oil inventory levels and OPEC spare capacity could contribute to oil price volatility and rising prices in the case of supply disruption

• Global oil demand growth is expected to be relatively strong in 2018 and 2019, but mounting concern over the pace of economic growth could trigger downward pressure on oil prices

• Crude oil and natural gas plant liquid production in the United States is expected to continue to grow strongly, even with pipeline constraints
EIA forecasts crude oil prices to generally remain near current levels through the end of 2019

Crude oil spot prices (monthly average)
dollars per barrel (nominal)

Sources: Thomson Reuters; EIA, August 2018 Short-Term Energy Outlook
A forecast for mostly balanced crude oil markets contributes to the expectation of a narrow range for prices

Global oil market balances
million barrels per day

Sources: EIA, August 2018 Short-Term Energy Outlook
Most forecasted global oil supply growth is expected to come from North America

Annual change in liquid fuels production
million barrels per day

Sources: EIA, August 2018 Short-Term Energy Outlook
NGPLs and crude oil drive U.S. production growth, with much of this growth from the Permian

Annual change in U.S. liquid fuels production
million barrels per day

<table>
<thead>
<tr>
<th>Year</th>
<th>Ethanol and biodiesel</th>
<th>Natural gas</th>
<th>Plant liquids</th>
<th>Crude oil</th>
<th>Net change</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td>-0.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td>0.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>1.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td>1.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: EIA, August 2018 Short-Term Energy Outlook
Low OPEC spare capacity combined with lower inventory levels could contribute to price volatility

OPEC spare crude oil production capacity (annual average) million barrels per day

Sources: EIA, August 2018 Short-Term Energy Outlook
In the forecast, China, India, and the United States provide about two-thirds of global liquid fuels consumption growth.

Annual change in liquid fuels consumption
million barrels per day

Sources: EIA, August 2018 Short-Term Energy Outlook
China’s GDP and energy consumption growth have slowed in recent years

Chinese GDP and energy consumption annual growth rate, five-year moving average

Source: EIA, International Energy Outlook 2018
Per capita income and energy consumption continue to lag other major economies

IEO2018 Reference case
energy consumption per capita
million Btu per person

2000--------2015--------2040 IEO2018 Reference case projection

United States
South Korea
Russia
India
Africa
China

GDP per capita
2010 U.S. dollars per person

Source: EIA, International Energy Outlook 2018
Key takeaways

• Crude oil prices are expected to remain near current levels as oil markets are expected to be in relative balance in the coming months
  – Pipeline constraints in the Permian basin are expected to contribute to lower Permian well head and Cushing prices
  – Lower global oil inventory levels and OPEC spare capacity could contribute to oil price volatility and rising prices in the case of supply disruption

• Global oil demand growth is expected to be relatively strong in 2018 and 2019, but mounting concern over the pace of economic growth could trigger downward pressure on oil prices

• Crude oil and natural gas plant liquid production in the United States is expected to continue to grow strongly, even with pipeline constraints
For more information


Short-Term Energy Outlook | www.eia.gov/steo

Annual Energy Outlook | www.eia.gov/aeo

International Energy Outlook | www.eia.gov/ieo

Monthly Energy Review | www.eia.gov/mer

Today in Energy | www.eia.gov/todayinenergy