



CHATHAM HOUSE

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# **Challenges to the uncertain oil industry**

**October 2012**

**John Mitchell**

## ***The future has changed***

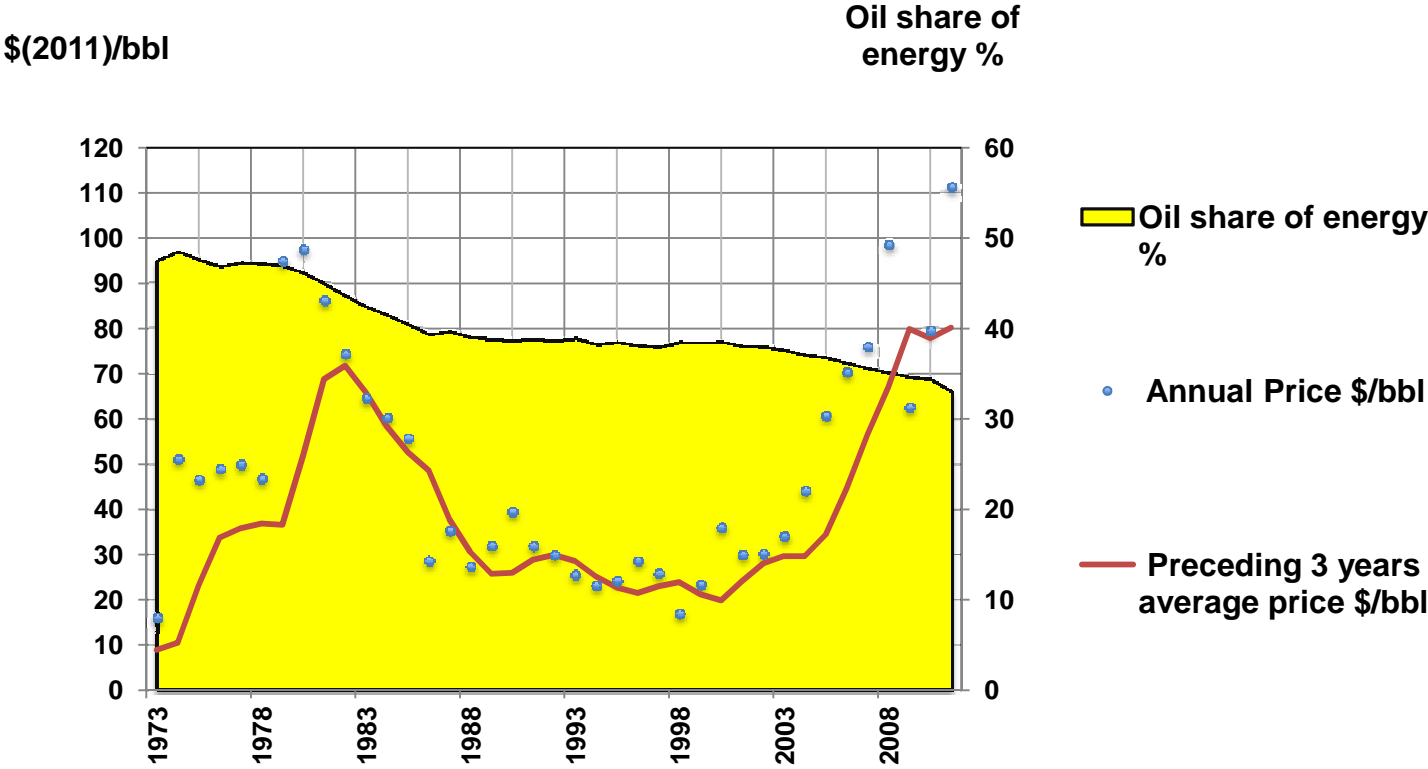
- 1. Oil demand trends breaking**
- 2. Middle East oil now Asian problem**
- 3. Oil reserves are growing, not peaking**
- 4. New roles for state companies**

**How will the oil industry change?**

**Investors and governments want to know.**

**So do modelers**

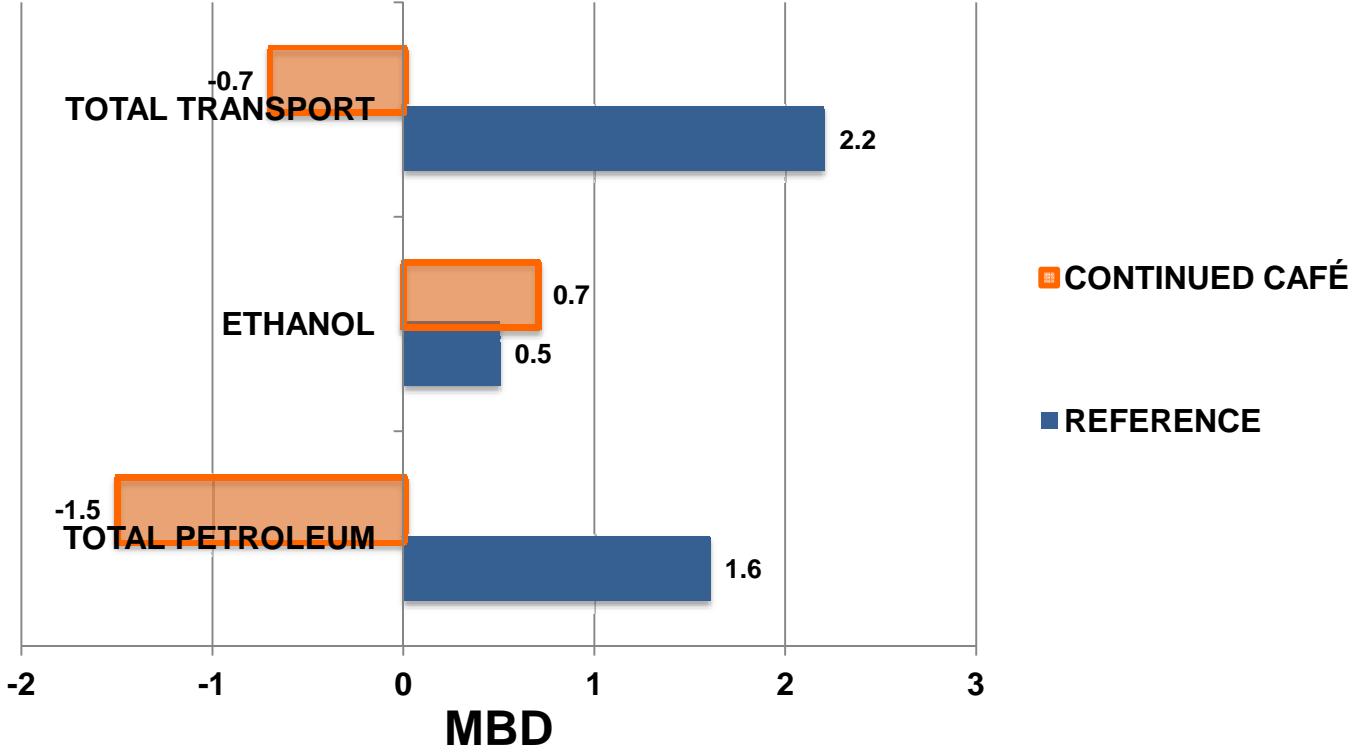
# *Oil price lowers market share*



# Climate policies + competition reverse growth for transport fuel in US

After 2012 Café

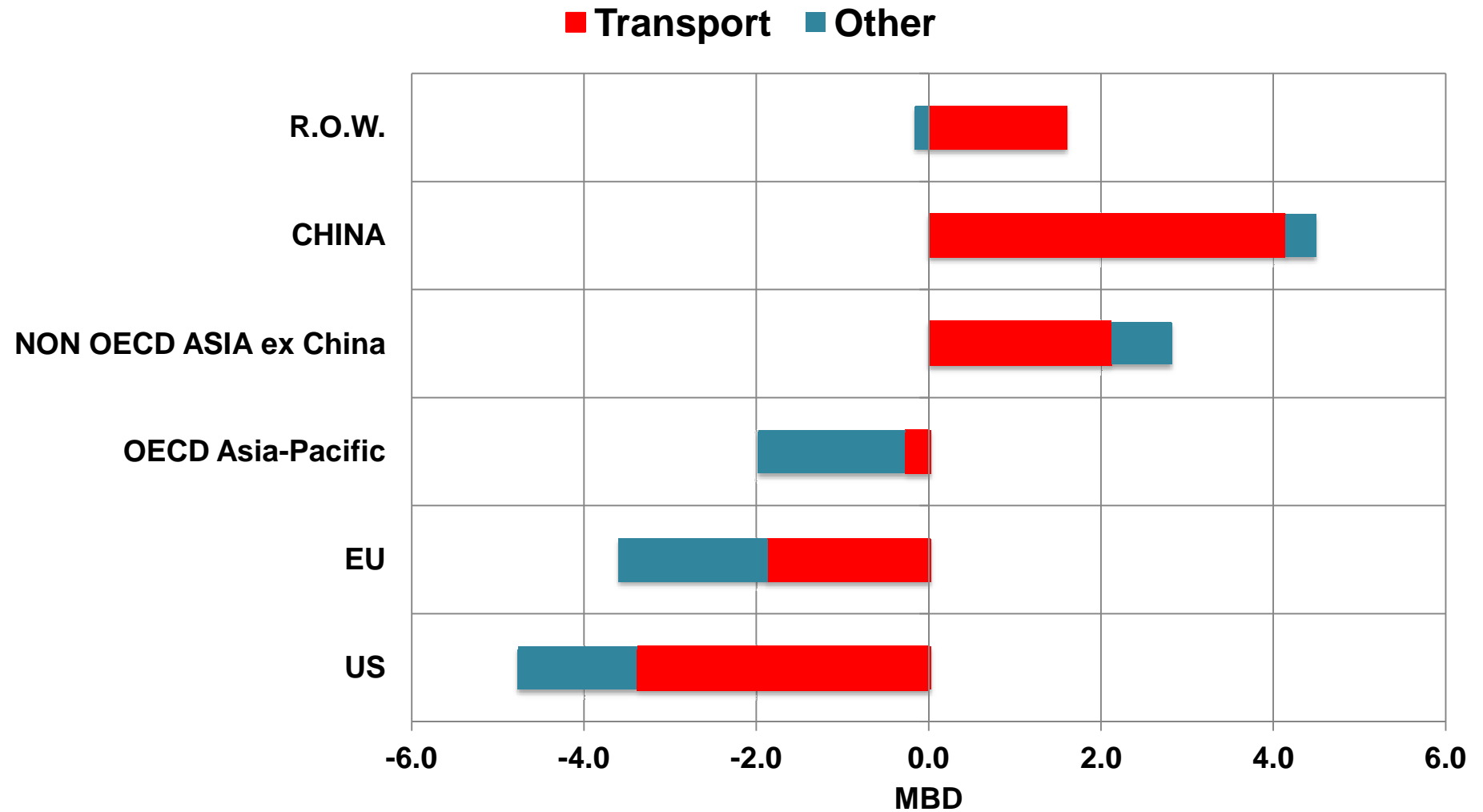
Before new Café



Source: AEO 2011

Reference consumption 2035 : 15 MBD  
2012 : 14 MBD

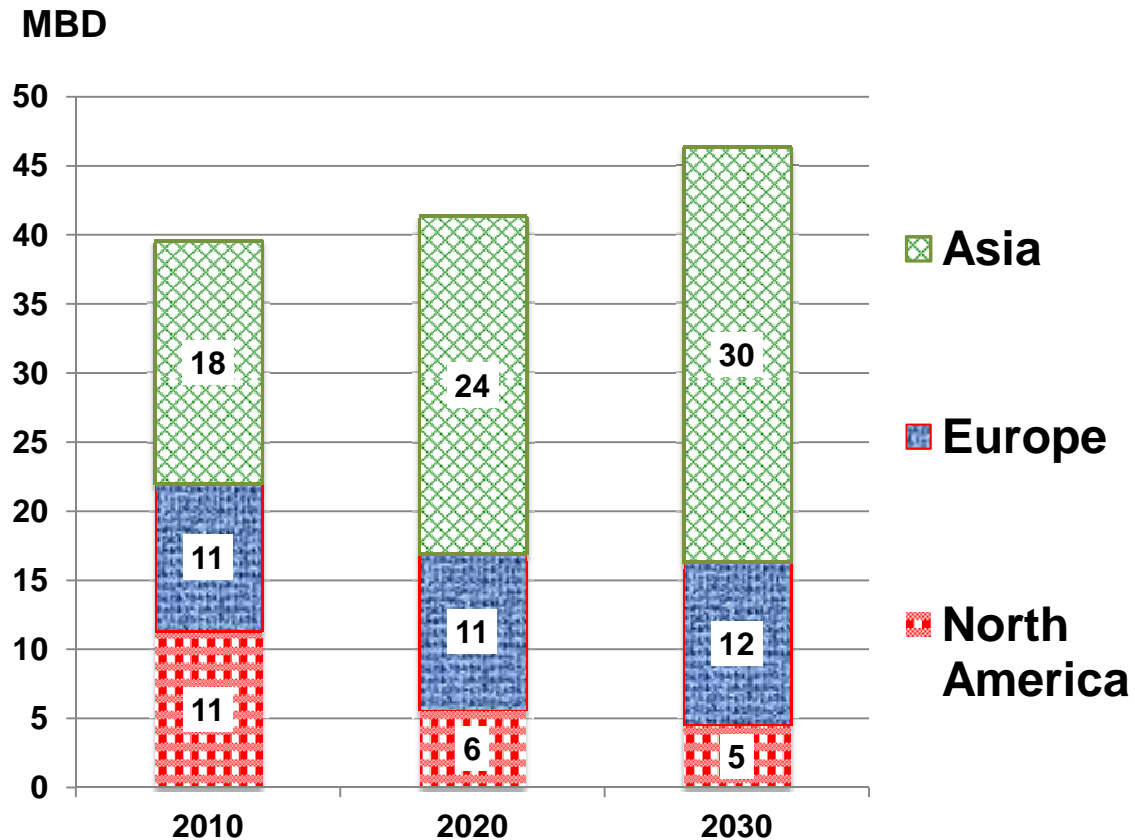
## *Growth vs. no-growth in oil use 2009-30*



SOURCE: IEA WEO 2011

# *Oil import dependence is changing*

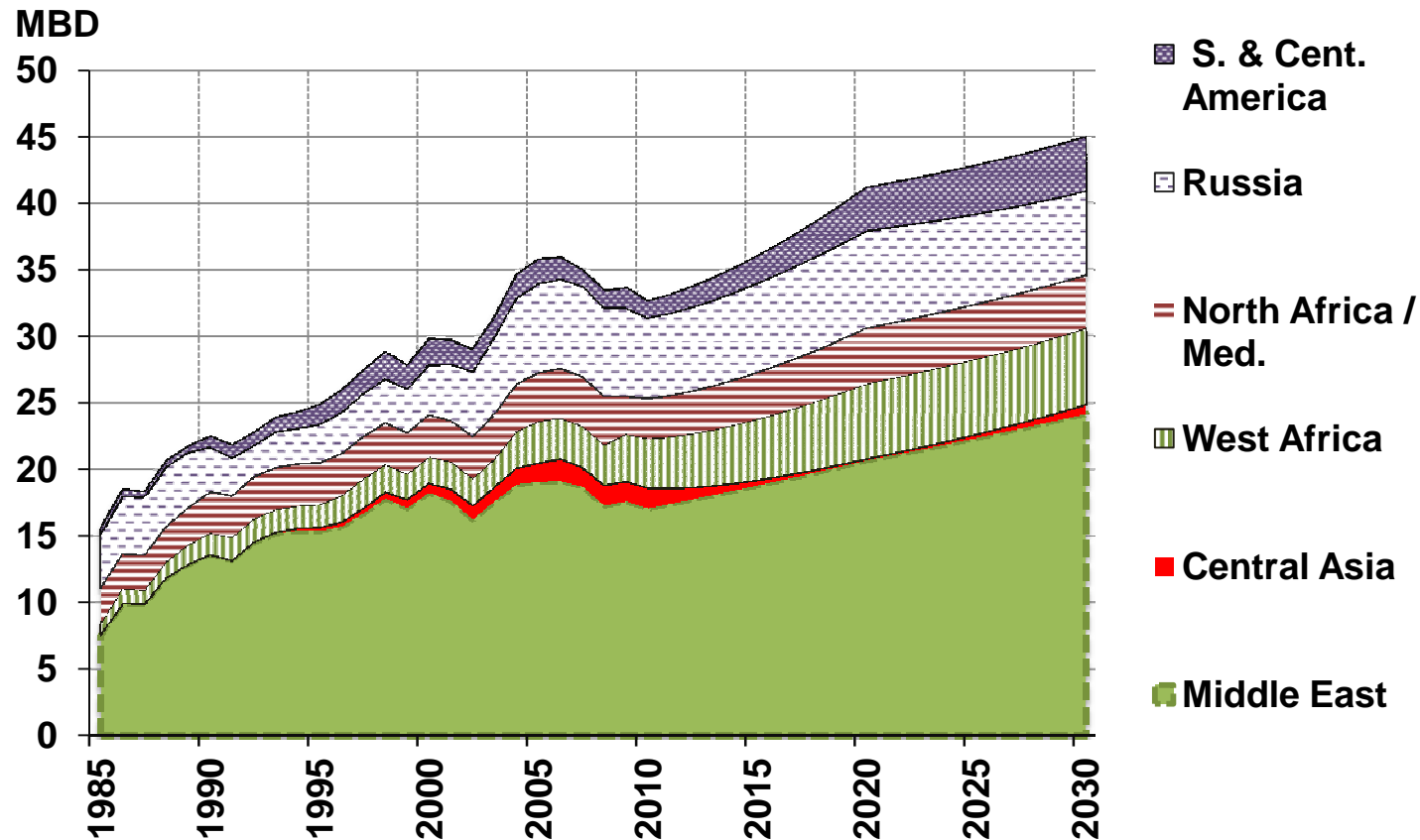
## Oil & liquid deficits



Source: US DOE International Energy Outlook 2011 and Annual Energy Outlook 2012; BP Statistical Review of World Energy; author's adjustments.

# *Middle East oil now going East*

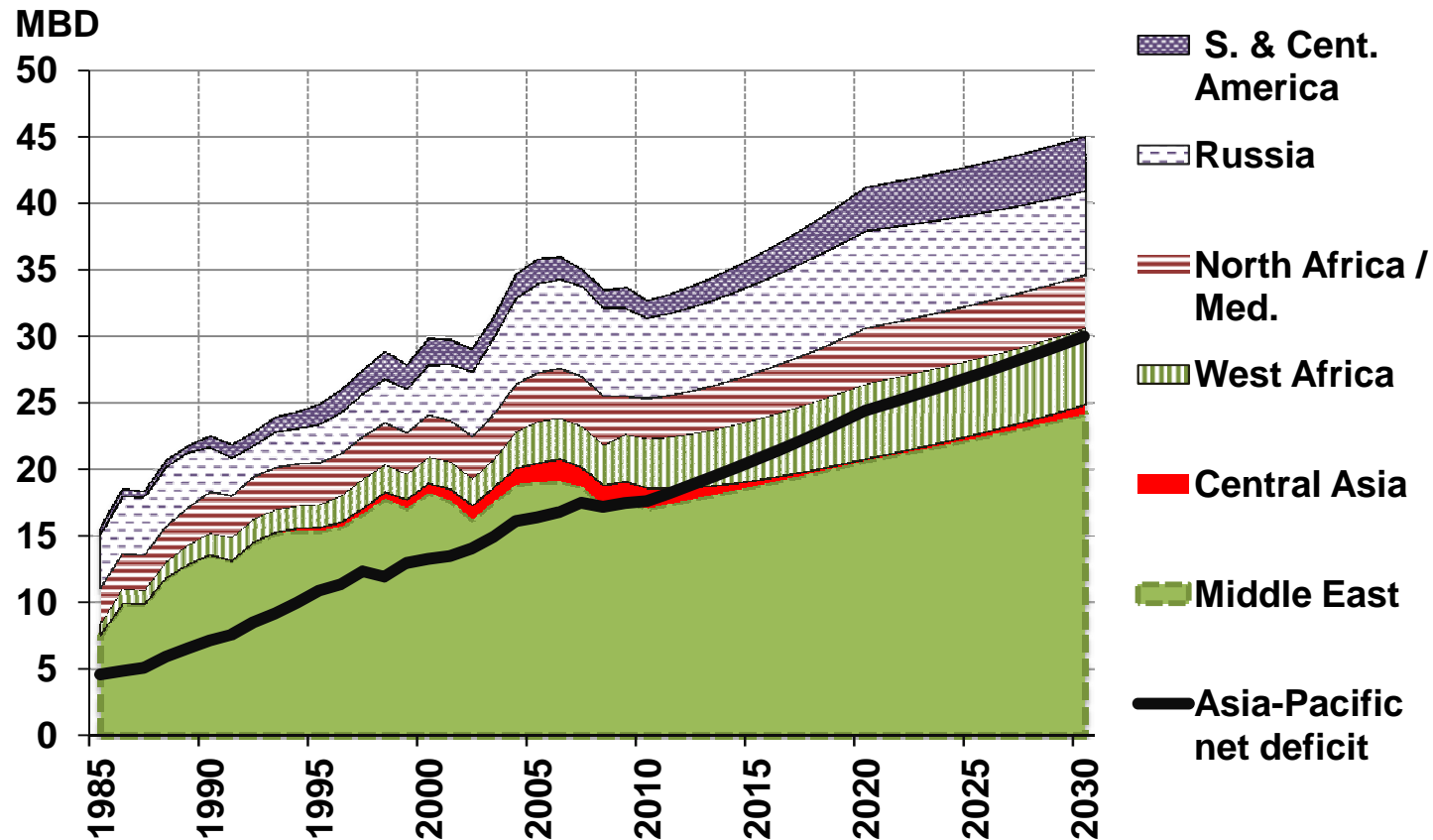
Regional oil surpluses versus Asia-Pacific oil deficit:



BP Statistical Review WEO 2011

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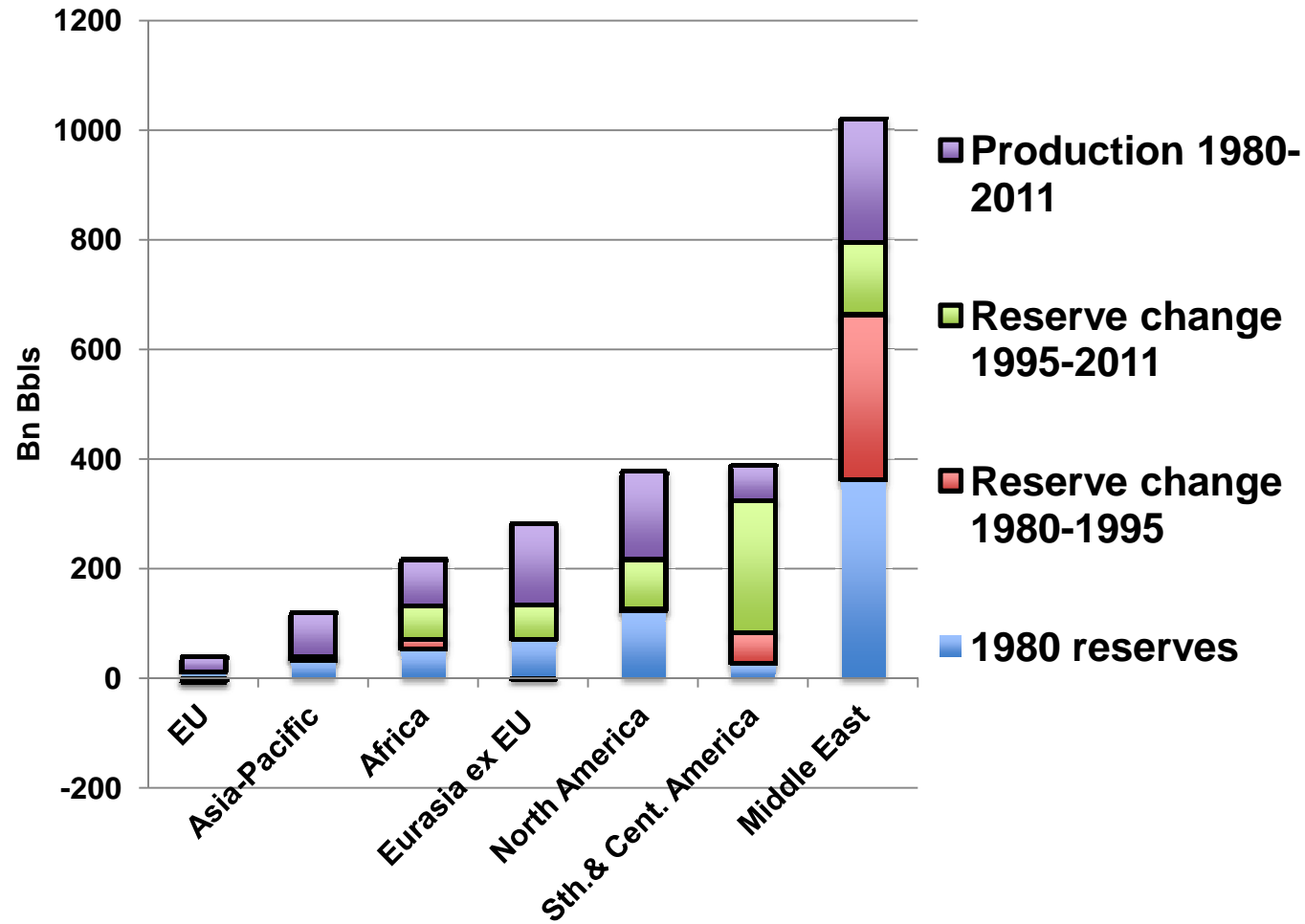


# ***What will the oil industry do downstream?***

- **No-growth markets**
  - **Retreat to bunkers**
  - **Localize (spin-off?)**
- **Growth markets**
  - **Depends on local NOCs and security policies**

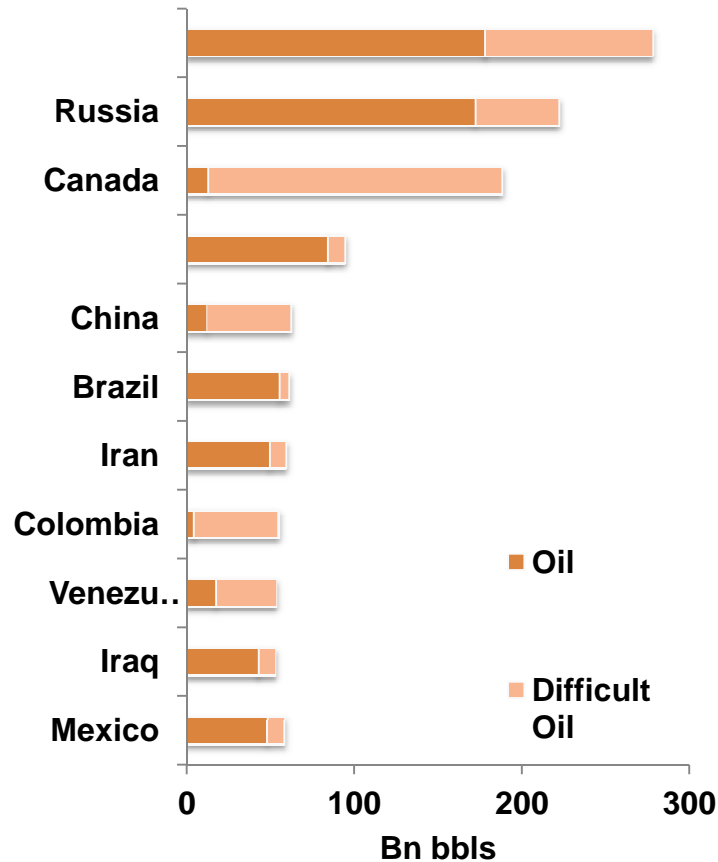
# *Oil is not running out*

Oil and NGL reserves 1980-2011

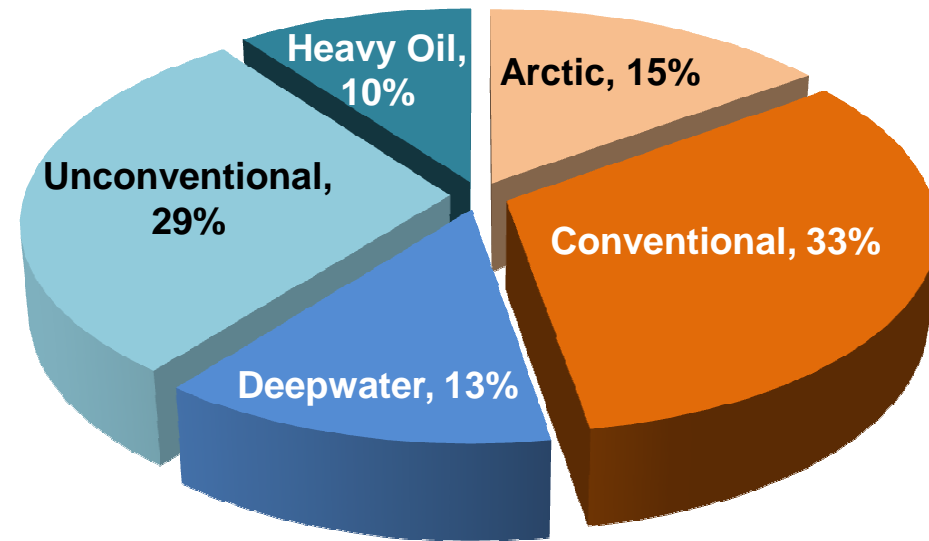


# Global YTF potential has increased significantly but so has the technological challenge

(YTF global oil Reserves, 1.5 Trn Bbls)

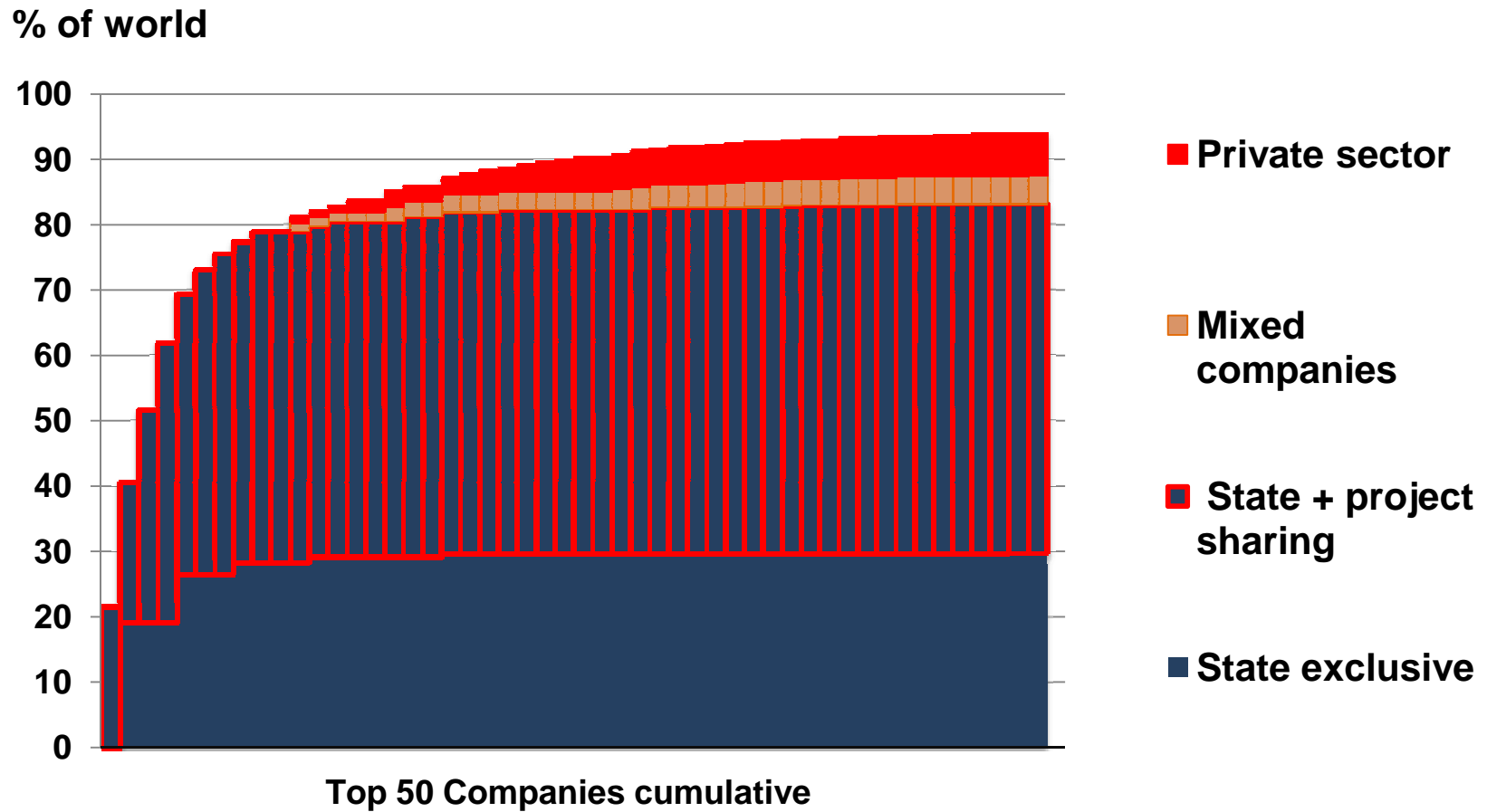


(YTF global oil and gas: 3.9 tn boe)



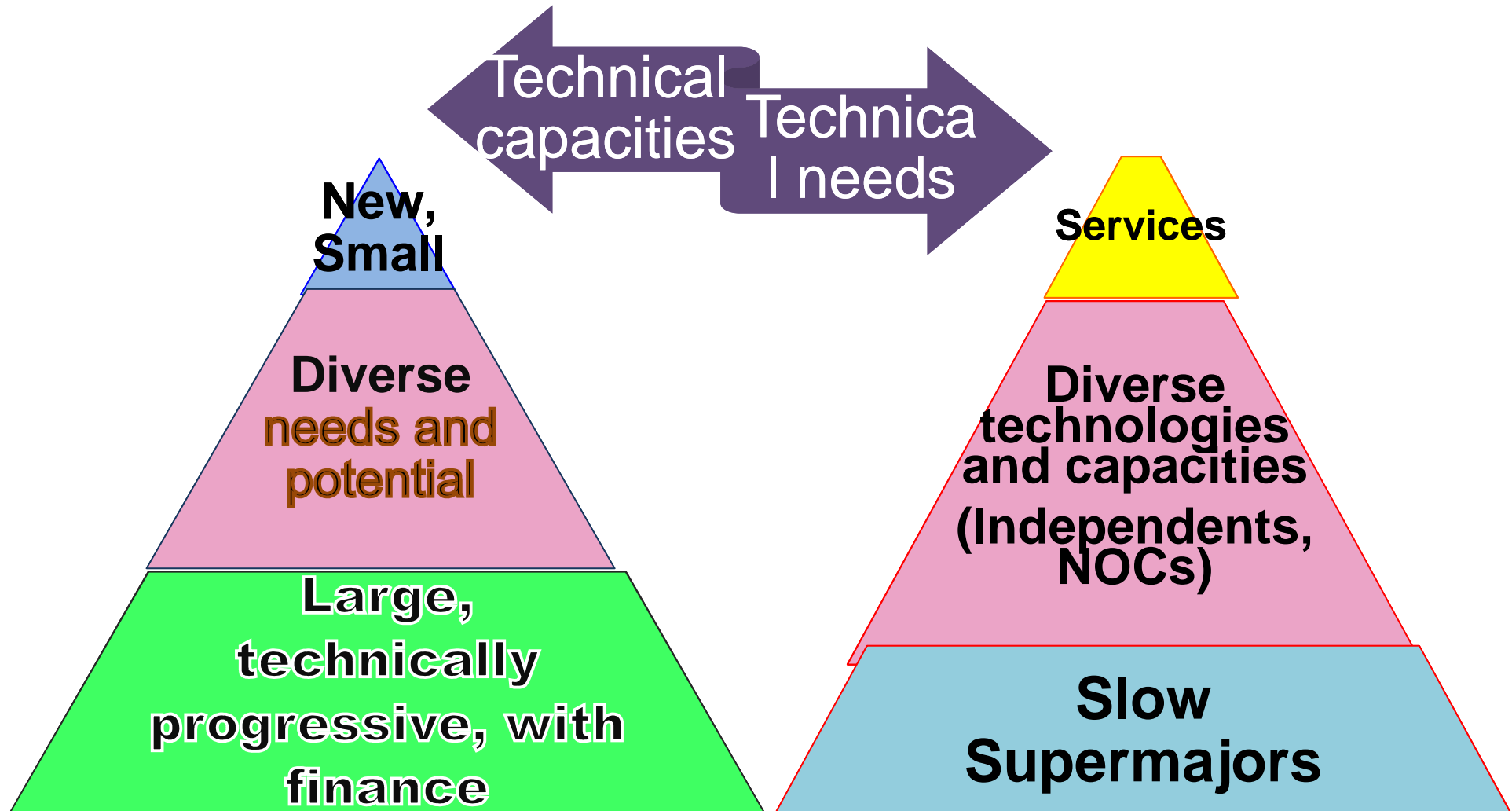
Source: Energy Intelligence – Research and Advisory

## *Access to oil reserves, (2010): not completely closed but by invitation only*



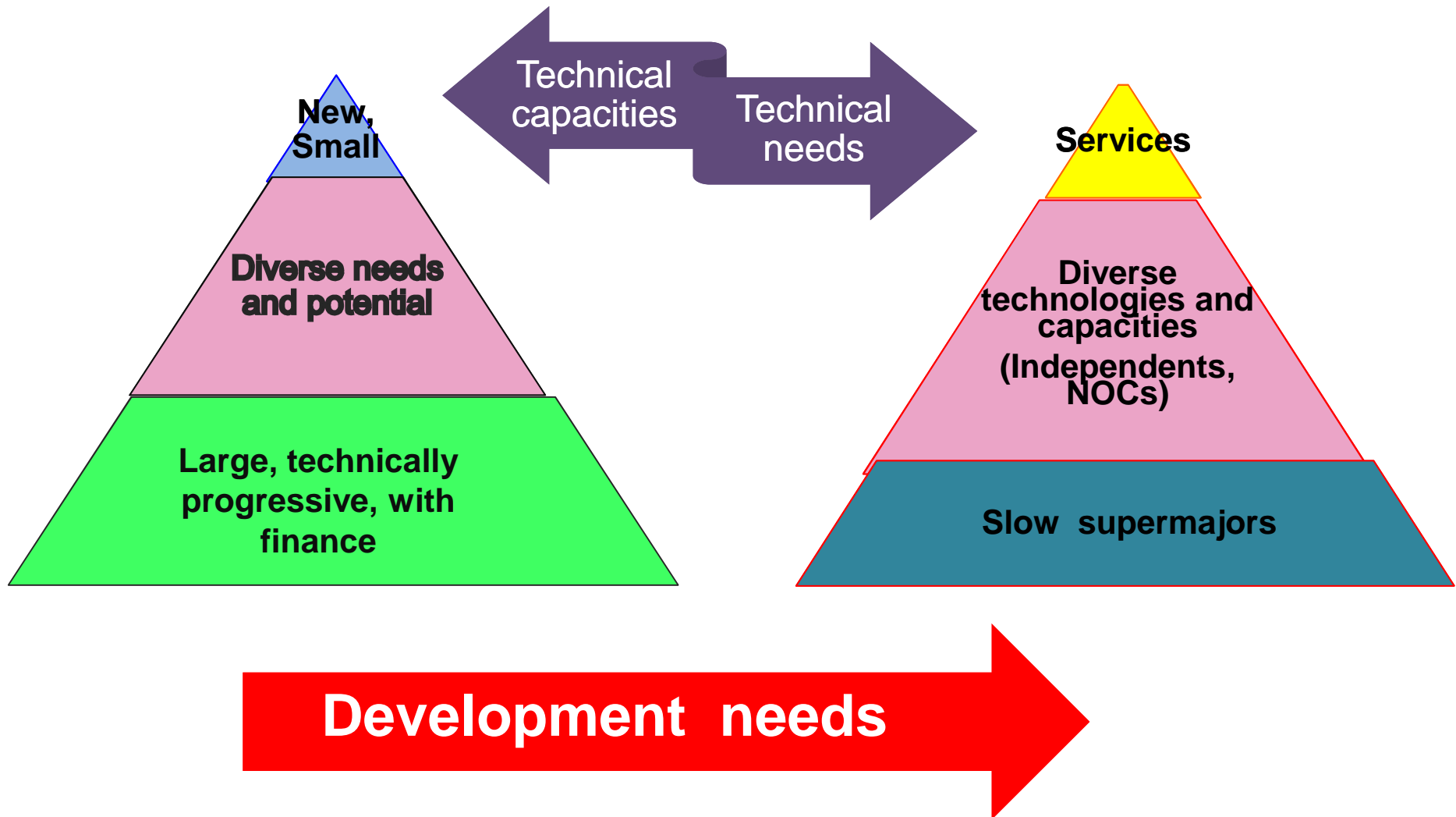
# *State (NOCs).*

# *Foreign cos.*



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# ***Where will the upstream industry go?***

- **National focus with appropriate technology**
- **Technologies for new, unconventional etc.**
- **Deals with existing reserve countries**

## ***New structures for a new era***

- **Upstream specialist - for growth investors and NOCs**
- **Fuel conglomerate - for yield investors**
- **Downstream - very regional or NOC owned**

**The oil & gas industry will look very different**

**THE CHOICE IS TO CHANGE OR BE  
CHANGED**