The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

Tech Talk - A June TWIP and the OPEC MOMR

Posted by Heading Out on June 16, 2013 - 12:35am

The EIA has noted in This Week in Petroleum that, for the first time, the sum of non-OECD country demand contributed more than half to the total of liquid fuels consumed in the world.

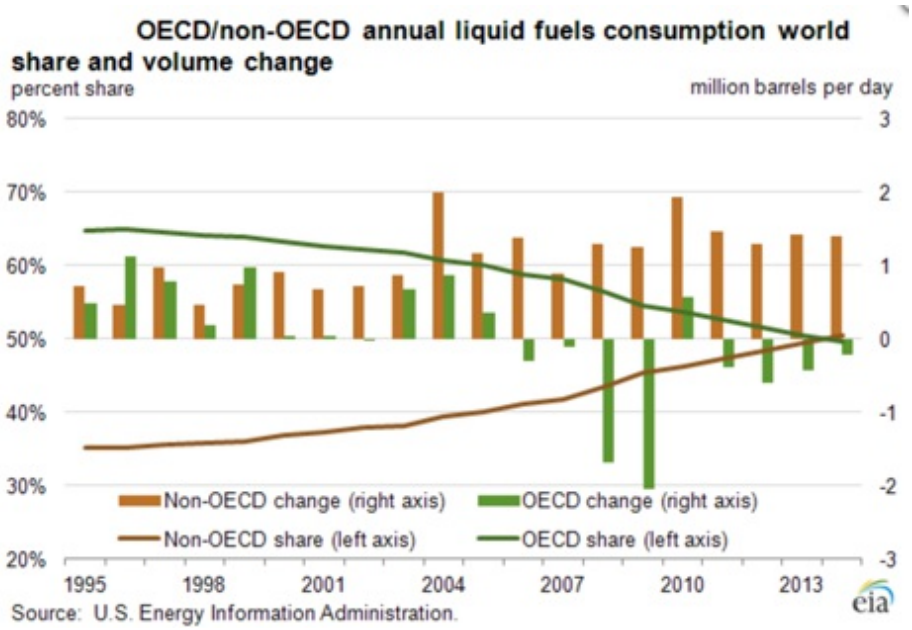

Figure 1. Changes in the relative shares of liquid fuel consumption between the countries in and out of the OECD. (EIA)

It does, however, point out that the projections of the Short Term Energy Outlook are for the two curves to re-intersect at the end of 2014.

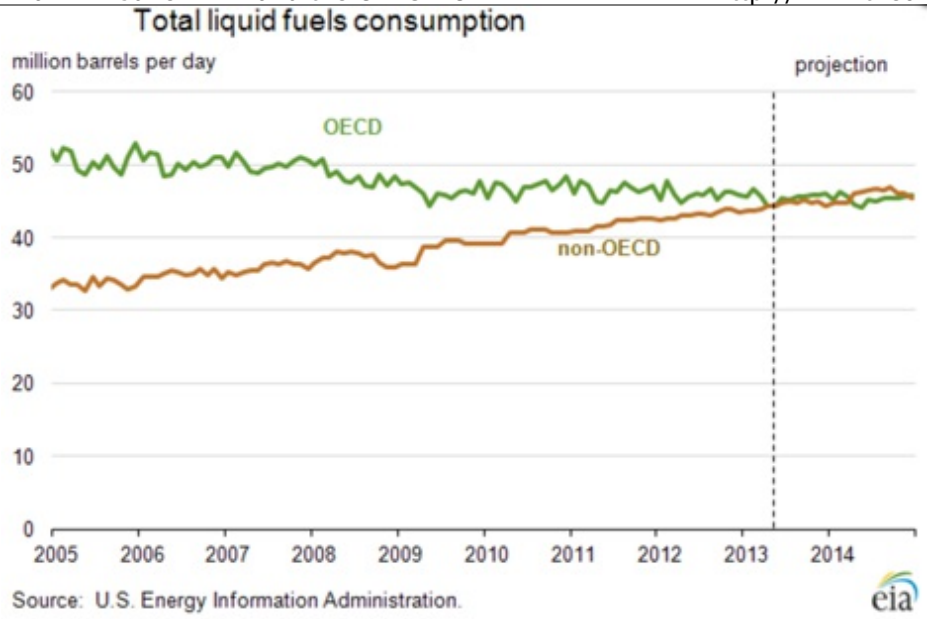

Figure 2. Projected changes in liquid fuels consumption, through 2014 (EIA)

The reality of that second assumption is, I rather suspect, more based on hope than reality. Once you start providing power and all its benefits to the general population, you are on a slippery slope that it is almost impossible to back away from. Consider as a small example, the problems that Egypt is currently having with the supply of subsidized bread to the general populace. Once you start supplying a commodity at a subsidized price it becomes very hard to change the equation, and too much of the non-OECD world is now living in an economy where energy use is subsidized. The problem that the above graph fails to recognize is that you cannot wean a culture from subsidies in the immediate short term and still expect their government to survive in its present condition.

Thus, when the EIA project that global demand will grow to over 92 mbd in the next year, they are likely only being realistic. Their assumption that it may then decline is perhaps more in the nature of wishful thinking.

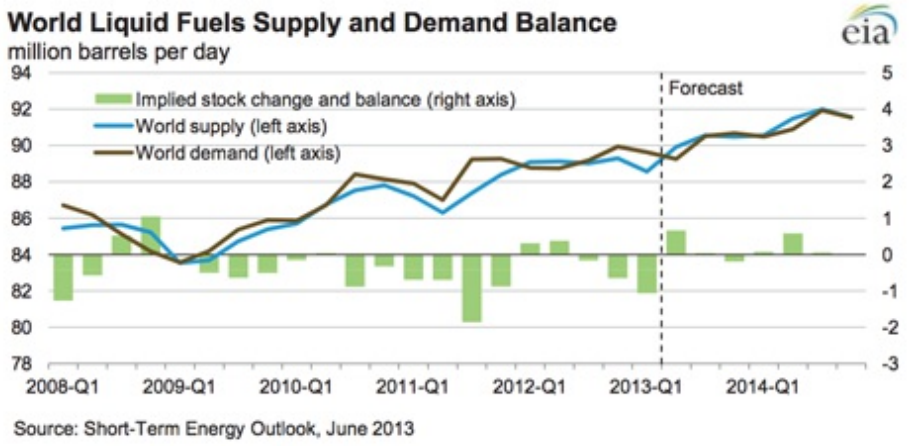

Figure 3. EIA anticipated growth in demand and supply over the near term (EIA)

There are, however, a couple of caveats to that last statement, the first of which is that the decline in demand may be more reflective of a lack of supply capacity (our raison d'être) and

alternatively it may reflect, as a result of the first, that prices will rise to influence demand. Nevertheless we remain in a condition where the harsh realities that lie just over the horizon remain obfuscated by other events.

As with many other international agencies, the EIA continue to anticipate continued growth in the North American supply of liquid fuels. Outside of that growth the increased demand for more than an additional mbd of liquid fuels seems more likely to be desperately hunting for an invisible savior.

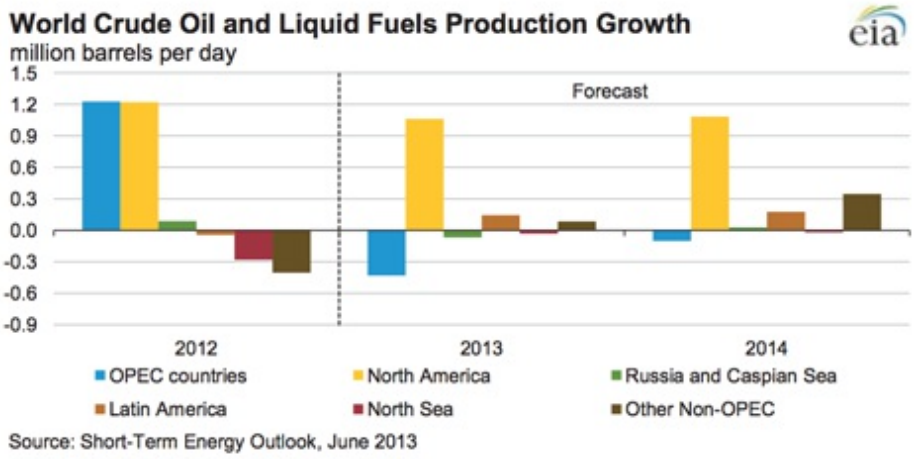

Figure 4. Anticipated growth in liquid fuels supply over the next two years (EIA)

The decline in supply from OPEC in the two years ahead should be noted. It should also be remembered that this is likely to be as much a voluntary control, to ensure price stability in the face of increased North American production, rather than as a result of a short-term supply shortage. However the reality of continued domestic growth in demand in the Middle East, as Westexas has reminded us, is something that cannot be neglected. It has been noted that Saudi Arabia, although having less than a third of Germany's population, recently surpassed it in terms of oil consumption. It will add several new oil-fired power stations including those at Yanbu and Jeddah. This will feed into an anticipated continued growth in Saudi domestic demand of 5.1% pa.

And this brings us to the OPEC Monthly Oil Market Report (MOMR) for June. OPEC continues to anticipate a global demand growth of 0.8 mbd this year, though they note that there will likely be a growth of 1.2 mbd in the non-OECD nations, requiring a reduction in OECD demand to match the overall forecast. Major growth in demand will continue to be in China (at 0.4 mbd and the Middle East at 0.3 mbd). On the other hand OPEC anticipate cutting their supply (to match anticipated need) by 0.4 mbd over the course of this year. OPEC, therefore, has slightly dropped their projection for year end; however, it will still crest above 90 mbd.

World oil demand in 2013, mb/d

	2012	1Q13	2Q13	3Q13	4Q13	2013	Change 2013/12 Growth	%
Americas	23.75	23.66	23.73	23.93	23.88	23.80	0.05	0.20
Europe	13.80	13.27	13.48	13.58	13.42	13.44	-0.37	-2.65
Asia Pacific	8.50	8.88	7.88	8.20	8.67	8.41	-0.09	-1.08
Total OECD	**46.05**	**45.81**	**45.09**	**45.71**	**45.97**	**45.64**	**-0.41**	**-0.89**
Other Asia	10.80	10.85	11.03	11.13	11.12	11.03	0.24	2.18
Latin America	6.26	6.21	6.44	6.70	6.59	6.49	0.23	3.63
Middle East	7.58	7.81	7.78	8.18	7.77	7.89	0.31	4.03
Africa	3.38	3.39	3.38	3.32	3.47	3.39	0.01	0.26
Total DCs	**28.02**	**28.25**	**28.63**	**29.33**	**28.95**	**28.80**	**0.78**	**2.77**
FSU	4.41	4.33	4.18	4.59	4.84	4.49	0.07	1.63
Other Europe	0.64	0.63	0.59	0.63	0.71	0.64	-0.01	-0.81
China	9.74	9.79	10.23	9.91	10.43	10.09	0.35	3.59
Total "Other regions"	**14.80**	**14.75**	**14.99**	**15.12**	**15.98**	**15.21**	**0.42**	**2.81**
Total world	**88.87**	**88.81**	**88.71**	**90.16**	**90.90**	**89.65**	**0.78**	**0.88**
Previous estimate	88.87	88.95	88.66	90.14	90.87	89.66	0.79	0.89
Revision	0.00	-0.14	0.04	0.02	0.03	-0.01	-0.01	-0.01

Totals may not add up due to independent rounding.

Figure 5. Estimates of global oil demand (OPEC June 2013 MOMR)

A large part of demand projection is tied to growth in the global and individual nation economies, and that is a murky crystal ball to view. But OPEC anticipates that these economies will continue to grow at an increasing rate, while recognizing that this projection is in an area with a high level of risk in the estimate.

The continue, and perhaps growing unrest in the Middle East continues to cast a further shadow over predictions over both supply and the reality of future demand in those countries. And, as one of the less frequently discussed topics, future output from Russia is not as assured as the average analyst appears to assume.

OPEC is anticipating a relatively strong growth in demand in the second half of the year to almost reach 91 mbd by the end of the year. Overall the growth in supply to meet this demand continues to come from North America.

Non-OPEC oil supply in 2013, mb/d

	2012	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12
Americas	16.75	17.56	17.51	17.61	17.67	17.59	0.84
Europe	3.77	3.66	3.58	3.44	3.61	3.57	-0.20
Asia Pacific	0.52	0.45	0.48	0.50	0.52	0.49	-0.03
Total OECD	**21.05**	**21.67**	**21.57**	**21.55**	**21.80**	**21.65**	**0.60**
Other Asia	3.63	3.64	3.65	3.67	3.68	3.66	0.03
Latin America	4.70	4.72	4.74	4.88	4.94	4.82	0.12
Middle East	1.50	1.46	1.42	1.41	1.42	1.43	-0.07
Africa	2.31	2.32	2.36	2.41	2.44	2.38	0.07
Total DCs	**12.14**	**12.14**	**12.16**	**12.36**	**12.48**	**12.29**	**0.15**
FSU	13.30	13.44	13.38	13.38	13.49	13.42	0.12
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.19	4.24	4.23	4.26	4.30	4.26	0.07
Total "Other regions"	**17.62**	**17.81**	**17.75**	**17.77**	**17.93**	**17.82**	**0.19**
Total Non-OPEC production	**50.81**	**51.61**	**51.48**	**51.68**	**52.22**	**51.75**	**0.94**
Processing gains	2.17	2.21	2.21	2.21	2.21	2.21	0.04
Total Non-OPEC supply	**52.98**	**53.82**	**53.69**	**53.89**	**54.43**	**53.96**	**0.98**
Previous estimate	52.98	53.85	53.68	53.88	54.41	53.96	0.98
Revision	0.00	-0.02	0.01	0.01	0.02	0.01	0.01

Figure 6. Anticipated oil supply for 2013. (OPEC June 2013 MOMR)

OPEC itself is reporting a slight increase in overall production (by about 128 kbd) although, as always, there are differences in the numbers between those supplied by the countries

themselves, and those reported from other sources.

OPEC crude oil production based on *direct communication*, tb/d

	2011	2012	3Q12	4Q12	1Q13	Mar 13	Apr 13	May 13	*May/Apr*
Algeria	1,173	1,203	1,201	1,184	1,199	1,203	1,195	..	..
Angola	1,618	1,704	1,677	1,690	1,734	1,749	1,711	1,730	*19.0*
Ecuador	500	504	509	503	506	504	516	522	*5.8*
Iran, I.R.	3,576	3,740	3,746	3,713	3,704	3,705	3,715	..	..
Iraq	2,653	2,944	3,150	3,058	2,957	2,988	3,061	3,070	*9.0*
Kuwait	2,660	2,977	2,957	2,967	2,813	2,725	2,970	2,960	*-10.0*
Libya	462	1,449	1,504	1,493	1,487	1,516	1,513	1,441	*-72.2*
Nigeria	1,896	1,954	2,026	1,864	1,820	1,746	1,727	1,736	*9.5*
Qatar	734	734	726	727	728	720	727	723	*-4.0*
Saudi Arabia	9,311	9,763	9,760	9,413	9,111	9,137	9,310	9,657	*347.7*
UAE	2,565	2,652	2,727	2,664	2,823	2,801	2,771	2,770	*-0.7*
Venezuela	2,795	2,804	2,820	2,785	2,743	2,738	2,754	2,758	*4.2*
Total OPEC	**29,942**	**32,428**	**32,802**	**32,061**	**31,624**	**31,532**	**31,969**	..	..
OPEC excl. Iraq	**27,290**	**29,485**	**29,652**	**29,003**	**28,667**	**28,544**	**28,908**	..	..

Totals may not add up due to independent rounding.
.. Not available.

Figure 7. OPEC crude oil production as reported directly (OPEC June 2013 MOMR)

There continues to be a significant disparity between the numbers reported from Iran and Venezuela, for example, when other sources are reported to the tune of around 1.5 mbd roughly. In the short term, Iraqi production appears stable.

OPEC crude oil production based on *secondary sources*, tb/d

	2011	2012	3Q12	4Q12	1Q13	Mar 13	Apr 13	May 13	*May/Apr*
Algeria	1,240	1,210	1,209	1,186	1,169	1,165	1,176	1,177	*0.7*
Angola	1,667	1,738	1,719	1,728	1,754	1,782	1,767	1,796	*29.1*
Ecuador	490	499	501	502	502	500	504	506	*2.2*
Iran, I.R.	3,628	2,973	2,742	2,680	2,706	2,685	2,682	2,644	*-37.7*
Iraq	2,665	2,979	3,135	3,118	3,028	3,025	3,145	3,123	*-22.2*
Kuwait	2,538	2,793	2,799	2,820	2,791	2,784	2,835	2,842	*7.0*
Libya	462	1,393	1,466	1,468	1,399	1,398	1,429	1,402	*-27.3*
Nigeria	2,111	2,073	2,110	1,965	1,988	1,939	1,923	1,902	*-21.0*
Qatar	794	753	745	732	736	732	730	730	*-0.2*
Saudi Arabia	9,290	9,737	9,792	9,436	9,110	9,138	9,223	9,367	*143.4*
UAE	2,516	2,624	2,653	2,650	2,690	2,700	2,705	2,734	*29.0*
Venezuela	2,380	2,360	2,348	2,343	2,358	2,355	2,344	2,347	*2.7*
Total OPEC	**29,782**	**31,132**	**31,217**	**30,628**	**30,229**	**30,202**	**30,462**	**30,567**	***105.6***
OPEC excl. Iraq	**27,116**	**28,153**	**28,082**	**27,509**	**27,201**	**27,177**	**27,317**	**27,445**	***127.8***

Totals may not add up due to independent rounding.

Figure 8. OPEC crude oil production as reported by others (OPEC June 2013 MOMR)

With the continued global reliance on increased production from North America, and in turn, that reliance on improved production from tight formations, I would be a little more confident of the future were it not for plots such as this, which I recently found.

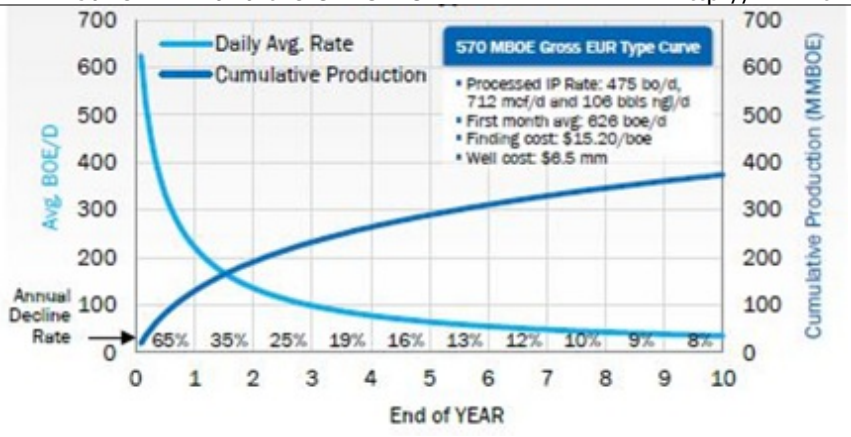

Figure 9. Chesapeake typical well decline curve (Eagle Ford Forum)

It is a curve that I rather suspect continues to be optimistic.