

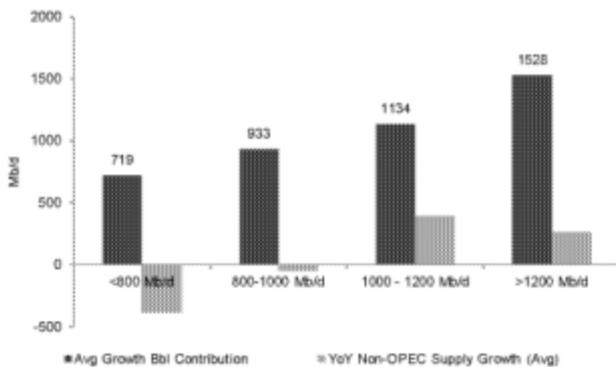


Executive Summary

Expecting a Non-OPEC collapse? Don't hold your breath

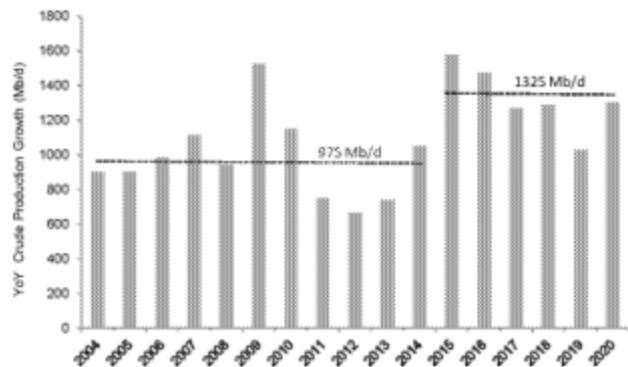
Given the scale of cuts to global capex (20% across our global coverage universe), many in the market have speculated about the imminent decline of global Non-OPEC production. Although we see significant risk post-2017, our analysis suggests greater than expected resilience in global Non-OPEC production over the next couple of years, as a slug of major capital projects, the fruit of 5 years of consistently high oil prices, works its way through the system. Between 2015 and 2017, we estimate annual, major project-driven growth barrels of 1380 Mb/d, vs. the historical rate of 970 Mb/d between 2004-2013, supporting annual Non-OPEC supply growth of 500 Mb/d through 2017. Leading drivers: US GoM, Brazil, Canada, and slower declines on recent redevelopment projects in the North Sea. While project delays or poor performance could lead to disappointment (a hallmark of Non-OPEC supply), there is clearly a robust slate of projects on the horizon.

Figure 1: Since 2004, higher contributions from major projects have driven Non-OPEC Supply growth



Source: Deutsche Bank, Wood Mackenzie, IEA

Figure 2: And over the coming 5 yr outlook, major project growth is expected to reach peak levels following recent \$100/bbl oil incentivized spend



Source: Deutsche Bank, Wood Mackenzie, IEA

Despite the large cut to headline capex, this is largely consistent with the source of the capex cuts, with the largest share of capex reductions (outside of the US onshore) concentrated in exploration budgets and deferrals of major project spend, with limited impact on near-term production levels.

Norway: Exhibit A

In some ways, Norway is a microcosm of the larger global picture. Largely synonymous with mature declining assets, averaging 6% YoY decline since 2002 (vs 9% for the UK), the Norwegian North Sea will actually see production flat to slightly increasing through 2017. Driving this is a significant increase in major project growth barrels, with nearly 380 Mb/d expected online between 2015-2017, vs. an average of 35 Mb/d of annual, projected driven increase from 2009-2013.