Global Oil Demand and Decline Rates – Our base case assumes 1.2 MMb/d of global product demand growth in 2016 (vs. 2015), an improvement over the current 2015 growth outlook (1.1 MMb/d). Although demand in 2015 has exceeded expectations (current estimate revised higher vs. initial 1 MMb/d), with particular strength seen in US gasoline and European product demand, increasing efficiencies in global fuel consumption, or a slowing global economy, could result in lower growth, potentially eliminating the call on US crude growth. On the flip side, demand growth approaching our bull case (1.4 MMb/d) would push the call on US crude growth towards 650 Mb/d, stressing the ability of US producers to respond, and driving much higher than expected crude prices. A change in our modeled decline rates (2015+) by 25 bps could impact the call on US crude growth by ~150 mbpd in 2017.

Inventory Overhang: At its peak (in 2Q16) we expect accumulated crude inventories post 4Q14 to reach 500 mbbls or ~17.5% of annualized 2Q15 production. While on first blush this may seemingly present a significant headwind to our outlook, we contend that a) relative to historical levels we aren't visiting new ground, and b) strong product demand and relatively low product inventories should support an inventory shift from crude to products, somewhat mitigating the risk.