The Non-OPEC growth outlook to 2017

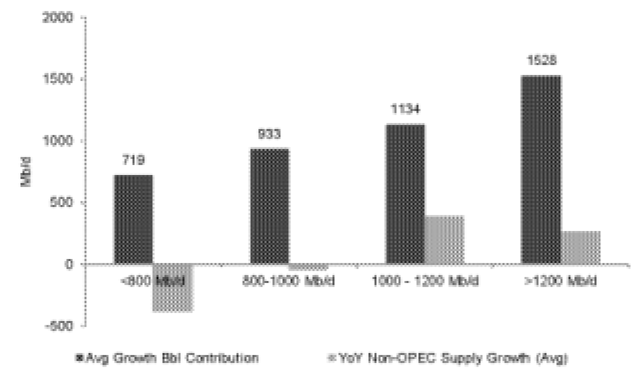
Looking for rapid declines? Don't hold your breath

The prevailing narrative on global Non-OPEC crude production is that: 1) it always disappoints (not entirely unfair), and 2) near-term production will disappoint as decline rates accelerate from capex cuts. While there is certainly risk to the current supply outlook and decline rates may eventually tick higher, the reality is that those looking for a rapid negative response in Non-OPEC production are likely to be disappointed. The reason? 1) Despite frequent jokes to the contrary, 4+ years of ~$100/bbl crude generated significant investment that is now showing up in a relatively robust queue of growth projects that, already underway, are proceeding no matter the medium-term price of crude; and 2) Capex cuts across the globe have been disproportionately driven by major project deferral (ie. FID delays, with volume impact felt 3-5 years out), rather than cuts to brownfield/maintenance spend.

Non-OPEC growth: Late to the party

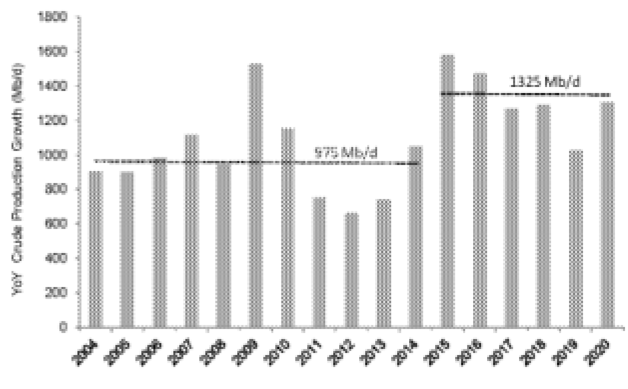
A look back at new, project-driven "growth" barrels (ie. incremental barrels associated with project starts or significant expansions) show that ex-US onshore Non-OPEC averaged annual growth of 970 Mb/d from 2004-2013, including only 700 Mb/d in 2012 and 2013. However, beginning in 2014, after multiple years of elevated investment, incremental project-driven growth was ~ 1050 Mb/d, rising to an expected 1600 Mb/d in 2015, and remaining at an elevated 1275 Mb/d per year through the rest of the decade.

Figure 9: Since 2004, higher contributions from major projects have driven Non-OPEC Supply growth



Source: Deutsche Bank

Figure 10: .And over the near-term outlook, major project growth is expected to reach peak levels following recent $100/bbl oil incentivized spend



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