

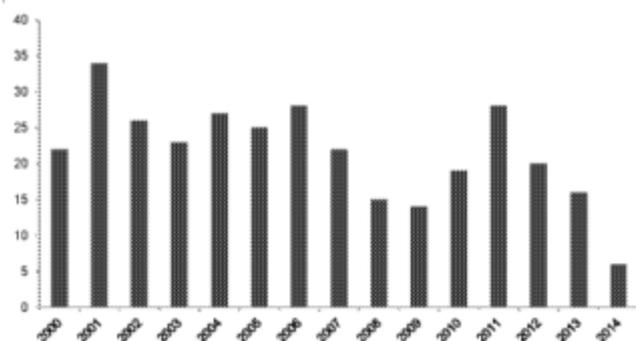


Setting the stage for the next oil price spike?

While current reductions to budgets may have limited impact to near-term production across much of the sector, it will certainly have a dramatic impact on long-term crude supply, with a crunch likely later this decade (2018-2020) as the impact of project deferrals takes a bite out of incremental crude supply.

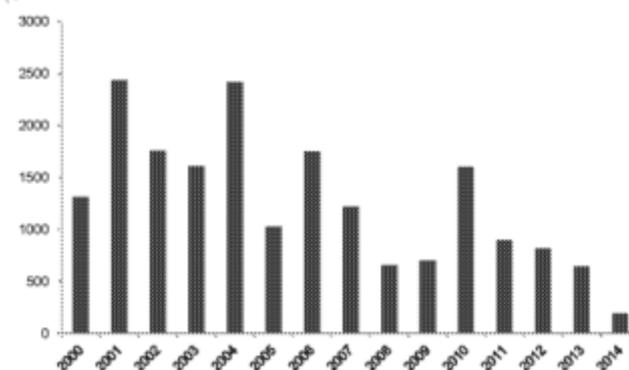
A quick look at global project FIDs helps put the matter into perspective. Between 2002 and 2013, the industry averaged 21 oil-targeted project sanctions a year (>5 mbpd of peak production). However, this fell to only 6 such projects sanctioned in 2014, with 2015 likely to remain in single digits. In terms of productive capacity, each year of "lost" FIDs represents an average 830Mb/d of new, annual productive capacity.

Figure 30: Global project FIDs by year



Source: Deutsche Bank, Wood Mackenzie

Figure 31: Total "peak" production of FIDs by year (Mb/d)



Source: Deutsche Bank, Wood Mackenzie