The key uncertainties around the global oil supply impact of any final agreement stem from question marks around 1) the agreed upon pace of the removal of sanctions (John Kerry suggesting 4 months to one year while the Iranians are calling for an immediately removal), 2) the actual amount of floating storage holding Iranian barrels (IEA references reports suggesting ~30 mmbbl's, or 180kb/d for 6 months, Wood Mackenzie offers a smaller estimate), 3) the amount of reservoir and facility degradation in the key mature oil fields (main source of Iranian crude production) post years of underinvestment and need for secondary and EOR to boost production, and 4) the pace of IOCs involvement (list of priority 49 upstream/28 oil field projects released with formal details and the new Iran Petroleum Contract (IPC) (with much better fiscal terms than its predecessor) expected in September). While Bijan Zanganeh's (Iranian oil minister) promise of output levels of 3.8 Mb/d within 6 months of the deal (implying an increase in exports of ~1 Mb/d) is on the optimistic side of forecasts (Wood Mackenzie at +450kb/d in exports in mid-2016, assuming sanctions fully lifted in mid-'16, IEA suggesting sustainable production capacity at ~700kb/d above April 2015's production levels), the risk of a notable amount of Iranian crude hitting the market by end of '15/mid-'16 remains the key wildcard to our outlook.

A Random Walk Through The Rest of OPEC:

While this publication is not meant to address OPEC production growth in great detail, we attempt to present context around current trends and the potential risks to our outlook. Below we highlight several of the key questions (in addition to the previously discussed impact from finalizing an Iran deal) we entertained in "stress-testing" our outlook from an admittedly more abstract/qualitative angle (what else is there?).

What is the potential upside to OPEC production from a return of a normalized (or should we say abnormal?). Libya devoid of conflict? While many point to 2012 production of nearly ~1400 Mb/d as a starting point for quantifying a potential 'blue sky' outlook for Libya production, the country has changed significantly since the conflict first erupted in 2013. Infrastructure damage and potential degradation to field reservoir quality has resulted in a cut to the IEA estimated sustainable crude production to only 500 Mb/d for 2015. The IEA anticipates a gradual capacity creep with levels expected to reach ~980 Mb/d 2020 - still short of previous levels. While not as conservative, (productive capacity estimated at ~800 Mb/d for 2015) Wood Mackenzie estimates are also consistent with a view of limited upside to recent production trends out of Libya (~500 Mb/d in March and April). In our outlook we assume Libya production flat to 2014 levels of ~460 Mb/d.

Is the recent production burst from OPEC likely to last? During the month of May, OPEC crude production is estimated to have averaged 31.6 MMb/d (vs. 31.5 MMb/d in April) averaged or 1.5 MMb/d higher than in February. Production growth from Saudi Arabia and Iraq accounts for ~ 75% of the increase (~ 550 Mb/d in incremental production each). The original question can be translated into: *how to assess from sustained production levels from both Iraq and Saudi going forward.*

a) **Iraq Near-Term Production Outlook Risk Likely Upper Bound:** Iraq production (inclusive of exports from the Kurdish Regional Government) ramped up to an estimated 3.9 MMb/d in May, ~550 Mb/d higher than 2014 levels amid strong production from Northern Iraq following the December agreement with the Kurdish Regional