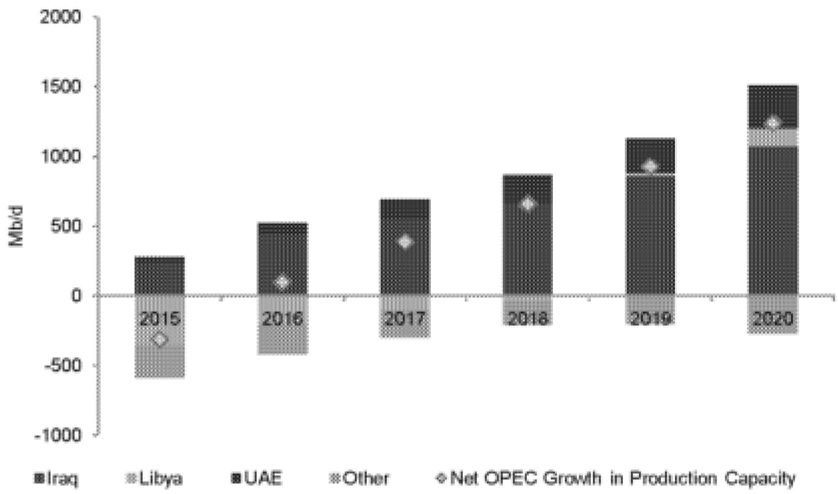
What is expected long-term from OPEC? Outside of Iran and volatility around Saudi, the longer-term environment will be dictated chiefly by anticipated production capacity increases by both the UAE and Iraq. The UAE has set a target of 3.5 MMb/d by 2020 or ~600 Mb/d above current estimated capacity levels. Adnoc has mentioned in the press that it would invest ~$25Bn to develop some of its offshore fields and seems driven to meet its target production goal. In Iraq, the IEA estimates that production capacity is to increase ~1000 Mb/d by 2020 from currently estimated capacity levels. However, commentary from companies like Lukoil and BP suggest that there may be downside risk to the estimate as significant investment is required in Iraq's southern oil fields particularly with regard to water injection and gas infrastructure projects. While IOCs have invested heavily in the country over the last couple of years, the extent to which they will continue to sustain investment will (at least theoretically) be linked to Baghdad to re-pay producers for work done (while simultaneously maintaining the country's security against threats from ISIS and other militant groups)

Figure 58: Longer-term, Iraq and UAE are expected to drive OPEC capacity increases



Source: Deutsche Bank, IEA