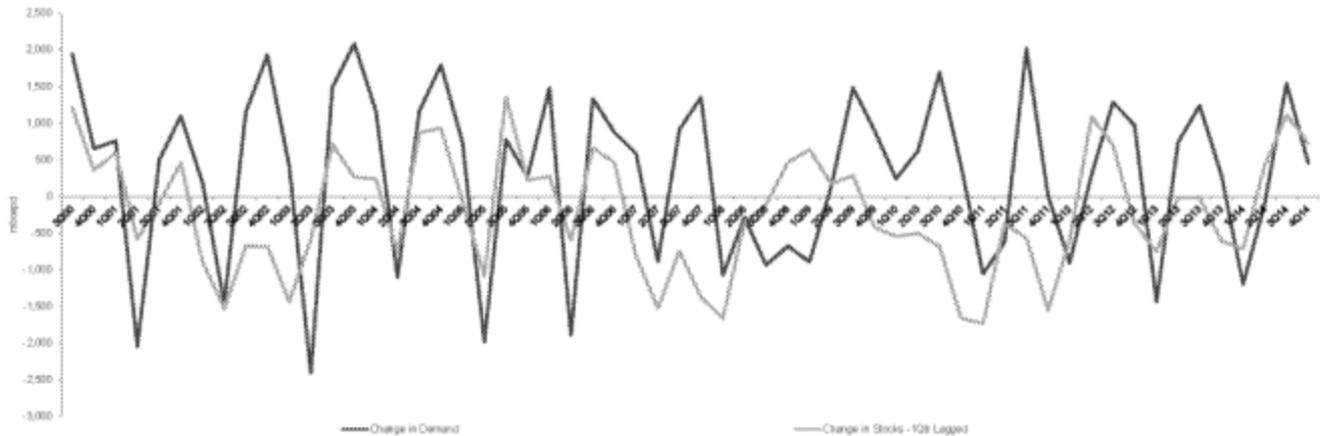




Figure 65: Correlation of QoQ Changes in Product Demand and Implied Crude Inventory Builds

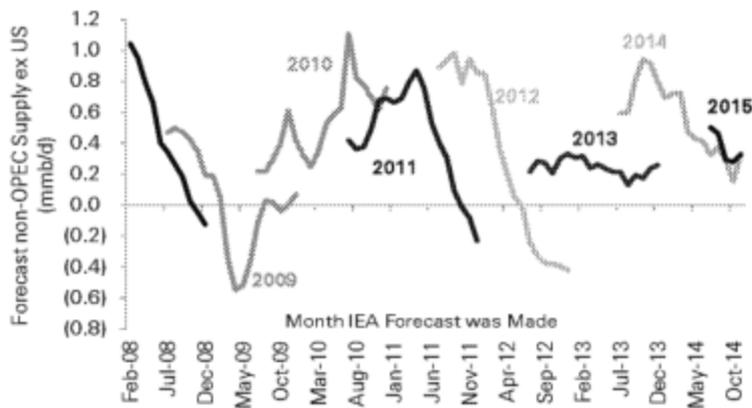


Source: Deutsche Bank, IEA

Non-OPEC Supply Disappointment

There are clearly risks to this outlook, as Non-OPEC supply has historically disappointed (see figure below), but there is no avoiding the fact that the outlook for Non-OPEC supply is more robust than usual. The most visible risk surrounds Brazilian production. While the pre-salt basin resource is excellent, the ability to exploit it will be challenged amid the fall-out from the "Lava Jato" scandal and from significant local content requirements for key projects. With 2016 capital spend already reduced by 40% from prior guidance (and estimated delivered FPSOs in 2016 reduced to 3 from 7) on the company's latest presentation there is significant risk to the growth story. Please see page 43 for more details on Brazil.

Figure 66: IEA Non-OPEC supply projections



Source: IEA, Deutsche Bank