

## Oil Market : 2020 - The Year That Was...

### In this Report...

Oil Market in 2020 ....	2
Oil Prices .....	4
Oil Demand .....	5
Oil Supply .....	6
Production & Capacity	7
Oil Price Forecast .....	8

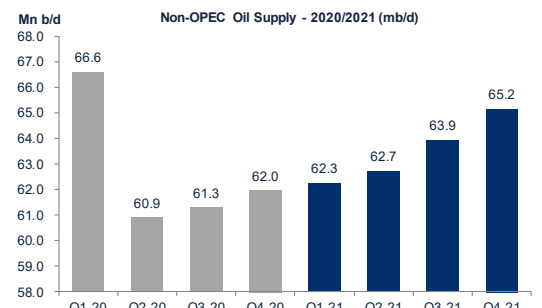
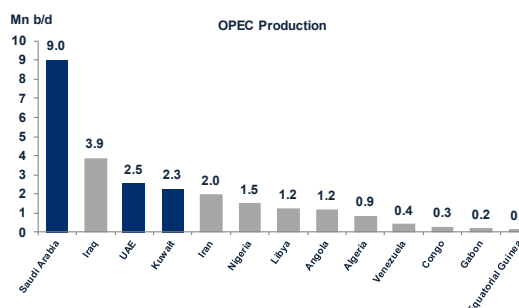
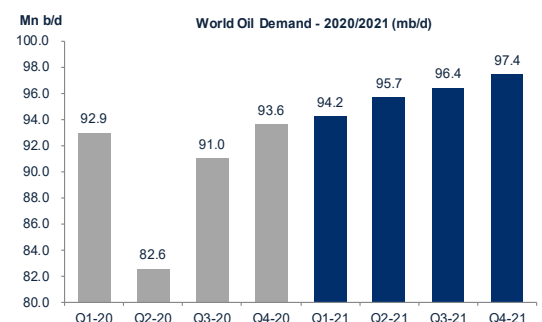
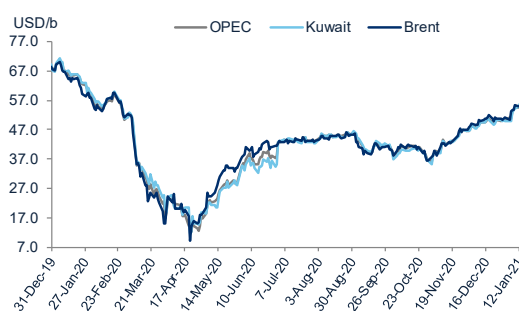
### Oil nears one-year high on supply curbs and hopes of demand revival...

The rally in crude oil price continued during January-2021 after closing 2020 comfortably above the USD 50/b mark. The recent rally came on the back of a number of factors including the colder temperatures, announcement from OPEC+ on continued production cuts, a drop in inventories in the US, weak USD and the accelerated pace of vaccination across the globe. Factors that affected prices were mainly related to the resurgence of Covid-19 cases in Europe that has resulted in stricter lockdowns amid record high new cases and the reimposition of lockdown in China. A rally in global equity markets with several large markets including the US, Japan and India at record highs also supported sentiment in the oil market.

Meanwhile, the rising cases of Covid-19 with record deaths in the US and UK and stricter lockdowns already in place or in works has affected the prospects of a demand recovery in the oil market at least during 1H-2021. Countries that were earlier expected to have effectively managed the pandemic, including China, have shown rising case count recently. On the other hand, the global approval of new vaccines and accelerated pace of vaccinations with almost 33 million already administered brings some hope for the recovery from the pandemic.

On the demand front, colder-than-normal temperatures has supported fuel oil demand in several countries. The La Nina weather phenomenon that hit the North Hemisphere this year resulted in decades low temperatures in Europe and Asia, including in China and Japan. This resulted in y-o-y demand growth of almost 7% in some cases in December-2020 and the trend is expected to continue until the end of this month. According to data from Vortexa and Bloomberg, fuel oil imports at Japanese ports has increased by 38% y-o-y in January-2021 along with higher demand for low sulphur fuel oil for direct burning from several countries in the region. On the other hand, there was a steep decline in road use in Europe with the UK, France, Italy and Spain witnessing a decline of 37% from pre-virus levels, according to Bloomberg. This, according to Rystad Energy, would result in a decline of around 1.76 mb/d of oil and government data from the UK showed a gasoline demand decline of 45% from pre-lockdown days during the week ended 7-January-2020.

Supply side factors also somewhat balanced demand concerns related to the lockdowns. At the recent meeting of OPEC+ members, Saudi Arabia decided to voluntarily slash production by an additional 1 mb/d during February-2021 and March-2021. There was reluctance from several members to continue with the current production cuts to avoid giving an opportunity to shale producers in the US to raise production backed by higher prices. Also, Russia and Kazakhstan were given exceptions to increase aggregate production by 75 tb/d during February and March due to technical reasons related to well operations.



Sources : OPEC, EIA, Bloomberg

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# Oil Market in 2020

## Oil prices decline in 2020 amid steep volatility led by Covid-19 impact...

Oil prices witnessed steep volatility during 2020 with Brent spot crude prices reaching a yearly peak of USD 70.25/b and the lowest price of USD 9.12/b. Crude oil peaked at the start of the year after recording the biggest gain in three years in 2019 on the back of a positive breakthrough in US China trade deal. However, as the Covid-19 cases started rising and the world realized the seriousness of the pandemic, the worries started reflecting in oil prices. The expectation of a balanced oil market was further pushed when oil demand was severely hit by the lockdowns announced by countries across the world. The collapse of the aviation industry further added to the demand worries as international travel came to a halt.

Oil prices reached the highest in 9 months towards the close of December-2020 led by positive developments on the vaccine front and on hopes of a faster economic recovery in 2021. However, trends remained flat during the last two weeks of the year as prices were capped by a resurgence of cases in Europe and several other parts of the world that led to reimposition of tougher restrictions. Average spot Brent crude prices reached the lowest level in 16 years at USD 42.0/b during 2020 registering yearly decline of 34.7%, the steepest decline in five years. The decline in average OPEC crude prices were slightly higher at 35.7% for 2020 with price averaging at USD 41.4/b, the lowest since the average for the year 2016.

## OPEC+ Production

The swing in oil prices also resulted from the policies and actions by the producers in the OPEC+ agreement. One of the steepest declines came during the month of April-2020 when a failure to reach a deal on oil production prompted producers, especially Saudi Arabia, to increase production that flooded the market with excess oil. These actions also demonstrated the flexibility with top OPEC producers in terms of increasing output in a short span of time. Nevertheless, the OPEC+ producers met and agreed to implement historic output cuts as an emergency measure to deal with the decline in oil demand led by the pandemic.

The OPEC+ production cuts aimed at stabilizing oil prices were extended at every meeting during the year. However, the year saw some of the most significant meeting outcomes and decisions by OPEC+ producers that had a sweeping impact on crude oil prices. The meeting in March-2020 was one of the first meeting during the Covid-19 pandemic that saw producers not agreeing to a production cut quota and the meeting was inconclusive as some producers were insisting non-OPEC producers to come on board to slash production to deal with the covid-19 pandemic. The disagreement on production cut quotas between two of the worlds biggest crude oil producers, Saudi Arabia and Russia, resulted in unprecedented increase in oil production. Post the meeting, Saudi Arabia announced that it would raise production as it prepares for a price war. And with most of the OPEC producers raising production, OPEC production was the highest in 14 months during April-2020. This resulted in decades low oil prices during the month of April-2020. Average prices during the month reached USD 18.4/b, the lowest average price since June-1999.

Year End Oil Prices (USD/b)	2016	2017	2018	2019	2020
<b>OPEC</b>	<b>53.34</b>	<b>63.36</b>	<b>52.93</b>	<b>67.08</b>	<b>50.01</b>
Change (%)	85.5%	18.8%	-16.5%	26.7%	-25.4%
<b>Brent</b>	<b>54.96</b>	<b>66.73</b>	<b>50.57</b>	<b>67.77</b>	<b>51.22</b>
Change (%)	50.1%	21.4%	-24.2%	34.0%	-24.4%

Average Oil Price for the Year	2016	2017	2018	2019	2020
<b>OPEC</b>	<b>39.10</b>	<b>51.83</b>	<b>69.06</b>	<b>64.41</b>	<b>41.44</b>
Change (%)	-19.8%	32.6%	33.2%	-6.7%	-35.7%
<b>Brent</b>	<b>43.64</b>	<b>54.12</b>	<b>71.34</b>	<b>64.30</b>	<b>41.96</b>
Change (%)	-16.6%	24.0%	31.8%	-9.9%	-34.7%

Source : Bloomberg, EIA, Kamco Invest Research

OPEC Production in 2020 vs. Capacity (tb/d)				
OPEC Producer	Average Production	Average OPEC+ Production Quota	Average Production Capacity	Average Spare Capacity
Algeria	902.5	892.0	1,080.0	177.5
Angola	1,273.3	1,294.0	1,450.0	176.7
Congo	295.0	274.0	330.0	35.0
Equatorial Guinea	117.5	107.0	150.0	32.5
Gabon	190.8	158.0	220.0	29.2
Iran	1,976.7		3,830.0	1,853.3
Iraq	4,091.7	3.9	4,800.0	708.3
Kuwait	2,420.8	2,363.0	3,075.0	654.2
Libya	367.5		1,300.0	932.5
Nigeria	1,660.8	1,543.0	2,000.0	339.2
Saudi Arabia	9,210.8	9,062.0	11,500.0	2,289.2
UAE	2,853.3	2,666.0	3,450.0	596.7
Venezuela	500.8		501.0	0.2
<b>Total OPEC</b>	<b>25,861.7</b>		<b>33,686.0</b>	<b>7,824.3</b>

Source : Bloomberg, Kamco Invest Research

Note : Based on monthly production data from Bloomberg

### Emergence from Covid-19 impact

The oil markets stabilized, and prices started showing growth during mid-April-2020 after OPEC+ agreed to cut production. The agreed upon cuts of around 9.7 mb/d by the 23 producers of OPEC+ was swiftly implemented and according to reports from traders, the cuts were even deeper than the agreed upon quotas. Bloomberg's tanker tracking data showed that Saudi Arabia had reduced exports by around 2.6 mb/d or 28% to 6.7 mb/d during the first two weeks of May -2020. Exports in June-2020 were also slashed to the Kingdom's customers in Asia, US and Europe. Saudi Arabia also announced that it would lower production by an additional 1 mb/d to encourage other producers to slash production. As a result, the Kingdom produced at 7.5 mb/d during June with cut of almost 4 mb/d vs April-2020. The next meeting of OPEC+ members at the start of June-2020 focused on compliance by producers. At the meeting, Iraq and Nigeria agreed to compensate for above-quota excess production during May and June-2020 by slashing production during July-September-2020. In the next meeting during July-2020, production cuts by OPEC+ members were loosened to around 7.7 mb/d starting August-2020 as lockdowns and travel restrictions were eased across the globe. As demand picked up due to the easing of lockdowns, the sentiments were reflected in oil prices. And the announcement of a successful vaccine further added to the enthusiasm in the oil market.

Production ('000 b/d)	2016	2017	2018	2019	2020	5-Yr CAGR
<b>Algeria</b>	<b>1,103</b>	<b>1,041</b>	<b>1,042</b>	<b>1,021</b>	<b>903</b>	<b>-4.0%</b>
Change (%)	-0.1%	-5.7%	0.1%	-2.0%	-11.6%	
<b>Angola</b>	<b>1,730</b>	<b>1,657</b>	<b>1,507</b>	<b>1,392</b>	<b>1,273</b>	<b>-6.7%</b>
Change (%)	-3.9%	-4.2%	-9.1%	-7.6%	-8.5%	
<b>Congo</b>	<b>N/A</b>	<b>N/A</b>	<b>324</b>	<b>329</b>	<b>295</b>	<b>N/A</b>
Change (%)	-	-	-	1.5%	-10.4%	
<b>Equatorial Guinea</b>	<b>N/A</b>	<b>134</b>	<b>122</b>	<b>117</b>	<b>118</b>	<b>N/A</b>
Change (%)	-	-	-9.0%	-4.1%	0.7%	
<b>Gabon</b>	<b>210</b>	<b>196</b>	<b>184</b>	<b>196</b>	<b>191</b>	<b>N/A</b>
Change (%)	-	-	-6.2%	6.3%	-2.6%	
<b>Iran</b>	<b>3,472</b>	<b>3,790</b>	<b>3,563</b>	<b>2,351</b>	<b>1,977</b>	<b>-6.8%</b>
Change (%)	23.5%	9.2%	-6.0%	-34.0%	-15.9%	
<b>Iraq</b>	<b>4,439</b>	<b>4,442</b>	<b>4,541</b>	<b>4,690</b>	<b>4,092</b>	<b>0.3%</b>
Change (%)	10.3%	0.1%	2.2%	3.3%	-12.8%	
<b>Kuwait</b>	<b>2,878</b>	<b>2,710</b>	<b>2,757</b>	<b>2,697</b>	<b>2,421</b>	<b>-3.2%</b>
Change (%)	0.8%	-5.8%	1.7%	-2.2%	-10.2%	
<b>Libya</b>	<b>384</b>	<b>828</b>	<b>973</b>	<b>1,095</b>	<b>368</b>	<b>-1.0%</b>
Change (%)	-0.4%	115.4%	17.6%	12.5%	-66.4%	
<b>Nigeria</b>	<b>1,624</b>	<b>1,708</b>	<b>1,751</b>	<b>1,878</b>	<b>1,661</b>	<b>-3.0%</b>
Change (%)	-16.2%	5.2%	2.5%	7.2%	-11.5%	
<b>Saudi Arabia</b>	<b>10,418</b>	<b>9,968</b>	<b>10,313</b>	<b>9,787</b>	<b>9,211</b>	<b>-2.1%</b>
Change (%)	1.7%	-4.3%	3.5%	-5.1%	-5.9%	
<b>UAE</b>	<b>2,958</b>	<b>2,910</b>	<b>2,985</b>	<b>3,068</b>	<b>2,853</b>	<b>-0.2%</b>
Change (%)	2.7%	-1.6%	2.6%	2.8%	-7.0%	
<b>Venezuela</b>	<b>2,220</b>	<b>1,943</b>	<b>1,393</b>	<b>820</b>	<b>501</b>	<b>-26.7%</b>
Change (%)	-6.0%	-12.5%	-28.3%	-41.1%	-38.9%	
<b>Total OPEC</b>	<b>31,435</b>	<b>31,325</b>	<b>31,453</b>	<b>29,440</b>	<b>25,862</b>	<b>-3.2%</b>
Change (%)	3.4%	-0.3%	0.4%	-6.4%	-12.2%	
<b>US*</b>	<b>8,852</b>	<b>9,371</b>	<b>10,964</b>	<b>12,248</b>	<b>11,523</b>	<b>6.9%</b>
Change (%)	-6.3%	5.9%	17.0%	11.7%	-5.9%	

Source : OPEC, Bloomberg, EIA, Kamco Invest Research

\* DOE estimated crude production for the US for 2020 is based on average of weekly production data

### US Crude Production

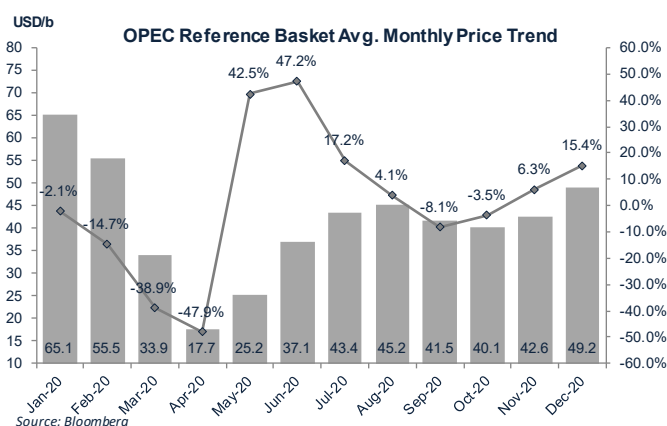
Meanwhile, the steep decline in oil prices had a significant impact on US oil production. Crude oil output in the US reached a record high of 13.1 mb/d during February-March-2020 that dropped to below 10 mb/d in August-2020. Producers in the US also announced steep decline in near term capital expenditure that was reflected in the oil rig count data. According to Baker Hughes, US oil rig count dropped to 172 active rigs by August-2020 but have seen consistent increase towards the end of the year led by rising oil prices. By year end, total oil rigs in the US stood at 264, a 61% drop from 677 oil rigs at the end of 2019, according to Baker Hughes.

## Oil Prices

Oil traded near one-year high during the second week of January-2021 backed by news of an agreement between OPEC+ producers that resulted in a further lowering of production in the next two months. This further added to the positive sentiment related to vaccinations and its impact on oil demand in 2021 resulting in oil price rallying by almost 5% on the day of the announcement. Spot prices for Brent reached USD 55.51/b on 8-Jan-2021, the highest since February-2020 while Brent futures had touched a close of USD 56.6/b. A weak USD against a basket of currencies also added support to crude oil prices. The expected stimulus package to be announced in the US also added to demand revival hopes that was further supported by strong import data from China. However, the announcement of lockdowns in Chinese cities over the weekend added downward pressure on prices. The resurgence of cases has resulted in grounded flights and as a result jet fuel prices have started sliding. According to Bloomberg, prices reached six-month low in New York and Houston and exports were the lowest since August-2020.

Higher prices was also reflected in the increasing rig count in the US. The latest weekly data from Baker Hughes showed US rig count up for the 8th in a row by 12 to reach 287 oil rigs, the highest since August-2020. However, in terms of inventory build, the trend remained divergent with crude showing draws for five weeks in a row while product inventory remained high.

Recent trends have prompted the EIA to raise its oil price forecast for the year. In its latest STEO, the EIA raised average spot Brent prices forecast to USD 52.70/b for 2021 from its previous forecast of USD 48.53/b. For 2022, Brent crude spot is expected to average at USD 53.44/b, according to the EIA, which added that prices this year would be capped high global inventories and excess crude production capacity. Average OPEC crude prices reached USD 49.17/b during December-2020 registering double digit monthly increase of 15.4%. Gain in average Brent crude spot prices was even higher at 16.9% to average at USD 49.74/b whereas Kuwait crude grade averaged at 49.36/b with a monthly increase of 14.8%.



Average Crude Oil Prices, USD/b	Nov-2020	Dec-2020	Change (USD)	Avg 2019	Avg 2020
<b>OPEC Reference Basket</b>	<b>42.6</b>	<b>49.2</b>	<b>6.6</b>	<b>64.0</b>	<b>41.5</b>
Arab Light	43.0	49.2	6.3	65.0	41.9
Basrah Light	43.1	50.0	6.8	63.6	41.6
Bonny Light	41.9	49.6	7.7	65.6	41.5
Djeno	35.1	42.3	7.2	61.8	35.8
Es Sider	40.2	48.1	7.9	63.8	40.1
Girassol	44.1	51.5	7.4	66.1	42.6
Iran Heavy	42.9	49.2	6.3	61.9	40.8
<b>Kuwait Export</b>	<b>43.0</b>	<b>49.4</b>	<b>6.4</b>	<b>64.3</b>	<b>41.5</b>
Merey	27.1	32.7	5.6	54.0	28.1
Murban	43.1	49.5	6.4	64.7	43.0
Rabi	42.1	49.3	7.2	63.2	40.2
Saharan Blend	42.6	50.0	7.4	64.5	42.1
Zafiro	43.4	50.4	7.0	65.7	41.5
<b>Other Crudes</b>					
Brent	42.5	49.7	7.2	64.2	41.7
Dubai	43.3	49.8	6.5	63.5	42.3
Isthmus	40.3	46.6	6.3	63.0	36.6
LLS	42.9	48.9	6.1	62.7	41.3
Mars	42.0	48.0	6.1	60.8	40.2
Minas	41.4	47.9	6.5	60.3	41.1
Urals	43.4	50.1	6.7	64.4	41.8
WTI	41.5	47.1	5.5	57.0	39.4
<b>Differentials</b>					
Brent/WTI	1.0	2.7	1.7	7.2	2.2
Brent/LLS	(0.3)	0.8	1.1	1.5	0.3
Brent/Dubai	(0.8)	(0.0)	0.8	0.7	(0.6)

Source: OPEC Monthly Oil Market Report - Jan-2021

## World Oil Demand

World oil demand estimate for 2020 was revised marginally higher in OPEC's latest monthly report and demand is now estimated to decline by 9.8 mb/d to average at 90.01 mb/d as compared to previous estimate of 89.99 mb/d. The revision reflected higher expected demand from the non-OECD regions, especially from China and India, that was partially offset by a downward revision in demand forecast mainly for the US and some countries in the non-OECD region. A lower-than-expected recovery in the transportation fuel segment in the US during 2H-2020 due to the increase in Covid-19 cases resulted in reducing mobility that led to the lowered demand forecast. Both the US and OECD Europe regions witnessed a decline in transportation fuel demand during Q4-2020 due to the renewed restrictions which is expected to continue until Q1-2021. In the OECD Asia Pacific region, fiscal and monetary stimulus measures supported demand during the last two months of 2020

World Oil Demand - 2019/2020, mb/d	2019	Q1-20	Q2-20	Q3-20	Q4-20	2020	Y-o-Y Growth	% Chg.
Americas	25.65	24.33	20.01	22.76	24.10	22.8	(2.85)	(11.11)
of which US	20.86	19.66	16.38	18.67	19.78	18.62	(2.24)	(10.73)
Europe	14.25	13.35	10.99	12.84	12.02	12.30	(1.95)	(13.68)
Asia Pacific	7.79	7.75	6.54	6.69	7.23	7.05	(0.74)	(9.48)
<b>Total OECD</b>	<b>47.69</b>	<b>45.43</b>	<b>37.54</b>	<b>42.28</b>	<b>43.35</b>	<b>42.16</b>	<b>(5.54)</b>	<b>(11.61)</b>
China	13.33	10.84	12.85	13.67	14.18	12.89	(0.44)	(3.31)
India	4.84	4.77	3.51	3.94	4.54	4.19	(0.65)	(13.48)
Other Asia	9.04	8.30	7.79	8.11	8.5	8.18	(0.87)	(9.57)
Latin America	6.59	6.11	5.61	6.20	6.08	6.00	(0.59)	(8.98)
Middle East	8.20	7.88	6.91	7.94	7.50	7.56	(0.64)	(7.83)
Africa	4.45	4.37	3.77	3.95	4.20	4.07	(0.37)	(8.40)
Eurasia	5.61	5.21	4.58	4.85	5.21	4.96	(0.65)	(11.52)
of which Russia	3.61	3.44	3.04	3.20	3.34	3.25	(0.36)	(9.84)
of which other Eurasia	2.00	1.78	1.54	1.65	1.87	1.71	(0.29)	(14.53)
<b>Total Non-OECD</b>	<b>52.07</b>	<b>47.48</b>	<b>45.02</b>	<b>48.67</b>	<b>50.21</b>	<b>47.86</b>	<b>(4.21)</b>	<b>(8.09)</b>
<b>Total World</b>	<b>99.76</b>	<b>92.92</b>	<b>82.55</b>	<b>90.95</b>	<b>93.56</b>	<b>90.01</b>	<b>(9.75)</b>	<b>(9.78)</b>

Source: OPEC Monthly Oil Market Report - Jan-2021

resulting in higher m-o-m oil demand, however, volumes still lagged y-o-y levels. Recent restrictions in Japan and South Korea are expected to affect 2021 oil demand but the overall region is expected to show y-o-y growth in oil demand for the first time in seven years in 2021 due to the low base of 2020. On the other hand, China and India witnessed stronger demand for petrochemical feedstock and was further supported by a strong pickup in gasoline requirements during Q4-2020. China reported strong economic activity during November-2020 with higher demand for industrial fuels and an 8.2% y-o-y increase in passenger car sales. For the full year, China's import of crude oil increased by 7.3% and expectations for 2021 remains strong, although the new restrictions have casted doubts on the size of expected growth. Meanwhile, India's oil crude oil demand reportedly declined for the first time in more than 20 years during 2020 led by the pandemic.

World oil demand forecast for 2021 was kept unchanged at a growth of 5.9 mb/d to average at 95.9 mb/d. According to the OPEC report, oil demand this year is not expected to reach pre-pandemic levels. Meanwhile, the EIA lowered its forecast for global oil demand growth for 2021 by 0.2 mb/d to a growth of 5.6 mb/d and demand is expected to average at 97.77 mb/d during the year. The EIA expects demand to rebound to pre-pandemic levels only during 2H-2022 and full year demand is expected to average at 101.08 mb/d, recording a growth of 3.3 mb/d vs. 2021.

World Oil Demand - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	22.80	24.30	24.85	23.79	24.57	24.38	1.58	6.91
of which US	18.62	19.85	20.26	19.34	20.12	19.89	1.27	6.81
Europe	12.30	12.35	13.46	13.44	12.70	12.99	0.69	5.64
Asia Pacific	7.05	7.60	7.28	7.16	7.45	7.37	0.32	4.56
<b>Total OECD</b>	<b>42.16</b>	<b>44.25</b>	<b>45.59</b>	<b>44.39</b>	<b>44.72</b>	<b>44.75</b>	<b>2.59</b>	<b>6.15</b>
China	12.89	12.45	13.87	14.71	14.93	13.99	1.10	8.55
India	4.19	4.89	4.19	4.75	5.19	4.76	0.57	13.53
Other Asia	8.18	8.40	8.96	8.57	8.64	8.64	0.47	5.73
Latin America	6.00	6.21	6.27	6.41	6.31	6.30	0.30	5.00
Middle East	7.56	8.07	7.64	8.25	7.75	7.93	0.37	4.88
Africa	4.07	4.46	3.95	4.16	4.39	4.24	0.17	4.05
Eurasia	4.96	5.43	5.17	5.14	5.45	5.30	0.34	6.82
of which Russia	3.25	3.57	3.37	3.37	3.48	3.45	0.19	5.97
of which other Eurasia	1.71	1.86	1.81	1.77	1.97	1.85	0.14	8.43
<b>Total "Other Regions"</b>	<b>47.86</b>	<b>49.92</b>	<b>50.06</b>	<b>51.98</b>	<b>52.66</b>	<b>51.17</b>	<b>3.31</b>	<b>6.92</b>
<b>Total World</b>	<b>90.01</b>	<b>94.17</b>	<b>95.66</b>	<b>96.37</b>	<b>97.38</b>	<b>95.91</b>	<b>5.90</b>	<b>6.56</b>

Source: OPEC Monthly Oil Market Report - Jan-2021



## World Oil Supply

World liquids production witnessed a monthly increase of 0.58 mb/d during December-2020 and averaged at 92.93 mb/d. The increase reflected higher production by both OPEC and non-OPEC producers. OPEC producers added 0.3 mb/d during the month once again led by higher production from Libya. Non-OPEC producers also increased production by 0.3 mb/d and produced at 67.57 mb/d during the month led by higher production coming in from OECD countries. Higher production by OPEC resulted in a 0.1% increase in the group's market share to 27.3%.

Non-OPEC liquids production estimate for 2020 remained unchanged at 62.7 mb/d in OPEC's latest monthly report with supply expected to contract by 2.5 mb/d. However, there were estimate changes at the country level with an upward revision

Non-OPEC Oil Supply - 2019/2020, mb/d	2019	Q1-20	Q2-20	Q3-20	Q4-20	2020	Y-o-Y Growth	% Chg.
Americas	25.77	26.59	23.55	24.10	24.55	24.7	(1.08)	(4.17)
of which US	18.43	19.05	16.81	17.34	17.27	17.61	(0.81)	(4.40)
Europe	3.71	4.03	3.88	3.77	3.88	3.89	0.18	4.95
Asia Pacific	0.52	0.53	0.54	0.54	0.55	0.54	0.01	2.72
<b>Total OECD</b>	<b>30.00</b>	<b>31.16</b>	<b>27.97</b>	<b>28.41</b>	<b>28.98</b>	<b>29.13</b>	<b>(0.88)</b>	<b>(2.92)</b>
China	4.06	4.16	4.16	4.17	4.13	4.15	0.09	2.28
India	0.83	0.8	0.77	0.78	0.76	0.78	(0.05)	(5.89)
Other Asia	2.71	2.64	2.51	2.5	2.5	2.54	(0.17)	(6.42)
Latin America	6.06	6.36	5.84	6.14	5.94	6.07	0.01	0.13
Middle East	3.20	3.19	3.20	3.13	3.14	3.17	(0.04)	(1.10)
Africa	1.53	1.49	1.48	1.44	1.42	1.46	(0.07)	(4.86)
Eurasia	14.52	14.67	13.13	12.57	12.97	13.33	(1.19)	(8.23)
of which Russia	11.44	11.51	10.21	9.84	10.14	10.42	(1.02)	(8.91)
of which other Eurasia	3.08	3.16	2.92	2.73	2.82	2.91	(0.18)	(5.68)
<b>Total Non-OECD</b>	<b>32.92</b>	<b>33.30</b>	<b>31.08</b>	<b>30.74</b>	<b>30.86</b>	<b>31.49</b>	<b>(1.43)</b>	<b>(4.33)</b>
<b>Total Non-OPEC Production</b>	<b>62.92</b>	<b>64.45</b>	<b>59.05</b>	<b>59.15</b>	<b>59.84</b>	<b>60.62</b>	<b>(2.30)</b>	<b>(3.66)</b>
Processing gains	2.26	2.15	1.85	2.15	2.15	2.07	(0.19)	(8.47)
<b>Total Non-OPEC Supply</b>	<b>65.18</b>	<b>66.6</b>	<b>60.9</b>	<b>61.29</b>	<b>61.98</b>	<b>62.69</b>	<b>(2.50)</b>	<b>(3.83)</b>
<b>OPEC NGLs and non-conventionals</b>	<b>5.26</b>	-	-	-	-	<b>5.13</b>	<b>(0.13)</b>	<b>(2.47)</b>
<b>OPEC Crude Oil Production</b>	<b>29.34</b>	<b>28.25</b>	<b>25.58</b>	<b>23.85</b>	<b>24.95</b>	<b>25.65</b>		
<b>Total World Supply</b>	<b>99.78</b>	-	-	-	-	<b>93.47</b>		

Source: OPEC Monthly Oil Market Report - Jan-2021

in supply estimates from Canada and Russia by 41 tb/d and 33 tb/d, respectively, due to higher-than-expected supply in Q4-2020 offset by lowered estimates for China (-13 tb/d), Brazil (-24 tb/d) and the US (-42 tb/d). Supply forecast for 2021 also remain unchanged at 63.53 mb/d with an expected growth of 0.8 mb/d. The estimates for output from the US and Canada were raised by 71 tb/d and 18 tb/d that were offset by lowered forecast for UK and Russia by 24 tb/d and 67 tb/d, respectively.

The EIA also predicted higher production in 2022 at around 11.49 mb/d while keeping this year's estimated production at 11.1 mb/d. The EIA said that the recent increase in oil rig count led by higher prices would help production in the Lower 48 states starting from Q2-2021.

Non-OPEC Oil Supply - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	24.70	24.43	24.60	25.67	26.50	25.31	0.61	2.47
of which US	17.61	17.22	17.56	18.22	18.93	17.99	0.37	2.12
Europe	3.89	4.01	3.92	3.96	4.15	4.01	0.12	3.08
Asia Pacific	0.54	0.55	0.53	0.54	0.53	0.53	(0.01)	(0.95)
<b>Total OECD</b>	<b>29.13</b>	<b>28.98</b>	<b>29.05</b>	<b>30.16</b>	<b>31.18</b>	<b>29.85</b>	<b>0.72</b>	<b>2.49</b>
China	4.15	4.16	4.14	4.14	4.19	4.16	0.00	0.05
India	0.78	0.76	0.76	0.75	0.74	0.75	(0.02)	(2.77)
Other Asia	2.54	2.5	2.51	2.51	2.5	2.5	(0.03)	(1.30)
Latin America	6.07	6.26	6.35	6.33	6.50	6.36	0.29	4.80
Middle East	3.17	3.19	3.22	3.25	3.26	3.23	0.06	2.01
Africa	1.46	1.38	1.39	1.38	1.36	1.38	(0.08)	(5.52)
Eurasia	13.33	12.84	13.12	13.22	13.21	13.1	(0.23)	(1.71)
of which Russia	10.42	9.99	10.22	10.31	10.31	10.21	(0.21)	(2.06)
of which other Eurasia	2.91	2.85	2.90	2.91	2.91	2.89	(0.01)	(0.48)
<b>Total "Other regions"</b>	<b>31.49</b>	<b>31.09</b>	<b>31.49</b>	<b>31.58</b>	<b>31.77</b>	<b>31.48</b>	<b>(0.01)</b>	<b>(0.02)</b>
<b>Total Non-OPEC Production</b>	<b>60.62</b>	<b>60.07</b>	<b>60.54</b>	<b>61.74</b>	<b>62.95</b>	<b>61.33</b>	<b>0.72</b>	<b>1.18</b>
Processing gains	2.07	2.20	2.20	2.20	2.20	2.20	0.13	6.17
<b>Total Non-OPEC Supply</b>	<b>62.69</b>	<b>62.27</b>	<b>62.74</b>	<b>63.94</b>	<b>65.15</b>	<b>63.53</b>	<b>0.85</b>	<b>1.35</b>

Source: OPEC Monthly Oil Market Report - Jan-2021

## OPEC Oil Production & Spare Capacity

OPEC oil production increased by 0.75% m-o-m during December-2020 to reach 25.45 mb/d, once again mainly led by higher production in Libya further supported by higher output from Iraq, while the rest of the OPEC producers witnessed minimal changes in monthly production levels. In terms of full year changes, there were steep changes in production as compared to 2019 levels. Average production in 2020 stood at 25.86 mb/d, according to average of monthly production data from Bloomberg. This compared to 2019 average of 29.44 mb/d, a decline of 3.6 mb/d during 2020. The bulk of the production decline came after the extraordinary cuts implemented by the OPEC+ countries since May-2020 after the demand shock from the Covid-19 led lockdowns across the globe. Average production in all of the OPEC countries declined during 2020 with Iraq and Saudi Arabia reporting the biggest declines at 598 tb/d and 576 tb/d, respectively.

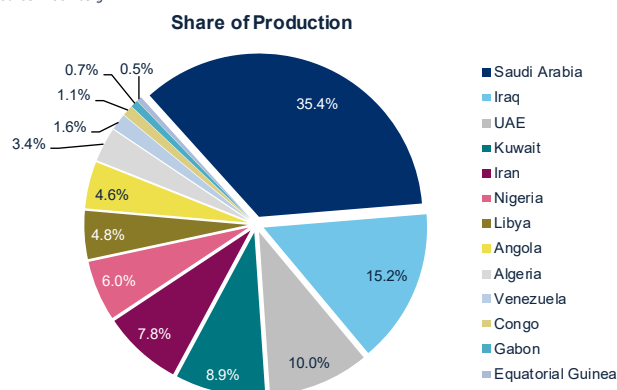
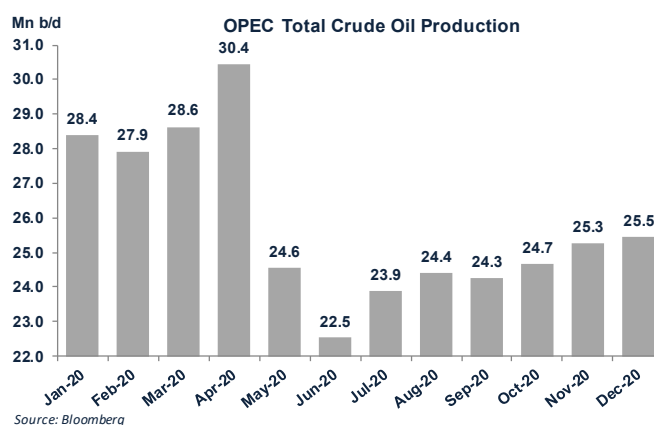
Production ('000 b/d)	Nov-20	Dec-20	Change		Capacity	Spare Capacity
<b>Total OPEC-13</b>	<b>25,260</b>	<b>25,450</b>	<b>190</b>	<b>0.75%</b>	<b>34,635</b>	<b>9,185</b>
<b>Saudi Arabia</b>	8,990	9,000	10	0.1%	11,500	2,500
Iraq	3,810	3,880	70	1.8%	4,800	920
<b>UAE</b>	2,560	2,540	-20	-0.8%	4,000	1,460
<b>Kuwait</b>	2,240	2,270	30	1.3%	3,075	805
Iran	1,970	1,990	20	1.0%	3,830	1,840
Nigeria	1,540	1,520	-20	-1.3%	2,000	480
Libya	1,090	1,210	120	11.0%	1,300	90
Angola	1,180	1,180	0	0.0%	1,450	270
Algeria	860	860	0	0.0%	1,080	220
Venezuela	430	410	-20	-4.7%	900	490
Congo	290	270	-20	-6.9%	330	60
Gabon	190	190	0	0.0%	220	30
Equatorial Guinea	110	130	20	18.2%	150	20
<b>Total OPEC-12</b>	<b>21,450</b>	<b>21,570</b>	<b>120</b>	<b>0.56%</b>	<b>29,835</b>	<b>8,265</b>

Source: Bloomberg, OPEC

Oil production in Libya was back to the pre-crisis level of 1.2 mb/d after port and oil field blockades were lifted resulting a further m-o-m increase of 120 tb/d. According to reports, the country plans to further increase its production, especially led by higher production from Waha Oil in Eastern Libya that plans to add around 44 tb/d this year. However, recent reports of blockades at the Hariga oil port once again threatened the stability of oil production in the country.

The monthly meeting of OPEC+ members saw a surprise announcement from Saudi Arabia to undertake additional cuts in February-2021 and March-2021 bringing total cuts during these months to more than 8 mb/d as compared to a cuts of 7.2 mb/d during January-2021. As a result, Saudi Arabia lowered oil allocations to the Asian and European buyers for the next two months. The lowered allocations also coincides with the refinery maintenance season in Asia that is seasonally between March and April.

There were two key developments for the oil market on the political front. The year 2021 with the reopening of borders between Qatar and its GCC peers and steps were taken for restoring trade ties. However, there were no comments on Qatar's OPEC role. On the other hand, oil traders would also keep an eye on the new government in the US and its policy related to Iran sanctions, although changes, if any, are expected to be gradual.



## Brent Crude Oil Price Forecast

Firm	As Of	Q1 21	Q2 21	Q3 21	Q4 21
ABN AMRO Bank NV	11/Jan/21	49.0	53.0	48.0	48.0
Landesbank Baden-Wuerttemberg	7/Jan/21	50.0	53.0	55.0	55.0
Market Risk Advisory Co Ltd	6/Jan/21	52.0	53.0	54.0	54.0
MUFG Bank	4/Jan/21	51.2	57.2	59.1	64.2
Prestige Economics LLC	29/Dec/20	53.5	55.5	57.0	60.0
MPS Capital Services Banca per le Imprese SpA	24/Dec/20	50.0	53.0	55.0	56.0
Santander UK PLC	22/Dec/20	48.0	47.5	48.0	48.5
Westpac Banking Corp	14/Dec/20	54.3	55.0	55.0	54.3
Commerzbank AG	11/Dec/20	45.0	45.0	48.0	50.0
Intesa Sanpaolo SpA	11/Dec/20	45.0	50.0	53.0	56.0
CIMB	9/Dec/20	55.0	53.0	52.0	50.0
Emirates NBD PJSC	25/Nov/20	42.5	47.5	47.5	50.0
BNP Paribas SA	23/Nov/20	56.0	54.0	55.0	59.0
Rabobank International	22/Oct/20	45.0	46.0	47.0	47.8
Bank of Nova Scotia/The	13/Oct/20	46.0	49.0	51.0	54.0
Capital Economics Ltd	9/Oct/20	46.0	48.5	51.5	54.0
Banco Santander SA	24/Sep/20	42.5	43.0	44.0	46.5
Deutsche Bank AG	14/Sep/20	45.0	45.0	50.0	50.0
Natixis SA	12/Aug/20	44.0	47.0	50.0	54.0
<b>Median</b>		<b>49.0</b>	<b>53.0</b>	<b>52.0</b>	<b>54.0</b>
<b>Mean</b>		<b>48.9</b>	<b>50.5</b>	<b>51.7</b>	<b>53.1</b>
<b>High</b>		<b>56.0</b>	<b>57.2</b>	<b>59.1</b>	<b>64.2</b>
<b>Low</b>		<b>42.5</b>	<b>43.0</b>	<b>44.0</b>	<b>46.5</b>
<b>Current Fwd</b>		<b>56.0</b>	<b>55.5</b>	<b>54.7</b>	<b>53.9</b>
<b>Difference (Median - Current)</b>		<b>-7.0</b>	<b>-2.5</b>	<b>-2.7</b>	<b>0.1</b>

Source: Bloomberg



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