

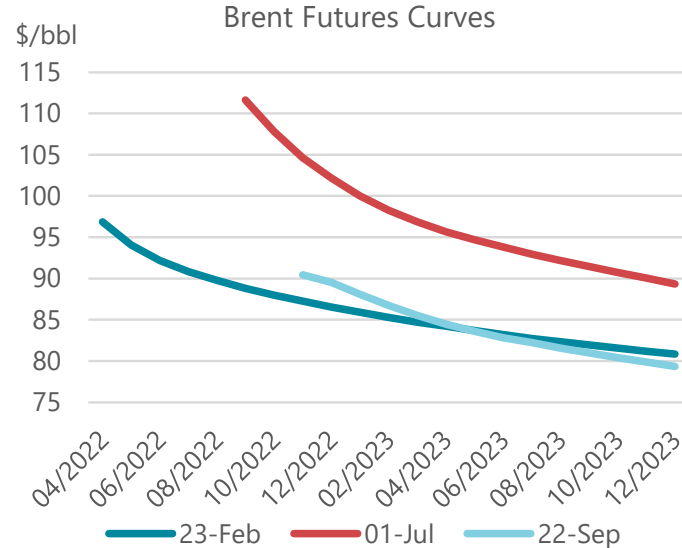
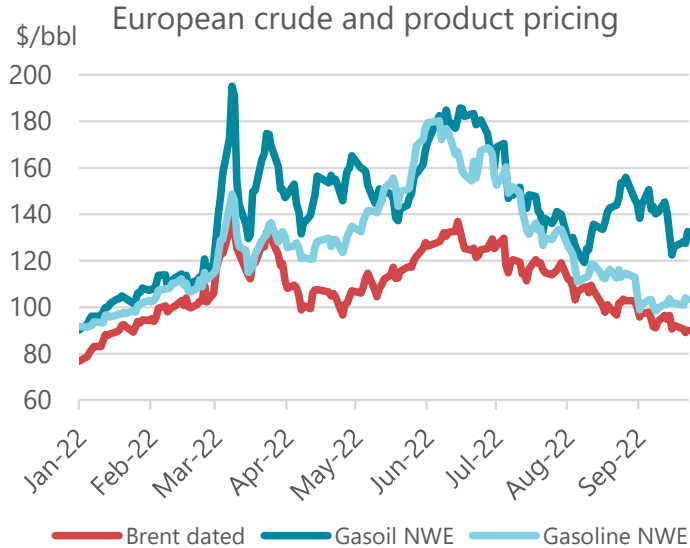


# Energy Community, 14<sup>th</sup> Oil Forum

Implications of the EU ban on Russian oil and Oil Market Dynamics  
27 September 2022

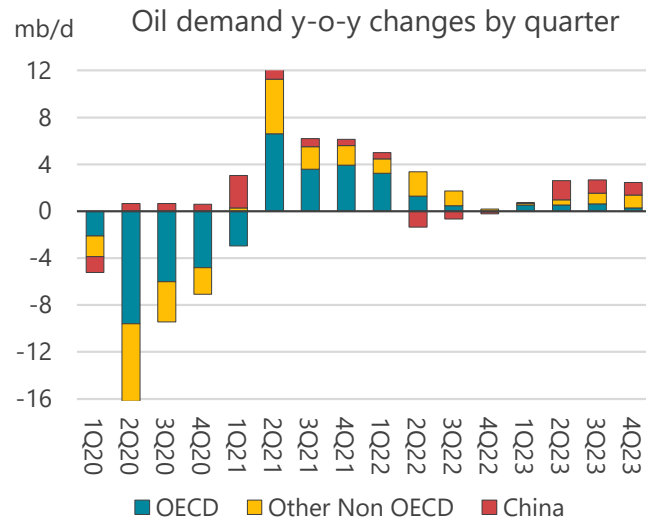
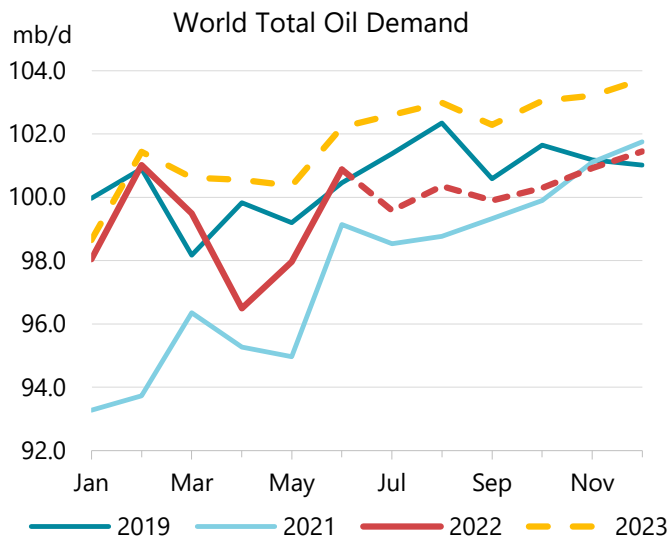
Ciarán Healy – Oil Industry and Markets Division

# Crude and gasoline prices plunge to pre-war levels



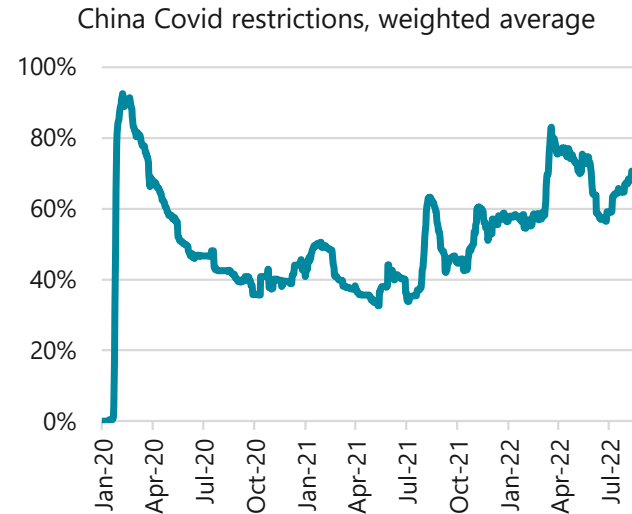
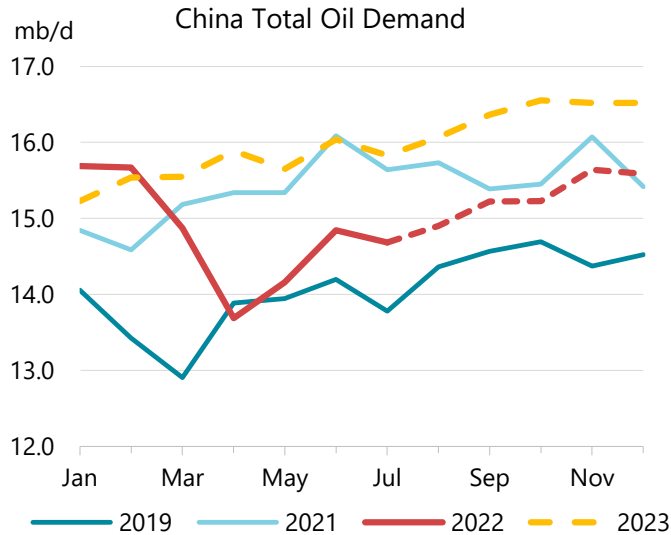
Historically large collapse in crude prices pressured by weakening economy and higher supply. High pump prices have undermined gasoline demand while diesel supported by use in power generation.

# World oil demand growth slows following post-Covid rebound



Renewed lockdowns in China and the ongoing slowdown in OECD economies continue to limit growth. Oil demand expected to grow 2 mb/d in 2022, slowing from 3.5 mb/d in 1H22 to almost nothing in 4Q22.

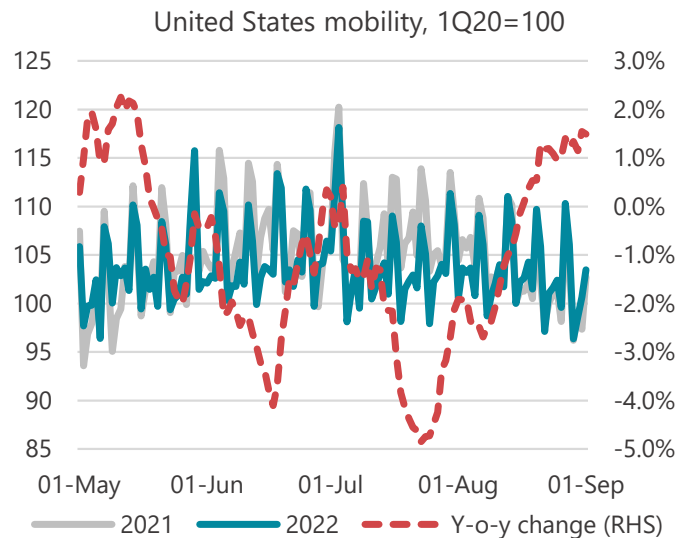
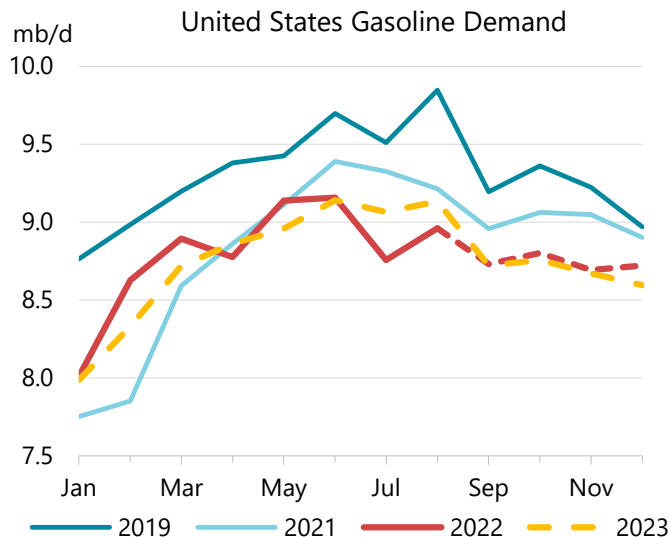
# China demand recovery loses steam on lockdown setback



Sources: IEA, Oxford University BSG

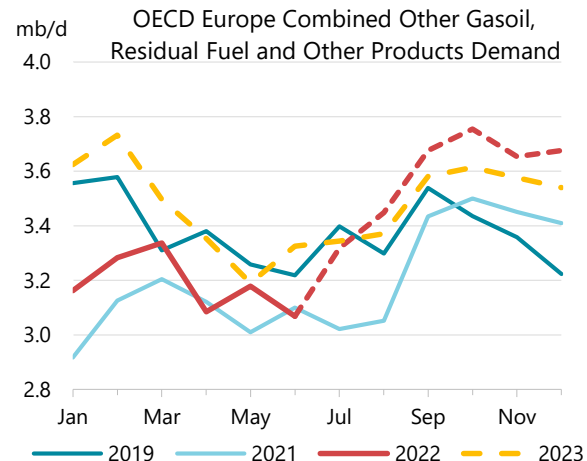
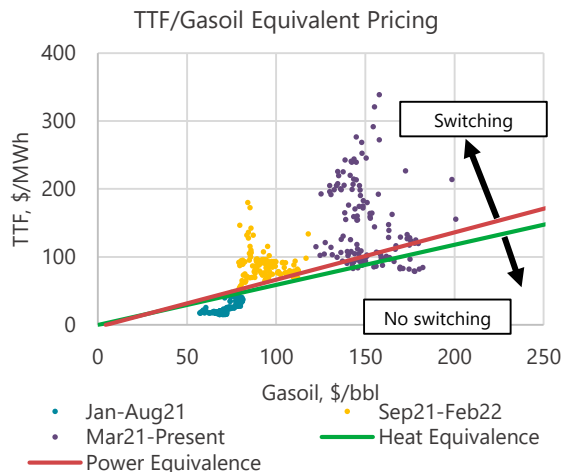
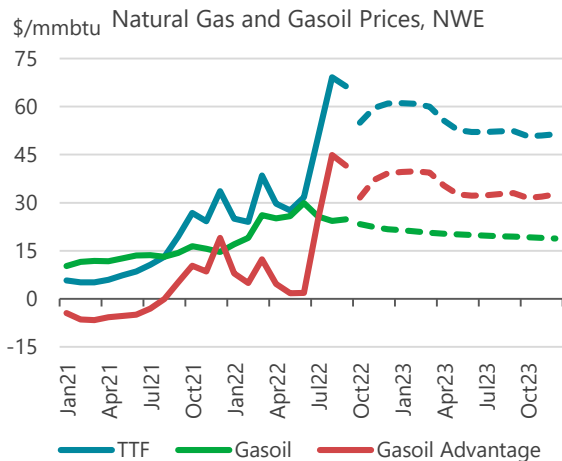
Chinese demand set for biggest ever annual decline of 420 kb/d in 2022 on prolonged lockdowns and slowing economy. Strong rebound of nearly 1 mb/d expected next year, assuming Covid under control.

# US gasoline demand decline gathers pace in July



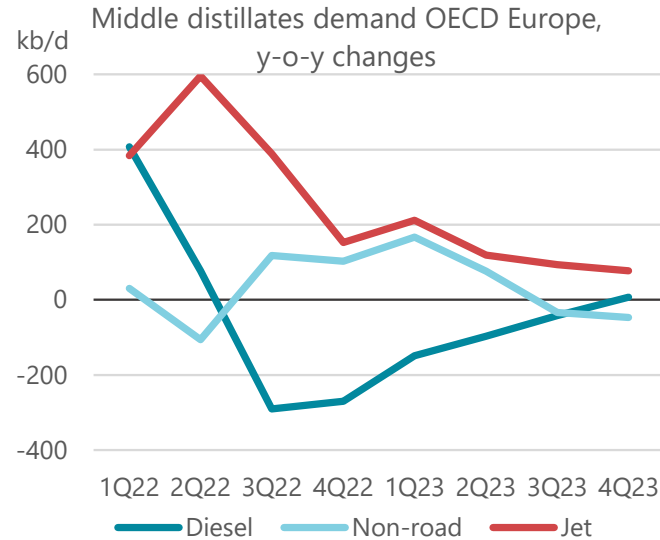
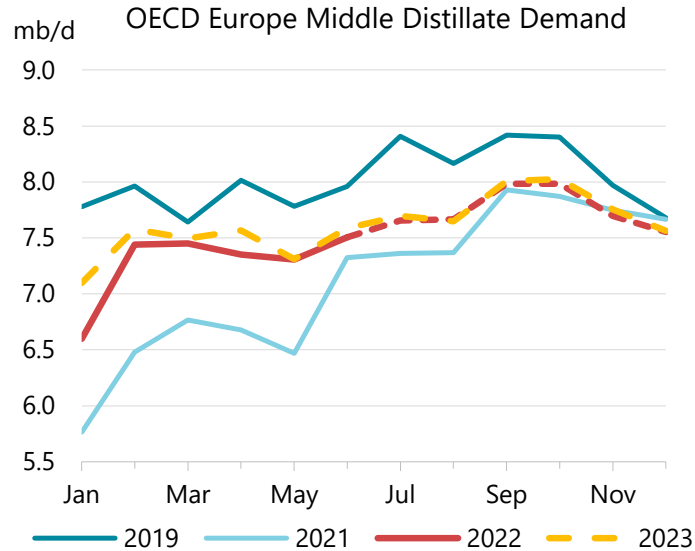
US gasoline demand fell by 230 kb/d y-o-y in June, this is expected to deepen to 570 kb/d in July before a partial rebound to -250 kb/d in August – in line with improving mobility and falling prices.

# Gas-to-oil switching to add 700 kb/d of demand



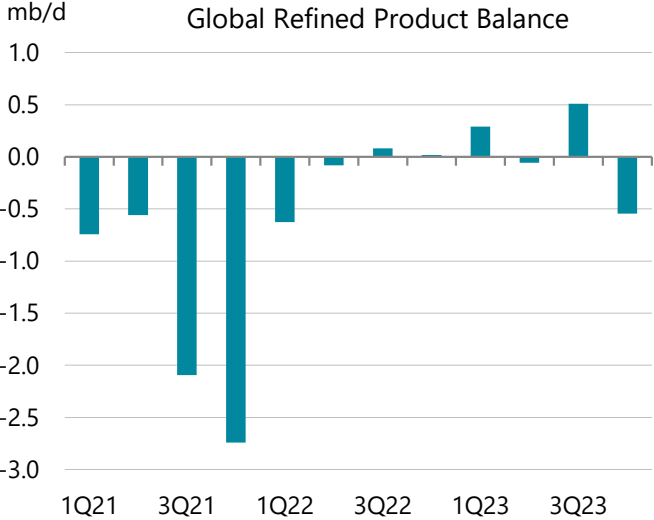
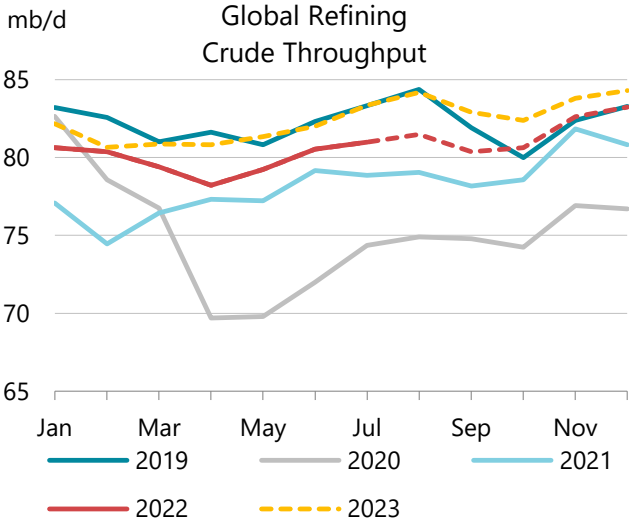
Elevated natural gas prices are driving widespread additional oil use, which we expect to add 700 kb/d to global demand this winter (+350 kb/d y-o-y). Most of this (400-500 kb/d) will take place in Europe.

# Overall European middle distillate demand stable



Middle distillate demand is expected to be largely stable y-o-y despite declines in diesel consumption. Natural gas to gasoil substitution and the ongoing recovery of air traffic counter will counter this.

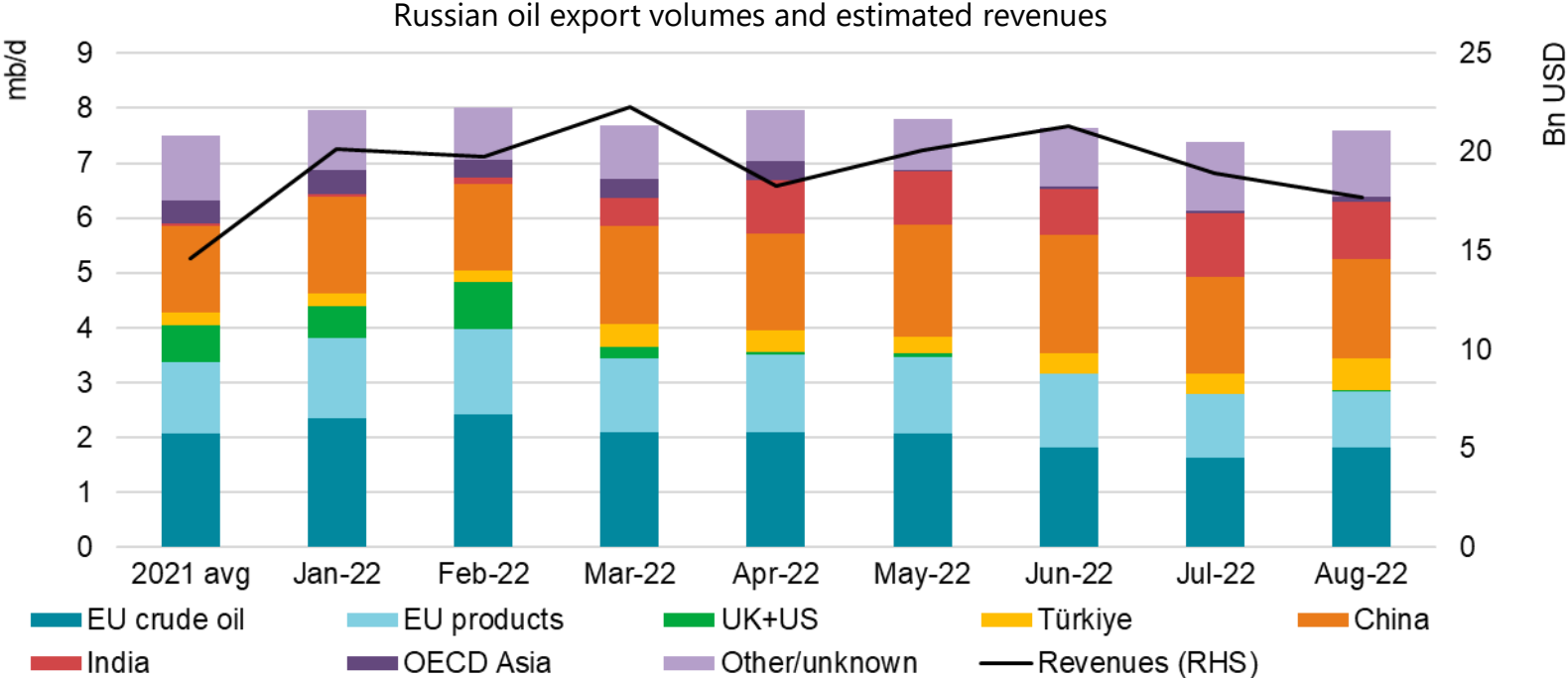
# Refining activity moves to seasonal slowdown



Chinese weakness drives revisions to 3Q22, partly offset by reduced hurricane risk in the US.

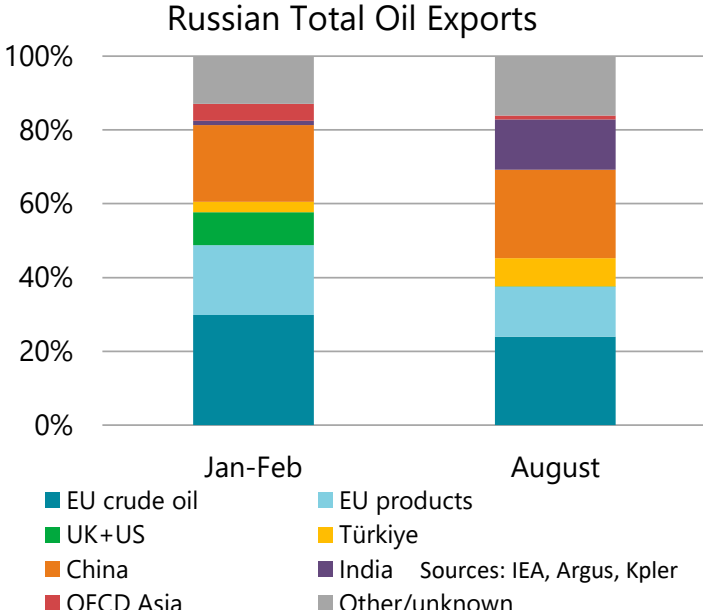
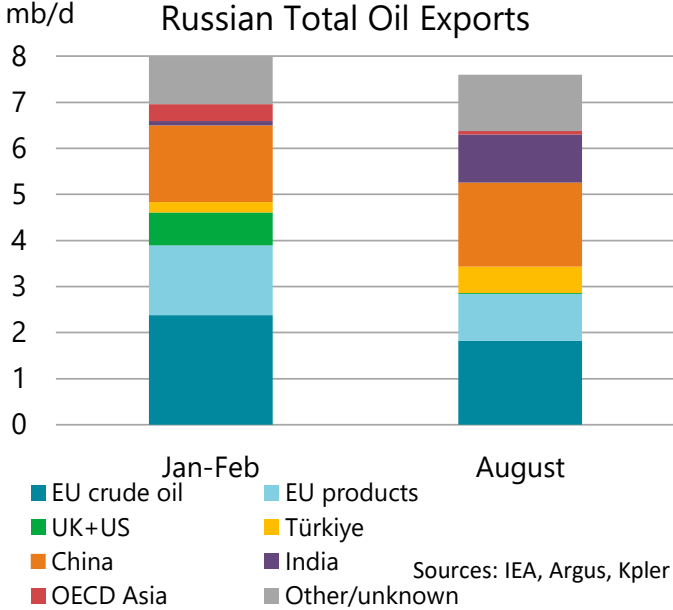


# Russian export volumes up, revenues down in August



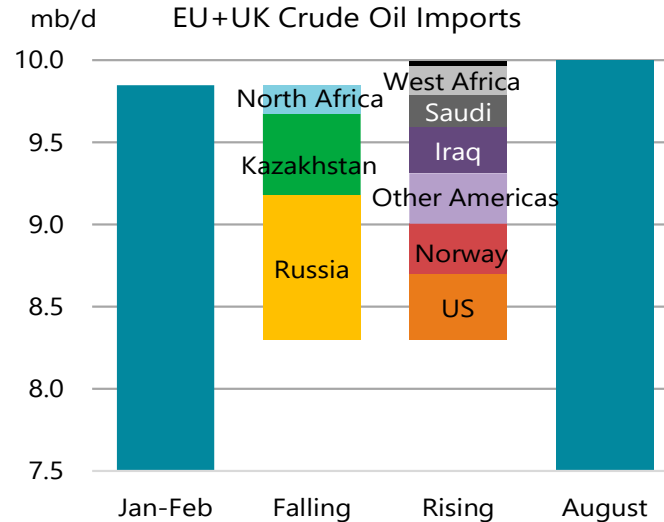
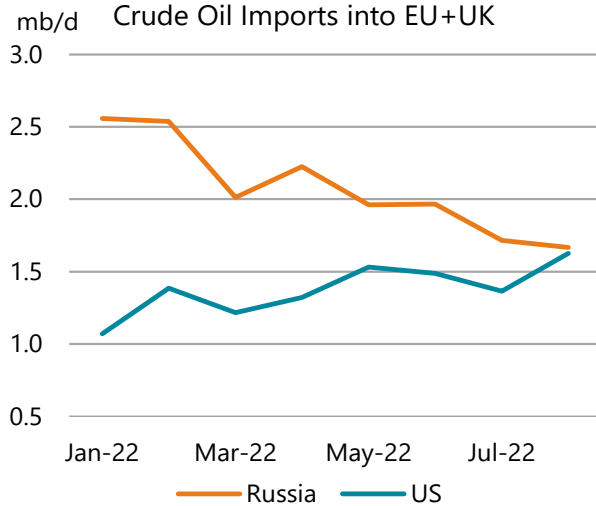
Russian oil production and exports have proved resilient, with August levels only 400-450 kb/d below pre-war levels. EU embargo expected to result in further declines.

# Russian oil exports are pivoting East



Russian oil exports have declined by only 5% since the start of the war with volumes redirected towards China, India and Türkiye, but EU sanctions could create problems next year.

# US is catching up with Russian crude volumes to EU+UK



US shipments to the region have surged 400 kb/d since the start of the year to nearly match Russian levels in August.

# Russian oil exports

Crude Oil Imports into EU and UK (mb/d)											
	Russia	Saudi Arabia	US	West Africa	Kazakhstan	Iraq	Norway	North Africa	Other Americas	ROW	Total
Jan-22	2.6	0.3	1.1	0.9	1.1	0.6	0.9	1.0	0.4	0.4	9.4
Feb-22	2.5	0.6	1.4	0.8	1.3	0.7	1.0	1.1	0.5	0.5	10.2
Mar-22	2.0	0.5	1.2	1.0	0.9	0.8	1.3	1.0	0.4	0.4	9.6
Apr-22	2.2	0.5	1.3	1.1	0.7	0.7	1.3	1.1	0.4	0.5	9.8
May-22	2.0	0.6	1.5	1.2	1.0	1.0	1.3	0.9	0.7	0.6	10.8
Jun-22	2.0	0.7	1.5	1.5	0.7	0.8	1.2	0.7	0.8	0.5	10.4
Jul-22	1.7	0.7	1.4	1.3	1.0	0.9	1.2	0.7	0.9	0.5	10.4
Aug-22	1.7	0.6	1.6	1.0	0.7	0.9	1.3	0.9	0.8	0.5	10.0
Aug vs Jan-Feb	-0.9	0.2	0.4	0.2	-0.5	0.3	0.3	-0.2	0.3	0.0	0.1

Sources: IEA, Argus, Kpler.

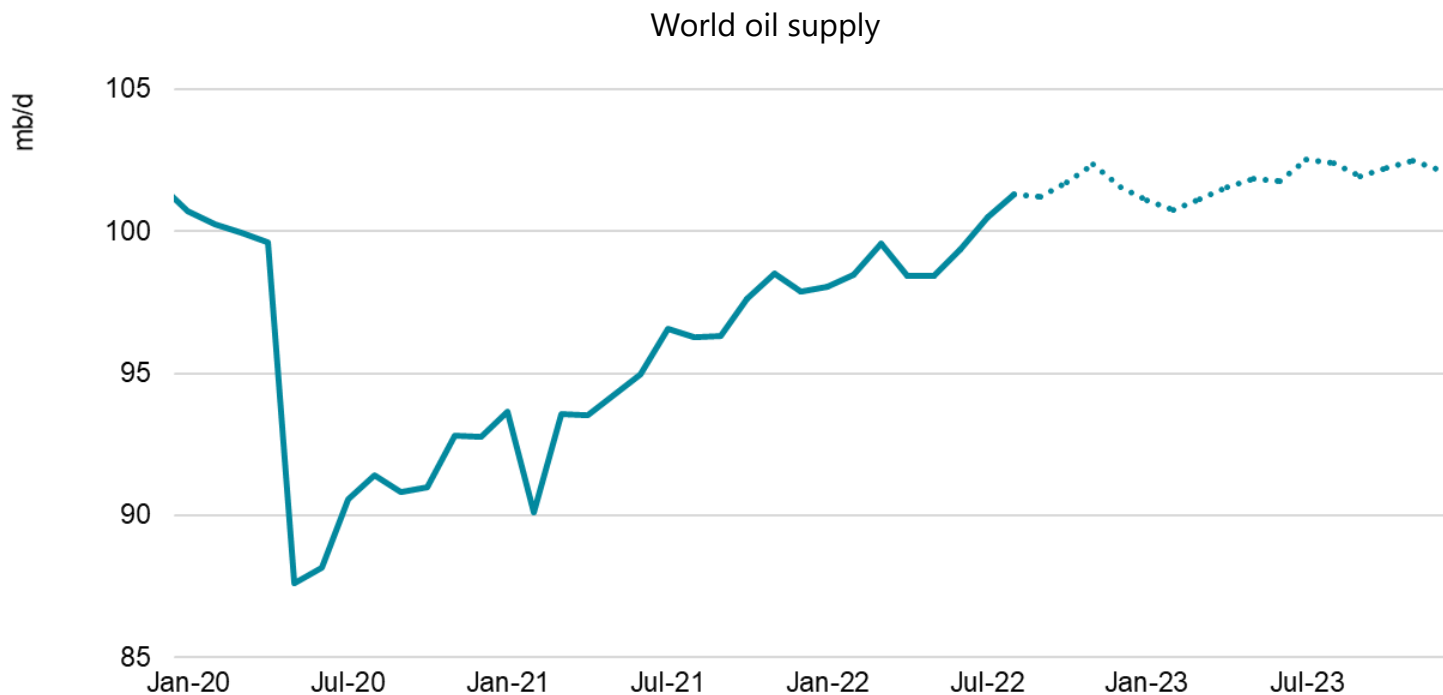
Note: Data in this table were derived by granular analysis of country of origin data in cases where shipments transit via third countries. They may differ from customs information.

Russian Oil Exports (mb/d)										
	2021 avg	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	
EU crude oil	2.1	2.3	2.4	2.1	2.1	2.1	1.8	1.6	1.8	
EU products	1.3	1.5	1.6	1.3	1.4	1.4	1.3	1.2	1.0	
UK+US	0.7	0.6	0.9	0.2	0.1	0.0	0.0	0.0	0.0	
Türkiye	0.2	0.2	0.2	0.4	0.4	0.3	0.4	0.4	0.6	
China	1.6	1.7	1.6	1.8	1.8	2.0	2.2	1.8	1.8	
India	0.1	0.1	0.1	0.5	1.0	1.0	0.8	1.2	1.0	
OECD Asia	0.4	0.4	0.3	0.3	0.4	0.0	0.1	0.0	0.1	
Other/unknown	1.2	1.1	1.0	1.0	0.9	0.9	1.1	1.3	1.2	
<b>Total exports</b>	<b>7.5</b>	<b>8.0</b>	<b>8.0</b>	<b>7.7</b>	<b>8.0</b>	<b>7.8</b>	<b>7.6</b>	<b>7.4</b>	<b>7.6</b>	
<i>Memo</i>										
Pipeline to EU	0.7	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.8	
Pipeline to China	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	
Crude Oil	4.6	4.9	4.8	5.1	5.4	5.3	5.1	4.8	5.0	
Oil Products	2.9	3.1	3.2	2.6	2.6	2.5	2.6	2.6	2.6	
Estimated export revenues, \$bn	14.6	20.2	19.7	22.3	18.3	20.1	21.3	19.0	17.7	

Sources: IEA, Argus, Kpler.

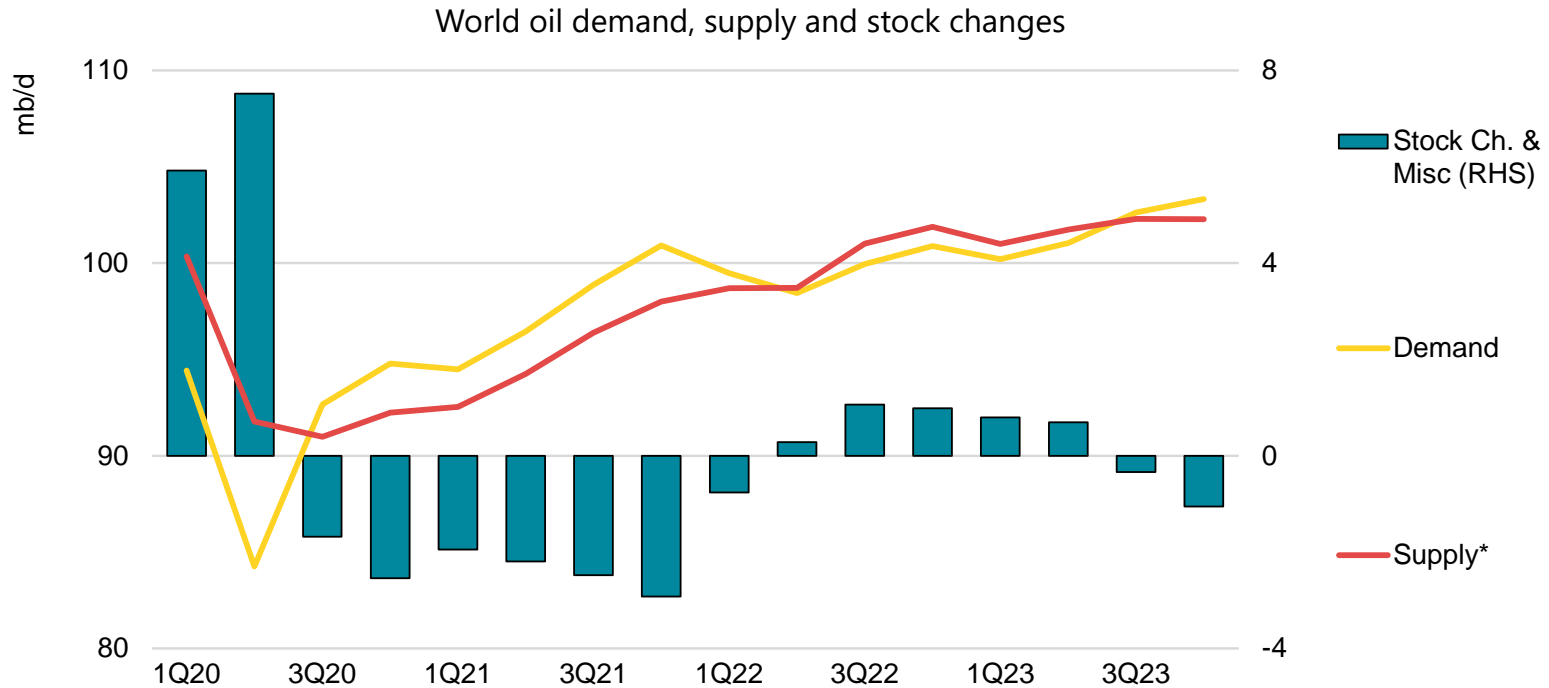
Note: Recent months volumes and revenues are estimates and subject to change.

# World oil supply rose for third straight month – up 2.9 mb/d since May



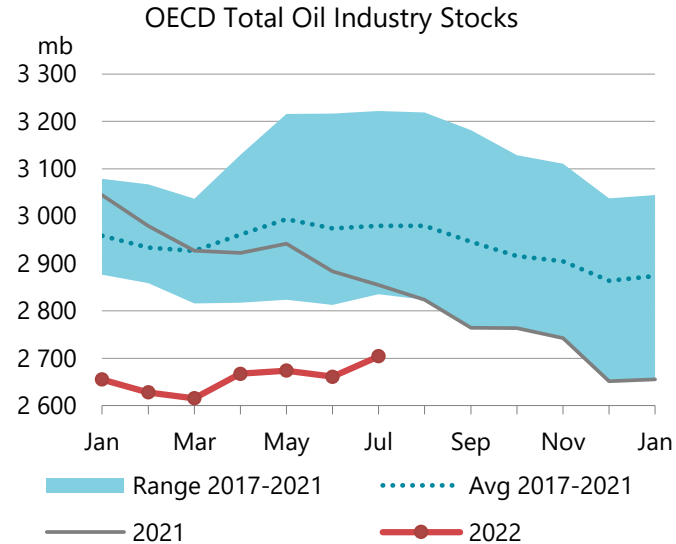
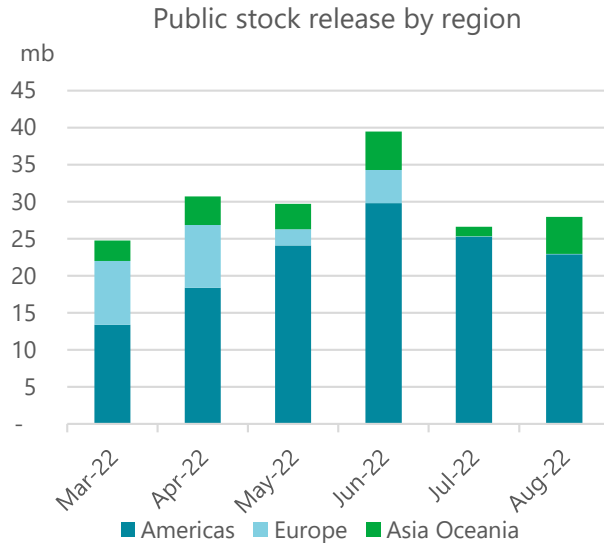
Oil output +790 kb/d in August to 101.2 mb/d. Libya recovery, smaller MidEast gains offset by losses in Nigeria, Kazakhstan, Russia. 2022 output +4.8 mb/d to 100.1 mb/d; 2023 +1.7 mb/d to 101.8 mb/d.

# World oil supply to outpace demand through 2Q23



Product markets, especially diesel, are expected to remain in deficit due to downstream capacity constraints outside of China.

# IEA SPR release helps stem OECD industry stock draws



Nearly 180 mb of IEA government stocks were released over the March-August period. OECD industry stocks built by 43.1 mb in July, reducing the deficit vs 2017-2021 average to 274.9 mb.

**iea**