

9.c. APERC Oil Report 2021 (Draft)

Plenary Session

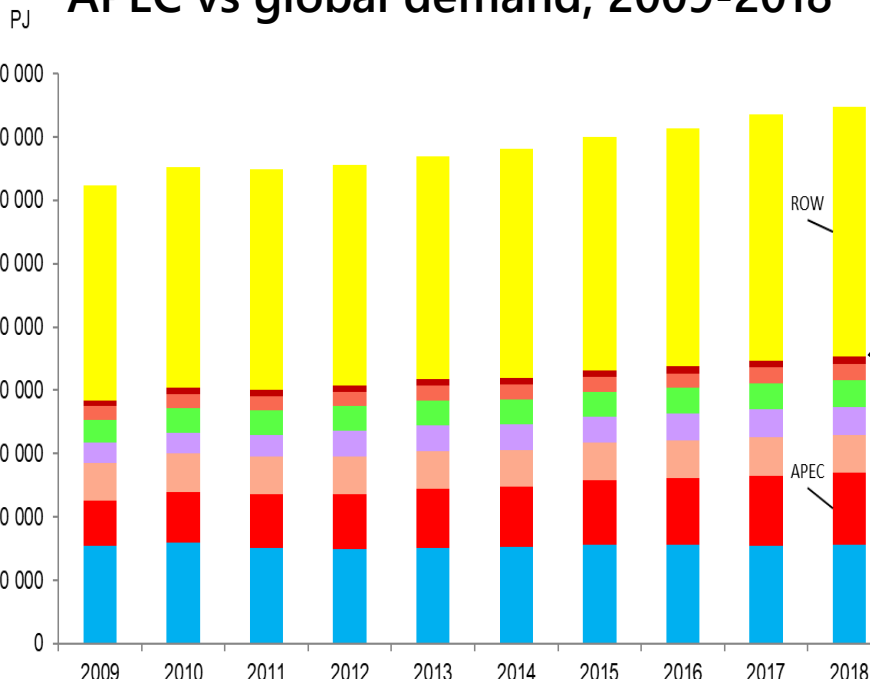
The 62nd Meeting of APEC Energy Working Group (EWG)
19-21 October 2021 (EDT)

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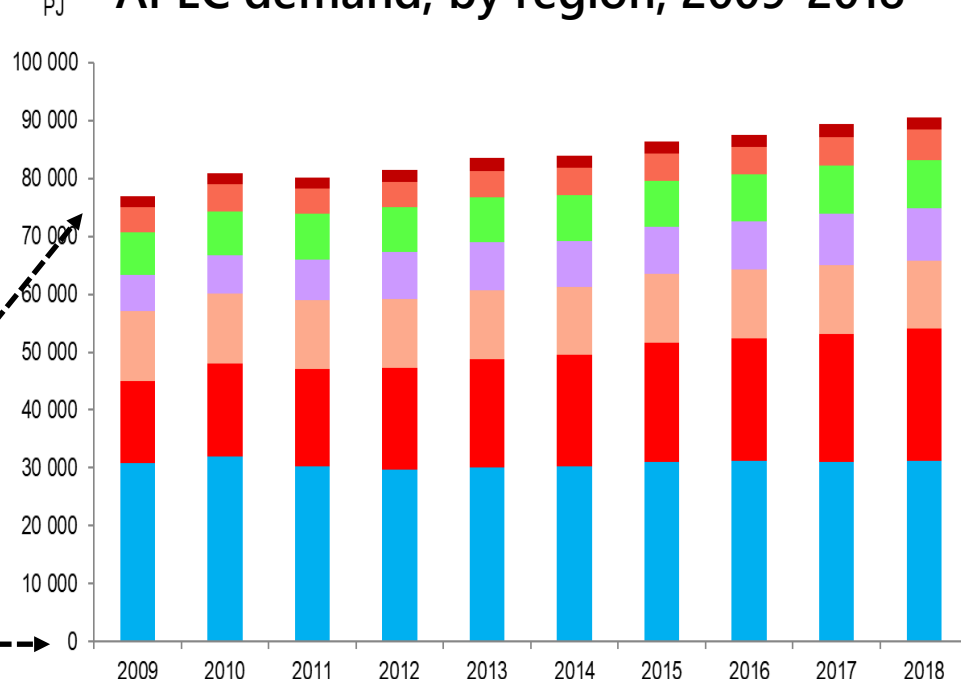


1. Oil Demand: Before the pandemic, APEC oil demand was growing strongly

APEC vs global demand, 2009-2018



APEC demand, by region, 2009-2018



Source: APERC analysis and EGEDA (2021)

USA China (+HK) Northeast Asia Southeast Asia Other Americas Russia Oceania

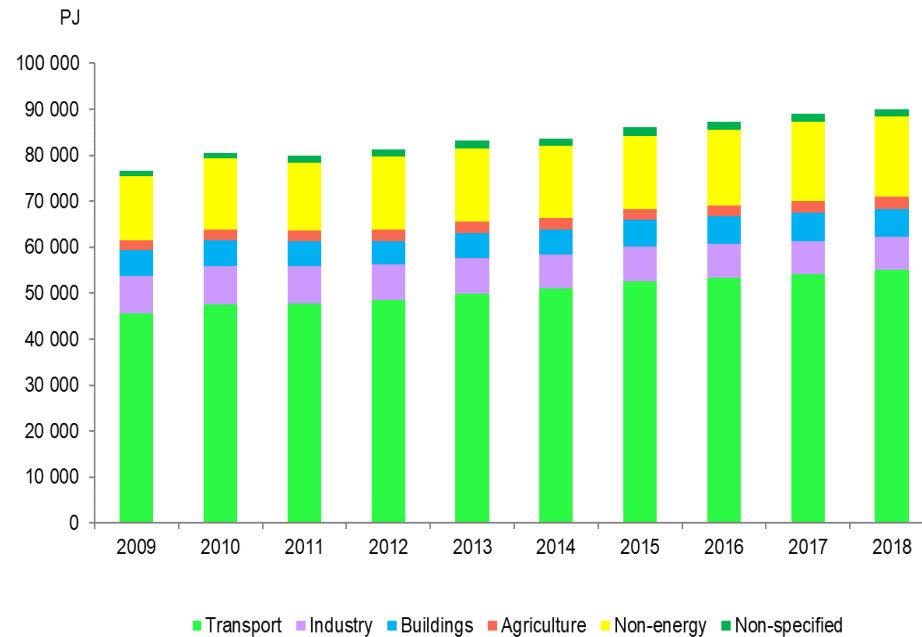
Global oil consumption reached 170 000 petajoules (PJ) in 2018.

In 2018, APEC oil demand accounted for 53% of total world demand.

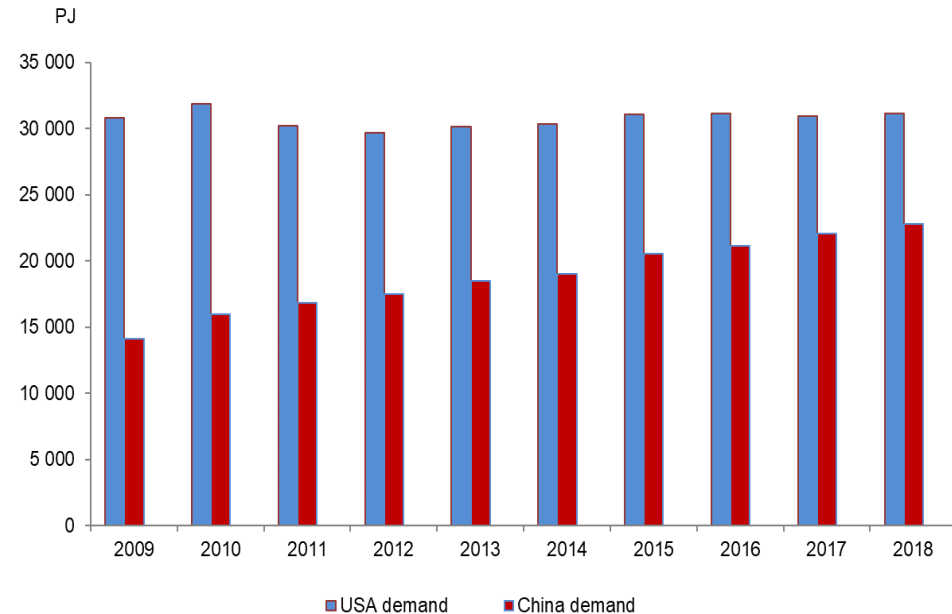
APEC's high oil demand growth rate (1.8% annually) *was mainly due to growth in China and Southeast Asia.*

1. Oil Demand: Transport sector accounts for the largest share of APEC oil consumption

APEC oil demand, by sector, 2009-2018



USA vs China demand, 2009-2018



Source: APERC analysis and EGEDA (2021)

Transportation was the dominant sector (61%) in APEC during 2009-2018.

APEC demand growth slowed somewhat due to the slow US increases of 0.10% annually while China demand grew at 5.5% annually.

The US share of oil demand in APEC decreased to 34% (40% ↓) and China increased to 25% (18% ↑).

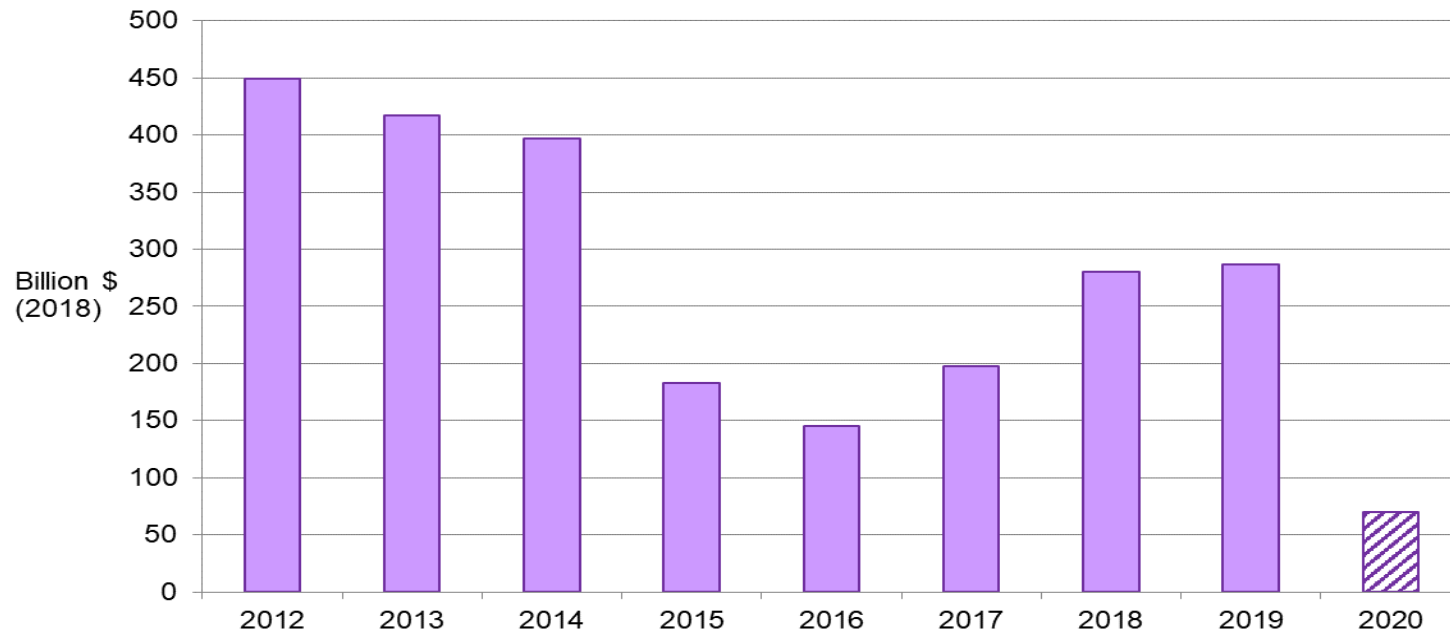
1. Oil Demand: COVID-19 caused oil demand to fall by 9 mb/d in 2020, the first decline since 2009

COVID-19 impact on oil market was severe because it has caused activities in the transportation sector to fall dramatically from 4Q 2019 levels.

Global oil demand fell to a record 9 mb/d in 2020, half of which was in APEC.

E&P business was estimated to have lost 75% of their revenues in 2020, compared with 2019. APEC economies have been slow to respond to higher prices due to investor caution.

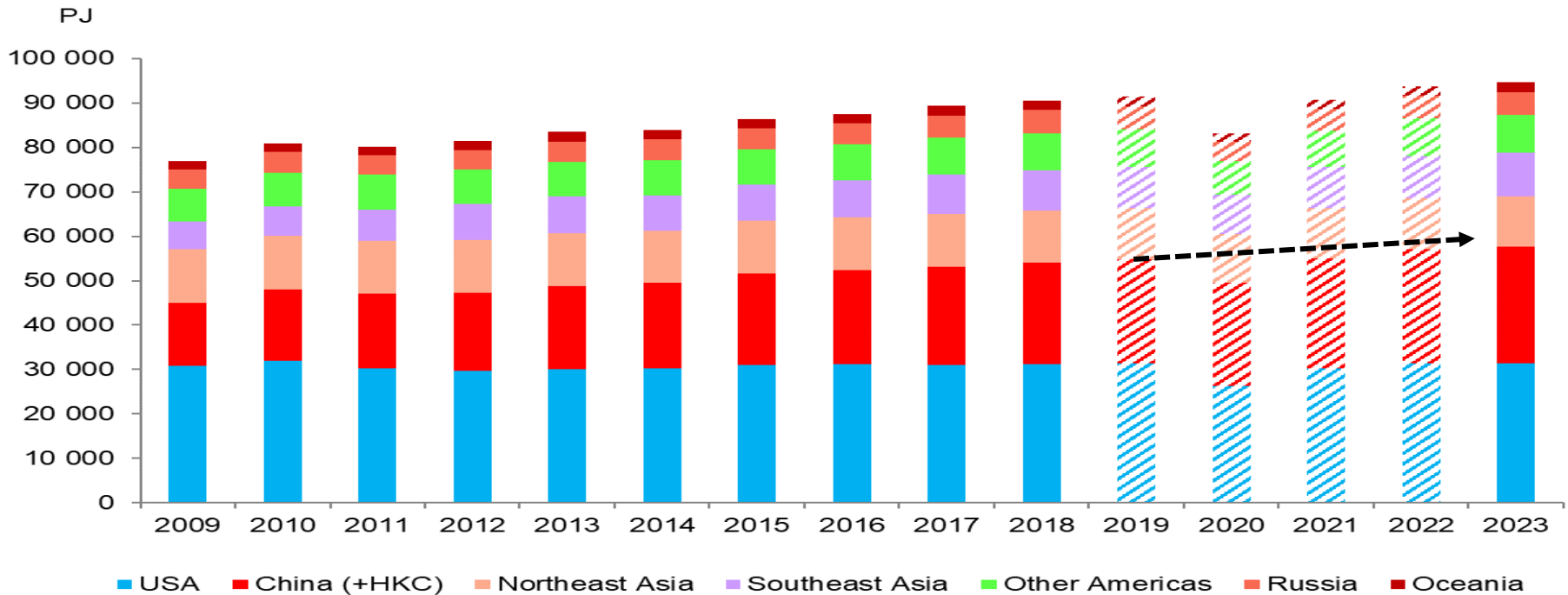
Net income from Exploration & Production business, 2012-2020



Source: IEA (2021)

1. Oil Demand: APEC oil demand is expected to resume growth through 2023

APEC demand outlook, 2019-2023



Source: APERC analysis and EGEDA (2021)

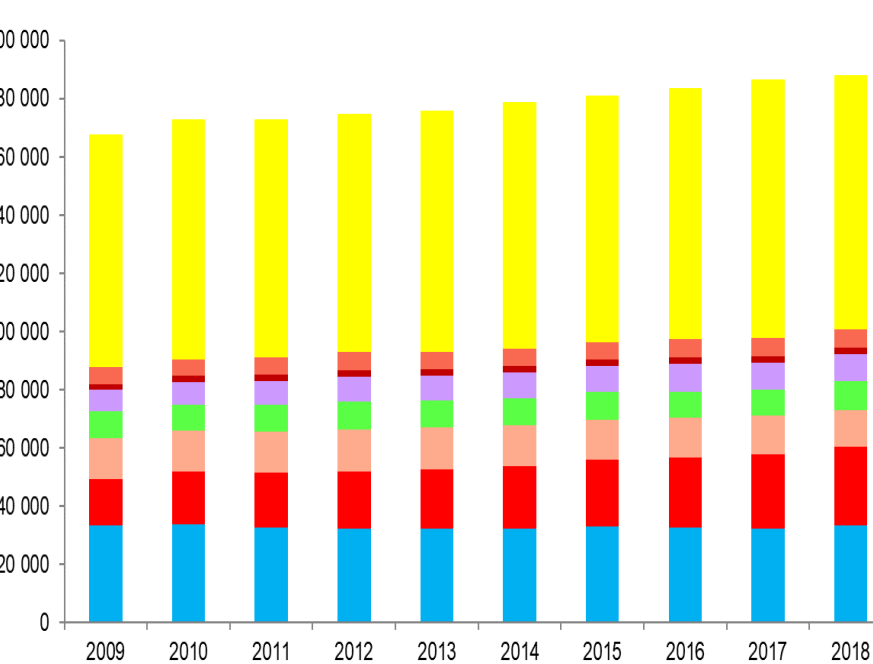
APEC demand is expected to reach 95 000 PJ in 2023 with China and Southeast Asia accounting for fastest growth (2.9% and 1.4% annually).

China's demand increase accounts for 84% of APEC's demand growth.

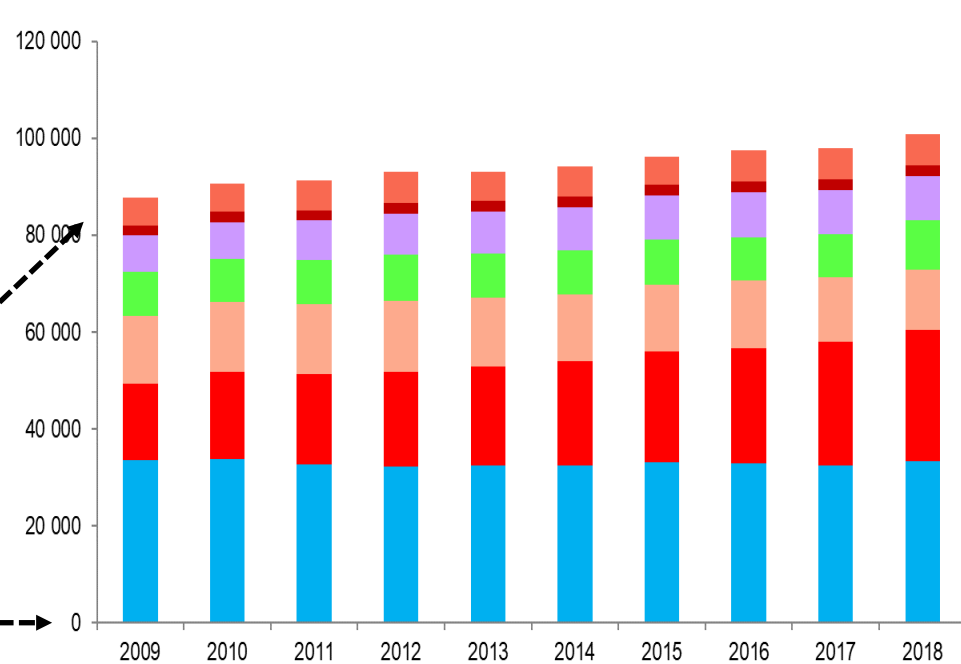
APEC oil demand will shift more to Asia in the coming years.

2. Oil Supply: APEC accounted for 53% of global oil supply in 2018

PJ APEC vs global supply, 2009-2018



PJ APEC supply, by region, 2009-2018



Source: APERC analysis EGEDA (2021)

USA China (+HKC) Northeast Asia Other Americas Southeast Asia Oceania Russia

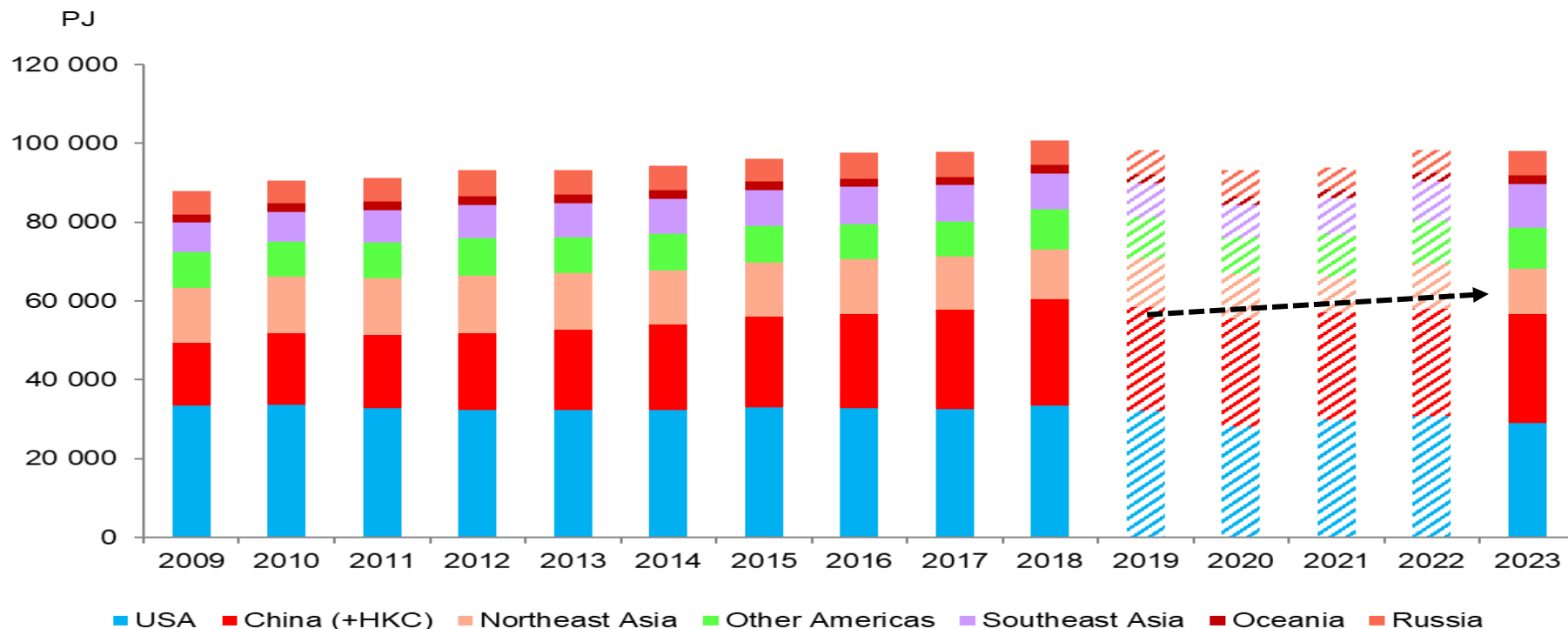
Global oil supply reached 188 000 PJ in 2018 but increased slower than demand (12% vs 17%) and resulted in narrowing supply-demand differential.

APEC oil supply accounted for 53% of total world supply.

The U.S. and Russia combined for 64% of APEC oil production.

2. Oil Supply: APEC oil supply growth slowed down towards 2023

APEC supply outlook, 2019-2023

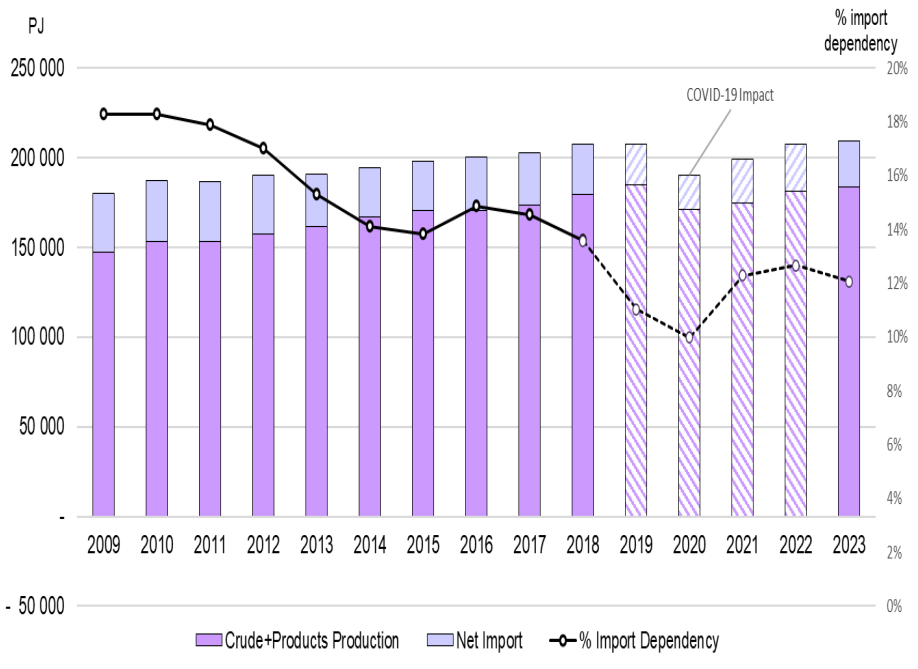


Source: APERC analysis and EGEDA (2021)

COVID-19 caused an unprecedented reduction in oil demand in 2020-2021 and caused oil prices to drop. As a result, APEC oil supply is expected to recover to only 98 000 PJ in 2023, a 2.8% drop from 2018.

3. Oil Trade: APEC oil import dependency has improved over the years, but the trend is reversing

APEC oil import dependency, 2009-2023



Source: APERC analysis and EGEDA (2021)

APEC crude net import vs products net imports



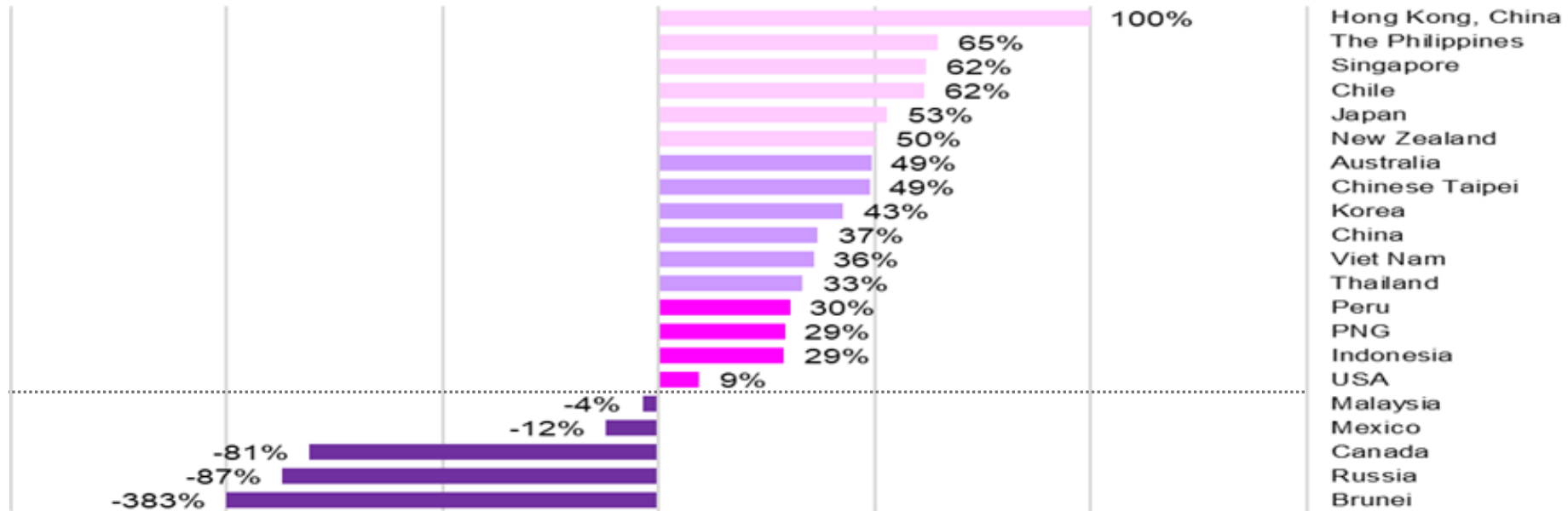
Domestic crude oil production increases in the U.S., Russia, and Canada contributed to reduced oil import dependence in APEC from 2009 to 2020.

APEC has been self-sufficient and a net-exporter of oil products since 2011.

APEC's crude and product import dependence reversed in 2021 because COVID-19 induced oil price drops caused production declines in the key oil producers.

3. Oil Trade: Majority of APEC economies are oil import dependent in 2018

APEC crude oil and product import dependency by economy, 2018



Source: APERC analysis and EGEDA (2021)

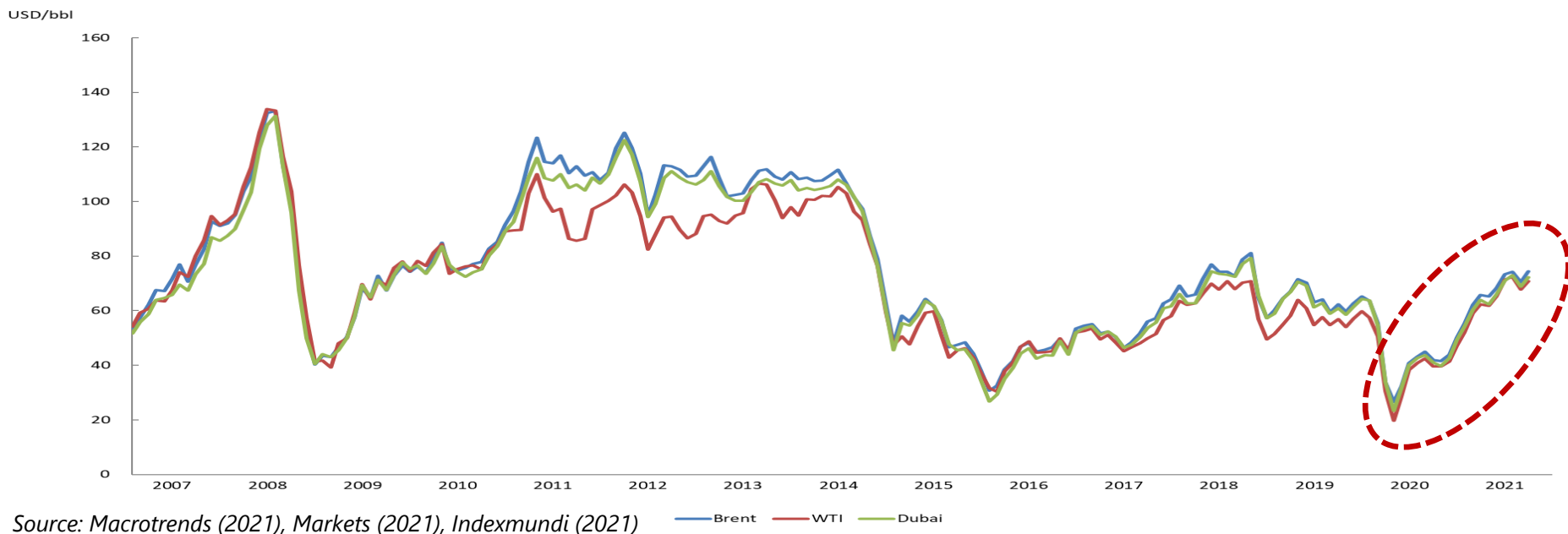
Massive crude oil producers in APEC like Russia, and Canada are the export leaders in APEC.

USA is expected to switch from marginal oil importer to be oil exporter in near future.

On the other hand, China, Japan, Korea, Singapore, and Australia are highly dependent on oil imports*.

4. Oil Price: Oil prices gradually increased from 2Q 2020 to 4Q 2021, and the trend continues.....

Crude oil prices, 2007-2021



Falling oil prices during the past few years were driven by increased shale oil supply and diminished oil demand due to the slowdown in economic growth.

COVID-19 quickly caused oil prices to fall further during 1Q 2020.

Oil prices have gradually increased from their lowest level in April 2020 to recent highs reflecting increasing oil demand due to COVID-19 vaccination campaigns, easing lockdown measures, and economic recovery.

Conclusion

- *COVID-19 impact on oil market was severe because it caused activities in the transportation sector to fall dramatically.*
- *APEC demand is projected to reach 95 000 PJ in 2023, driven mainly by the high annual oil demand growth rates in China (2.9%) and Southeast Asia (1.4%).*
- *APEC oil supply is expected to recover sluggishly to 98 000 PJ (oil production at 83 000 PJ) in 2023, a 2.8% drop from 2018.*
- **APEC has been self-sufficient and a net-exporter of oil products since 2011.**
- *APEC import dependency has improved in the pre-COVID19 but reversed in 2021 because COVID-19 induced oil price drops and caused production declines in the key oil producers.*
- *Oil prices have gradually increased in 2021 reflecting improved oil demand due to COVID-19 vaccination programs, easing lockdown measures, and economic recovery.*



Thank you for your kind attention

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