

“Changing Calculus of East Asian Oil Security”

Presented By Tom Cutler

Panel on Oil Markets and Stockpiling

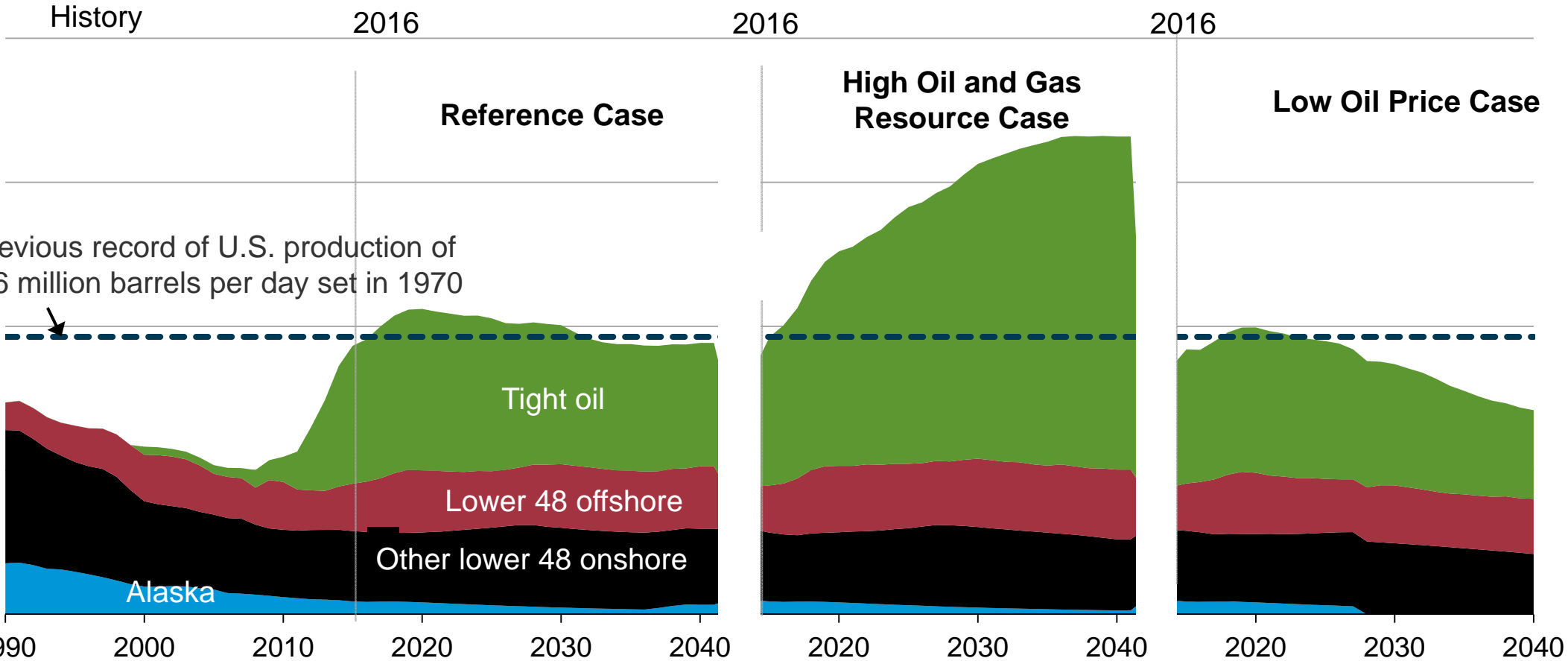
1ST EAST ASIA ENERGY FORUM

BOHOL, PHILIPPINES AUGUST 9, 2017



U.S. Crude Oil Output Driven to New Records by Surge in Tight Oil Production

U.S. crude oil production
in million barrels per day

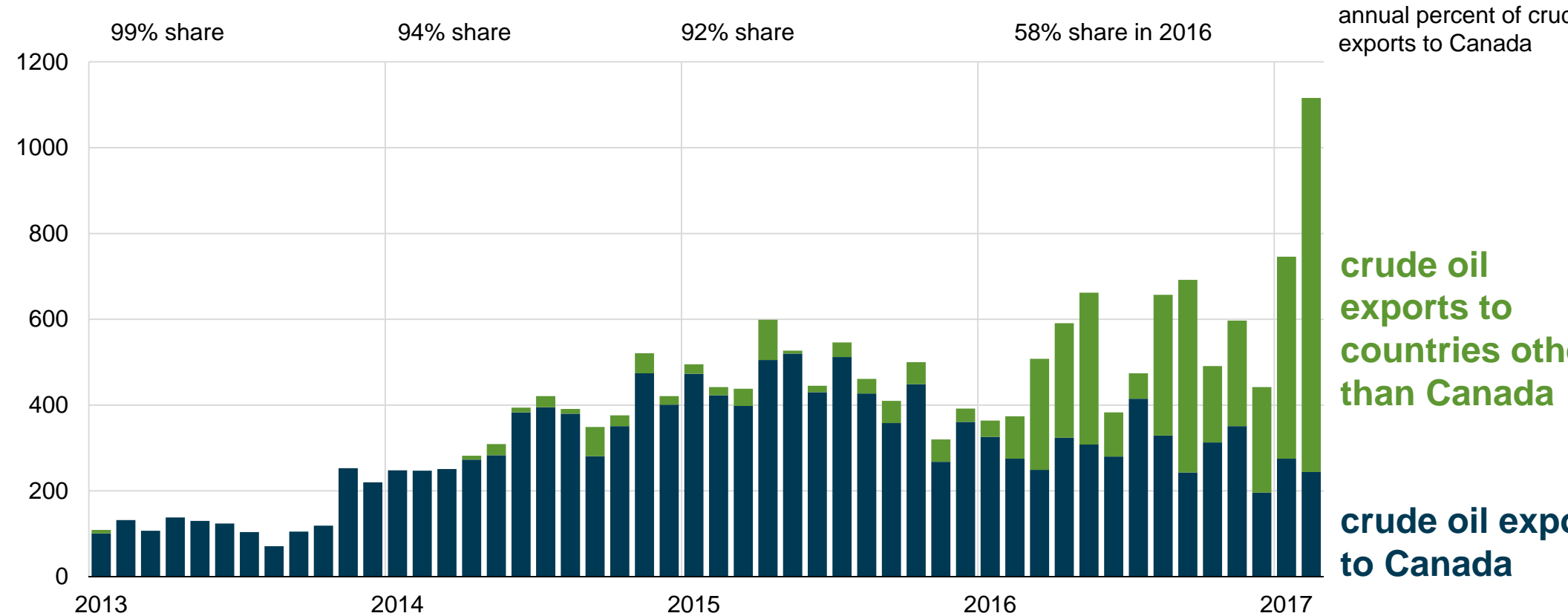


Source: Derived from EIA, Annual Energy Outlook 2015 with updates

Adapted by CILLC for the East Asia Energy Forum
Bohol, Philippines August 9, 2017

Most U.S. crude oil exports have gone to Canada but the lifting of the oil export ban has caused export volumes to spike to other destinations

Monthly U.S. crude oil exports (January 2013 – February 2017)
 thousand barrels per day

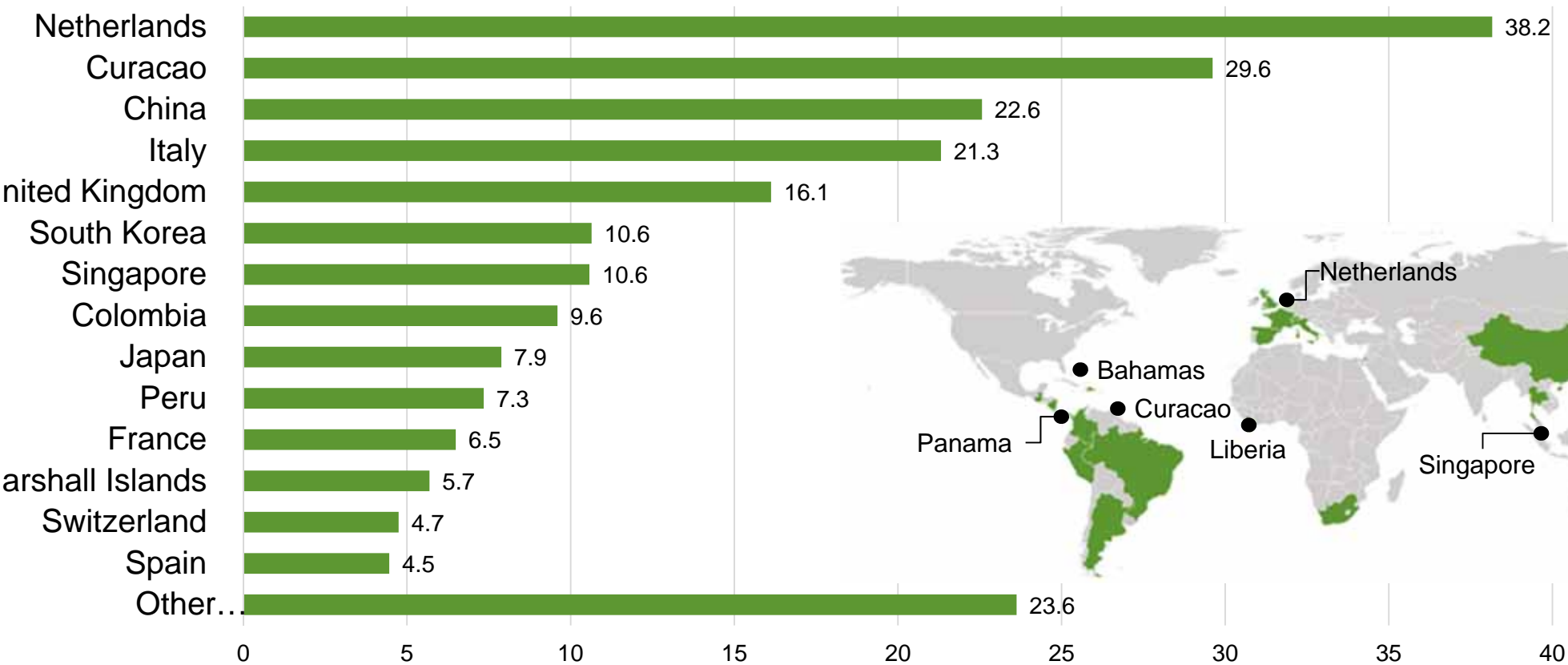


Source: U.S. Energy Information Administration, *Petroleum Supply Monthly*.

Adapted by CILLC for the East Asia Energy Forum, Bohol, Philippines August 9, 2017

Aside from Canada, there were no clear preferred markets for U.S. crude exports in 2016 but in 2017 volumes are surging to China

2016 U.S. crude oil exports (excludes Canada)
thousand barrels per day



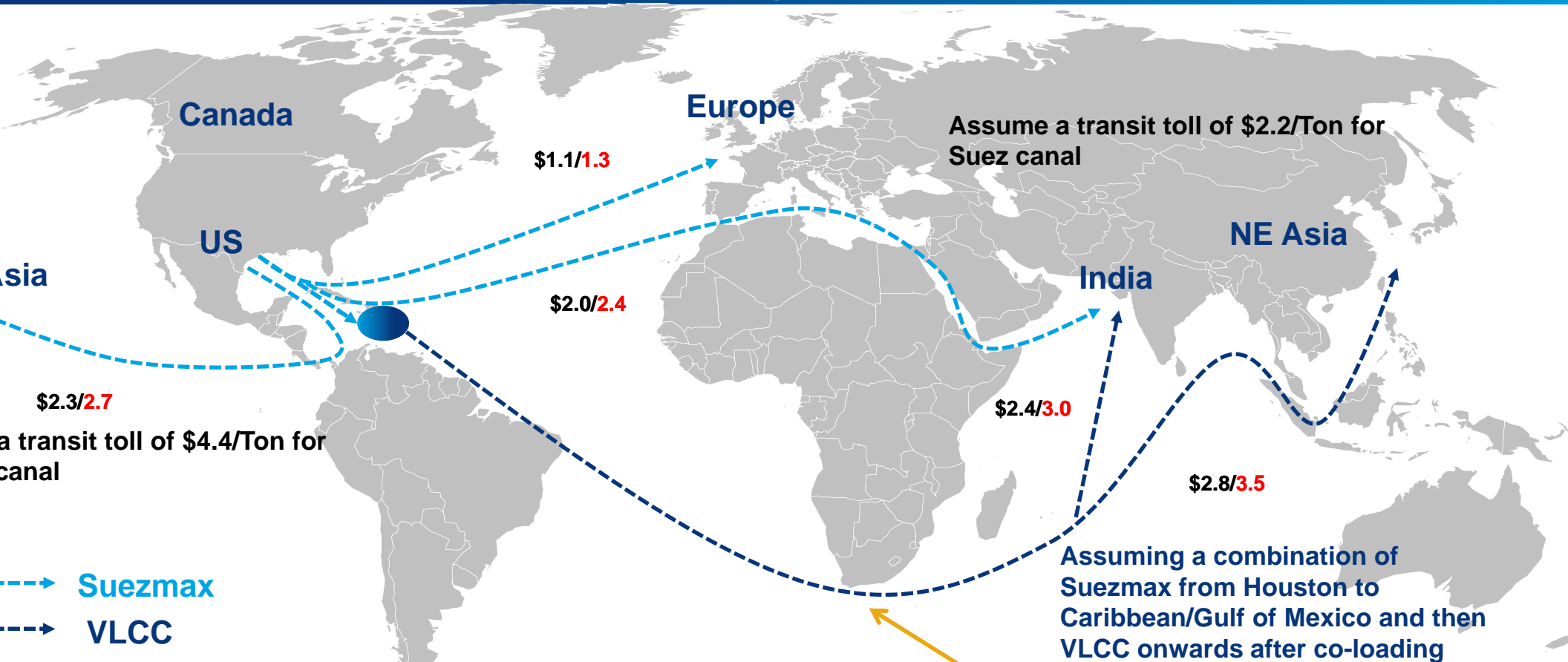
Source: U.S. Energy Information Administration, *Petroleum Supply Monthly*.

Adapted by CILLC for the East Asia Energy Forum
Bohol, Philippines August 9, 2017

US tight oil exports could be on the order of 2 – 3 million b/d supplying European and Asian markets

Freight costs to North East Asia are double that to Europe due to longer distances. Expanding export capacity infrastructure is key to facilitate the growing trade.

US crude export freights 2016 - 2035, \$/bbl



Wood Mackenzie as adapted by CILLC

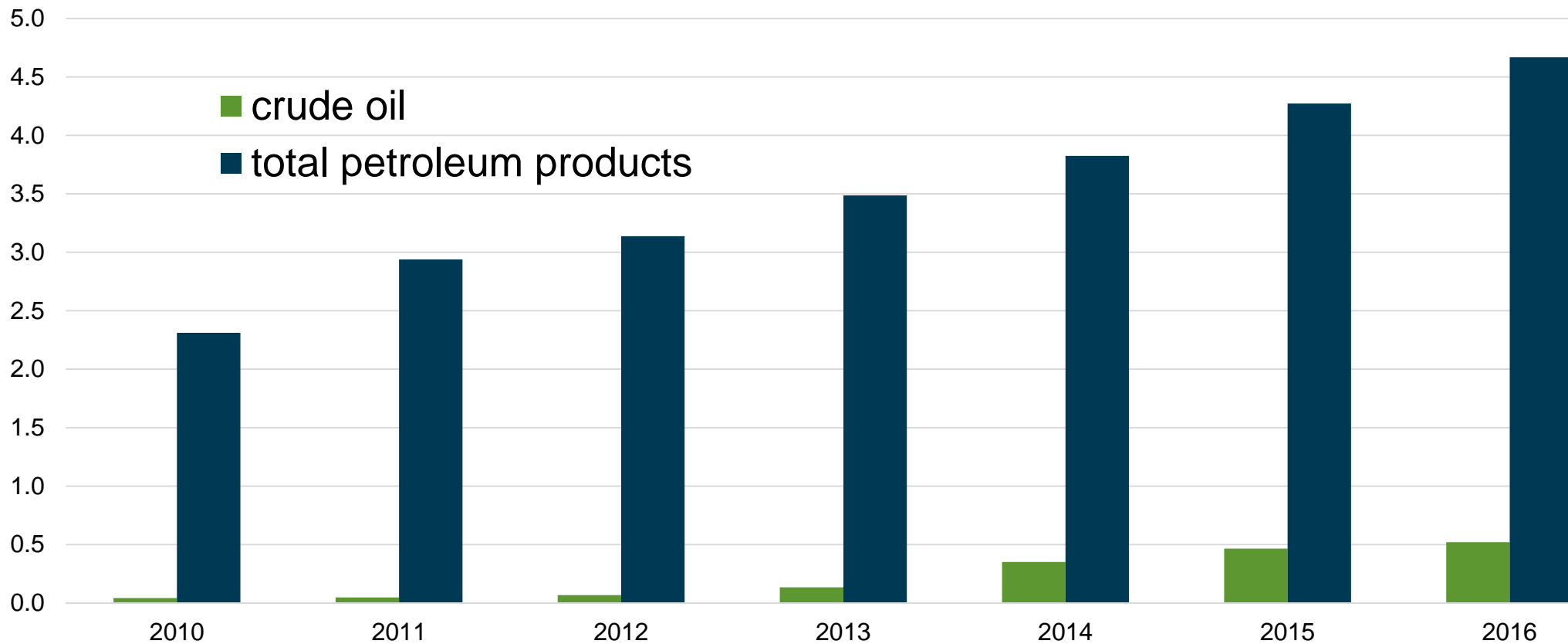
Wood Mackenzie commercial intelligence
www.woodmac.com

2015 Freight
2016-2025 Avg. Freight

U.S. Exports 4.7 MBD of Petroleum Products & Trade to Asia is Growing

The U.S. exported 9 times more oil products than crude in 2016

U.S. crude oil and petroleum product exports
million barrels per day



Source: U.S. Energy Information Administration, *Petroleum Supply Annual*, *Petroleum Supply Monthly*.

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U.S. Energy Policy Aims to “Unleash America’s Energy Potential”

Promote fossil fuel production and exports

Strengthen oil & gas infrastructure

Authorized approval of Keystone XL & Dakota Access Pipelines

Interior Department speeding up approvals of oil/gas production on federal lands (20 – 30% of total output)

Proposal to sell off half of the SPR

Changing Calculus of East Asian Oil Security

Continued High Demand for Oil in Asia & More Imports
Supply Diversification Essential to Oil Import Security
North American Oil Export Potential to Asia is Real
Well Supplied Markets Still Vulnerable to Disruptions in
Transport

Besides IEA & ASEAN, Asia Lacks Defined Strategic Oil
Storage & Oil Sharing Schemes

Prospects for Regional Strategic Stockpiles in Asia

Oil Security Diplomacy and Institutional Frameworks in Asia