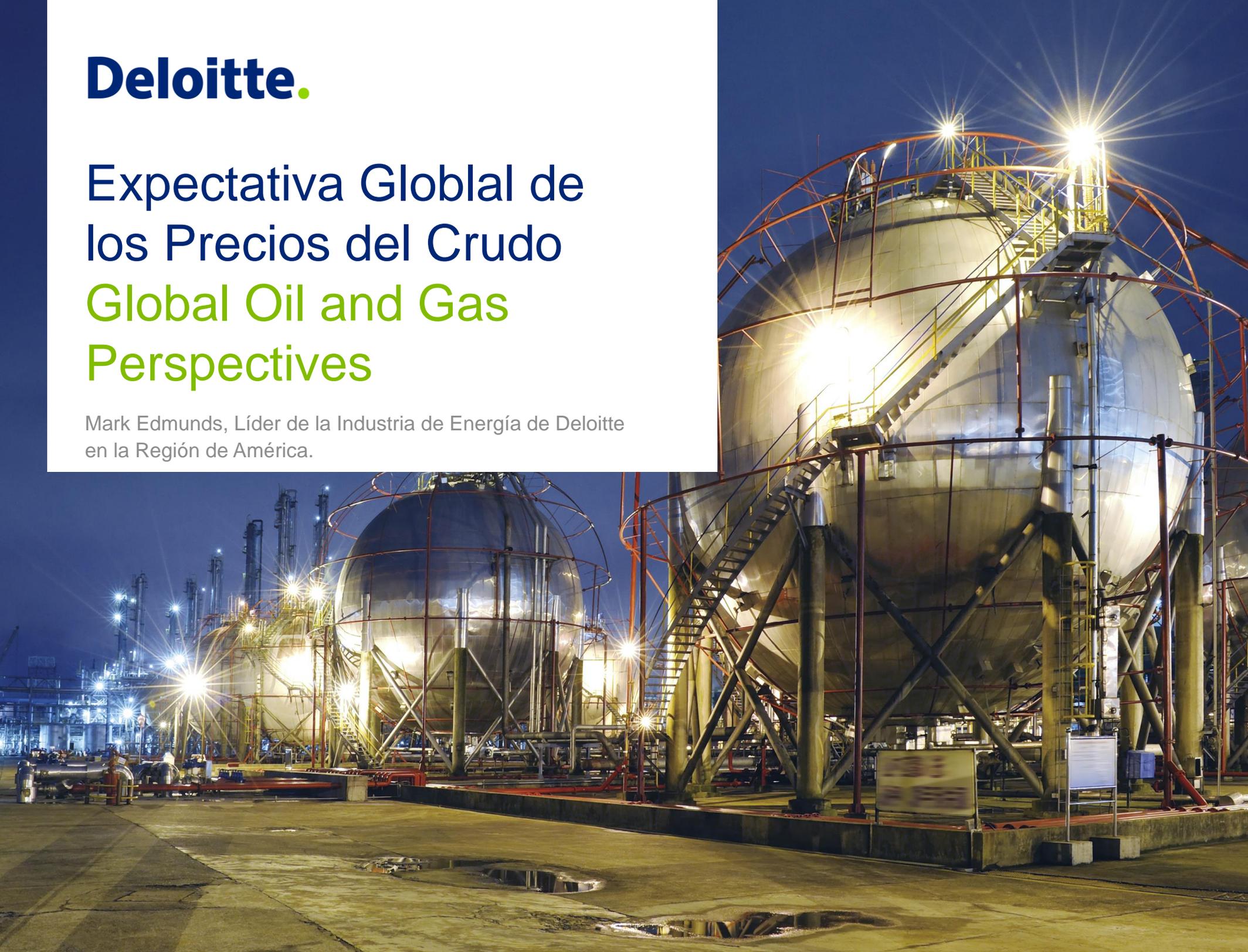


Perspectivas y Tendencias del  
**Mercado Energético**

**Deloitte.**

# Expectativa Global de los Precios del Crudo Global Oil and Gas Perspectives

Mark Edmunds, Líder de la Industria de Energía de Deloitte  
en la Región de América.



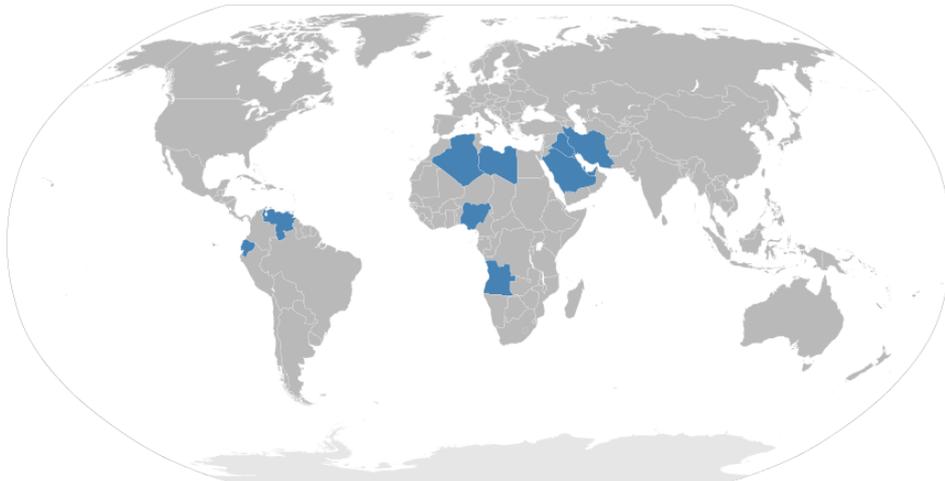
# Supply and Demand

## Economics in one lesson

Weak economic activity, increased energy efficiency, and a growing transition away from oil to other fuel sources has softened global demand for crude oil. Taken at the same time as an increase in global production, led by the U.S., the overall impact to crude oil prices has been significant.

Past	Present	A shift in global O&G fundamentals
<ul style="list-style-type: none"> <li>• Production from the U.S. increased by 30%, from 8.9 mbpd in 2012 to 11.64 mbpd in 2014.</li> <li>• Continuous drop in the growth rate of consumption of oil from China from 2011 to 2014.</li> <li>• Rise in Shale oil production in the U.S. from 2,500 bpd in 2005 to 1.1 mbpd in 2014.</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing prices driving more rigs/production</li> <li>• Producers work more to get more cash, bank debt redetermination in October.</li> <li>• US tight oil production costs appear to be slightly lower than our assumption.</li> <li>• Continued threat of oversupply: Iran sanctions being lifted, Iraq exporting more, US production.</li> <li>• Slowing demand threat: China economy concerns increase.</li> </ul>	<ul style="list-style-type: none"> <li>• The benefits of energy security remain considerable. Although many countries continue to resist the shale revolution on environmental grounds, this stance will change over time if energy shortages become a serious inhibitor to economic growth and independence.</li> <li>• What the price-sensitive consuming nations do to meet their energy needs – and the extent to which their demands can be regionally satisfied – will have a major impact on both global geopolitics and international trade patterns.</li> </ul>

# OPEC: under pressure

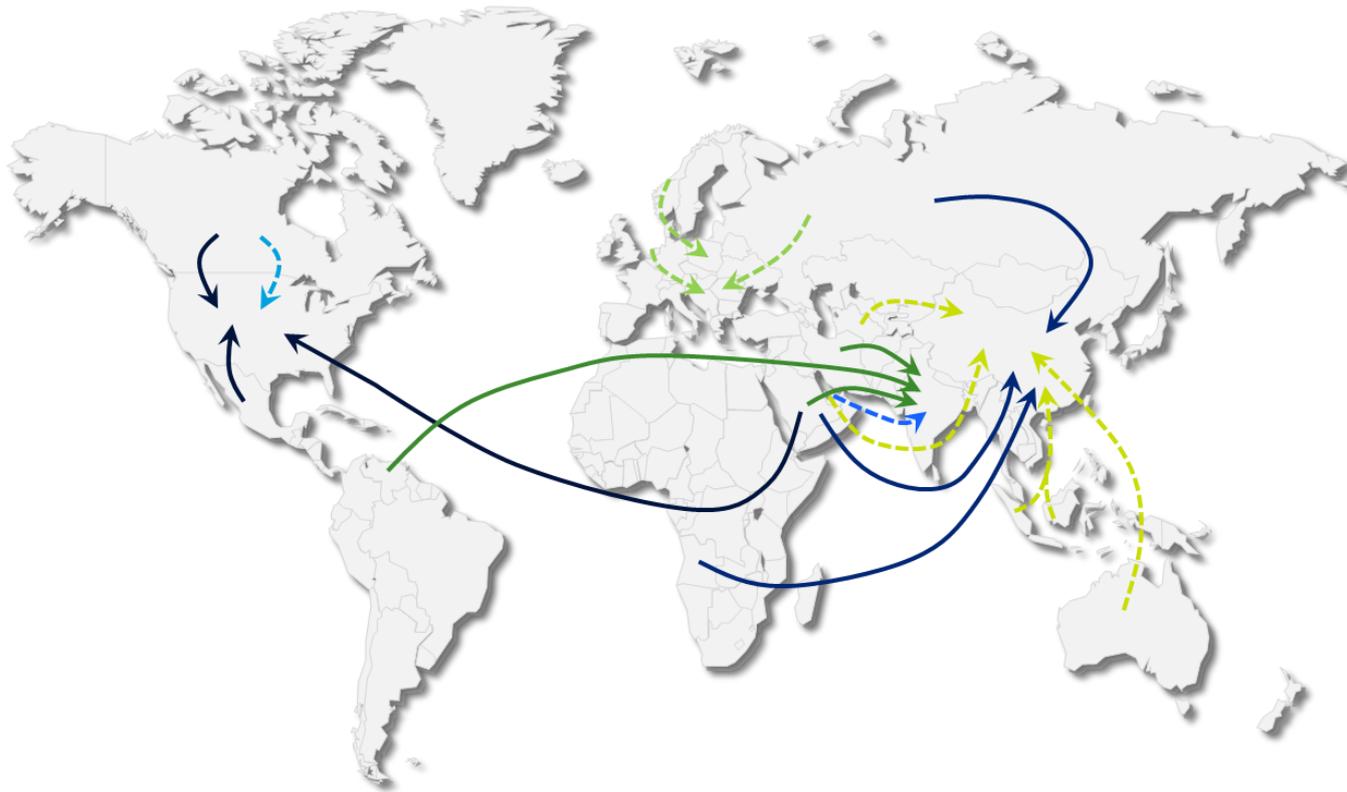


- The divergence between OPEC have and have-not nations may create a splintering of those countries whose breakeven points require higher oil prices than those that currently prevail
- OPEC's power over long-term market movements is waning.
- Yet, the end of one era often signals the start of another: arguably, the GCC states could stand in for OPEC in next years..

Breakeven oil prices



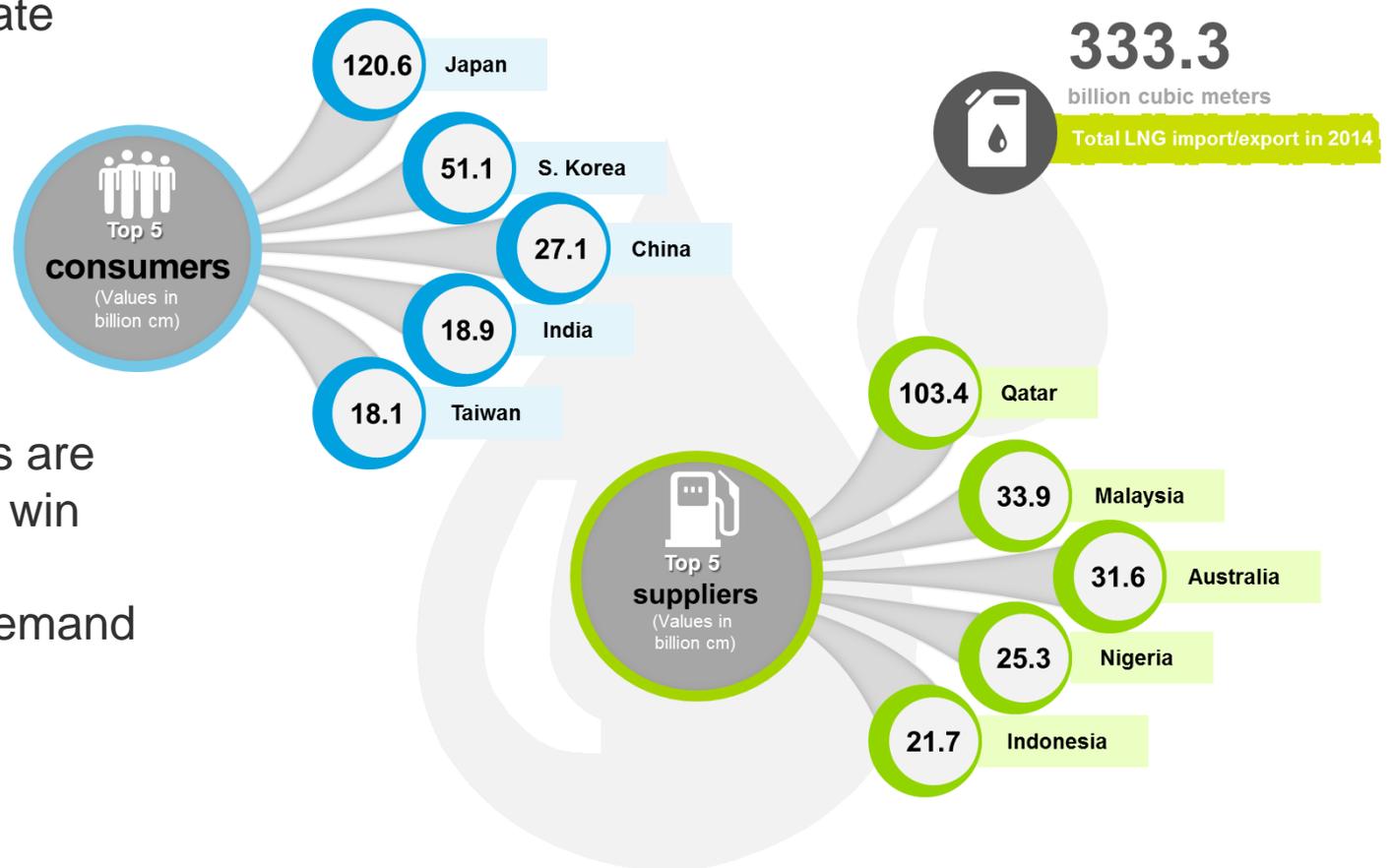
# New trading patterns emerging



- **US-Canada-Mexico:** increasingly a self-sufficient bloc, spurring a move towards a more regional trade
- **Russia-China-India:** should the full potential of this bloc be met, Russian gas could pass through China not only to India but into SEA too
- **OPEC-x:** despite its waning power as a coordinated entity, OPEC nations will remain critical suppliers.

# LNG prices: a buyer's market

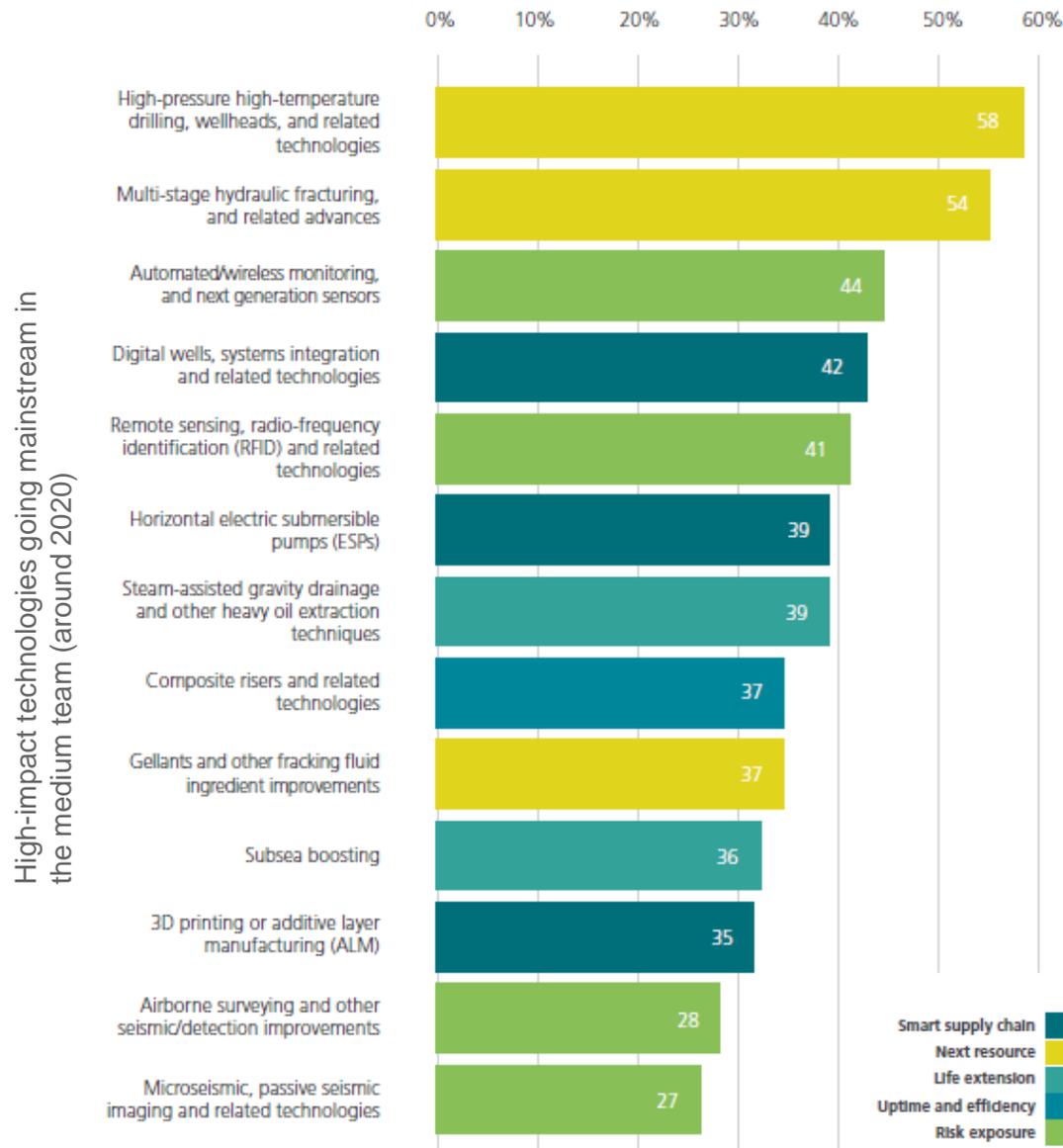
- Until prices stabilize, natural gas will trade in more geographically proximate regions.



- That said, the most cost efficient producers are the ones most likely to win global market share, especially as supply-demand economics kick in.

- Hub-linked pricing, destination flexibility and new tolling models are increasingly shifting market power from sellers to buyers—a trend that will only accelerate if spot-linked pricing contracts become more prevalent

# Investing in innovation: the cost of complexity



## The cost of complexity

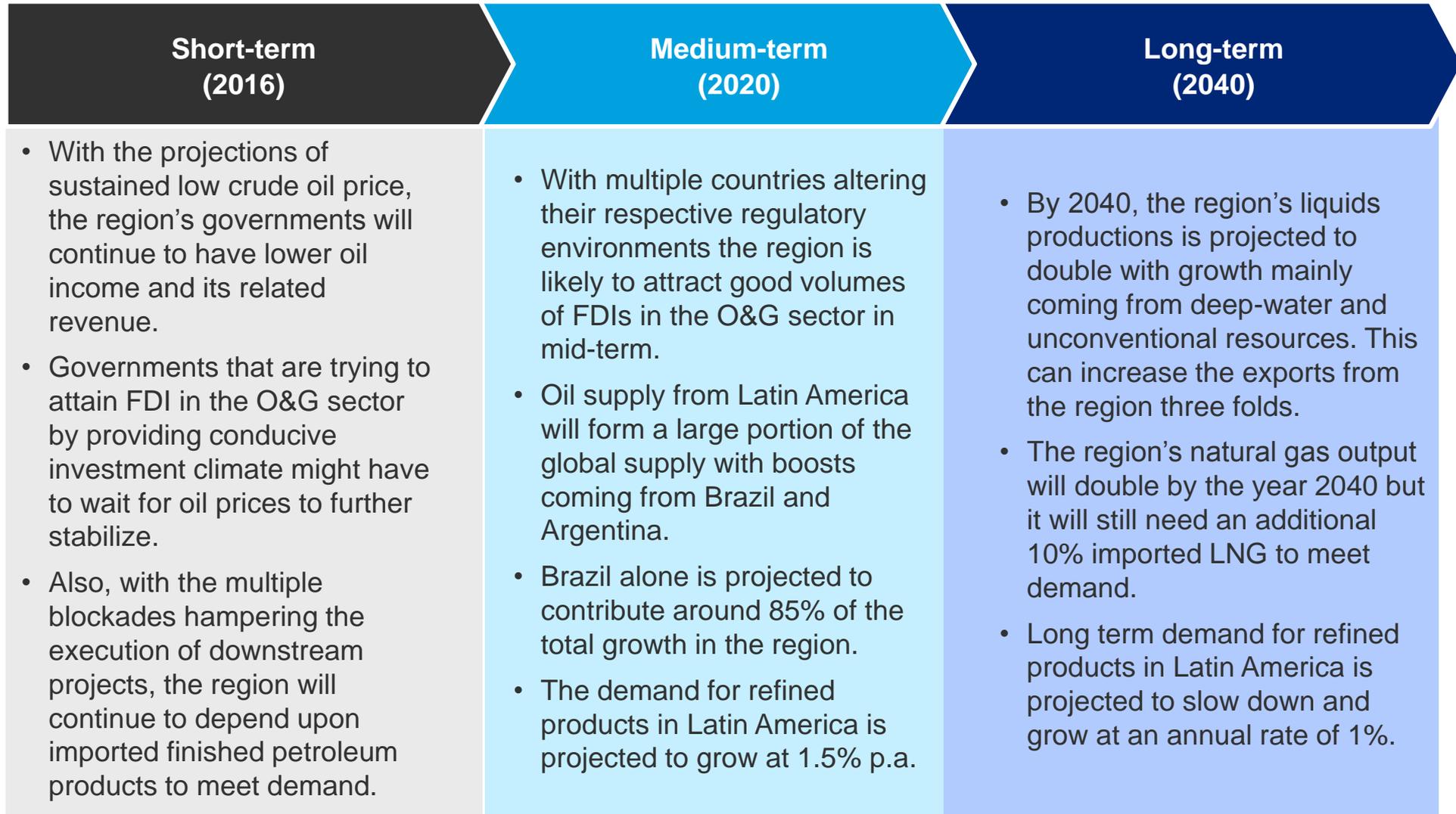
- Global E&P spending reached **\$723.3 billion** in 2014
- 65% of capital projects exceed budgets by at least 25%
- Companies seeking new approaches to project design, development, financing and approval

The current low oil prices environment is a challenge for Latin American economies

# Venezuela, Mexico and Colombia need immediate action to sustain the smooth functioning of their economies; Brazil and Argentina are the short-term gainers from oil price decline



# Latin America's oil and gas sector is projected to grow, driven by world's second largest reserves and favorable government policies





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