



“Coronavirus crisis will erase nearly a decade of oil demand growth this year, IEA says”

CNBC comment on International Energy Agency prediction: 16042020

Energy & Energy Services Update

COVID 19 Continues To Dramatically Impact Oil & Energy Services

16 April 2020



16 April 2020

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“The US Department of Energy is negotiating contracts with nine US oil producers to store a total of 23 million barrels of their produced oil in the Strategic Petroleum Reserve (SPR) to help US oil producers with storage availability amid the huge demand loss in the pandemic, DOE said on Tuesday”

OilPrice.com 14042020

For Australian Producers, Explorers & Oilfield / Energy Service Providers the next 6 Months will be challenging

Actions currently going on in USA & International Oil Markets are a leading indicator for activity

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Energy Services Players Will Come Under Increased Pressure

Balance Sheet & Access To Capital In The Short Term Will Be Critically Important

1 International oil market action “canary in the coal mine” for Australian producers, explorers & energy services players

- Oil demand hit hard & limit on US capacity to store crude oil
- Surplus of 10 million barrels a day or more will result in current capacity being capped out – Department of Energy trying to assist
- Trades in oil futures market overnight saw pricing below US \$20 a barrel
- Question on bankruptcies in the sector and who will make it to the other side if the oil price remains depressed for extended period

2 OPEC production cuts shrugged off by market traders at present

- On 12 April OPEC, Russia & major oil nations agreed to an unprecedented & co-ordinated cut in production
- That cut was approximately **10 million barrels per day**, or a tenth of global supply
- Mexico, which occupied a pivotal role in negotiations, agreed to a final cut of only 100,000 barrels per day – down significantly from an initial allocation of 400,000 per day
- **The move has had no impact on oil price which has continued to decline**
- Daily production currently far exceeds daily consumption

Oil Demand Projected To Fall By Record Amount

Wall Street Journal 16042020

Oil falls below \$20 a barrel after agency projects coronavirus will cause record slump in global demand

Markets Insider 16042020

Oil prices slump as market faces lowest demand in 25 years

The Guardian 16042020

Oil prices fall after US sees record crude storage build

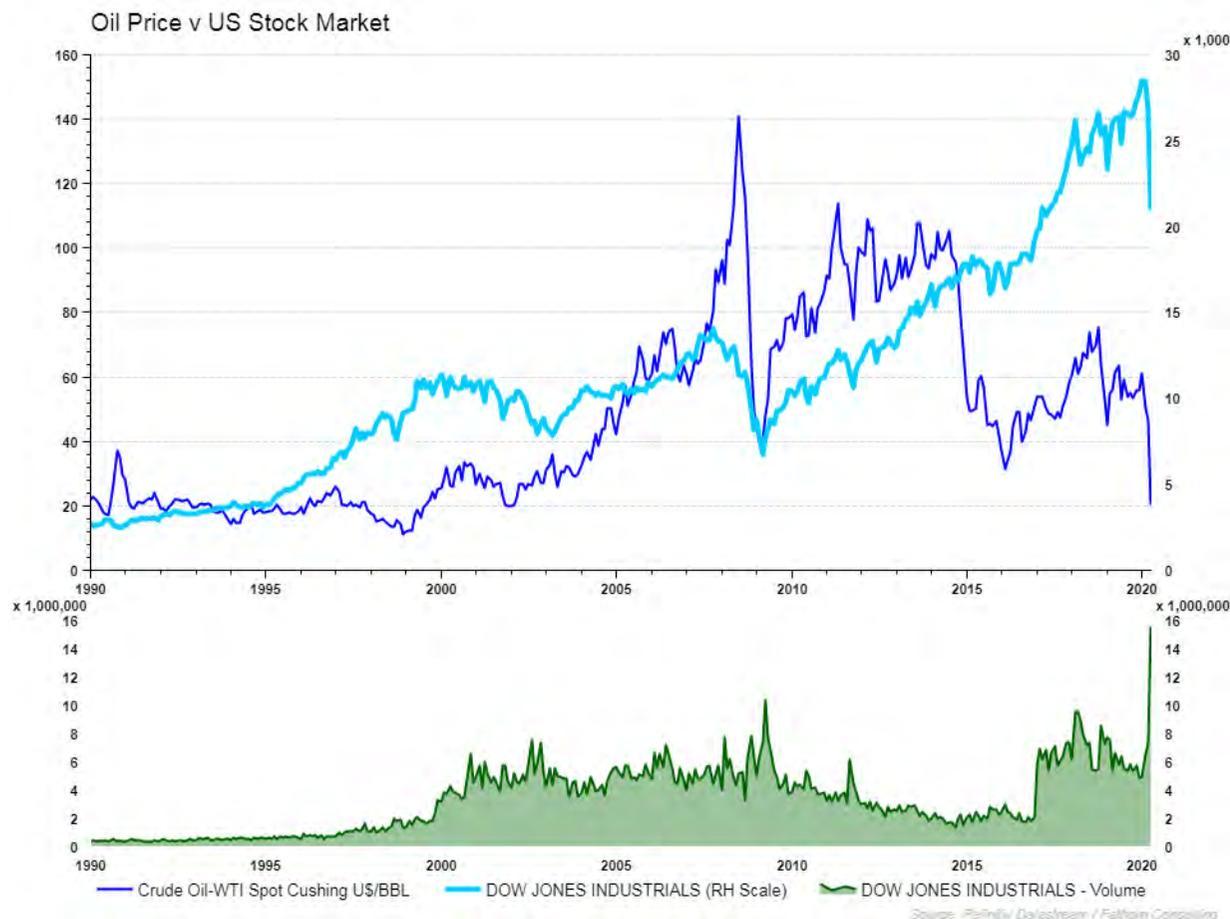
Reuters 16042020

Oil drops to more than 18 year-low on inventory build, supply concerns

Reuters 16042020

Oil Price vs US Stock Market Movement

High correlation between current oil price movements and stock movements



Falls in the oil market dragging on major equity indexes

Question of knock on impact on industry and consumer demand over short and medium terms

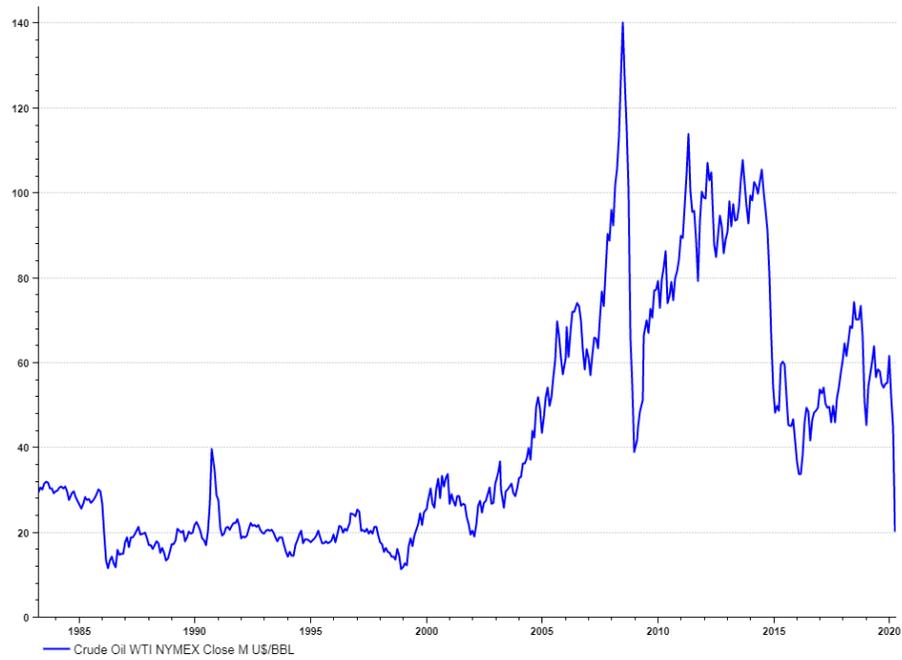
High debt levels amongst many Energy & Energy Service players anticipated to lead to increase in restructurings and bankruptcies

Debt & equity capital costs for sector participants anticipated to increase

Major PE funds with longer term view likely to move opportunistically on technical & resource leaders that have solid operations but poor balance sheets / current cost bases

NYMEX Light Sweet Crude Trading Action

+ One month price trading activity



USA Oil Stockpile Movements

Stockpiles continue to grow raising concerns on current storage capacity being used

Table 4. Stocks of Crude Oil by PAD District, and Stocks of Petroleum Products,¹ U.S. Totals
(Million Barrels)

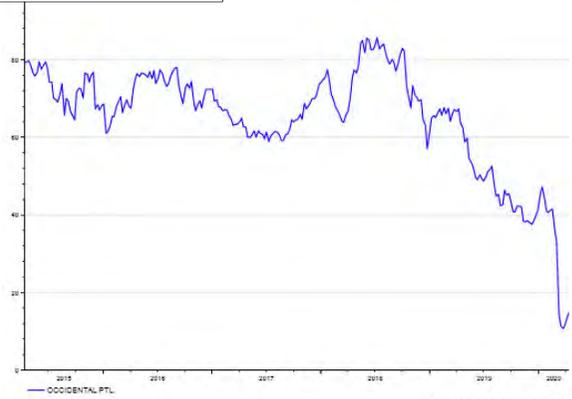
Product / Region	Current Week	Last Week		Year Ago		2 Years Ago	
	4/10/20	4/3/20	Difference	4/12/19	Percent Change	4/13/18 ²	Percent Change ²
Crude Oil	1,138.6	1,119.3	19.2	1,104.3	3.1	1,093.0	4.2
Commercial (Excluding SPR) ³	503.6	484.4	19.2	455.2	10.6	427.6	17.8
East Coast (PADD 1)	11.3	12.0	-0.7	12.4	-9.3	13.5	-16.2
Midwest (PADD 2)	147.4	141.8	5.7	135.3	9.0	121.6	21.2
Cushing ⁴	55.0	49.2	5.7	44.4	23.7	34.9	57.5
Gulf Coast (PADD 3)	263.4	253.1	10.2	233.7	12.7	222.0	18.6
Rocky Mountain (PADD 4)	24.1	22.8	1.3	23.7	1.6	22.7	6.2
West Coast (PADD 5)	57.4	54.7	2.8	50.0	14.8	47.8	20.2
Alaska In-Transit ⁵	5.0	4.8	0.2	3.8	31.6	1.8	184.6
SPR ⁶	635.0	635.0	0.0	649.1	-2.2	665.5	-4.6
Total Motor Gasoline ⁷	262.2	257.3	4.9	228.0	15.0	236.0	11.1
Reformulated	0.1	0.0	0.0	0.0	31.6	0.1	-7.4
Conventional	22.5	21.5	1.0	20.7	8.5	23.1	-2.8
Blending Components ⁷	239.7	235.8	3.9	207.2	15.7	212.8	12.6
Fuel Ethanol ⁷	27.5	27.1	0.4	22.7	21.1	21.3	28.7
Kerosene-Type Jet Fuel	40.2	38.9	1.4	42.4	-5.0	39.1	2.9
Distillate Fuel Oil ⁷	129.0	122.7	6.3	127.7	1.0	125.3	2.9
15 ppm sulfur and Under ⁷	115.2	110.0	5.1	112.2	2.7	110.0	4.8
> 15 ppm to 500 ppm sulfur	4.4	4.1	0.3	3.7	18.7	4.7	-6.3
> 500 ppm sulfur	9.4	8.6	0.9	11.8	-20.0	10.7	-11.8
Residual Fuel Oil	34.6	36.0	-1.4	29.1	19.0	33.4	3.6
Propane/Propylene ⁸	56.8	59.0	-2.2	50.6	12.3	33.3	70.7
Other Oils ⁹	287.7	289.0	-1.3	274.1	4.9	262.4	9.6
Unfinished Oils	95.7	97.7	-2.0	92.7	3.2	93.9	1.9
Total Stocks (Including SPR) ^{4,7,8}	1,976.5	1,954.8	27.2	1,884.9	5.2	1,846.4	7.2
Total Stocks (Excluding SPR) ^{7,8}	1,341.6	1,319.8	27.2	1,235.8	9.1	1,181.0	13.9

Source: US Weekly Production Report. US Energy Infrastructure Administration : <https://www.eia.gov/petroleum/supply/weekly/>

Global Big Oil

All majors have undergone significant share price correction

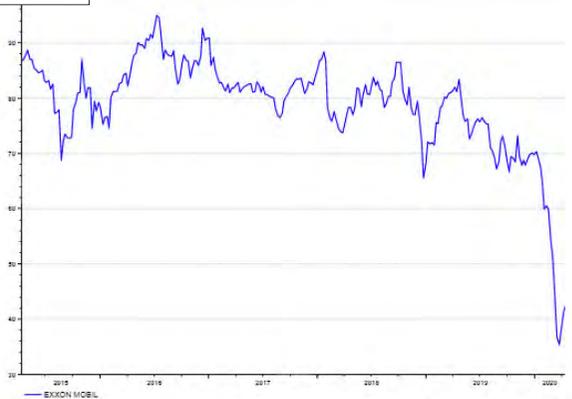
Occidental Petroleum



BP



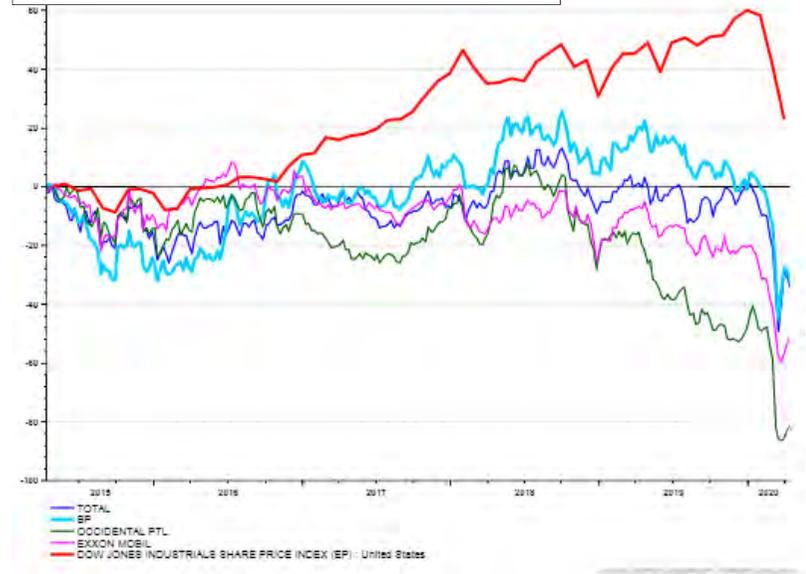
Exxon



Total

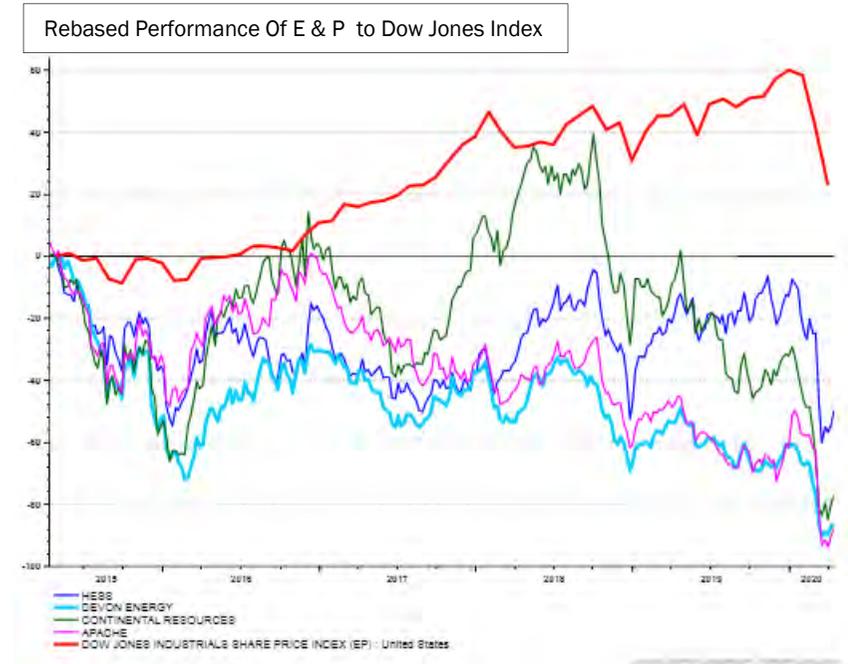
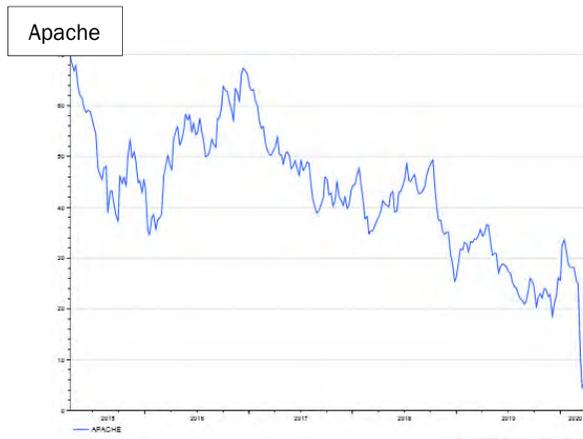
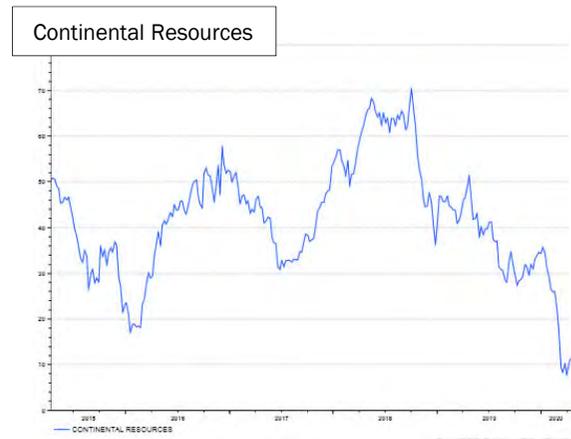
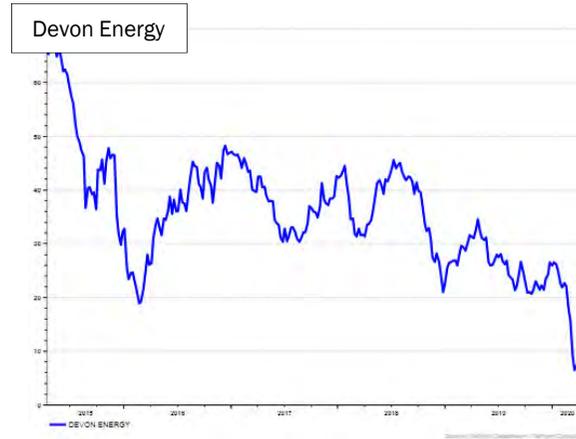
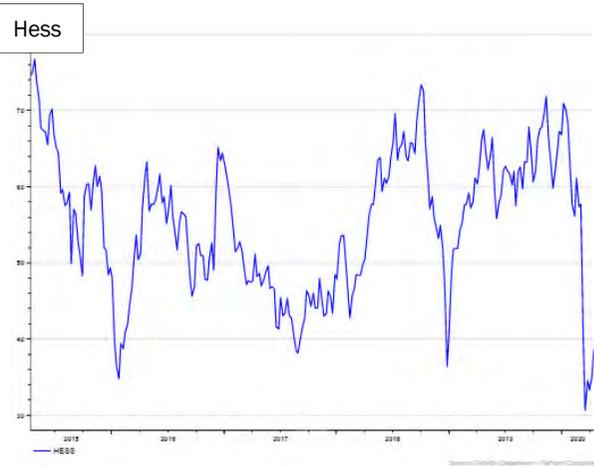


Rebased Performance Of Big Oil to Dow Jones Index



International Exploration & Production

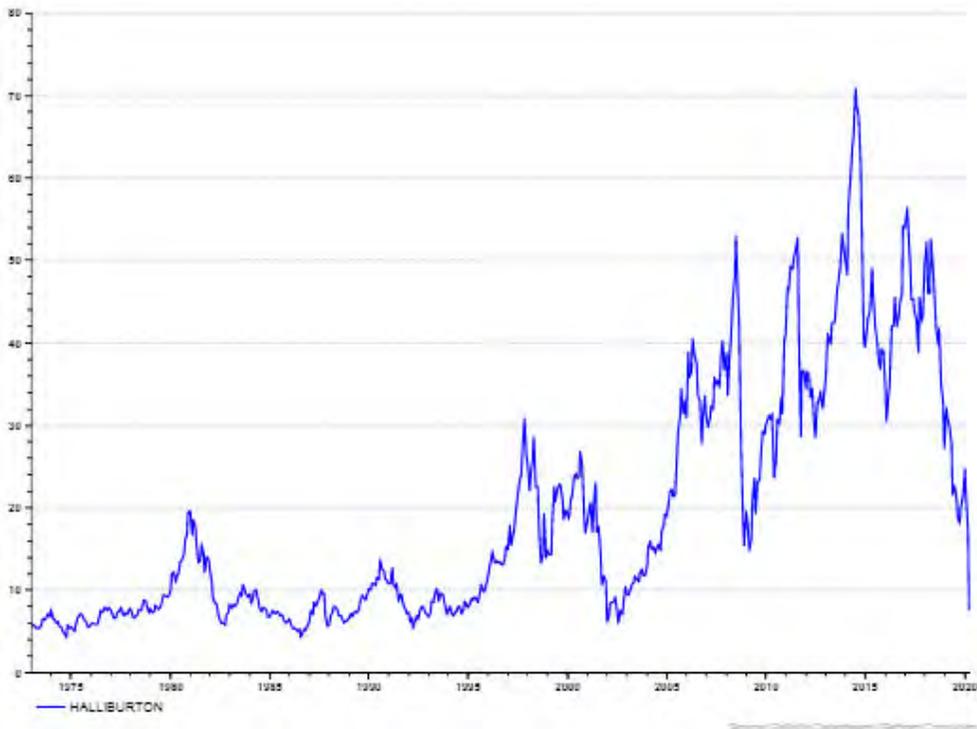
Explorers & junior producers have also been heavily impacted



Oilfield Services Majors - Halliburton

Halliburton approaching **1973** share price level

Halliburton - From IPO



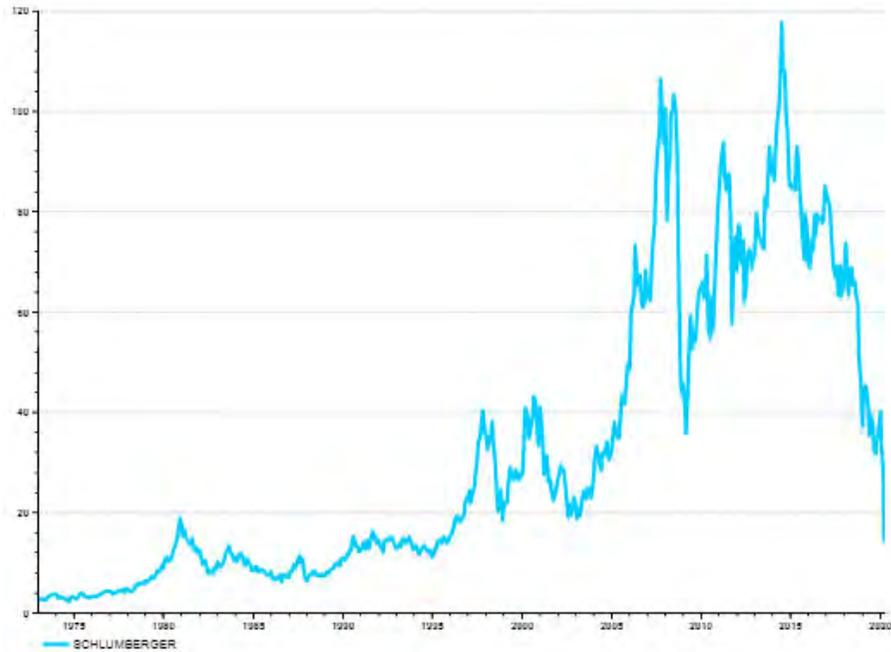
Halliburton - 1 Year



Oilfield Services Majors - Schlumberger

Major correction in share price, again back to **1970s** levels

Schlumberger - From IPO



Schlumberger - 1 Year

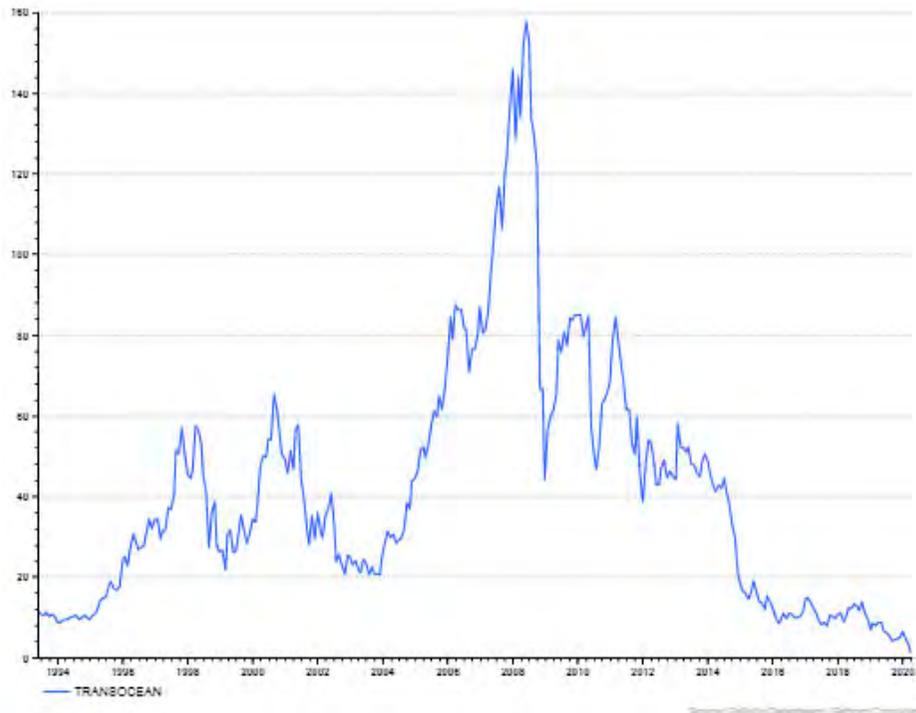


Oilfield Services Majors - Transocean

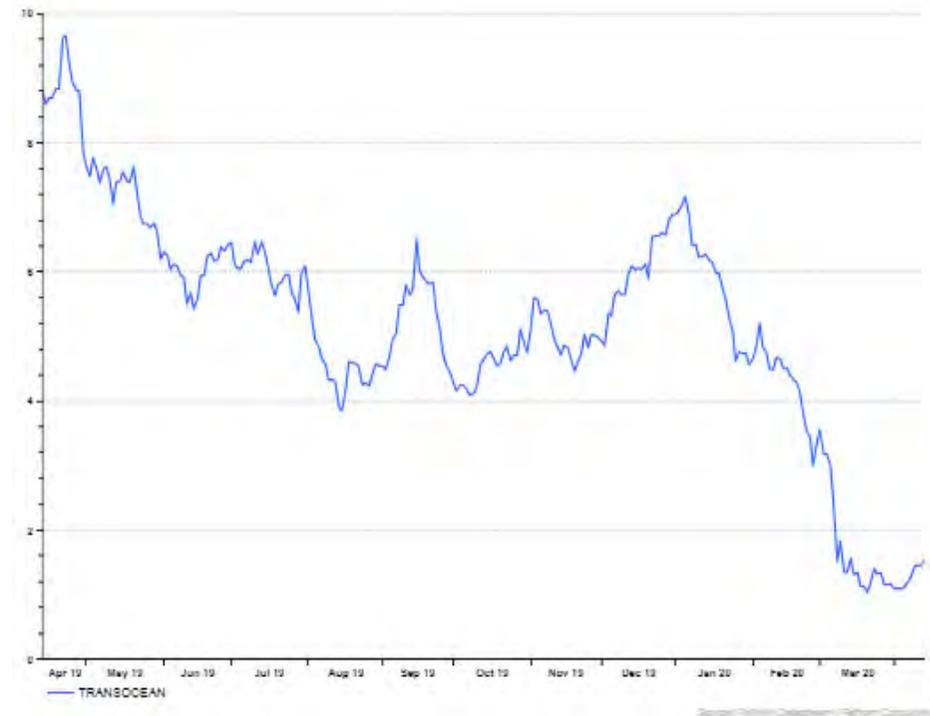
Offshore contract drilling demand anticipated to have significant disruption, with Transocean now trading below **1994** levels

www.deepwater.com

Transocean - From IPO



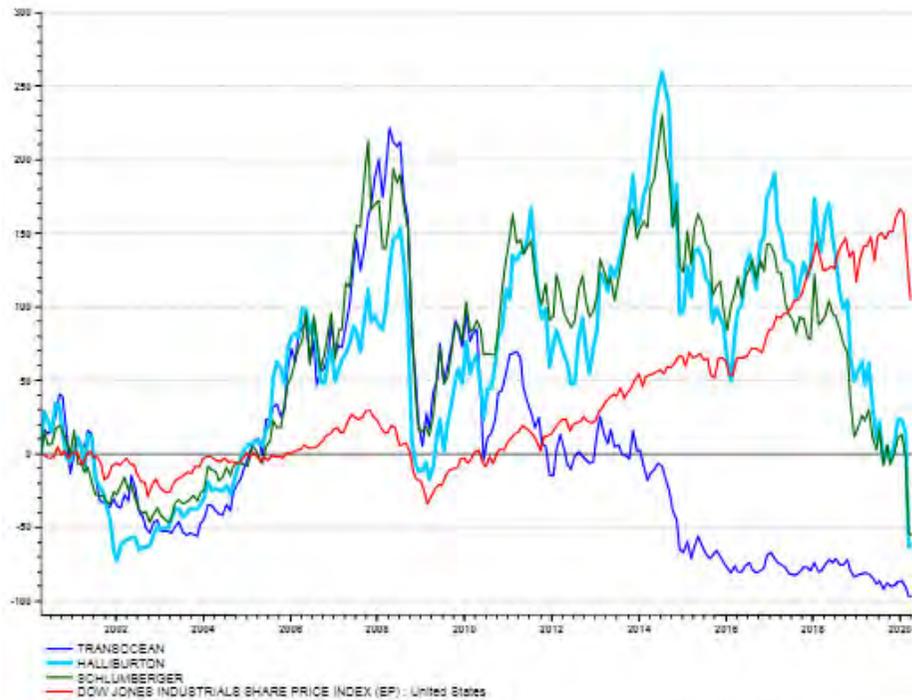
Transocean - 1 Year



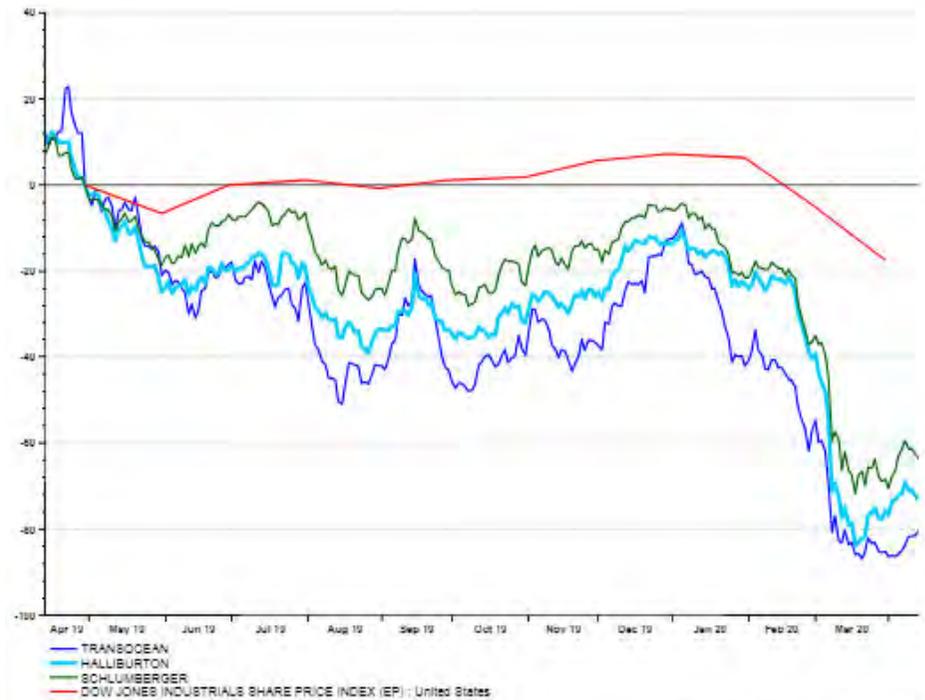
Oilfield Services Majors – Trading Correlation

Transocean has underperformed peers both short & long term

20 Year Observation



1 Year Observation



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