



## The 25<sup>th</sup> Annual Middle East Petroleum & Gas Conference

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#### **Citi Analyst Morse: Oil Markets Will Rebalance**

Citigroup's global head of commodities, Edward Morse, said that oil markets would have rebalanced even if Opec and its non-Opec partners had not intervened to limit crude output.

"There was a record amount of hedging that took place from around the world, including producers that never hedged before like Chinese state-owned companies," he said at the Mideast Gas and Petroleum Conference in Dubai on Monday. "So that locked in a guarantee for the price ahead."

"We're optimistic about a rebalance of the market, but the supply gap should be a concern emerging from 2019 to 2021," Mr Morse said.

Last year, Opec and leading non-Opec producers including Russia, agreed to curb output for six months in response to a persistent global glut and weaker demand.

A resurgence in US shale production, which is seen as the biggest threat to balancing supply and demand, could be supported by falling costs.

"We think that there will be a 40 per cent reduction in overall completion costs with technology gains," Mr Morse said.

However, US shale production declined around 1 million bpd from April to September last year.

Continental Resources, one of the largest independent oil producers in the US, said that there were signs of a recovery.

"It won't take us long to get back to where we were, but we all need to grow in a disciplined manner," said Harold Hamm, chief executive of Continental, adding that even if prices go as low as US\$40 a barrel US shale producers will still receive a decent return. Benchmark Brent crude traded at \$51.75 in mid-afternoon UAE time on Monday.

Mr Hamm said that economics will determine market share moving forward.

"The market has to rebuild from the bottom up, but it will take a lot of discipline on all fronts to correct it and have a supply/demand balance."

Though the supply and demand gap remains off kilter, Gulf countries are looking ahead.

Kuwait Petroleum International chief executive and president, Bakheet Al Rashidi, said that the balance wouldn't happen before 2025, but there would be an adjustment afterwards which could even lead to a deficit. "By 2030, we might see crude oil exceeding \$80 a barrel," he said.