EIA - Short-Term Energy Outlook Highlights

• U.S. crude oil production averaged an estimated 9.4 million barrels per day (b/d) in 2015. It is forecast to average 8.6 million b/d in 2016 and 8.0 million b/d in 2017, which are both 0.1 million b/d lower than forecast in last month's EIA report. EIA estimates that crude oil production in March 2016 averaged 9.0 million b/d, or 90,000 b/d below the February 2016 level.

• Crude Oil Prices - Brent crude oil spot prices increased by $6/b in March to a monthly average of $38/b. Declines in the U.S. rig count and some improvement in global economic indicators contributed to higher oil prices in March. However, market expectations of ongoing growth in global oil inventories contributed to falling prices at the end of March, with Brent prices ending the month below $37/b. With global oil inventory builds expected to average 1.4 million b/d in 2016, oil prices are forecast to remain near current levels. Forecast Brent prices average $35/b in 2016.

• Global oil inventories are expected to grow by 0.4 million b/d in 2017. Lower forecast inventory builds contribute to a moderate price recovery in 2017, with Brent prices forecast to average $41/b. Forecast Brent prices reach an average of $46/b in the fourth quarter of 2017, as the global oil market is expected be relatively balanced late in 2017, with the potential for significant inventory draws beyond the forecast period.

• WTI futures contracts for July 2016 delivery that were traded during the five-day period ending April 7 averaged $39/b. Because WTI crude oil prices are projected to remain below $40/b through the first half of 2017, EIA expects oil production to decline in most Lower 48 onshore oil production regions. The expectation of reduced cash flows in 2016 and 2017 has prompted many companies to scale back investment programs, deferring major new undertakings until a sustained price recovery occurs. The prospect of higher interest rates and tighter lending conditions will likely limit the availability of capital for many smaller producers, giving rise to distressed asset sales and consolidation of acreage holdings by more financially sound firms.

• Lower onshore investment is expected to reduce the count of oil-directed rigs and well completions in 2016 and 2017. Projected low oil prices throughout the forecast period are expected to limit onshore drilling activity and well completions, despite continued increases in rig and well productivity and falling drilling and completion costs. Rig counts reported by Baker Hughes continue to decline, with the average number of total rigs in operation during March at less than 450, down from more than 600 in January. The decline in rig counts continues to reduce EIA's forecast of future drilling and production throughout the forecast period.

• EIA expects U.S. crude oil production to decline from 9.1 million b/d in the first quarter of 2016 to an average of 7.9 million b/d in the third quarter of 2017. Production of 7.9 million b/d would be 1.8 million b/d below the April 2015 level, which was the highest monthly production since April 1971. Production is expected to begin increasing modestly in the fourth quarter of 2017, reflecting productivity improvements, lower breakeven costs, and anticipated oil price increases. The forecast remains sensitive to actual wellhead prices and rapidly changing drilling economics that vary across regions and operators.