

EIA - U.S. Crude Decline Expected in 2016

The **Energy Information Administration** (EIA), a statistical and analytical agency within the U.S. Department of Energy, has released its February 2016 Short Term Energy Outlook Report. Some highlights contained in the report include:

- U.S. crude oil production averaged an estimated 9.4 million b/d in 2015, and it is forecast to average 8.7 million b/d in 2016 and 8.5 million b/d in 2017. EIA estimates that crude oil production in January was 70,000 b/d below the December level, which was 9.2 million b/d.
- EIA expects U.S. crude oil production to decline from 9.1 million b/d in January 2016, falling below 8.5 million b/d on average in the third quarter of 2016. Production is forecast to stay near 8.5 million b/d for most of 2017, with the exception of the third quarter, when the forecast includes some hurricane-related disruptions in the Gulf of Mexico. Production of 8.5 million b/d would be 1.2 million b/d below the April 2015 level, which was the highest monthly production since April 1971. Although total U.S. crude oil production is expected to level off in late 2016, onshore Lower 48 production is expected to continue falling into the third quarter of 2017.
- EIA estimates that marketed natural gas production averaged 79.1 Bcf/d in 2015, an increase of 4.2 Bcf/d (5.7%) from 2014. EIA projects growth will slow to 0.7% in 2016, as low natural gas prices and declining rig activity begin to affect production. In 2017, however, forecast production growth increases to 2.0%, as forecast prices rise, industrial demand grows, and liquefied natural gas (LNG) exports increase. Production of dry natural gas is forecast to grow by 0.4% in 2016 and by 2.0% in 2017.
- Natural gas working inventories were 2,934 billion cubic feet (Bcf) on January 29, 20% higher than during the same week last year and 18% higher than the previous five-year average (2011-15) for that week. EIA forecasts that inventories will end the winter heating season (March 31) at 2,096 Bcf, which would be 41% above the level at the same time last year. Henry Hub spot prices are forecast to average \$2.64/million British thermal units (MMBtu) in 2016 and \$3.22/MMBtu in 2017, compared with an average of \$2.63/MMBtu in 2015.
- OPEC crude oil production averaged 31.6 million b/d in 2015, an increase of 0.8 million b/d from 2014, led by rising production in Iraq and Saudi Arabia. Forecast OPEC crude oil production increases by 0.7 million b/d in 2016 and by 0.6 million b/d in 2017, with Iran accounting for most of the increase. EIA estimates that global oil inventories increased by 1.8 million b/d in 2015, marking the second consecutive year of strong inventory builds. Persistent oversupply has contributed to oil prices dropping further in January and reaching the lowest monthly average level since the end of 2003. Global oil inventories are forecast to increase by an annual average of 1.0 million b/d in 2016 and by an additional 0.3 million b/d in 2017.
- EIA estimates that global consumption of petroleum and other liquid fuels grew by 1.4 million b/d in 2015, averaging 93.8 million b/d. EIA expects global consumption of petroleum and other liquid fuels to continue to grow by 1.2 million b/d in 2016 and by 1.5 million b/d in 2017.
- EIA expects that the share of total generation fueled by natural gas in 2016 will average 32.3%, while coal supplies 33.3% of generation, which is similar to their shares in 2015. The projected generation share for natural gas falls to 31.5% in 2017, and coal's share remains unchanged, as generation from renewable energy sources increases.