Key Geopolitical Influences on Global Oil Markets
Who We Are

- Stratas Advisors is a global consulting and advisory firm that covers the full spectrum of the energy sector and closely linked industries.

- The world’s leading businesses, governments and institutions turn to us for data, analysis and insight (IOCs, NOCs, independents, energy consumers and financial entities).

- We help our clients achieve tangible results through informed strategic decision-making and implementation planning.

- Key differentiators include:
  - Global coverage with deep local knowledge.
  - Integrated analysis across the entire energy value chain, including macro-level analysis (geopolitics, macro-economics, policies and regulations).

- Our research and consulting staff comprises some 60 professionals located on the ground in key global energy market centers.

- Combined, our team brings over 500 years of combined energy industry expertise, including:
  - Technical (Petroleum Engineers, Geologists, Process Engineers)
  - Economists
  - Political Scientists
  - Financial Analysts.

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Dedicated Teams for Each Segment

Strategic insights across the energy value chain

**Upstream**
Drill down with a ground-level look at the fields, wells and companies involved in E&P.

**Midstream**
Move confidently in new frontiers that are being shaped by changing supply/demand dynamics coupled with investments in pipeline, rail and ship logistics.

**Downstream**
Thrive in an environment where crude oil supply dynamics and product demand trends are structurally evolving.

**Fuel & Transport**
Accelerate innovation with a comprehensive understanding of policies pertaining to petroleum-based fuels, biofuels and other alternative fuels.
Executive Suite Services
The Executive Dialogue

Presented exclusively for high-level leaders, these regular dispatches from inside the D.C. Beltway give the straight story. They connect the dots between energy, policy and politics, helping you understand how current affairs directly impacts your business and bottom line.

Our executive clients looked to us for insights about the most pressing issues impacting the energy industry. We responded with research and intelligence to help you define solutions at a national, regional and international levels. Our analysts give the knowledge of Hill insiders:

- **Foresight**: Identify challenges and opportunities to adjust strategy
- **Confidence**: Define national and international developments that are significant to your bottom line
- **Expertise**: Consult with our experts as premier partners

What You Get

- Thought leadership from objective experts who don't have a hidden agenda
- In-depth regular reports on topics such as the outlook for costly new environmental regulations, the impact of Middle East turmoil on oil exports, the political directions affecting the oil & gas industries, and the leading environmental concerns like climate change
- Updates in response to current events, such as political campaign announcements, executive branch decisions, and trade agreement decisions
- Access to our Washington-based analysts, and the opportunity to tell us exactly what issues you view as important to your business
- One-on-one briefings to provide additional insights on policy matters, regulatory and government affairs
Macroeconomic Outlook

Discover which developed and emerging economies will have the biggest impact on future energy demand and prices. We merge supply-side and demand-side factors to determine the outlook for growth in the oil & gas industry in the coming quarter and over longer time lines.

Our data-driven analysis deciphers economic signposts from a variety of sources and projects future trends, weighing leading indicators such as GDP, productivity, trade, outputs and demographics.

What You Get

• Regular qualitative outlooks covering the forward-looking three-to 12-month period
• Forecast of quantitative economic growth over the next year and key indicators influencing growth
• Ongoing assessments that scrutinize new economic data and the implications of other economic events impacting market conditions in covered countries
• Global map showing current GDP and our trend forecast
• Charts illustrating economic factors, risk premiums on bond rates, PMIs and collective data for emerging and developed markets
• Unique viewpoints incorporating important indicators focused on the energy, oil and natural gas markets
Global Energy Scenarios

The ultimate game of “what if” for the energy industry. We’ll put together a reference scenario about a big-picture issue, examining its key drivers and uncertainties across a 20-year time frame. Then we’ll provide alternative scenarios to show you how all the variables interact with each other. We’ll identify key signposts to look for in coming years and quantify each scenario in terms of supply and demand as well as price forecasts for oil, natural gas, coal and renewables.

In developing each scenario, we examine factors such as trade agreements, climate change policies, national elections, macro-economics, geopolitical conditions and the dynamics between demand and global supply. We also explore potential implications from energy-producer and energy-consumer perspectives.

What You Get

Our analysis presents a most-likely situation as a reference, along with two or three alternative scenarios. The uncertainties and possible outcomes for crude oil supply and demand are explored over three time lines:

- Short-term Outlook (to 2020)
- Mid-term Outlook (2020-2028)
- Long-range Potential (2028-2035)

This service also includes:

- Interactive charts showing supply, demand, pricing and balances, and illustrating comparisons between scenarios
- Maps of product trade flows in each scenario
Geopolitical Risk Outlook

Dive deeply into national, regional and global affairs and gain critical market intelligence on the risk factors that threaten crude oil supplies and influence future oil prices.

The Geopolitical Risk Outlook is more than just a retelling of current events. We blend qualitative and quantitative analysis to explore the interrelated financial, economic, security, political, and policy issues that are affecting—or are likely to affect—crude oil exports from countries vital to the global economy.

We evaluate the gravity of these issues in several of the highest-risk oil-exporting countries, then tie it all together with a global perspective.

What You Get

- Short-term quantitative and qualitative risk forecasts for several key oil-exporting countries threatened by significant instability. A sampling of recent assessments includes Iran, Iraq, Saudi Arabia, Libya, Russia, Venezuela and Nigeria.
- Quarterly forecast updates
- A quantitative risk assessment indicating the significance of these countries to global crude oil supplies
- Maps of infrastructure at risk due to security-related events
Key Geopolitical Influences on Global Oil Markets
Saudi Arabia—Force for Stability or Instability?

• Vision 2030
  
  • Expansion of private sector and rationalization of public sector critical but could generate internal tensions rather than alleviate them depending on implementation
  
• Proxy conflict with Iran heating up
  
  • Yemen, Iraq, Syria, Lebanon
  • Reports of Saudi-sponsored militancy with Iranian territory
  
• 28 pages raise more questions than answers
  
  • Statements from U.S. and Saudi leaders clearing Saudi government of culpability not entirely convincing
Iraq—Revolution on the Horizon

- Dysfunctional government in Baghdad may undermine counterinsurgency progress
- Consequences for Basra and Erbil
- Potential consequences for Iran-Saudi relations
Iran—Nuclear Agreement Stability in Doubt

• Bitterness over stalling of peace dividends from nuclear agreement could lead to hardliner retrenchment in 2017

• Conflicting worldviews and interests with Saudi Arabia and the US

• Khamenei’s Israel fixation

• US presidential election impact
Nigeria—Buhari Needs Time

- plus a communications and development plan

- Niger Delta Avengers’ motives suspect
  - Blowing up pipelines dubious way of protesting environmental damage
  - Could anti-corruption crackdown be cause of militancy and environmental problems pretext for it?

- NDA appears to be suspicious of Buhari’s intentions

- Miscommunications and misperceptions?
Venezuela—On the Brink

• Maduro’s incompetence, paranoia and cynicism seems to know no bounds

• Foreign borrowing: necessary measure or digging a deeper hole?

• Channeling Venezuelans down the revolutionary road
Global Perspective on Crude Supply & Consumption

<table>
<thead>
<tr>
<th>Crude Source</th>
<th>Amount (Mbd)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Global Supply</td>
<td>96.2</td>
</tr>
<tr>
<td>OPEC Production</td>
<td>32.5</td>
</tr>
<tr>
<td>Non-OPEC Production</td>
<td>56.6</td>
</tr>
<tr>
<td>OPEC Capacity</td>
<td>34.1</td>
</tr>
<tr>
<td>OPEC Surplus Capacity</td>
<td>1.5</td>
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<tr>
<td>U.S. Production</td>
<td>8.8</td>
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<tr>
<td>Global Consumption</td>
<td>95.3</td>
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<tr>
<td>OECD Consumption</td>
<td>46.4</td>
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<tr>
<td>Non-OECD Consumption</td>
<td>48.9</td>
</tr>
<tr>
<td>Maximum at Risk Barrels</td>
<td>5.6</td>
</tr>
</tbody>
</table>

- Non-OECD has surpassed OECD in consumption
- Demand depends on assumptions on GDP vs. consumer fuel price
- Stratas sees inventory builds around 0.8 Mbd in 2016
- Flash-points uncertainty at any time
Stratas Advisors Short-Term View

• Global demand/consumption higher than expected
• Non-OPEC production down (1 Mbbd) – 60% attributed to U.S. shale decline, but also China
• OPEC production increase overall 850 Mbd led by Iraq and Iran
• OPEC production countered by reductions in Nigeria and Venezuela
• Crude price influence
  • Price range $45 to $55 bbl over next 18 months – spurring more U.S. drilling activity into 2017
  • Decline trend slowing by end of next year – we forecast U.S. production will show next net increase
  • Stronger dollar could limit U.S. rebound (marginal areas)
• Major shift in fundamentals unlikely in short-term
Stratas Advisors, a Hart Energy company, is a global consulting and advisory firm that covers the full spectrum of the energy sector and related industries. We can help you develop a deeper understanding of the developments that are shaping the future of oil & gas. Our support includes customized consulting that is focused on a client’s specific strategic objectives, competitive challenges and asset base. Additionally, we offer support through subscription services and comprehensive market studies.