

Fuel Markets

What's Behind & What's Ahead

Andy Milton

SVP, Supply

Mansfield Energy

The logo for DEXPO is displayed in white, bold, sans-serif capital letters. The letters 'D', 'E', and 'X' are stacked vertically on the left, while 'P', 'O', and 'E' are stacked vertically on the right. The background of the right side of the slide features a dark, textured pattern of overlapping circles, resembling a mesh or a scale.

Today We'll Cover...



Historical Recap



Global Market



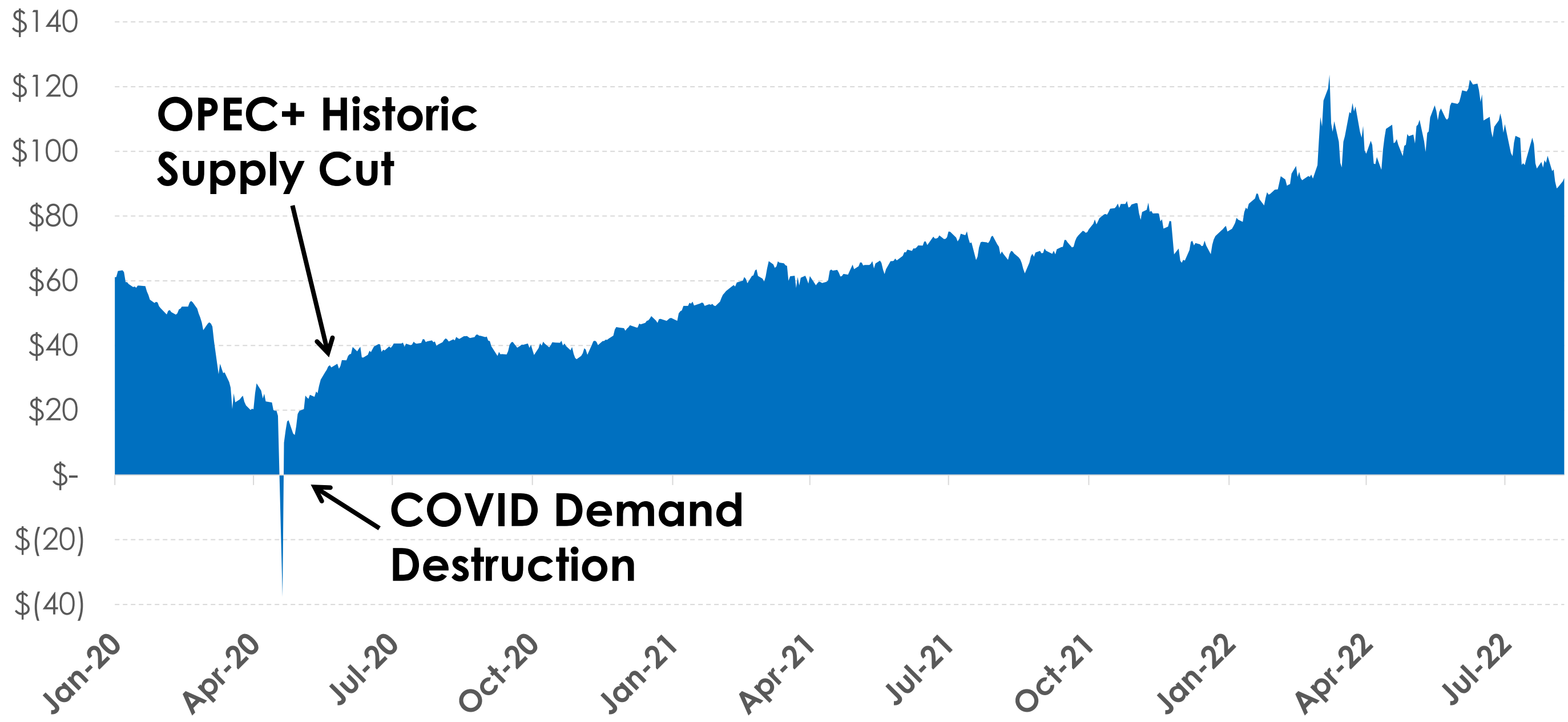
Domestic Factors



Summary – Look Forward

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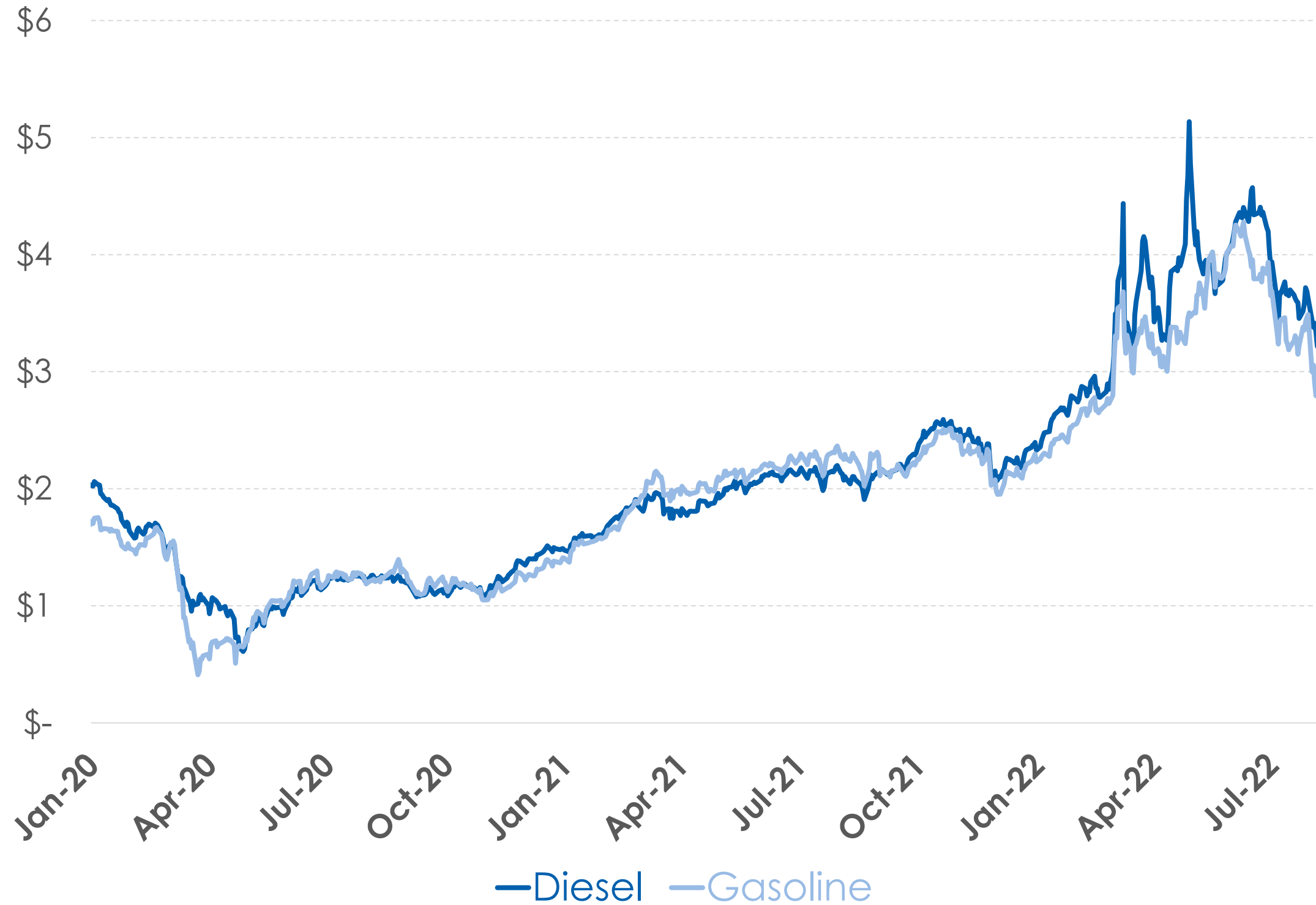
Three Years of Oil Market Volatility



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Fuel Market Volatility

Fuel Prices - 5-Yr Range



Texas Deep Freeze

Colonial Pipeline Cyberattack

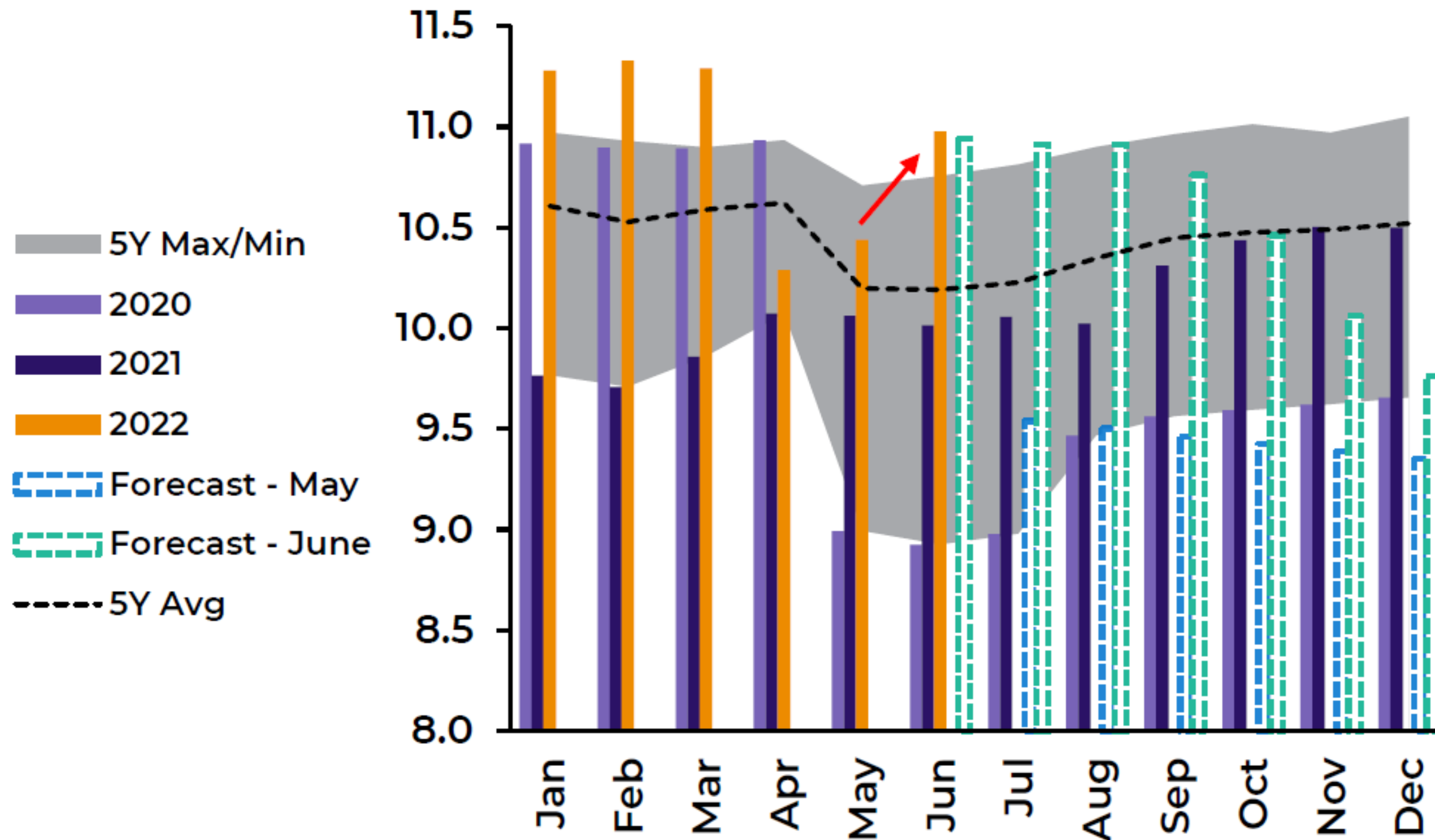
Russian Invasion of Ukraine

Historic Inflation

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Russian Production Is Running Above 2021 Rates

Liquids Production (Russia, M bpd)

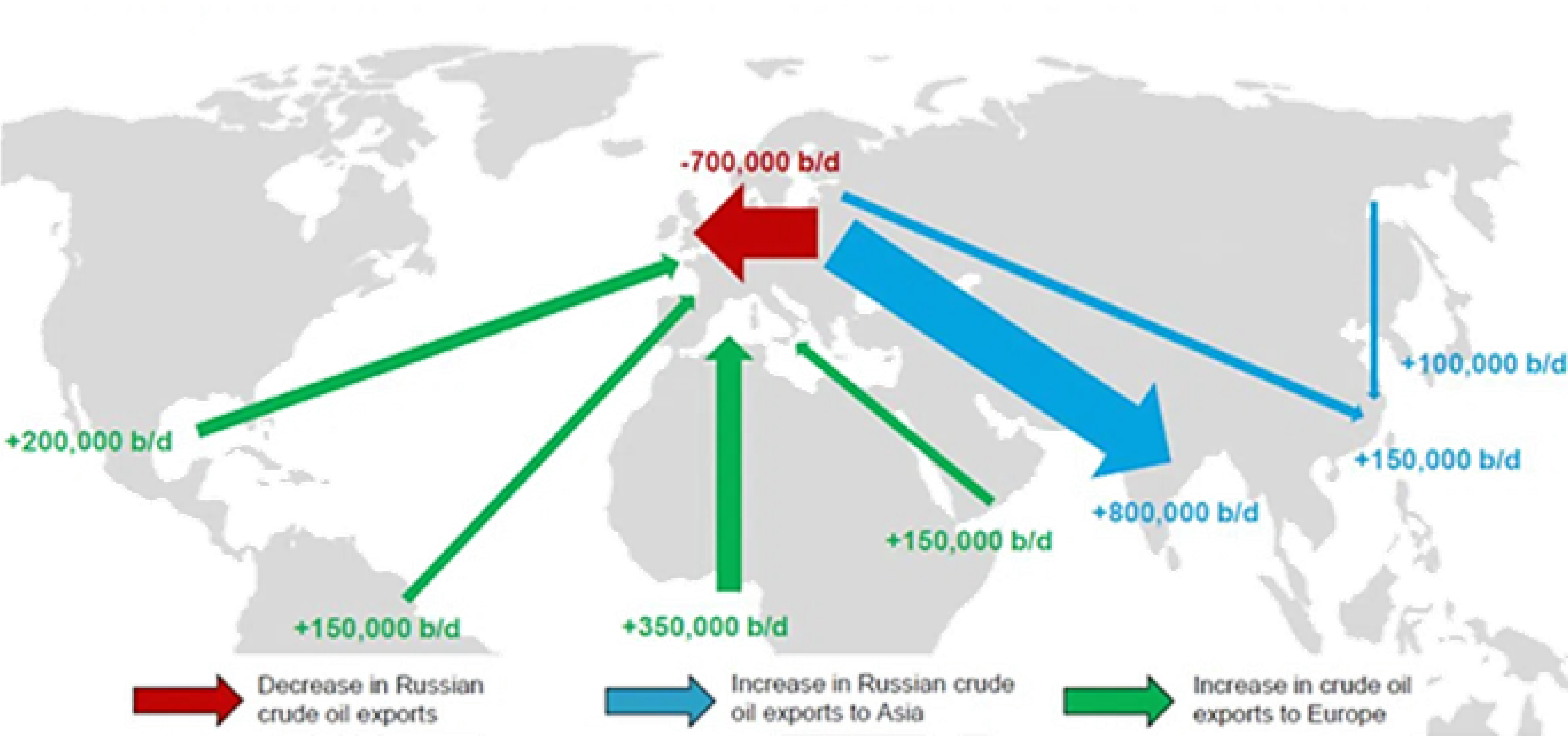


Source: HEDGEPoint

Source: Refinitiv

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Sanctions Have Shifted Maritime Oil Flows



Compares average seaborne crude oil flows in three months prior to invasion versus three months after (Chart: Teekay Tankers earnings presentation based on data from Kpler)

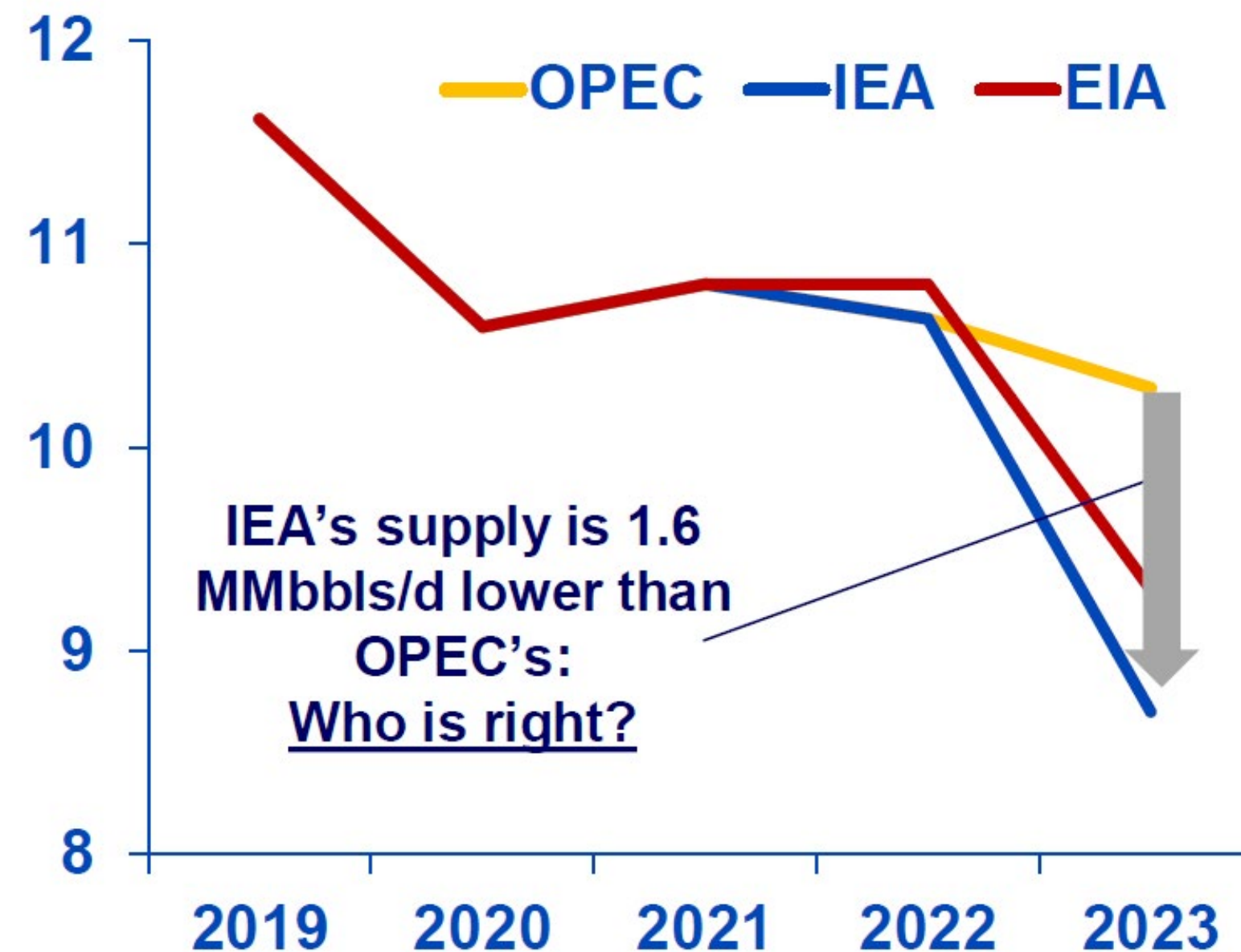
Source: Teekay Tankers

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What Will
Happen to
Russian Supply
Next Year?

Russian Oil Supply

MMbbls/d

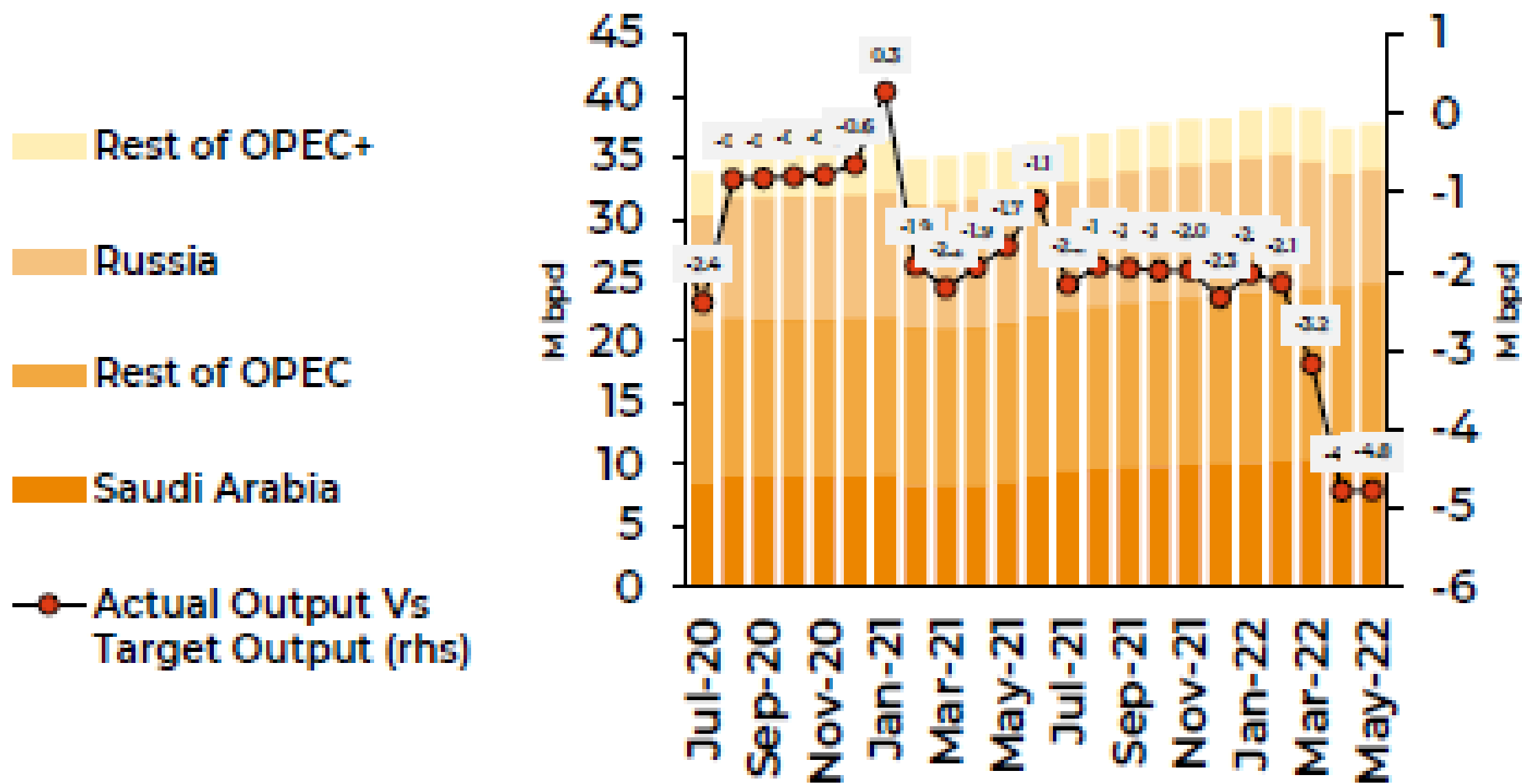


Source:

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OPEC unable to keep up with rising quotas, much less global demand

OPEC+ Actual Output (lhs) Vs Target Output (rhs)



Source: OPEC, Bloomberg, Refinitiv, Platts

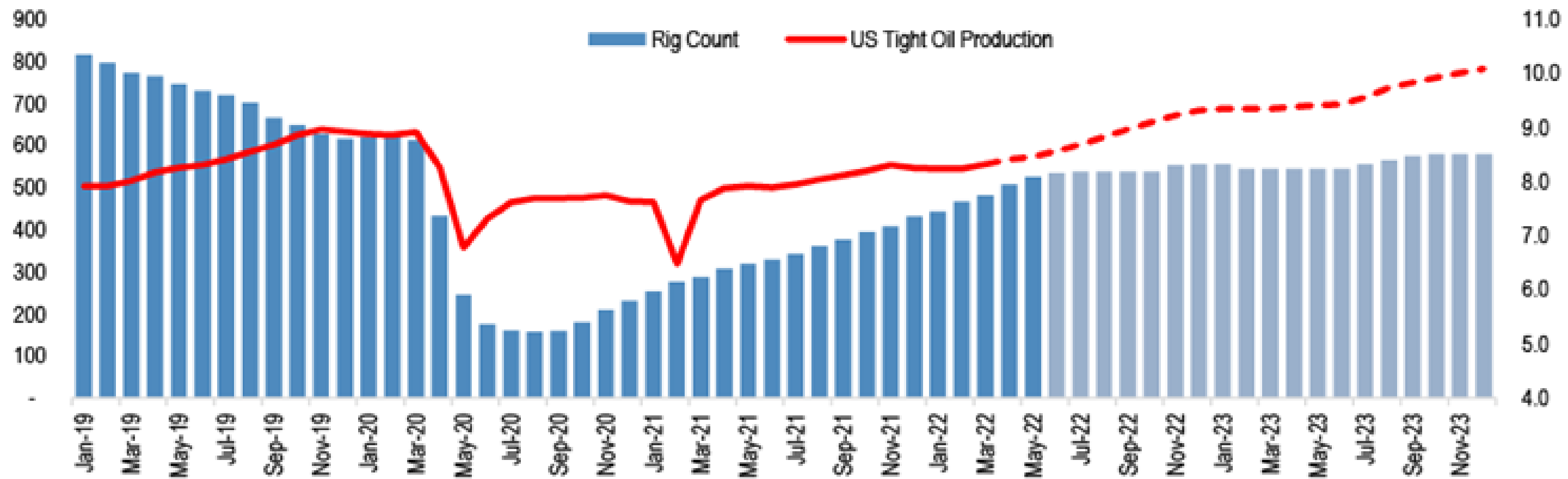
Source: HEDGEPoint

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US Is the Swing Producer

Figure 1: Rig count and production outlook in the major US tight oil basins

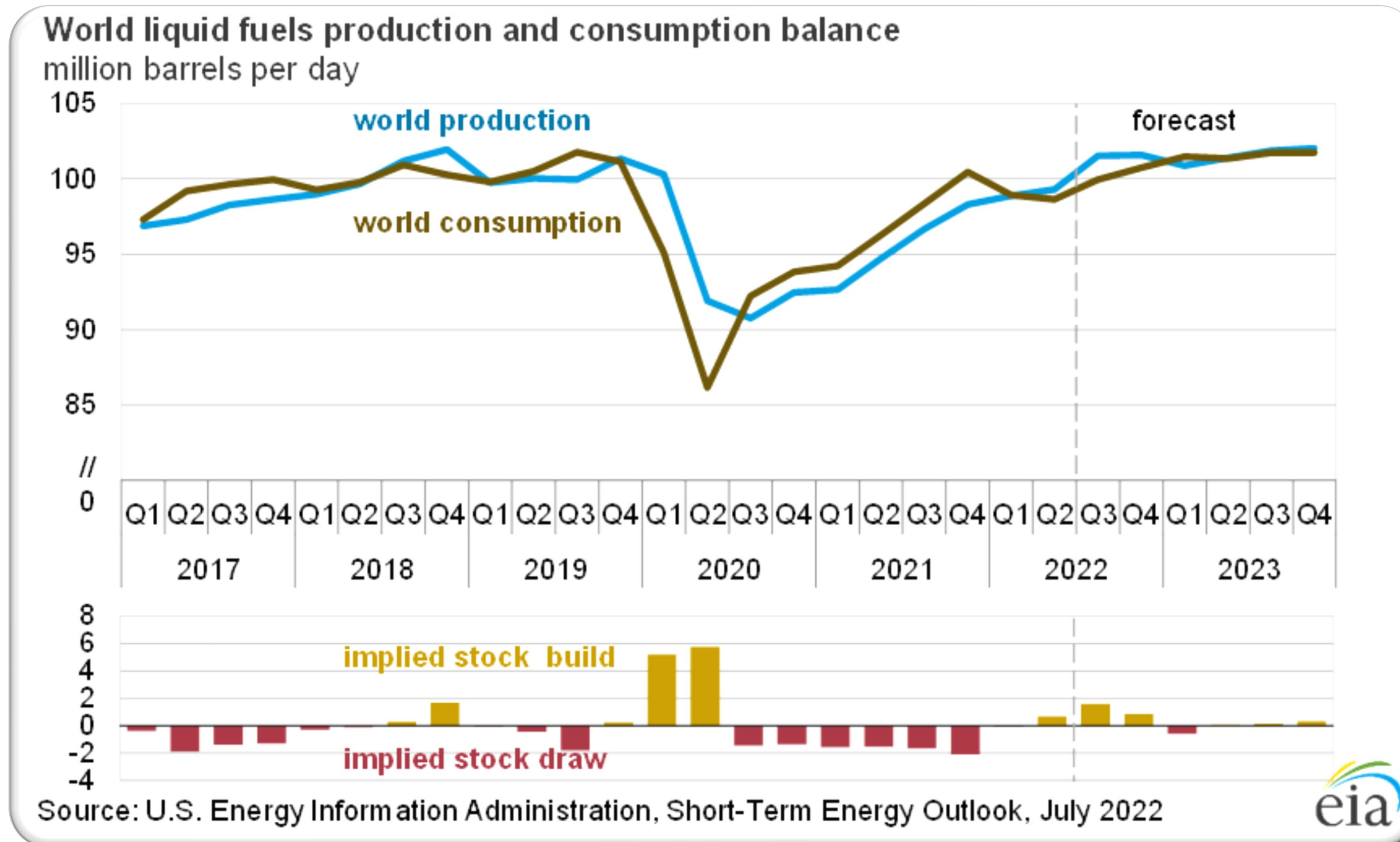
LHS: Rig count; RHS: mbd



Source: Baker Hughes, Rystad, J.P. Morgan Commodities Research

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Global Supply & Demand Balance



EIA, IEA, and OPEC all project higher demand in 2023.

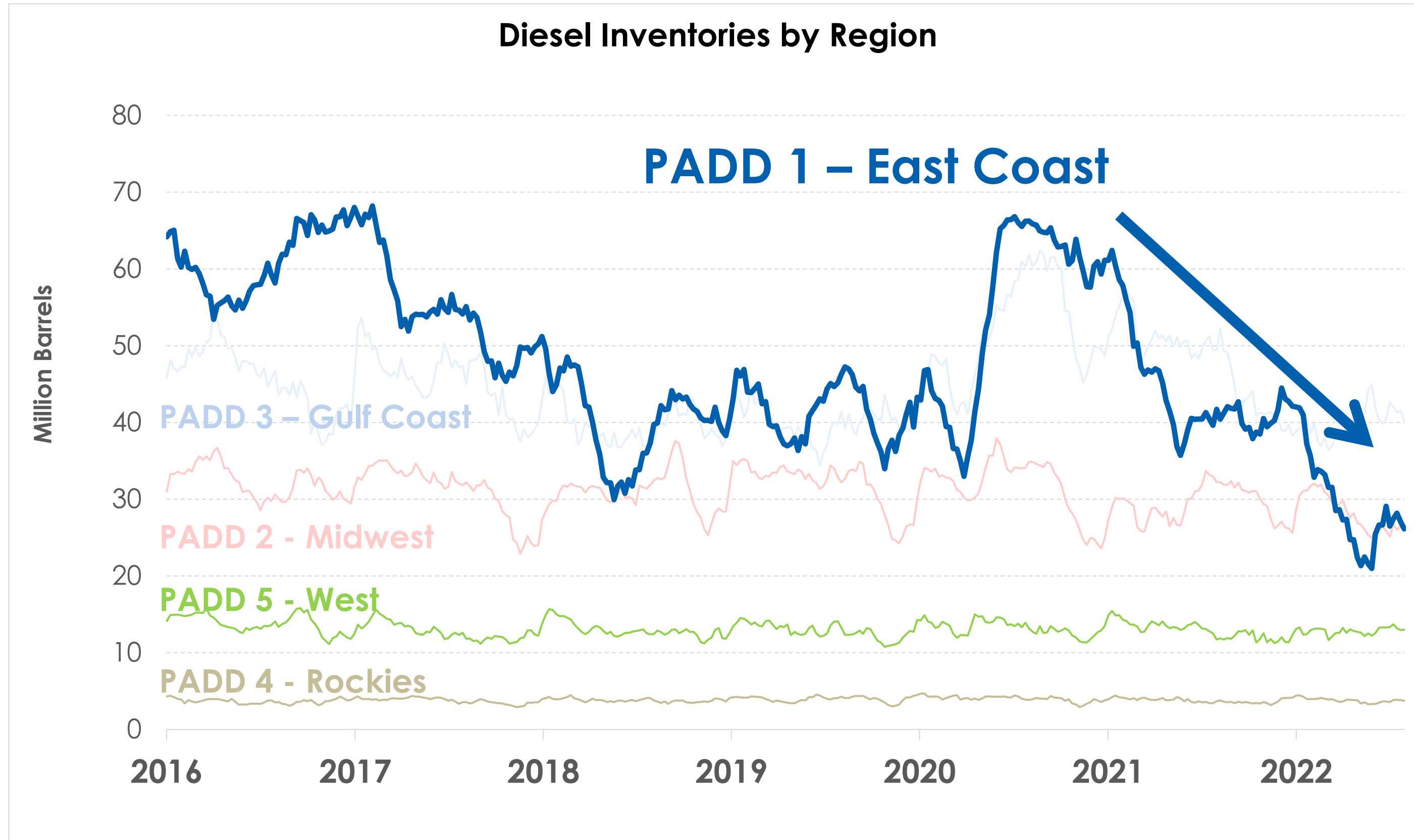
EIA: 101.6 MMbpd

IEA: 101.3 MMbpd

OPEC: 103 MMbpd

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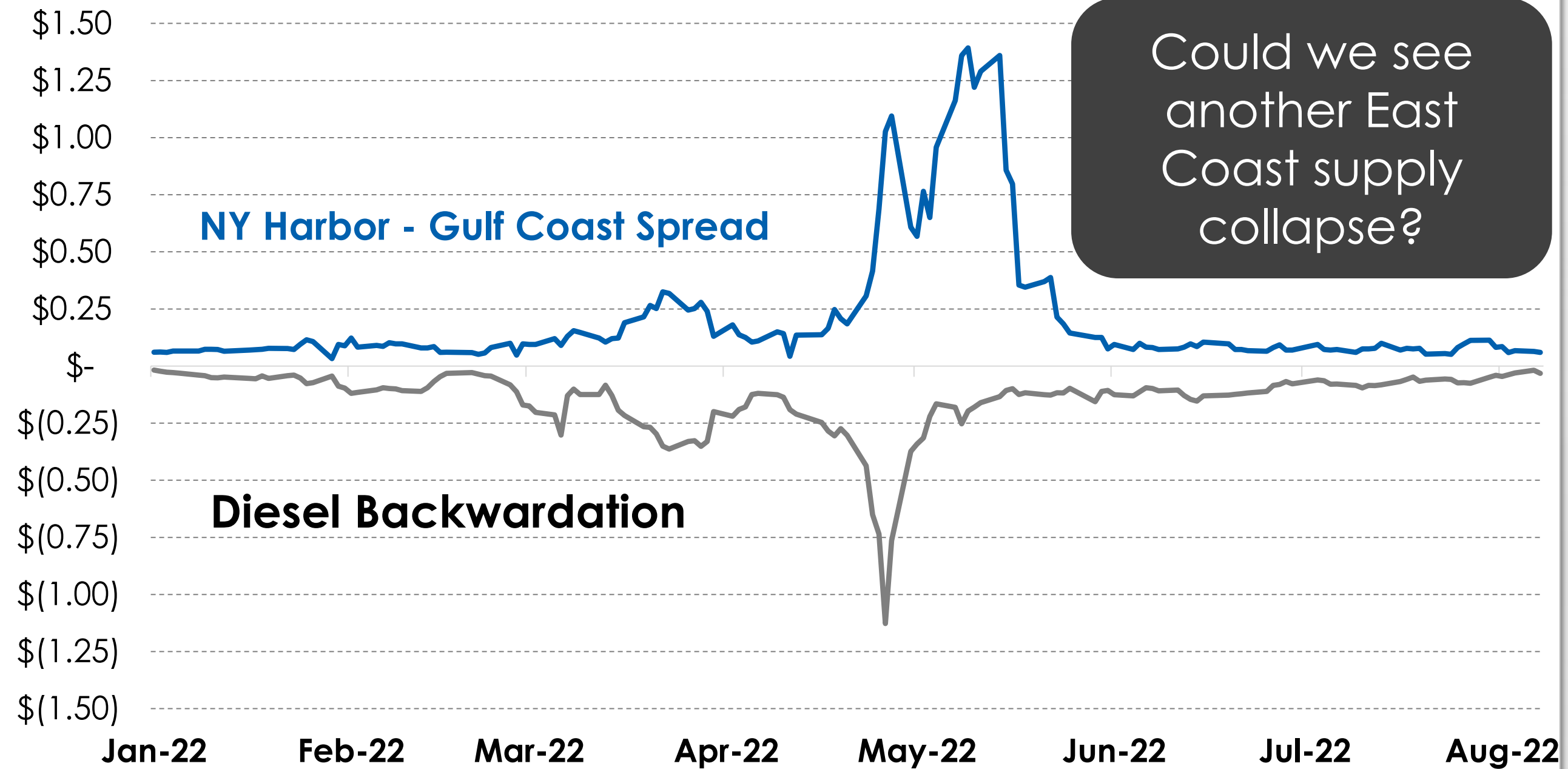
East Coast Diesel Is 25% Below Pre-COVID Levels



Source: EIA

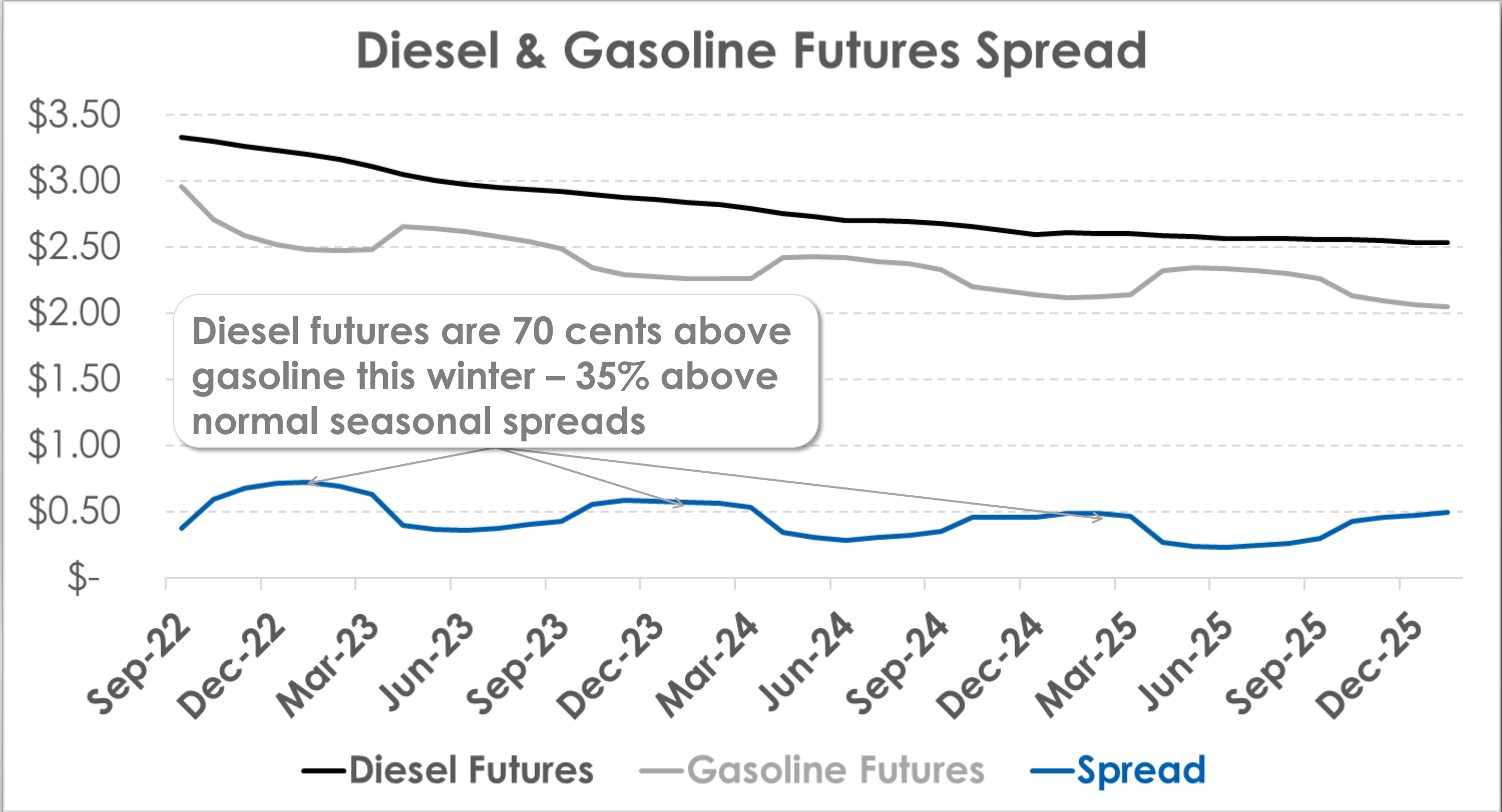
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Diesel Backwardation & East Coast Supply



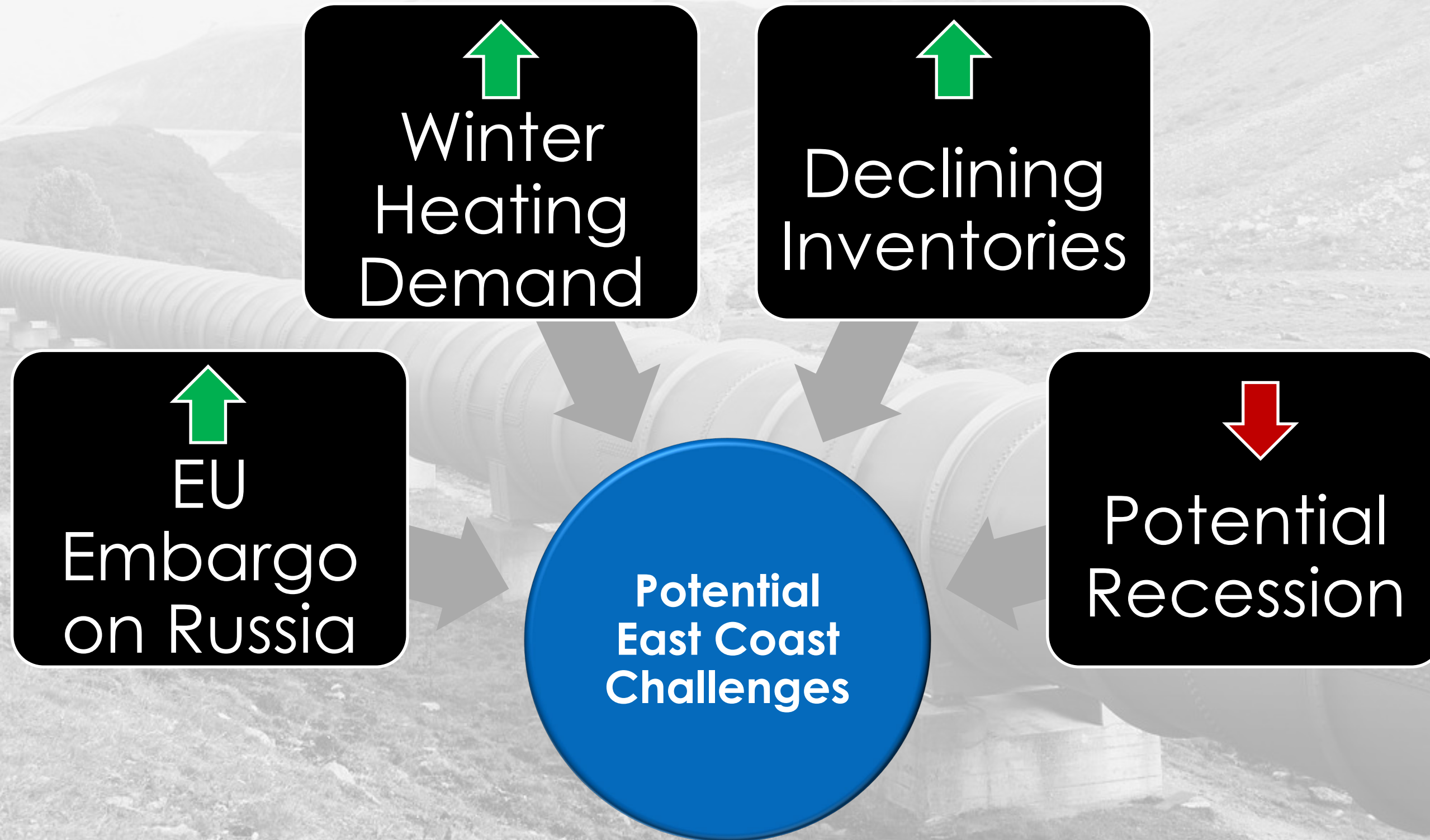
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Markets Reflect a Tight Diesel Market This Winter



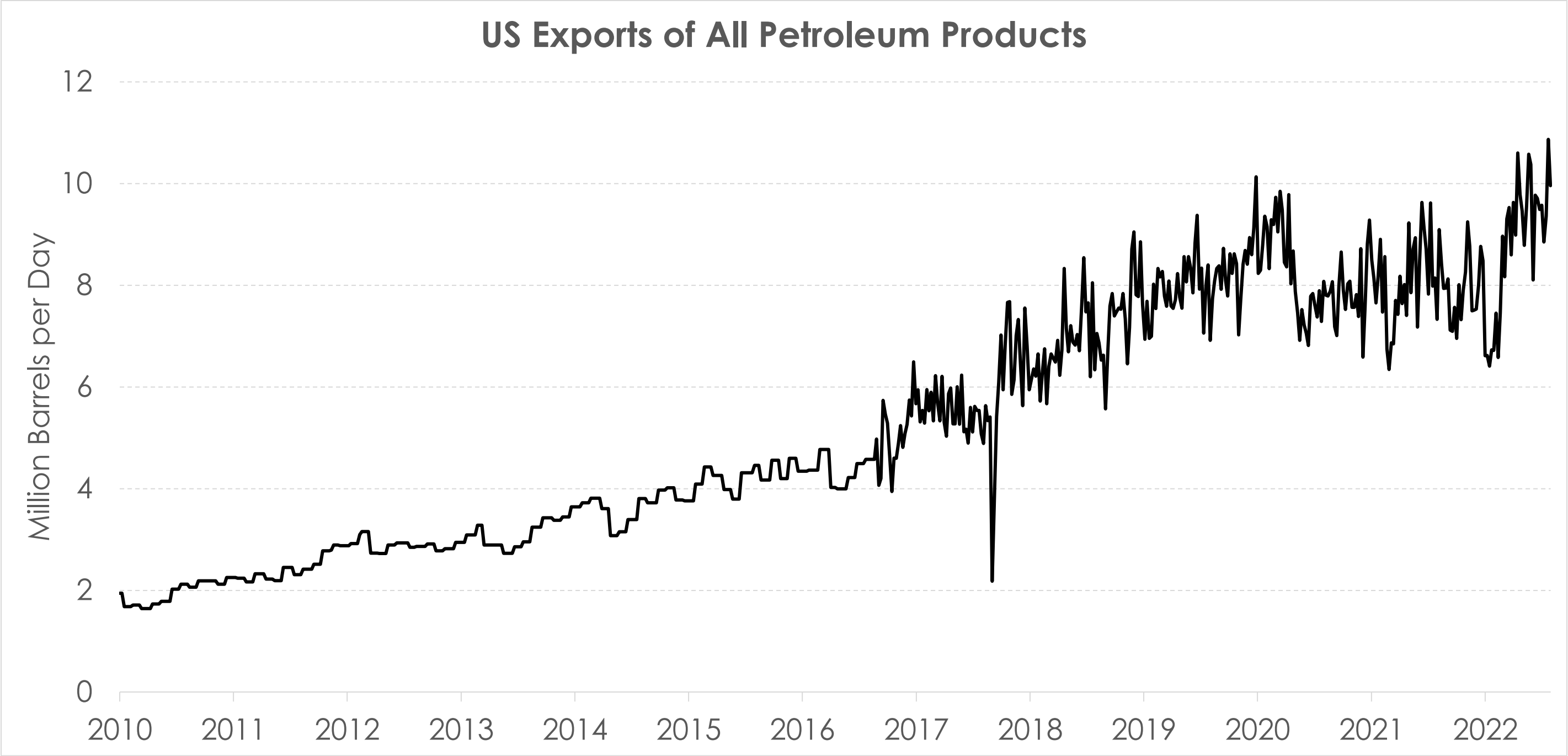
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Convergence of Factors for the East Coast?



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Domestic Fundamentals

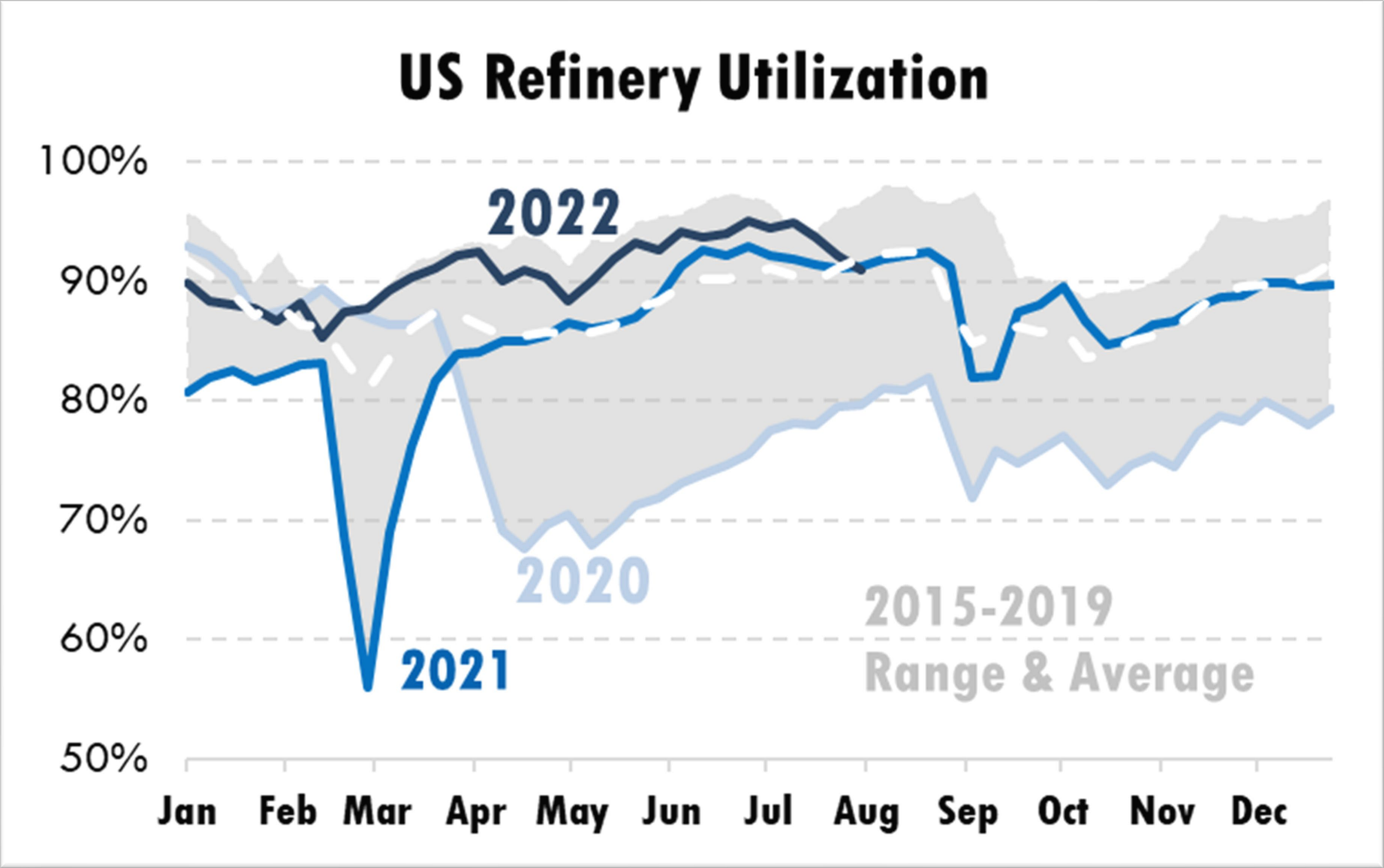


Crude & refined products exports at all-time highs

Source: EIA

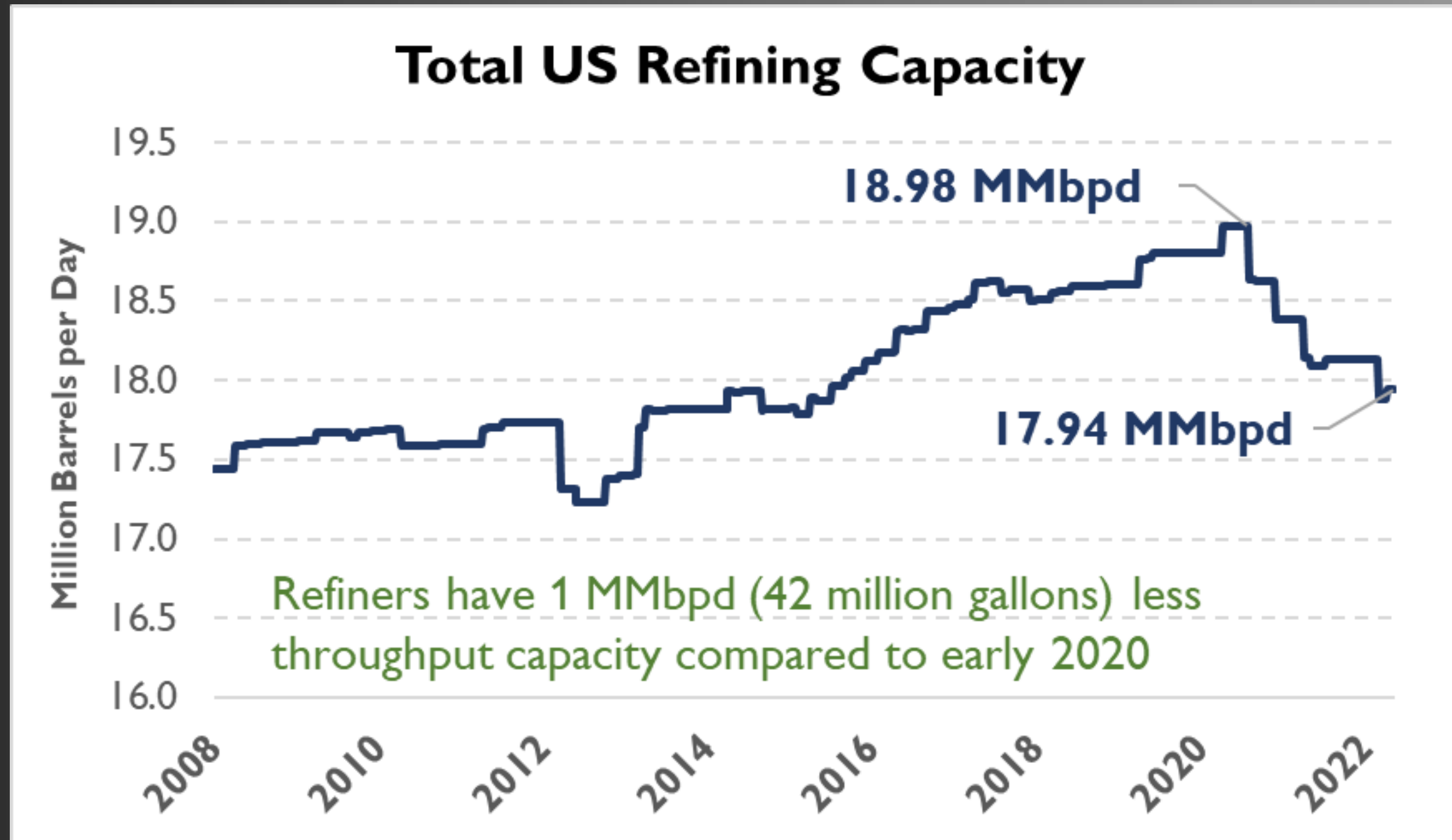
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Domestic Fundamentals



Source: EIA

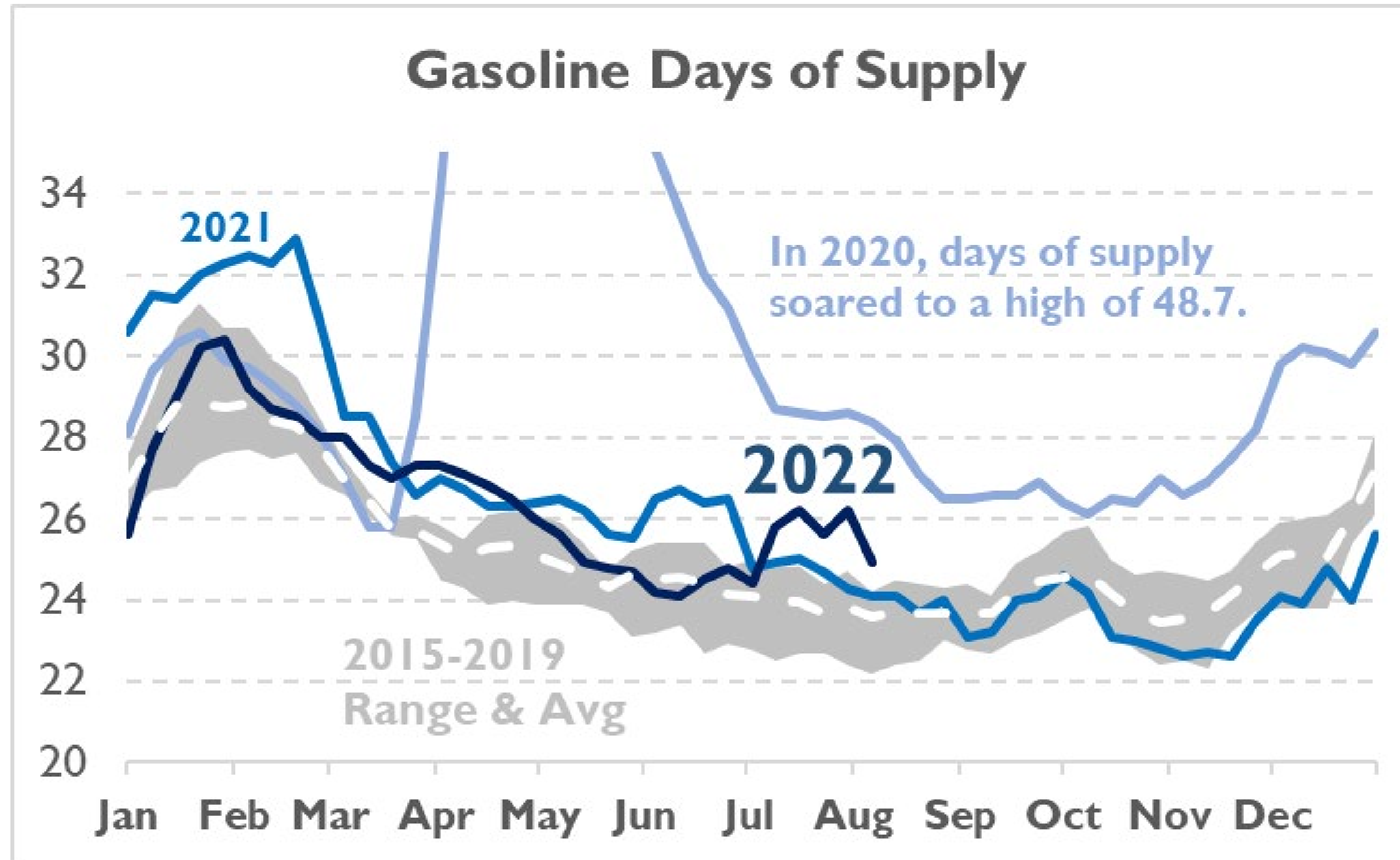
US Refinery Production



Source: EIA

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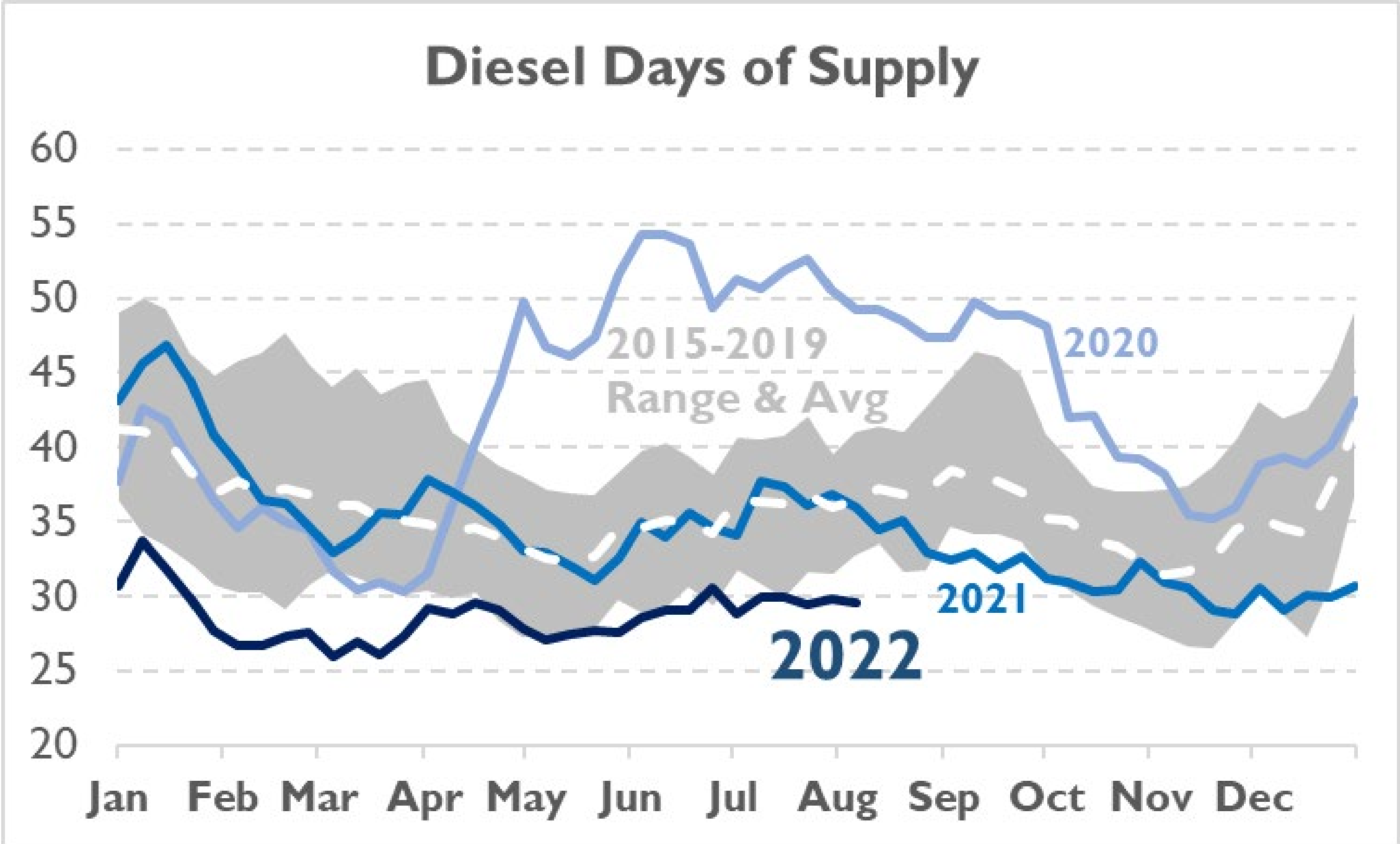
Domestic Fundamentals



Source: EIA

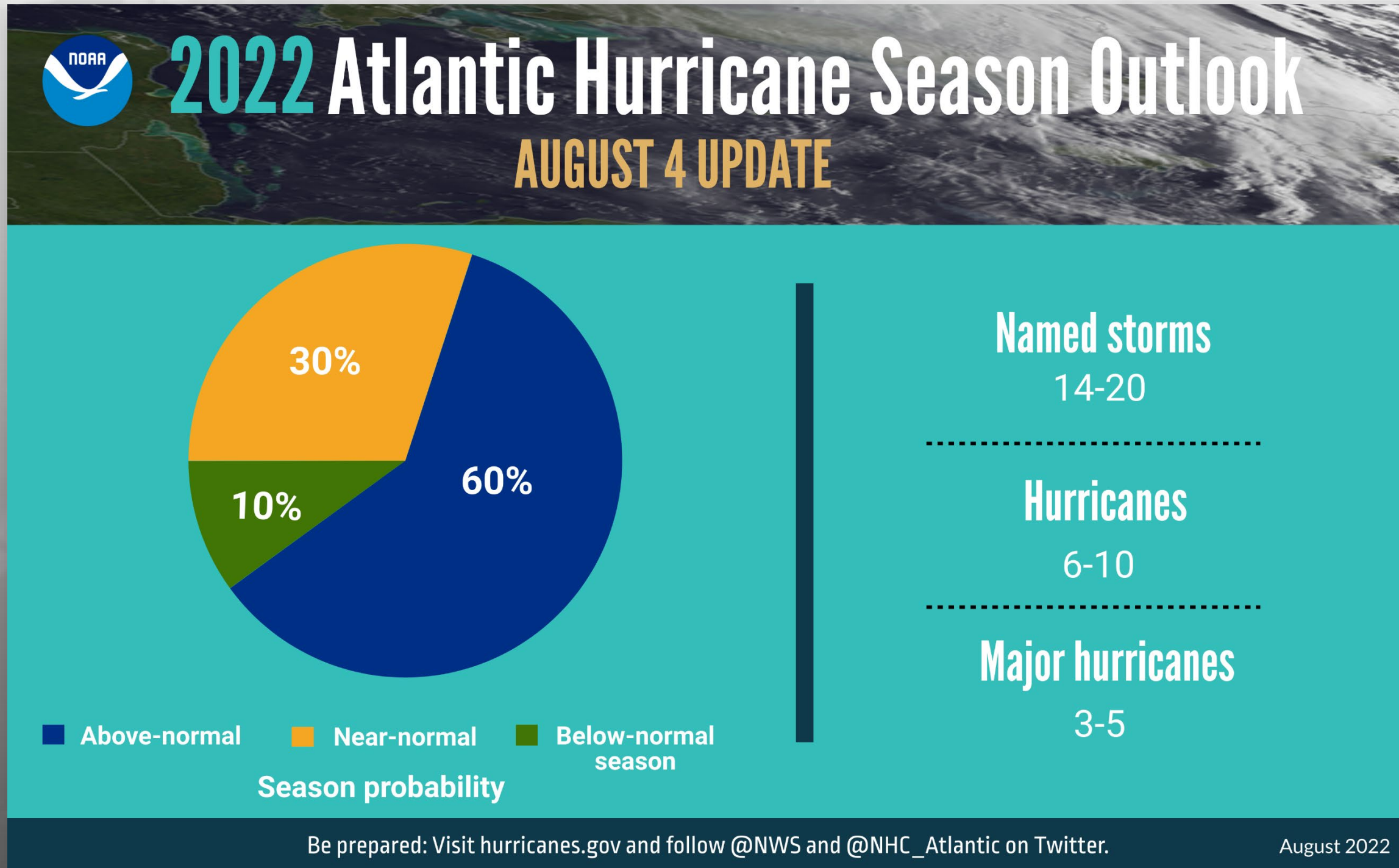
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Domestic Fundamentals



Source: EIA

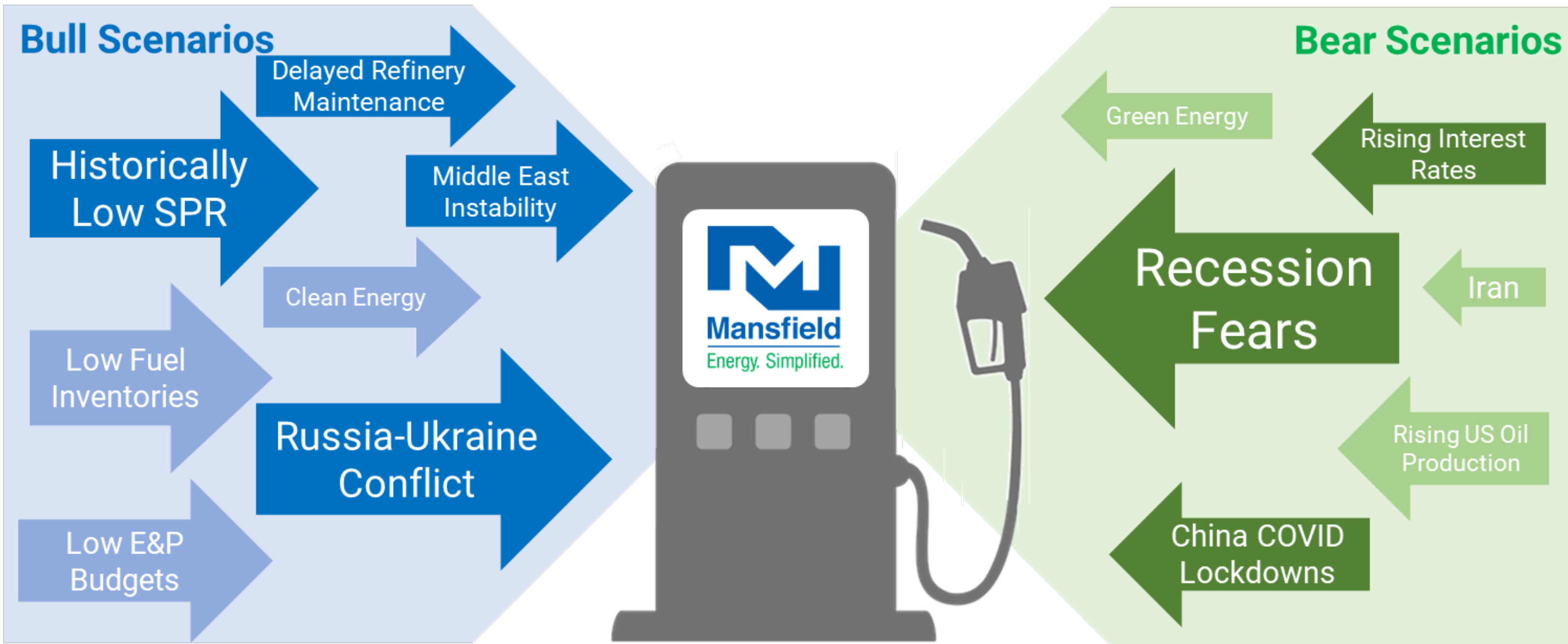
Hurricane Season



Source: NOAA

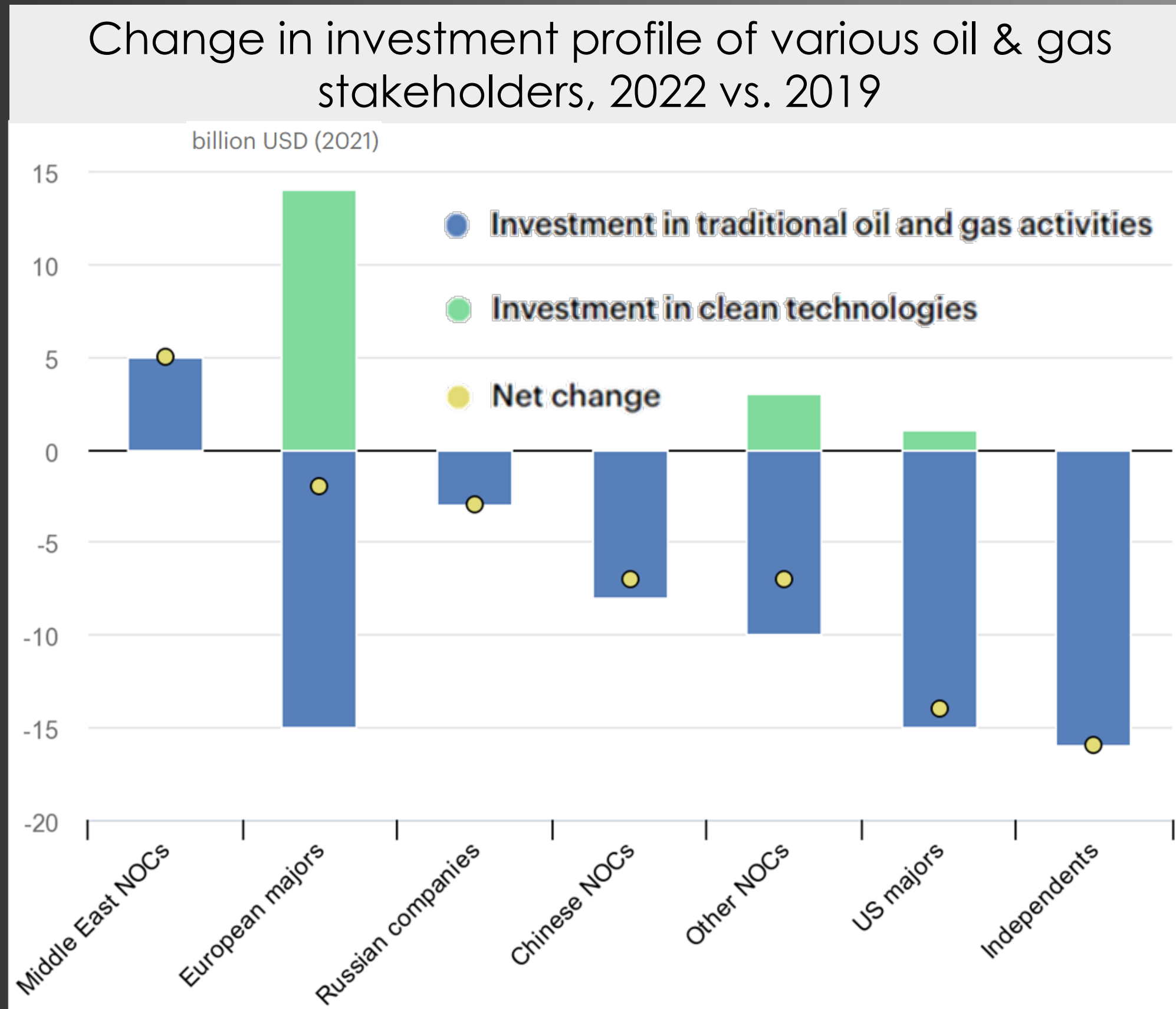
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Bullish & Bearish Market Factors



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Steep Decline in Oil & Gas Investment Worldwide

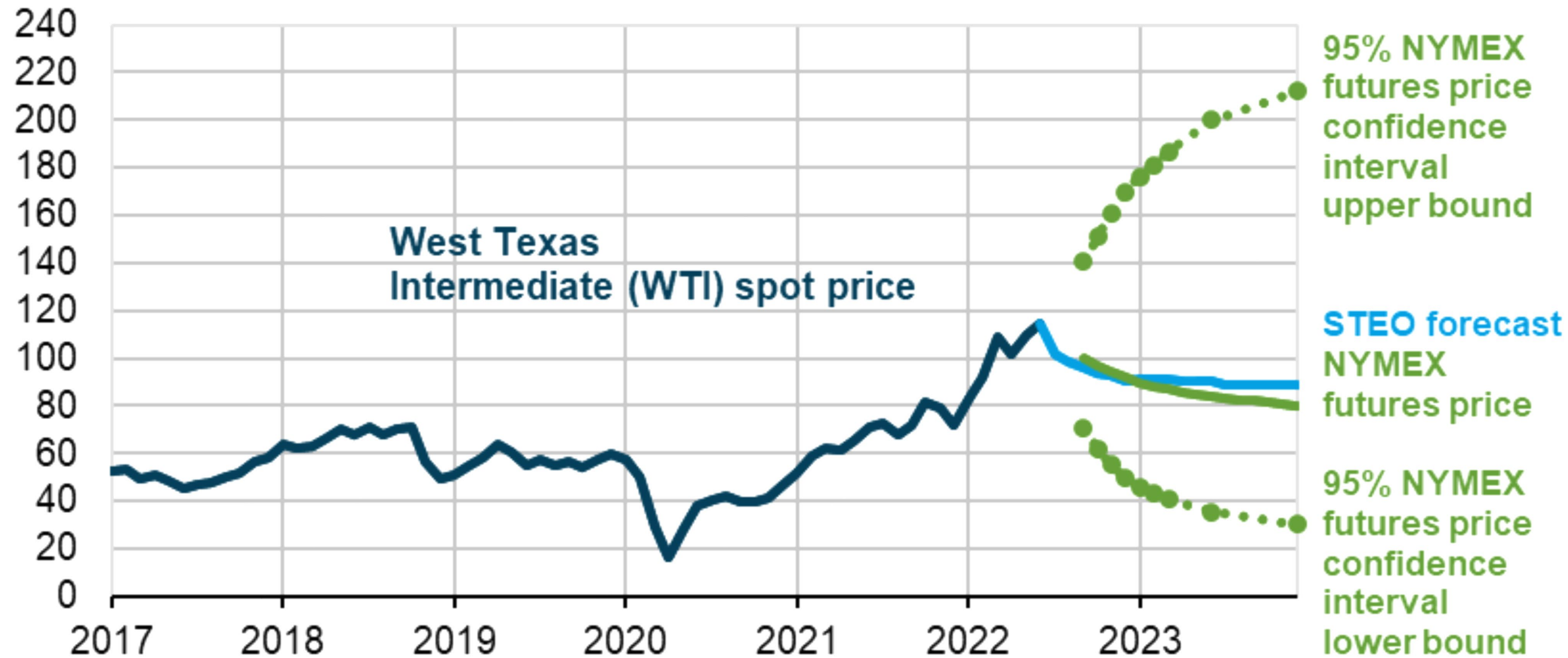


Source: IEA

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EIA West Texas Crude Price Forecast

West Texas Intermediate (WTI) crude oil price and NYMEX confidence intervals
dollars per barrel



Note: Confidence interval derived from options market information for the five trading days ending Jul 7, 2022. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Sources: U.S. Energy Information Administration, Short-Term Energy Outlook, July 2022, CME Group, Bloomberg, L.P., and Refinitiv an LSEG Business



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What Do the Major Banks Say?

	2022	2023
Min	\$103.00	\$75.00
Average	\$112.13	\$98.64
Max	\$135.00	\$125.00
# of Forecasts	11	12

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Summary

Short-Term – Russia sanctions, winter demand, and tight inventories will keep markets tight. Will a recession take hold?

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Medium-Term – Renewables focus will cast a shadow over oil & gas investments, limiting new supply.

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Summary

Short-Term – Russia sanctions, winter demand, and tight inventories will keep markets tight. Will a recession take hold?

Medium-Term – Renewables focus will cast a shadow over oil & gas investments, limiting new supply.

Long-Term – OPEC has little spare capacity, so it's unclear how markets will keep pace with rising demand. Expect volatility!

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Questions?

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Contact

Andy Milton

SVP, Supply

Mansfield Energy

Email: amilton@mansfieldoil.com

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