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Written on 01 January 2018 30 minutes of reading
Economic outlook

- Issues and Foresight
- Responsible oil and gas
- Economics

Based on surveys of expert opinion, in the absence of extraordinary geopolitical or economic circumstances, **oil prices could rise in the range of $55 to $70/barrel**, compared with $54/barrel in 2017. This prospect for higher prices is consistent with the expected restabilization of the market and a favorable economic and financial climate. Shifts in oil prices are clearly possible, upward in the case of potentially weak investment in exploration/production, or downward if U.S. supply is greater than previously expected. The wholesale price of natural gas, which rose during 2017 in Europe, Japan and the United States, may again rise in 2018 due to steady demand and changes in the price of oil and coal.

Following two years of significant declines (-24% in 2015, -28% in 2016) **worldwide investment in exploration-production (E&P) grew 4%** in 2017 to reach $390 billion ($billion). Growth is focused in North America, where investment jumped by more than 30%, while it fell slightly in the rest of the world, especially in Europe. This can be attributed to independent oil companies, whose worldwide investment rose 23%, while the E&P budget for NOCs was stagnant and those for the major oil companies continued to sharply decline (-16%).

Except for the U.S. **onshore shale** drilling market, all Exploration and Production markets have continued to decline since 2015 with the drop in oil prices. The markets lost half their value over a three year period.

Offshore drilling, when carried out in deep and ultra-deep water, continues to decline due to excessively high intrinsic costs. Only those projects that have considerably revised their costs (-30 to -40%) could be approved.

Investment by oil and gas operators concern existing fields, at the expense of development in new regions. Postponement and cancellation of major projects impacted the offshore construction markets.

The **geophysical market** remained sluggish during 2017. Contractual surveys were rare, often replaced with more accessible multiclient surveys. This environment forced a reconfiguration of the sector through mergers and acquisitions.

Will **refining projects** start to increase, and halt the declines seen over the past four years? This is a question worth asking. Factors that favor investment in new projects include (1) the growing demand for oil products, whose center of gravity has shifted in recent years from industrialized countries to emerging markets, (2) margins that remain solid, (3) low industrial costs, and lastly (4) a reviving global economy. Tightening fuel standards, various rehabilitation programs, modernization and growth within the sector also create opportunities for investment, especially in regions with high demand.

Despite the uncertainties — changing demand for oil products, margin volatility, rising industrial costs — the investment outlook remains intriguing.

SUMMARY

Trends in oil and gas prices

- Expected rise in oil prices in 2018
- Rising market price for gas

Investments in exploration-production : a modest recovery driven by North America

- Strong growth in North America but slight drop in investment in the rest of the world
- Regional developments

Drilling and the global drilling market

- Onshore and offshore drilling
- The global drilling and services market

Geophysical: global activity and markets

- Geophysical activity
- The global geophysical market

Offshore construction: market and activities

- Offshore construction and services
- The global offshore construction market

2017: an upturn in refining projects?

- Global reduction in surplus refining capacity
- Dip in expenditures during 2017 and correction in 2018
- Upturn in atmospheric distillation projects

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Investment in exploration, production and refining in 2017
01 January 2018

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