

# Global Crude oil report



## What Is Crude Oil?

Crude oil is unrefined petroleum. Crude oil occurs naturally and is predominantly composed of hydrocarbon deposits. Crude oil is valuable because it can be refined to produce everyday products such as gasoline, diesel and a multitude of petrochemicals. Another reason it is considered valuable is because it's non-renewable making it a finite resource.

## Why Is Crude Oil So Valuable?

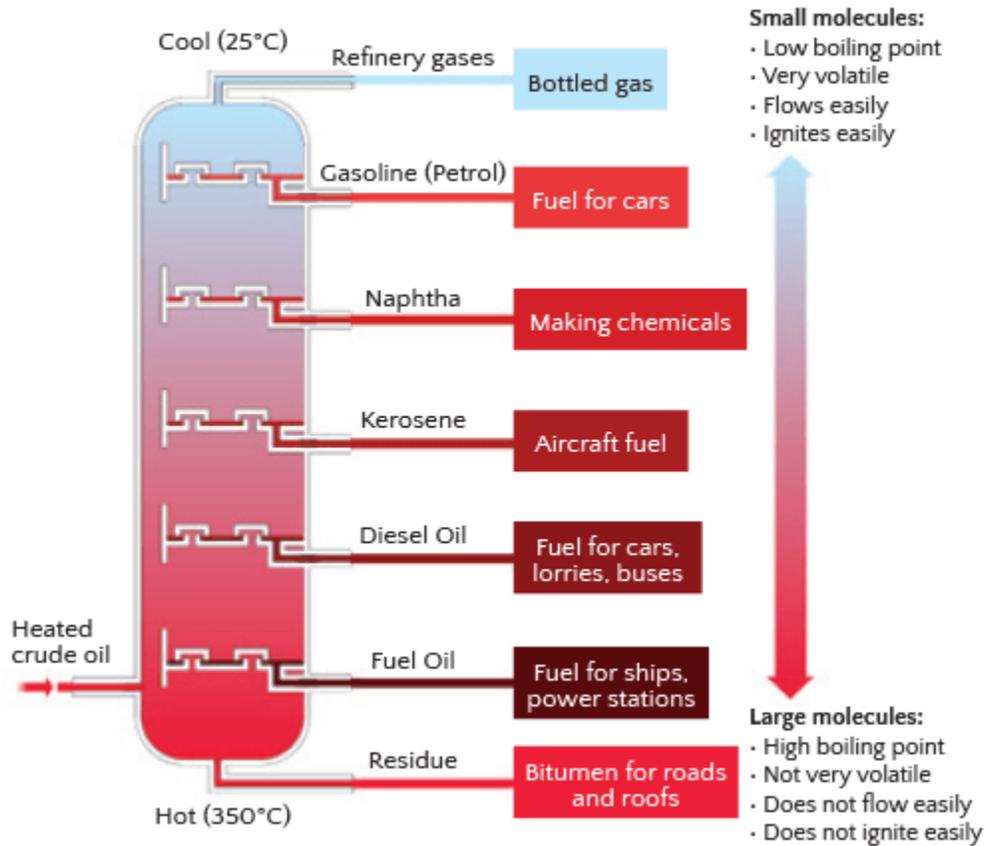
Before the Industrial Revolution, agricultural staples like corn and wheat ruled the commodities market. Today, however, crude oil and its derivatives are the most actively traded commodities in the world.

- Plastics Synthetic
- textiles (acrylic, nylon, spandex, polyester)
- Fertilizer
- Computers
- Cosmetics Steel

In fact, less than half of a 42-gallon barrel of oil actually goes to fuels production; the rest is used to make consumer goods

It's estimated that the average American uses about three gallons of petroleum products per day.

## What Are the Different Types of Crude Oil?



Although the market for oil is global, oil trading has clustered around several primary regions. The crude oil in each of these regions has slightly different characteristics, typically referred to in terms of viscosity (light versus heavy) and sulfur content (sweet versus sour). Each of the major trading regions has established benchmarks to track price movements in oil commodities:

**West Texas Intermediate (WTI)**, which is a light sweet crude oil, with gravity of around 40 on the American Petroleum Institute (API) gravity scale and low sulfur content.

**Brent Crude** is a light sweet crude oil from the North Sea. Its gravity is similar to WTI, but its sulfur content is slightly higher. From an oil investing point of view, it's closest in quality to WTI.

**Dubai Crude**, also known as Fateh, is denser (heavier) than both WTI and Brent and has a higher sulfur content, making it a sour crude. It's useful in oil trading as a benchmark for oil shipments in the Middle East.



**OPEC Reference Basket** is the weighted average of the mix of crudes produced in the OPEC region. It is heavier than both WTI and Brent.

**Bonny Light** is a light sweet crude from Nigeria that's useful as a benchmark for African oil. Its properties are similar to WTI and Brent, and in fact, demand for Bonny Light is primarily driven by European and American oil refineries.

**Urals** is a heavy sour crude representative of Russia's oil exports.



## **West Texas Intermediate (WTI)**

Light sweet crude oil

Gravity of around 40 on the American Petroleum Institute (API) scale

Low sulfur content

## **Brent Crude**

Light sweet crude oil from the North Sea

Gravity is similar to WTI, but sulfur content is slightly higher

Closest in quality to WTI.

## **Dubai Crude**

AKA "Fateh"

Denser (heavier) & higher Sulphur content than both WTI and Brent

Sour crude

Benchmark for oil shipments in the Middle East

## **OPEC Reference Basket**

Weighted average of the mix of crudes produced by OPEC

Heavier than both WTI and Brent

## **Bonny Light**

Light sweet crude from Nigeria

The benchmark for African oil

Similar to WTI and Brent

Demand primarily driven by Europe and US

## **Urals**

Heavy sour crude

Representative of Russia's oil exports

# THE FACTS BEHIND OIL PRICES



## GLOBAL DEMAND

Growth in newly industrialized countries is a key factor driving physical oil prices. By 2020, China is expected to surpass the U.S. as the largest importer of crude oil.



## OPEC

The OPEC cartel controls most Middle East oil production and, when it restricts production, oil and gas prices increase, sometimes significantly.



## TAXES

Governments cause fuel price increases in the form of taxes, subsidies and surcharges – ranging from 15 percent per gallon in parts of the U.S. to 60 percent in some European countries.



## ENVIRONMENTAL POLICIES

U.S. restrictions on offshore drilling are negatively affecting supply by locking up an estimated 7.6 billion barrels of oil and 36.6 trillion cubic feet of natural gas.



## GEOPOLITICAL CONFLICTS



Crude oil prices are surging due to fears of potential supply disruptions related to the rising global tensions surrounding Iran's nuclear ambitions.

## LOGISTICS AND INFRASTRUCTURE



The U.S. has lost five percent of its refining capacity in the last few months as a result of rising foreign oil prices and U.S. gasoline demand being at 15-year lows.

## CURRENCY FLUCTUATIONS



Because oil is priced in U.S. dollars, it becomes more expensive as the dollar loses value; with the dollar at a three-year low, gasoline prices are nearing all-time highs.

## CHANGING SUPPLY LANDSCAPE



Advancements in technology have enabled supply and production of crude oil in North America to grow, while decreasing supplies of crude in the North Sea has resulted in a dramatic divergence between the price of gasoline on the coasts, and the price in the Midwest.

## What Affects the Price of Oil?

In financial terms, oil is a “fungible” commodity, which means that specific grades of oil are identical for oil trading purposes, regardless of where they were produced. For example, a contract for 1,000 barrels of WTI crude will be exactly the same product whether the oil was extracted in Texas or North Dakota.

As with all commodities, supply and demand play a major role in oil pricing, although the global pool of oil and the ease with which oil moves around the world levels some of natural price pressures of supply and demand. It also tends to somewhat limit the influence of one particular producer or other in the global market.

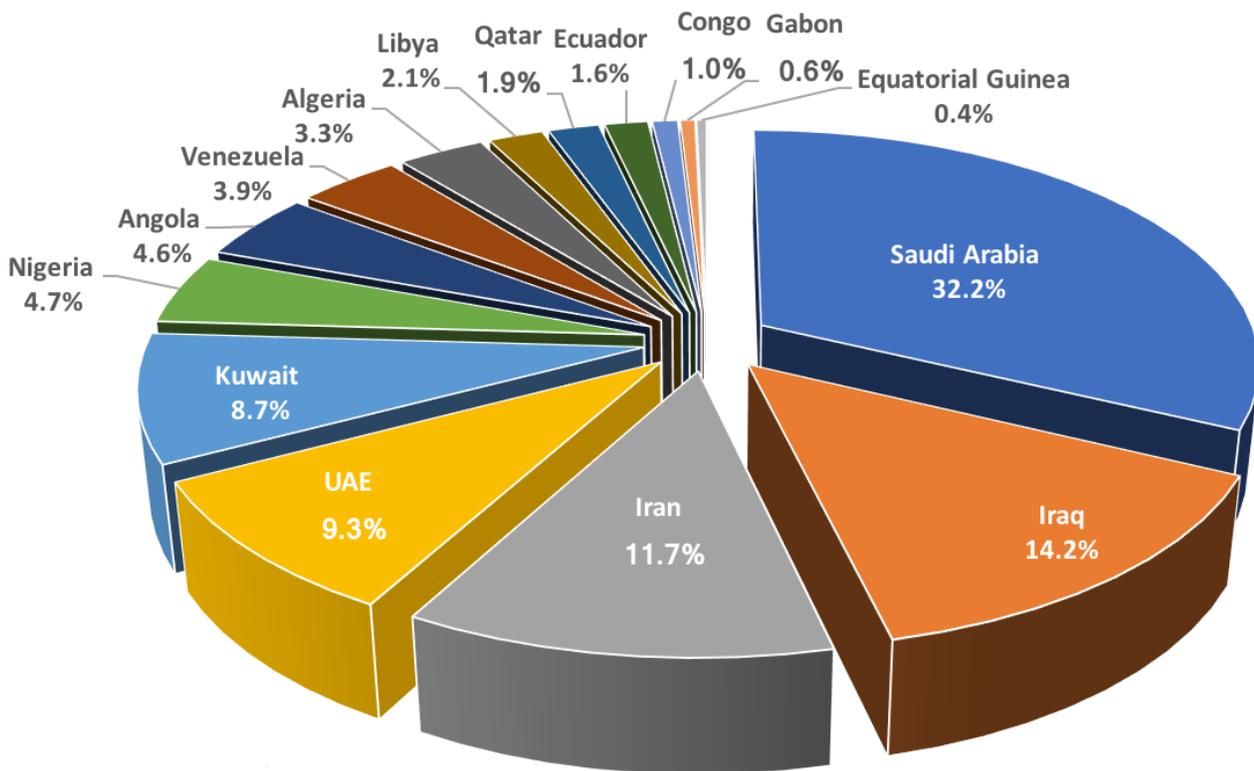


Oil reserves in the Middle East have enabled countries like UAE to rapidly build infrastructure and invest in a future after oil.

In addition, new resources have come online, specifically Canadian oil sands and U.S. shale oil, which add to the global supply, exerting downward force on oil prices in times of heavy demand. However, extraction costs for these resources mean these oils are only competitive in a lower supply and therefore higher price environment.

That said, the International Energy Agency (IEA) predicts growing global demand buoyed by an increasing world population, increased energy consumption in developing countries, and growth in the road transportation, petrochemical, and aviation industries. Even though OECD (Organization for Economic Cooperation and Development) countries are reducing their road transportation oil consumption on a per-vehicle basis, the growing automobile fleet in developing countries far outpaces those minor reductions.

# Which Countries Are the World's Major Oil Producers?



## Top 10 Oil Producing Countries

Rank	Country	Flag	Oil Production (Barrels per day)
#1	Russia		10,500,000
#2	Saudi Arabia		10,460,000
#3	USA		8,875,000
#4	Iraq		4,450,000
#5	Iran		3,990,000
#6	China		3,980,000
#7	Canada		3,660,000
#8	UAE		3,100,000
#9	Kuwait		2,900,000
#10	Brazil		2,500,000

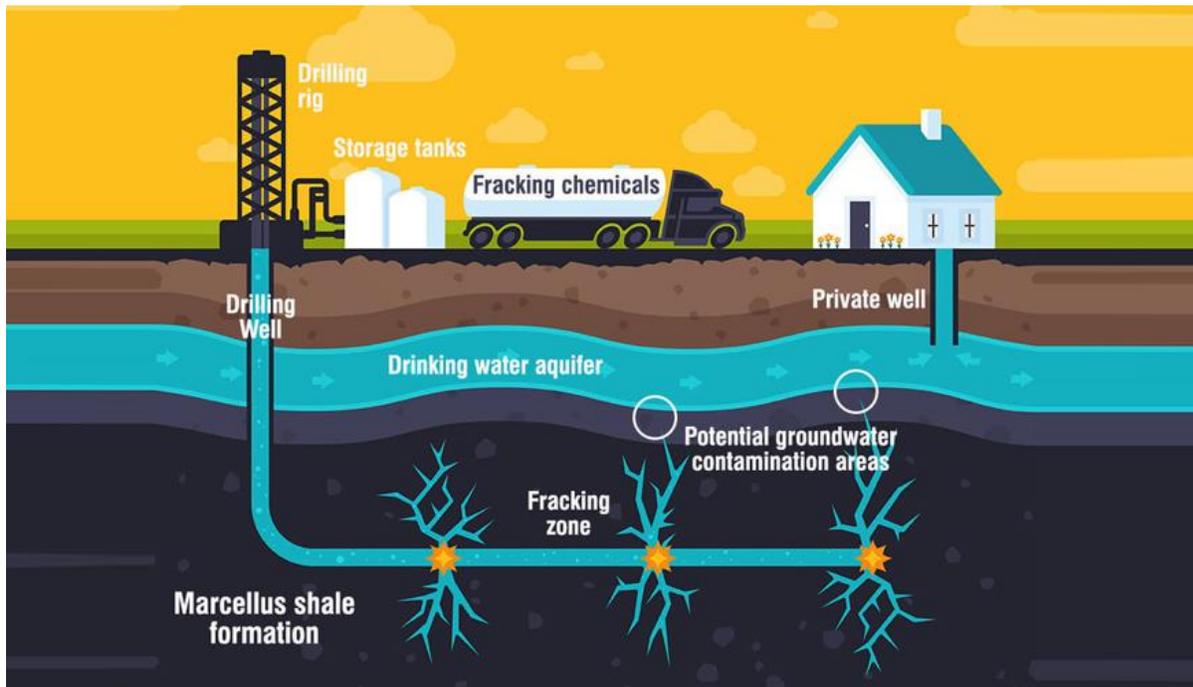
## Top 10 Countries by Oil Reserves

Rank	Country	Flag	Proven Reserves (millions of barrels)
#1	Venezuela		316,000
#2	Saudi Arabia		266,000
#3	Canada		170,000
#4	Iran		159,000
#5	Iraq		143,000
#6	Kuwait		102,000
#7	UAE		98,000
#8	Russia		80,000
#9	Libya		48,000
#10	USA		37,000

## What is Shale Oil & Fracking?

You may not have heard of the term shale oil but chances are you've heard about fracking (or hydraulic fracturing) which is the process used to obtain shale oil. It gets a lot of bad press but like it or not, shale oil is a key part of our energy supply chain now and looks set to grow in importance as other reserves are depleted.

In 2016, an estimate by the World Energy Congress set total world resources of oil shale at a little over 6 trillion barrels. It is hard to know whether that is a big number without some context so to give you some idea the world's other proven oil reserves are estimated to be 1.7 trillion barrels.



## Where in the World is Shale Oil Found?

#1	Russia	75,000
		
#2	USA	58,000
		
#3	China	32,000
		

#4	Argentina		27,000
#5	Libya		26,000
#6	Venezuela		13,000
#7	Mexico		13,000
#8	Pakistan		9,000
#9	Canada		9,000
#10	Indonesia		8,000

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