MARCH MADNESS:
TOP FACTORS SHAPING THE ENERGY LANDSCAPE IN 2016

A CROWDSOURCED WIKISTRAT SIMULATION
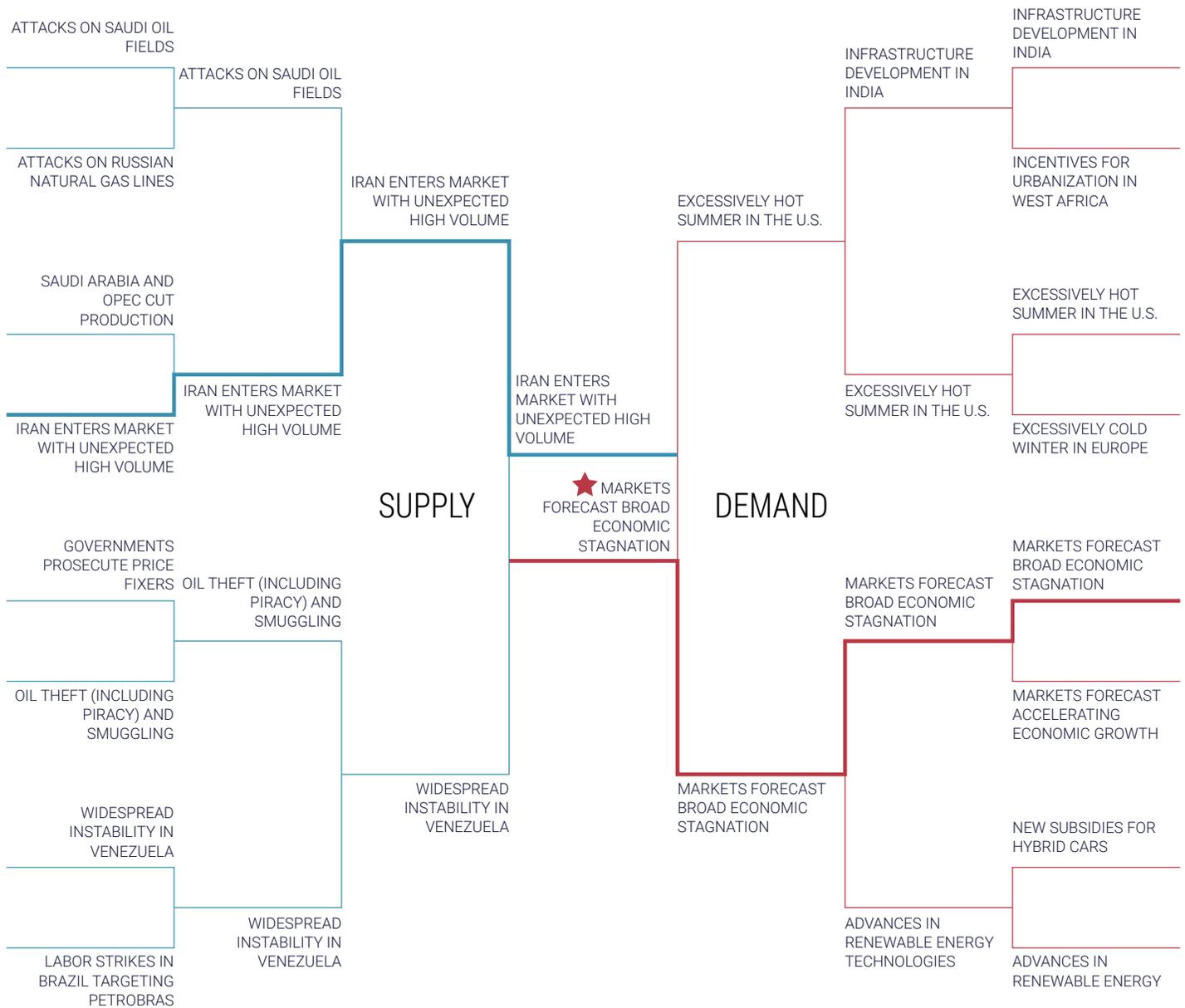
April 2016

WIKISTRAT™
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INTRODUCTION

During March 2016, Wikistrat ran a four-day "March Madness"-style voting exercise to determine the top factors shaping the energy landscape this year. More than 70 analysts participated in the exercise, including energy experts, academics, representatives from business and industry, and analysts with expertise on technology and development in Europe and North America.

SUPPLY-SIDE VS. DEMAND-SIDE FACTORS

SUPPLY

- ATTACKS ON SAUDI OIL FIELDS
- ATTACKS ON SAUDI OIL FIELDS
- ATTACKS ON RUSSIAN NATURAL GAS LINES
- IRAN ENTERS MARKET WITH UNEXPECTED HIGH VOLUME
- SAUDI ARABIA AND OPEC CUT PRODUCTION
- IRAN ENTERS MARKET WITH UNEXPECTED HIGH VOLUME
- IRAN ENTERS MARKET WITH UNEXPECTED HIGH VOLUME
- IRAN ENTERS MARKET WITH UNEXPECTED HIGH VOLUME
- GOVERNMENTS PROSECUTE PRICE FIXERS
- OIL THEFT (INCLUDING PIRACY) AND SMUGGLING
- OIL THEFT (INCLUDING PIRACY) AND SMUGGLING
- WIDESPREAD INSTABILITY IN VENEZUELA
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- LABOR STRIKES IN BRAZIL TARGETING PETROBRAS

★ MARKETS FORECAST BROAD ECONOMIC STAGNATION

DEMAND

- INFRASTRUCTURE DEVELOPMENT IN INDIA
- INFRASTRUCTURE DEVELOPMENT IN INDIA
- INCENTIVES FOR URBANIZATION IN WEST AFRICA
- EXCESSIVELY HOT SUMMER IN THE U.S.
- EXCESSIVELY HOT SUMMER IN THE U.S.
- EXCESSIVELY HOT SUMMER IN THE U.S.
- EXCESSIVELY COLD WINTER IN EUROPE
- MARKETS FORECAST BROAD ECONOMIC STAGNATION
- MARKETS FORECAST BROAD ECONOMIC STAGNATION
- MARKETS FORECAST BROAD ECONOMIC STAGNATION
- MARKETS FORECAST ACCELERATING ECONOMIC GROWTH
- ADVANCES IN RENEWABLE ENERGY TECHNOLOGIES
- NEW SUBSIDIES FOR HYBRID CARS
- ADVANCES IN RENEWABLE ENERGY

The voting took place across four rounds that narrowed down key supply and demand factors. The factor determined by our analysts to be most influential was a **market forecast of broad economic stagnation** (a demand-side factor). The supply-side factor determined to be most influential was **Iran entering the oil market with unexpectedly high volume.**
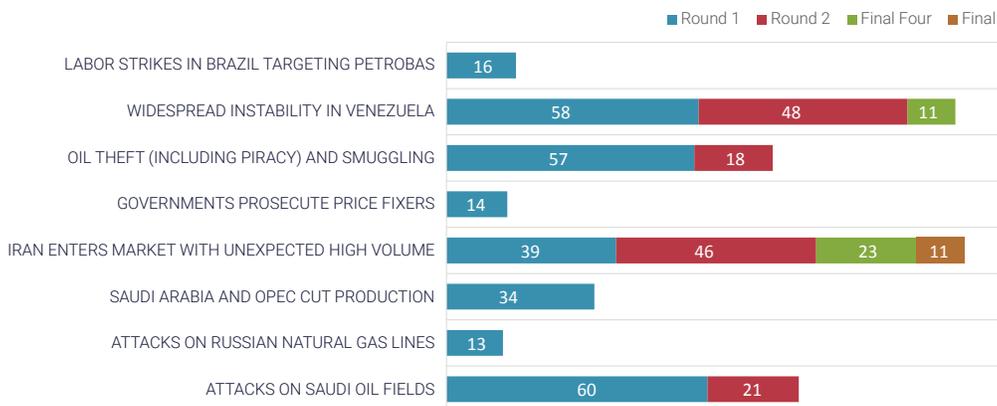
Analysts believe fundamentals to be weak influencers of prices except in negative terms (e.g., Iran producing more than expected). Our community's emphasis was rather on external events disrupting supply, with economic/financial evaluations in futures remaining the main driver of oil prices. By next year, fundamentals are likely to become slightly more relevant as production cuts begin to slowly impact the supply/demand differential.

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SUPPLY-SIDE INSIGHTS

The top-three supply-side factors that analysts determined would have the biggest impact on the energy landscape in 2016 were:

1. IRAN ENTERS THE MARKET WITH UNEXPECTED HIGH VOLUME
2. WIDESPREAD INSTABILITY IN VENEZUELA
3. ATTACKS ON SAUDI OIL FIELDS

» A larger-than-expected Iranian entry into the market had a larger predicted impact than cuts in Saudi oil production. This is likely due to analysts' perception that Saudi and OPEC cuts appear to be unlikely in 2016 given current dynamics. Therefore, levels of production are considered to be a given in this timeframe and are already accounted for in market prices.

» Instability in Venezuela scored much higher in terms of impact than strikes in Brazil, where any government will likely protect Petrobras production by shielding it from political fallout – even in the event of the impeachment of embattled President Dilma Rousseff. Unrest in Venezuela, by contrast, could produce the single largest drop in production seen in any country this year, as the domestic oil industry continues to suffer from mismanagement, neglect and lack of funds.

TOTAL SUPPLY-SIDE VOTES

Legend: Round 1, Round 2, Final Four, Final

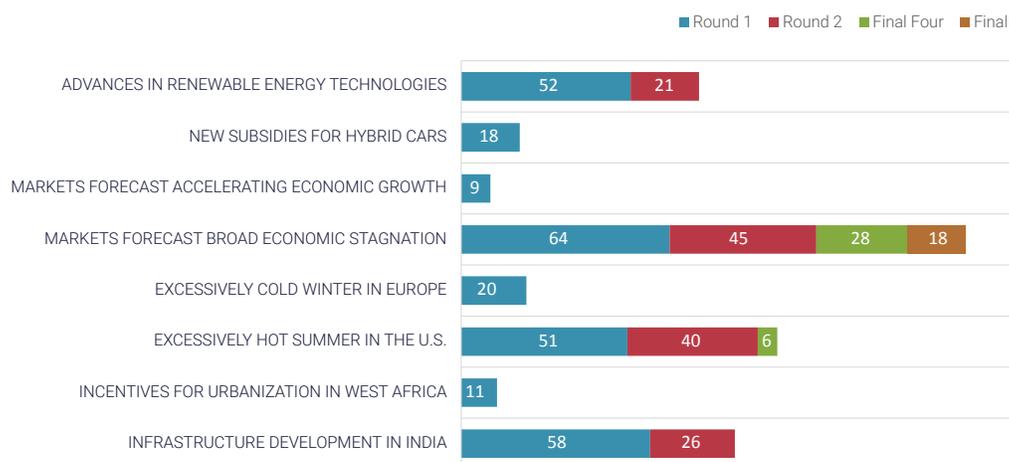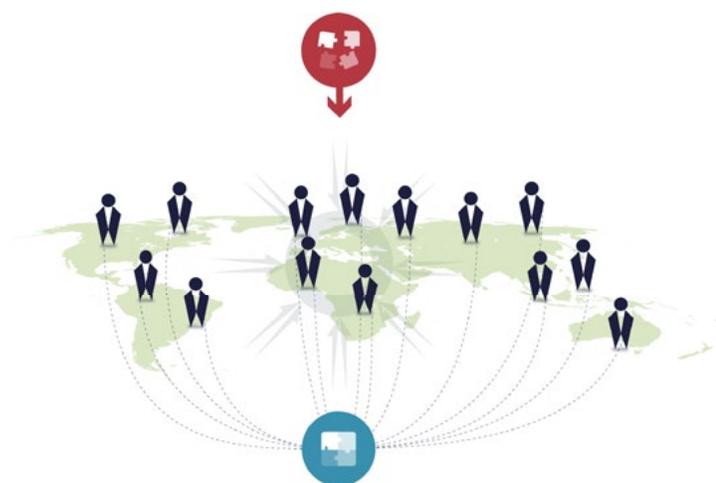| Category	Round 1	Round 2	Final Four	Final
LABOR STRIKES IN BRAZIL TARGETING PETROBAS	16			
WIDESPREAD INSTABILITY IN VENEZUELA	58	48	11	
OIL THEFT (INCLUDING PIRACY) AND SMUGGLING	57	18		
GOVERNMENTS PROSECUTE PRICE FIXERS	14			
IRAN ENTERS MARKET WITH UNEXPECTED HIGH VOLUME	39	46	23	11
SAUDI ARABIA AND OPEC CUT PRODUCTION	34			
ATTACKS ON RUSSIAN NATURAL GAS LINES	13			
ATTACKS ON SAUDI OIL FIELDS	60	21		

DEMAND-SIDE INSIGHTS

The top-three demand-side factors that analysts determined would have the biggest impact on the energy landscape in 2016 were:

1. MARKETS FORECAST BROAD ECONOMIC STAGNATION
2. EXCESSIVELY HOT SUMMER IN THE U.S.
3. INFRASTRUCTURE DEVELOPMENT IN INDIA

» The consensus was the critical importance of future demand. Given that this exercise was focused around a commodity, there was probably no other realistic outcome (since commodity markets and pricing are inherently driven by futures contracts).

» The entire exercise confirmed that market dynamics alone will not cause a drastic change in prices, as neither a major fall nor rise in production is expected in the short term.

» However, a forecast of future demand due to economic stagnation or development would be a primary driver of markets. In particular, forecasts of stagnation would continue to keep prices low, as demand in such a case would be seen as weak into 2017 – with any contrary effect working to bring prices up only over the longer term.

» Unexpected economic growth is not seen as realistic in this exercise's time frame.

» New technologies, clean energy subsidies and growth in new markets generally received less votes in this simulation because they are not seen as short-term drivers. In an exercise with a longer time frame, they would likely be seen as more relevant.

TOTAL DEMAND-SIDE VOTES

Legend: ■ Round 1 ■ Round 2 ■ Final Four ■ Final

Factor	Round 1	Round 2	Final Four	Final
ADVANCES IN RENEWABLE ENERGY TECHNOLOGIES	52	21		
NEW SUBSIDIES FOR HYBRID CARS	18			
MARKETS FORECAST ACCELERATING ECONOMIC GROWTH	9			
MARKETS FORECAST BROAD ECONOMIC STAGNATION	64	45	28	18
EXCESSIVELY COLD WINTER IN EUROPE	20			
EXCESSIVELY HOT SUMMER IN THE U.S.	51	40	6	
INCENTIVES FOR URBANIZATION IN WEST AFRICA	11			
INFRASTRUCTURE DEVELOPMENT IN INDIA	58	26		

ABOUT US

Wikistrat is the world's first crowdsourced consultancy. It leverages a global network of subject-matter experts via a patent-pending "Collaborative Competition" methodology to provide a variety of analytic services. Scenario generation, policy planning, risk assessment and red-teaming exercises are conducted by Wikistrat on a real-time, interactive online platform.

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