

## **Lack of oil investment could bring shortage, price spike by 2020s**

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An oil supply shortage and price spikes of \$80-\$100/b could hit the global oil market by the 2020s if producers do not fund major projects soon, and rising US tight oil supply will not be able to stop this trend, said Jonathan Chanis, vice president of policy at Securing America's Future Energy.

"We're at a very perilous point because we've had two years of a really, really marked decline in investment," Chanis said on Monday's episode of the S&P Global Platts Capitol Crude podcast.

"If we don't start seeing some large-scale final investment decisions on mega-projects -- projects over \$10 billion-\$15 billion apiece -- if we don't start seeing them now and next year or shortly thereafter, by the time we get around to the 2020s, we are going to be short oil," Chanis said.

Chanis is a former senior trader at Caxton Associates, a hedge fund, and a former vice president at Goldman Sach's commodities division.

He thinks that OPEC policies have disrupted global investment cycles, causing spending on future projects to plummet and setting the world up for a massive supply crunch.

Investment declined 40% in 2015 and 2016 and has been flat so far this year, he said. The number of mega-projects approved in the next year to two years will determine if that shortage arrives.

"That's not to minimize the role of tight oil and shale because it's terribly important," he said. "But the takeaway on that is it's just not going to be enough."

Chanis said the investment cycle since the rise of OPEC in the 1970s has been "extremely volatile" with periods of excessive investment followed by excessive underinvestment that lead to extreme price swings for consumers.

"I've seen this movie before, and the movie doesn't really have a happy ending for the United States and for US consumers," he said.