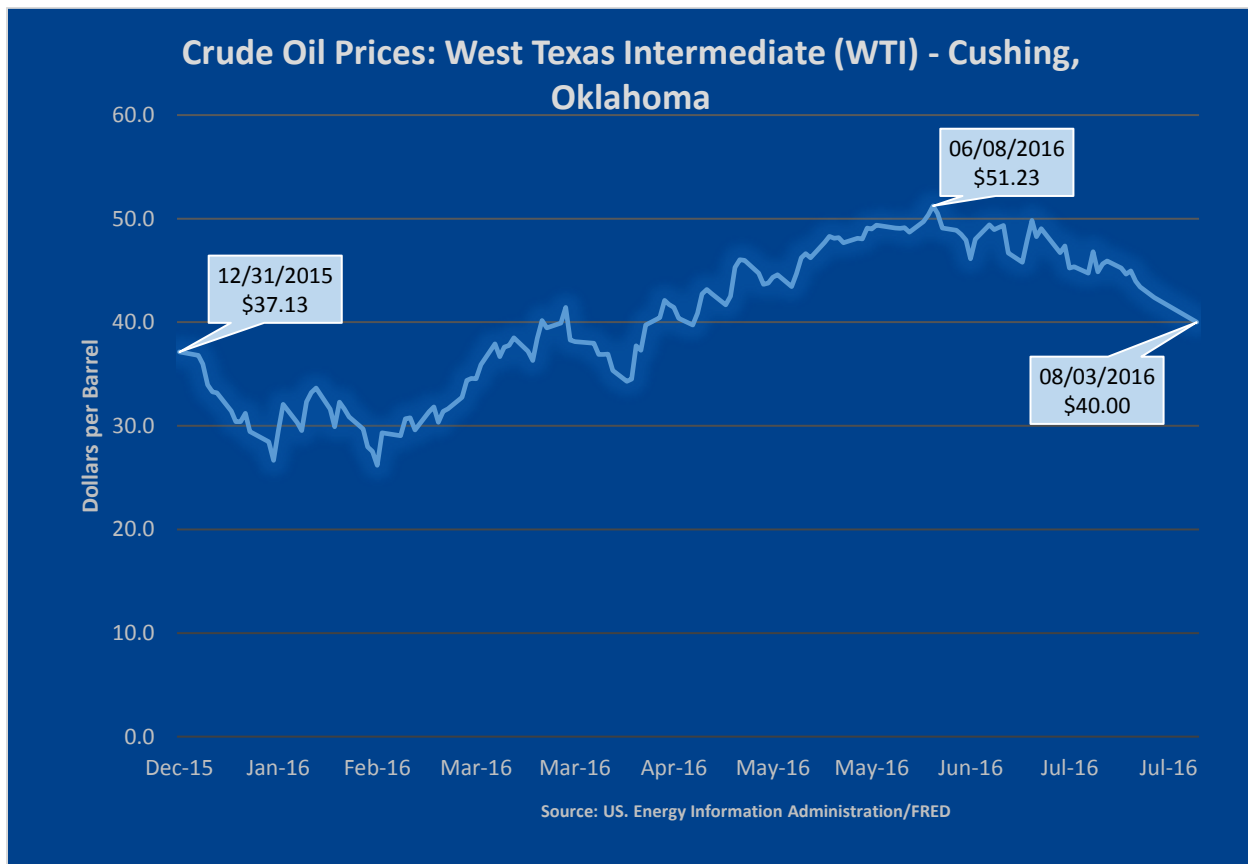


# Oil Price Conundrum

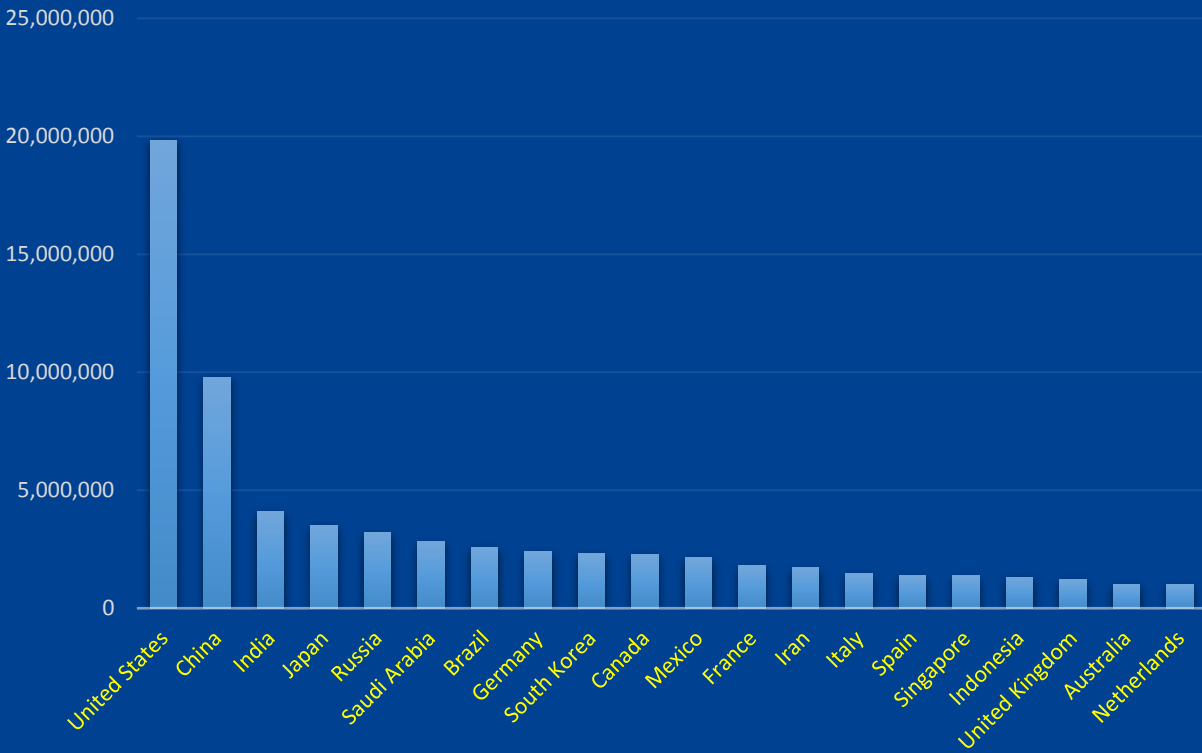
2016 has been anything but a banner year for energy prices. West Texas Intermediate (WTI) started the year off below \$40 a barrel, found its footing, and rallied to over \$50 per barrel the first week in June. Since then, the bottom has dropped sending crude prices back in the \$39 range, before finding its footing at the present, a couple of dollars higher than the start of the year. The energy sector has been severely battered since its fall from \$100 a barrel the summer of 2014. WTI has averaged \$78/bbl. over the past 10 years; if we exclude the months over \$100/bbl. the average falls to \$70. WTI has traded as low as \$10 in '86, to as high as \$145 in '08; the average price the past 30 years has been \$42.80. Gasoline during the last 25 years cost anywhere from \$.90 to \$4 a gallon. Currently, regular gas at the pump is around \$2.20 nationally. Oil prices have been a boon for consumers and a bust for the oil industry.

Will the excess glut of global crude compress prices even further, or will the cost to produce energy: labor expense, equipment investment, environmental compliance, etc. reach a point where higher prices are necessary to make energy development economical?



The chart below from Wikipedia shows world crude consumption at nearly 90 million barrels of oil a day or 32.8 billion barrels annually. The United States is by far the largest consumer of petroleum products. However, both China and India with their billion person's population are picking up steam. The next Wikipedia chart depicts the top 20 countries holding 1.5 trillion barrels in proven energy reserves. The 1.5 trillion in reserves divided by 32.8 billion annual consumption would mean there's approximately 46 years of supply. If the world's population growth stays on track and the demand for energy continues apace, what will be the outcome if energy proves to be a depleting asset? Now, that's something to think about.

## Oil consumption (bbl/day)



## Reserves (MMbbl)

