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# Oil holds as Mideast turmoil offsets ample supply outlook

**L**ONDON – Oil prices firmed yesterday after a major advance by Islamic State militants in Iraq. Islamic State overran the western city of Ramadi in the biggest defeat for the Baghdad government since last summer.

Front-month Brent futures were up 7 cents at \$66.88 a barrel by 10:50GMT after earlier climbing earlier to \$67.88 a barrel. US crude CLc1 rose 42 cents to \$60.11 a barrel.

"The fact that Islamic State can still carry out major operations even after nearly a year of airstrikes confirms that Iraq will remain unstable for a long period," said Richard Mallinson, geopolitical analyst at London-based Energy Aspects.

"However, in the short term, supply risks don't look higher than before. The market is still oversupplied and if prices go much higher in the US, we could start to see some drilling returning, which would slow down the rebalancing process."

Goldman Sachs lowered their Brent crude price

assumption from 2016 to 2019 from \$70 a barrel to \$62-\$65 a barrel and for 2020 from \$70 a barrel to \$55 a barrel. At the same time, the bank raised its 2015 price assumption from \$52 a barrel to \$58 a barrel.

"We see global oil demand being met by US shale, which is continuing to benefit from efficiency and productivity improvements, and OPEC," Goldman said in a report.

Signs that OPEC was unlikely to cut output in its key meeting next month put further strain on the supply outlook.

Kuwait OPEC Governor Nawal al-Fuzaia said that oversupply in the global oil market is due to slow demand and a rise in production from shale oil, but not from the Organisation of Petroleum Exporting Countries.

Iran's Deputy Oil Minister Rokneddin Javadi told Reuters that OPEC was unlikely to cut output in June, and that Iran hoped its crude exports would return to pre-sanctions levels of 2.5 million barrels per day within three months once a deal to lift an oil embargo is finalised.