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# Oil discoveries sink to lowest since 1952

**L**ONDON (Reuters) – Oil discoveries in 2015 fell to their lowest since 1952 as energy companies slashed exploration budgets in the wake of the oil price fall, creating a gap for meeting future demand, analysts at Morgan Stanley said yesterday.

The oil and gas industry discovered 2.8 billion barrels of oil outside the US last year, the equivalent of one month of global consumption, the US bank said, quoting data from consultancy Rystad Energy.

Including the US, where the rapid expansion of the onshore shale industry unlocked major resources over the past decade, global discoveries rose to 12.1 billion figure – but still the lowest since 1952, when the oil industry was one-seventh of its current size.

Oil discoveries are vital to replace resources, meet still growing demand and offset the depletion of existing fields.

The sharp drop in oil prices over the past two years has led companies including Exxon Mobil and Royal Dutch Shell to sharply reduce budgets, particularly for exploration, where spending fell in 2015 to around \$95 billion from \$168 billion two years earlier, according to Morgan Stanley.

Despite a big increase in explo-

ration spending since the start of the decade, when oil demand rapidly rose, there have been few major hydrocarbon discoveries, such as Statoil's Jostedal field off Norway's coast or Epi's giant Zohr gas field off Egypt.

BP last week announced the surprise departure of its exploration boss, and a shift in its oil search strategy, focusing mainly on existing fields rather than venturing extensively into the unknown.

A big increase in new oil fields in recent years helped to keep up with Iran's production, following the lifting of international sanctions, but in the short term, the impact of the exploration record will be felt.

But even under the most optimistic demand forecasts, driven by a drive to limit global warming to 2 degrees Celsius, world consumption will decline to 86 million barrels per day by 2035, only around two thirds of the demand can be met by currently producing fields or resources under development, Morgan Stanley said.

"Building this capacity over the next 25 years will require ongoing investment.

Our strong suspicion is that this will be higher than what companies are currently spending, even relative to the 2 Degrees scenario under which demand is falling."

The outlook for exploration remains challenged, the bank said.