

Stormy Weather

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Economics & Strategy

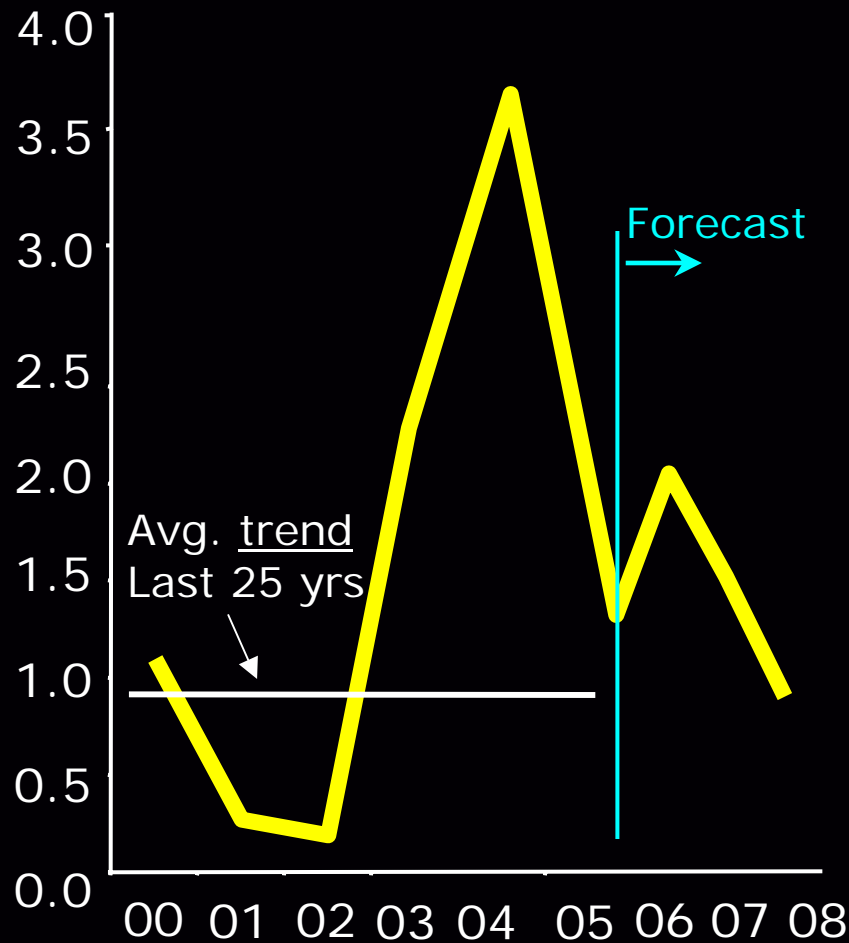
April 2006



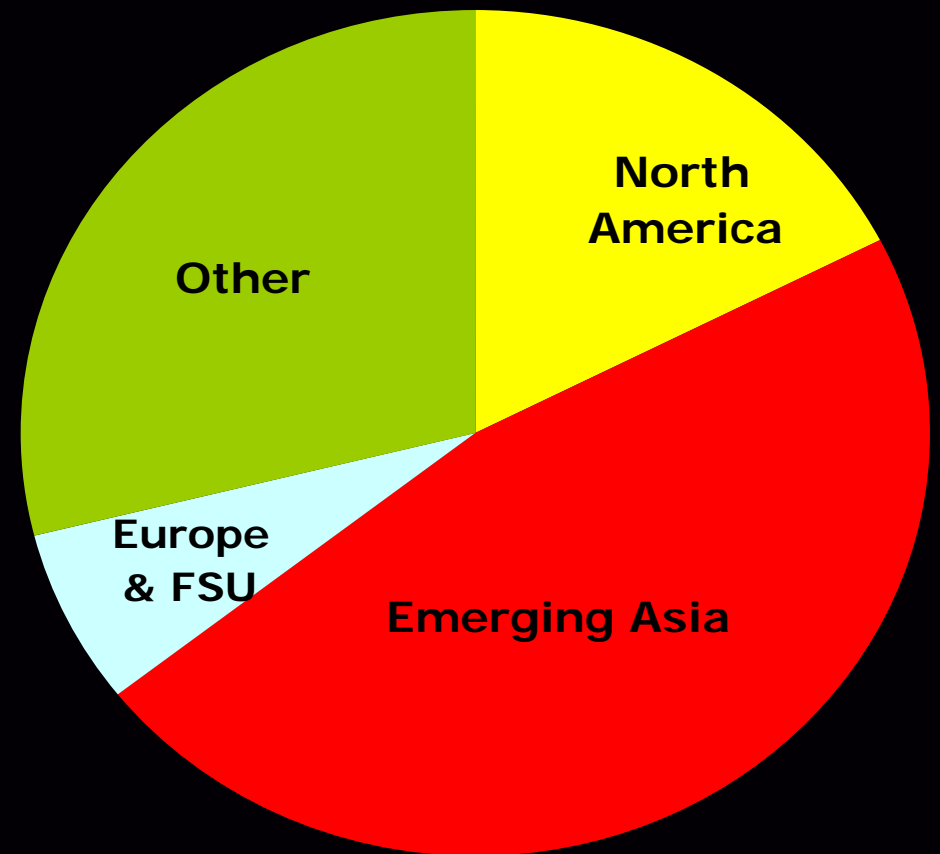
CIBC
World Markets

Globalization is Energy Intensive

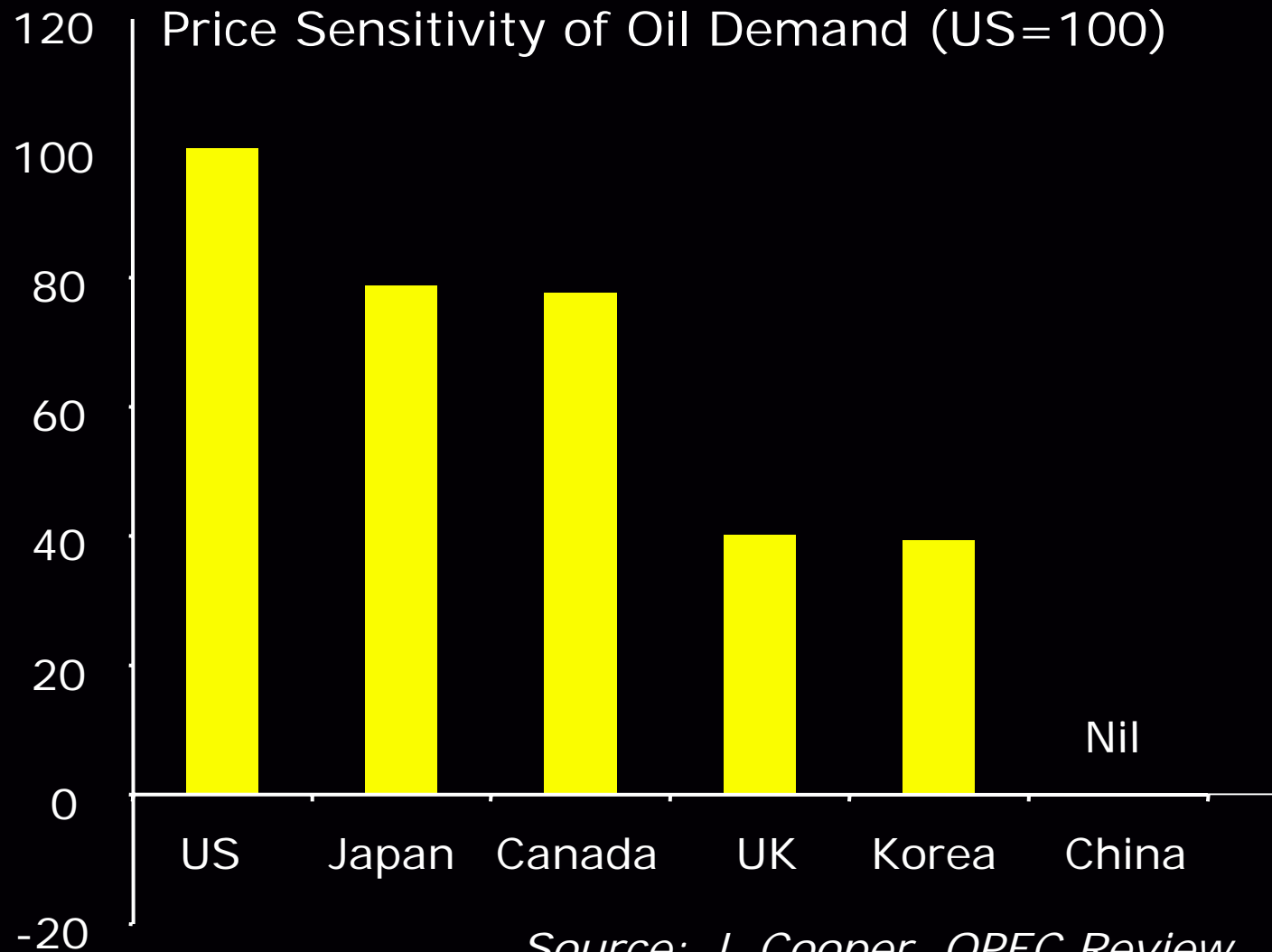
World Oil Demand, % chg



Demand Growth: 2005-2008

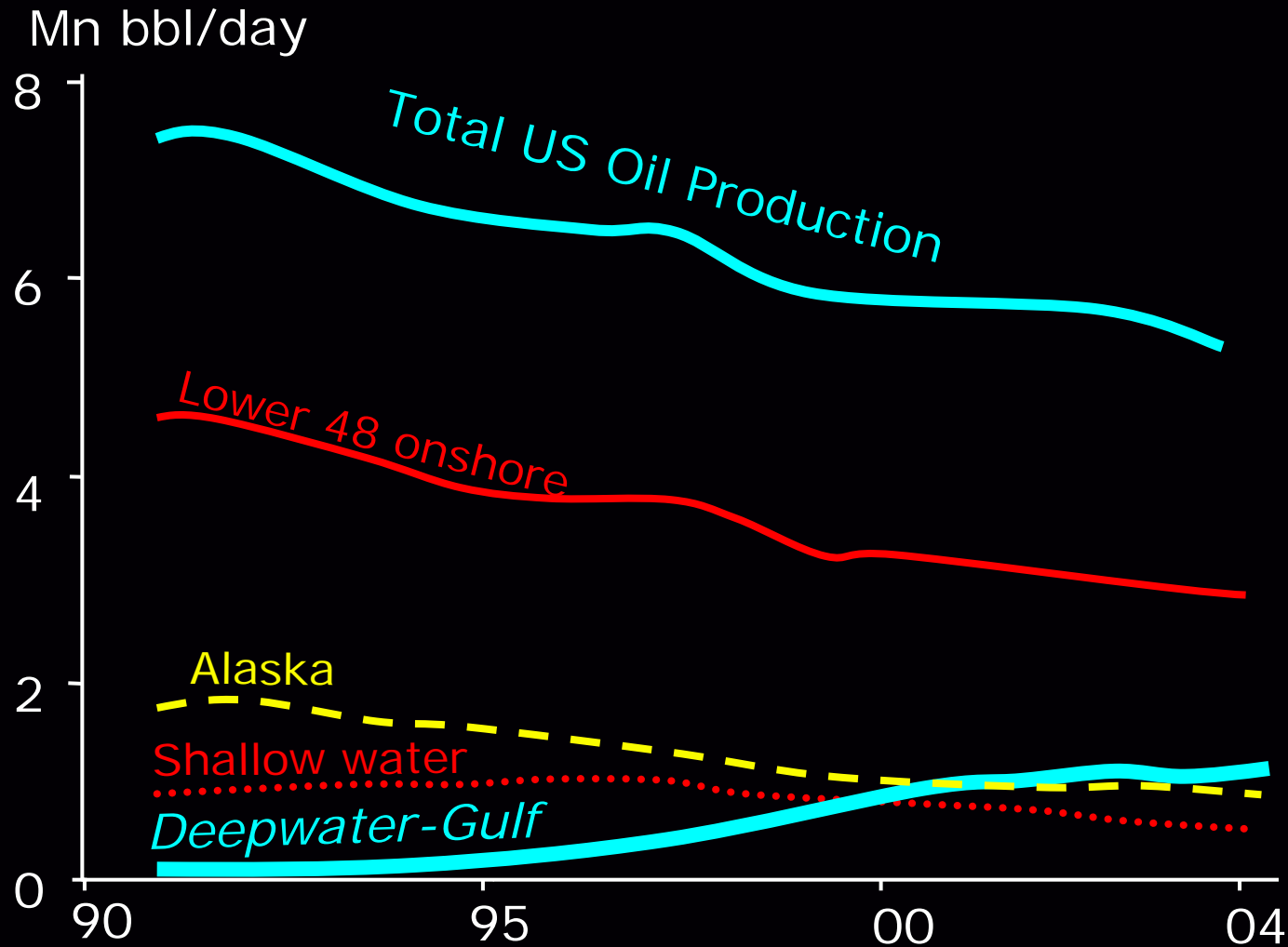


While Demand is Becoming Less Price Sensitive

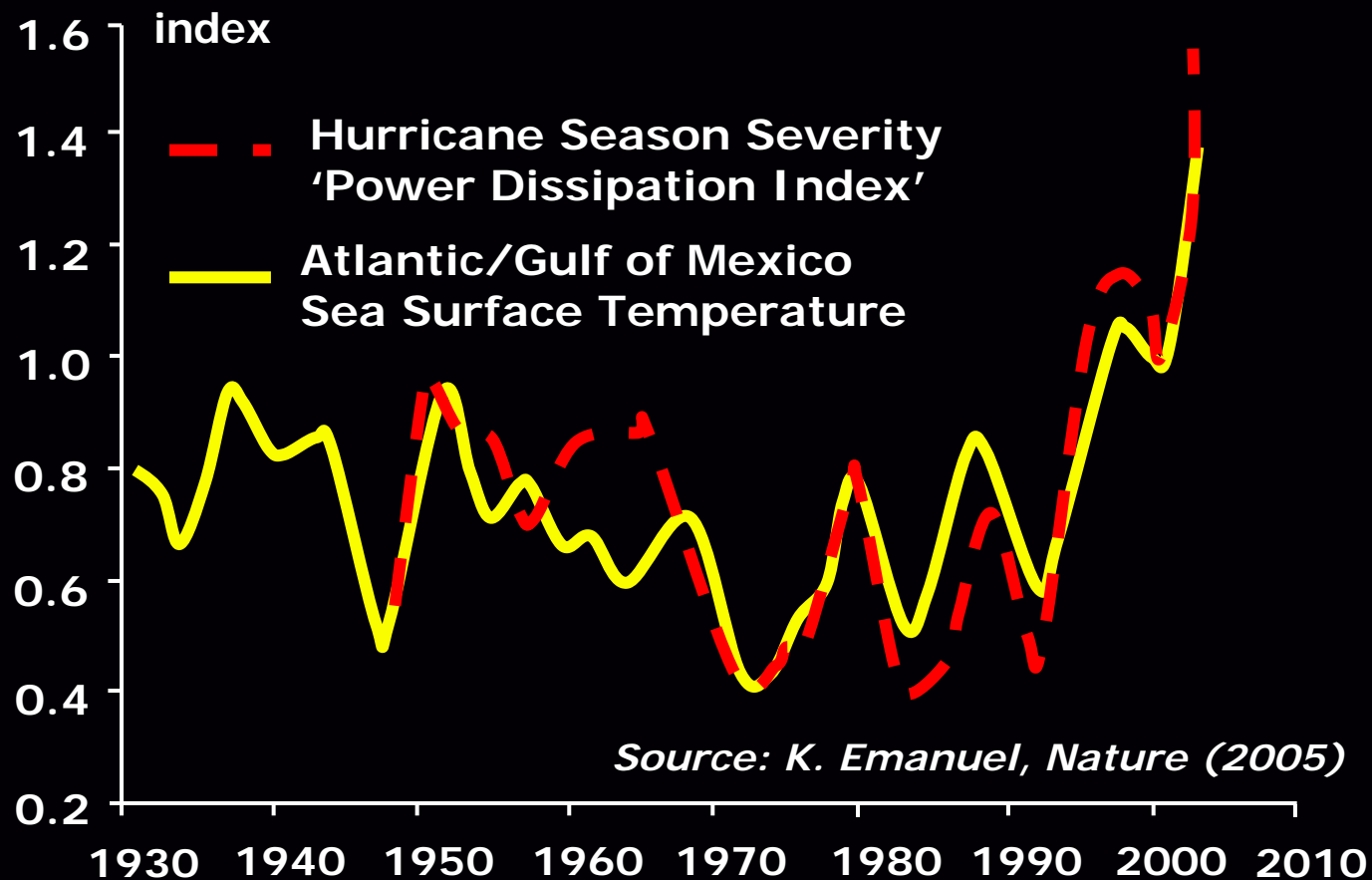


Source: J. Cooper, OPEC Review

Deepwater Gulf Fields Only Growing Domestic Supply Source

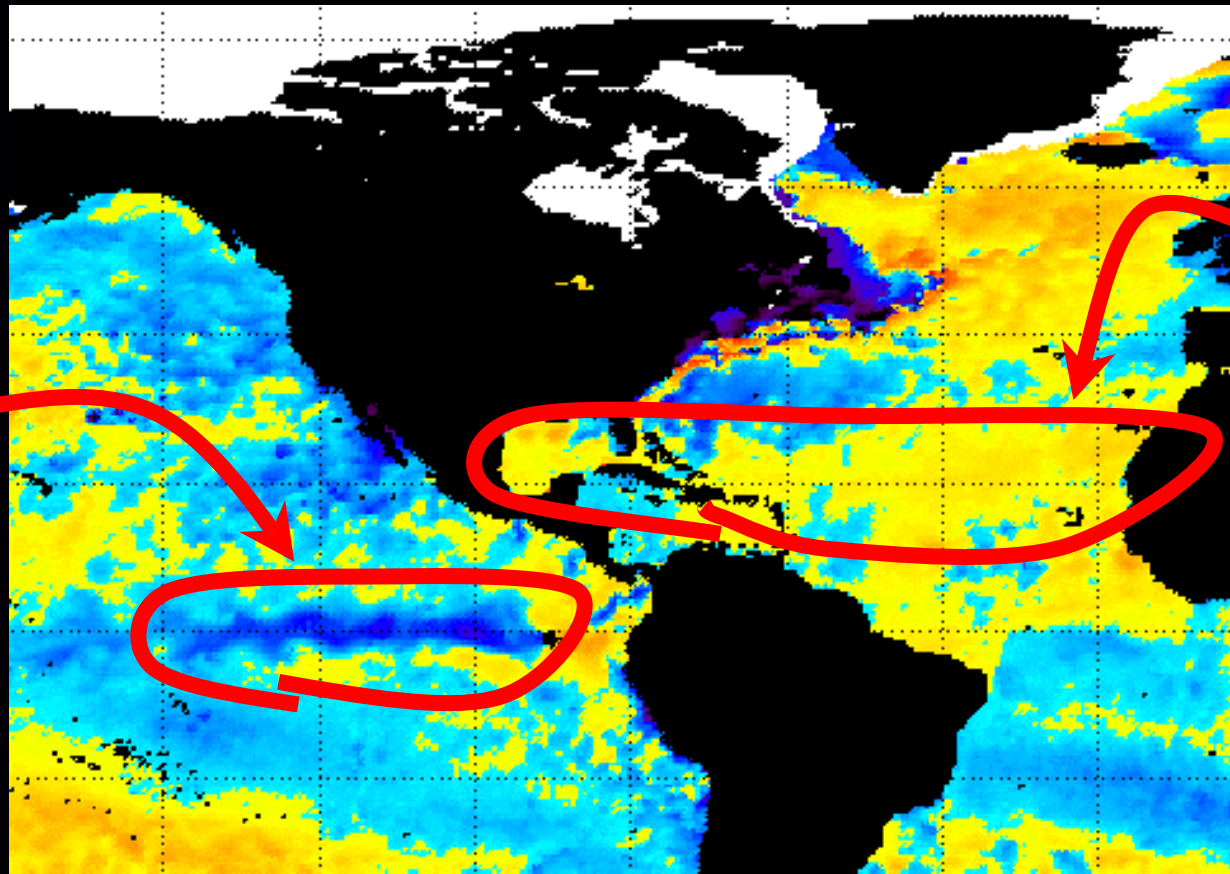


Hurricane Season Severity Rising with Sea Temperatures



Sea Temperature Anomalies Indicate Severe 2006 Hurricane Season

La Niña
points
to weak
Trade
Winds,
limiting
wind
shear



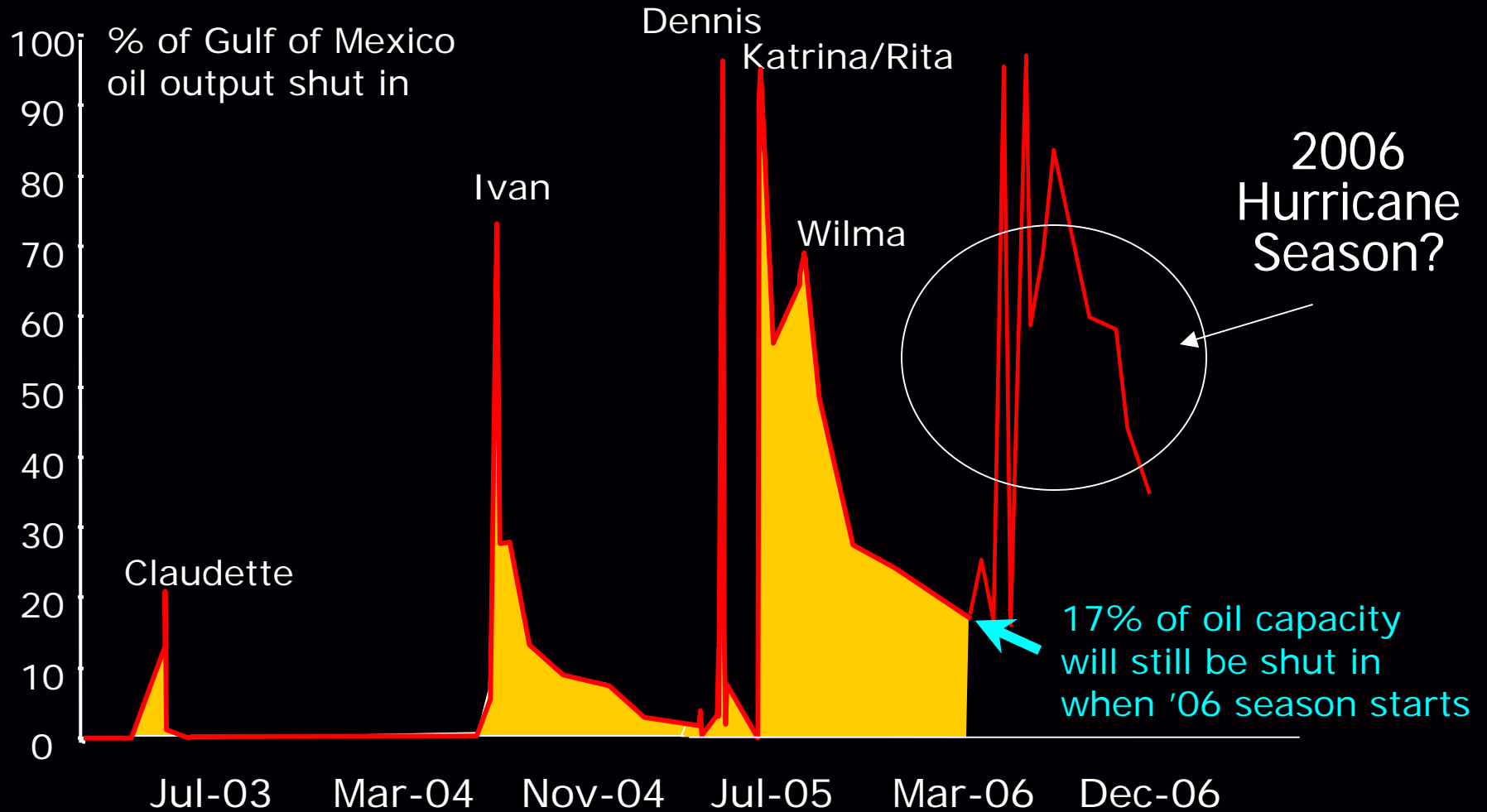
Gulf of Mexico,
Tropical
Atlantic
unusually
warm

Deviation from Normal Sea Temperature ($^{\circ}\text{C}$)

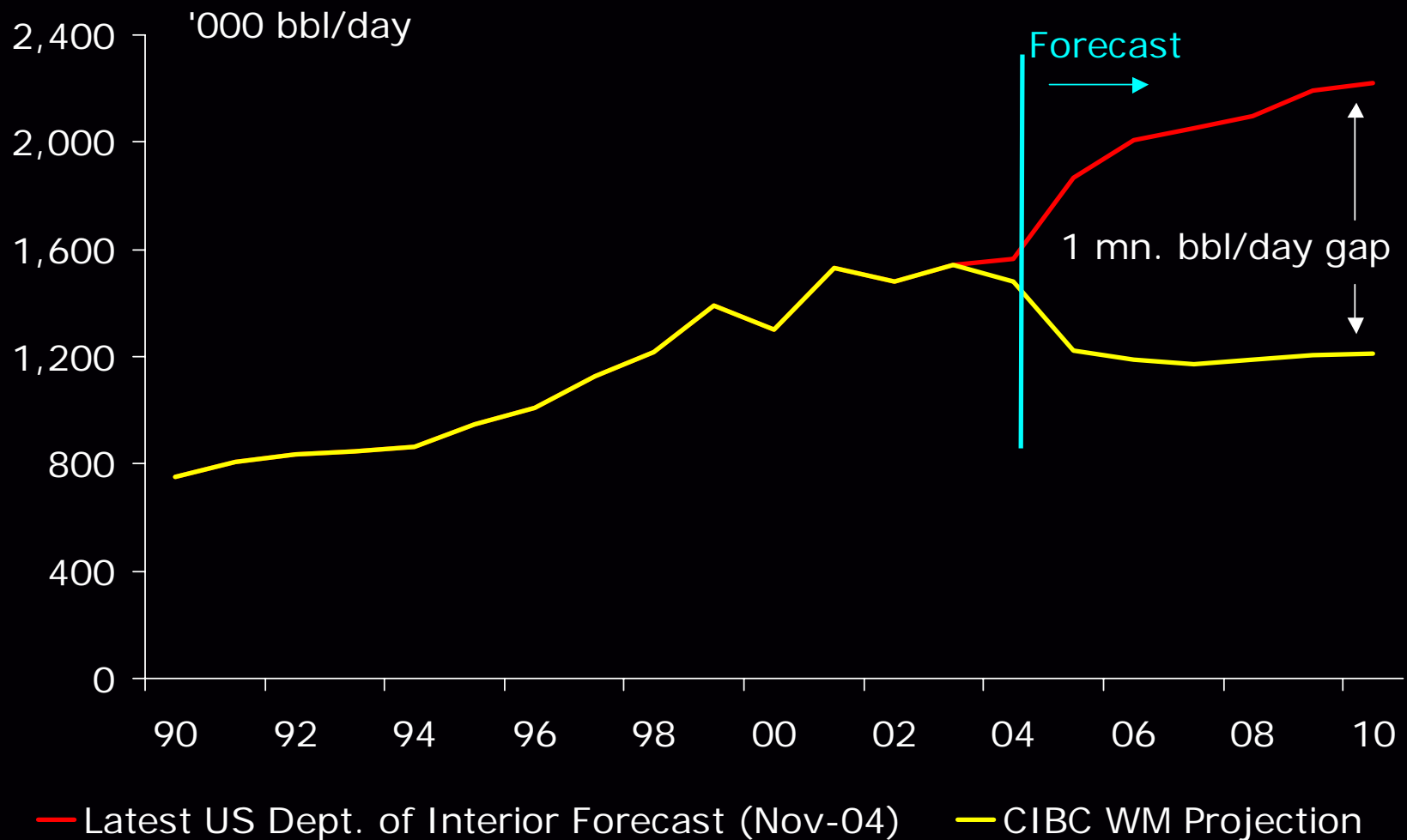


Source: NOAA

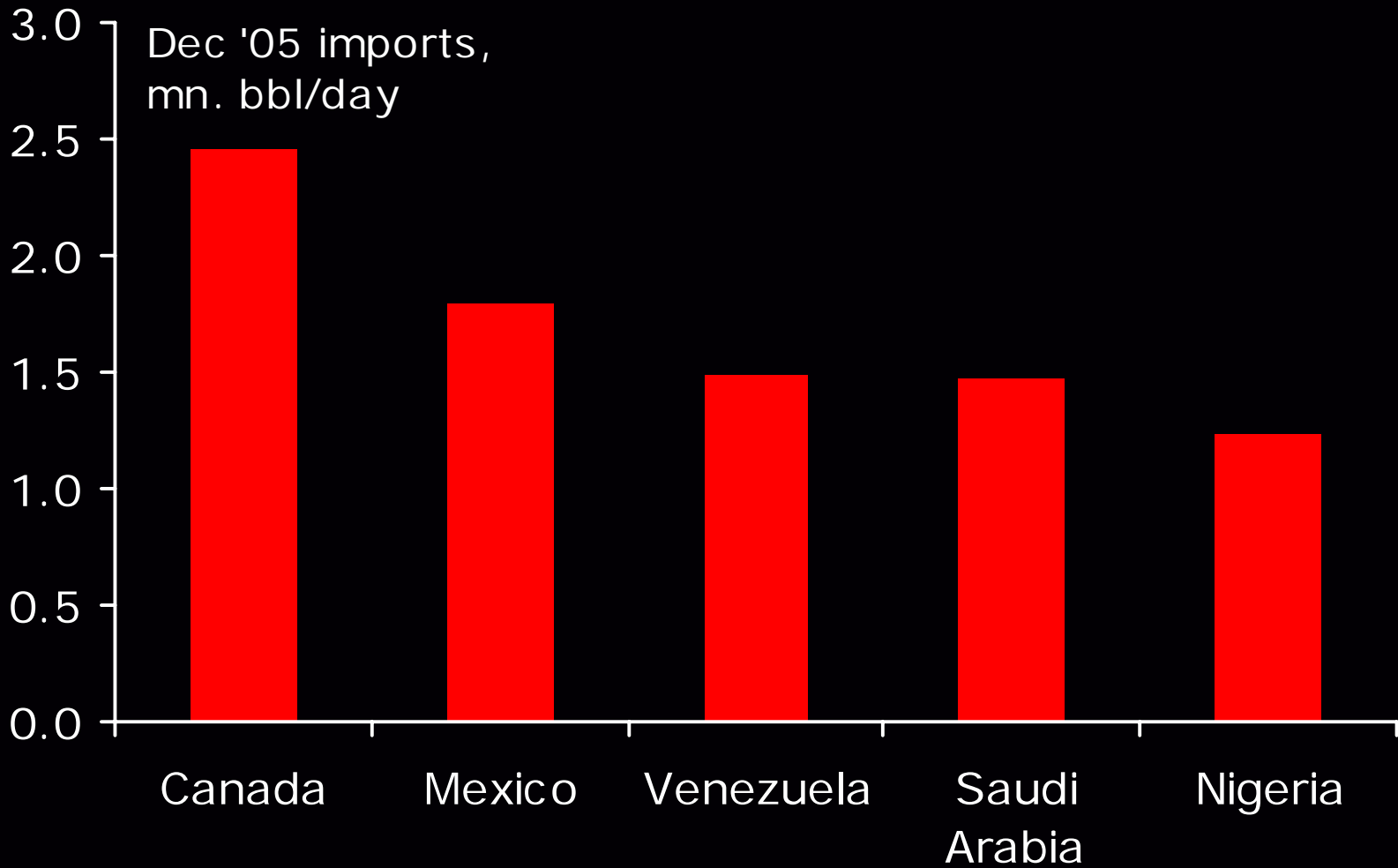
Shut-In Will Rise Further as Repairs Lag



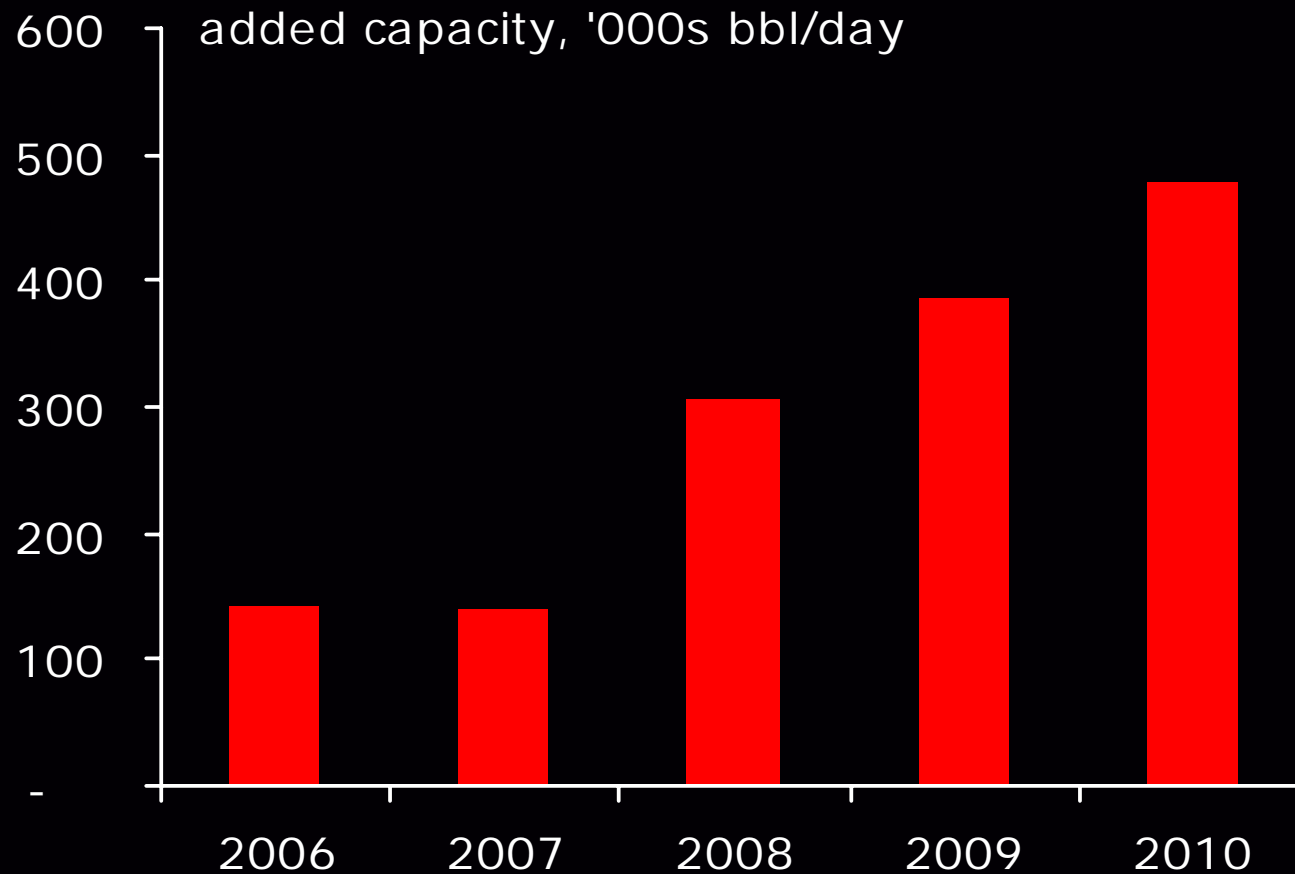
Production Unlikely to Regain 2003 Peak



US Oil Imports by Exporting Country

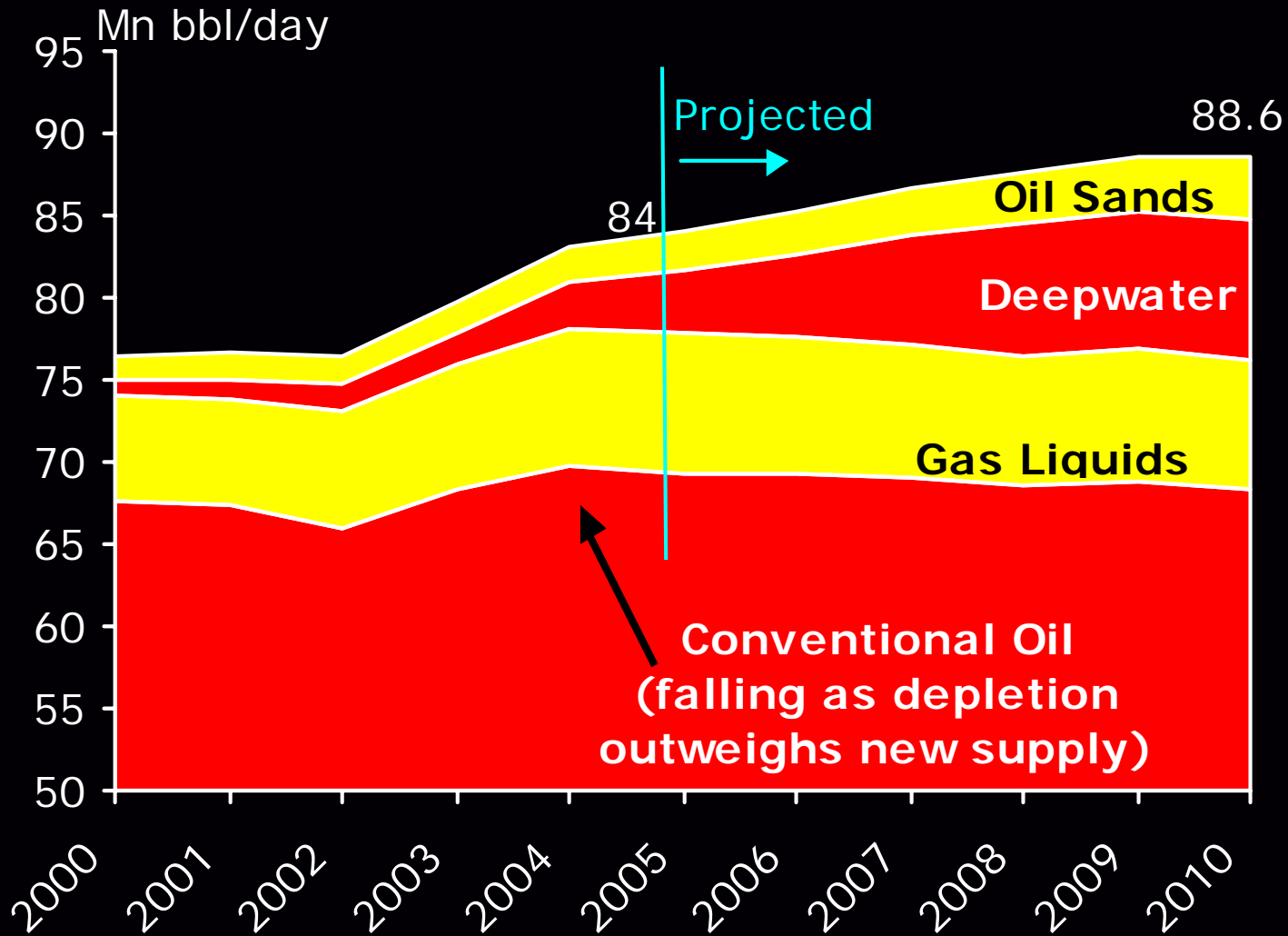


Canadian Oil Sands Capacity Set to Soar

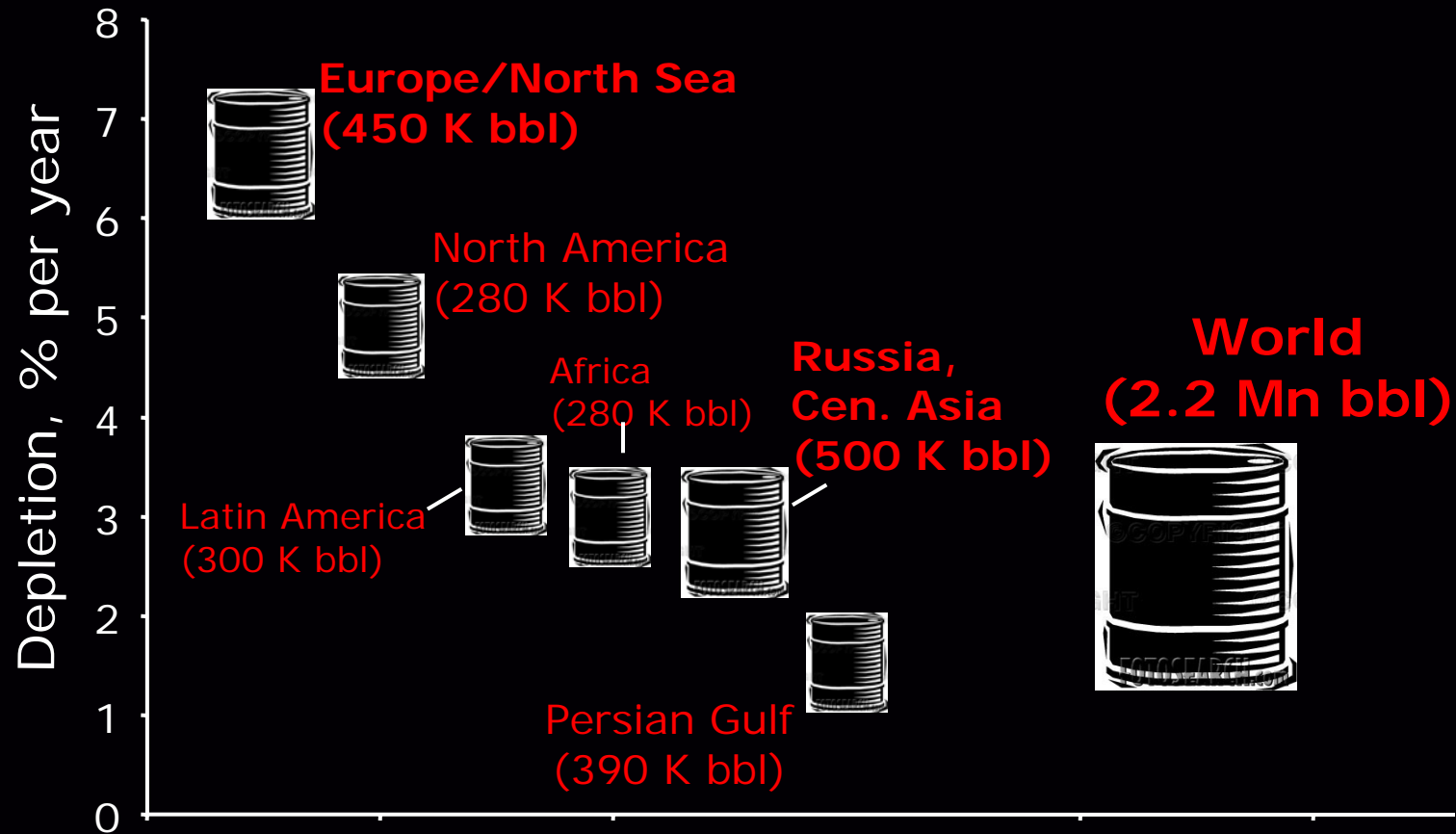


Source: Alberta Energy, company reports, CIBC WM estimates

Oil Sands Largest Source of New Supply by 2010



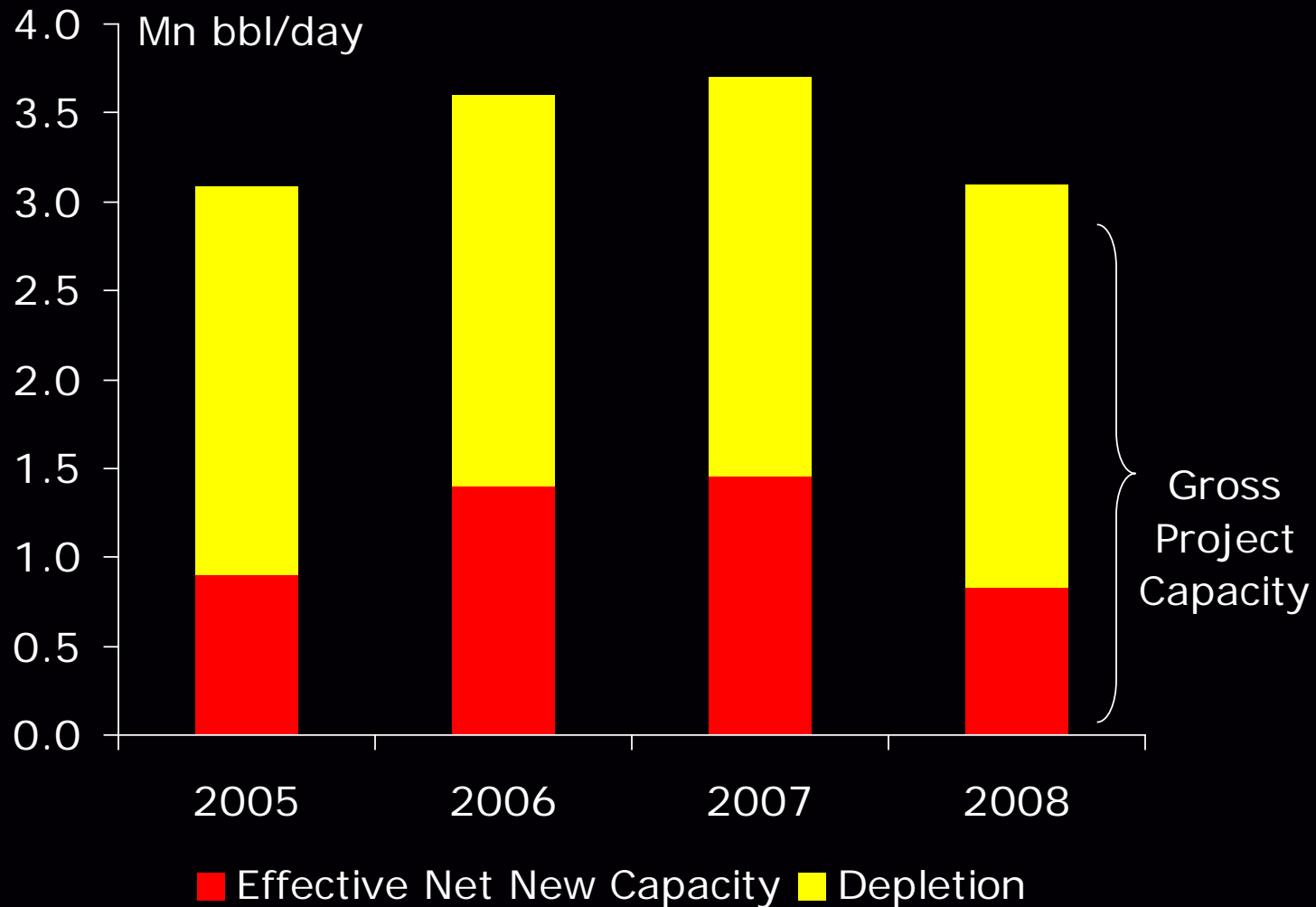
Regional Depletion Rates and Total Loss



Note: Left axis shows depletion rate; size of barrels absolute amount of capacity lost yearly. Depletion is the rate of decline of a field as it ages.

Source: CIBC WM Calculations, Colin Campbell/ODAC

Depletion Eats Up 60-70% of Projected Capacity Growth



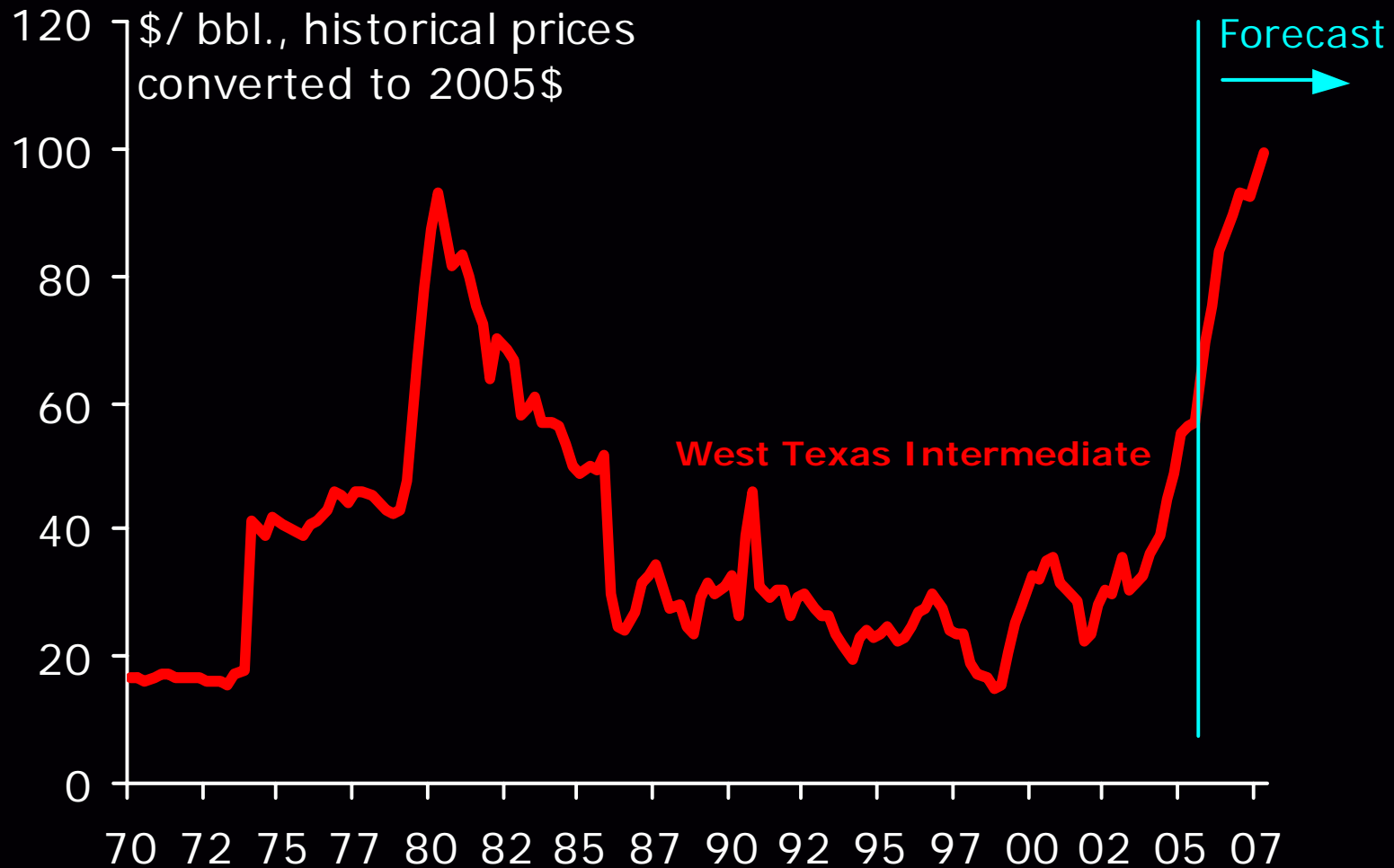
Needed Demand Cuts to Balance the Market

Mn barrels/day

2004 2005 2006 2007 2008

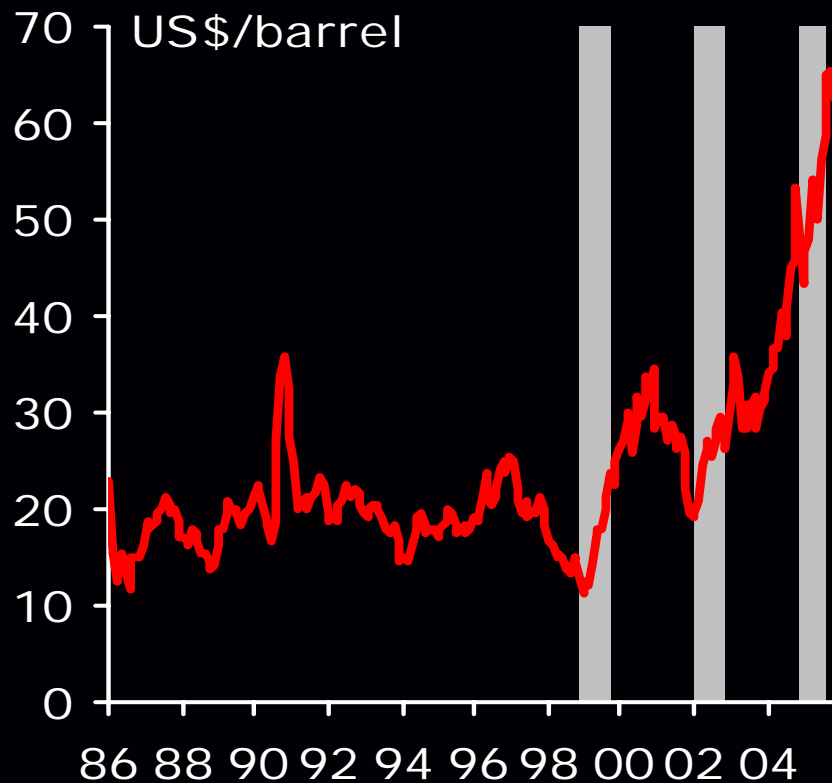
World Oil Demand (assuming 2.5% trend growth)	82.2	83.6	85.7	87.8	90.0
Maximum Supply	83.1	84	85.3	86.7	87.5
Required Reduction in Demand			0.4	1.2	2.5

Higher Prices Needed to Ration Demand



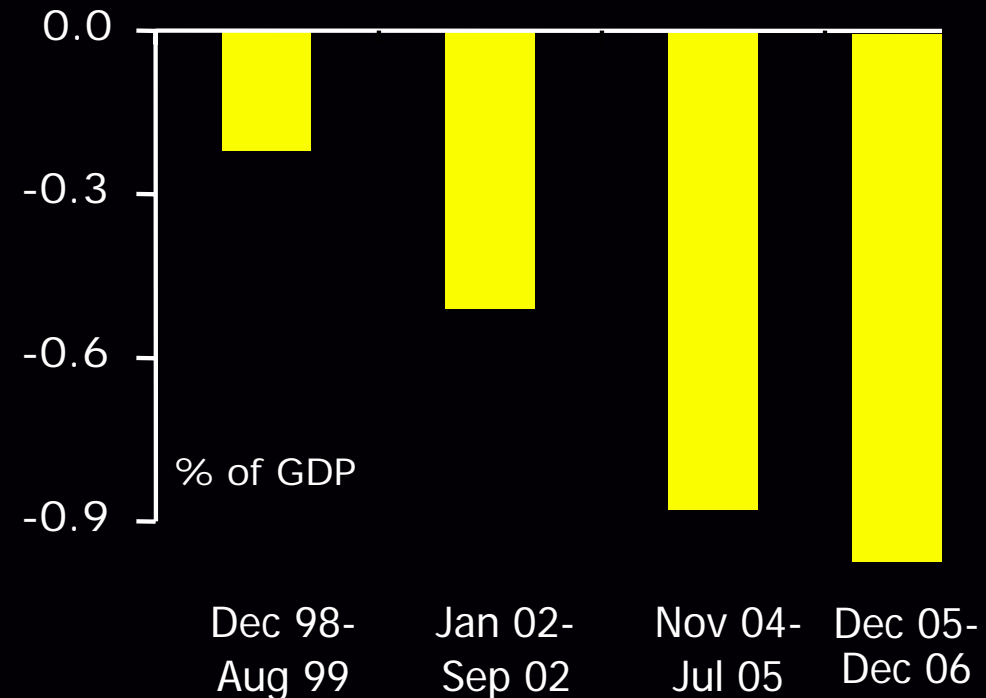
Energy Brake on US GDP Growth

Spot Oil Prices



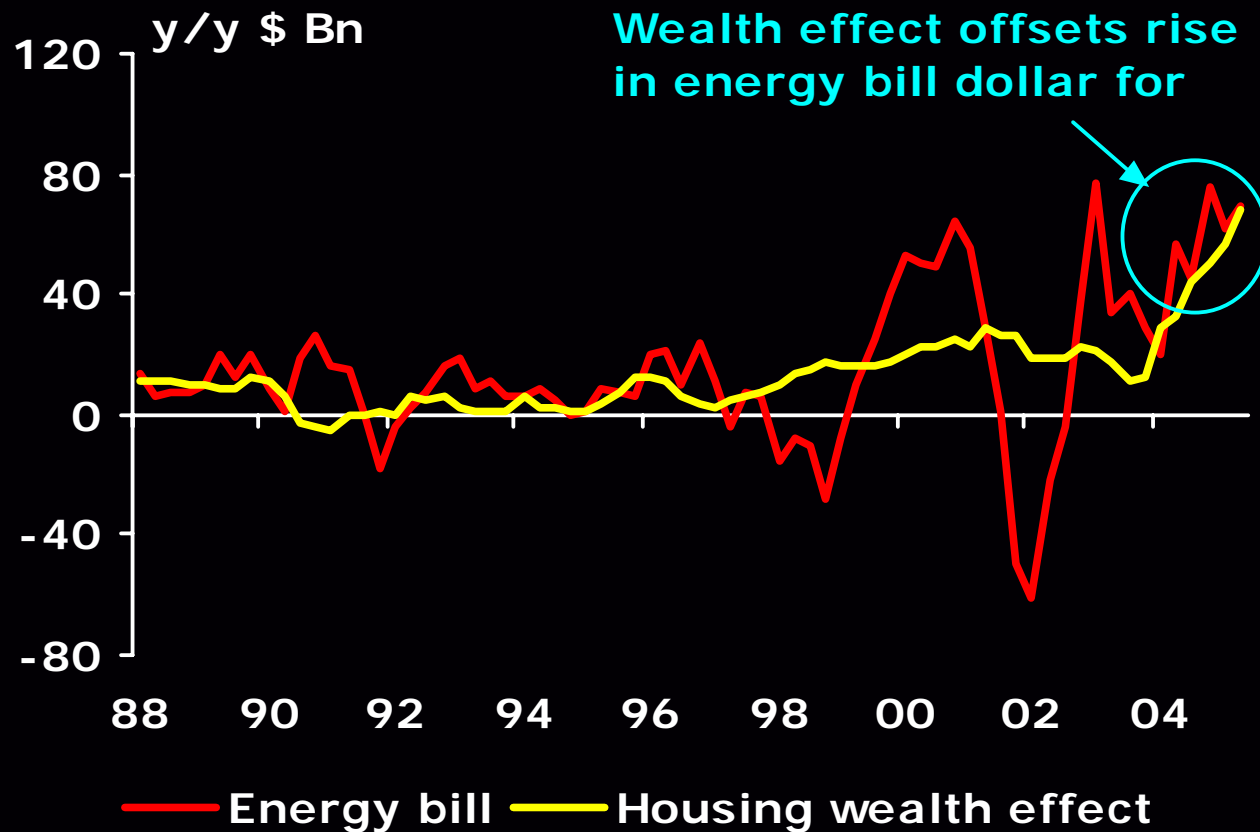
Impact on the US economy
of \$10 increase in oil prices
during different periods

(see shaded areas in left chart)

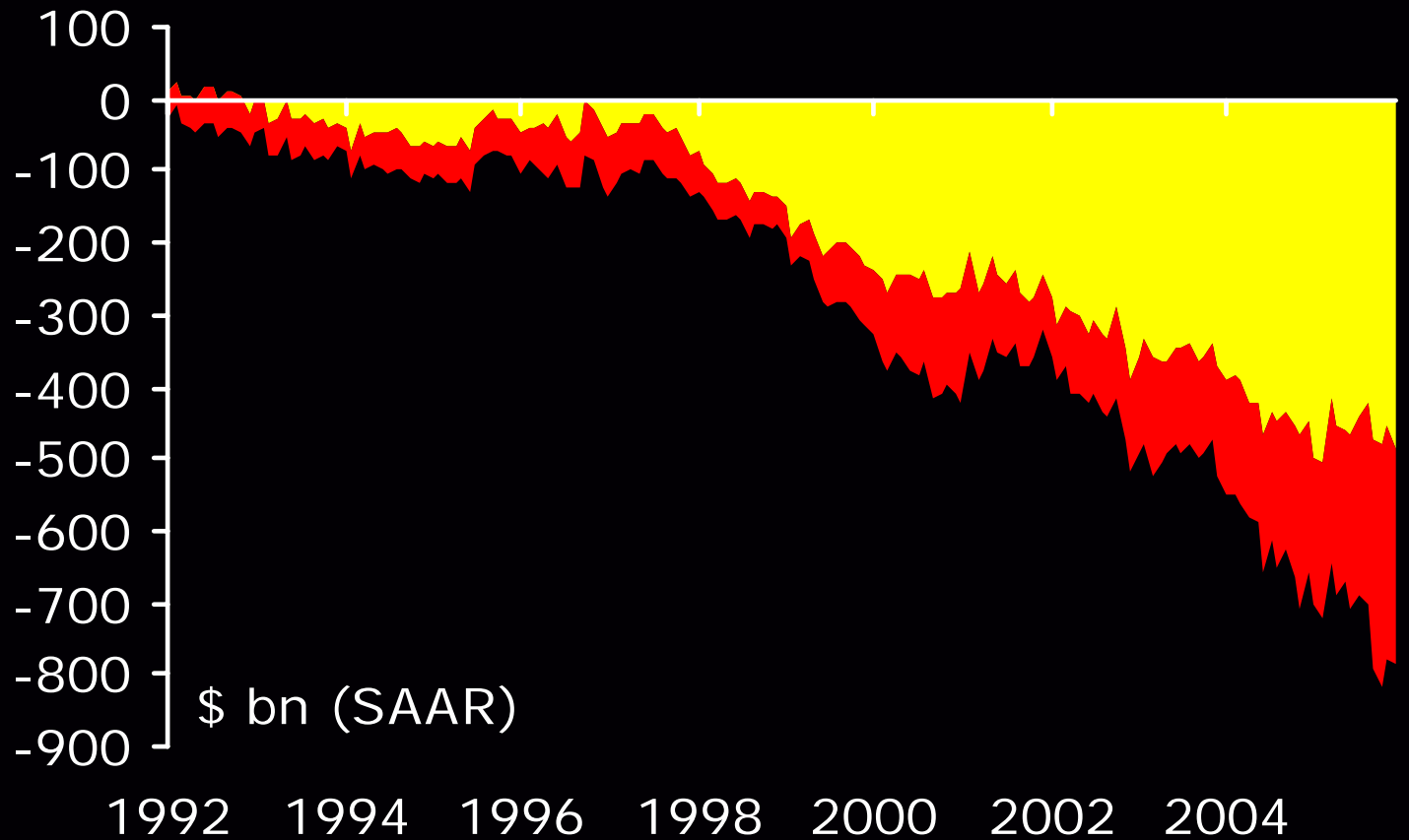


Source: CIBCWM, Based on Hamilton (2003)

Energy Bill vs US Housing Wealth Effect

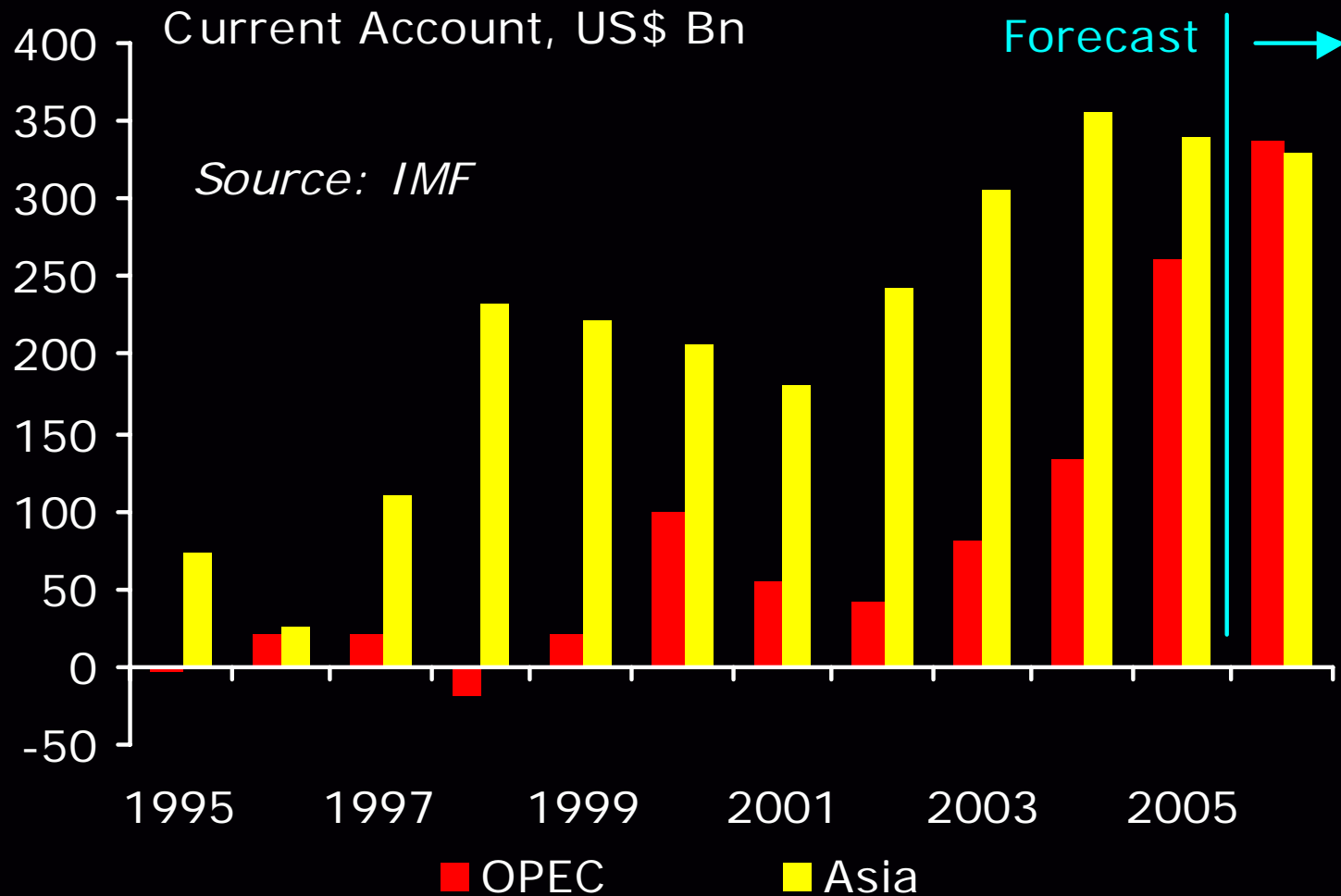


US Trade Deficit Becoming an Energy Deficit

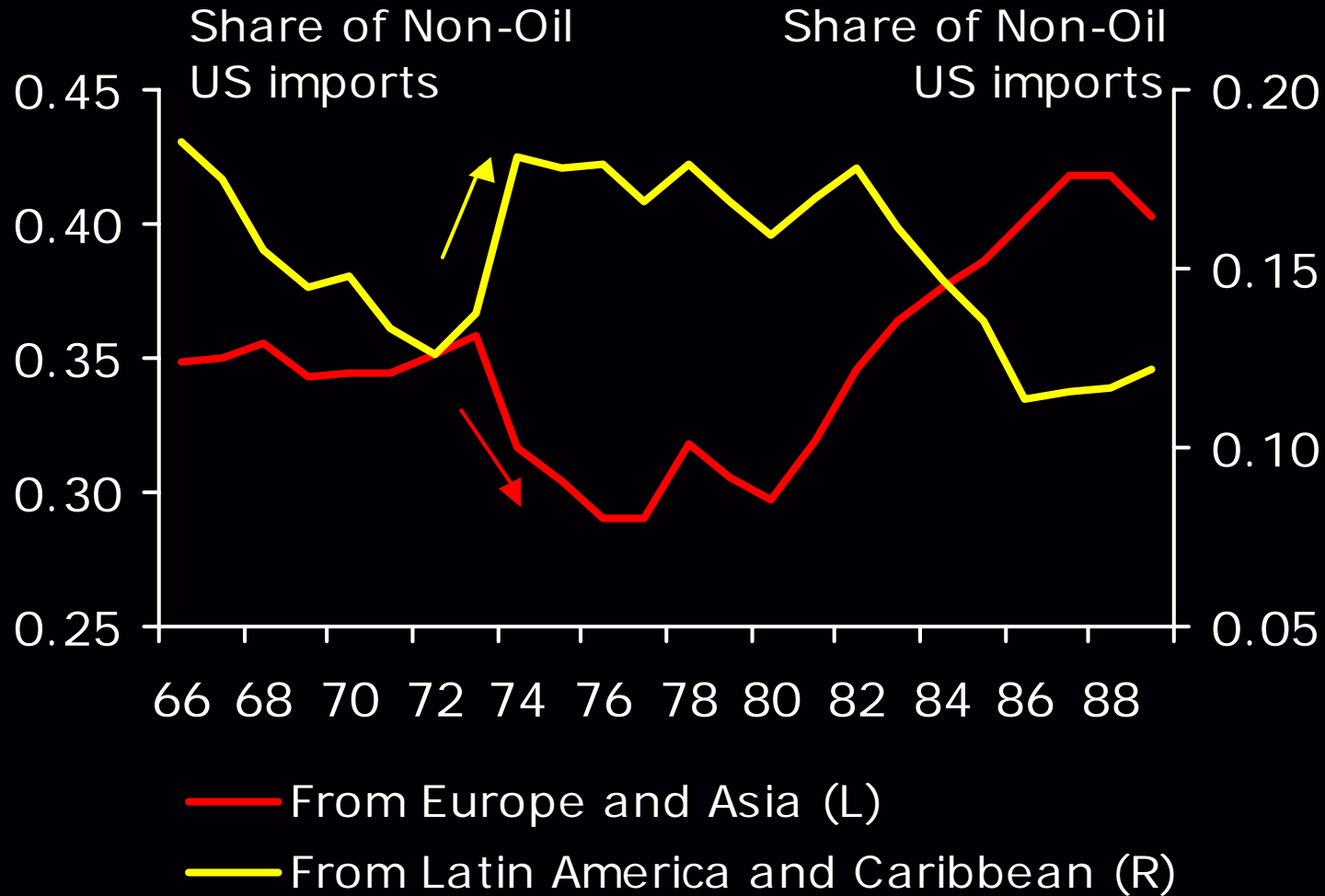


■ non-energy trade balance ■ energy trade balance

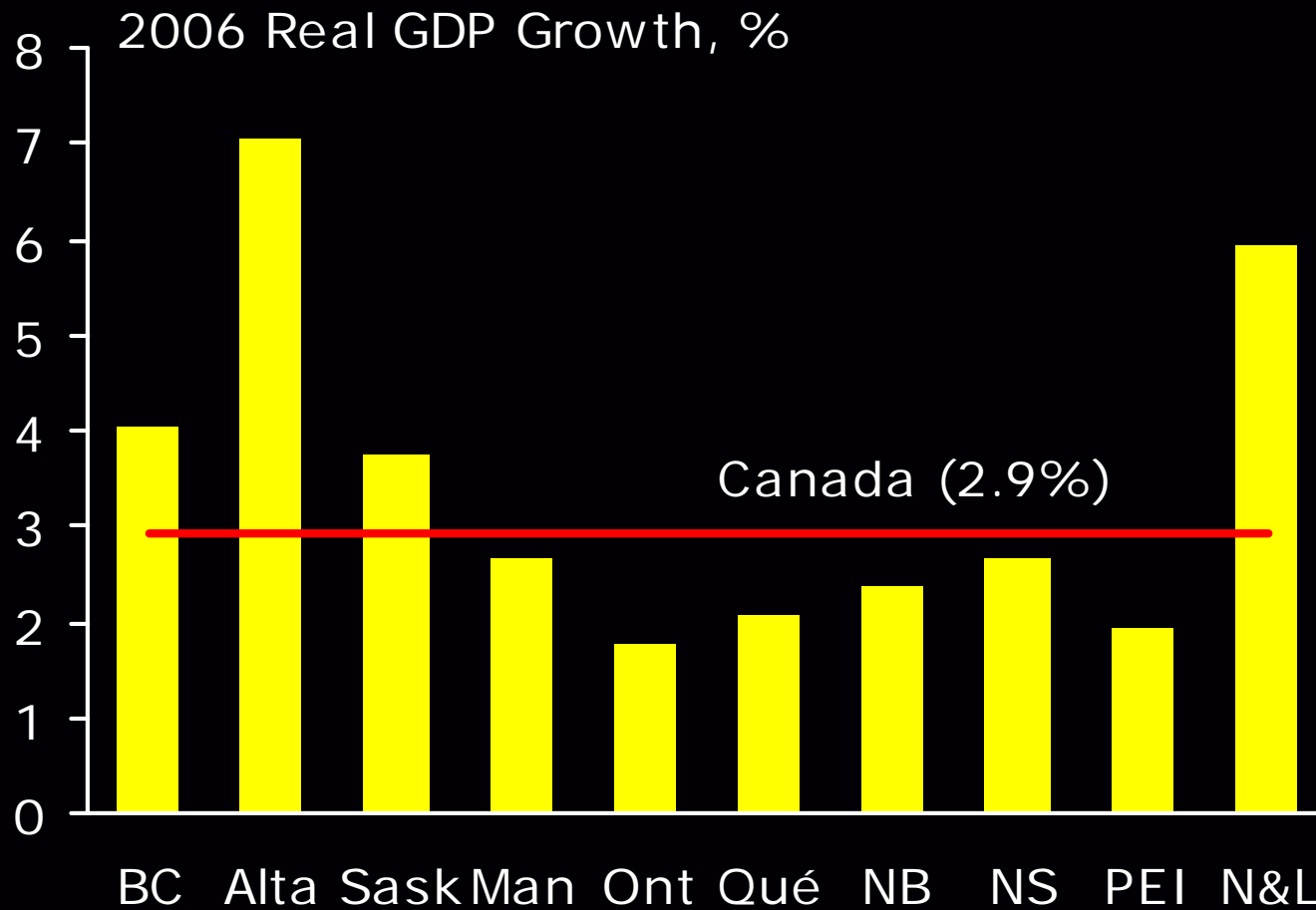
OPEC's Current Account Surplus to Surpass Asia's



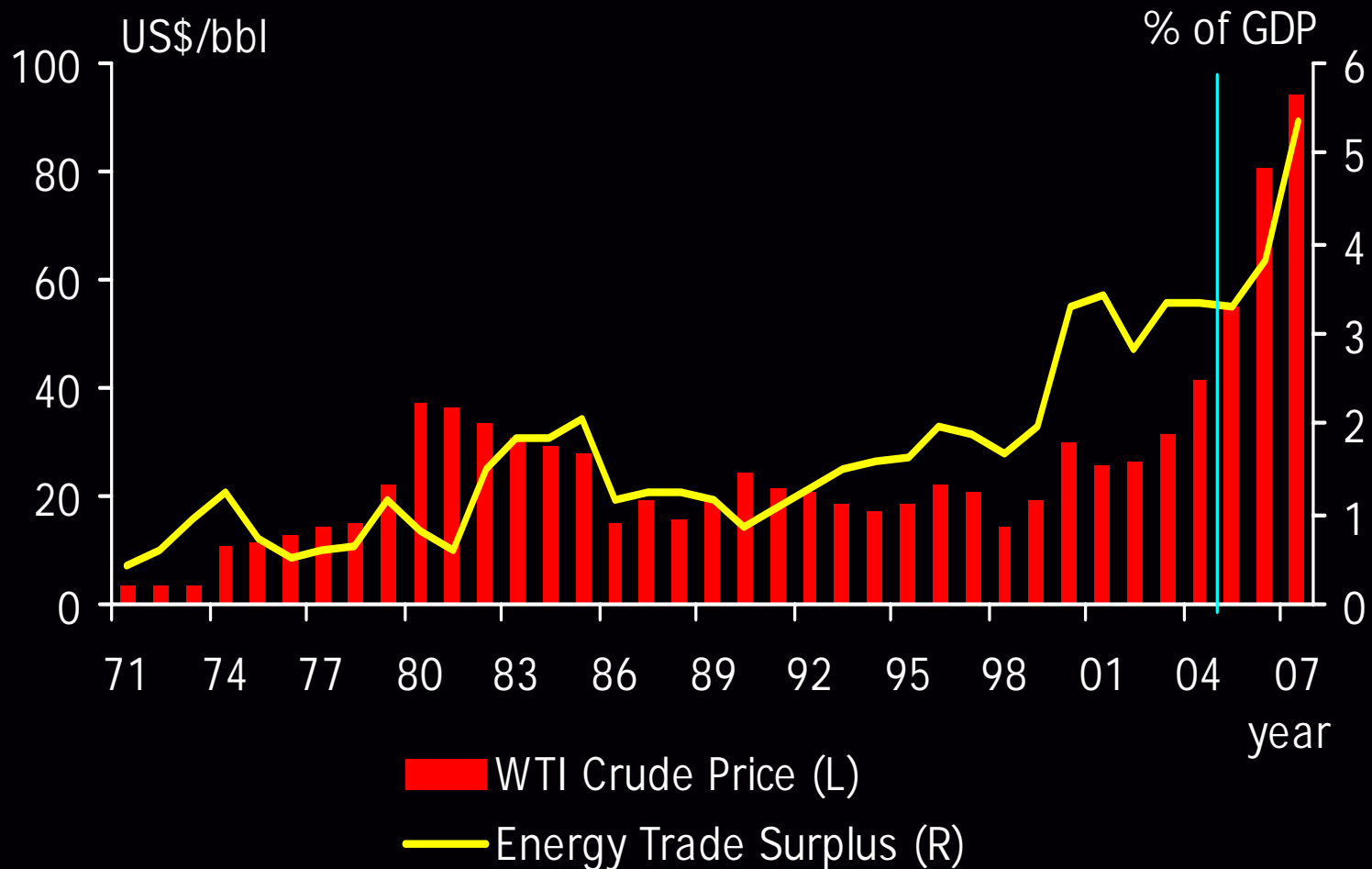
\$100 Oil Will Make the World a Lot Rounder



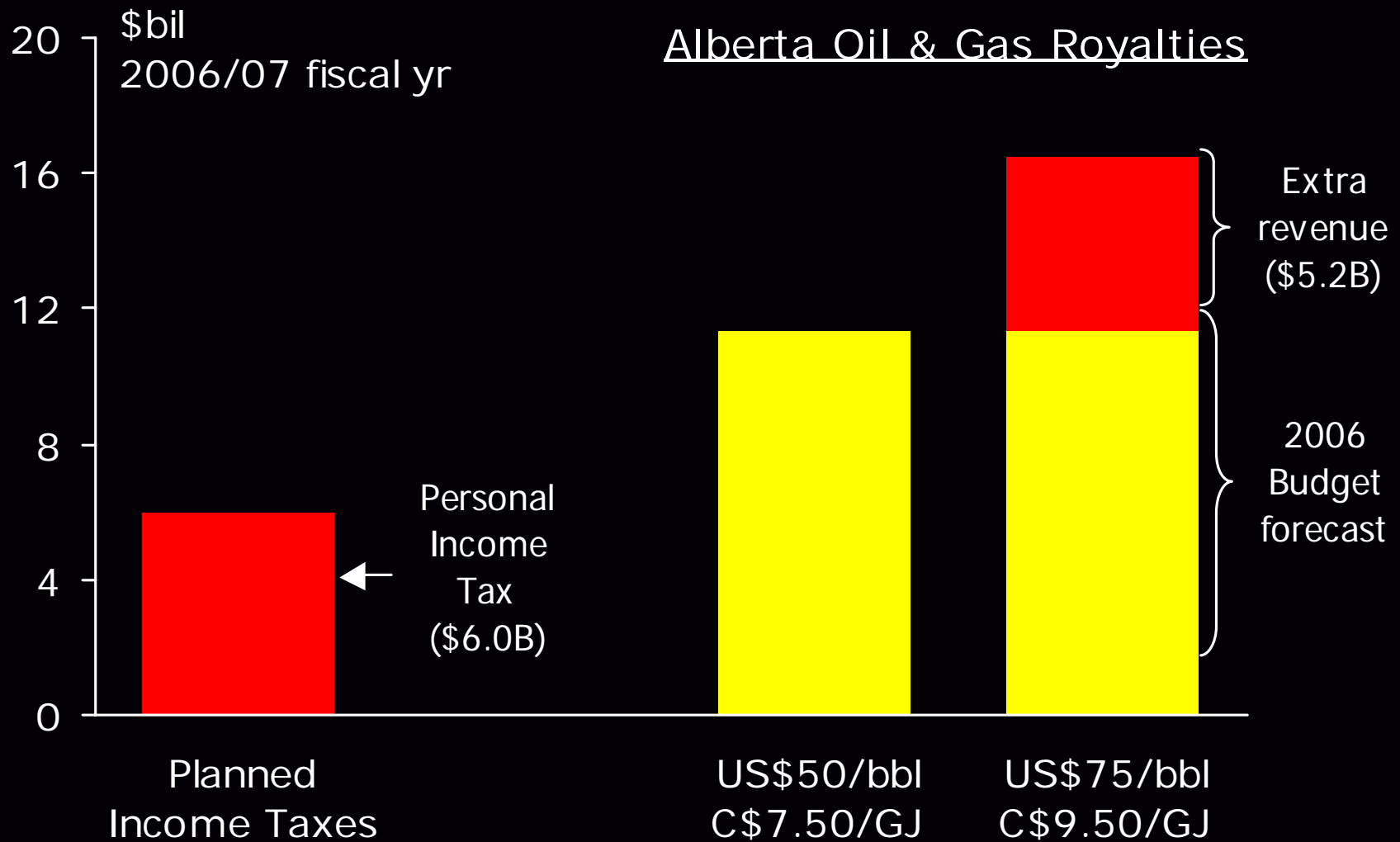
Cross-Canada Regional Disparities: Alberta vs Ontario



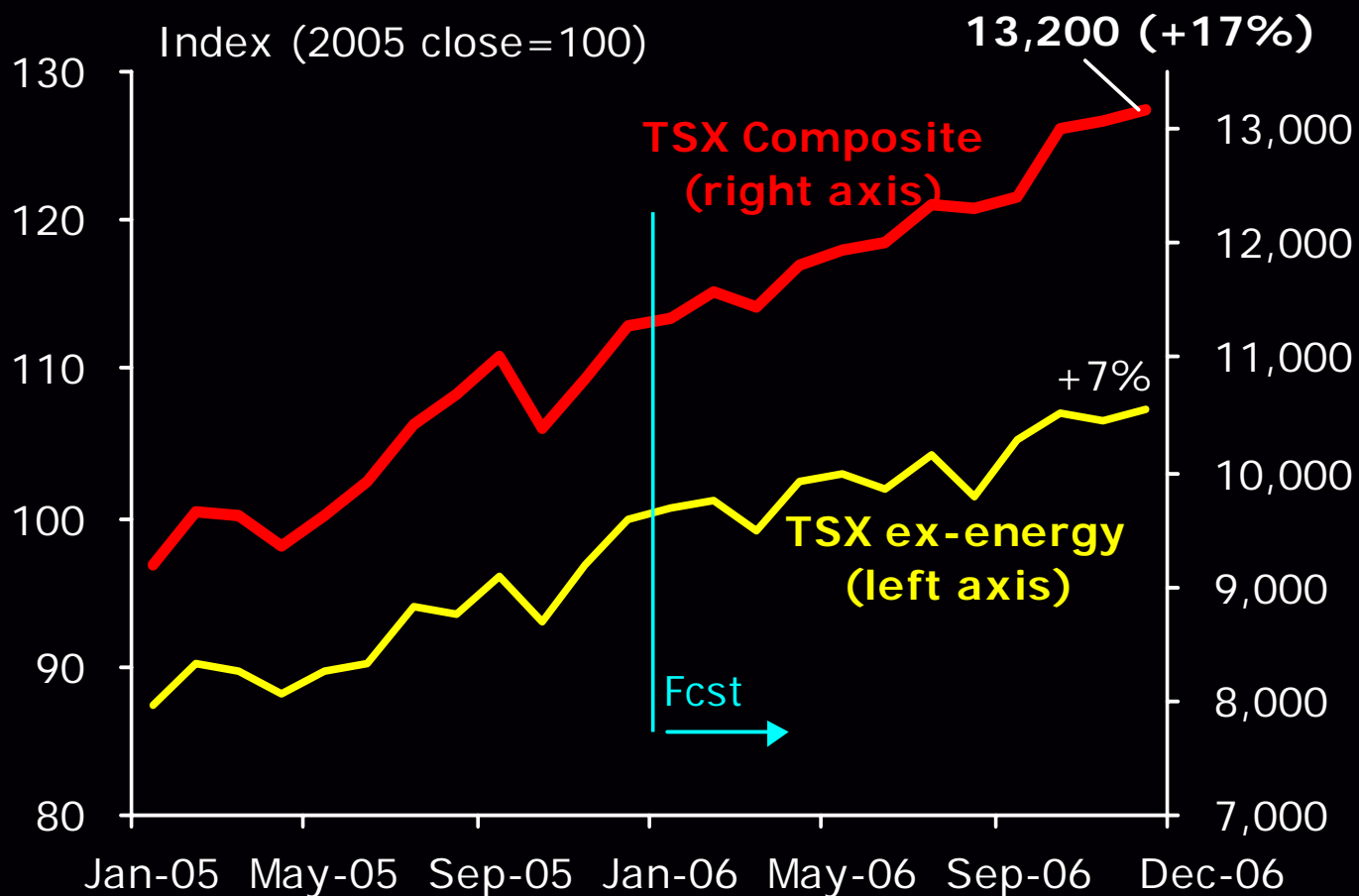
Loonie Becoming a Petro-Currency



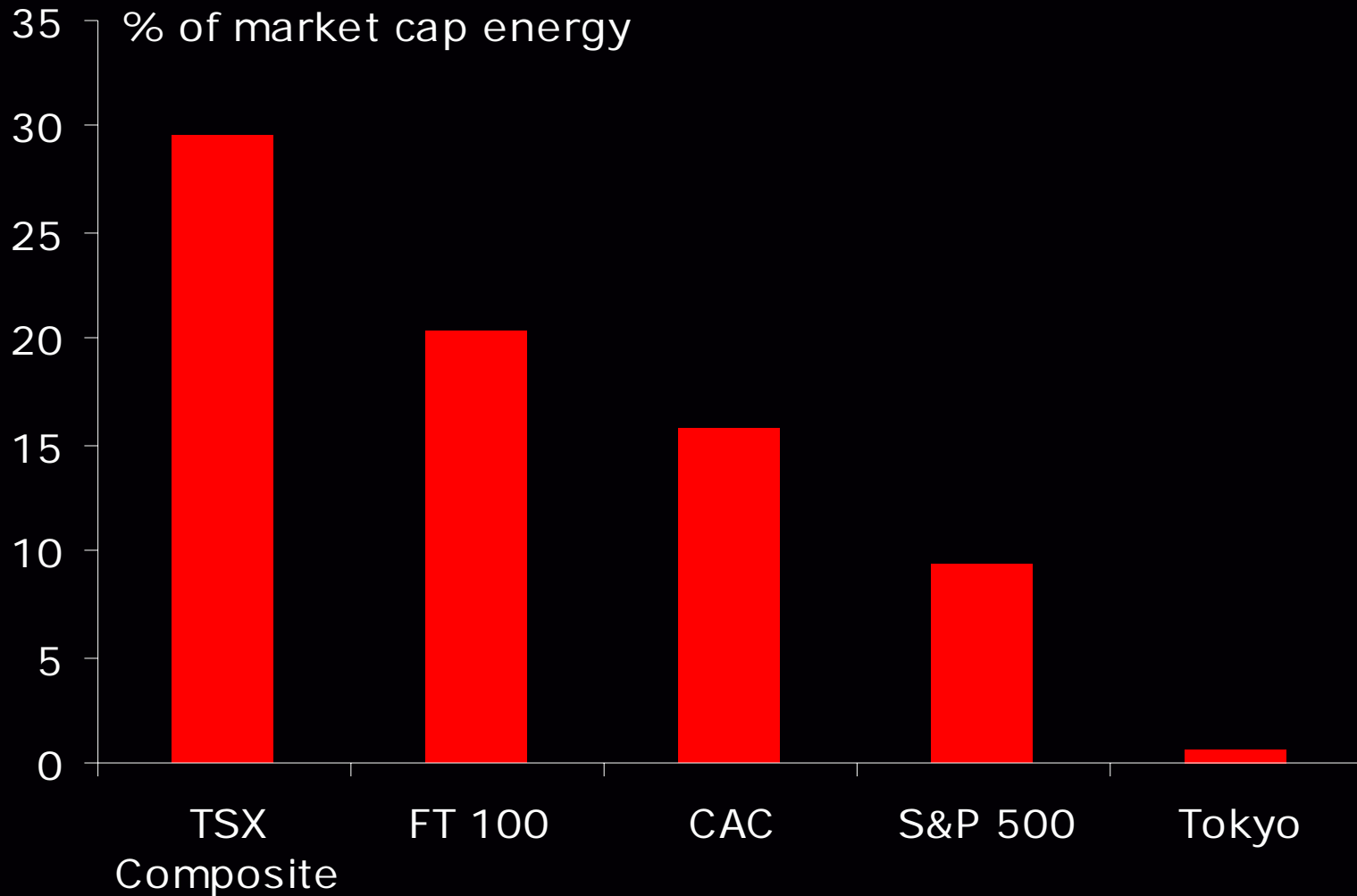
Alberta Fiscal Surpluses



Energy to Continue Driving TSX

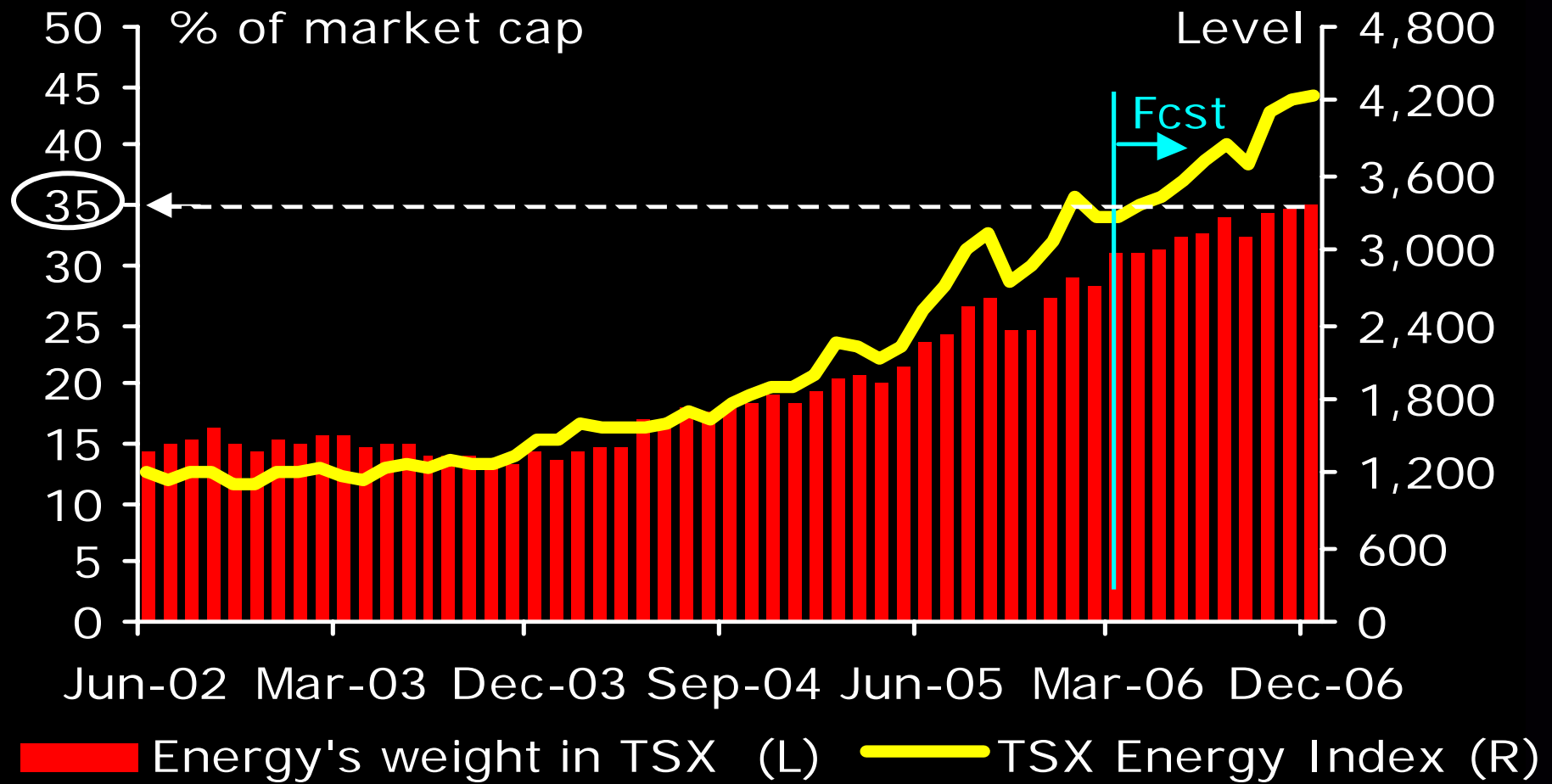


TSX is World's Most Energy-Intensive Major Index ...



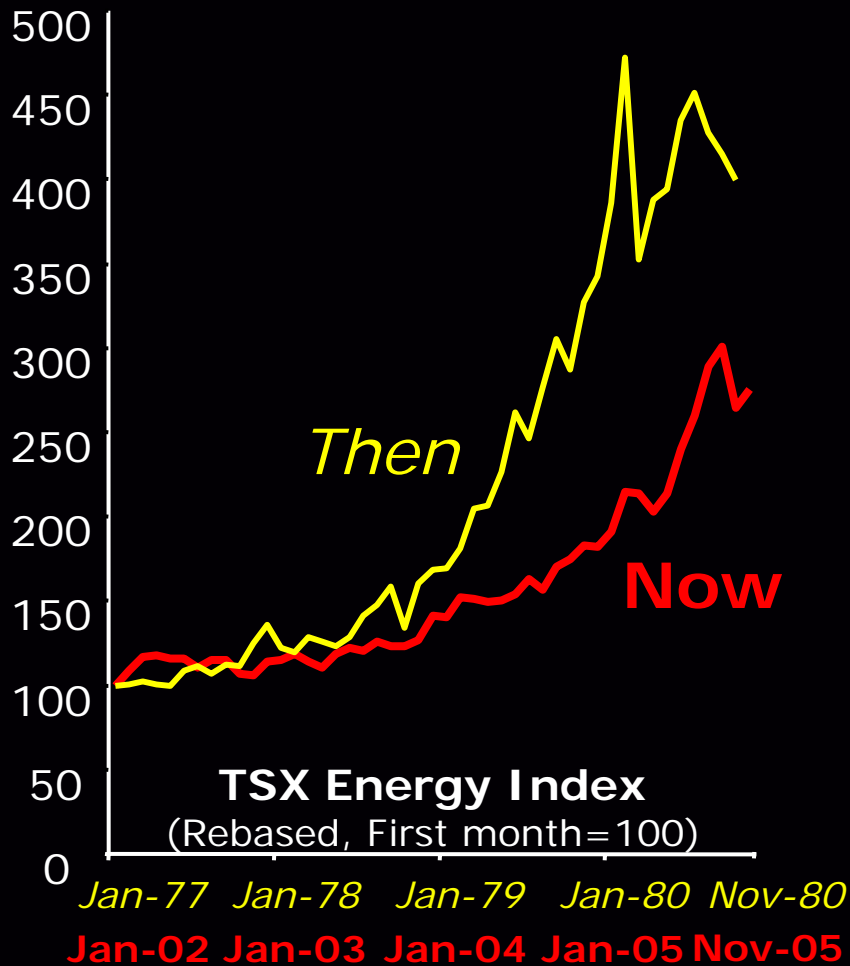
... And Will Become Even More Energy-Intensive

Energy Stock Rally Still Has More Life



Performance of the TSX Energy Sector in Second OPEC Oil Shock

Oil Stocks Rose More After 1970s Iranian Revolution ...



... On a Similar Crude Rally

