

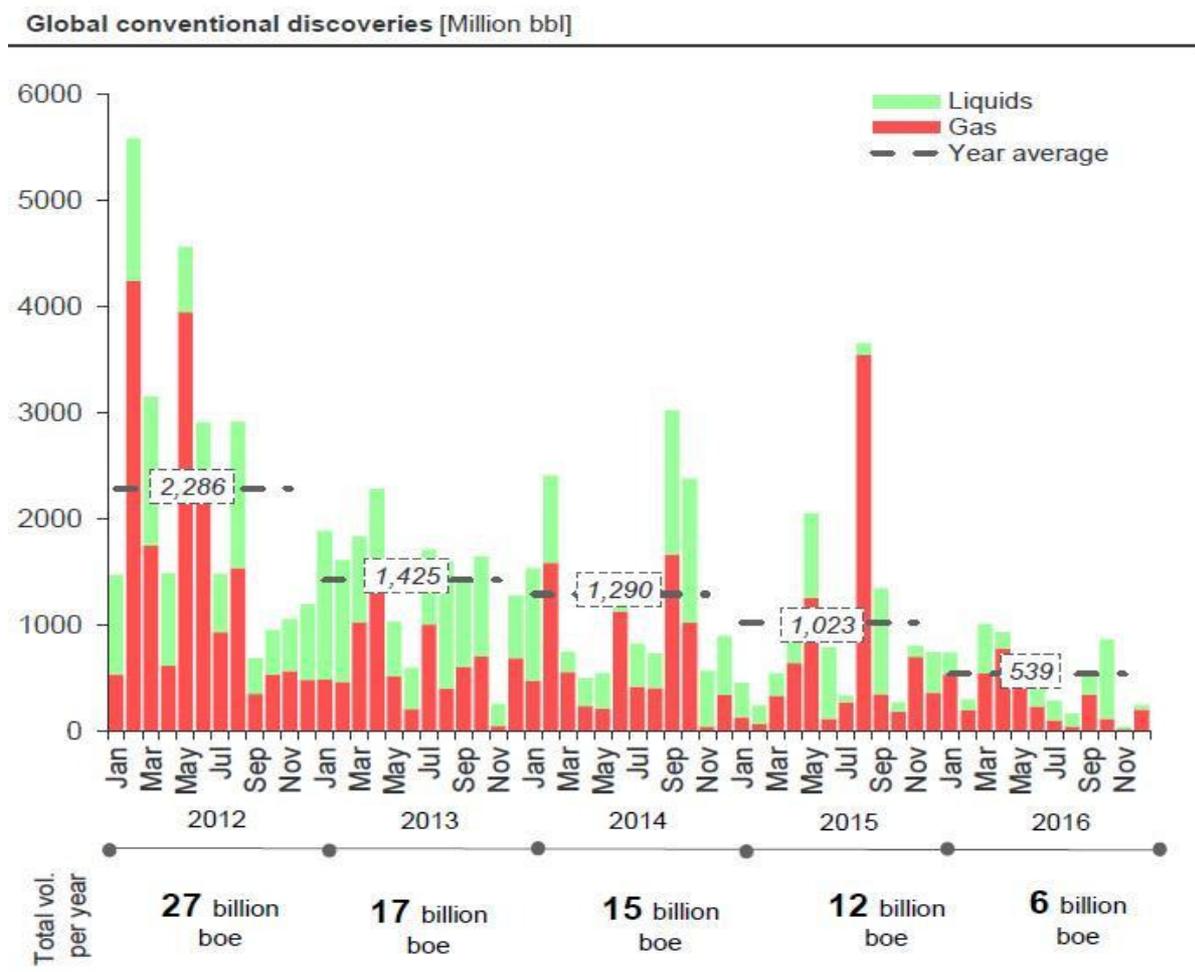
Global oil, gas discoveries drop to 70-year low: Rystad Energy

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LONDON (Reuters) : Oil and gas discoveries around the world dropped last year to their lowest since the 1940s after companies sharply cut back in their search for new resources amid falling oil prices.

The decline in discoveries means companies such as Exxon Mobil and Royal Dutch Shell will struggle to offset the natural depletion of existing fields, reinforcing forecasts of a supply shortage by the end of the decade.

Total oil and gas resources found in 2016 reached just more than 6 billion barrels of oil equivalent (boe), said Sona Mlada, senior analyst at Oslo-based consultancy Rystad Energy.



The numbers do not include North American shale resources which have been a key driver in supply growth in recent years.

Offshore liquid discoveries, where most major new fields have been found in recent decades, reached 2.3 billion boe last year, 90 percent below 2010 levels.

As a result, companies were able on average to replace only 10 percent of their oil and liquid gas reserves last year, compared with a reserve replacement ratio of 30 percent in 2013.

"The lack of discovered volumes in 2016 will not have an immediate impact on the global oil supply in the short-term, given the lead time it takes from the discovery to start-up of a field's production," Mlada said.

"However, these 'missing' discovered volumes in the current years could have an impact on the global supply some 10 years down the line—depending on the investment decisions of the exploration companies."

Several significant discoveries were announced in recent weeks including Exxon's find of 100-150 million boe offshore Guyana and Statoil's 80 million boe discovery off Norway.

Global exploration spending dropped in 2016 to \$40 billion and could drop further this year, consultancy WoodMackenzie said last month.

As a result, the number of exploration wells drilled dropped last year by 40 percent from levels seen in 2014 when oil prices began the sharp decline, according to Mlada.

Around 60 percent of resources discoveries made last year were gas, she added.