

→ July 2024

Oil Market Report

Deal Advisory

Q2 2024

tenet



Q2 2024 Oil Market Report synopsis:

The second quarter of 2024 saw numerous events affecting global oil markets. These included:

→ Supply risk security continues to put a premium on the oil price

Security risks and market tension increased during the quarter in the Israel-Hamas conflict. Bloomberg Intelligence (BI) warned that, according to a new analysis by BI and Bloomberg Economics (BE), “an escalation to a direct war between Israel and Iran could result in oil prices rising to \$150 a barrel”. The BI base case scenario is that the war will remain geographically confined and thus limit the impact on the global economy. However, a high-risk scenario involving a prolonged conflict could trigger a global recession, with surging oil prices and declining global growth.

→ Peak oil demand: IEA vs. OPEC

The IEA is sticking with its forecast that oil demand will peak by 2030, as the world moves to renewable energy and other alternatives. OPEC is sceptical about this, and remains committed to continued growth in oil demand beyond 2030. Each organisation has their own fundamental reasons for their forecasts; the IEA focus is on renewables and climate action, while OPEC emphasises expected growth outside traditional industrialised economies, such as the G7.

Unusually, the differences between the two bodies became public and somewhat fractious when Haitham Al Ghais, OPEC General Secretary, described the IEA forecasts as “dangerous”, and warned of “energy chaos on a potentially unprecedented scale” if producers stopped investing in new oil and gas projects.

→ Carbon transition plans to meet Paris accord targets face an uncertain future

Major oil and gas companies continued to moderate their previously ambitious plans to move rapidly into becoming major players in the renewables energy sector. This moderating trend is further demonstrated by major utility companies cutting back or revising downwards their targets to develop renewable energy due to high interest rates, high costs, and low electricity prices, thus exemplifying the difficulties of transitioning away from fossil fuels. One such instance is the world’s largest offshore wind developer Ørsted dropping its renewable targets for 2030 by more than 10GW after it cancelled two large US projects. Furthermore, political support in the EU for Paris accord targets could weaken due to Green Party losses suffered in the June EU parliamentary elections. Such carbon transition uncertainty thus appears to add weight to OPEC’s view that oil demand will last longer than expected, i.e. well beyond the IEA outlook.

→ Major industry players are continuing to express expectations for longer-than-expected oil demand and resilient oil prices by investing substantially into their upstream portfolios – this aligns their strategies with OPEC’s oil market fundamentals outlook, rather than that of the IEA.

→ Q2 upstream O&G M&A activity continued at a high pace

Industry players continued to lean in favour of the OPEC long-term oil demand outlook. Their M&A activities focused on optimising their upstream portfolios to build core assets, grow reserves and production, and achieve greater efficiencies. Significant deals included:

01

ConocoPhillips bidding for Marathon Oil for \$17.1 billion plus \$5.4 billion in debt, making the enterprise value of the transaction around \$22.5 billion. At the core of the deal are 2 billion barrels of shale oil resources that Marathon holds in Texas and North Dakota.

02

Galp agreed with ADNOC on the sale of its upstream assets in Area 4, Mozambique, which includes Coral South FLNG (in operation since 2022), as well as the prospective Coral North FLNG and Rovuma LNG onshore developments, both expected to be sanctioned during 2024/25. The structured offer totals over \$1 billion and allows Galp to focus on core assets, such as their substantial offshore oil discovery in Namibia.

03

ExxonMobil reached a \$1.6B agreement in Nigeria to move forward with the sale of its interests in shallow-water OMLs 67, 68, 70, and 104, plus interests in the Bonny River and Qua Iboe terminals and an NGL plant. The parties in the transaction include Seplat Energy and NPCC. This transaction is part of a series by the company to exit non-core or problematic assets to be better able to focus on true new core assets, such as their massive oil discovery in Guyana.

04

Additionally, a series of significant US shale-focused deals demonstrated a desire on the part of companies to grow their core capabilities. Examples included SM Energy’s intention to buy XCL Resources for \$2.55 billion, Crescent Energy’s offer of \$2.1 billion for SilverBow Resources, and Matador Resources’ offer of \$1.9 billion for Ameredev II. This set of transactions confirms the industry belief of major players that the Permian Basin will be a major long-term contributor to US oil production.

Q2 oil market headlines

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→ The bottom line

- The Brent oil price began Q2 at US\$87.42/bbl and was volatile through much of the quarter, reaching highs of over \$90/bbl and a low of \$77.52/bbl, but ending Q2 near where it started at US\$86.41/bbl, and averaging US\$84.6581.23 for the quarter, \$3.42 higher than Q1.
- The average Brent oil price forecast for 2024 is \$84/bbl, nearly \$20/bbl lower than the 2022 average of \$100/bbl.

Long-term oil price forecasts fell through Q2 2024 compared to Q1 2024, and were mostly in the range of USD 64–77/bbl, with an average of USD 71/bbl.

Most current forecasts range between USD 80 and 90/bbl for the 2025-2026 period. Analysts expect a further weakening of prices to US\$71/bbl in 2028 and beyond, in real terms, in 2024 prices.

Key takeaways



In Q2 2024 a deficit was created in the market, partially due to oil production cuts by OPEC+. According to EIA forecasts, the deficit may persist until the end of Q2 2025.

According to an EIA assessment, to cover the deficit global oil inventories declined by 0.5 million bbl/d in the first half of 2024 and will continue to go down until the end of the second half of 2025.

According to analysts' forecasts, after the gradual phasing out of additional voluntary cuts by OPEC+ countries, and greater supplies from non-OPEC+ countries, a balance may be achieved in Q3 2025.



Q2 2024 saw fluctuating dynamics for oil prices: periods of growth were followed by periods of decline and vice versa. In the short term, the equilibrium price will be determined by a combination of factors, including interest rate levels, seasonal factors, the geopolitical situation, and the possibility of achieving a market balance.

The forecast of oil quotes for 2024-2025 is characterised by a greater level of consolidation, unlike medium- and long-term forecasts, which show a wider range of analysts' assessments.

The current long-term (post-2028) consensus forecast for the Brent crude price is around USD 71/bbl, in real terms, in 2024 prices.



According to Q2 2024 results, global oil demand rose 0.9 million bbl/d compared to Q1 2024, due to an increase in oil consumption from the US, China, and India.

Demand in Q2 2024 was gradually supported by seasonal factors: growth in the number of car journeys, a rise in air travel, and an increase in energy consumption in the summer season.

Similar to previous forecasts, non-OECD countries, especially Asian ones, are projected to be the main drivers of global oil demand growth in 2024, while a slight drop in oil consumption is forecast in OECD countries. The increase in oil consumption in the US will not fully offset a reduction in demand in Europe and Japan.

At the same time, in 2025 EIA analysts also forecast a slight rise in demand in OECD countries, driven by the consumption growth in the US and a slight recovery in demand in Europe.



In Q2 2024 the oil supply rose 0.3 million bbl/d, but did not offset growing demand. The OPEC+ alliance reduced production by 0.7 million bbl/d, while non-OPEC+ countries increased supply by 1.0 million bbl/d (of which the US accounted for 0.6 million bbl/d).

In June the OPEC+ regular meeting was held, at which it was decided to extend voluntary production cuts by 1.65 million bbl/d until the end of December 2025, and adjust additional voluntary cuts by 2.2 million bbl/d (gradually from October 2024 to September 2025). The alliance also maintained quotas for 2025 for almost all participants, except for the UAE.

At the end of 2024 the global oil supply is projected to rise. The supply increase in non-OPEC+ countries (i.e. the US, Canada, and Guyana) will offset the production decline in OPEC+ countries. In 2025 EIA analysts forecast a supply increase, both by OPEC+ and other countries.



The World Bank estimates that global GDP growth will stabilise at 2023 levels in 2024-2025

Global economy

At the end of the first half of 2024, OPEC estimates that global GDP growth remained robust, at the expense of non-OECD countries – in particular BRICS countries.

According to a World Bank forecast, low investment growth combined with a tight monetary policy from leading central banks, as well as restrained growth in household consumption due to depleted savings and reduced tax support, will lead to moderate global GDP growth of 2.6% in 2024. In 2025 the growth rate will rise to 2.7% as trade improves and the monetary policy eases.

The World Bank revised and raised the US GDP growth forecast for 2024 to 2.5%, due to higher-than-expected consumer spending in the first half of 2024. However, during the year consumption growth may slow, against a backdrop of lower growth rates of household incomes due to the labour market softening and reduced savings.

The US GDP growth slowdown to 1.8% in 2025 (based on World Bank forecasts) will be brought about by the combined effect of the monetary policy tightening and a fiscal stimulus policy reduction. The Federal Reserve is expected to keep the base rate high until inflation returns to the target level of 2%. According to a UN forecast, inflation could fall to 2.3% in 2025.

According to World Bank forecasts, in 2024 Eurozone countries will see subdued GDP growth of 0.7% due to various factors, including a continued recovery in real incomes and lower growth in investment and exports.

In 2025, according to World Bank forecasts, GDP growth will rise to 1.4%. The GDP recovery in Eurozone countries, according to a UN assessment, may be facilitated by lower energy prices, growth in real incomes, an easing in monetary policy, and reduced inflationary pressure, which will contribute to a recovery in exports and investment.

According to a UN assessment, Russia's budget income in Q1 2024 rose, under the influence of higher oil prices and one-off tax revenues. In 2024-2025 Russia's GDP will be supported by a significant level of budget expenditure and a continuing import substitution policy. The slowdown in GDP growth rates will be impacted by a tightening of macroprudential measures and a reduction in subsidised mortgages.

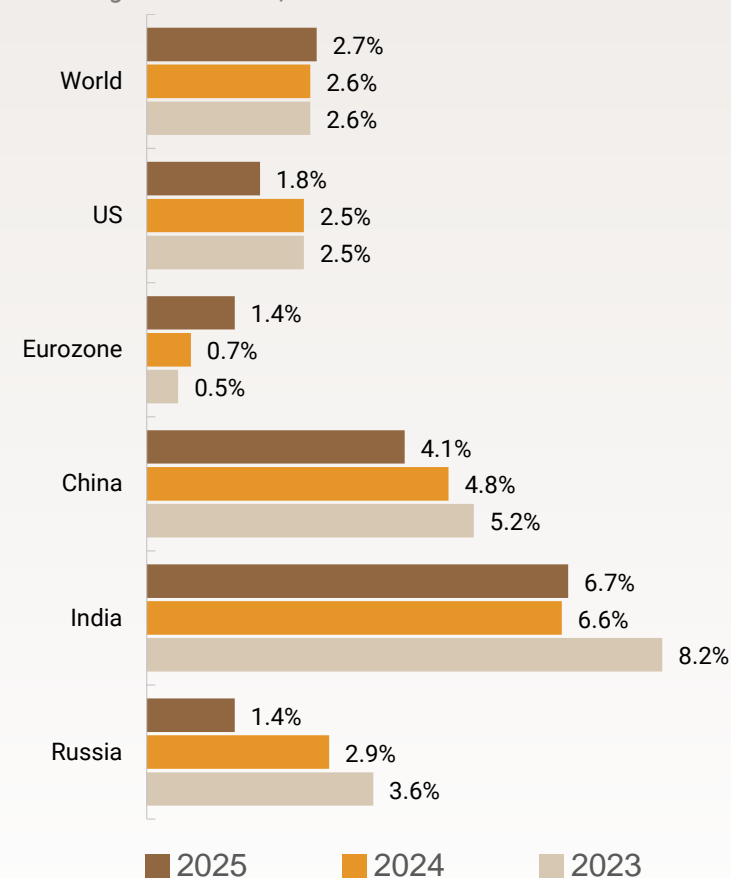
According to the World Bank, China's GDP growth in 2024 will be supported by a projected increase in merchandise exports and industrial activity, backed by the global trade recovery. The UN also notes that an expansionary monetary policy and active fiscal policy will support economic activity in the near term.

In 2025 the World Bank forecasts a decline in China's GDP growth, to 4.1%, on the back of slower output and investment growth, as well as higher public and private debt.

The World Bank estimates that India's GDP growth for FY 2023-2024 (April 2023 to March 2024) increased to 8.2%, on the back of rising industrial activity, including manufacturing and construction, and robust activity in services, which helped offset a slowdown in the agriculture sector.

The World Bank forecasts that India's GDP growth rate will be 6.6% and 6.7% in 2024 and 2025, respectively. The UN predicts that growth will be driven primarily by strong public investment and sustained private consumption. Also, despite pressure from low external demand on commodity export growth, exports of pharmaceutical and chemical products are expected to increase significantly.

Real GDP growth forecast, 2024-2025



Source: World Bank (June 2024)



The EIA estimates that oil demand grew by 0.9 million bbl/d in Q2 relative to Q1 2024

Oil demand

The EIA estimates that global oil demand in Q2 2024 stood at around 102.7 million bbl/d, 0.9 higher than the Q1 2024 level and 0.8 higher than the Q2 2023 level.

US

According to the EIA, US oil demand in Q2 2024 stood at 20.2 million bbl/d, 0.4 million bbl/d higher than the Q1 2024 level but 0.14 million bbl/d below the same period last year. Gasoline demand in the US, which accounts for around 10% of global oil demand, was about 8.9 million bbl/d in Q2 2024, down 2.4% from Q2 2023. The decline in gasoline consumption was due to a number of factors: a preference for air travel over long-distance road trips, greater vehicle efficiency, and a growing number of electric vehicles (EV).

European countries

European oil demand in Q2 2024 stood at 14.1 million bbl/d, 0.5 million bbl/d above Q1 2024 but 0.23 million bbl/d below the same period last year. Oil demand in Europe remains under pressure from weak manufacturing. In June, the manufacturing PMI in the Eurozone fell for the fourth time in five months, to 45.8 points. Demand is supported by the transport sector and growth in air passenger traffic. According to the IATA, international air passenger traffic in May rose 11.7% year-on-year.

China

Chinese oil demand in Q2 2024 totalled 16.6 million bbl/d, up 0.2 million bbl/d from Q1 2024 and 0.34 million bbl/d above the same period last year. Despite the positive dynamics, the market is concerned about a slowdown in oil demand growth in China, amid a slower-than-expected recovery in refining after the maintenance season, as well as lower oil purchases from key suppliers. Refining volumes at Chinese refineries saw a decrease in Q2 2024, as a downturn in industrial activity and the property market crisis contributed to weaker demand for plastics and fuels.

According to Bloomberg data, China's refinery throughput in April fell for the first time relative to December 2022, to 14.36 million bbl/d, down 3.8% from the same period in 2023. In May, refinery throughput stood at 14.31 million bbl/d, a year-on-year decline of 2.4%.

India

According to EIA data, India's oil demand in Q2 2024 stood at 5.7 million bbl/d, up 0.12 million bbl/d from Q1 2024 and 0.36 million bbl/d from the same period last year.

According to Reuters, this growth was mainly driven by consumer demand. Thus, the largest growth came from gasoline (about 8%), against a backdrop of rising household incomes and an increase in the number of cars and motorbikes. Second place was occupied by LPG, whose consumption rose 6% as the public increasingly tends to use gas cylinders instead of paraffin for cooking.

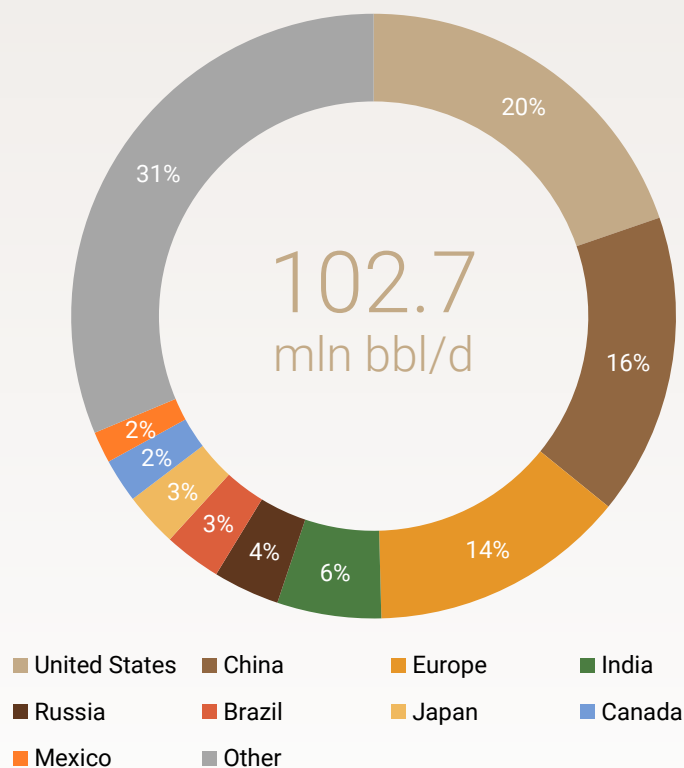
Oil demand from refineries

stood at 81.47 million bbl/d, 0.89 million bbl/d higher than in Q1 2024 and 0.7 million bbl/d higher than in the same period in 2023.

In May, the refining profitability in Asia fell to a three-year low and in the US to a six-month low, based on IEA figures. Gasoline was the main decline driver, as refineries expanded production ahead of the summer season, however demand was lower than expected. In the Asian market, an additional factor behind the decline in gasoline crack spreads was a rise in imports from the Middle East.

In the short term, OPEC analysts expect refining volumes to be stable, while upcoming seasonal growth in the consumption of oil products will support the market. According to an IEA forecast, refining volumes will stand at 83.4 million bbl/d in 2024, rising to 84 million bbl/d in 2025.

Leading countries in terms of liquid hydrocarbons consumption in Q2 2024, mln bbl/d



Source: EIA

A significant gap in demand forecasts for 2024 remains

Oil demand forecast

The EIA adjusted its global oil and liquid hydrocarbon demand assessment for 2023, lowering it (by 164 thousand bbl/d) to 101.8 million bbl/d. Taking into account that revision, forecasts for 2024-2025 were adjusted.

The EIA forecasts oil demand growth of 1.1 million bbl/d in 2024 and 1.8 million bbl/d in 2025. Most of this projected growth will continue to come from non-OECD countries, which will raise oil consumption by 1.2 million bbl/d in 2024 and 1.4 million bbl/d in 2025. The leaders in terms of the consumption growth will remain China and India, which are projected to increase consumption by a total of 0.6 million bbl/d in 2024 and 0.7 million bbl/d in 2025. In addition, EIA analysts expect an increase in liquid fuel consumption in non-OECD Asian countries, due to greater demand for bunker fuel due to longer logistics routes following attacks on ships in the Red Sea.

Bunker fuel consumption growth will account for around 10% of total oil consumption growth in 2024. In OECD countries, liquid fuel consumption will decline slightly in 2024, chiefly due to Europe and Japan, while demand will increase by 0.4 million bbl/d in 2025, with US consumption being the growth driver.

The IEA also revised its demand assessment for 2023, having changed it upwards to 102.09 million bbl/d. In this regard, the oil demand growth forecast in 2024 was reduced to 962 thousand bbl/d, while the total demand estimate fell to 103.06 million bbl/d (the previous estimate was 103.2 million bbl/d).

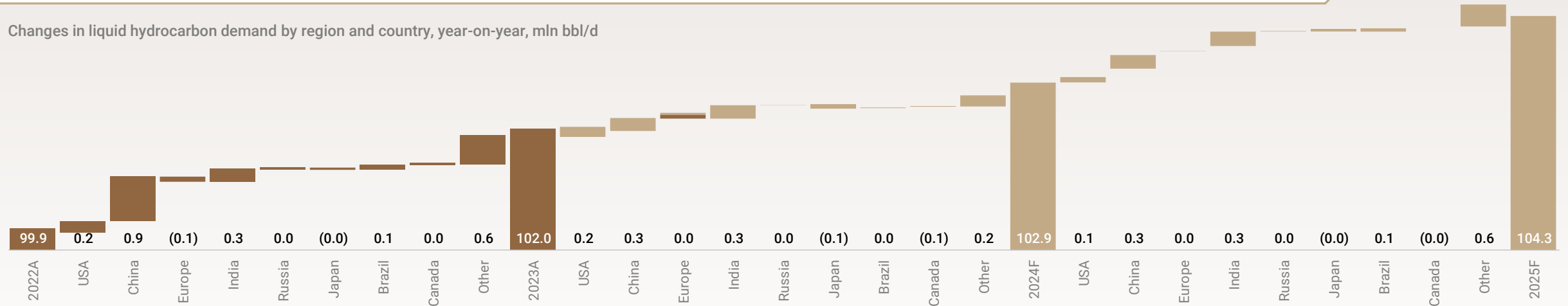
In 2025 demand is projected to increase by 979 thousand bbl/d, to 104.04 million bbl/d. The IEA estimates that oil demand growth will be constrained by weak economic growth and an accelerated deployment of clean energy technologies.

OPEC forecasts global oil demand growth of 2.2 million bbl/d in 2024, with total oil demand of 104.5 million bbl/d, driven by strong demand for air travel; greater transport activity (including freight); support from the industry, construction, and agriculture in non-OECD countries; and higher petrochemical capacity (mainly in China and the Middle East). Demand growth in 2025 is estimated at 1.8 million bbl/d year-on-year.

Comparison of oil demand forecast estimates for 2024, mln bbl/d



Changes in liquid hydrocarbon demand by region and country, year-on-year, mln bbl/d



Source: EIA



By the end of the decade IEA analysts forecast a peak in global oil demand and a transformation in the structure of oil products output

IEA oil demand forecast up to 2030

The IEA forecasts that by 2030 global oil markets will have to overcome a set of challenges amid structural shifts transforming oil demand and trade flows. Differing regional economic development trajectories, combined with the green agenda, will lead to a gradual slowdown in oil demand growth, with a plateau being hit by the end of the decade.

The IEA forecasts that oil demand will peak at 105.6 million bbl/d by 2029, and will then begin to decline as the transition to clean energy technologies accelerates. Increased sales of EV, enhanced vehicle efficiency, and the replacement of oil by renewables or gas in the energy sector will reduce oil consumption in transport and power generation.

Global oil demand will be fuelled by emerging markets, particularly China and India. Demand in advanced economies will continue to decline, from 45.7 million bbl/d in 2023 to 42.7 million bbl/d by 2030, according to IEA estimates. Excluding the pandemic period, the last time demand was this low was in 1991.

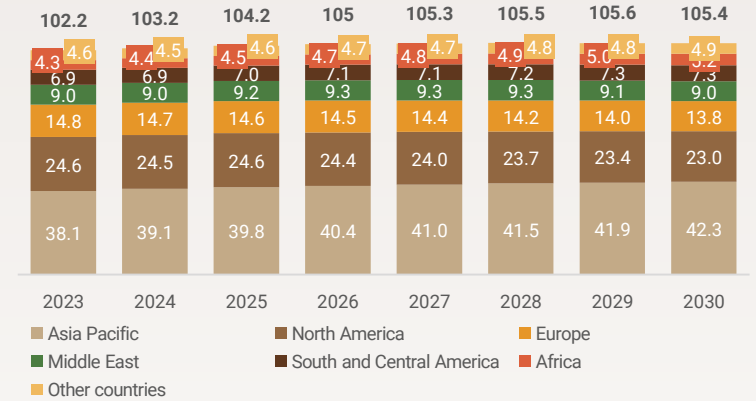
Sectoral demand

The effect of fossil fuels being replaced by renewables will be particularly keenly felt in the transport sector. IEA analysts forecast a gasoline demand stabilisation as early as 2024, and then a gradual decline. The IEA estimates that growth in EV will reduce gasoline and diesel consumption by 6 million bbl/d by 2030. Also, a shift in the location of where people work (to hybrid / remote working) due to the Covid-19 pandemic will reduce fuel consumption by a further 1 million bbl/d.

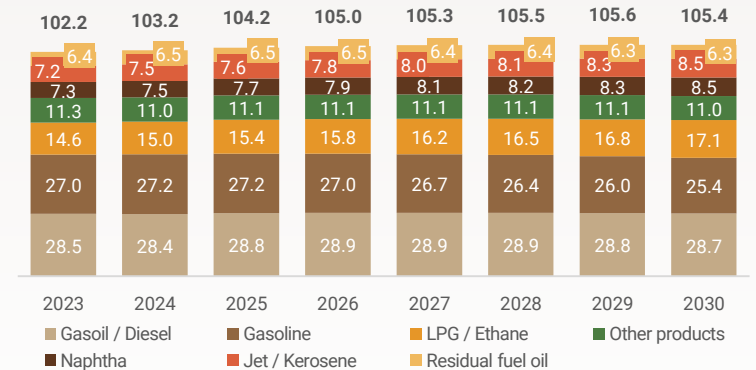
Long-haul transport (aviation and maritime), where demand is less amenable to direct substitution, will continue to demonstrate growth. In 2023 global air travel returned to pre-pandemic levels, with jet and paraffin use remaining around 5% below 2019 levels. Aviation and marine fuel consumption is expected to be influenced by the trend towards energy efficiency.

Petrochemical feedstock demand, due to a rise in global consumption of polymers and synthetic fibres, will be the main driver behind global oil demand growth. The IEA forecasts that by 2030 the consumption of LPG, ethane, and naphtha will have gone up by 3.7 million bbl/d. A significant rise in NGL supplies, according to the IEA, will stem from the US and the largest producers in the Middle East.

Global oil demand by region, 2023-2030, mln bbl/d



Global oil demand by oil products, 2023-2030, mln bbl/d



Source: EIA



Global demand dynamics will vary, however demand growth in developing countries could offset demand declines in developed countries

Demand by region

North America

The IEA forecasts that oil demand in the region will average 24.6 million bbl/d in 2024-2025 and gradually decline to 23.0 million bbl/d by 2030. Oil consumption in the region is not expected to return to 2019 pre-pandemic levels.

Over 2023-2030 gasoline and diesel consumption will decline by 18.1% and 7.8%, respectively, but LPG consumption will rise (+12.2%), while naphtha consumption is expected to hold steady. IEA analysts forecast that ethylene production growth (in the absence of a significant capacity expansion) will largely depend on increased productivity from steam crackers.

Europe

European oil demand, which already reached a post-pandemic peak in 2022, will decline during the forecast period. The main drivers behind an oil demand decline between 2023 and 2030 will be reduced consumption of diesel (minus 13.6%) and gasoline (minus 12.5%). In 2023, both products accounted for over 60% of total oil products consumption.

Oil consumption in the region is declining, on the back of slowing manufacturing activity, the replacement of home heating systems, and a shift from diesel to gasoline vehicles. The latter will sustain gasoline demand levels, but only for a short time: due to the expansion of EV fleets and the greater energy efficiency of vehicles, gasoline consumption in the region is projected to begin to decline from 2027.

Asia Pacific Region

Oil demand in APR, which accounts for around 40% of global oil consumption, will grow by 4.2 million bbl/d over 2023-2030, higher than the global rise (3.2 million bbl/d). Sustainable GDP growth, combined with structural factors such as population growth, industrialisation, and the expansion of the middle class, will drive demand growth.

Mixed demand dynamics are forecast in China. The expansion of the petrochemical industry in China will continue, and stimulate demand for LPG and naphtha, while demand for key transport fuels will lag, on the back of the electrification of automotive market.

India's oil demand outlook was discussed in detail in the previous Tenet Oil Market Report.

Other regions

In Africa oil demand for all key products is projected to grow, fuelled by GDP growth and sustained population growth.

In Latin America oil demand growth will be more subdued, on the back of low GDP growth, high inflation and unemployment, and limited participation in global trade.

Middle East oil demand will remain largely unchanged between 2023 and 2030, at 9 million bbl/d, but there will be significant changes in the product mix. The greater use of natural gas and NGLs, particularly in Saudi Arabia, will reduce the use of oil in power generation but increase demand for petrochemical feedstocks.

Projected change in demand for petrochemicals, 2023-2030, mln bbl/d

| | North America | South and Central America | Europe | Africa | Middle East | Asia Pacific | World |
|-------------------|---------------------|---------------------------|---------------------|----------------------|---------------|----------------------|---------------------|
| LPG / Ethane | +0.5 (+12.2%) | - | +0.1 (+8.3%) | +0.2 (+33.3%) | +0.5 (+27.8%) | +1.1 (+21.2%) | +2.5 (+17.1%) |
| Naphtha | - | - | - | - | +0.1 (+25.0%) | +1.1 (+20.8%) | +1.2 (+16.4%) |
| Gasoline | -1.9 (-18.1%) | +0.1 (+4.8%) | -0.3 (-12.5%) | +0.2 (+8.3%) | +0.3 (+15.8%) | -0.1 (-1.3%) | -1.6 (-5.9%) |
| Jet / Kerosene | +0.2 (+10.5%) | - | +0.1 (+6.7%) | +0.1 (+50.0%) | +0.1 (+20.0%) | +0.8 (+32.0%) | +1.3 (+18.1%) |
| Gasoil / Diesel | -0.4 (-7.8%) | +0.2 (+8.3%) | -1.0 (-13.6%) | +0.3 (+17.6%) | - | +1.1 (+11.3%) | +0.2 (+0.7%) |
| Residual fuel oil | - | +0.1 (+20.0%) | - | +0.1 (+33.3%) | -0.4 (-26.7%) | +0.1 (+7.7%) | -0.1 (-1.6%) |
| Other | +0.1 (+4.3%) | - | +0.1 (+7.7%) | - | -0.6 (-50.0%) | +0.1 (+2.0%) | -0.4 (-2.7%) |
| Total | -1.6 (-6.5%) | +0.5 (+5.8%) | -1.0 (-6.8%) | +0.8 (+20.9%) | - | +4.2 (+11.0%) | +3.2 (+3.1%) |

Source: IEA.

Note: Excluding other countries



OPEC+ set quotas for 2025 and agreed to phase out additional voluntary cuts starting in Q4 2024

Oil supply

According to EIA data, the global oil supply in Q2 2024 totalled 102.1 million bbl/d, 0.3 million bbl/d above the Q1 2024 level and 0.6 million bbl/d below the level of the same period last year.

After a decline at the start of the year, Brazilian production rose 0.5 million bbl/d in Q2 2024, due to the completion of planned maintenance work on floating platforms as well as a seasonal increase in ethanol production.

Despite a reduction in the number of drilling rigs (93 rigs year-on-year at the end of June), oil production in the US in Q2 2024 rose 0.6 million bbl/d year-on-year, mainly due to improved drilling efficiency.

According to the EIA, Russian oil production in Q2 2024 dipped by 0.3 million bbl/d, due to the implementation of OPEC+ voluntary cuts. At the same time, the target level of oil production in April-May 2024 was slightly exceeded, due to technical difficulties in reducing production; however, according to the Russian Ministry of Energy, excess volumes are planned to be offset by September 2025.

OPEC+ oil supply

In June 2024, OPEC+ countries revised quotas (excluding voluntary cuts) for 2025. For all countries in the alliance, except the UAE, the quota size remained unchanged.

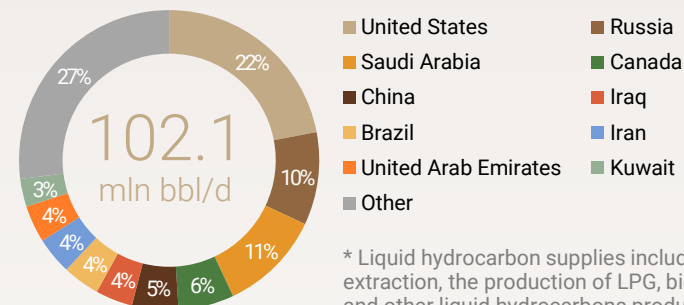
The quota for the UAE rose by 300 thousand bbl/d. The quota expansion will take place gradually, from January to September 2025.

Thus, the total OPEC+ quota (excluding voluntary cuts) for 2025 will be 39.725 million bbl/d. The OPEC+ alliance explained its decision by a desire to maintain oil market stability and to retain a cautious approach to adjusting production volumes.

In addition to the core quota, Saudi Arabia, Russia, Iraq, the UAE, Kuwait, Kazakhstan, Algeria, and Oman have two voluntary agreements to lower oil production: by 1.65 million bbl/d (adopted in April 2023) and 2.2 million bbl/d (adopted in November 2023).

At the June meeting, the countries announced that the 1.65 million bbl/d limit would remain in place until the end of December 2025, while an additional 2.2 million bbl/d limit would be extended until the end of September 2024, with a further gradual reduction by September 2025. However, depending on market conditions, the gradual reduction in voluntary cuts could be suspended or cancelled.

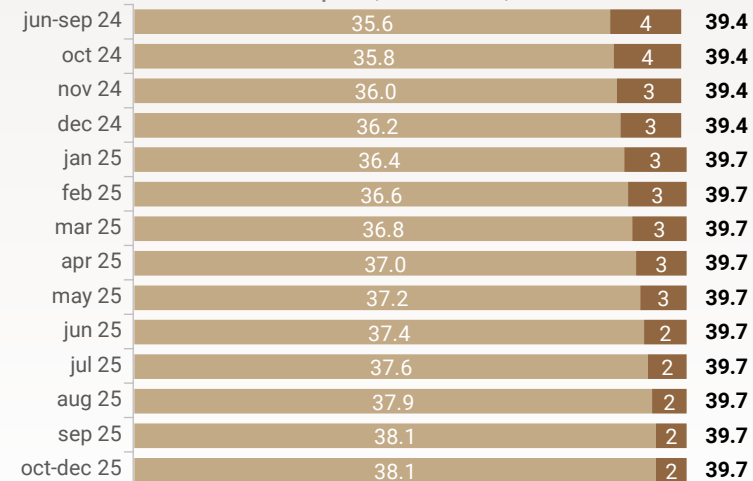
Leading countries in terms of liquid hydrocarbons supply* in Q2 2024, mln bbl/d



Source: EIA

* Liquid hydrocarbon supplies include oil extraction, the production of LPG, biofuels, and other liquid hydrocarbons produced from APG

Distribution of OPEC+ total quota, 2024-2025, mln bbl/d



Source: OPEC

■ OPEC+ production plan ■ Additional voluntary cuts



Oil production growth in 2024-2025 will come from non-OPEC+ countries

Oil supply forecast

The EIA expects the global oil supply to increase by 0.6 million bbl/d in 2024. At the same time, the supply from OPEC+ countries will fall by 1.3 million bbl/d, due to the maintenance of existing production quotas (except for the UAE) and the extension of voluntary cuts. In contrast, the supply from countries outside the alliance will increase by 1.9 million bbl/d in 2024, with the US, Canada, Brazil, and Guyana accounting for the bulk of the increase. Production growth will rise to 2.2 million bbl/d in 2025. As voluntary production cuts are reduced, the OPEC+ countries' oil supply will rise by 0.7 million bbl/d. The non-OPEC production increase will be 1.4 million bbl/d.

The IEA forecasts the oil supply to increase in 2024 by 0.8 million bbl/d, to a record 103 million bbl/d. At the same time, the agency gives a lower estimate for the production reduction in OPEC+ countries: by 740 thousand bbl/d, provided that voluntary cuts are maintained. Production growth in countries outside the alliance is projected at the level of 1.5 million bbl/d. In 2025, the global supply, according to the IEA forecast, will rise by 1.8 million bbl/d, due to production growth in non-OPEC+ countries, which will account for 1.5 million bbl/d of the increase.

OPEC gives similar estimates for production growth for countries outside the alliance. The increase is expected to be 1.2 million bbl/d in 2024 and 1.1 million bbl/d in 2025. Oil supply growth in 2024-2025 will mainly come from the US, Brazil, Canada and Norway.

In the US, production growth in 2024-2025 is projected to be supported by enhanced well productivity and operating efficiency, despite a reduction in drilling rigs.

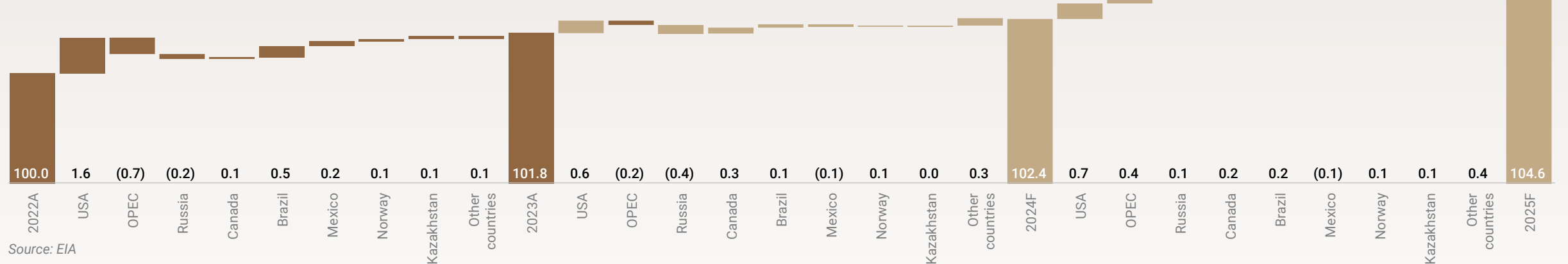
Production growth in Brazil will be driven by growth from existing offshore fields and the launch of new oil projects. However, in the short term, production growth rates may also be impacted by rising costs in the offshore production market and inflation rates, which are above target.

In May 2024, Canada's Trans Mountain trunk pipeline began its first commercial oil deliveries after increasing its capacity. The launch of the pipeline opens up access to markets in Asia and the US west coast and creates the potential to raise production by almost 600 thousand bbl/d.

In 2024-2025, the oil production increase in Norway is projected against the background of the launch of several offshore production projects, as well as the construction of floating oil production, storage, and offloading facilities (FPSO). The main growth driver will be the Johan Castberg project in the Barents Sea, with its first oil production scheduled for late 2024.

Despite the fact that there are still significant differences in the oil demand growth assessment in 2024-2025, the expectations of EIA, IEA, and OPEC analysts regarding supply dynamics are broadly convergent.

Changes in liquid hydrocarbons supply by region and country, year-on-year, mln bbl/d



Source: EIA



In the midterm the oil supply will be above projected demand from 2025 onwards, with the supply surplus reaching 1 million bbl/d by 2030

IEA oil supply forecast to 2030

Despite slowing demand growth, the IEA expects a significant rise in oil and condensate production capacity, which could reach 113.8 million bbl/d by 2030, 8 million bbl/d above demand.

Significant overcapacity could lead to lower oil prices, which would create challenges for shale oil production in the US, limit the ability of OPEC+ member countries to regulate the market, and create an incentive for the alliance countries to revise their capacity expansion plans.

At the same time, the IEA forecasts that by 2030 the nominal oil supply will reach 106.4 million bbl/d, 4.2 million bbl/d above the 2023 level. Demand will increase by only 3.2 million bbl/d over the same period, which will create an oil market surplus. Non-OPEC+ countries will account for the bulk of the supply increase.

Non-OPEC+ oil supply

Main supply growth will come from the countries of North and South America, which will account for a combined 4.6 million bbl/d of growth.

The US will be the leader in terms of production growth by 2030; its production will rise 2.1 million bbl/d. Production growth in the US will continue to be driven by the development of shale oil fields, particularly in the Permian Basin.

In addition, new fields continue to be discovered in the Stabroek block in Guyana, where current estimates of recoverable oil equivalent resources stand at close to 12 billion barrels. Three more floating production, storage, and offloading units (FPSO), with a total capacity of 750 thousand bbl/d, are expected to be commissioned over the next three years.

The IEA forecasts that oil production in Brazil will rise to 770 thousand bbl/d, to reach 4.3 million bbl/d by 2030. Most projects are concentrated in the Santos Basin, which produces around 70% of the country's total oil output. However, with base production declining at a rate of around 15% per annum, any delays in project implementations could slow the projected growth rate.

The largest declines are expected in Europe (mainly Norway and the UK) and Asia (China, Indonesia).

Another driver of total liquid hydrocarbon supply growth will be the growing consumption of biofuels as a supplement to motor fuels. Output is expected to rise from the current 3.1 to 3.7 million bbl/d by 2030.

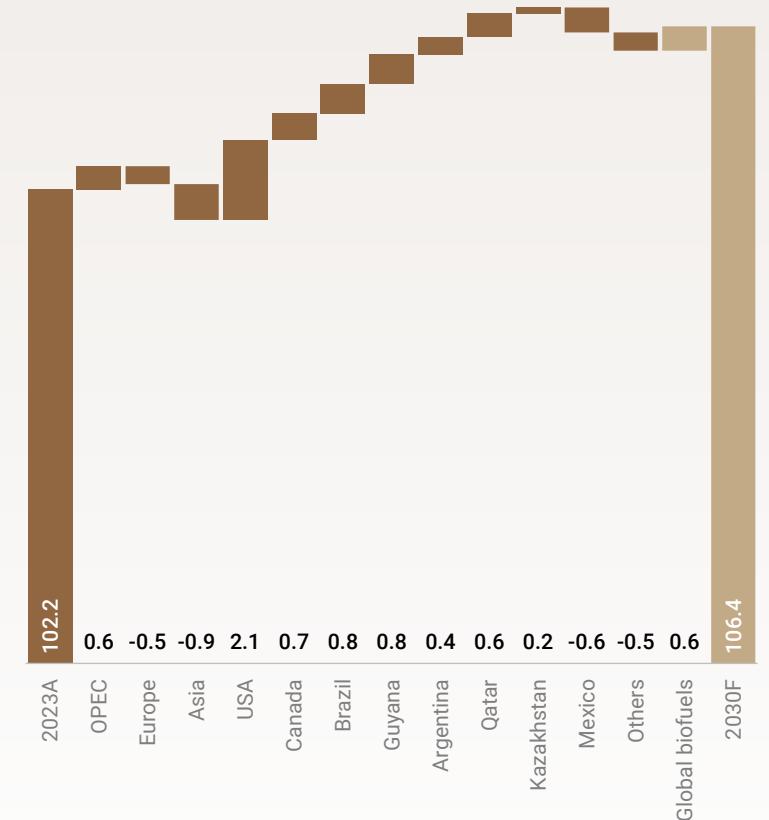
Oil supply from OPEC+ member countries

The IEA estimates that by 2030 oil and condensate production from OPEC+ countries will decline by 370 thousand bbl/d, and their share in the global oil supply will fall below 48%.

The largest production reduction is expected in Mexico. Production volumes are projected to decline by 640 million bbl/d, to 1.5 million bbl/d by 2030. The state-owned Pemex significantly reduced its investments, which led to a drop in production to multi-year lows; in addition, no new projects are expected in Mexico to offset the natural decline in production.

Russia's oil production is projected to remain stable at 10.7-10.8 million bbl/d until 2030, according to IEA forecasts, including due to the implementation of the Vostok Oil megaproject. It is also expected that oil production in Kazakhstan will rise to 1.60 million bbl/d by 2030, due to a production expansion at the Tangiz and Kashagan fields.

Forecast of changes in liquid hydrocarbon supply volumes by regions and countries, 2023-2030, mln bbl/d



Source: OPEC



Based on EIA assessments for Q2 2024 a market deficit arose, which will persist until mid-2025

Oil market balance

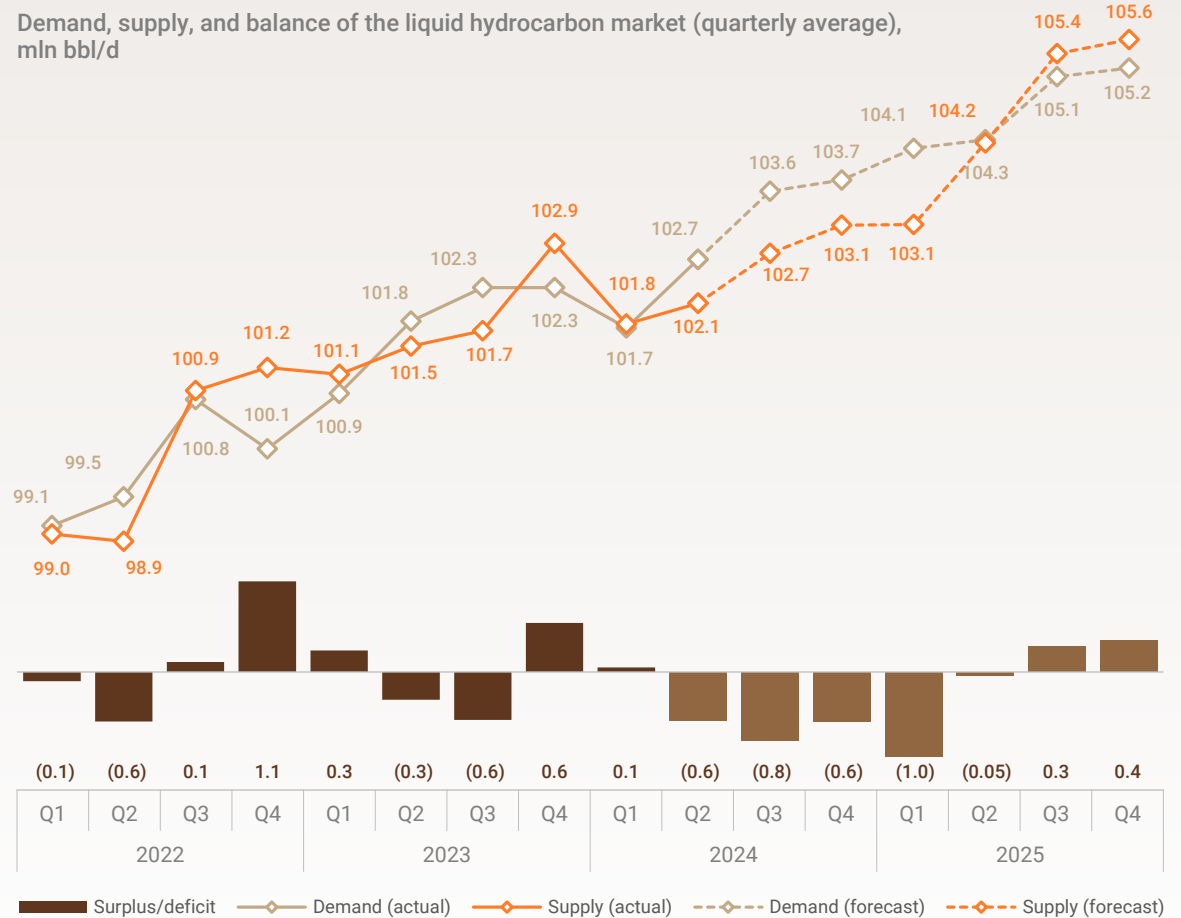
At the end of Q2 2024 production growth from non-OPEC+ countries did not offset the decline in supply from the alliance member countries, which, combined with the start of the seasonal increase in demand, resulted in a market deficit of 0.6 million bbl/d.

According to the EIA, the market deficit may persist until the end of Q2 2025, however, from Q3 2025 the market may move to a surplus, both due to an increase in supply from OPEC+ members (due to the gradual easing of additional OPEC+ voluntary cuts) and a rise in oil production from countries outside the alliance.

The IEA estimates are similar: by the end of 2024 the oil market will be in deficit as a result of OPEC+ production cuts.

Although analysts' estimates for the rate of demand growth vary, 2024-2025 will see a steady rise in oil consumption from non-OECD countries (in particular China, India, and the Middle East), which in turn will put pressure on the market balance.

Demand, supply, and balance of the liquid hydrocarbon market (quarterly average), mln bbl/d



Source: EIA



Based on an EIA forecast, the withdrawal of global oil inventories will continue until Q3 2025

Oil inventories

Commercial stocks in OECD countries in April-May 2024, according to OPEC data, increased by 16.6 million barrels and 24.7 million barrels, respectively. April saw an increase in commercial oil stocks in the US due to seasonal refinery repairs. In May there was an increase in stocks of oil products in OECD countries, as demand for them turned out to be lower than expected, while stocks of crude oil declined.

In June the trend reversed and, according to EIA estimates, commercial stocks in OECD countries began to decline as demand grew.

In June 2024 global oil inventories, according to the IEA, fell by 18.1 million barrels. At the end of the first half of 2024, according to EIA estimates, global oil inventories declined by 0.5 million bbl/d.

EIA analysts expect the trend towards an inventories reduction to continue. Production cuts from OPEC+ countries, combined with the market deficit, will lead to a further withdrawal of inventories up until Q3 2025.

In 2025, as a result of the gradual removal of additional OPEC+ voluntary cuts and increased production in countries outside the alliance, EIA analysts expect global oil inventories to rise by an average of 0.3 million bbl/d from Q3 2025, and by Q4 2025 the growth rate may reach 0.4 million bbl/d.

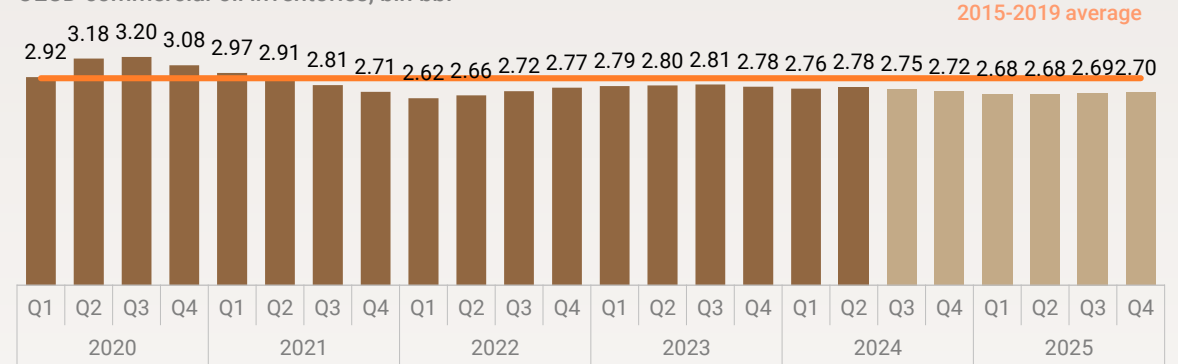
In Q2 2024 the average level of the US Strategic Petroleum Reserve (SPR) was 369 million barrels, 9 million barrels above the Q1 2024 average.

In early June the US Department of Energy announced two new bids for the purchase of 6 million barrels of oil to replenish the Strategic Petroleum Reserve (SPR): one bid for 1.5 million barrels for delivery in September, and an additional 4.5 million barrels in October-December. The bids relate to the Bayou Choctaw storage facility, which was previously under maintenance. These volumes are in addition to a further 9 million barrels for which supply contracts have already been concluded for the same period: September to December 2024.

A total of around 38.6 mln bbl was purchased to replenish the SPR after a huge sale of oil in 2022. According to the US Department of Energy, SPR inventories stood at 373 million barrels at the end of June, vs nearly 600 million barrels at the start of 2022.

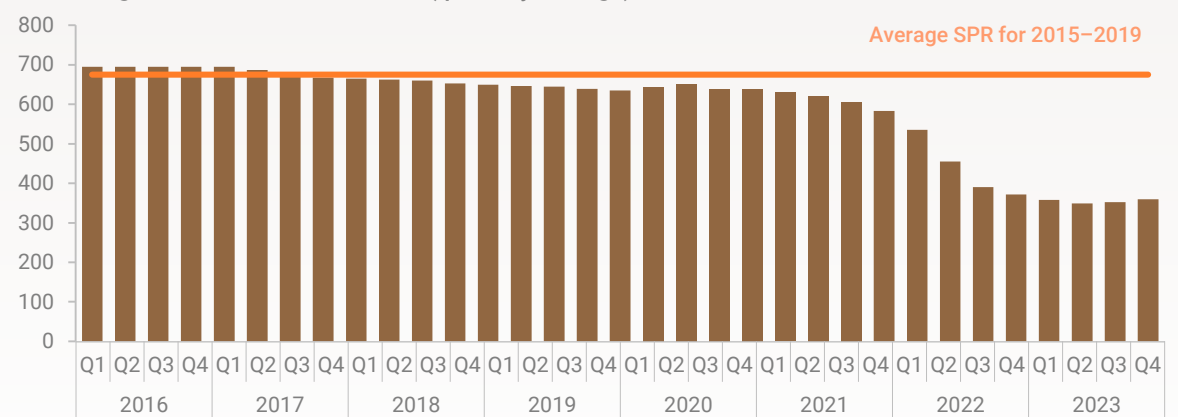
The purchase decision comes amid a 13% drop in oil prices since early April, with oil prices at USD 75.5/bbl. At the same time, the average price of previously purchased oil was USD 77/bbl.

OECD commercial oil inventories, bln bbl



Source: EIA, OPEC

US Strategic Petroleum Reserve trend (quarterly average), mln bbl



Source: EIA



In Q2 2024 Brent quote dynamics varied : periods of growth were followed by periods of decline and vice versa

In Q2 2024 Brent crude quotes were in the range of USD 75-93/bbl. The average price at the end of Q2 2024 was USD 85/bbl, 2.1% higher than in Q1 2024.

The continuous Brent quotation growth observed in Q1 2024 lasted until mid-April and peaked at USD 93/bbl (the highest level since the second half of October 2023). The quotes were supported by news about increasing tensions in the Middle East and risks of supply disruptions in the region.

However, these fears were not confirmed, and from the second half of April the quotes began to decline. Additional downward pressure on prices was exerted by growth in commercial oil inventories in April in the US, due to a reduction in exports and lower domestic consumption by refineries, which underwent scheduled spring maintenance work.

In May the downward trend in quotes continued: expectations for continued high rates from the US Federal Reserve System, as well as growth in gasoline, diesel, and fuel oil stocks in the US, supported low oil prices.

On 2 June 2024 the next OPEC+ meeting was held. Despite the alliance's extension of its voluntary agreements on oil production cuts (1.65 million bbl/d) until the end of 2025, in early June the Brent price fell to a four-month low (below USD 77/bbl). Downward pressure on quotes was exerted by:

- the production increase outside OPEC+
- the OPEC+ announcement on transitioning to a smooth roll-out of additional voluntary agreements to reduce oil production (2.2 million bbl/d), and a revision of quotas of some OPEC+ members, indicating a desire on the part of some alliance members to raise production.

A partial recovery of quotes was observed in the second half of the month, against a backdrop of a seasonal rise in demand for fuel as a result of increased car journeys, air travel, and energy consumption in the summer season.

Brent crude price dynamics (in nominal terms), USD/bbl





In Q2 2024 there was a narrowing of the spread between Brent and Urals on various delivery bases

Urals crude price

According to the Russian Ministry of Economic Development, the average price of Russian Urals benchmark crude oil used for tax calculations in Q2 2024 was USD 70.6/bbl, 4.5% higher than in Q1 2024.

At the end of Q2 2024 the spread declined slightly relative to the Q1 2024 level, and was in the corridor of USD 12.7-15.0/bbl.

Russian tax legislation still uses the CIF quotation (the title to raw materials passes to the buyer at the port of shipment) when determining the Urals price for tax purposes. The Urals CIF quotation was mainly used when shipping Russian crude oil to European ports. After sanctions were imposed, Russian crude oil was no longer delivered to European ports and the Urals CIF quotation became a settlement rate.

From 2023 the discount on Russian oil is limited for the calculation of oil taxes. The maximum of the following options applies:

1. The cost of Brent crude reduced by the established discount.
2. The cost of Urals crude oil in Russian ports increased by the cost of transport to European ports.

.In 2023 Argus launched the calculation of Russian Urals crude oil quotation on DAP (delivered at place) terms, based on the west coast of India. DAP assumes that title is transferred only at the port of destination, i.e. the buyer is not responsible for the oil until it is delivered.

Thus, the Urals DAP price will be higher than Urals CIF and Urals FOB, while the discount to the Brent benchmark for Urals DAP will be lower.

For example, according to Reuters, in June 2024 Russia and India signed contracts to supply Indian refineries with Urals crude oil at a discount of USD 3.0-3.5/bbl.

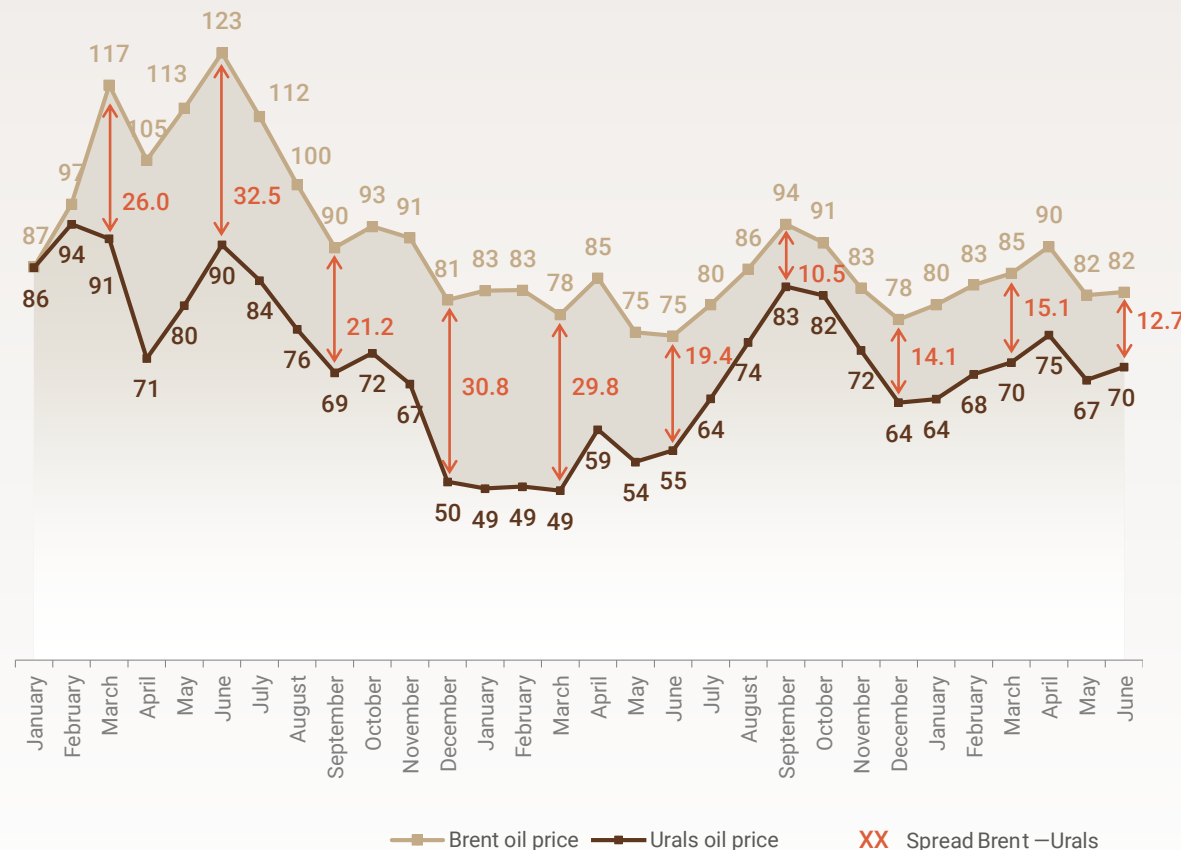
According to Interfax, citing Argus, in June 2024 the Urals price on the FOB basis was in the range of USD 67.5-67.7/bbl. The discount to the benchmark NSD* over the month fell by more than USD 1.5/bbl. The Urals price on the DAP basis at Indian west coast ports in June rose from USD 77.96/bbl to 78.6/bbl. The discount to NSD declined from USD 3.89/bbl to USD 3.81/bbl.

The change in benchmarks reflects changes in trade flows. According to Reuters, Turkey increased its imports of Russian Urals crude oil to a record 397 thousand bbl/d in May 2024. However, India remains the largest importer of Russian Urals crude oil delivered by sea. Overall, around 80% of total Urals oil exports are sent to Asia.

According to Kpler estimates, Russian Urals crude oil supplies to India in June recaptured their historical maximum, reaching 1.6 bbl/d.

* NSD (North Sea Dated) - the cost of a basket of five oil grades produced in the North Sea: Brent, Forties, Oseberg, Ekofisk, and Troll, which are evaluated on an FOB North Sea basis, as well as the US WTI Midland grade. The indicator is used to calculate taxes in the Russian oil industry.

Brent and Urals crude price dynamics (used in calculation of oil taxes), 2022 to Q2 2024, USD/bbl



Source: EIA actual data for Brent, Russian Ministry of Economic Development actual data for Urals



Long-term oil price forecasts mainly range between USD 64 and 77/bbl. The average value is USD 71/bbl

Brent quotes in the second half of 2024 will be impacted by a combination of factors:

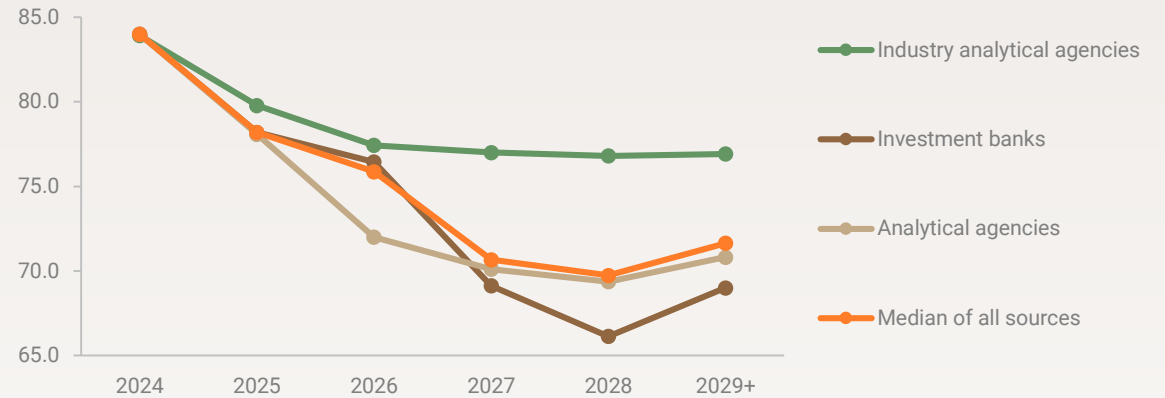
- seasonal growth in fuel demand from the transport sector
- the fulfillment of a planned policy of voluntary cuts in oil production by the OPEC+ alliance
- the risk of a further drawdown of global oil inventories
- how the conflicts in the Middle East develop
- the risk of weakened economic activity in China, the largest oil consumer
- the expectation of interest rate cuts in the US, which could stimulate economic activity and oil demand

Short-term forecasts were revised upwards, and around 90% of analysts expect the average annual price of Brent to be in the range of USD 80-90/bbl by the end of 2024.

The oil quotation forecast for 2024-2025 is characterised by having a large level of consolidation. However, analysts' medium- and long-term forecasts are broadening, indicating uncertainty over the future market balance.

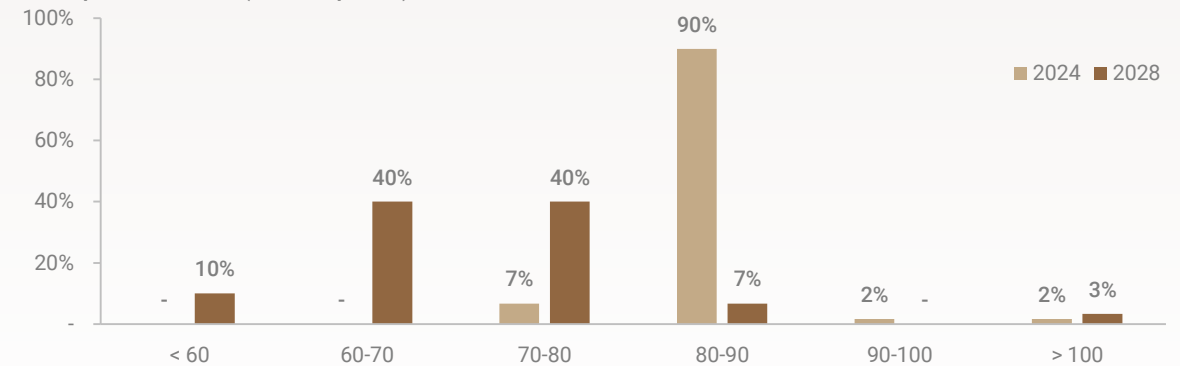
The current long-term (post-2028) consensus forecast for the Brent crude price is around USD 71/bbl in real terms, at 2024 prices. This is in line with previous long-term forecasts.

Brent crude price forecast in real terms (2024 prices), USD/bbl



Source: Oil and gas companies, analytical agencies and investment banks

Distribution of Brent crude price forecasts, 2024 and 2028
Brent price, USD/bbl (in 2024 prices)



Source: Oil companies, analytical agencies and investment banks



Appendices (1/4)

| Brent price. USD/bbl (in 2024 prices) | 2024 | 2025 | 2026 | 2027 | 2028 | 2029+ |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Oil companies | | | | | | |
| Canadian Natural Resources | 78.0 | 77.4 | 76.8 | 76.4 | 76.1 | |
| Eni | 86.0 | | | 72.9 | | 62.2 |
| Galp Energia | 80.0 | | | | | |
| OMV | 85.0 | | | | | |
| Average | 82.3 | 77.4 | 76.8 | 74.7 | 76.1 | 62.2 |
| Median | 82.5 | 77.4 | 76.8 | 74.7 | 76.1 | 62.2 |
| Industry analytical agencies | | | | | | |
| EIA | 86.3 | 86.4 | | | | |
| GLJ Petroleum Consultants Ltd | 83.8 | 79.7 | 77.9 | 77.1 | 76.8 | 76.9 |
| McDaniel | 85.3 | 81.5 | 79.0 | 76.5 | 76.5 | 76.5 |
| Ryder Scott | 83.9 | 79.8 | 77.0 | 77.1 | 76.8 | 77.2 |
| Sproule | 83.7 | 78.4 | 76.9 | 76.9 | 76.9 | 76.9 |
| Average | 84.6 | 81.2 | 77.7 | 76.9 | 76.8 | 76.9 |
| Median | 83.9 | 79.8 | 77.4 | 77.0 | 76.8 | 76.9 |



Appendices (2/4)

| Brent price. USD/bbl (in 2024 prices) | 2024 | 2025 | 2026 | 2027 | 2028 | 2029+ |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Analytical agencies | | | | | | |
| Australian Government | 79.9 | 74.0 | 70.3 | 68.1 | 66.4 | |
| Budapest Bus. School | 83.1 | 88.0 | 90.8 | 86.9 | 82.1 | 90.0 |
| Capital Economics | 82.3 | 73.6 | 62.1 | 51.6 | | |
| Deloitte Canada | 81.0 | 74.8 | 70.6 | 70.4 | 70.1 | 71.6 |
| Deloitte Access Economics | 83.2 | 76.7 | 72.3 | 70.7 | 69.0 | 65.8 |
| Economist Intelligence Unit | 87.5 | 79.0 | 70.9 | 64.5 | 59.5 | 58.4 |
| E2 Economía | 81.8 | 76.4 | 72.0 | 69.8 | 69.4 | |
| Fitch Solutions (BMI) | 85.0 | 80.2 | 77.4 | 75.7 | 73.9 | |
| ISGR | 89.8 | 82.4 | 76.4 | 74.7 | 73.0 | 70.0 |
| KPMG | 86.2 | 78.6 | | | | |
| Moody's Analytics | 84.3 | 78.1 | 71.5 | 69.3 | 67.8 | |
| Oxford Economics | 82.3 | 76.2 | 73.5 | 72.0 | 70.5 | |
| Oxford Institute for Energy Studies | 85.4 | 79.2 | | | | |
| P K Verleger | 85.1 | 86.8 | | | | |
| Pezco Economics | 83.0 | 78.0 | 72.4 | 68.4 | 65.6 | 73.6 |
| The World Bank | 84.0 | 77.2 | | | | |
| The Central Bank of the Russian Federation | 85.0 | 78.2 | 66.9 | | | |
| Average | 84.0 | 78.7 | 72.8 | 70.2 | 69.7 | 71.6 |
| Median | 84.0 | 78.1 | 72.0 | 70.1 | 69.4 | 70.8 |



Appendices (3/4)

| Brent price. USD/bbl (in 2024 prices) | 2024 | 2025 | 2026 | 2027 | 2028 | 2029+ |
|---|------|------|------|------|------|-------|
| Investment banks | | | | | | |
| ANZ (Australia and New Zealand Banking Group) | 85.0 | 90.5 | | | | |
| Australia Dept of Industry | 82.1 | 74.0 | 70.7 | 68.2 | 66.6 | |
| Banco Santander SA | 82.7 | 75.8 | 71.7 | 67.7 | 63.9 | |
| Bank of America Merrill Lynch | 86.0 | 78.2 | 66.9 | 65.4 | 63.9 | |
| Bank Julius Baer | 79.9 | 70.3 | 64.5 | 63.0 | 61.6 | |
| Barclays PLC | 84.0 | 78.2 | 76.4 | 56.0 | | |
| Berenberg | 85.0 | 73.3 | 62.1 | 60.7 | 59.3 | |
| BMO | 85.5 | 92.9 | 90.8 | 84.1 | 73.0 | 80.0 |
| BNP Paribas | 88.0 | 80.2 | 77.9 | | | |
| BoA Securities | 85.8 | 78.2 | | | | |
| Citigroup | 80.0 | 58.7 | | | | |
| Commerzbank | 90.0 | 88.0 | | | | |
| Commonwealth Bank | 83.1 | 78.2 | 76.4 | 67.7 | 55.1 | 54.0 |
| Deutsche Bank | 85.5 | 81.1 | 79.3 | 75.0 | | |
| Goldman Sachs | 85.0 | 80.2 | 86.0 | | | |
| HSBC Holdings PLC | 81.7 | 74.8 | 74.5 | | | |
| ING Bank | 85.1 | 79.2 | 71.7 | | | |
| Intesa Sanpaolo SpA | 81.7 | 76.2 | 72.6 | 69.1 | 65.7 | |
| Investec | 85.2 | 86.8 | 80.3 | 74.7 | 73.0 | 70.0 |
| JP Morgan | 83.0 | 73.3 | 76.4 | | | |
| Landesbank Baden-Wuerttemberg | 82.0 | 76.2 | | | | |



Appendices (4/4)

| Brent price. USD/bbl (in 2024 prices) | 2024 | 2025 | 2026 | 2027 | 2028 | 2029+ |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Investment banks | | | | | | |
| Liberum Capital | 80.8 | 73.6 | 75.0 | 75.7 | 75.1 | 75.1 |
| Macquarie | 82.1 | 67.2 | 61.8 | 61.9 | 62.0 | 61.0 |
| Morgan Stanley | 82.5 | 75.9 | 75.3 | | | |
| MPS Capital Services Banca per le Imprese SpA | 83.0 | 88.0 | | | | |
| MUFG Bank | 87.0 | 93.1 | 93.6 | | | |
| Natixis CIB | 84.6 | 80.9 | | | | |
| Panmure Gordon & Co PLC | 82.5 | 78.2 | 78.4 | | | |
| Rabobank International | 85.3 | 89.9 | 94.4 | 100.7 | 103.8 | |
| RBC | 84.0 | 80.4 | 66.9 | | | |
| Societe Generale | 85.8 | 78.2 | | | | |
| Standard Chartered | | 106.5 | 122.3 | 107.4 | | |
| UBS | 83.1 | 78.2 | 76.4 | 70.1 | 69.1 | 68.0 |
| Westpac Banking Corp | 79.0 | 76.5 | 82.7 | 83.9 | 84.2 | |
| Average | 83.8 | 79.7 | 77.9 | 73.6 | 69.7 | 68.0 |
| Median | 84.0 | 78.2 | 76.4 | 69.1 | 66.1 | 69.0 |
| Average of all sources | 83.8 | 79.5 | 76.4 | 72.9 | 70.9 | 71.0 |
| Median of all sources | 84.0 | 78.2 | 75.9 | 70.7 | 69.7 | 71.6 |

Contacts



Maxim Filippov

Partner,
Head of M&A

+43 664 99482425
mfilippov@tenetcons.com



Robin Matthews

Regional Director, Middle East and Africa -
Energy & Natural Resources

+971 50 924 0843
robinmatthews@tenetcons.com



Nikolay Onishchuk

Manager,
M&A, Energy & Natural Resources

+381 6293 53529
nonishchuk@tenetcons.com

www.tenetcons.com

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