

Macro Roundup Article

Headline: [US Shale: The Marginal Supplier Matures](#)

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Tweet: The United States is the world's marginal oil producer and has driven all of the growth in global oil supply over the past decade. @GoldmanSachs

Summary: We find that the elasticity of US supply has fallen over time, and is much smaller for public producers than for privates. We estimate that a 10% oil price increase boosts US liquids supply by around 1% or 200kb/d. Consolidation is likely to further depress the supply elasticity as inelastic public producers gain market share, and efficiency gains push the US lower on the cost curve. We see two takeaways. First, the trends in the Permian and ongoing capital discipline support our forecasts that US liquids supply growth slows in 2024 to 0.6mb/d (vs. 1.4mb/d in 2023), and that Brent reaches \$100/bbl in June. Second, our estimates imply that the US supply response to higher prices—caused by any geopolitical supply shock—would offset only about 20-25% of the initial shock, which underscores OPEC's key role in balancing the market. While core OPEC countries currently have nearly 4mb/d of spare capacity, physical or political barriers to deploying spare capacity are the key upside risk to oil prices.

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