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ON AIR
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What will determine the trajectory for oil prices in the coming months?

While much attention is paid to post-COVID demand projections, it's crucial not to overlook supply-side factors. For example, the imminent expansion of the Trans Mountain pipeline in Canada, is going to add another 300,000 plus barrels of Alberta oil sands to the West Coast, and that's going to go into the Pacific basin and Asia. It will have a massive impact on this market share battle, which is already starting to percolate even within OPEC+, between Russia and some of the other countries, for supplying heavy crude grades into China and other Pacific Basin countries. And that's also off the back of 2023 where we saw record US production of over 13mn b/d of crude and upwards of 20mn b/d of total liquids.

Can OPEC+ extend its cuts through to the end of the year?

The pressure on the members to maintain these reductions is mounting. Even Saudi Arabia is struggling. It has had to cut its ambitious Neom real estate project to about half of what it was meant to be, and that's all to do with the oil price. So, how long can Saudi sustain holding back these volumes of its own production? It certainly can't ask any of the members within OPEC to do that for much longer. And while prices are around the high-$80s to low-$90s range, that is a long way below fiscal break-even points for Gulf producers. Abu Dhabi and Riyadh cannot run themselves on $80 oil. To grow, they need $100 in the Gulf, and you can see that with the amount of capital spending on the ground, and with the need to invest more foreign reserves overseas through their sovereign wealth funds.■

Paraphrased Comments