ENERGY MARKETS FORUM DAILY BULLETIN

Consultancy Intelligence Publishing

SUNDAY /// MAY 9th /// 2021

DAILY OIL COMMENTARY

"EGYPT WINNING RACE TO BE THE EAST MED ENERGY HUB"

Dr. Charles Ellinas – CEO – Cyprus Natural Hydrocarbons Co.

Egypt is advancing its claim to becoming the gas hub for the Eastern Mediterranean region. It has the advantage of a huge internal market and can operate profitably. Ten years ago, plans to build an LNG plant in Cyprus were progressing quite extensively but the political situation in the country wasn't conducive. They squandered the opportunity, and it hasn't come back. As an example, today, Israel has decided that if it is to export any of its gas, which won't be easy, it's going to build pipelines to Egypt and utilize the country's existing LNG infrastructure. Egypt is also the only country in the East Med where investment in gas development programs has been reasonably unaffected by the Covid pandemic. The changes in the global market have altered the outlook for the industry massively and this has been compounded by the huge pressure towards renewables and clean energy. Eastern Med gas is expensive to develop, in deep water and with a weak infrastructure. Oil majors today are looking at diverting their investments to areas where they have bigger opportunities, bigger returns, and no geopolitical problems like economic exclusion zones and maritime disputes. They won't be coming back to develop gas in the region anytime soon. The question now is whether a policy based on exporting gas at all from the region to the world, is commercially viable.

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE PODCAST

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TOP 3

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TAKEAWAYS

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TOP 10 DAILY NEWS DIGEST

1. OIL PRICES GAIN FOR SECOND WEEK DESPITE INDIA VIRUS SURGE
2. OPEC CRUDE OUTPUT RISES ON IRANIAN RECOVERY
3. CHINA POSTS RAPID TRADE GROWTH IN APRIL
4. CHAMBER OF COMMERCE SEEKS END TO ENHANCED US JOBLESS AID
5. US COMMERCE CHIEF CITES AUTO CHIPS SHORTAGE IN JOBS REPORT
6. IRAN NUCLEAR TALKS RESUME AS POWERS INCH TOWARD DEAL REVIVAL
7. INVESTORS BACK OFF VIEW THAT FED COULD RAISE RATES IN LATE 2022
8. US LUMBER FUTURES EXTEND STEEP RALLY TO RECORD HEIGHTS
9. INDIAN REFINERY RUNS FALL IN MAY AS COVID WORSENS
10. IATA: CARGO DEMAND AT "ALL TIME HIGH" BUT CAPACITY IS YET TO RECOVER

RECOMMENDED VIDEOS & REPORTS

- IS SHIPPING ABOUT TO BE HIT BY A GLOBAL CREW SHORTAGE?
- WORLD FOOD PRICE INDEX CLIMBS IN APRIL, HIGHEST SINCE MID-2014
- QATAR BETS BILLIONS ON THE FUTURE OF LNG
- INDIA'S RICH ARE NOT THE ONLY ONES FLEEING THE COVID CRISIS ON PRIVATE JETS
- OIL MAJORS WON'T BE RETURNING TO EAST MED ANYTIME SOON

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Rustin Edwards
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Markets seem unperturbed by the potential India demand fall-out?
There's a lag effect on demand. It takes time for a supply chain to react to something like a pandemic. The purchasing of crudes and the products being run at the refineries will take a long time to flow through, but we've had announcements already that they will cut back on runs out of concern for forward demand. It will snowball and have an impact at some point and will show in the next week or two once export data is released.

US travel meanwhile is booming and lending support to jet fuel?
Most of the air travel in the US is for vacations, not business and the business traveler is the crux of major airline earnings. But US domestic travel accounts for about two thirds of jet consumed so it does help support refining margins in general and keeps utilization rates at 85% or so. However, we're still missing the exports out to South America where the Covid outbreak is fairly dire.

European summer tourism season looking optimistic?
A lot of talk but also disagreement over approved vaccines. There's a big push to reopen travel between the US and the EU to get that flow of tourism dollars coming back into the block but until these restrictions get resolved around quarantine, I don't see how a tourism season can develop. Wholesale travel won't be back till Q4 or 2022.

How are tankers reacting to the mixed market signals?
Container traffic is starting to get off the spike that it was in the past four months as logistics systems adjust and get back to normal. However, any further problems triggered by new Covid waves remain to be seen. For example, if we can't keep the base line logistics systems running by allowing crew changes to happen on a regular basis, how can we open up travel for global tourism? ■

**Paraphrased comments*