

ENERGY MARKETS FORUM DAILY BULLETIN



Consultancy
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TUESDAY /// AUG 31st /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL FALLS AS US REFINERS SHUT DOWN BY DAMAGE FROM HURRICANE IDA
2. AFTER IDA, US ENERGY PIPELINES OFF LINE, DAMAGE BEING ASSESSED
3. RISING ENERGY PRICES SEND GERMAN INFLATION TO 13-YEAR HIGH
4. WHICH COUNTRIES ARE STILL SELLING COAL TO CHINA?
5. 44 CONTAINER SHIPS ARE STUCK OFF THE COAST OF CALIFORNIA
6. SCANIA STOPS EU TRUCK PRODUCTION THIS WEEK OVER CHIP SHORTAGE
7. JAPAN'S FACTORY OUTPUT SLIPS AS COVID-19 HITS CAR PRODUCTION
8. CHINA'S ECONOMY UNDER PRESSURE AS FACTORY ACTIVITY SLOWS IN AUG
9. 3 REASONS AFGHANISTAN EXIT COULD RUIN US INFLUENCE IN SOUTHEAST ASIA
10. TALIBAN CELEBRATES VICTORY AS US TROOPS LEAVE AFGHANISTAN

RECOMMENDED VIDEOS & REPORTS

- ZOOM'S TEPID GROWTH FORECAST TAKES SHINE OFF BILLION-DOLLAR QUARTER
- CHINA RESTRICTS KIDS' ONLINE GAMING TO 3 HOURS A WEEK
- STARFUELS REPORT: OPEC COMMENTARY
- EMIRATES NBD REPORT: CHINA DATA DROPS SHARPLY
- "AFGHANISTAN DEBACLE LEAVES US IMAGE AS GLOBAL SUPER POWER IN TATTERS!"



10th

MARK YOUR CALENDAR OCTOBER 4th - 5th, 2021
ANNIVERSARY
ENERGY MARKETS FORUM 2021

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NEW SILK ROAD **LIVE** **PODCAST**



Andrei Belyi, PhD
Professor, Founder & CEO
Balesene OU



Andy Laven
Chief Operating Officer
Sahara Energy Resources



Victor Yang
Senior Editor
JLC Network Technology

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NEW SILK ROAD **LIVE**

TOP 3

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Mashreq 60-SECOND SOUNDBITE

Andy Laven
Chief Operating Officer
Sahara Energy Resources

***"OPEC will continue
to make Hay when
the sun shines"***

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Mashreq 60-SECOND SOUNDBITE

Andrei Belyi, PhD
Professor, Founder & CEO
Balesene OÜ

***"Moscow sees US
withdrawal of Afghanistan
as Major Defeat for
Washington"***

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DAILY OIL COMMENTARY

Morning all. Tuesday. The last day of August and where has 8 months gone? Essshh. Brent is trading this morning at \$73.34/bbl, down 0.07/bbl. WTI is trading down 0.05/bbl, at \$69.16/bbl. October Brent expires today, and the front month spread is steeply backwardated (Nov is trading at \$72.18/bbl). OK, let's keep today short and sweet that way you all get plenty of time to read my latest article on OPEC+ and what I think they may do when they convene over Zoom tomorrow. You lucky lot you. So you read it right yesterday, I have become something of a bull on this oil market, however (there's that word again, "however") I have to say that whilst my outlook is bullish, I am somewhat surprised at



BY MATT STANLEY
DIRECTOR
STAR FUELS

the strength of the oil market over the last couple of days. Hurricane Ida has weakened to a tropical depression and is currently blowing her way through North-eastern Mississippi.

According to some sources oil production may start back up as soon as the end of the week and the Colonial Pipeline may be operational in a similar time frame. We also had confirmation that the PEMEX oil platform that knocked out 421,000 bbls of production in the Gulf of Mexico has now been fully restored. Then this morning we saw PMI data out of China which showed a considerable slowdown in activity for August with the non-manufacturing PMI falling to 47.5 from 53 in July. Japan weighed in too with factory activity dropping 1.5% in July from June. Oh, hang on, one more, we have the EU recommending a pause on non-essential travel from the US as hospital admissions

in the States have risen past 100,000 for the first time since last winter. Now I don't know about you, but those 5 pieces of news are hardly what I'd call "rosy." My medium-term view is that there is not enough new investment in the oil patch that I can see and eventually oil demand will return to pre-pandemic levels EVENTUALLY, hence bull. But short term? Look, go easy on me OK I've been a bear for about as long as I can remember so whilst I'm still packing away the pots of honey at my teddy bear picnic, the short-term situation the oil market faces itself with is not as good as some would have you believe. To those who haven't received my OPEC piece but are desperate to read it then just let me know. Good day.

DAILY ENERGY MARKETS FORUM VIEWS YOU CAN USE

Richard Redoglia
Chief Executive Officer
Matrix Global Holdings



Indications from the US Fed appear to be bullish for oil?

The Fed is remaining as accommodative as possible - tightening things up is not on the cards. And for oil markets, the only pressure that might come is if there's a recession and oil will be a subset of the weakness that comes from that. Covid could of course still affect demand as well as the arguments around climate change and what we're going to do about that. But fundamentally, OPEC now has the ability to adjust supply against demand at any point and keep the market supported. The EIA has demand for oil up six million bbl from July of 2020 and demand is still down 3.4 million bbl from 2019. The 6-18 month Brent spread is showing that the market is in backwardation - never in history has demand been down year on year with the market remaining in structural backwardation, but we're there now and it's not going away.

Should we expect US oil supply to weigh on the market anytime soon?

There's something very illogical about President Biden asking OPEC to increase oil production after shutting down the Keystone pipeline and stopping drilling on federal lands. Refinery closures in the US are also accelerating. The problem is demand at one point is going to reach new highs and yet we've handed the keys of the kingdom to OPEC. The other shift is that the Permian is now controlled by the majors. They will ramp up that production in an orderly fashion to supply their refinery systems but that is different from what we saw during the 2012 to 2015 period, when free money allowed MLPs to produce as much oil as they wanted. We've now lost that marginal barrel which used to put pressure on OPEC. ■

*Paraphrased comments

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