ENERGY MARKETS FORUM DAILY BULLETIN

Consultancy Intelligence Publishing

MONDAY /// JULY 5th /// 2021

TOP 10 DAILY NEWS DIGEST

1. HIGH-STAKES OIL DIPLOMACY PUTS FUTURE OF OPEC+ DEAL AT RISK
2. OPEC AND PARTNERS SHORT OF A DEAL SO FAR
3. IRAQ SUPPORTS EXTENDING OPEC OUTPUT PACT UNTIL DEC 2022
4. WALL ST WEEK AHEAD INVESTORS EYE HIGH-DIVIDEND STOCKS
5. UAE MINISTRY OF ENERGY IS MOST COMMITTED TO OPEC
6. US CRUDE OIL INVENTORIES ARE DRAWING VERY FAST
7. SAUDI SUSPENDS FLIGHTS TO UAE, ETHIOPIA AND VIETNAM
8. UK MAY SOON ABANDON COVID-19 MASK REQUIREMENTS
9. IRAQ CLOSES ON NEW CHINESE REFINERY INVESTMENT DEAL
10. IS CHINA TOO CONFIDENT IN ITS FOREIGN POLICY?

RECOMMENDED VIDEOS & REPORTS

- IEF POST-COVID RECOVERY ENERGY MONITOR
- THESE CHARTS SHOW THE DRAMATIC INCREASE IN CHINA'S DEBT
- SHORTAGE OF TRUCK DRIVERS IS BEHIND FUEL DELIVERY DELAYS
- HOW THE WEST CAN LEARN FROM CHINA'S BELT & ROAD PUSH & VICE VERSA
- THERE IS ROOM IN THE WORLD FOR MANY MORE CRUDE OIL BENCHMARKS!

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ADNOC, Vitol, FOIZ Fujairah Oil Industry Zone, S&P Global Platts, aramco trading

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NEW SILK ROAD LIVE PODCAST

Omar Najia
Global Head, Derivatives
BB Energy

Dr. Charles Ellinas
Chief Executive Officer
Cyprus Natural Hydrocarbons Co.

Victor Yang
Senior Editor
JLC Network Technology

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NEW SILK ROAD LIVE

TOP 3
MONDAY /// JULY 5th
TAKEAWAYS

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BY MATT STANLEY
DIRECTOR
STAR FUELS

Brent is trading this morning at \$76.24/bl, up 0.07/bl and WTI is trading at \$75.20/bl, up 0.05/bl. Here we are, in the highly unusual position of OPEC+ not being able to come to an agreement. What is the issue? Well, it is mainly down to the fact that the UAE sees no need for the historical output cut agreement, which is due to expire in April 2022 - extended until the end of December 2022. First, I have to say that I agree with t UAE's stance here. The problem is the baseline quota that the UAE has applied. What do I mean by that? Well, when the agreement was reached last year, the UAE produced around 3.2mn b/d of crude oil in November and December 2019. However, earlier in 2019, the UAE produced closer to 3.8mn b/d. This figure of 3.8mn b/d was closer to consistent output levels. This has manifested itself into the UAE effectively keeping 35% of output side-lined, whereas Saudi Arabia and Russia are both keeping around 22% off the market. This is the problem the group faces. The return of 400,000 b/d of production is a no-brainer but frankly, not enough to meet the bullish demand forecasts so many are making. Both of these issues have caused the market to say ok, I get it, yes but no? So, it is nice to be around \$75/bl. The market can deal with that but what happens if there is no deal today? What does an extension into the fourth day of talks tell the market? Let's bear in mind that they are meeting monthly now so will the market perceive this friction could happen next month too? One thing is for sure, we will never see the fallout we witnessed between Saudi and Russia in March last year again, the group is strong, and I dismiss any rumour about the group breaking up. But today is key to ensure that integrity remains strong. Keep your eyes on the headlines. Good day, and week to all.

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Mashreq 60-SECOND SOUNDBITE

Dr. Charles Ellinas
Chief Executive Officer
Cyprus Natural Hydrocarbons Co.

"Europe is Moving Slowly in Direction of Recovery & Opening Up"

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Mashreq 60-SECOND SOUNDBITE

Omar Najia
Global Head, Derivatives
BB Energy

"Oil Markets May Go a Little Higher but Likely to then Sell Off Big"

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NEW SILK ROAD

EXCLUSIVE SERIES

VIEWS YOU CAN USE

Mike Muller
Head
Vitol Asia

What Factors will Impact the Direction of Oil Markets Over Coming Weeks?

What is going to influence the price, of course, is OPEC. And that is why we had a very choppy set of pricing last week given the total change week-on-week was only 18 cents a barrel up, while we spent time trading within a $3 range. These OPEC+ ministerial delegations and their political superiors are very sophisticated organizations and they have proven to us since April 2020 that they have a purpose about what they are doing.

Still, I think there's very little doubt that whatever lessening of the OPEC+ production cutbacks we see tomorrow July 5th, it will be a fraction of the amount needed to meet growing demand in the second half of 2021. If we end up with the numbers that were mooted last week, which was 400,000 barrels per day per month, August through the foreseeable next five months, which would total at around 2 million barrels a day, we will still have a market which has an outlook for the spot months that will see more demand than supply.

There is a huge amount of attention around what producers can do if they hedge the forward curve.

The backwardation that we now see between the front of the market at $76 a barrel and oil far out on the curve to 2024 at $61 or $62 a barrel will be determined by people's view on whether OPEC+ have a target to see the price settle at $70, $80, $90, or whether they think that's too high and OPEC+ may come under political pressure to hold it at levels which are, in the opinion of some, perhaps less threatening to global economic growth or recovery from the virus. That is something people are going to be watching.

The Russians have been attributed with saying they are happy with prices and want to put extra production on the market. But that does not necessarily mean they want to put more production on the market than there is demand. I think there is often a misunderstanding there. Of course, OPEC+ including Russia, needs to strike a delicate balance where prices do not get out of hand. They want some sort of stability for their customers and where prices do not shoot out of control and have economic implications. ■

**Paraphrased comments*