

TUESDAY /// DEC 7th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL EXTENDS GAINS ON EASING OMICRON FEARS, IRAN DELAY
2. RUSSIA & INDIA SIGN OIL SUPPLY DEAL, SEE NEED FOR STABLE PRICES IN TALKS
3. SAUDI ARABIA HIKES OIL PRICES DESPITE OMICRON FEARS
4. CHINA COULD CAUSE THE NEXT MASSIVE CRASH IN OIL PRICES
5. \$3 TRN IN LATIN AMERICAN OIL ASSETS ARE AT SERIOUS RISK
6. EXXON EMPLOYEES WON'T SEE BIG PAY RAISE DESPITE JUMP IN PROFITS
7. HALLIBURTON SAYS THE WORLD IS ENTERING A PERIOD OF OIL SCARCITY
8. NIGERIA'S OIL INDUSTRY FACES A HUGE CHALLENGE
9. BP WANTS TO INCLUDE WTI MIDLAND CRUDE TO DATED BRENT BENCHMARK
10. LIBYA'S MABRUK OILFIELD TO RESUME PRODUCTION AT Q1/2023

RECOMMENDED VIDEOS & REPORTS

- BIDEN READYING SANCTIONS AGAINST PUTIN'S INNER CIRCLE AHEAD OF THIS WEEK'S KEY CALL
- RUSSIA MAY BE HITTING OIL PRODUCTION LIMITS
- SAUDI, OMANI FIRMS UNVEIL DEALS WORTH \$10BN
- ARAMCO CHIEF CALLS FOR A REALISTIC APPROACH TO ENERGY TRANSITION
- A RECORD-WARM WINTER IS KILLING US NATURAL GAS PRICES
- CHINA BETWEEN IRAN AND THE GULF MONARCHIES

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NEW SILK ROAD

PODCAST



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NEW SILK ROAD LIVE

TOP 3

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TAKEAWAYS

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Brent is trading this morning at \$73.88/bl up 0.80 and WTI is trading up 0.97 at \$70.46/bl. First, today's cracker, and this is a personal favourite - Santa's sleigh breaks down on Christmas Eve. He flags down a passing car and says "Can you help me fix my sleigh?", "Sorry" replied the driver, "I'm a foot doctor not a mechanic", Santa looks at him "Well then, can you give me a tow?". Yes. Just yes. Righttttt, oil. We have had quite the week on oil. It was only last Thursday that Brent was trading down to a low of \$65.72/bl, this morning however we have traded up to a high of \$74.13/bl. We are still off the dizzy heights of \$85/bl we saw at the end of October but the recovery in prices over the last few days



BY MATT STANLEY
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has been impressive. Why the rebound from last Thursday's highs I hear you say? Well, this is a good question. On the face of it, nothing has changed fundamentally. Yes, Omicron is looking less

"severe" than first feared but transmissibility is an issue. I also don't buy this "less severe" argument. Across the developed world vaccine rollouts have been good. If you live in the African continent however, then the reality is that the vast majority (90pct in fact) of the African population haven't even had one jab, let alone third and fourth boosters. The global economic recovery and the effect on not just energy markets, but all markets has to be exactly that, a global one. So, let me get just get down from my soapbox and throw that particular argument in there. The reason for prices rebounding is that the market now has confidence in the fact that OPEC+, whilst disappointing

many by maintaining course on bringing back production in January, have said they will do what they have, when they have to. This reassurance that the group could intervene if prices were to either drop too low or rise too high (even though I don't actually believe the latter argument) is why markets are back to above \$70/bl. However, many still forecast an oil surplus by end Q1-2022, even OPEC themselves see that. So why aren't markets taking that into consideration? Look, things will be alright, let's just have a good Christmas, we can worry about that in the New Year. A policy many adopt, including OPEC+ it would seem. Good day.

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD



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Clyde Russell

**Asia Commodities & Energy Columnist
Thomson Reuters**



Wise decision by OPEC+ last week?

I was expecting them to wait given the uncertainties, but they probably did the right thing by taking a 'steady as she goes' approach. The initial indications are that Omicron is not a serious thing, although some governments are taking action to cut down on travel etc. But the market focuses a lot on what producers say and not on what they do. The reality is that OPEC+ is today about 600,000 barrels short of what they said they were going to do. Will they add another 400,000 in December and again in January? The structure of their agreement does not allow members to take each other's market share, so I don't see that extra volume coming into the market.

How do you interpret Saudi Arabia raising its OSPs to Asia?

It was quite a brave decision because Asian demand has been weak, lagging Europe and certainly the US. China still has quite a few regional lockdowns in place, is still following a zero Covid strategy and still effectively locked off to the rest of the world, so that's keeping a lid on oil demand growth. We have seen an uptick in oil imports in November and will probably see another one this month but that's on the back of the government allowing independent refiners to stock up with crude before the end of the year. That does not necessarily mean that there's a strong demand return in Asia. Refining margins are falling, as are Brent Dubai exchange for swaps, which in theory will make prices against Brent cheaper than the Middle Eastern grades. So, we might start to see more clearance of cargoes from West Africa and more demand of US cargoes flowing into Asia as well. If anything, the Saudi OSP decision will encourage refiners in Asia to switch to their competitors.

Should OPEC+ be paying more attention to this trend change in Asia?

The major importing nations do not want prices above \$80, and OPEC probably has a line in the sand at around \$70 so we may have a tug of war to get the price somewhere between those two levels. Also, Chinese crude import demand is just one side of the equation. A lot of what China is doing now is importing oil and exporting products and that trend will continue and in theory means less product will be exported from elsewhere. It's not a zero sum game. What I do see coming to an end is the need for China to import for its SPR, which has been about a million barrels per day for the last few years. ■

**Paraphrased comments*

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Wael Mahdi
Senior Business Editor
& Head of Business Section
Arab News

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**"The transitory (inflation)
narrative is now
yesterday's wisdom!"**

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