ENERGY MARKETS FORUM DAILY BULLETIN

Consultancy Intelligence Publishing

MONDAY /// OCT 4th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL FALLS AHEAD OF OPEC+ SUPPLY POLICY MEETING
2. OPEC MEETS ON OUTPUT INCREASE AS OIL PRICES RALLY
3. GAS CRISIS HITS FOOD AS GIANT DUTCH GREENHOUSES GO DARK
4. GERMAN COAL PLANT RUNS COMPLETELY OUT OF COAL
5. WEATHER WARNINGS ISSUED ACROSS SAUDI DUE TO CYCLONE SHAHEEN
6. TAIWAN WARNS HIS COUNTRY IS PREPARING FOR WAR WITH CHINA
7. QATAR ORDERS NEW VESSELS FOR LNG EXPANSION
8. HEADWINDS MOUNTING FOR WORLD ECONOMY INTO FINAL STRETCH OF 2021
9. WILL US JOB NUMBERS PAVE THE WAY FOR FED TAPERING?
10. US SHALE DRILLERS CANNOT CONTAIN OIL PRICE RISE, PIONEER BOSS SAYS

Series Supported By:

RECOMMENDED VIDEOS & REPORTS

- MIKE MULLER (VITOL): OPEC+ PLAN TO BOOST OUTPUT NOT ENOUGH TO MEET DEMAND
- UNIPER CEO DOES NOT EXPECT NORD STREAM 2 RELIEF FOR WINTER GAS SQUEEZE
- FIRST OFFICIAL EGYPTAIR FLIGHT LANDS AT TEL AVIV AIRPORT
- BEIJING'S RATIONING ELECTRICITY NOT AN APPROACH FOR THE WHOLE OF CHINA TO EMULATE
- CHINA SENDS 77 WARPLANES INTO TAIWAN DEFENSE ZONE OVER 2 DAYS
- ALGERIA BANS FRENCH MILITARY PLANES FROM AIRSPACE: FRENCH ARMY

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NEW SILK ROAD LIVE PODCAST

Andy Laven
Chief Operating Officer
Sahara Energy Resources

Peter McGuire
Chief Executive Officer
XM Australia

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Global Head, Derivatives
BB Energy

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NEW SILK ROAD LIVE

TOP 3

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TAKEAWAYS

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BY MATT STANLEY
DIRECTOR
STAR FUELS

Monday. OPEC day. A nice way to start the week? Let's see, shall we. Brent is trading this morning at $78.95/bl down 0.33 and WTI is trading down 0.35 at $75.53/bl. There's lots to talk about in this oil and indeed, energy market at the moment but there is a lot of ambiguity as well so let's keep attention short today, the same as I did when watching Brighton vs Arsenal on Saturday. Honestly, I yawned so hard I nearly inhaled my socks. Anywayyyy, oil. There's an argument that says OPEC+ should bring back more than double the 400K b/d of production next month they are supposed to. I am for this argument. However, they won't. Or I am least highly sceptical they won't I should say. I think it will be discussed, don't get me wrong, but it will be glossed over like a UK petrol crisis. Yeah, nah, yeah nothing to see here, put that jerry can away. Market reaction to the nigh on nailed possibility that OPEC+ will maintain planned production increases? I mean there can only be one, really, can't there? And that is up. Could we flirt with $90/bl over the course of October if demand continues to increase, supply stays below those demand levels and US oil producers seemingly do nothing but watch all this take place? Yes, we could flirt dangerously with it. It will be an interesting meeting today in Vienna, I mean Zoom, over Zoom, because we're still in a pandemic remember, but if prices continue to rise on the back of supply being choked off to a market that clearly needs it, I wonder how much longer the market will believe it is only OPEC+ holding the $100/bl cards. See? Nice and quick. Oh, there's that sock again. Good day, and week to all.

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NEW SILK ROAD

EXCLUSIVE SERIES

VIEWS YOU CAN USE

Mike Muller
Head
Vitol Asia

What impact will China's power crisis have on GDP growth and energy demand?

China is a big country and it's the provinces in the very north that are the ones that tend to take the brunt of cold weather in winter. The country will continue with its clean air policy and government directives on reducing carbon footprints and at same time, want to reassure the public that they will have electricity in their homes all winter even if it means ramping up coal production. The scene is set for the months ahead with prospects of a ghoulish winter again, causing people to want to stockpile and with China exporting very little petroleum product as a result of their quotas setting. We are also seeing great caution in the business community on the back of the various interventionist headlines and the issues in the construction sector (which accounts for a large part of power demand). And with the potential chopping of discretionary consumption of power for energy intensive heavy industries, there's a consensus that GDP will be hit.

Any chance of LNG prices cooling down from their recent highs?

There's been a confluence of factors around the world pushing LNG prices up. Coal has been underinvested in and so there's no fresh capacity there. We have less hydro in some of the major hydroelectric projects in Brazil and also in China. The lack of those two sources has led to demand for the next most sensible fuel - LNG - and the pace at which the world has put FSUs in place to regasify means you have a very different picture to what you had a decade ago. LNG today is a highly fungible commercial product, and it is now properly linked between Europe and international Asian prices. We're already seeing prices on winter forward months peaking and unlike the spike that we saw at the very beginning of this year – when there was a temporary short squeeze caused by extreme cold weather in Japan and Korea - this time, the high prices are underpinned. And the LNG market has rattled on through into European power markets, where we see a mix of capacity problems, demand and overreliance on intermittent renewable fuels such as wind and solar. Power prices in places like Spain and Italy last week were above 210 Euros per megawatt hour, which is astonishing.

Have the markets put aside Iran and US supply for the time being?

For this winter, there's none expected from either. In the US, the rig counts are simply not there for production to catch up in a way to provide any extra oil that might be needed. And with Iran, even if there were to be a surprising and swift agreement, it will be several months before that would be forthcoming because you have to work through cash payments to the banking system, free up shipping companies, insurance, etc. And I don't see much incremental Iranian oil over and above what is already going to markets where there's established players such as China. ■

Paraphrased comments