Daily Energy Markets BULLETIN

WEDNESDAY /// FEB 9th

Consultancy Intelligence Publishing

TOP 10 DAILY NEWS DIGEST

1. OIL PRICES NUDGE UP AFTER API DATA SHOWS SURPRISE DROP IN US STOCKS
2. API: OIL INVENTORIES FALL BY 2MN BLS LAST WEEK
3. OIL GETS ANOTHER BIG TAILWIND AS REFINERS GO ALL OUT IN INDIA
4. EU SEES END NEARING FOR US-IRAN TALKS
5. CANADA'S OIL M&A FLURRY SEEN GIVING BUYERS UPPER HAND IN DEALMAKING
6. NORTH SEA BOOMS WITH SIX NEW OIL AND GAS FIELDS IN THE PIPELINE
7. US PLANS TO TARGET HOUTHI LAUNCHERS BEFORE ATTEMPTED STRIKES ON UAE
8. RUSSIA MAY USE FIELD HIT BY US SANCTIONS FOR GAS EXPORTS TO CHINA
9. US ARMY RELEASES FIRST CLIMATE STRATEGY
10. BP BOOKS LARGEST PROFIT IN EIGHT YEARS

RECOMMENDED REPORTS

- EIA LIFTS 2022 US & GLOBAL OIL-PRICE FORECASTS BY ROUGHLY 11%
- HOUSEHOLD DEBT JUMPED BY $1TRN IN 2021, THE MOST SINCE 2007
- COULD THIS BE THE LAST GREAT AMERICAN OIL BOOM?
- PERMIAN NEW WELL PRODUCTIVITY SET TO BREACH 1,000 BOEPD IN 2022
- MIKE MULLER, VITOL ASIA: "OPEC+ SPARE CAPACITY DECLINING TO ALARMING LEVELS"

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Daily Energy Markets PODCAST

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Chief Executive Officer
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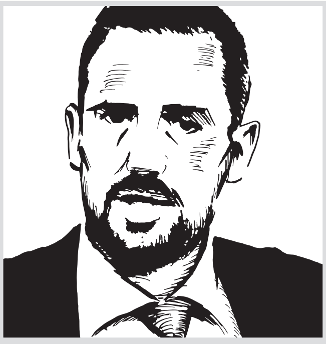
Narendra Taneja
India's Leading Energy Expert

Jose Chalhoub
Political Risk & Oil Analystes



BY MATT STANLEY
DIRECTOR
STAR FUELS

Brent is trading this morning at $90.59/bl down 0.19 and WTI is trading down 0.18 at $89.18/bl. "While the spoken word can travel faster, you can't take it home in your hand. Only the written word can be absorbed wholly at the convenience of the reader" - Kingman Brewster, Jr. Thanks Brewy. Fantastic name as well. He's right though, old Brewy Junior. The problem is though, how much of what an oil bull reads ACTUALLY gets absorbed? Yesterday being a case in point. This headline came out "Ukraine crisis: Macron says Putin pledges no new Ukraine escalation". Nice. Now, whilst this isn't a signed, sealed, and delivered stand down it is certainly encouraging for all those who were concerned that tensions at the Ukrainian border may result in a fall of Russian oil and gas exports. This was a fair summary of the situation and the market, justifiably concerned, priced in I would say around $10 of risk premium. So, one would expect that an easing of tensions spoken from the words of a G7 leader would result in some of that risk premium coming off? No. Well, it did, a bit, the oil market in general yesterday was risk-off but by 10 bucks? Not a chance. In fact, let's look back at some recent issues that the market has priced in as a reason for markets to push higher, shall we? Early January we had unrest in Kazakhstan, this resulted in zero crude output losses, but the market took your $77.04/bl low and quickly traded up to $81.50/bl. Nice. Then we had Libya outages, something that has been going on in Libya for the best part of a decade now, I'll take your $81.50/bl and give you back $83.98/bl. Then we entered a phase where nothing really happened, so the market took that as an issue, too and it swiped $83.98/bl out of your hand and within a week was at $88.66/bl. Then we had an "explosion" on a crude pipeline between Kirkuk and Ceyhan. $88.66/bl was very quickly replaced by $91.48/bl. Then tensions started to rise on the Ukrainian border and Brent has managed to use this as leverage to sustain above $90/bl. Now, I ask you this - with President Macron stating that the situation between Russia and Ukraine is easing, which of those issues is still ongoing? Libya production back. Kazakhstan was never an issue. The pipeline issue was sorted out straight away and it seems like diplomacy will win regarding Russia/Ukraine. Not only are those issues sorted (mostly) but we have also seen inflationary pressure globally meaning a turnaround in monetary policy, demand faltering owing to Omicron, and a 34 million barrel build so far this year on US gasoline stocks. I say all this, but oil is going to $100/bl. Just because it is, ok? Stats later. Ignore those. Good day.

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HALF-TIME TALK
INTERVIEW SERIES

"US Oil Producers will Need to Add 30% More Rigs Just to Standstill"

Mark Finley

Fellow in Energy & Global Oil, Center for Energy Studies, Rice University's Baker Institute for Public Policy

CLICK HERE FOR FULL INTERVIEW

Daily Energy Markets
INDUSTRY SURVEY

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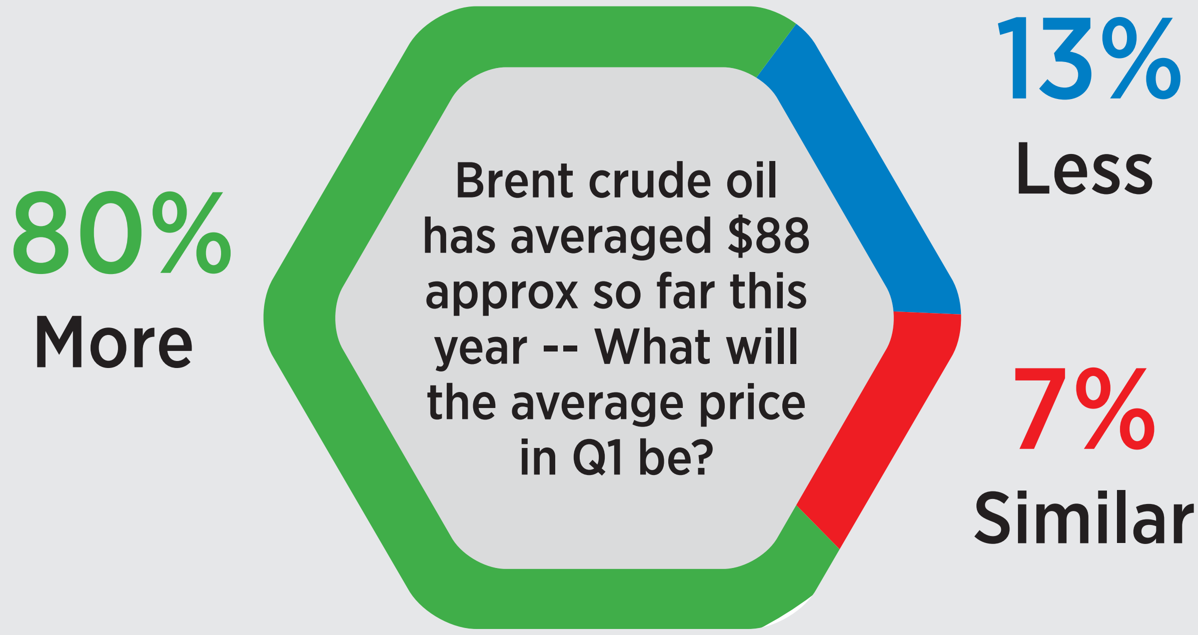

Source: GI Research Feb 2022

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VIEWS YOU CAN USE

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Mike McGlone
Senior Commodity Strategist
Bloomberg Intelligence

The oil market has already priced in a conflict between Russia and Ukraine.
But an invasion would really shift the world order of commodities production, with the US at the epicentre. There might be a recession, but for commodities, liquid fuels and grains in North America, it's very bullish. The dollar will also strengthen while Europe and the Euro will be crushed.

Is OPEC + running a risk by not increasing production?
Saudi Arabia is incentivizing the global shift to decarbonization and also for more US shale to come online, as those costs decline. North American crude oil production this year is going to reach a surplus of 13%. Based on prices from the end of last year, we are now 20% higher so you have to assume the elasticity of supply no longer matters. The market is priced for a war. US liquid fuel consumption peaked four years ago, and it's declining now, and the rest of the world is following that mode. In China, 20% of vehicles sold last year were EVs and that's accelerating.

How are these prices playing into US politics and energy policy?
It's a lose-lose for the Biden administration and Democrats. Every time you look at the psychology effect of gasoline prices going higher, it means less votes for the Democrats. In terms of midterms elections, the Democrats are toast and it's going to push right back towards the Republicans. I don't see what saves them unless the unleaded price of gasoline drops from around $3.50 today to $3.00, and with the driving season around the corner, prices usually go higher for the summer. ■

**Paraphrased comments*

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Daily Energy Markets
LIVE VIDEO PODCAST

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THURSDAY /// FEB 10th /// 10:30AM (UAE)

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