

ENERGY MARKETS FORUM DAILY BULLETIN



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TUESDAY /// NOV 2nd /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL PRICES RISE ON SLOW OPEC OIL OUTPUT INCREASE
2. OPEC OIL OUTPUT RISE IN OCT UNDERSHOOTS TARGET
3. TRANSATLANTIC FLIGHTS ARE SET TO BOOST OIL DEMAND
4. NORWAY BLEND OIL STEPS UP COMPETITION TO RUSSIA'S URALS IN EU
5. DIESEL HITS NEW RECORD HIGH AT 147.94P A LITRE ON HALLOWEEN
6. FESTIVAL DEMAND SPURS INDIA'S GASOIL CONSUMPTION TO ABOVE PRE-COVID LEVELS
7. EU REFINERS LOOK TO BUY LOCAL CRUDE AS FREIGHT COSTS EAT INTO MARGINS
8. IMPLICATIONS OF THE 2021 IRAN-CHINA DEAL FOR THE OIL MARKET
9. STRATEGIC PETROLEUM RESERVE
10. SAUDI AIDS THE STUDY OF CLIMATE CHANGE'S POTENTIAL IMPACT ON FOOD SECURITY

RECOMMENDED VIDEOS & REPORTS

- OP-ED: THE MOST AMBITIOUS CLIMATE ACTION PLAN EVER ATTEMPTED
- GRETA THUNBERG: IT'S NEVER TOO LATE TO DO AS MUCH AS WE CAN
- TWO MINUTES WITH EXECUTIVE CHAIRMAN CHARIF SOUKI ON INSATIABLE ENERGY DEMANDS
- "CHINA'S GDP GROWTH RATE TO SLOWDOWN TO AVERAGE 4%-5% OVER DECADE AHEAD"



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NEW SILK ROAD

PODCAST



Bora Bariman
Managing Partner
Hormuz Straits Partnership



Peter McGuire
Chief Executive Officer
XM Australia



Jose Chalhoub
Political Risk & Oil Analyst

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NEW SILK ROAD

TOP 3

TUESDAY /// NOV 2nd

TAKEAWAYS

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Hello to November. I mean, strictly I should have been saying this yesterday morning, but a few technical issues meant that I'm saying that today, and that's all I have to say about that. November though? Really? I actually sat down and watched a Christmas cooking programme last night, I'd only seen it about 387,235 times before, but you know, Christmas is Christmas, right? Hmm, good point that, let's hope supply bottle necks start easing so that all who celebrate it can enjoy it as much as the global hospitality sector is hoping we all will. Anywayyyy. Oil? Yes, let's talk about oil. Brent is trading this morning at \$85.13/bbl up 0.42 and WTI is trading up 0.27 at \$84.32/bbl. Look, it's a nice number, OK? \$85/bbl? It's just nice. Yesterday was an interesting start to the month,



BY MATT STANLEY
DIRECTOR
STAR FUELS

Jan Brent traded down to a low of \$83.03/bbl on the back of China releasing oil stocks from their strategic reserve, it made sense and energy news articles carried the same headlines and the market traded down and everyone was like, huh,

that makes sense. Yeah, nah, that didn't last long. Daylight saving is over in the EU and the moody, tired, bleary-eyed gloves were off and bosh, Europe bought the market before you can say "but, but, but Chinaaaaa?". Brent was nestled into the comfort bosom of \$85/bbl again. The issue the market, and not just the oil market, but the whole energy complex right now has is that the arguments around fossil fuels, climate change, decarbonisation etc etc have really accelerated. I mean, when I say acceleration, I mean via the medium of an electric car that is charged by a Vegan on a training bike outside the front of his geothermally heated house, don't I? Acceleration via the power of V8 combustion is soooo 2010's. Rolls eyes. I mean, I'm joking, of course. Clearly. But

the issues remain around all thing's fossil fuels and I'm not blaming anyone, but the very reason we are in the midst of an "energy crisis" is because fossil fuel power generation is paramount for global energy security and investment has been largely ignored over recent years. Is it the future? No. It will still be a significant contributor to the energy mix but whilst promises are being made by all countries, rightly so, the world will face high oil prices for the foreseeable future unless supply can keep up with demand. I think we will see a different story mid next year, but that's ages away. Apparently. Keep your eyes open on what's happening in Glasgow. And tell President Biden to do the same. Good day, and rest of week to all.

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing **Mashreq 60-SECOND SOUNDBITE**

Bora Bariman
Managing Partner
Hormuz Straits Partnership

***"Deflation is the
FED's Bogeyman,
not Inflation!"***

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing **Mashreq 60-SECOND SOUNDBITE**

Jose Chalhoub
Political Risk
& Oil Analyst

***"Venezuela municipal
elections on Nov. 21st
will have European
election observers"***

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD



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Mike McGlone
Senior Commodity Strategist
Bloomberg Intelligence



We will see substantial oil supply elasticity and demand destruction in the US.

The key thing to look at is the inability of the December 2022 contract to get above \$72, despite the front contract pushing up above \$85 for WTI. I don't have any reason to dispute that curve. Moreover, big picture, there are 100,000 Teslas coming in next year and we're not using as much liquid fuel as we have done in the past. The Biden administration is really accelerating that transition and we also have an election one year away so having high crude prices won't be good. If prices are by chance still at these levels a year from now, it means the old forces of supply and demand elasticity have changed and that ESG is not kicking in. That's very unlikely.

Will the switch from gas to oil for power continue to support crude prices in Q4?

It's very unlikely. Gas right now is priced for winter and yet we are only at the start of November. The front contract at \$5 is at almost three times the average cost in the US. There's lots of supply still to come on. The forward curve a year from now is at \$4. The key question we need to ask ourselves is whether the things that have pressured energy prices since the peak in 2008 have changed significantly, and the answer is no. What we're seeing is a short-term blip and it has made us realize, in a good way, how important fossil fuels are for our economy. We're getting to this new world of clean energy, but it's going to take longer than most people expected.

Is the Fed finally going to harden its accommodative policy this week?

They're just going to keep adding liquidity. Every single time we've had a crisis, rates go lower. Now we're at zero and I don't see why we should not have negative rates. If the stock market drops just 10%, the Fed is going to come right back to massive liquidity. They're leading the world that way. The markets are used to free money and the Fed knows that. ■

**Paraphrased comments*

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