

ENERGY MARKETS FORUM DAILY BULLETIN



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SUNDAY /// SEP 19th /// 2021

DAILY OIL COMMENTARY



Biggest Iceberg Facing Oil Markets Ahead is a Shortage of Supply!

***Sara Akbar, Chairperson & CEO, OilSERV, Kuwait
& Non-Executive Director, Petrofac***

You know, the only iceberg I see ahead is a shortage of oil supply. I think that many people believe that we have plenty of spare capacity in certain countries, and

that if we get caught in a demand crunch, we can open up this supply capacity and everything will be fine. The reality is completely different. I think there isn't much idle capacity closed-in anymore. There are probably a few producers left that can actually bring crude back to the market quickly, but the majority can't. This is the true

iceberg because in a situation where we have a serious demand surge, and there is no doubt about the way demand is going up driven by economic activity and the optimistic view that you see in the market. But I think the problems lie in the supply side, and if you look around, it's only a matter of time and there won't be enough supply to cater

for all this demand euphoria. That is the real iceberg, because in time you will see if we don't inject serious capital investment into new production, then by 2023 there will be a serious shortage of supply. So, under these circumstances, I think going back to \$100 a barrel is not far away.

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Center on Global Energy Policy
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Founder & CEO
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2. IRAN'S NUCLEAR CHIEF ADMITS REMOVAL OF DAMAGED IAEA CAMERAS
3. IRAN'S FUEL SHIPMENTS VIOLATE LEBANON'S SOVEREIGNTY: PM
4. RUSSIA'S GAZPROM SAYS EU GAS PRICES COULD SET NEW RECORDS
5. GAS PRICE RISES PROMPT URGENT GOVERNMENT TALKS
6. GLOBAL ENERGY CRUNCH LEAVES CHINA FACING MORE POWER SHORTAGES
7. CHINA WILL USE MARKET TOOLS TO STABILIZE COMMODITIES: PREMIER LI
8. PAKISTAN MAY IMPORT FUEL OIL AFTER YEARS AS LNG PRICES ON FIRE
9. RECORD 60 CARGO SHIPS WAIT TO UNLOAD AT BUSIEST US PORT COMPLEX
10. BRITISH AIRWAYS FLEW A "PERFECT FLIGHT" USING RECYCLED COOKING OIL

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Ole Hansen
Head, Commodity Strategy
Saxo Bank



What is driving the oil market at present?

The market is focused right now on the loss of supply from the US over the past couple of weeks, adding up to probably more than 30 million barrels. And if you consider that the 400,000 barrels that OPEC+ are adding monthly right now, that's only about 10 to 12 million barrels extra a month that comes into the market. So, we are in a market right now looking worried about the tightening supply-demand balance.

What was your assessment of OPEC+ forecast for 2021/22 Oil Demand recovery?

They tend to be the most optimistic, naturally enough, but I think the recovery is still on track. We will probably see most of the 6 million barrels a day demand recovery in 2021, with a strong Q4 winter demand. The outlook for next year really depends on whether we're going to have a fourth or fifth wave of the Covid pandemic. We all need a third vaccine injection to ensure we don't get sick again, so there is still a lot of uncertainty related to demand for next year, especially towards the pick-up in traveling.

Can Brent crude oil break into higher price range of \$75-\$85 in Q4?

I think we are a little bit too early in terms of seeing prices get to those levels, but if we continue to see some OPEC+ countries like Angola and Nigeria struggle to meet their quotas, then prices could continue to rise higher. As a group they are producing less than they actually can and hence it will provide underlying support for the market. Right now, the market is focused on tight supply, but the demand story has probably not gone away just yet. We are not entirely out of the woods. So, I think that is probably still too early to see much higher prices at this stage. ■

**Paraphrased comments*

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