

# DAILY ENERGY MARKETS FORUM

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### What's been the main impetus to propel Brent to \$70 a barrel this week?

Brent has broken through \$70/bl on the back of OPEC's decision last week to keep production unchanged and also due to heightened geopolitical tension in the region. The move by OPEC was a surprise - their own internal report had indicated a tight market which would need 1.4 million bd in April, another 500,000 bd in May and 400,000 bd in June - so, the expectation was that there would be some form of supply easing.

### Is the new strategy now a case of Saudi leading and other members following?

Saudi Arabia is taking back control and perhaps the price of that is extending that one million bd voluntary cut for another month. In this instance, the other group members probably had prior communication with Saudi and it appears they all agreed to a strategy of being cautious and not flooding the market. Kazakhstan and Russia were again exempted and allowed to increase their production while the remainder rolled over their cuts.

### Is there any insight on how long Saudi will hold onto their voluntary cut?

They have said it will not be released all at once or within one month. The Saudis are looking for more evidence on the fundamentals that are supporting these higher prices. They're worried about putting back supply into the market and triggering a price drop that they won't be able to control. They would rather overcorrect than under correct but overcorrecting also carries the risk of overheating this market. They will continue to make any necessary adjustments through their strategy of managing the market month to month. ■

*\*Paraphrased comments*

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