

ENERGY MARKETS FORUM DAILY BULLETIN



Consultancy
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SUNDAY /// OCT 31st /// 2021

DAILY OIL COMMENTARY



CHINA'S BIGGEST CHALLENGE IS ITS SOCIAL STRUCTURE, NOT ECONOMIC GROWTH!

**Dr. Qiang Liu, Secretary General
Global Forum on Energy Security (Beijing)**

GDP growth is not China's biggest concern today. The biggest question rather, is around social structure, peoples' incomes and a need to improve quality of

life. There is immense pressure today from high taxation and the price of real estate – the average citizen spends half of their income on rent. Traffic is another big issue – commuters working in Beijing can spend two hours getting to work and another two getting home. It's terrible. All of this

needs to change. As far as GDP is concerned, if you think about the scale of the whole economy, the slowdown this year has been reasonable, and we should expect 4-5% growth to be the new normal for the coming decade. We need to focus more on macroeconomic and industrial policy. We

need to encourage manufacturing sectors and innovation and not always copy technology from other countries. That, combined with a better social policy, will be the real potential for economic and domestic consumption growth in the future.

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE PODCAST



Adi Imsirovic
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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE

TOP 3

SUNDAY /// OCT 31st

TAKEAWAYS

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TOP 10 DAILY NEWS DIGEST

1. THE END OF A REMARKABLE RALLY IN ENERGY PRICES
2. SUPPLY CHAINS NEED \$100TRN TO BECOME NET-ZERO BY 2050
3. OPEC+ NOW SEES SMALLER OIL MARKET DEFICIT IN Q4
4. UK LEADER PRESSES CHINA'S XI ON CLIMATE TARGETS
5. BIDEN TO PUSH G20 ENERGY PRODUCING COUNTRIES TO BOOST PRODUCTION
6. FED SEEN ANNOUNCING START OF A 'TAPER' OF BOND PURCHASES NEXT WEEK
7. US IS DEEPLY SKEPTICAL OF IRAN & CONSIDERING TAKING TOUGHER ACTION
8. KING SALMAN SAYS SAUDIS WILL KEEP SUPPORTING ENERGY MARKETS' STABILITY
9. US CONSUMER SPENDING RISES SOLIDLY IN SEPT; INFLATION STAYS HOT
10. CHINA NEEDS MORE COAL TO AVERT A POWER CRISIS

RECOMMENDED VIDEOS & REPORTS

- FRAC SPREAD COUNT - FRAC SPREADS, OPEC AND MORE!
- IRAN NUCLEAR DEAL RUSSIA'S AMBASSADOR VASSILY NEBENZIA AT CBS NEWS
- AMY CONEY BARRETT SET TO HEAR CASE AGAINST SHELL, HER DAD'S EMPLOYER FOR 29 YEARS
- TOP COURT TAKES UP CLIMATE CHALLENGE IN PRE-SUMMIT JOLT TO BIDEN
- "CHINA'S GDP GROWTH RATE TO SLOWDOWN TO AVERAGE 4%-5% OVER DECADE AHEAD"

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Adi Imsirovic
Senior Research Fellow
The Oxford Institute for
Energy Studies

**“US Demand
Continues to Look
Strong”**

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing Mashreq 60-SECOND SOUNDBITE

Christof Rühl
Senior Research Scholar -
Center on Global Energy Policy
Columbia University

**“Gas becoming fully
fledged globalised
fuel”**

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Ole Hansen
Head, Commodity Strategy
Saxo Bank



Is the market finally running out of steam after hitting \$85?

It certainly looks like that despite the bullish backdrop of tightening supply. We've seen some selling into the futures market from speculators. That could indicate that we have reached a plateau for now, with a possible correction of \$3-4 to come, but from where we could move higher again as we move towards the end of the year. If we look at other commodity markets, China has intervened to curb coal prices, which are down 50% within the last two weeks. That shows us how volatile this commodity bull run is going to be and let's not forget the virus which continues to create nervousness.

How serious is the lack of investment in new oil and gas capacity?

The whole movement towards green transformation has led to dramatic divestment in the sector. But we must accept the fact that we are not going to go green anytime soon. We need fossil fuels for many years to come and if we don't invest, we will experience a very prolonged period of punitively high prices, which will make the green transformation even more expensive. It will be interesting to see how the five majors - which could reap close to \$30 billion in free cash flow in their results this week - choose to allocate those funds between fossil fuels and renewables.

Should OPEC + increase capex when they already have spare capacity?

On paper, the group has capacity, but certain members are struggling to meet quotas. The market is getting somewhat nervous about this. Some estimates have the gas to oil switch we're seeing causing between half a million and one million barrels in additional daily demand. If we only get a monthly 400,000 bd increase from OPEC +, we will obviously have a tight market.

How will Chinese growth end the year?

One factor that could potentially alleviate some of the pressure on commodities is China unless it gets an unseasonably cold winter. The measures taken by the government over the past months clearly indicate that they are worried about the availability of fuel supply. We expect a general slowdown in the economy until at least January and we also have the Olympics coming up, so China will want to curb industrial activity and emissions. But even if we do see a drop in Chinese oil demand, it only accounts for 10% of global consumption, so that won't impact the overall tightness in the market. ■

*Paraphrased comments

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