

DAILY ENERGY MARKETS FORUM

NEW SILK ROAD



Consultancy
Intelligence
Publishing

EXCLUSIVE SERIES

VIEWS YOU CAN USE

Christof Rühl

Senior Research Scholar - Center on Global Energy Policy
Columbia University



The oil price increase has a name written all over it - OPEC Plus.

There's no systematic shortage of capacity - we have almost five million barrels a day of it. The only shortage is political willingness to release that capacity. We also need to be wary on how to judge the strength in current demand because we may have well published OECD and US inventories figures, but we don't really see what's happening in China or Asia and some other regions, where the actual growth comes from.

How much are natural gas prices driving oil's strength?

There's a systematic difference between the situation in natural gas and coal, and oil. The strong crude price is nothing compared to what's happened with other fuels. Natural gas prices have increased five or six-fold since March and coal has doubled. These are fuels where we have seen an investment gap which has led to a capacity shortage. That's a very different game from what has happened to Brent. Even US shale is coming back; by April next year, we could have substantial changes in US oil production. US natural gas is also plentiful. The only bottleneck for now is transport. A year from now, we may all be lamenting low prices. China doesn't look good, Europe doesn't look good, and the US looks good only if Biden gets his way with implementing his stimulus and infrastructure program.

Macroeconomic outlook through 1H 2022?

We need to look at the big picture economic performance triangle between Europe, China and the US on one hand, and what happens with this energy and inflation situation on the other. The Biden administration will be slow on clamping down on inflation for political reasons and Western governments and central banks deep down know that they have no chance of getting rid of the substantial debt which has been piled up, other than by gradually inflating it away. We will continue to see a conflict between the need for interest rate rises and the desire not to increase them. ■

**Paraphrased comments*

Series Supported By:



Copyright © 2021 GULF INTELLIGENCE FZ LLC. All Rights Reserved.

Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.