

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



Can prices hold above \$60 with Iranian and OPEC oil increasing in Q2?

There's still uncertainty on demand recovery outside of the U.S. and China. Europe continues to fail to get its act together on vaccines. But the markets are also a bit confused on the recent supply announcements. The production numbers announced by OPEC plus for the May to July period sound bigger than they are. In effect, it is more like 350,000 to 400,000 additional barrels per month because Saudi Arabia is on the sidelines and can counterbalance any kind of cheating. The markets should treat supply from the OPEC plus agreement and the Saudi leverage as two tools, to be used at separate moments. Nobody can predict how the pandemic will unfold but the three-month window makes sense. The question on whether prices can stay between \$60 and \$65 rests with who wins the race - supply management as demand draws on the huge spare capacity or the return of shale and low demand. The markets don't expect global demand to mirror US gasoline demand this summer, but they are realizing that OPEC plus has a sophisticated set of tools and has so far done a surprisingly good job.

Is there any factor which does guarantee demand?

There is one big factor in Asia for energy markets to expand and for prices to face some upward pressure and that's China. The country's demand for gas is going to escalate faster than it is prepared to unlock domestic resources. We also have Russia saber rattling on the Ukrainian border but interestingly, that's not just to make political noise. The immediate consequence of any kind of disturbance there would be to support and harden the position of those in Europe who want the Nord Stream 2 pipeline project to go ahead, providing independence from the route for gas through Ukraine. ■

**Paraphrased comments*

Series Supported By:

