

EXCLUSIVE SERIES

VIEWS YOU CAN USE

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Expectations for the OPEC meeting this week?

The guidance has been that they plan to stick to the agreed phased increases in production. But the situation in India will make people think very carefully and I wouldn't rule out a surprise, which may end up being a delay in raising output. This could come in the form of unilateral action from the Saudis retaining some of their production cuts.

Does OPEC need to revisit its 2021 demand outlook of 6 million bd growth?

The demand picture is patchy. If you look at it over the space of a year, OPECs' current projections are probably fine, but the shorter term holds big negative risks. India could be losing 600,000 bd of road fuel demand and up to 100,000 bd of jet demand. Japan is perhaps seeing its first serious wave of cases and gasoline usage there could drop 100,000 bd. That brings us close to one million bd of lost demand across just those two countries.

Will the strong backwardation deter upstream oil and gas investment?

OPEC wants this backwardation and wants to draw down the excess stocks. They're now close to the five-year average. The reason why the curve is where it is – at \$60 two years out – is because shale producers are happy to hedge at that price. It allows them to lock in a significant amount of future supply. If the forward curve was around \$40 or below, then they're in a dilemma. The more prices continue above \$60, the stronger the US supply response will be. We do see some slow recovery in the US already – the rig count is rising steadily and the production outlook, including NGLs, is still well below record highs.

Can gasoline make up for any of the shortfall in aviation fuel recovery?

Domestically in the US and China yes, but not internationally. That's a longer path to recovery. Until we have effective and widespread vaccination, nobody is going to take non-essential long distance international travel. Aviation demand is very significant – there's 2.5 to 3 million bd that's been lost. ■

**Paraphrased comments*

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