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EU sanctions will have a material impact on Russia's oil, gas and coal exports.

On the assumption that there is that significant shortfall, the issue then becomes where we get alternative supplies. We know about the spare capacity constraints on OPEC countries and limitations on the growth of US shale production and availability of oil from other sources. We've already seen some fall back in seaborne shipments of Russian oil to Europe, but it hasn't been dramatic. There's been an increase in shipments of Russian oil to certain places in Africa and Asia. Also, a small but noticeably growing proportion of Russian seaborne exports are leaving without a known destination. That oil may end up in floating storage somewhere because nobody wants to buy it. And as Russian exports to Europe drop, that backs up through the system and Russia ends up shutting in production at home. That's likely to accelerate as we move through the summer and as sanctions start to bite.

How concerned should we be about the China demand equation?

In 2020 with the first lockdown in China, we saw a big dip and then a fast recovery. Whether we're going to see the same thing again this year isn't quite so clear, but I suspect we will, because quite simply, there's only so much Chinese people can take. When the lockdown measures are released, I suspect there will be a very strong rebound in China and with demand elsewhere fairly resilient to higher prices, we might then run into an issue of demand growing and with uncertainties on supply, the direction of prices is therefore more likely to be upwards. ■

**Paraphrased Comments*

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