

DAILY ENERGY MARKETS FORUM

NEW SILK ROAD



Consultancy
Intelligence
Publishing

EXCLUSIVE SERIES

VIEWS YOU CAN USE

Vandana Hari
Founder & CEO
Vanda Insights



Will OPEC counter oil consuming countries' releases of SPR?

It depends on the magnitude, but I absolutely expect OPEC+ to respond with an equal and opposite reaction and as a result, so we won't see much change on supply. OPEC is hell bent on ensuring that they keep the markets undersupplied, at least through the fourth quarter as it still expects a surplus next year. It would be a fool's errand releasing these SPR barrels and the companies that borrow them will also have to return the oil at some point with interest. If it does materialize, China's volume will probably be around seven million barrels. South Korea and Japan will do something as it's diplomatically hard for them to say no to the US request, but volumes will be token gestures. As for India, it doesn't have much SPR (about 37 million barrels) and I would be very surprised to see them releasing a big chunk of it.

Are we going to see oil prices back up above \$80?

Friday's sell off was overdone so I remain constructive. The energy crisis is still here so oil fuel substitution remains in the picture for oil demand. The market probably overreacted to Austria going into full lockdown. Most of the western European countries that account for most of the oil demand growth have reasonably high rates of vaccination and I expect these governments to avoid very stringent Covid restrictions.

US shale producers' reinvestment rates at all-time lows in Q3. Why?

Hundreds of millions of dollars have been lost on hedging this year with more losses expected into next year because most of the hedges were put in place in the first half of 2021. So, the mantra of cash discipline is very much intact. There's also more consolidation expected with the smaller players in trouble. Those are the producers who would have in current times drilled more wells, while the majors would remain more cash disciplined and are also pivoting away their entire business more towards clean energy. ■

**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.