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Middle East Economic Survey



Middle East refiners can help alleviate the tightness in middle distillates.

Diesel and jet fuel prices are currently insane. Europe has been closing down refineries while this region has been expanding, upgrading, and installing new ones. Middle Eastern middle distillates exports could hit record highs in the coming months, topping two million bd. Saudi Arabia's Jazan refinery, brought on a year or so ago, is currently running at about 200,000 bd and should be ramped up to full capacity by the end of the year. Kuwait's Al-Zor refinery is due to come online by the end of the year. And next year, Oman's Duqm refinery should also help replace some of those Russian products that flow into Europe.

Will we see significant supply disruption of Russian supplies in coming weeks?

The amount of Russian crude hitting global markets hasn't really been reduced so much. It's been displaced. We're seeing huge volumes go to India. But in the coming weeks, we will start to see the Russian government playing hardball with its buyers when it comes to payment in Rubles, so we're going to hit a bit of a defining point soon.

Is Europe's position on sanctions robust and unified?

There's sufficient resolve among the leading partners that if we take the pressure off Russia, then that escape valve would simply cause threats of spilling over into other countries in the years to come, so I see the resilience holding certainly over the next year or two. Anyone thinking a ceasefire might result in a resumption of flows of Russian crude or gas products into Europe, is somewhat of an optimist. The structural change in Europe's energy security is not going to leave us.

Outlook for oil prices?

The oil price is being pulled apart by two diametrically opposed forces. China and its Covid challenges are affecting prices in one direction and then numbers come out on self-sanctioning Russian oil production which makes prices suddenly bounce back the other way. So, we're locked in this dance of \$100-\$120 on Brent. ■

**Paraphrased Comments*

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