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Do we yet know how big an impact Ida will have on oil markets?

The fact that the initial estimates of how much production would be out from Hurricane Ida, which initially was in the 20-to-30-million-barrel total number, that's edged up much closer now to the mid-40s million barrels lost in terms of refinery products output. Then balancing that on the upstream side, currently totaling a figure that's somewhere just below the 40 million barrels. So, all in all, that has meant a few things. It has certainly underpinned refining margins and cracks because other refineries have had to be incentivized to run harder to make up for perceived shortfalls.

What about on trade flows?

It has also meant a total rearrangement in supply because the US Gulf tends to be a big exporter of diesel to Latin America, which needs a little bit more fuel right now because they've got drought issues. That's totally realigned trade flows around the Atlantic, creating a much, much tighter products market and much stronger refining margins. The story is not over because we're seeing that the upstream production is still down, and the consensus now seems to be shifting towards there being a more lasting impact in offshore oil production outages. That's a big hole made in global supply, and of course therefore it's seen as bullish.

What is your outlook for China's policy to release oil from the Strategic Reserve?

China is growing and will keep consuming more oil. That's a given. But we're seeing many, many headlines of late, most of them surrounding the Strategic Petroleum Reserve or the Commercial Petroleum Reserve, where undoubtedly there has been some official policy directive that these stocks can be drawn down by one or more of the state-owned enterprises, and it would appear by one in particular. The Strategic Petroleum Reserve, in terms of days coverage in China, needs to go up as demand goes up. The mindset there is always very clear that this is a fill and then replenish type policy.

Do you expect China to buy more oil in Q4?

I can report that China is buying more oil than it was last month, and there are more tenders. My underlying message is demand for oil is going up in China. There were some new quotas released early last week whereby it is permitted for refineries to import a little more crude for the balance of this year. So that signals that private enterprise is being given support to run its refineries and that there's going to be a lot more crude oil demand from China than people have factored in with the previous set of quotas. ■

**Paraphrased comments*

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