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Uncertainty on impact of forthcoming sanctions on Russian energy exports.

The IEA has suggested 1.9 million bd in losses for 2023, and that despite gas to liquids switching in Q4, surpluses will continue to build mainly because of revisions to demand. In my view, the expected losses in Russian exports may prove to be less than the 2-3 million bd number that's out there, because products may continue to enter the market and there's also ongoing confusion about the proposed price cap. The fundamental point is that surpluses are going to start taking place next year, mainly because of revisions on demand. The difference in OPEC's demand growth numbers for this year and the rest of the consensus out there, is also quite a big delta of about 1.2 million. So, the point about weakness in the market is justified but there are also issues like spare capacity and an OPEC+ policy that continues to support a floor price of the 85-90 range.

Will Russia get around the sanctions?

If you take seaborne volumes to Europe, we've already seen significant redirection going on into Asia and also uptake of Russia's downstream volumes in Europe. Even if you take out a million barrels from flows to Europe, the question is around the products side and whether that can be taken out of the market effectively without a price cap. Can origination of Russia cargoes into Europe be enforced and tracked? So, the key question is will we see redirection, or a shut in of Russian production. ■

**Paraphrased Comments*



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