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Why is China not exporting more oil products at these prices?

Logic says that it should be taking advantage of these massive spreads on producing diesel and gasoline, especially since they also seem to be getting fairly good access to cheap Russian crude. I would have expected China to have started to issue a lot more quotas because it's an easy economic win for them and a way to quickly ramp up exports. Their diesel exports in May were around 29,000 bd, down from record levels of 400,000 -500,000 bd last year. That's an enormous amount of diesel to lose out of the Asian market and partially explains the crack above \$50 a barrel in Singapore. It's not in China's interests to not supply these barrels. It risks hastening the advent of recession in much of the developed world and certainly developing world.

Could Russia displace Saudi as the biggest exporter into China?

Saudi Arabia is interested in playing the long game. They see this as a temporary disruption and not as undermining their long-term relations with Russia. They know the Chinese have very little option but to continue to rely heavily on Saudi oil. Plus, they have the ability to cut their prices but at the moment, they're thinking that the Russians simply cannot supply enough to make a huge dent in demand for Saudi oil. Some have also said that Russia was panic selling in May and June and offering much steeper discounts than what's been reported. So, we might see a tapering of the amounts of Russian crude that China is taking but it won't necessarily stop. India will also continue to do so if they can continue to organise freight and insurance. But it's questionable that the Russians can offset cargoes to Japan or South Korea, not to mention what they were doing in Europe. Overall, they will struggle to sell as much crude as they were prior to the invasion, but they're probably going to sell a lot more than what was expected.

Impact on Asia from holding so much US dollar denominated debt?

People are underestimating the effect that this will have on demand for commodities. The world's had commodity driven inflation - prices have gone up quite dramatically and the Russian invasion of Ukraine poured fuel on to that fire. The only way that you're going to solve this inflation problem is demand destruction and that's probably the point we're reaching now, especially in the developing world in Asia, Africa and even Latin America. Pakistan already can't keep the lights on because it can't afford LNG, because the Europeans are buying everything. India is struggling with buying Australian thermal coal at \$400 a ton. So, when these prices start to filter through, we will end up with a nasty slowdown in the economy. ■

**Paraphrased Comments*

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