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The consideration to release SPR is entirely US domestic policy driven.

The Biden administration is under pressure and wants to ease inflation pressure and so they've targeted gasoline prices. That's fair enough but the IEA, of which the US is a member, states that the emergency response system is not there to influence prices. So, the US is losing credibility.

Should OPEC suspend its current output agreement?

OPEC has been quiet so far, but it has to react if there is a big release of oil by the US and other consumers because the market will flip from being slightly undersupplied to being quite oversupplied. If it's just a few million barrels over a month or so, they will probably sit tight but if it's 80-100 million barrels, they could suspend the deal for at least a month or two. It's a tricky situation and this polarization of the market isn't good.

But OPEC+ are not even meeting their current supply agreements?

That's true and mostly because of upstream production problems for some members, but the GCC countries have been trying to increase supply. OPEC is worried about the demand situation going into 2022 - with inflation, new waves of Covid and lockdowns and the China slow down.

Has the Covid resurgence in Europe given the markets a bit of a wobble?

There is concern in Europe and the rising cases have been a surprise because with vaccination rates at around 70%, everything should have been alright. There will be more restrictions to come - Germany is almost certainly going to do something soon and the Netherlands have already - but it won't mean that everything shuts down. The one to really keep an eye on is the US. ■

**Paraphrased comments*

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