

DAILY ENERGY MARKETS FORUM

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Should OPEC+ be adding more oil into the market today?

The recent ramp up in prices is not based on a careful analysis of the underlying fundamentals - it's all wrapped up in the understandable fears we have about logistics, inflation and potential shortages. As we move into 2022, fundamental demand is likely to fall back. We're already seeing a slackening in the pace of the demand growth that we've had in 2021. On the supply side, we've got planned increases from the OPEC+ countries into 2022 as well as signs of higher production from the US, Canada, Brazil and one or two other places. On balance, we are going to see a surplus of supply over demand. The one caveat is if we see continued stress on the natural gas market because of a cold winter in the northern hemisphere. We could see a big increase in the volumes of oil that are diverted to be used in power generation, primarily in Asia. People are talking of up to a million barrels a day of extra demand for diesel and fuel oil if we get really low temperatures.

How critical is the gas situation in Europe?

Gas stocks are lower than normal levels. In the UK, stocks are almost non-existent because of policy decisions that have essentially eliminated domestic storage. Europe will be competing for any available LNG cargoes against the mighty buying power of the Asian economies, particularly China, which will pay whatever it takes to secure supplies.

Are we moving too fast on the transition at the expense of required oil and gas?

It is not moving anywhere like fast enough. But for the next decade or so, oil demand will continue to grow because transport will remain overwhelmingly dependent on liquid fuels - whether it be passenger cars, aviation, shipping or trucking. We've also got the petrochemical sector to support the production of consumer goods. We need continued investment into new and existing oil production. The IOCs are in a very difficult place because they are coming under investor pressure to do more on clean energy investment and being criticized if they discuss investing in traditional oil and gas projects. They need to point out more clearly that there is a real need for affordable energy today, that will bring economic growth and bring people out of poverty. ■

**Paraphrased comments*

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