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The market has gone back to $110 pretty decisively.

One reason is that the EU consensus around shedding the need for Russian oil has been more decisive than many expected. Secondly, despite the restrictions on mobility, the Covid situation in China has not snowballed into something really dramatic, so the demand loss projections there have not worsened. Meanwhile, the reality on the ground is that there is increasing backing in of supplies from Russia, because we're now virtually on top of that date where the international banking system cannot make payments to Russian entities work.

Energy demand outlook for China?

There's clearly been a hit on oil consumption in the transportation sector. The Chinese tourist is virtually absent. The Chinese domestic aviation sector had recovered but that's now virtually wiped out. Flights out of Hong Kong are down 88% on pre-Covid numbers. But China seems to have managed to stem the spread of the virus and has reinforced its commitment to its zero Covid policy. The economy has been kept running in certain parts, with companies providing the food and bedding required for people to be able to stay at work to literally keep making manufactured goods and running the financial sector.

Scale of Russian oil supply disruption so far?

Before the Ukraine invasion, Russia was producing at or above its quota of 10.6 million bd and putting 5.7 million bd into its refining system. Market consensus would seem to be that both those numbers are down about a million barrels a day, which is a relative drop in the ocean compared to the intended impact of sanctions on Russia. Also, most countries in Asia – notably China and India – and Africa and Latin America, have no formal sanctions against Russia.

Will the 2H growth outlook put downward pressure on demand and prices?

Outside of China, the consumer wishes to spend and resume normal life. US Henry Hub gas is trading at about $8 per MMBtu – that's something. And nationwide average gasoline prices in the US are hitting $4.30 a gallon, close to record levels. Diesel is above that. The reality is that there are very tight fundamentals in middle distillates and there's very little space in the supply system for delays arising from cargoes running late, which happens when we have backwardation and inventories 35 million barrels below normal levels.

Relevance of OPEC Plus for the remainder of this year?

Most of OPEC Plus production is maxed out. They will continue as is until the end of their agreement in September but in reality, it's only those two or three countries that can still produce extra oil. Unless we see massive demand destruction because of recession or high prices, the spare supply cushion from OPEC will get to a point which will be alarming, and coupled with lower SPRs, is why we will have an upward bias in prices. ■

**Paraphrased Comments*