

## Vandana Hari

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### The market feels a little directionless.

Three factors could push it either way. OPEC policy, the price cap impact on Russian oil flows and Chinese demand. The cap will be inconsequential as Europe has now agreed on \$60 a barrel, which is about \$5 above where Russian oil is trading. One thing the EU did manage to achieve was to save face; they managed to forge a consensus and agree on a figure. But they're not going to achieve the intent of squeezing Russian oil revenues nor save their shipping and insurance industries from taking a hit. The OPEC+ decision was as expected and safe given all the market uncertainty, but one surprise element was that they laid out the course for the next six months. China is now resolutely moving away from its zero COVID policy, but that will still be gradual, with things possibly starting to normalize in the middle of next year.

### Will countries like India still import Russian oil with the price cap in place?

China and India won't go along with the price cap and even if they were to consider signing up, it would set a dangerous precedent. There's been talk of Malaysia, Indonesia, and Pakistan emerging as buyers of Russian oil to try and extract the maximum possible discount. I see the discount probably increasing because Russia has the same number of barrels to offer to a sizably smaller market.

### Has market concern once more switched from demand to supply?

I would say the demand erosion narrative will stay potentially through 2023, with the US Fed continuing to tighten and the Ukraine war continuing to fester. The biggest supply concern is how bad it could get for Russian oil under EU sanctions. In recent weeks, it's become very clear to the market that alternatives are available, including shipping and insurance. We still have the outside risk of a million barrels per day getting shut off in Libya any time and issues in Nigeria, but I don't see a sustained supply shock there as such, so my view is a steady, albeit gradual, downward drift in prices. ■

*\*Paraphrased Comments*

