

## Mike Muller

Head  
Vitol Asia



### Likely impact of China relaxing its zero COVID policy?

The clear signs that public policy has shifted towards no longer zero COVID tolerance in China has injected a degree of confidence back into the economy. There are suggestions that international inbound air travel to China could be a reality as soon as Q2 of next year, which was not in most people's balances and supply demand predictions going forward. Demand for transportation fuel in China, notably jet fuel as the big absent portion of the oil demand barrel, has people getting quite bulled up for the second half of 2023, if not sooner.

### Fair to say we have not seen real demand destruction yet?

The cost-of-living crisis is causing abstention from consuming in those strata of society that can't afford escalated heating bills in Europe, for example. Whether it's the case in transportation fuels is less clear cut so far. I think there are bigger factors at play there, such as subsidies or removals of subsidies in large Asian consuming nations and structural substitution of expensive gas, with not just coal but also with oil.

### Outlook for gas prices into 2023?

Natural gas prices have come off on a perception that Europe was going to get by for this winter. That said, we've had cold snaps in Europe recently and key population centers in Northeast Asia. That's given the LNG market pause for thought because it remembers what happened in 2021 and 2020 with the aging liquefaction infrastructure. We've also come off the back of some major concerns over nuclear generation capacity in places like France and for the long term, Japan.

### Impact of the price cap on Russian oil flows so far?

The crude price cap has been set at \$60 but we're still waiting to see what the price will be for higher value products such as diesel. The other area of concern is insurance requirements. It's hard to envisage how one would go about recovering a claim for an accident caused by a ship that has Russian P&I insurance. The prospect of uninsured or underinsured cargoes, in generic terms heading from west to east, is a major concern. And the banking system also needs to find a way of transacting without a Euro or USD nexus. The intention of the price cap was to allow trade to continue to happen with Western insurance and with the western banking system continuing to finance these trades. But as long as there are certain Asian consumers that will continue to buy Russian oil, Russia will find ways of continuing to move that oil. The question is how much will Asia be able to take, and also how much will the shipping industry be able to take before it is saturated. ■

*\*Paraphrased Comments*

