

DAILY ENERGY MARKETS FORUM

NEW SILK ROAD



Consultancy
Intelligence
Publishing

EXCLUSIVE SERIES

VIEWS YOU CAN USE

Neil Atkinson

Former Head of Oil Markets Division
International Energy Agency (IEA)



How healthy is this market from OPEC's perspective?

I've never agreed with the \$90-\$100 per barrel boosterism, simply because I've read the fundamentals. Many agencies, and OPEC, have been pointing to an expected surplus in the oil market any time now, based on demand expectations and rising production levels in the US. The mid-eighties prices that we've seen for Brent were overcooked and were likely to come off. Still, nobody expected that we would see a crash down to \$70 a barrel. Hopefully, this new variant is a false alarm and the impact on economic activity and gasoline demand will not be so pronounced. As far as OPEC is concerned, it's a difficult situation because of uncertainty on how Omicron will play out, but they could decide to postpone the latest month on month increase that they were planning, and then see where the market lies in a month from now.

Has the Covid variant given OPEC some cover in that it's dampened prices?

Clearly, we're in a completely different world than we were two weeks ago. The uncertainties are enormous. But we should remember that the world oil market does not exist merely to serve the interests of consumers. Producers have a breakeven price and medium to long term interests to protect. They're not happy that there is a risk of prices going lower than they are now. But if they settle in the low \$70s range, that might be acceptable for the time being.

Marginal incremental demand from Asia is looking a little wounded?

Those economies are not exactly roaring ahead. The US economy by contrast, is doing much better and is more open in terms of any economic restrictions that may arise from the virus. There are however legitimate concerns about what's going on in Europe. I would be cautious about 2022 – the uncertainty derived from Covid is going to be with us for some time to come. ■

**Paraphrased comments*

Series Supported By:



Copyright © 2021 GULF INTELLIGENCE FZ LLC. All Rights Reserved.

Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.