

Clyde Russell

Asia Commodities & Energy Columnist
Thomson Reuters



I'm not convinced China will reopen and do away with COVID restrictions.

The Chinese will chart their own path - what they're likely to do is ease little steps at a time. The idea that at some point in the new year, we will have this massive tick up in Chinese crude oil demand because the whole economy is open, is a bit fanciful. The stimulus spending and attempts to boost their economy haven't really resulted in that much of a pickup in crude oil demand so far. Most of the extra demand that we've seen in the last couple of months is simply being reexported as products, not by a rebound of activity in the Chinese economy. August to October were the three strongest months for refined product exports since July last year.

Will China's appetite for discounted Russian oil continue?

They are still buying Russian crude even though the discounts have dropped a little. We also saw the Saudis drop their OSPs for October, so that pushed the Chinese to buy more, and it looks like they in fact bought more Saudi crude in October than they did from the Russians, which would be a bit of a turnaround from recent months. We're likely to see November and December buying reflect October numbers but this is a temporary factor, with two large refining units in the process of starting up with a combined capacity of 520,000 barrels a day and so requiring operating inventories. That would add up to roughly 11 million barrels of extra demand that won't be repeated.

Will the price caps that the US and EU are proposing work?

Probably not. Traders are really good at getting around these. And what the US really wants is just to make life difficult for President Putin; to cut his profit margins and make it harder for Russian oil operators to get things done. ■

**Paraphrased Comments*

