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What's the cause of the recent malaise in the oil market?

It started for a very good reason with the financial side of things; banking crises can develop into economic crises very, very quickly. Having said that, the oil market hasn't come off that much. It's been in steady decline even before this 'financial crisis,' for the last couple of years. The simple fact is that GDP growth and oil consumption are decoupling. People are becoming more efficient. The best cure for high prices is high prices – but it takes a while to take effect both in oil and gas. That's one of the lessons that OPEC never seems to learn - that by holding up prices, they're just speeding up the transition away from oil. Of course, fundamentals at the end of the day will prevail and those are not particularly great either. If you look at the balances, we have more supply than demand for the first half of this year, and in March and April, we have a lot of maintenance. We see more Russian crude sitting on the water unsold and plenty also going to India and China, US production is increasing, and Europe is awash with WTI. The bottom line is that there is enough crude out there.

Will Saudi and Russia stick together on oil policy in the year ahead?

This alliance is very opportunistic. It's taken Saudi Arabia years to get one of the big three producers into their fold, and I think that's one of the main reasons why Russia is still in OPEC+. For the Saudis to discard Russia now probably wouldn't make that much sense, even though Russia doesn't play any role whatsoever in the group. In fact, I think that OPEC+ is slowly going to fade into obscurity over time for a very simple reason. Gas was the lever for Russia to use as a political weapon, but that has failed. Oil has never been much of a weapon for Russia because it needs that revenue. The only reason Russia would cut 500,000 barrels is if they functionally had to. ■

**Paraphrased Comments*

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