

DAILY ENERGY MARKETS FORUM

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What's driving the current spike in gas prices?

One is general underinvestment and the other is simple economics because people are stocking and in some cases, overstocking, ahead of winter. So, all the short consumers like China and Japan, and possibly India, have been looking for other solutions. They aren't going to pay \$8 for gas because that will make their energy intensive industries uncompetitive globally so they're switching to alternative fuels, and hence the resurgence in coal.

Can OPEC oil supply provide a solution to this shortage?

It's mostly developing countries which still have the capacity to use oil in power generation. Those in the US, Europe and even Australia, which have decommissioned all their oil power stations, do not. It will certainly help alleviate the problem in some of these developing countries, assuming they can get the oil to the right place economically to compete.

Are current oil prices in a healthy range?

Anything over \$75 is not good for the global economy because it's taking money out of the wrong places. You have working capital sitting there not doing much; you've got margin calls happening; you've got developing countries having to pay huge bills for day-to-day activities. The winner from these higher prices could be the resurgence of shale oil as it makes it interesting to invest.

Will global supply chain bottlenecks clear out anytime soon?

We're going to have these troubles for some time. When we have such elastic demand, you see the amplitudes in the supply chain get bigger and bigger, which means that we don't have a consistent steady stream of goods. They end up in the wrong place and this affects availability. We're seeing these shortages soaring in the UK with panic buying - that was purely down to the amplitude in the supply chain - one side getting out of kilter with the other. I don't see it resolving until we start to smooth out that demand and supply. ■

**Paraphrased comments*

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