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Wise decision by OPEC+ last week?

I was expecting them to wait given the uncertainties, but they probably did the right thing by taking a 'steady as she goes' approach. The initial indications are that Omicron is not a serious thing, although some governments are taking action to cut down on travel etc. But the market focuses a lot on what producers say and not on what they do. The reality is that OPEC+ is today about 600,000 barrels short of what they said they were going to do. Will they add another 400,000 in December and again in January? The structure of their agreement does not allow members to take each other's market share, so I don't see that extra volume coming into the market.

How do you interpret Saudi Arabia raising its OSPs to Asia?

It was quite a brave decision because Asian demand has been weak, lagging Europe and certainly the US. China still has quite a few regional lockdowns in place, is still following a zero Covid strategy and still effectively locked off to the rest of the world, so that's keeping a lid on oil demand growth. We have seen an uptick in oil imports in November and will probably see another one this month but that's on the back of the government allowing independent refiners to stock up with crude before the end of the year. That does not necessarily mean that there's a strong demand return in Asia. Refining margins are falling, as are Brent Dubai exchange for swaps, which in theory will make prices against Brent cheaper than the Middle Eastern grades. So, we might start to see more clearance of cargoes from West Africa and more demand of US cargoes flowing into Asia as well. If anything, the Saudi OSP decision will encourage refiners in Asia to switch to their competitors.

Should OPEC+ be paying more attention to this trend change in Asia?

The major importing nations do not want prices above \$80, and OPEC probably has a line in the sand at around \$70 so we may have a tug of war to get the price somewhere between those two levels. Also, Chinese crude import demand is just one side of the equation. A lot of what China is doing now is importing oil and exporting products and that trend will continue and in theory means less product will be exported from elsewhere. It's not a zero sum game. What I do see coming to an end is the need for China to import for its SPR, which has been about a million barrels per day for the last few years. ■

**Paraphrased comments*

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