

ENERGY MARKETS FORUM DAILY BULLETIN



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TUESDAY /// JULY 27th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL INCHES UP AS TIGHT SUPPLY, VACCINATIONS OUTWEIGH VIRUS CONCERNS

2. OPEC+ ISSUES AUGUST & SEPTEMBER QUOTAS

3. INDIA TO COMMERCIALISE STRATEGIC OIL RESERVE CAPACITY

4. CHINA PRIVATE OIL REFINER DODGED \$2BN TAX

5. FED NOW FACING TWIN INFLATION & GROWTH RISKS

6. EXXONMOBIL SEEKS ARBITRATION AGAINST IRAQ'S BOC

7. IRAN ENDANGERS COMPROMISING CHANCE FOR NUCLEAR DEAL

8. G20 TO PURSUE COAL PHASE-OUT TALKS IN OCTOBER

9. CHINA REGULATORY RISK WEIGHS ON SENTIMENT

10. LOW CHINESE DEMAND CUTS NIGERIAN FLOWS TO INDIA

RECOMMENDED VIDEOS & REPORTS

- EIA: US PRODUCED THE LEAST CO2 EMISSIONS FROM ENERGY
- US TAKES LNG EXPORT TITLE FROM AUSTRALIA
- AMERICAN AIRLINES WARNS ABOUT JET-FUEL SHORTAGES AROUND US
- US HOME SALES DIP
- TUNISIAN PRESIDENT FIRES PREMIER AFTER VIOLENT PROTESTS

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NEW SILK ROAD LIVE PODCAST



Peter McGuire
Chief Executive Officer
XM Australia



Andrei Belyi, PhD
Professor, Founder & CEO
Balesene OU



Randall Mohammed
Former VP, Energy Solutions
Ahart Solutions International

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NEW SILK ROAD LIVE

TOP 3

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TAKEAWAYS

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Morning all. Brent is trading this morning at \$74.80/bl, up 0.30/bl. WTI is trading up 0.18/bl, at \$72.09/bl. "Teach thy tongue to say, 'I do not know' and thou shalt progress." Said some really famous bloke with a brilliant beard about a thousand years ago. Maimonides, that's it. I wonder if he could apply such stoic wisdom to today's oil market though. Why am I referring to this quote though? Well, I go back to issues the oil market faces itself with. Is there enough supply to keep up with current and forecasted demand? Well, based on forecasts about demand increases for the balance of 2021 then no, there isn't enough oil. So, I



BY MATT STANLEY
DIRECTOR
STAR FUELS

ask you - why then hasn't Brent popped up closer to those magical three-digit levels? Surely if there isn't enough of something to go round then the price of that very thing goes through

the roof, no? OK, arguably prices rising nearly 50% since the start of the year is some achievement but if the balance of 2021 we will be in a supply deficit, then why have prices found somewhat of a ceiling at \$75/bl. I noo nottt noooo. That was me holding my tongue and speaking. I go back to the one fear that the market simply cannot shrug off and sadly, like I said yesterday, this is Covid-19. I am encouraged by vaccination programmes that governments have rolled out, both the UK of which I am citizen and of the United Arab Emirates of which I am a resident of nearly ten years. But, I am one of the very lucky few. The US has also done well

and programmes in the EU and certain Asian nations are increasing, but global oil demand growth cannot be forecasted accurately in my opinion if developing nations that have contributed more to global growth than developed saturated markets like the US and the EU have done over recent years. The facts don't lie. 52.4% of the high-income population have been vaccinated. Low income is 1.1%. Look, I'm not being negative, things are getting better but we cannot talk about a full global recovery, of which oil demand is a major factor, when the world is looking so fractured. Now, back to holding my tongue. Nnavve a noon nany.

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing **Mashreq 60-SECOND SOUNDBITE**

Peter McGuire
Chief Executive Officer
XM Australia

***"It is Absolutely Frightening
that we continue to have
free money with threats of
double-digit Inflation"***

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing **Mashreq 60-SECOND SOUNDBITE**

Andrei Belyi, PhD
Professor, Founder & CEO
Balesene OU

***"Germany Achieves
Big Win with
Nordstream II"***

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Christof Rühl

Senior Research Scholar - Center on Global Energy Policy
Columbia University



Did the OPEC+ Deal Deliver Clarity for the Markets?

Rounding the wagons is a good expression for the OPEC+ deal. It was not unexpected. Still, it's interesting to see it from OPEC's perspective – very positive that they achieved a general realignment of the quota numbers for major oil producers. It's kind of comforting from a market perspective that this in many ways seems to overshoot in the sense that some of them won't be able to produce as much as indicated by the new baseline. I think markets recovered last week because they saw that the additional 400,000 barrels per day had been maintained even with markets becoming weaker. It was seen by the markets to be still a good number to keep prices steady on a slight upward drift. I would assume that on the back of this, we're heading into a year 2022 where prices will continue to tick upward and not collapse.

Demand Outlook?

The demand side depends on the global economy, and this is a very open question. I think to find an answer, we have to do something which hasn't really been done yet, which is to look at the experience of China's recovery from COVID, which is a bit of a mystery for what is the world's biggest oil demand and import center. It is the first country to come out of the pandemic. It had the same kind of flash in the pan growth which we are now seeing in Europe and the US, with enormous growth rates that are actually quite meaningless because it mostly mirrors the enormous decline that preceded it. It could teach us a lesson of how this evolves into longer term growth and what the oil price does to inflation and to growth. At the same time, China is so opaque that we don't know very much.

Economic Recovery or Rebound?

I think the jury is still out on whether this rapid recovery translates into durable demand growth and economic growth in the US and Europe. In China, the transition should have happened by now, but it seems to be at a lower growth rate than before. So, what seems to be on the cards if others follow that same example, is whether the US can recover to 2019 levels and then come back on a growth trajectory that is as high as before at least. Or whether the growth trajectory, the growth path will be permanently a bit flatter because of COVID? Now, that seems to be what has happened in China, and where Europe is heading. The US is the place in between on which a lot depends now, and that will be the driver for oil demand. There is no decision yet whether this is a flash in the pan economic recovery or whether this is sort of a durable, stable world, but early indicators are that it will be a bit weaker despite the stimulus and all these other things. ■

**Paraphrased comments*

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