Daily Energy Markets BULLETIN

ADNOC

Consultancy Intelligence Publishing

THURSDAY /// APRIL 28th

TOP 10 DAILY NEWS DIGEST

1. OIL EDGES LOWER AS MASS COVID TESTING BEGINS IN CHINA
2. DOLLAR NEARS TWO-DECADE PEAKS AS PROBLEMS PLAGUE EURO, YEN
3. EU GASOLINE MARGINS SET APRIL RECORD
4. BEIJING IN RACE TO STAVE OFF SHANGHAI-STYLE LOCKDOWN WITH MORE MASS TESTING
5. HAS OIL LOST ITS UPSIDE MOMENTUM?
6. EU DENOUNCES 'GAS BLACKMAIL' AS SANCTIONS BATTER RUSSIAN ECONOMY
7. BP, SHELL TIGHTEN UP ON THEIR RUSSIAN OIL RESTRICTIONS
8. UKRAINE WAR TO CAUSE BIGGEST PRICE SHOCK IN 50 YEARS
9. PUTIN WARNS AGAINST FOREIGN INTERVENTION
10. DOUBTS GROW OVER CHINESE STATISTICS AS COVID RAVAGES ECONOMY

RECOMMENDED REPORTS

- INFLATION TO BE ELEVATED FOR LONGER ON WAR, DEMAND, JOB MARKETS
- WHY THE EU NEEDS TO UNLEASH OIL SANCTIONS ON RUSSIA
- THE TURBULENT JOURNEY OF THE OFFSHORE SUPPLY VESSEL MARKET
- THE GOLDEN AGE OF OIL AND GAS PRODUCERS
- $2.5TRN IN CASH TO FLOW FROM OIL & GAS SECTOR TO GOVERNMENT COFFERS IN 2022
- THE BEST AND WORST PLACES TO BE IN A WORLD DIVIDED OVER COVID

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Daily Energy Markets PODCAST

Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

Dr. Carole Nakhle
Chief Executive Officer
Crystol Energy

Edward Bell
Senior Director, Market Economics
Emirates NBD

Frank Kane
Guest Host

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Daily Energy Markets TOP 3 TAKEAWAYS

TOP 3

THURSDAY /// APRIL 28th

TAKEAWAYS

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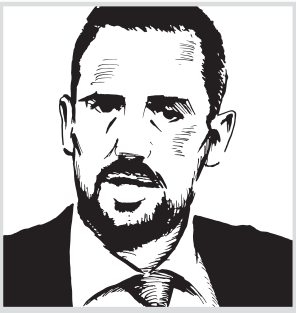
COMMENTARY



BY MATT STANLEY
DIRECTOR
STAR FUELS

Brent is trading this morning at $105.00 down 0.32 and WTI trading at $101.80 down 0.22. It seems like the oil market doesn't know quite what to do right now, stuck between concerns about supply disruptions from Russia and demand coming lower in China and the rest of the world because of inflation. Let's look at the state of the world right now. Europe - broken. North America - blinkers. Middle East - booming. Asia - struggling. Antipodes - welcoming. South America - chilling?

The fact is that 2022 has proved extremely difficult to form a cohesive argument about the state of the oil market because of just how fractured the world has become. Crude prices are lower yet refining margins for diesel are at an all-time high. What does that tell us? Fuel oil used as a substitute for LNG in Asia hits record high. Again, what does this tell us? There are myriad stories along the same lines, but these are two that stood out to me. I would argue the answer to the first one is that simply crude oil has been in most Wall St funds for a while now and crude is merely following the general risk off attitude equities have faced the last few days. From a physical point of view, products are stronger than ever. The second question - now this is the important one to look at. Are LNG cargoes being diverted to Europe based on the fact that those EU countries will pay what they have to when they have to, in order to replace Russian gas? I'd argue yes. And there we come back to the BTU crisis we were in around Q4 last year. All of this means one thing - higher prices for the end user. The inflation, and hence recession argument, grows stronger every day, but with tensions in Ukraine seemingly increasing.

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VIEWS YOU CAN USE

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Dr. Raad Alkadiri
Managing Director - Energy, Climate & Resources
Eurasia Group

Russia cutting off gas access to Europe would be considered a Red Line.
Europe would have to react accordingly. Until now, Russia has actually increased its volumes, reinforcing its position as a reliable supplier. So, cutting supplies to Poland and Bulgaria this week was a very significant step. It shows how serious Russia is about maintaining its financial security and about using the energy weapon if necessary. It's put the EU in a very difficult position and has increased the level of confrontation. If the EU were to accept paying in rubles now, it would be seen to be capitulating to the threat and would certainly undermine the unity within the EU that has persisted until now. We may not be at the point where Russia and the EU break energy trade ties altogether, but the risk is getting higher that we're moving in that direction, and markets need to start pricing that in.

Where can the conflict go from here?
This isn't happening in isolation. From Putin's perspective, he can't afford to lose. The perception by the West that Putin would somehow not see economic sanctions as implicit involvement in this war alongside Ukraine, has been somewhat sanguine, as has the view that one can contain the crisis within Ukraine because Russia has scaled down its operations to the east of the country. What Russia has done with this gas move, is signal to the world that it is simply not going to play by the rules imposed on it and that the energy weapon which it's now wielding, has always been in the background. There's almost been an assumption by the West that if oil and gas trade was allowed to continue, that somehow the Russians wouldn't use it. But the more the EU and NATO engage in direct support for Ukraine, the more Russia is squeezed and is going to kick. It's also increasingly difficult to see a win-win situation or where peace negotiations can start, when the US says it wants to see Russia lose this conflict and be weakened significantly into the future.

Should Europe be more cautious around the robust US posture?
Europe has shown a certain caution all along, for example around the debate on energy and how much pressure to put on Russia with that. There hasn't really been one consistent view on some of these issues. But with Russia not willing to step back, I think even from a European perspective, there's a desire to weaken Russia and that's feeding the escalatory ladder.

Has the fracture between Arab Gulf states and their western allies widened?
There is a deep fracture and that's been a process that's been ongoing for some time, but this Ukraine crisis has shone a light on it. The US security guarantee in the region is not seen to be what it was. That is compounded by the fact that Asian markets are now seen as growth markets for the key commodities that the Gulf states export. Certainly, the new leaderships in the Gulf are beginning to look at the world in a very different way. ■

**Paraphrased Comments*

Daily Energy Markets
Mashreq 60-SECOND SOUNDBITE

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Dr. Carole Nakhle
Chief Executive Officer
Crystol Energy

"Do you Expect US to Advance the NOPEC Legislation?"

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Edward Bell
Senior Director, Market Economics
Emirates NBD

"Gulf economies to enjoy very positive outlook for next 12-18 months"

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DAILY ENERGY MARKETS SERIES

Suspended for Eid Holidays

May 1st - 5th

Podcast Resumes May 8th

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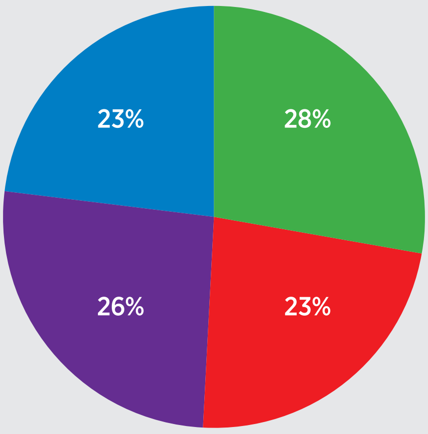
Daily Energy Markets INDUSTRY SURVEY

Consultancy Intelligence Publishing

How will the rest of Europe react to Russia cutting off Poland & Bulgaria to Gas?

Answer:

- Do Nothing
- NRG Embargo
- All Pay in Roubles
- None of above



Source: GI Research April 2022

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GI PUBLISHING 2022

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