

ENERGY MARKETS FORUM DAILY BULLETIN



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SUNDAY /// NOV 7th /// 2021

DAILY OIL COMMENTARY



TACKLING CLIMATE CHANGE REQUIRES DRASTIC MEASURES – I'M NOT HOPEFUL!

Mehmet Ögütçü, Chairman, The London Energy Club

The gravity of climate change risks that we face is very strong and requires drastic measures, not the half-cooked commitments likely to emerge from COP 26. I don't have much hope. At their meeting last week, G20

leaders unfortunately did not agree to any commitment on cutting carbon emissions by 2050. India was talking about 2070, China 2060 and the European Union a little earlier. All we saw was lots of rhetoric and that's been the fate of most of these multilateral declarations and meetings. The international energy system and multilateral world order is not at a mature level where we can take these radical measures and implement them. A parallel challenge we face while we try to

green our energy system, is the lack of investment in conventional fossil fuels. Two thirds of total energy investment last year went to renewables, and the result has been the energy supply crunch we see ourselves in today, which could get worse. Still, I don't believe fossil fuels will be replaced by renewables in any transformative way in the foreseeable future. Look at China, where 80% of electrical power generation still comes from coal. Similarly with Russia, the US and India.

The transition is going to take time but if we leave it to market forces, this is the disruption that we are going to have. IOCs today are not making decisions on future investments on the basis of commercial feasibility only; their concern is what shareholders will say, and that is, that oil and gas companies should divest out of fossil fuels and move into renewables, hydrogen and biomass. However, that's not going to be easy.

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD **LIVE** **PODCAST**



Mike Muller
Head
Vitol Asia



Christof Rühl
Senior Research Scholar
Center on Global Energy Policy
Columbia University



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Managing Partner
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DAILY ENERGY MARKETS FORUM NEW SILK ROAD **LIVE**

TOP 3

SUNDAY /// NOV 7th

TAKEAWAYS

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TOP 10 DAILY NEWS DIGEST

1. OPEC+ STICKS TO PLAN FOR GRADUAL OIL OUTPUT HIKE, PRICE ROARS HIGHER

2. US: HOUSE APPROVES BIDEN'S TRN-DOLLAR INFRASTRUCTURE PACKAGE

3. SAUDI ARAMCO RAISES OIL PRICES AFTER OPEC+ DEFIES BIDEN

4. BEARISH NEWS PILES UP FOR CRUDE OIL

5. SAUDI ENERGY MINISTER BLAMES DEVELOPED NATIONS' POLICIES FOR CURRENT CRISIS

6. WHAT JEROME POWELL DIDN'T DO: LAY THE GROUNDWORK FOR HIGHER RATES

7. THE FED BEGINS STEPPING ON THE BRAKES

8. JOB CREATION ROARS BACK IN OCT AS PAYROLLS RISE BY 531,000

9. CORONAVIRUS OUTBREAK SPREADS TO 20TH CHINA PROVINCE AS CASES NEAR 800

10. CHINA'S INDEPENDENT REFINERS' FEEDSTOCK IMPORTS LOSE RECOVERY MOMENTUM

RECOMMENDED VIDEOS & REPORTS

- **ARGENTINA & THE IMF: ANOTHER DEFAULT IN THE WORKS?**
- **GCC COUNTRIES SET FOR BIG GAINS FROM SURGE IN OIL PRICES**
- **TIGRAY, OTHER GROUPS FORM ALLIANCE AGAINST ETHIOPIAN LEADER**
- **GERMANY SEEKS TO BREAK COVID MOMENTUM AMID NEW CASE RECORDS**
- **CHINA HITS BACK AFTER BIDEN CRITICISES XI'S COP26 NO-SHOW**

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Mike Muller
Head
Vitol Asia

**"The oil market does have
a built in expectation that
US was going to proceed
with SPR release"**

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing Mashreq 60-SECOND SOUNDBITE

Christof Rühl
Senior Research Scholar -
Center on Global Energy Policy
Columbia University

**"Biden looks silly
screaming at OPEC+
for more oil"**

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD



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EXCLUSIVE SERIES VIEWS YOU CAN USE

Peter McGuire
Chief Executive Officer
XM Australia



Week ahead should be calm, but these are surprising times!

It is a relatively calm week without any central bank meetings and just a handful of data points. The only event that could spark fireworks is the latest edition of US inflation, which will probably fire up further. If price pressures continue to broaden out into different sectors too, this could set off another cascade of worries around faster Fed rate increases and reignite the dollar's rally. Not so transitory.

Will inflation fade away by itself? This question has tormented markets and central banks recently. It definitely seemed transitory early on. Enormous government spending, paralyzed supply chains, soaring shipping costs, energy prices going ballistic - all these factors can push inflation much higher, but their impact wears off after a while.

'As long as inflation expectations aren't rising, it's all transitory'. This was the thinking among central bankers. Well, inflation expectations have finally stormed higher. Derivatives investors are now betting this shock will last much longer, so they are hedging their inflation exposure.

It's not just supply problems anymore. Wage growth is accelerating, rents have started playing catch-up with soaring house prices, and Congress is about to bring more spending to the party. This is precisely why the upcoming US inflation report on Wednesday will be so crucial. It will reveal whether inflationary pressures continue to broaden out.

Forecasts suggest the yearly CPI rate will jump to 5.9% in October, from 5.4% previously. But considering the signals from various business surveys, the risks surrounding this forecast may even be tilted to the upside. The Markit PMIs showed companies raising their selling prices 'at the fastest rate on record', while the price indices in both the ISM surveys jumped sharply too. ■

*Paraphrased comments

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