

ENERGY MARKETS FORUM DAILY BULLETIN



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SUNDAY /// JULY 4th /// 2021

DAILY OIL COMMENTARY



LIQUIDITY TRUMPS GEOGRAPHY WHEN BUILDING AN OIL BENCHMARK!

Adi Imsirovic, Author: Trading and Price Discovery for Crude Oils

I think there is room in the world for a lot more benchmarks. There is no doubt about that. But what makes Brent very, very special

is the institutional framework that you have in the UK with British law, which is accepted everywhere. If you trade most grades of oil around the globe, you will probably use English law. That whole institutional framework is what makes a certain benchmark successful. The

fact that Murban or the INE Shanghai contract reflect the regional market a lot better than Brent is not as important as liquidity. Liquidity always trumps the basis risk. A very good example is Dubai and Oman. Most Asian refiners have exposure to both

Dubai and Oman, but very often most of them do not use Oman to hedge their exposure at all because there is more liquidity in Dubai. They trust that market and can get a lot more volumes done, so they just ignore Oman.

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Mike Muller
Head
Vitol Asia



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



Sean Evers
Managing Partner
Gulf Intelligence

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TOP 3

SUNDAY /// JULY 4th

TAKEAWAYS

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TOP 10 DAILY NEWS DIGEST

1. CRUDE SETTLES ABOVE \$75 AS OPEC+ DITHERS ON OUTPUT POLICY
2. OPEC+ STRUGGLES TO CLINCH DEAL ON OIL QUOTAS AS UAE STANDOFF CONTINUES
3. OIL COULD TOP \$100 AS COMMODITIES BOOM SHIFTS AWAY FROM CHINA
4. BAKER HUGHES US OIL RIG COUNT UP TO 376 FROM PREVIOUS 372
5. DRIVERS WILL FACE THE HIGHEST JULY 4TH GASOLINE PRICES IN 7 YEARS
6. US ADDS 850,000 JOBS IN JUNE, BETTER THAN EXPECTED
7. AUSTRIA REOPENING TO VACCINATED UAE TRAVELLERS WITH NO QUARANTINE
8. US WORRIED ABOUT HIGH OIL PRICES; SEES ENOUGH PRODUCTION CAPACITY
9. FED'S DALY: 'WE'RE ON OUR WAY' BACK TO PRE-CRISIS EMPLOYMENT LEVELS
10. CHINA URGES NATIONS TO BUILD 'GREAT WALL OF IMMUNITY' AGAINST COVID-19

RECOMMENDED VIDEOS & REPORTS

- CHINA BLAMES US FOR CONFLICTS FROM AFGHANISTAN TO IRAN
- US COMPANIES HIT BY 'COLOSSAL' CYBER-ATTACK
- THERE IS ROOM IN THE WORLD FOR MANY MORE CRUDE OIL BENCHMARKS!

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Mike Muller
Head
Vitol Asia

“Global Oil Stocks to Keep Falling as Markets need More Crude than OPEC+ Planning to Add from Aug-Dec.”

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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

“It’s Terribly Important for OPEC+ What the US Thinks of its Policies”

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Sean Evers
Managing Director
Gulf Intelligence



UAE ‘Fully Supports’ an Increase in OPEC+ Oil Production from August

GI Soundings understands that the UAE ‘fully supports’ an increase to OPEC+ oil production from August 2021, but Abu Dhabi rejects the coupling of an output hike with an extension of the current OPEC+ agreement when it expires in April 2022 to the end of next year.

The UAE is supportive of extending the two-year agreement further, if required, but it has requested that the baseline production from which supply cuts were based to be reviewed to ensure that they are equal for all countries as/ when an extension is agreed to, delegates told GI Soundings. The UAE has around 35% of its current production capacity shut in, compared to an average of around 22% for the 19 other countries in the OPEC+ agreement, delegates said.

The UAE proposed at the OPEC+ meeting on July 2nd to separate the two matters put forward by the Joint Ministerial Monitoring Committee of (1) increasing production and (2) the extension of the OPEC+ agreement. The JMMC insisted on ratification of both issues at the current meeting.

The UAE proposed that the decision to extend the OPEC+ agreement beyond April should be made at a later meeting, to give time for the production baseline issue to be considered, GI Soundings understands. The UAE presented to the JMMC to review the reference production levels used in the OPEC+ agreement (Oct 2018) v’s April 2020 (last month of unconstrained production), which shows that the UAE carries an 18% supply cut, compared to, for example, 5% for KSA and Russia.

The UAE and its international partners have invested significantly in growing its production capacity and it holds a position that, if/when the agreement is extended, the baseline reference figures should reflect its actual production capacity, rather than the outdated October 2018 production reference, delegates told GI Soundings.

The US market will be closed until Tuesday for the July 4th holiday weekend, so the oil exporting group has 48 hours to find a resolution to the impasse. ■

Country	Baseline	Apr 2020 (OPEC secondary sources)	Change (ascending order)
UAE	3.17	3.84	-21%
South Sudan	0.17	0.15	-12%
Kuwait	2.81	3.12	-10%
South Arabia	11.89	11.61	-3%
Gabon	0.19	0.19	-4%
Oman	0.88	0.92	-4%
Brunei	0.10	0.10	-2%
Eq. Guinea	0.11	0.11	1%
Viet	4.40	4.51	2%
Nigeria	1.83	1.77	3%
Kazakhstan	1.71	1.66	3%
Mexico	1.70	1.70	0%
Bahrain	0.21	0.20	-4%
Sudan	0.08	0.07	-4%
Russia	11.00	10.47	-5%
Algeria	1.66	1.61	3%
Azerbaijan	0.72	0.67	6%
Congo	0.11	0.29	12%
Angola	1.11	1.11	16%
Malaysia	0.00	0.11	17%

*Paraphrased comments

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