

Daily Energy Markets

BULLETIN

SUNDAY /// JAN 23rd



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“CHINA REACHING PEAK OIL DEMAND...”

Dr. Xavier Chen, President, Beijing Energy Club

We should revise the hypothesis that Chinese oil demand will continue as it has done in the past ten years. It is reaching a plateau and may be already peaking at around

15mn b/d. One reason is weakening macroeconomic prospects. As recently as December, the government acknowledged that domestic demand and economic growth prospects are weakening. Combined with growing supply chain disruptions, we have weaker growth. China achieved 3.2% GDP growth in 2020. The government projections for 2021 were 8%. It has downgraded growth projections for 2022 to 5%. Government policy is putting more emphasis on economic stability and security and less

focus on growth. In the past, when China had a problem with economic growth numbers, it would implement stimulus packages, but the government today does not have much money to do this and is focusing on security of employment and domestic issues. Contributing to this weakening perspective is the deteriorating international environment – China’s political relationship with the US and trade wars with various countries. So, I’m less optimistic about continuing oil demand. There’s also

massive substitution taking place for oil. In 2020, China sold 1.3 million EVs and 3.3 million last year. Chinese gas demand, however, will continue. It grew an estimated 12% in 2021. I believe that the country still has room to double its gas demand in the next 20 years. Gas will be a new focus, not only for domestic Chinese energy companies, but also a new source of demand for OPEC countries and neighboring suppliers like Turkmenistan, Russia and Myanmar.

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Daily Energy Markets PODCAST



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TOP 3

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TAKEAWAYS

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TOP 10 DAILY NEWS DIGEST

1. RUSSIA AND THE US ARE PLAYING CHICKEN OVER UKRAINE
2. OIL PRICES FALL BACK DESPITE BULLISH PREDICTIONS
3. U.S. RIG COUNT CLIMBS AS SHALE PREPARES FOR TAKEOFF
4. RUSSIA PROPOSED INTERIM NUCLEAR DEAL TO IRAN, WITH US KNOWLEDGE, SOURCES SAY
5. INDIAN REFINERIES RUN HARD DESPITE DEMAND DOWNTURN
6. OIL TRADERS WEIGH UKRAINE RISKS AS URALS CRUDE PRICES NEAR 12-MONTH HIGHS
7. LET THE WILD RUMPUS BEGIN
8. CHINA, RUSSIA, IRAN COMPLETE JOINT DRILL AMID 'RESTRICTIONS ON SEA ROUTES FROM SOME MAJOR POWERS'
9. COLUMN-SHRUNKEN US OIL INVENTORIES POINT TO CHRONIC UNDER-SUPPLY: KEMP
10. FUJAIRAH NEW SILK ROAD WEEKLY NEWSLETTER

RECOMMENDED REPORTS

- LINKEDIN ECONOMIST: 3 WAYS THE PANDEMIC HAS DRAMATICALLY CHANGED THE LABOR MARKET
- CANADA SEES OIL INVESTMENT RISE 22% IN 2022
- US REFINING EXPECTS RESURGENT 2022
- US IN TALKS WITH QATAR OVER GAS SUPPLIES TO EUROPE IN EVENT OF UKRAINE INVASION
- 2022 GLOBAL SUPPLY CHAINS: FOUR TRENDS THAT WILL SHAPE THE FUTURE
- CORONAVIRUS: AUSTRIAN PARLIAMENT APPROVES MANDATORY VACCINATION ORDER



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VIEWS YOU CAN USE



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Narendra Taneja

India's Leading Energy Expert



Any oil price above \$65 is bad news for India

And so today's prices are even more challenging, particularly when the government plans to present its national budget on February 1st and we also have elections in the north of the country. Still, overall energy demand in India is resilient and the economy is doing well, with good forward projections. Foreign direct investment in the country is also registering record growth.

Are the higher oil prices not proving a deterrent to growth?

The Indian economy is an oil economy and has to keep growing. Even if prices go up to \$90 or \$100 tomorrow, it won't have a huge impact in terms of demand. The only option then would be for the state government to take the hit and cut taxes. Today, 52% of prices at the petrol pump are a tax component. Consumers here are used to paying high prices of petrol and diesel.

Does Covid remain a concern at all?

The data for the last 18 days shows that demand for petrol and diesel has dropped about 14.2% on the back of Omicron and related curfews. But although we don't have access to data on the Omicron numbers, we do know that ICU hospital beds are 85% empty. Most households are carrying on with normal social and economic life and I think demand for oil and petroleum diesel will come back to normal within two to four weeks.

India's view on the dynamic geopolitics in the Middle East?

The Middle East is going to be in turmoil geopolitically for some time. In the context of energy, that's why India has been strategically diversifying its sources of supply and reducing its dependence on the region. Saudi Arabia and the UAE are strategically and economically very important to India, also because of their relationship with and conduit to Iran. But the US has also emerged as an increasingly bigger supplier of crude oil to India in the past year and is a huge trading partner. The US presence in the region is also declining and there's not one single country that has emerged to replace it. It's a complex situation. We are also looking to diversify natural gas supply as much as possible so the geopolitics around Russia, as one of our suppliers, also matters. Any US sanctions on the country would have a huge impact on the markets and on importing countries like India. ■

**Paraphrased comments*

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Mashreq 60-SECOND SOUNDBITE

Jorge Montepeque

President & Founder
Global Markets

**"COVID is disappearing
in the West due to Herd
Immunity"**

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Mashreq 60-SECOND SOUNDBITE

Christof Rühl

Senior Research Scholar
Center on Global Energy Policy
Columbia University

**"Ukraine issue is very likely to
lead to military escalation, but
perhaps not full-scale war"**

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