Daily Energy Markets
BULLETIN
MONDAY /// FEB 28th

Consultancy Intelligence Publishing

TOP 10 DAILY NEWS DIGEST

1. OPEC+ TRIMS 2022 OIL MARKET SURPLUS FORECAST IN LATEST DATA
2. PUTIN'S WAR IN UKRAINE COULD BREAK THE OPEC+ ALLIANCE
3. BP ABANDONING RUSSIA SHOWS DISRUPTION TO COMMODITIES WILL BE PROFOUND
4. THE CONFLAGRATION IN EU MAY WORSEN STAGFLATION EVERYWHERE
5. HAS CHINA TURNED ITS BACK ON 'BEST FRIEND' RUSSIA?
6. CHINESE BUYERS HESITATE TO PROCURE RUSSIAN COAL AMID UKRAINE CONFLICT
7. RUSSIA SEES IRAN DEAL WITHIN A WEEK AS TALKS SLIP INTO MARCH
8. CHINA, RUSSIA & THE RACE TO A POST-DOLLAR WORLD
9. SAUDI SAYS KINGDOM STILL COMMITTED TO OPEC+ OIL AGREEMENT WITH RUSSIA
10. BANK OF RUSSIA RESUMES GOLD BUYING AFTER TWO YEARS ON SIDELINES

RECOMMENDED REPORTS

- ECONOMISTS FEAR FORECASTED FED POLICY 'TOO LITTLE TOO LATE' ON INFLATION
- REPORT: IS BEIJING A PREDATORY LENDER?
- ARAB STUDENTS STRANDED IN UKRAINE DESPERATE TO GO HOME
- ALGERIA SAYS IT'S READY TO SUPPLY EU WITH EXTRA GAS DURING UKRAINE CRISIS
- TURKEY RECOGNISES RUSSIA-UKRAINE 'WAR' AND MAY BLOCK BATTLESHIPS
- PUTIN PUTS NUCLEAR FORCES ON HIGH ALERT, ESCALATING TENSIONS
- BP TO EXIT ROSNEFT; EU BANS FLIGHTS; GERMANY TO CUT RUSSIAN GAS
- NORWAY SAYS ITS SOVEREIGN FUND WILL DIVEST FROM RUSSIA

Daily Energy Markets PODCAST

Consultancy Intelligence Publishing

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India's Leading Energy Expert

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Daily Energy Markets TOP 3 TAKEAWAYS

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TOP 3

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TAKEAWAYS

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COMMENTARY

OPEC+ meets this week amid enormous geopolitical tensions following Russia's invasion of Ukraine. With the conflict involving one of the world's largest oil exporters—Russia accounts for around 12% of global oil exports—oil markets have moved to price in substantial supply insecurity. Front month Brent futures have pushed back up above $100/bl and with sanctions from the US, EU, UK and others tightening on Russia, the country is likely to have material challenges in exporting oil. We expect that OPEC+ will endorse its plan to increase production for April by 400,000 bd. In terms of oil market balances, conditions now are essentially the same as they were a few weeks ago. Balances are tight, helping to keep spot prices high and supporting a wide backwardation in the futures curve. Russian oil and gas exports have not been directly targeted by sanctions, though the threat of financial penalties may discourage trade in Russian commodity exports. Differentials for Urals, a major export grade of Russia crude, have moved to as much as $9/bl below spot Brent futures, its widest discount on record. It is worth remembering that Russia remains part of OPEC+ and is the second largest producer in the alliance after Saudi Arabia. Its share of total production quotas is set to increase from May this year when new baseline levels are applied. But the country is already producing up against its capacity limits, having fallen short of production quotas in the last two months. The IEA estimates Russia's sustainable capacity at 10.2m bd, around 200,000 bd higher than its January production levels. OPEC+ will also need to consider the flow of negotiations around the resumption of the JCPOA, the Iran nuclear deal. The impetus for reaching an agreement is now more urgent given how high oil prices are feeding into inflation pressures globally. Iran has more scope to increase production than Russia likely does and higher output from the country could help to dampen down prices.
(Source: Emirates NBD Research)

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VIEWS YOU CAN USE

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Narendra Taneja
India's Leading Energy Expert

How vulnerable does the war in Ukraine leave India in terms of flow of oil?
We are not so worried about the physical supply of oil because that will continue. Less than 2% of our energy imports come from Russia. The issue for India is when oil prices go above $72, because our budget is based on that. It affects our fiscal discipline, fiscal deficit, the value of the Rupee and practically everything because we are an oil economy.

Will we see demand erosion if oil settles solidly around $100?
Our economy is going back to a 9% growth rate, and we need oil. India imports 85% of its oil and 56% of its gas. Energy prices and energy security are critical. If the oil price is sustained at $100, that's very bad news for us. That's why they are keeping in contact 24/7 with Saudi Arabia, with the UAE and with our other friends. The world over, foreign policy is run by diplomats who do not understand how the energy sector works.

Are you concerned about the post-WW2 geopolitical shifts we are witnessing?
An unstable Europe is terribly bad news for India, simply because we are so dependent on each other. But we also want the world to focus on the Indo-Pacific region, stretching from India to the western part of the US. The centre of global economic gravity and energy gravity has moved to our part of the world and the West is refusing to acknowledge it. Of course, we need to herald democracy, but the West should not get bogged down in Europe fighting with a declining power. The Indo-Pacific region is where the real geopolitical challenges start, with China at its core. The West will end up compromising their own geopolitical interests and facilitating the further rise of a very belligerent China. The threat, the challenges and the opportunities are all here in our part of the world. ■

**Paraphrased comments*

Daily Energy Markets
Mashreq 60-SECOND SOUNDBITE

Consultancy Intelligence Publishing

Kate Dourian, FEI
MEES Contributing Editor &
Non-Resident Fellow, The Arab Gulf States Institute in Washington

"OPEC states will maintain a neutral posture on Ukraine crisis for as long as possible as they need Russia to remain within OPEC+"

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Daily Energy Markets
Mashreq 60-SECOND SOUNDBITE

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Narendra Taneja
India's Leading Energy Expert

"India isn't concerned about oil supply disruptions from Russia, we are bothered by oil price rise!"

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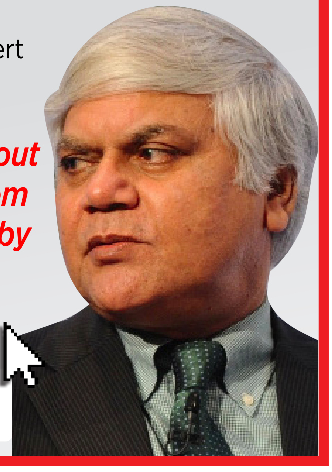

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