SPECIAL REPORT

Top 50 Energy Market Analysts

A Message in a Bottle From Around the World

YEAR AHEAD ENERGY OUTLOOK 2024

GI Consultancy Intelligence Publishing

CELEBRATING "15" YEARS OF KNOWLEDGE EXCHANGE

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FOREWORD

2024 is a Year to Fly at Drone Height to Get a Balanced View on the Energy Bulls & Bears?

Sean Evers
Managing Partner, Gulf Intelligence

The other day a friend of mine sent me a drone video of my home village in the remote West of Ireland on the Atlantic Coast – a beautiful two minutes of scenic coastline on a crisp sunny winter's day. It struck me that it was the first time I had ever had this unique view of a land that I had walked across my whole life. It was a wonderfully refreshing perspective.

The best altitude for a drone depends on several factors, including the purpose of the flight and the specific requirements of the operation. For most recreational or aerial photography purposes, flying at lower altitudes, such as 100-200 feet, can provide excellent results, capturing detailed images and videos.

It sounds like the height you will need to be flying at in 2024 to see the wood from the trees in the global energy markets in what already feels like a very strange new year indeed. There is so much noise at the ground level wherever you are in the world that screams with so much certainty that the world is flat – overwhelming China slowdown bearish or positively geopolitically supply disruption bullish.

From where I sit in the Arabian Gulf, there is news of trauma in every direction you look in the neighborhood. At the same time, the tourists are still pouring in and filling up the hotels and restaurants; but be warned – fresh salmon may be off the menu stuck in a freezer box on a container ship in the Red Sea. I look West and see turbulent elections ahead and G7 economies still frozen in monetary-policy headlights, and I look East to Asia and see an India rising to new economic heights, with Indonesia and Vietnam, amongst others, with new dawns of optimism.

I think 2024 will be a year to continuously climb the stairs to the top level of your crystal ball tent and look out on whatever horizon you can to get a more balanced view -- how the 'bearish' too much oil supply waves are crashing into 'bullish' US growth at 3+% and the geopolitical storms that at times feel like they're about to unleash a tsunami. Now that "Blue" Monday has passed – I believe that is name for the day in January when all the Christmas credit card bills have to be paid – log into your favorite online vendor and get yourself a drone and a pair of binoculars to see beyond whatever smoke n' mirrors are flooding your basement. ■

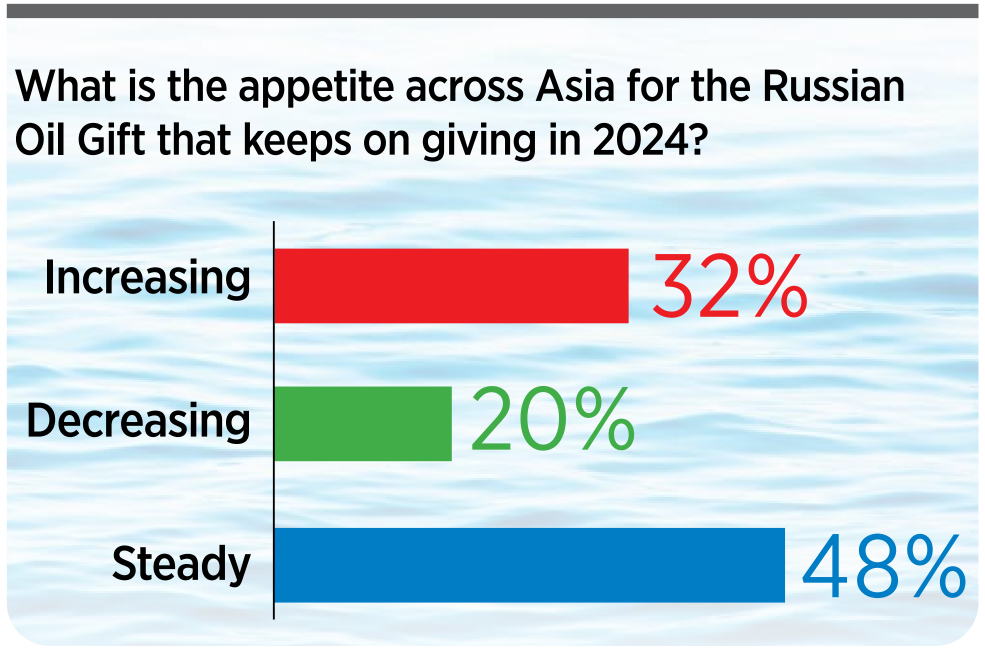
INTERVIEWS

Where Does One Find Certainty in Oil Markets in 2024?

Dr. Amrita Sen
Co-Founder & Head of Research, Energy Aspects

Oil markets seem to be starting the year in a risk-off mode?
The market was badly burned last year for those who had gone long, and I don't think there's enough confidence for those traders to come back yet. Fundamentals are not weak, but they are not strong either and we don't have anything in either the crude or products market that's hugely mispriced. Further out into 2024 from summer onwards however, we will have refinery runs rising and probably see a bigger impact from the OPEC+ supply cuts.

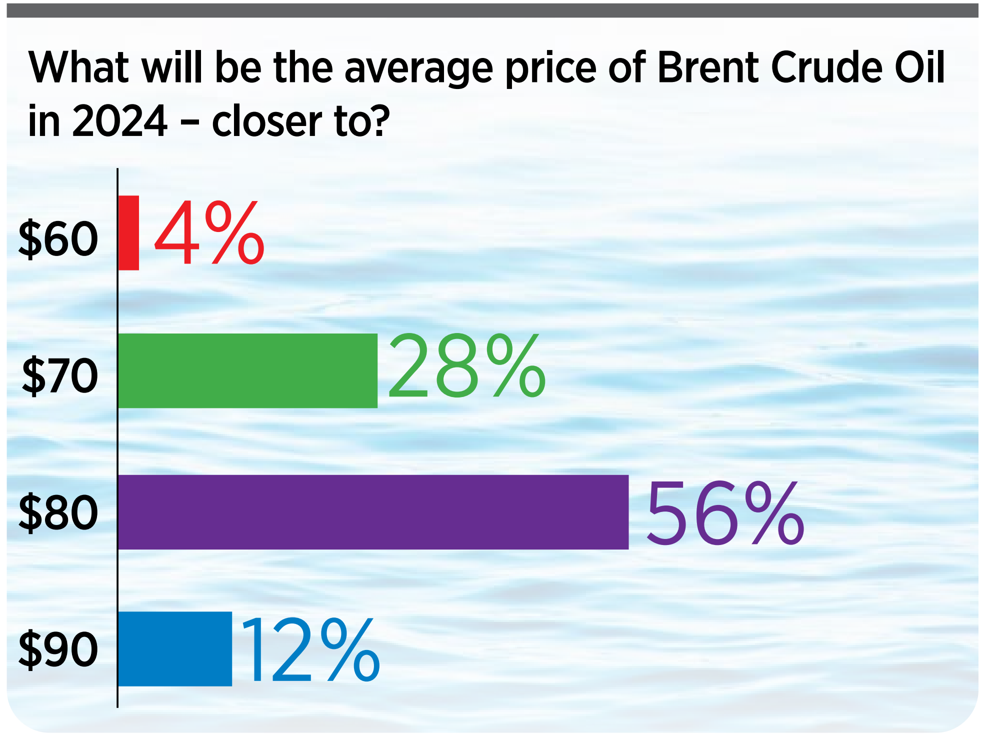
Can OPEC+ afford to cut any more of its capacity?
What they're looking to achieve is stability. These countries are also revenue optimizers and they're looking at where prices would have been had they not cut. I think we will be around the $80 mark this year on average for Brent - that's a comfortable place given the economic backdrop.



What is your outlook for global oil demand?
It isn't roaring but it's not weak either. With all the talk of demand weakness last year, Chinese demand still grew by 1.6mn b/d year on year. However, China has always bought crude, not just for domestic production, but also to export refined products, and that's the bit that we will see less and less of. The government isn't going to give those product export quotas in abundance and the first round for this year confirmed that. The market was expecting 30 million tons and we only saw 19 million tons. So, the issue is that China domestic demand is growing, but refining capacity by a lot more, and the country is curtailing refined exports.

Did US oil production levels last year surprise the market?
That is what really shifted market fundamentals, rather than demand. A lot of it was driven by M&A activity. We were expecting growth of about 600,000 b/d but it came in at a million, and that was the mismatch. But growth is expected to slow this year; if it comes in at about 300,000 b/d, that will provide some tailwinds for prices to go up in the summer.

Have Russian oil exports and flows settled into a fixed pattern?
Russia has talked about cutting exports rather than production and that's what is confusing people. They have been cutting by about 300,000-400,000 b/d month on month, but there are also variations such as winter weather and frontloading exports, for example. But the trade patterns won't change this year, with most exports continuing to go to Asia and the rest into Turkey. What is interesting is that less Russian oil is going into India because Russia is finding better value elsewhere, so India is now having to go to Middle East suppliers.



US economic outlook and impact on oil demand?
The biggest uncertainty for oil markets is US Fed policy and some people think it has overtightened. We've started to see the credit ratings of many companies going down and consumers starting to hurt, particularly in lower income groups. So, demand growth will be kept in check; it won't be too weak but will come in below the 2.5mn b/d that we saw in 2023.

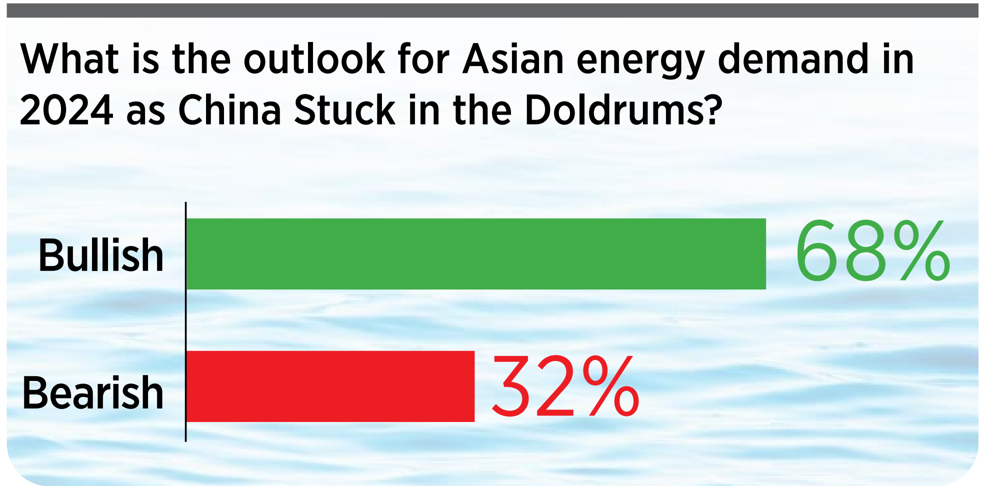
Impact of Europe's economic performance on oil markets?
We know demand is going to decline. Last year, it didn't by as much as we had expected. The question is, can it do a repeat of that? If demand declines by 100,000-200,000 b/d, that's manageable given the growth elsewhere in Asia, Middle East and Latin America, but if European economies take another step down or we get a decline of 500,000 b/d, that will be material. However, I think the worst should be behind us in the rearview mirror. ■

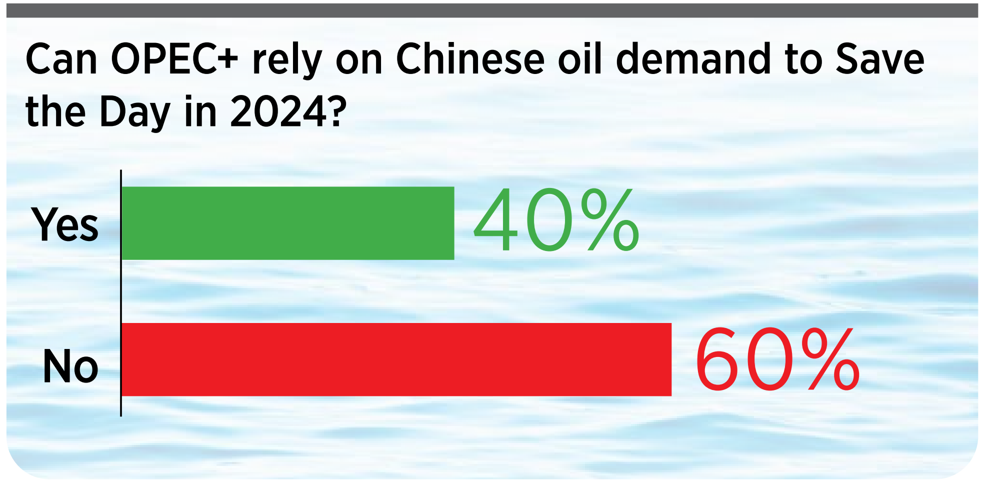
Forecasting Peak Oil Demand: What, Where, When, and Why?

Paul McConnell
Executive Director, Climate and Sustainability, SPGCI

What impact will China have on Peak Oil demand?
The China question is critical! Its economic growth story, which has certainly been the engine of global oil demand growth, is not going to disappear, but it is not going to be the rapid increase in economic and energy demand growth that we saw over the last couple of decades. We have a China that is slowing overall. We also have a China which is, in terms of its industrial makeup, moving from industry towards services. We think total fossil fuel consumption in China is going to be squeezed by many factors with the maturation of China's economy.

When we think about oil specifically, the transportation story is critical. Anyone who has been to China recently will be aware that there are a vast number of electric vehicles on the road already, and we do see continued growth in sales of EVs, which will be squeezing oil demand in the transportation sector. As we see China starting to look a lot more in energy demand terms like an OECD country, then of course we have already seen that oil demand has largely peaked in Europe and the US. It really means that the engine of demand growth falls on other emerging economies, such as India and Africa. But China is just so vast that any slowdown there will have outsize effects on total global demand.





What will happen to CAPEX as we approach Peak Oil demand in 2030?
It remains to be seen exactly how the market will behave in an environment where demand growth cannot be guaranteed in the future. I think we will see CAPEX investment in new production capacity will favour lower cost producers as investment is scaled back overall. We could see more price volatility around yearly averages like we saw in the coal market over the last decade and a half as producers scaled back on investment in new capacity, but we could still see seasonal rebounds.

When do you expect the remaining oil demand growth to occur ahead of a 2030 plateau?
While we expect to see some slowing in demand growth this year in comparison with the last couple of years, we do believe that most of the remaining growth (9mn b/d) towards peak oil demand will happen before 2027. As we get to that plateau point in 2030, we expect incremental demand growth will be slowing right down. ■

Top Trends Determining Direction of Oil Markets in 2024?

Christof Rühl

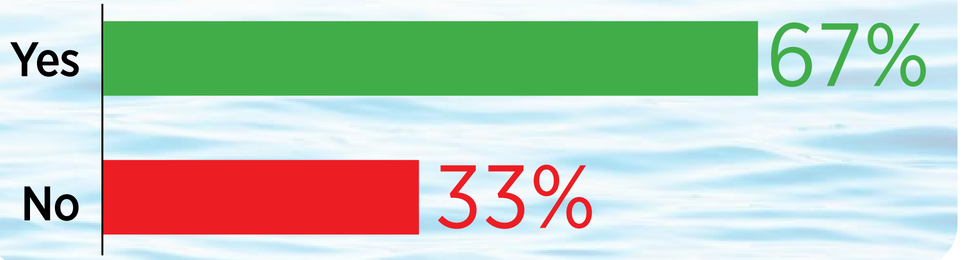
Senior Research Scholar, Center on Global Energy Policy, Columbia University

Has OPEC+ policy been a success?
In a way, it has started to become self-defeating. When you have a buffer the size that OPEC+ has created in spare capacity, then going into 2024, I would say that the group will need to decide, either to stop creating that spare capacity, or do it in a much more powerful way to keep prices in the $70s. Oil demand will need to be close to 1.7mn b/d and that's far from certain. The projected supply increases from outside OPEC+, are large enough to cause problems for Saudi Arabia and Russia to enforce cuts which would be larger. But at the end of the day, depending on supply numbers elsewhere and global demand, either this year or next, OPEC+ might be in a tight spot where Saudi Arabia would have to think - do we open the taps and teach others a lesson, or is there a way of them joining the cuts. Longer term, there's the issue that some OPEC members are also expanding production capacity. That looks to me like preparation for a battle for market share.

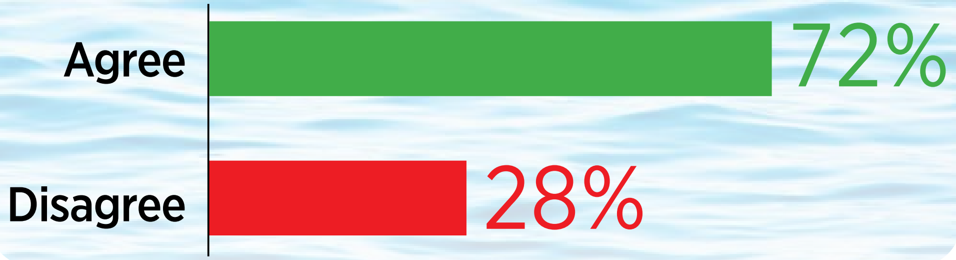
> **"All in all, we are looking at slightly slower global growth this year compared to 2023 and therefore, a bit of a decline in oil markets."**

Outlook for oil market fundamentals this year?
There's some caution on forecasts for 2024 given so much was got wrong in 2023. But supply is likely to exceed demand with downward pressure to start with. Looking forward more, there also needs to be an admission that the Paris Agreement targets will be missed, which will have repercussions on the Energy Transition and climate change, and will affect oil markets. Secondly, peak oil demand will likely happen within the decade and that will change everything. A shrinking market means the low-cost producer will be king and will have to increase market share, leading to more price competition. The third aspect is the triangle between economics, geopolitics and global energy and more often than not, it's energy and oil that is impacted by economics and geopolitics. We have an event with that potential in 2024, and that's the US election; it may create a lot more instability, depending on how confrontational or not the new administration is on the global stage.

Oil Markets remained relatively immune to apparent bullish Black Swans in 2023 – will that remain the same in 2024?



The EU's southern neighbours – East Med/ Azerbaijan/ etc – won't wait beyond 2024 for Europe to make strategic energy infrastructure investments before they look EAST to develop their economies?



China economy prospects?
It probably has another year of adjustment before it bottoms out, but it has one big Achilles Heel - capital flight - which hasn't happened yet on a grand scale. But whatever the government does to fight the economic downturn, it will have to keep controls in place so that people don't just leave and take their money out. Plus, India and Indonesia can't take over in terms of global economic growth, and that's what matters for oil demand. All in all, we are looking at slightly slower global growth this year compared to 2023 and therefore, a bit of a decline in oil markets. ■

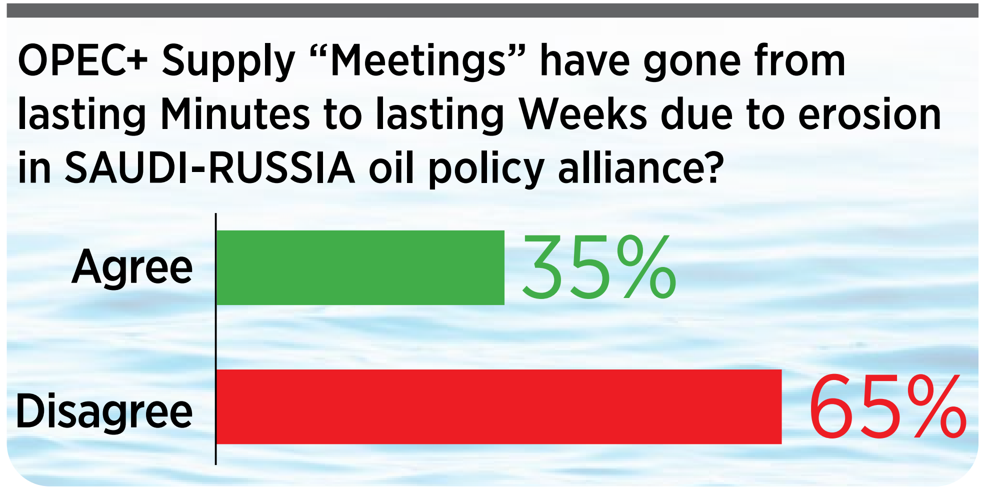
Will Oil Markets Remain Immune to Black or Grey Swans in 2024?

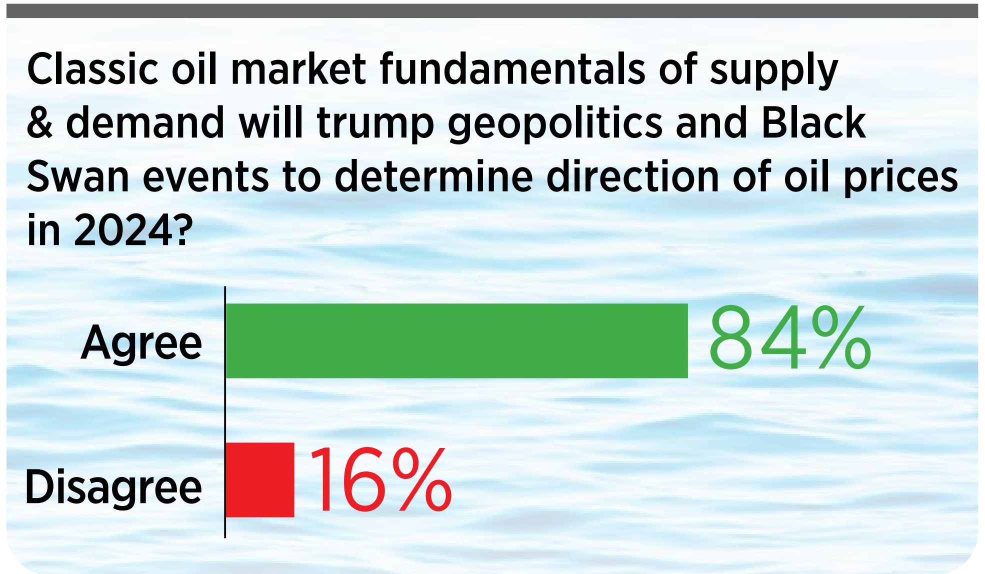
Mike Muller
Head of Asia, Vitol

Has OPEC+ policy been a success?
Will the oil market be most concerned about demand or supply this year? The fundamental view remains one of a relatively balanced oil market. Inventories are historically at the lower end of the range, very much a product of OPEC+ policy. Even though in the Western Hemisphere there's very much a mindset of peak oil demand being behind us, Asia is still racing ahead in terms of consumption. The other reality is that there is today, more oil available from more sources than has been the case for a very long time - with Venezuelan, Kurdish, Libyan, Iranian and Russian crude - each finding their way to market in decent quantities. The numbers for 2023 from the Americas alone – US, Brazil, Canada, Guyana - were roughly a million barrels a day of year-on-year supply growth, making up more than half of oil demand growth under anyone's measure. There's a consensus that the US will continue to grow its crude supply from 13.3mn b/d today to around 13.6mn b/d this time next year. Add to that expected additional production from Brazil and Guyana, and that will challenge OPEC. For the group to have wiggle room to allow for non-compliance, global demand growth will need to outpace this non-OPEC supply.

> "China and India are the two major economies that are going to account for growth in 2024."

Have we seen peak oil demand in China?
China and India are the two major economies that are going to account for growth in 2024. Official China GDP growth is forecast at 4.5% and for India around 6% plus. In China, oil demand is mostly for petrochemical feedstocks such as LPG and naphtha, and in India it's all diesel. China's short-term demand numbers are resilient. Power demand is up and even demand for commodities like cement, heavily influenced by a weak construction sector, is up. Consumption of transportation fuels has also risen and forecasts for the Chinese New Year travel period see jet demand rising higher than pre-COVID 2019 levels. ■





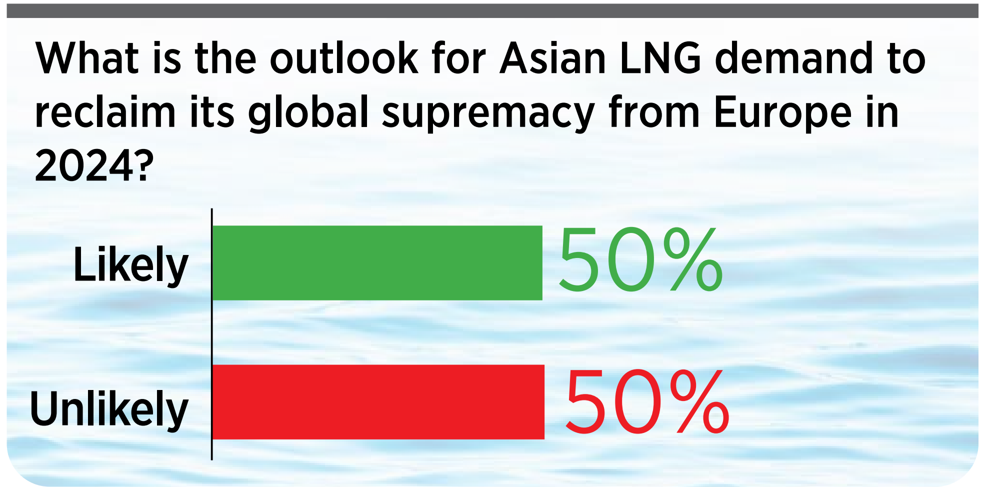
What's in Store for the Future of US LNG?

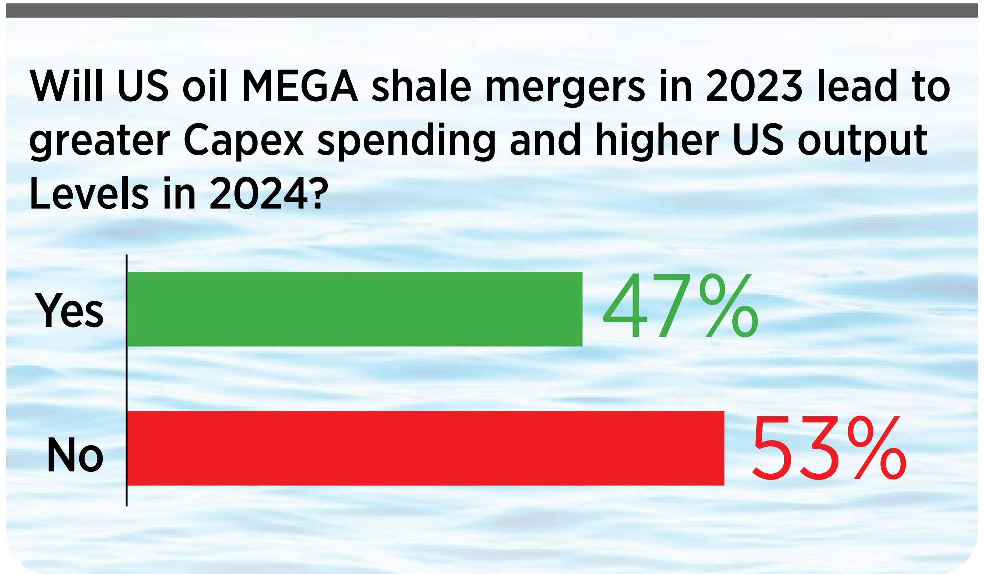
Martin Houston
Chairman, Tellurian

What is your outlook for European LNG demand?
What we have in Europe is this rather paradoxical situation where it is making 30-year decisions one year at a time. Europe has a long term need for fossil fuel energy, particularly natural gas. But it is making those decisions on an incremental basis rather than looking at the long term. It is not feasible to say we are going to make two, three, four-year decisions at a time because we are going to replace fossil fuels in no time flat. It is not happening. The political narrative does not fit the realities of what the energy sources need in terms of contracting, which is Europe needs to be more dependent on long-term contracted US LNG. So rather than reject it, Europe should be looking for it.

Could Europe return to Russia for gas supply after the Ukraine War?
I think it is highly unlikely that Russia will become a major gas supplier into Europe once again. I know we make decisions without necessarily looking at the past in the energy industry, but Europe has replaced Russian gas. That is done! I think Europe remains a stable and strong market for LNG. That market has reset itself on a dependable long-term source of gas from LNG. I disagree with the thesis that Europe is a risky market for LNG or for US LNG for that matter.

> **"I think Europe remains a stable and strong market for LNG."**





Can US LNG Continue to Grow?
The US is a fungible LNG market so it will not be produced for any single market, but rather be supplied on a global basis. So, you will see switching of contracts and realignments of trade routes as more US LNG comes on stream. I do see more of it coming to the market. These are long run projects. This is not a switch that you flick on and say, we will have some more this year. These are projects that have been in gestation and development for quite some time and take time to build. I do see the trend continuing, and that the US will continue to be the world's largest supplier of LNG and continue to grow. ■

East-of-Suez Oil Storage in 2024 & Beyond – Winners and Losers?

Michiel Gilsing
Member of Executive Board & CFO, VOPAK

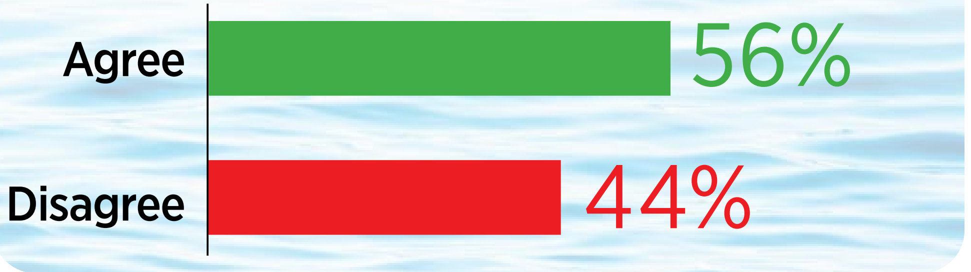
What is the outlook for new storage capacity globally?
The one thing which has changed quite a bit in our industry is that there is less appetite from financial institutions to finance new oil infrastructure. What we have seen over recent years with rising interest rates and increasing inflation is that building new infrastructure is now less attractive than it was before. So, in terms of existing capacity, the market is still in good shape if you have your financing in order as you have less competition from new projects coming online. Another reason for less appetite from the finance world is because of uncertainty on what is the ultimate future of oil and peak oil. I see demand for oil as still rising and if you put energy security concerns on top of that, it does make the system relatively tight for what the market is still looking for.

> **"I see demand for oil as still rising and if you put energy security concerns on top of that, it does make the system relatively tight for what the market is still looking for."**

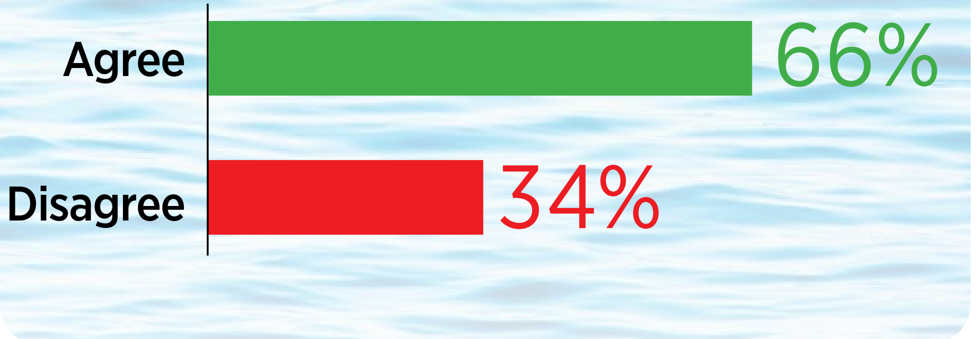
Impact of Russia's invasion of Ukraine on oil flows?
Oil production centres and just-in-time flows have become even more important, given Russia-Ukraine and now other geopolitical conflicts, so there are even more opportunities for the Middle East to perform very well with these midstream assets. Vopak has always been very positive on investments in Middle East refineries. We think it is a particularly good way of supplying the demand centres which are in the East and in Africa and other areas, and maybe even the West.

What is the outlook for contract structures in the East-of-Suez market?
The East-of-Suez oil storage market looks a bit tight if I look at what is happening at our facility in Fujairah. The contract structures we saw a few years ago versus what we see today are changing as people are keen to secure capacity longer term. In the past, we had a lot of short-term leasing contracts, sometimes even as short as a week, and for as long as one year, but now you see that clients want to be more certain that they have the capacity available. This is a signal that customers do not want to give up on capacity because they fear they may lose their market position. There might even be opportunities to expand further in Fujairah given the increased profile of the Middle East as a production centre, for many different countries around the region.

Geopolitical events are likely to disrupt oil & gas flows from the Middle East for a sustained period in 2024?

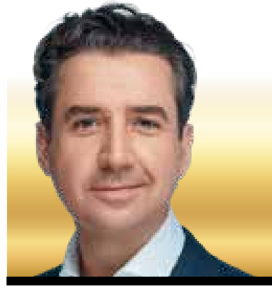


Gulf Arab economies & industries momentum to compete globally is likely to slow down in 2024 due to lower oil revenues?



Where's the direction heading for cleaner fuels?
There are a lot of bio-based products coming into play, such as in bunkering and also sustainable aviation fuels, and we will convert some of our infrastructure for these lower carbon products. The energy content of most of those products is less than what we have with conventional ones so as a result, per energy component, you need more storage. That should also put the midstream assets in a positive position, and it will most likely happen in the same locations because ultimately these products will be blended. ■

Overcoming Challenges Facing Voluntary Carbon Markets?



Michael Curran
Head of Carbon, VITOL

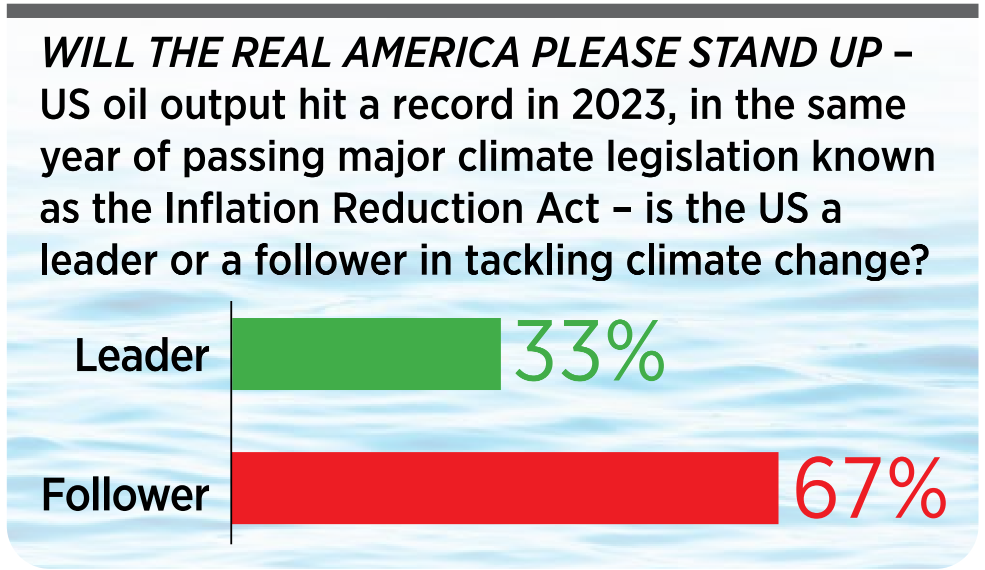
Expectations for growth in carbon credit markets this year?
Assets under management linked to net zero targets have hit approximately $67 trillion. Commitments from corporates went up by 40% year on year between October 2022 and 2023. That hasn't necessarily translated yet into purchases of carbon credits, but the pent-up demand is there. What corporates need now is for regulators – whether they be at the state level or European wide level and or at the level where corporates are listed - to set clear criteria and rules surrounding offsets claims. That would give confidence and integrity and take the burden off ESG teams, Treasury teams, and the C-suite within the companies that are making commitments.

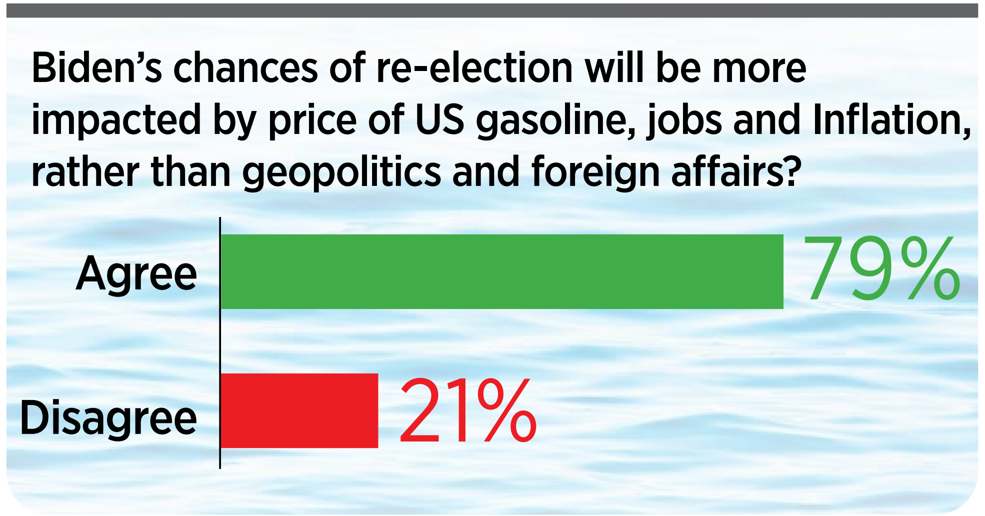
Will we see a deal on Article 6 of the Paris Agreement anytime soon?
Even if we don't see a deal soon on voluntary carbon emissions, we are seeing a move towards a more robust

mechanism - whether it's Government-to-Government, and/or public-private, and ultimately going into NDCs – that will create an infrastructure and ecosystem for sellers and buyers of carbon credits that will be audited and checked. That will be more enriching and reassuring for supplier nations of carbon, such as some of those in Africa, and will also be beneficial for the countries that are purchasing carbon credits, in terms of what they're getting. With this added transparency and structure, thereafter companies, such as Vitol, can effectively manage all the moving parts more smoothly, through tools like financing, structuring, product registration, risk management, or hedging.

Do different prices for different carbon markets make sense?
Yes - they do. People will always have marginal costs across different aspects, but what buyers and sellers must have, is confidence in the baseline - that a ton of carbon, regardless of whether it is linked with differentiating elements between product A or B, is the same ton of carbon that's either being abated or removed. Where the wobble has come in the past year or so is not so much that people were doubting whether the SDGs were there or whether the benefits would go into the local communities, but rather whether the carbon baseline is right. As a minimum, we must get the accounting of the carbon element right. Everything else - the spreads, the base risk or the differentiation between product A and product B - can have different regulatory bodies and standards built up around that, but the base case must be, if I'm buying a ton of carbon, it must be a ton of carbon. ■

> **"What corporates need now is for regulators – whether they be at the state level or European wide level and or at the level where corporates are listed – to set clear criteria and rules surrounding offsets claims."**





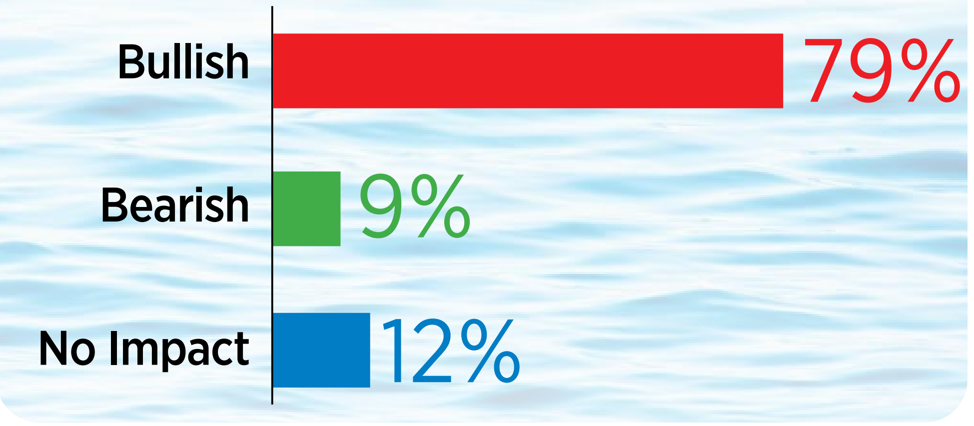
Could 2024 be the Year that Energy Markets Find Stability?

Jorge Montepeque
President & Founder, Global Markets

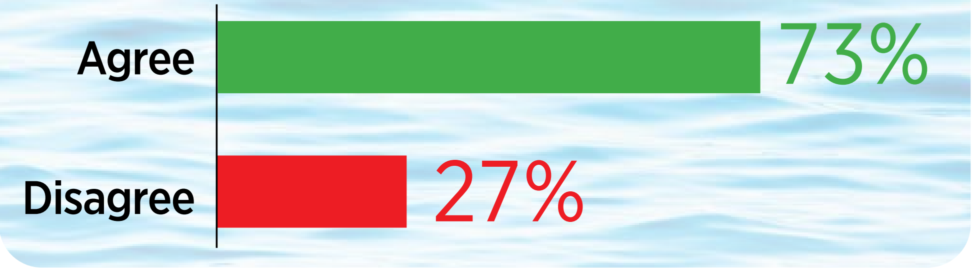
Outlook for oil prices amid global GDP expectations for 2024?
What is most perplexing is that energy is very cheap relative to anything else, so at some point, this will have to adjust. Looking at the global economy, if we compare the two centers of activity – the 'north' is struggling - which is essentially China, Japan, South Korea, Russia, Western Europe and the US. There have been a lot of bad decisions, such as sanctions that are dragging down some of those economies and with that, oil consumption. Meanwhile, continents like Africa and Latin America are surpassing everyone on a GDP growth basis and so energy demand there is rising. That won't counter-balance the slowness of the developed world, but they're catching up very fast. The other major trend we are starting to feel the impact of is demographics. The 'north' has started to shrink while the 'global south' grows. China has added less than 10 million children to its population per year for two consecutive years. The world is resetting in a major way and its unstoppable.
Can we expect Chinese demand to lend the usual support to oil markets?
China is not being seen as the big saviour or big driver of demand. Its economy has topped out and is hitting some buffers. The intrusiveness by the central government to try and guide the economy has not worked. They need to reset and liberalise it so that it can have the momentum to move ahead. As for other parts of North Asia, Japan is in the doldrums and South Korea is not booming. Where we do see growth is in the south in countries like Indonesia. So, for the oil world, the focus now needs to be on those countries in Asia, on Africa, on the Middle East and on Latin America.

Where is OPEC+ positioned on supply at the beginning of 2024?
Middle Eastern producers will continue to be at the center of global supply. Other areas, such as Guyana, will take many years for new supply to come in, so that won't change the dial. Russia is drilling a lot for new oil, and despite sanctions, last year had its highest rates, but it's also working within OPEC+. So, what OPEC needs to do is manage the seasonal effects for demand, and any geopolitical disruptions to things like shipping.

Will a switch from a year of monetary tightening to a year of monetary easing be Bullish or Bearish for oil prices?



LATAM oil production will grow significantly in 2024 that will compel OPEC+ to cut its output further if it wants to ensure $80 Brent avg this year?



Is the Saudi- Russia alliance within OPEC+ secure?
Saudi is focusing on price and Russia on production. The sanctions have had an impact in that the tendency for Russia is to produce as much as it can. And if that damages price, it will cause friction with Saudi Arabia. But the two are overall aligned in terms of ironing out their differences and finding a middle ground where they both optimize revenue.
Average price for Brent crude in 2024?
This squarely has to do with US monetary policy and because of the elections this year, the government is going to try to keep interest rates down, at least towards the middle of 2024. That leaves it with no option but to increase the money supply because of its debt. So, we will see a resurgence of inflation, and a boost to the oil price for that reason. I would expect Brent to average $80-90 this year and possibly above that if the money supply gets out of control. ■

OPINION EDITORIALS

ASIA

Victor Yang
Senior Analyst, JLC Network Technology

Outlook for China's economy in 2024?
The sentiment is that growth will slow down this year to a range of 4.2-4.8%, mostly because of economic restructuring, which will favor companies that are upgrading industrially, such as large chemical complexes. The oil industry will see faster integration of oil refining and chemical production. Meanwhile, more conventional manufacturing in factories will be more challenged with less government support.

Will China buy more crude oil from Saudi or Russia this year?
Chinese buyers are very sensitive to prices. For independent refiners, the government has announced crude quotas for the whole year, and they are not much changed to 2023. At the same time, they have released more quotas on fuel oil imports, essentially forcing those refiners to take it. The discounts on Russian crude have weakened in the last few months so demand has dropped. It still remains a major grade for independent refiners' feedstock and so will continue unless prices change very dramatically or other sanctioned cargoes are no longer available.

Is government stimulus working?
The stimulus package is not as strong as in the past few years. Local governments have been financially strained and given the push for industrial upgrades, not all enterprises that are struggling will be bailed out. Consumer confidence has not changed much yet, but it's improving slowly. The travel rush for the Spring Festival, forecasts that about 18 million trips by air will be made – that's a new high and 44.9% up from last year, and 9.8% up from 2019 before the pandemic.

CHINA CRUDE IMPORTS

"Government crude import quotas for independent refiners have been announced for 2024 and they have not changed much from last year, but it has boosted quotas on fuel oil imports, kind of forcing them to take more of that. The government today is favoring large chemical complexes and so crude quotas are tightening for conventional refiners."

Victor Yang
Senior Analyst
JLC Network Technology

Serena Huang
Head of APAC Analysis, Vortexa

Outlook for the Chinese economy and oil demand?

We expect that China will continue to import baseline levels of crude of around 10-10.5mn b/d but given softness of domestic demand and expected summer refinery turnarounds, there's little incentive for Chinese refiners to ramp up their imports above what they did last year. China's onshore crude inventories have been steadily declining over recent months, but state-run refiners may take the opportunity as crude prices remain soft, to build inventories, although not a surplus volume.

Is OPEC+ market share in China at risk?

It has remained stable, partly because of long term contracts with a couple of Chinese refiners, especially by Saudi Arabia. Also, Middle East medium sour crude has always been the typical crude slate into the Chinese refiners, which then top up that crude with spot cargoes from the US and West Africa whenever the opportunity arises, especially for the state refiners. I don't think that OPEC needs to be too worried about losing too much market share. Saudi Aramco is also adjusting their OSPs. For the teapot refiners, Russian oil and some of the sanctioned barrels from Iran and Venezuela, will be the favored crude slates. China remains almost the only market for their crude.

How will refined products fare this year?

Jet fuel demand has not recovered to pre-pandemic levels yet, so there's room for some optimism there. Gasoline demand will probably remain relatively flat. Diesel demand from the construction and manufacturing sectors is struggling a bit. What is comforting is that Chinese government additional stimulus is reducing the minimum down payment for purchasing new homes, and it's handing out loans and injecting low-cost funds into policy driven banks. One of the key metrics to really watch out for is the penetration of electric vehicles, which is expected to rise.

CHINESE REFINING

"We expect China will continue to import baseline levels of crude at between 10-10.5mn b/d but given the softness of domestic demand and expected refinery turnarounds in the summer, there is little incentive for independent refiners to start ramping up their crude imports above what they did last year."

Serena Huang
Head of APAC Analysis
Vortexa

Clyde Russell
Asia Commodities & Energy Columnist, Reuters

Concerns about Chinese demand for crude?

It has become quite price driven. If China sees oil prices that they're comfortable with, they will import, refine, and export more product, and vice-versa. OPEC+ should recognize that dynamic – if prices go back to $90 or $100 a barrel, then China will just pull back and use its stockpiles. I expect to see strong buying probably from February onwards, because prices have moderated. We should see more stable demand in 2024. That said, refining is one sector that Beijing can manipulate quickly if it chooses, to boost economic growth. It's now almost a policy driven market. Last year, there were around 670,000 b/d of imports in the first 11 months that went into stockpiles, the bulk of that in 1H. There is a question mark on whether that oil continues to flow into commercial or strategic inventories this year.

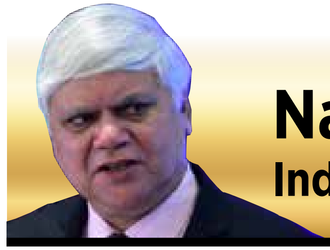
What other countries could OPEC+ rely on for demand?

India surprised last year with stronger imports, taking a lot of Russian barrels that couldn't go anywhere else. India helps the 'plus' part of the OPEC+ grouping but whether it trumps the OPEC only members is a little less clear. It does prefer to buy crudes from the Middle East, given the much shorter sea journeys, but they're quite happy to buy from the US, from West Africa - whoever is prepared to sell them crude at a reasonable price. We saw with the Saudi OSPs being cut for February cargoes to Asia, an attempt to remain competitive. But even when you add shipping costs of $2 for US oil, it is still considerably cheaper than Middle East competitors. So, for any extra demand over contrasts, India and China will buy the cheapest oil.

MIDDLE EAST CRUDES

"Saudi crude OSPs will have to be at a level that makes them competitive. Even when you add shipping costs of $2/barrel for US WTI into Asia, it's still considerably cheaper than the Middle East competitors, and China and India will look for the cheapest oil they can find for any extra demand over and above already secured contracted volumes."

Clyde Russell
Asia Commodities & Energy Columnist
Reuters



Narendra Taneja

India's Leading Energy Expert

Will we see a repeat of Russian crude into India this year?

If Russia continues to offer attractive discounts, then India will keep importing. It's all about the economics of price and delivery. We will also continue to import some Venezuelan crude and from Middle East suppliers - all will continue. India is consuming roughly 5.5mn b/d of oil, close to 86% of which is imported. Our refiners are negotiating with the Russians, with Saudi Aramco, Iraq, Venezuela, and others.

Outlook for India's economy in 2024?

There are two major worries. One is the Middle East, and we hope things don't escalate there and that the US will be able to exercise sufficient pressure to contain the conflict. We want to see stability – India, the Middle East, and GCC countries are very closely integrated economically. But the biggest worry is China. We may not have great relations, but we want China to continue to grow because it's in our interest. Our sense is that it's probably growing in the region of 2%, not the 5% as they claim. If we see its new economic policies don't attract much investment, China's economy is going to suffer. The perception that the Chinese economy is going to catch up with the US soon is incorrect in our opinion, and that might have its own economic and political implications for the entire region, including India.

CHINA ECONOMY

"India may not have great relations with China, but we want it to continue to grow because it's in our interest. Our sense is that China's GDP is probably growing in the region of about 2%, not 5% as they claim, especially if we see their new policies are such that they're not going to attract much investment."

Narendra Taneja
India's Leading Energy Expert

Vandana Hari
Founder & CEO, Vanda Insights

Are China and India likely to import similar amounts of Russian crude this year?
They collectively bought about 3.8mn b/d last year - on an annual basis that was up 62% from 2022. India's intake alone soared by 165%, taking 1.6mn b/d. It's not a coincidence that the months in which Russian crude was the most discounted, especially to Saudi crude, we saw the biggest intakes. But that discount has shrunk over the past few months, with the kingdom slashing its OSPs for January and February loading cargoes.

Are US and European new sanctions on Asian buyers of Russian crude being taken seriously?
The implementation of the new cap last December did cause a few disruptions, especially into India, mainly because some banks did not want to be involved. But many of those barrels were absorbed by China, whose banks have no apprehensions on financing cargoes that are above the $60/bl price cap. That will remain the distinction between China and India going forward.

Outlook for overall China and India oil demand this year?
I do expect China to come back into the market and perhaps replenish some of the stocks that it drew down towards the end of last year, to put into either commercial or strategic inventories. Oil demand growth will remain strong in India, but perhaps not as much as last year's nearly 5% growth year on year. .

ASIAN CRUDE DEMAND

"I expect China to perhaps replenish some of the crude stocks that drew down towards the end of last year and take the opportunity to store for commercial or strategic inventories. Indian oil demand growth will remain strong, but we won't see the 5% growth we saw last year."

Vandana Hari
Founder & CEO
Vanda Insights

Osama Rizvi
Energy & Economic Analyst, Primary Vision Network

Any hope in sight for Pakistan's economic challenges this year?
According to the UN's most recent report, the country will have a modest increase in GDP growth of about 2% this year and will touch 2.4% in 2025. Inflation is still at 40%, interest rates are at 22% and food security is a big issue. We also have the highest level of debt to GDP in the history of the country, at 89%. On the brighter side, Pakistan was on the cusp of default, but now we seem to be moving in the opposite direction. As the elections happen, I believe that the new government will be keen to take another IMF plan because we will need it.

What's the appetite to import discounted Russian oil?
Russian crude has two challenges. One is technical on the refining compatibility side, and the other is diplomatic as it risks delays to our IMF funding. I think Pakistan will be sticking to Middle Eastern vendors. The Saudis started the year with a surprisingly significant discount on Asian barrels. We are also taking LNG supplies from Central Asian states.

PAKISTAN ECONOMY

"Pakistan will be keen to hop on another IMF plan and as such, it won't risk that by taking sanctioned Russian oil. We will be sticking with Middle Eastern vendors & we're also talking to central Asian nations to take LNG, as well as food products."

Osama Rizvi
Energy & Economic Analyst
Primary Vision Network

Yiyong He
Founder and CEO, LNG Easy

Outlook for European versus Asia LNG Demand?

People have underestimated the success of renewables in Europe. They started with the assumption that it needed 100 million tons of LNG to replace Russian pipelined gas, which was 40% of European consumption. But this did not turn out to be true. Instead, we've seen demand destruction across chemical and fertilizer production, power generation and the heating sector. I don't think Europe will factor in too much in the energy mix of the world, which is good news for developing economies. Its demand has dropped 8-10% in the past two years. On China LNG demand, a lot of the analysis is too bullish in my opinion. China is also investing heavily in renewables while using coal as a flexible source of power in the interim. We expect around 5% natural gas consumption growth in China going forward.

LNG demand for the emerging Asian economies?

Outside the established and wealthier players like Japan, Korea, Taiwan, China, and Singapore, we need to have a lower Brent price to trigger coal to LNG conversion. LNG conversion at $15 per MMBtu is not going to work when Vietnam wants to pay 10 cents power. But these countries also use a very large amount of liquid fuel - LPG, fuel oil, diesel – and LNG is a clear winner for those, even at $15/MMBtu.

LNG IN ASIA

"For emerging Asian countries which are more cost sensitive, we need to have a lower Brent price to trigger coal to LNG conversion. LNG at $15/MMBtu today is not going to make it; Vietnam for example wants to pay 10 cents power and you would probably need LNG at $9/MMBtu to make that match."

Yiyong He
Founder and CEO
LNG Easy

Yuriy Humber
Founder, Japan NRG & President, Yuri Group

Outlook for Japan LNG demand?
Until very recently, Japan was the number one importer of LNG globally. Last year, China reclaimed the number one spot. Japan's LNG imports have dropped by about 10% in the last two years and now that there's a higher percentage of nuclear on the grid, I don't see purchases increasing much in 2024. The main issue for Japan's LNG purchases today is not volume, but rather how it restructures its portfolio. Its purchases from Middle Eastern suppliers like Qatar have been dropping in the last few years. It has been buying more US LNG and there are a couple of projects coming online in about 18 months from now that will certainly help Japan a lot, but in the meantime, it will largely want to deal with sellers who can provide flexible, shorter-term deals, rather than 20-year contracts.

Can renewables help Japan balance its energy security?
Most people don't associate renewables with Japan very strongly even though it has the world's third largest installed solar capacity after China and the US. Renewables today accounts for 20% of Japan's electricity mix and we keep in mind that in Japan, LNG is mainly used for electricity generation, we could see how it could take some of LNG share in the power mix. According to government policy, the share of LNG is supposed to drop down to 20% of the power mix by 2030 from 37% today. Whether we can achive that in six years is debatable and so something else would need to come in and replace it. It can't be coal so would have to be renewables and there's still a lot of work that needs to be done on the grid to improve it and also a real shortage of storage batteries. I would see renewables playing a much stronger role towards the end of this decade when the offshore wind sector starts to become a notable presence in the power mix.

JAPAN LNG

"The biggest issue for Japan's LNG purchases today is not volume, but rather how it restructures its portfolio. Its purchases from Middle Eastern suppliers like Qatar have been dropping in the last few years. It has been buying more US LNG and will largely want to deal with sellers who can provide flexible, shorter-term deals, rather than 20-year contracts."

Yuriy Humber
Founder, Japan NRG
& President, Yuri Group

Marc Howson
Head of Asia, Welligence Energy Analytics

Expectations for new global LNG supply in 2024?
There's been a lack of new supply hitting the market over the last 12 months, particularly outside of the US. There were projects hoping to begin production in 2023, for example in West Africa and Indonesia, but they faced various delays, so new supply in 2023 was very flat. Looking forward to 2024, we also don't expect much new supply. The big projects in the US, Canada and Qatar won't really ramp up until 2025 and 2026.

Outlook for Chinese LNG demand?
In 2023, China's LNG demand grew around 12% year on year, mostly in the second half, helped by lower LNG prices which made those cargoes easier to compete with coal. We certainly expect Chinese LNG demand to continue to grow, especially given the low penetration of gas in the economy so far and still relatively robust growth. China will be the driver of Asian and global LNG markets for the rest of this decade. But we also see strong demand coming from South Asia and Southeast Asia, including from new importers like the Philippines and Vietnam. All those countries face similar dynamics in terms of declining domestic gas production and a need to increase LNG and gas in their power mix to meet decarbonization goals and pivot away from coal.

LNG price outlook and FID opportunities going forward?
We expect prices to edge back up, certainly in Asia, to around $15 per MMBtu in the next 12 months and then in the second half of 2025 and 2026, a fall away in price as new supply results in the market growing by 50% - from around 400 million tons to 600 million tons by 2030, with the US and Qatar making up 50% of that total. In terms of FIDs, we expect a couple more in the US this year, but the question is which region steps up to the plate after that, to take new FIDs in the next 24 months to give buyers new supply from 2030 onwards. The candidates so far are either western Mexico, which has almost 50 million tons of LNG supply proposed, particularly for Japanese and Chinese buyers who can circumnavigate the Panama Canal and the potential bottlenecks there. The other possibility is East Africa, where the likes of Total and Exxon Mobil have proposed projects, as well as regions like Southeast Asia.

ASIAN LNG DEMAND

"We see strong demand for LNG in the next decade coming from South Asia and Southeast Asia, including from new importers like the Philippines and Vietnam. All those countries face similar dynamics in terms of declining domestic gas production and a need to increase LNG and gas in their power mix to meet decarbonization goals and pivot away from coal."

Marc Howson
Head of Asia
Welligence Energy Analytics

Peter McGuire
CEO, XM Australia

Have we reached a peak point for the Chinese economy?

If the stock market is any indicator, we're down from 4200 to 3200 in one year for the CSI 300. Meanwhile, Japan's Nikkei hit 33-year highs and we all recall the heavy selloff in 1989 when it went from 39,000 points all the way down to a low of 8000. Could we witness a similar phase for China, or will it have a further gradual downdraft in 2024? Its property sector has an overhang of 90 million apartments and houses, and its one-child policy is also now starting to manifest as far as growth numbers go moving forward. How do you keep employment for such a large component of 18-year olds that come out of school each year, and keep 1.4 billion people relatively satisfied without causing too many dramas across the fabric of what China is. They've got their hands full.

Outlook for Russia's economy as it continues under sanctions?

The Ukraine war is certainly something for them to think about in terms of impact on their economy this year. They have relatively weak base metal prices compared to where they've been historically from an export model, and energy prices in the $70s are below where Putin wants them. Russia will probably push a lot harder through the BRICs and alternative currencies for payment.

CHINA ECONOMY

"China's one-child policy will begin to manifest as far as growth numbers moving forward. How does it keep employment for such a large component of 18-yr olds that come out of school each year? The country will have its hands full trying to keep its 1.4 billion population relatively satisfied without causing too many dramas across the fabric of what China is."

Peter McGuire
CEO
XM Australia

Vibhuti Garg
Director – South Asia, IEEFA

Can India pick up the slack in oil demand that China may struggle with this year?
India is likely to account for 25% of global energy demand over the next two decades, benefiting from a large working age population and expanding industries ranging from agriculture to services, as well as a developing manufacturing base, which is hugely energy intensive. We're seeing similar trends in other countries like Vietnam and Indonesia, which are benefiting not only from the supply chain shift away from China, but also as hubs supporting China's new high value tech manufacturing.

Energy Transition impact on long term Asian oil demand?
The elections happening in many parts of the world this year, including the US, India, Russia, and Indonesia, will define the trajectory of the transition that these countries will be focusing on. There's also a lot of technology and finance transfer that happens between them. We are more bullish on Asia's energy demand because all of them are growing economies but there's also a big focus on electric vehicles, so overall energy demand is likely to go down because of these alternatives to oil that didn't exist before. Biogas is also being touted as a big fuel to meet demand. Renewable energy will continue to grow worldwide, boosted by government incentives and supportive policies and a global push to decarbonize economies. We're seeing solar costs at an all-time low and the cost of battery storage also dropping.

INDIAN ECONOMY

"India is actively inviting foreign direct investment into its manufacturing and other sectors, and although it will take a few years still to resume the trajectory it was on before COVID, we will witness much higher growth rates in future than where we are today at 6-6.5%."

Vibhuti Garg
Director – South Asia
IEEFA

Ram Narayanan

Director/ VP - Strategic Market & Business Development, Vedanta

Outlook for Asian mid-size economies in 2024?

There's a good amount of investment going to Indonesia as a natural resources powerhouse into the metals and mining sector, a lot of which is coming from Chinese companies. The country also has a good manufacturing base. Infrastructure in Vietnam is excellent, and the country has been smart to make free trade agreements to boost its trade. The World Bank is meanwhile estimating another year of 6.5% growth for India, possibly crossing 7%. After the elections this year, capital expenditure is also expected to pick up. It's these three countries that are going to drive growth in Asia going forward.

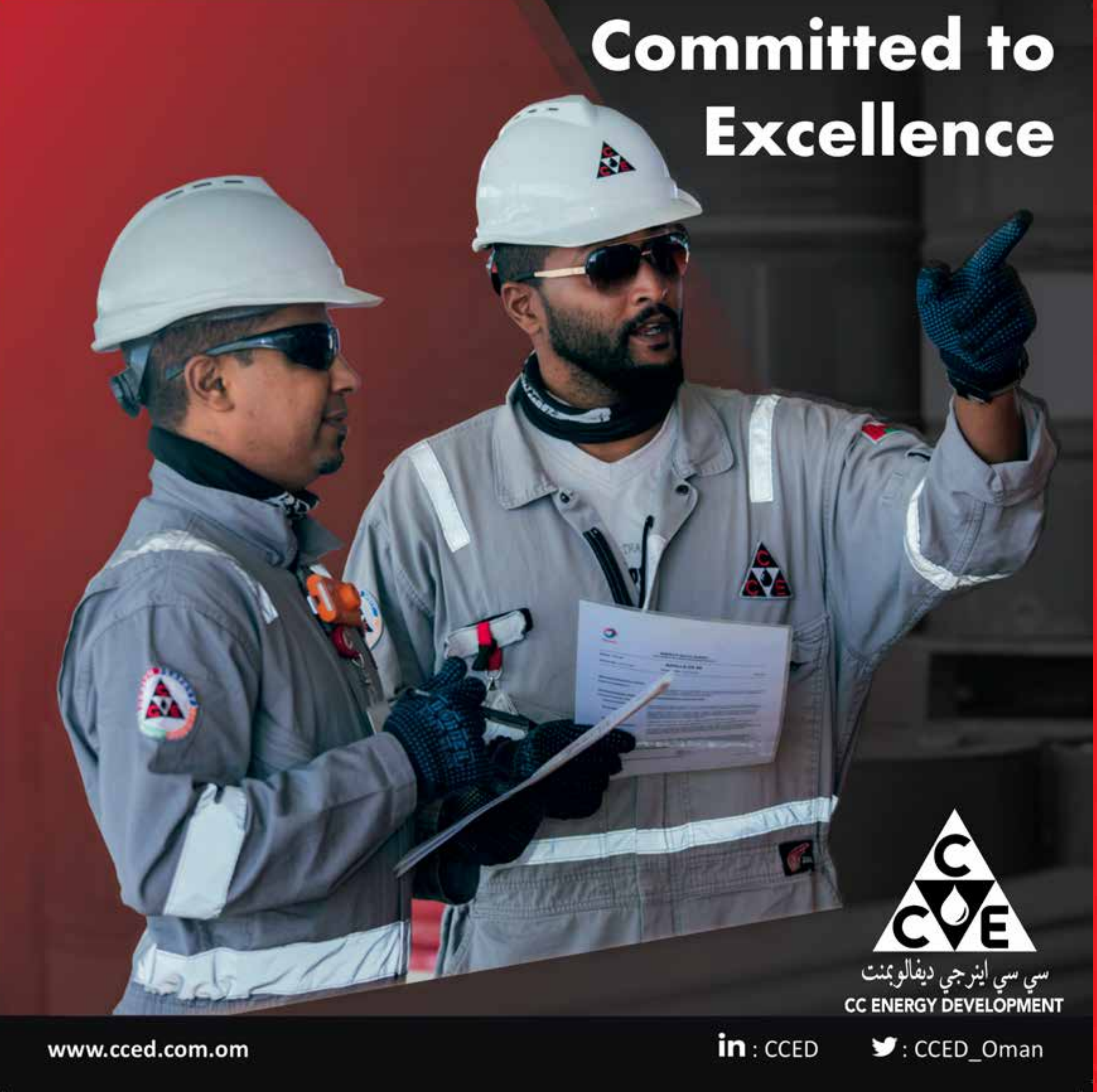
Do you see Russian crude imports continuing into Asia?

Because of the discounts, Russia has taken a significant market share of India's imports which almost hit 45% last year and are at around 35% today. But the Russian market is bound to decline because of two reasons. One is that Middle East producers are not going to tolerate losing market share and secondly there's the issue of payments for Russian oil. India will also likely take more US and Venezuelan crude. So, there will be tough competition amongst all these players in the Asian markets, especially China and India.

INDIA CRUDE IMPORTS

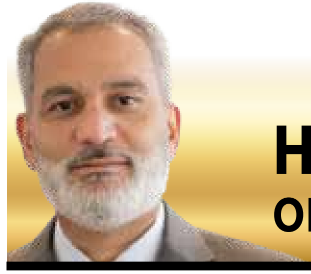
"Russia, because of its pricing, has taken a significant share in India's crude imports, hitting almost 45% last year at a certain point, and it is at around 35% currently. But this could decline as Middle East producers protect market share, and there's also the issue around payment for Russian oil in Indian Rupees."

Ram Narayanan
Director/ VP - Strategic Market & Business Development
Vedanta



OPINION EDITORIALS MIDDLE EAST

A History of 'unrealized' Peaks



HE Haitham Al Ghais
OPEC Secretary General

The idea of oil supply peaking, or so-called peak oil, surfaced as early as the 1880s, with some predicting a looming exhaustion in the US due to the demise of the Pennsylvania oil fields. US and global oil production, however, was still increasing over 70 years later, when the 'peak oil theory' of geologist Marion King Hubbert gained traction in 1956. Hubbert predicted a global peak in crude oil production around 2000 at a level of about 34mn b/d. In reality, this level was reached in 1967 and global crude oil production was over 65mn b/d by the turn of the century.

Debates on peak oil supply resurfaced again in the 1990s and 2000s, with geologist Colin Campbell stating in the late 1990s that global oil production would peak around 2004 or 2005, after which the world would have to rely on ever-dwindling, more expensive oil, with huge consequences for the global economy. In 2006, oil financier Matthew Simmons said that global oil production may have peaked in 2005.

Throughout history, repeated predictions of peak oil supply have repeatedly been moved further into the future, and at ever-higher levels. The past peak supply predictions were way off the mark, misled by mistaken assumptions on the size of the recoverable resource base, an underestimation of the impact of technology advancement, and the general resourcefulness of the industry.

In 2024, oil supply continues to expand, driven by improved economics and continuous advancements in technology that have helped lower costs, open new frontiers and add new reserves. Moreover, there are no concerns about the available resource base, which is large enough for this century and beyond.

Today, there is little talk of peak supply, with the focus shifting to peak oil demand as some forecasters are pushing theoretical policies that have decided that oil should not be part of a sustainable energy future. As with the peak oil supply debate, is this not forgetting the role technologies can play in helping reduce emissions and the global importance of oil as a secure and available resource?

A Citibank report from 2013, entitled 'Global Oil Demand Growth – The End Is Nigh', suggested that oil demand growth might top out much sooner than the market

> **"In 2024, oil supply continues to expand, driven by improved economics and continuous advancements in technology that have helped lower costs, open new frontiers and add new reserves."**

expected. However, oil demand in 2012 was below 90mn b/d, while demand today is above 100mn b/d. Today's demand level has also moved well past pre-COVID levels, with some forecasters suggesting at the start of the pandemic that oil demand levels would never again surpass those seen in 2019.

In 2023, the International Energy Agency (IEA) asserted that it saw a global oil demand peak before the end of this decade and called for a halt to new oil investments. This was despite the IEA only a few years earlier highlighting that the world would still need oil for years to come and stressing the importance of investing in the sector. Today, what is clear is that peak oil demand is not showing up in any reliable and robust short- and medium-term forecasts.

For instance, take 2023 and 2024. At OPEC, we see oil demand growth of 4.7mn b/d over the two years, with ESAI at over 4mn b/d too, and Rystad and Argus are close to this level. Even the IEA sees growth of 3.4mn b/d over the 2023-24 period.

Given these growth trends, it is a challenge to see peak oil demand by the end of the decade, a mere six years away. There are many reasons behind this. For example, a pushback from populations comprehending the implications of ambitious and unrealistic net zero policy agendas, policymakers reevaluating their approach to energy transition pathways, and faster industrialization in developing countries, where we are seeing the emergence of a larger middle class, an expansion in transport services, and greater energy demand and access.

We see these trends evolving further over the longer term, as do some other forecasters. In OPEC's World Oil Outlook 2023, we see demand reaching 116mn b/d by 2045. After all, crude oil and its derivatives are a constant presence in our daily lives, bringing vital everyday products, and helping to deliver on energy security and energy access in a widely available and affordable way.

Moreover, technological improvements are allowing us to not only find new resources, but also enabling us to take huge strides in reducing emissions, as exemplified by the availability of cleaner fuels, much improved efficiencies and technologies such as carbon capture, utilization and storage, carbon dioxide removal and direct air capture.

Ultimately, peak oil supply has never come to pass, and predictions of peak oil demand are following a similar trend. Time and again, oil has defied expectations regarding peaks. Logic and history suggest that it will continue to do so. It all underscores the need for stakeholders to recognize the need for continued investment into the oil industry, today, tomorrow, and many decades into the future.

SOURCE: OPEC.org

Amena Bakr
Senior Research Analyst, Energy Intelligence

Will we see better compliance and agreement on OPEC+ quotas this year?

Some producers aren't able to meet their production capacities, while others have more flexibility. That needs to be reflected in the baseline system. All members will be getting a revision of baselines this June, including the UAE, which has a current capacity of about 4.3mn b/d that might increase so naturally that would mean that the UAE will receive a higher baseline.

Why aren't we seeing much geopolitical risk premium in oil prices?

The market has evolved. A decade ago, any conflict in the Middle East the size of what we have today would have seen oil prices hit the roof. Today – its speculators influencing which direction this market takes and that's a big challenge for OPEC. OPEC's levers are really to do with supply and that's why they've come up with creative ways of presenting their agreements with collective cuts and voluntary cuts.

Outlook for oil prices this year?

At Energy Intelligence, we're expecting an average of $80 Brent. I would expect OPEC+ to extend the voluntary cuts for at least another three months this year because of so much uncertainty, but if we reach a point where prices start to rise because of an uptick in demand and if there's an issue with compliance, they will need to find a way to gradually bring back production.

OPEC+

"I would expect OPEC+ to extend the voluntary cuts for at least another three months this year because of so much uncertainty, but if we reach a point where prices start to rise because of an uptick in demand and if there's an issue with compliance, they will need to find a way to gradually bring back production."

Amena Bakr
Senior Research Analyst
Energy Intelligence

Laury Haytayan
MENA Director, National Resource Governance Institute

Can the conflict in the Middle East be contained?

What we are seeing today are Iranian proxies in action in Lebanon, Iraq and Yemen but Iran has also been trying to limit engagement and not escalate matters as it sees that in its political and economic interest. Iran also wants to make sure that post-conflict, whenever this ends, that they have a seat at the table, unlike in the Palestinian peace process of the 1990s.

Is Israeli-Palestinian peace viable?

The way things were going before 7th October was not inclusive. The GCC was becoming differentiated from the rest of the region because of economic aspirations and financial capacities and their positioning vis a vis the world. We had seen the Abraham Accords signed between Israel and the UAE and Bahrain, and Saudi Arabia was starting to indicate that for pragmatic reasons, it was ready to think about relations with Israel but at the same time, they were very clear about the Palestinian issue. The question of the viability of a Palestinian state is now back on board and it's likely that Saudi Arabia and the UAE will play an important role in shaping the future of the region by co-designing the peace process that should be inclusive and that should lead to a viable state for the Palestinians, probably along with the cooperation of Iran and China.

BLACK SWANS

"The issue of Palestine is unlikely to lead to an expanded regional war. I will be watching the economies of some of the countries in the region, such as Egypt, that are very weak, and that could lead to popular upsets or political tensions in 2024."

Laury Haytayan
MENA Director
National Resource Governance Institute

Danial Rahmat

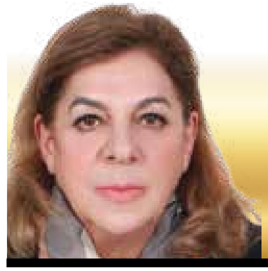
Senior Energy Security Consultant, Iran

Can the steps taken last year towards Iranian-Saudi rapprochement be resumed?
This was not based on resolving every issue between the two nations. It was based on the requirements of oil markets and the change in the global balance of power, which is now led by China, based on the understandings in Iran and Saudi Arabia. The most important aspect of energy security is supply and these two nations understand that they are both major oil suppliers to China, for the next two decades. The Middle East region is going to be much more important for China, than Europe or the US. That's why China has naturally become a major player in the political balances of the region. If we accept that the geopolitical competition in the region has ramped up due to a declining US presence in the region, we can understand that the replacement for it in the region is China. So, while Iran and Saudi have not resolved their geopolitical disagreements, they realise that they have to make peace for the sake of their joint interests. Yemen is the bottleneck in that rapprochement. If the Houthis are weakened to a certain level, and other Yemeni groups supported by the UAE and Saudi Arabia take control, the whole dynamic would change.

GULF RELATIONS

"The rapprochement between Iran and Saudi Arabia, was not based on resolving every single issue between the two nations. It was based on the requirements of oil markets and the change in the global balance of power, which is now led by China, as far as the understanding within Iran and Saudi Arabia is concerned."

Danial Rahmat
Senior Energy Security Consultant
Iran



Kate Dourian

FEI, MEES Contributing Editor & Non-Resident Fellow AGSIW

How disruptive has the recent activity in the Red Sea been on shipping?

It has been more of a nuisance up till now, but it has increased shipping costs with many tankers and vessels having to go through the Cape of Good Hope. So far, oil supplies haven't been affected, except that it may take longer for them to get to their destination. But the higher costs will be passed on to the consumer, which impacts already weakening demand. Also, we are in a period of plentiful supply and spare production capacity because of the OPEC+ cuts, and the US is producing at record levels. The Energy Information Agency medium term forecasts see record production from the US both in 2024 and 2025 against much lower demand consumption growth of 1.4mn b/d in 2024 and 1.2mn b/d in 2025. Global consumption of liquid fuels will reach a high of 3.5mn b/d in 2025 so there may be scope for OPEC+ to increase production then. But for now, it's a bearish market, regardless of geopolitics.

Is the possibility of a Saudi-Israel rapprochement now over?

It's going to be very difficult to make a deal with what is a very right-wing government in Israel. We also have the US election coming up. The UAE obviously has a relationship with Israel, which it says it's going to maintain but that's basically a mercantile arrangement. The Saudi position so far has been quite balanced with regards to the conflict in Gaza and they are likely to be very cautious going forward. There are other geopolitical factors to consider - you've got force majeure in Libya, Yemen is still unresolved, there are issues in Sudan, and we have the Ukraine war. The US now seems to be back in the region, having pulled away. So, we will see some developments in the region, but it will take time and it will need changes to be made in Israel as well.

MARKET OUTLOOK

"It's a bearish market regardless of geopolitics. We've got a lot of spare capacity because of the OPEC+ cuts, and the latest EIA medium term forecast sees record production from the US this year and next, against much lower global demand growth of 1.4mn b/d in 2024 and 1.2mn b/d in 2025."

Kate Dourian, FEI
MEES Contributing Editor &
Non-Resident Fellow, AGSIW

Yousef Alshammari

CEO & Head of Energy Research, CMarkits
&Senior Research Fellow, Imperial College London

Can OPEC+ afford to cut production further this year?

Saudi Arabia's production is now almost at 9mn b/d and Russia is close to that level. We're seeing Nigeria and some others not meeting their targets, while others are ramping up, so the group has to revise those baselines. One worry for me is that the cuts made in 2023 didn't really reflect on prices, and that has affected the economy of Saudi Arabia, which registered growth of less than 1%, according to the Ministry of Economy. If more cuts are going to be made in 2024 to support balances, then all members will have to participate, either through voluntary cuts or a new OPEC+ agreement. That is a firm point that has been made by the Kingdom. I believe we're going to see an extension of the voluntary cuts that are currently in place. It will be interesting to see what the group will decide in June on any new OPEC+ policy and baseline quotas. In terms of price, we could see $80 as we move towards the end of Q2, assuming China comes back with a good recovery.

OPEC+ POLICY

"Ample supply, prices below where many producers would like, Saudi voluntary cuts, and many producers looking for quota revisions – all these could complicate OPEC meetings. The group will have to come to some formal agreement by June that can pave the way for more lasting agreements in the years ahead."

Yousef Alshammari
CEO & Head of Energy Research, CMarkits
&Senior Research Fellow, Imperial College London

Paul Hickin
Editor in Chief, Petroleum Economist

Has US shale surprised in 2023?

Yes - but we should be careful not to assume that it's going to do the same this year. I'm still quite circumspect about huge levels of shale. We have had efficiency gains in US shale drilling and with the majors owning more of equity. They are more immune to price changes but also will have more financial discipline to reward to shareholders. The difference now is that with fewer independents, shale no longer provides a ceiling. It's not the same challenge for OPEC as it was a few years ago in the sense that in the past, the independent would just produce more at any price signal going higher.

How will oil prices fare this year?

I think we're going to probably see a year of two halves. The price could go towards $70/bl for the first few months of the year, testing the bottom of OPEC's floor, but jumping higher towards the second half, potentially even up to $90/bl by the end of the year. What would be a potential surprise would be a move from production quotas to export quotas. We've seen it with Russia, and I think that could be where we're moving to in 2024 or a couple of years later.

PRICE TRAJECTORY

"We're going to probably see a year of two halves for oil prices, where we could well head towards $70/bl for the first few months, testing the bottom of OPEC's floor, but then jumping higher in H2, potentially even up to $90/bl by the end of the year."

Paul Hickin
Editor in Chief
Petroleum Economist

Kieran Gallagher

Managing Director, Vitol Bahrain E.C

Are regional NOC trading arms becoming competitors to the more established players?

The foray into the trading space is continuing to evolve for NOCs in this region, with an ambition to trade more of the value chain so they have graduated their geographical footprint. More recently, ADNOC and Aramco have shown some appetite to grow in Africa, for example, through government-to-government contracts and Aramco recently bought a 40% stake in oil and gas in Pakistan, which gives them a good avenue to place their products there. So, the expansion into trading opportunities is not a new phenomenon and is healthy competition.

Are ambitious storage plans such as those in Fujairah affecting the dynamics of global oil trading?

Through 2023, we did see new Middle East refining capacity come online. This year, that needs to stabilize following large disruptions in refinery runs in Q4, and with that will come increased runs. We will probably see an additional 1.2mn b/d, a lot of that coming from the Dangote Refinery in West Africa. If that comes online, it effectively equates to the product growth that we see across the year, with most of that probably still in the aviation sector. We still see room for jet demand growth and the refinery sector in the Middle East is middle distillate heavy and can cater towards that on the gasoil and jet fuel side. So, we are well-equipped to meet what we see as average product demand growth this year.

PRODUCTS DEMAND

“The strong growth we see this year for refined products is probably still in the aviation sector, and with the refining sector in the Middle East being middle distillate heavy, it will be well-equipped to cater towards that gasoil and jet fuel demand.”

Kieran Gallagher
Managing Director
Vitol Bahrain E.C

Robin Mills
CEO, Qamar Energy

Are regional NOCs transitioning investment strategies significantly?

They're taking quite different approaches. Qatar is expanding their LNG capacity and doing a lot in international upstream in places like Guyana, Namibia, and the Eastern Mediterranean. They've perhaps been the most active in recent years in the global exploration domain and entered areas where traditional independents have withdrawn or struggled to raise capital. We're starting to see the UAE's ADNOC trying to get into the Mediterranean and looking at a deal in Libya on gas development. Saudi Aramco is much more focused on downstream and petrochemicals and refining, particularly in China where there's been several mega deals. But I don't think we're yet seeing the replacing of IOCs on the international front. However, in a world that's constrained on upstream spending, particularly outside North America, we will see more Gulf companies picking up opportunities and acquiring assets, particularly from European majors as they try and pursue lower carbon strategies.

Outlook for Gulf producers' increased capacity?

UAE capacity is over 4mn b/d and they are targeting 5mn b/d by 2027, with a possibility of going to six. Aramco is adding about a million b/d over the next few years. Nothing is stopping them other than the short-term aspect of OPEC output and pricing policy. I think we will be waiting a few years before we see either Aramco or ADNOC capacity utilization go up significantly.

Are regional NOCs sincere about the Energy Transition?

There are huge economic opportunities and self-interest that come with this, besides the incentive to take action on climate. There's a real capacity for the region, at different paces, to become a leading producer of renewable energy and to use that as basis for export. Renewables are cheaper than fossil fuels in many applications now. We may not get to 100% renewables, but we can hit 50% or even 80%. That's why many countries are doing it on such a huge scale. The challenges today are not economics, but rather aspects such as supply chains and geopolitics to do with the practicalities of building out these systems on a huge scale very quickly.

COP28

"There won't be a direct impact on what countries do about fossil fuel production today, following the agreement reached at COP28. But it will impact how people view long-term strategies and any legal implications those may have as we see more and more climate litigation - that will impact national level policies.

Robin Mills
CEO
Qamar Energy

Simon Williams
Chief Economist – MENA, HSBC

Outlook for GCC economies in 2024?

Headline growth numbers were taken lower by production cuts in the oil sector, but what really matters is the non-oil economy in terms of generating income and jobs, and that came into this year with momentum. There's a real contrast with other parts of the world where access to capital is more difficult. The Gulf has strong balance sheets which gives it a cyclical buffer and because capital spending plans are also so well developed, we will see investment spending pick up, following a strong 2023.

Is the oil price not a worry for Saudi budgetary reasons?

If you look at the revenue stream against a 5-10-year average, the numbers still look pretty good this year. We also need to look at Saudi's oil revenues not just in one given year, but through the cycle, and read those numbers in the context of its capacity to access funding it may need to maintain macro stability and pursue its growth objectives. The kingdom has a strong credit rating and so have multiple options to draw from on the global markets in addition to domestic savings, to ensure that any deficit is covered. There are perhaps more concerns for parts of the Gulf that aren't moving ahead on structural reform, or which have a lower revenue base, such as Bahrain, and how they may cope with softer oil prices.

SAUDI BUDGET

"We need to look at Saudi's oil revenues not just in one given year, but through the cycle, and read those numbers in the context of its capacity to access funding that it may need to maintain macro stability and pursue its growth objectives. The kingdom has multiple options to draw from on the global markets and domestic savings, to ensure that any deficit is covered."

Simon Williams
Chief Economist – MENA
HSBC

Now Is the Time for Carbon Markets

Badar Chaudhry
Head of Energy Sector, Mashreq

Kickstarting the creation of a carbon market is a must-have to enable the UAE and others across the Middle East and North Africa to reach Net Zero by 2050. Our collective management of the world's carbon budget is wildly off course.

That our daily news headlines are filled with climate disasters reflects the severity of the global environmental crisis and reaffirms that carbon trading is a cornerstone of supporting the three Ps: people, planet and profit.

The good news is that rising prices in the carbon market reflect stakeholders' growing confidence in such mechanisms and ultimately make it far more environmentally effective. In 2023, the price of carbon permits on the EU Emissions Trading Scheme (ETS), the world's oldest such cap-and-trade market, reached a record high of $106.57 per ton – making it more expensive than ever to pollute. Plus, 4,200 companies worldwide had science-based targets, marking an astonishing 36x growth rate from 2007-2022, according to Refinitiv. The need to meet these targets again helps underpin the necessity of carbon markets in the Middle East and beyond.

Yet, despite these clear drivers, overall progress is not fast enough. In 2023, 73 carbon pricing initiatives worldwide covered 11.66 GtCO2e – representing 23% of global greenhouse gas (GHG) emissions, reported the World Bank. This data means 77% of GHG emissions are uncovered. For example, there is only one such initiative in the Middle East; a carbon tax in Israel, which is under consideration. We need to all work together to start plugging these gaps on the world map as fast as possible.

Stepping in

The Middle East is ready to ask and hopefully answer some of the tough questions surrounding carbon markets. The UAE and Saudi Arabia are largely driving the conversation on the ins and outs, with pressing questions coming to the fore. What does it involve and who participates? What price level is both viable and effective? How will this progress interlace with other countries' developments, notably our partners and competitors? How does carbon pricing weave into our existing and bold climate targets and multibillion dollar green projects? The questions go on, for creating a national carbon market is not a quick journey. The market itself is always maturing, so stakeholders across the Middle East need to both keep abreast of their own plans and consider how they slot into the global picture.

Blueprints to reality

In response to our fast-changing world, a new coalition of UAE companies has been established to develop and grow a carbon market across the nation. The UAE Carbon Alliance will help support the transition of companies to a green economy in support of the country's goal to reach Net Zero by 2050 – the first country in the region to commit to this ambitious target. Plus, The Abu Dhabi Global Market, the UAE capital's financial free zone, announced plans in 2022 to team up with Air Carbon Exchange (ACX) to create the "world's first fully regulated" carbon trading exchange and clearing house in the emirate.

The UAE, OPEC's third largest producer, has also signed a memorandum of understanding (MoU) with Zambia to develop forestry-based carbon removal projects to generate carbon credits. In another illustration of global cooperation, the UAE recently became the 26th country worldwide to agree to a bilateral carbon trading framework with Japan under the Joint Crediting Mechanism (JCM).

To the west, Saudi Arabia's Public Investment Fund (PIF) announced the establishment of the Regional Voluntary Carbon Market Company (RVCMC) in October 2022, with Saudi Tadawul Group Holding Company. Shortly after, PIF auctioned off 1.4mn tons of carbon credits, followed by 2.2mn tons in June 2022 – the largest ever voluntary carbon credit auction, RVCMC said. Plus, the Dammam-based investment fund APICORP issued a $75mn funding facility for voluntary carbon offset projects at the end of 2022.

Avoiding analysis paralysis

It has never been easier to participate in carbon markets, no matter the sector nor size of a business. The option of Emissions Trading Schemes (ETS), carbon taxes, carbon fees, voluntary carbon markets (VCM), shades of internal carbon pricing (ICP) and others are all on the table.

Amid this vast potential, some stakeholders are still getting used to how the concept of carbon markets differs from other, more established markets. A barrel of oil is a globally understood visual representation of the oil market, for example. In carbon markets, we cannot see what is being traded and there are many routes to market and variations of what a carbon credit means to an individual or a company.

This nuanced situation means there is no single blueprint for companies looking to enter and operate in a carbon market in the Middle East. But it also means that companies can finetune their needs to embrace carbon trading in a way which best suits them. Such choice should serve as a positive rallying cry to achieve real action.

Source: https://www.mashreq.com/-/jssmedia/pdfs/corporate/cibg/energy/mashreq_whitepaper_carbon_pricing.ashx

OPINION EDITORIALS

EUROPE

Dr. Adi Imsirovic

Surrey Clean Energy & Senior Associate, CSIS

How should OPEC+ plan for oil demand this year?
I expect demand to be around 1.5-1.7mn b/d. If that's the case, all supply will come from non-OPEC, which means OPEC+ continuing with its cuts throughout the year. And with three countries within the group exempt from quotas likely to produce up to 300,000 b/d, the call on OPEC oil might be negative. Geopolitics is potentially quite bullish this year for oil, but fundamentals are setting us up for a flatter picture. The macro situation is not looking good. In the next few weeks, between the US, UK, Europe, and Japan, we're going to see around $2 trillion worth of debt floated, so the hope that interest rates will be dropping is probably misplaced.

Will we see a continuation in US oil exports growth?
Everything is pointing to that, albeit at a diminishing rate. The US is producing more oil than any other country in the history of the oil industry. We've even got China using shale technology now and Guyana, Brazil and others exporting more. OPEC is going to be in a very difficult position and alongside all this, EV growth is going through the roof.

Any new patterns expected for crude and product flows?
For the first time in December, Europe imported 200,000 b/d of medium sweet Guyanese crude – a perfect substitutes for Urals. Russia's been working extremely hard to place diesel into South America and Africa. Quite a bit of US crude has been going to Asia, but with shipping costs up, partly as a result of the Red Sea situation, that has become very uncompetitive, so more Middle East and West African crude is going that way.

US PRODUCTION

"Everything is pointing to US exports continuing to grow, even if at a diminishing rate. We've even got China using shale technology to find some new supply, and with Guyana, Brazil and others exporting more, OPEC is going to be in a very difficult position."

Dr. Adi Imsirovic
Surrey Clean Energy
& Senior Associate, CSIS

Neil Atkinson

Former Head of Oil Markets Division,
International Energy Agency

Outlook for global growth and energy demand?

It's a gloomy picture. Data from the International Monetary Fund puts global growth in 2024 and indeed 2025, as likely to be significantly below the 10-year average that we saw leading up to 2020. As for energy, I find OPEC's demand outlook not just for 2024, but further into the medium term, to be almost incredible. They seem to be talking their own book, and that also applies to the International Energy Agency. I think we are likely to see around one million barrels a day of demand growth this year, with possible upside. But crucially, with the expected increases in output from non-OPEC countries, which will probably surprise to the upside, the market is well-supplied. So, not much room at all for OPEC+ countries in 2024 to take back significant market share. I see Brent trading in a $70-$85 range, barring major new geopolitics developments.

Will we see US production continue to rise?

The US is now the biggest producer we've ever seen, and it will continue to grow. We will also see more growth in Guyana, which is a long-term investment play from the likes of Exxon and others, and more measured growth in countries such as Canada, possibly Norway, and a handful of other countries, perhaps even including Argentina with shale oil. The only solution OPEC+ has is to accept this.

Peak oil demand by 2030?

I am not in the camp that believes this will come quickly. One of the reasons is that if you look at the per capita consumption of energy in countries like India and those in the African continent, India is using 1.4 barrels of oil per capita per year and Africa 1.1 barrels per capita per year. That same statistic is 21 in the US and around 8 for European countries. So, the developing world is going to be using a lot more oil beyond the next decade and that growth will surpass the savings that we may make in the developed countries for some time to come.

PEAK OIL DEMAND

"India, the African continent, and other developing economies, will continue to consume additional amounts of oil over the next decade and beyond, and that growth will surpass any decrease in per capita consumption of oil that we make in the developed world."

Neil Atkinson
Former Head of Oil Markets Division
International Energy Agency

Dr. Iman Nasseri
MD - Middle East, FGE Dubai

Outlook for global oil demand?

We saw the last bits of post-COVID economic recovery in 2023, with demand at 2.5-2.6mn b/d. That leaves a bit of residual demand for 2024 possibly for jet fuel and with that included, we see growth in 2024 at around 1.5mn b/d. If OPEC+ rolls its additional cuts into Q2, we will have a well-balanced first half of the year, leaving room for improvement in the second half. Overall, we see lower prices and lower supply in the first half and higher prices and higher supply in the second half.

Are OPEC+ relations coming under strain amid market share pressures?

Most demand growth this year will be met by non-OPEC supply. The call on OPEC+ year on year is flat to a little less, depending on how much they put back into the market and how much demand we have to the upside. In terms of how Russian trade flows impact market share, despite the price cap and sanctions on its crude, the market has remained well supplied as traditional suppliers to Asia such as Middle East producers, have managed to send some of their production to west of Suez markets. And I don't see market share impacting unity among OPEC+ member countries.

2024 DEMAND

"Most demand growth this year will be met by non-OPEC supply, so the call on OPEC+ oil, year on year, will be flat to a little less, depending on how much they put back into the market and on how much demand we have to the upside."

Dr. Iman Nasseri
MD - Middle East
FGE Dubai

Mehmet Öğütçü
Group CEO, Global Resources Partnership & Chairman, London Energy Club

Could we see Europe turn back to cheap Russian gas?

Europe is long on rhetoric, but when it comes to implementation, it is short. We also should not forget that the EU is not a homogeneous bloc and individual countries have different energy requirements and deficiencies. But it has managed the gas situation after the Russian invasion of Ukraine, with a lot of spot supply. But in terms of long-term LNG contracts with the likes of Qatar or Algeria, the EU is probably not interested because it would have to invest with them and the EU is not willing to do that because of its dilemma about decarbonization and emphasis on renewables and green technologies. There is confusion in the EU energy strategy and investors are not clear in that regard.

How strong is Turkey's muscle in the geopolitics of the neighborhood?

When the Russian-Ukraine crisis emerged, Turkey could have played a part to become a real hub for EU to bring gas from the East Med, from the Kurdish region of Iraq, from Azerbaijan, and perhaps Turkmenistan. But it hasn't done what's necessary. It also had to balance its relations with Russia. Today, the geopolitical rollercoaster is limiting the opportunities to move ahead even further. Also, despite the potential to be a conduit for gas to Europe, Turkey has its renewables and climate change decarbonization goals to consider.

TURKEY GAS HUB

"When the Russian crisis emerged, Turkey could have been a real hub for the EU to bring gas from the East Med, Iraq and Azerbaijan, but it didn't play it well, and also had to balance its relations with Russia. And today, the geopolitical rollercoaster is limiting the opportunities to move ahead again on this front."

Mehmet Öğütçü
Group CEO, Global Resources Partnership
& Chairman, London Energy Club

Dr. Carole Nakhle

CEO, Crystol Energy

Outlook for the EU's long-term gas supply?

In a sense, the capacity for Europe to continue to absorb gas supplies long-term will largely depend on their success or failure in meeting the ambitious target to double renewable energy capacity by 2030, as set by the REPowerEU plan of May 2022. Also, there are market realities and there are policy realities. The latter is largely dictated by the popular mood and by who is in charge, and we know that there are elections happening this year in Europe that could change things drastically and produce U-turns on energy policy. At the same time, although countries within the bloc have different energy mixes and locations, they did manage to jointly and successfully activate the drastic policies needed in 2022 on gas supplies within a short period of time. The EU has also clearly signaled through its taxonomy that it supports gas as a sustainable investment, which encourages financial flows. And we should also remember that there was a provision in the COP28 agreement - that investment in transitional fuels should be supported to safeguard energy security – and that fuel is natural gas.

Does East Med gas have a bright future?

I always said that the excitement about that region's gas was oversimplistic, especially in becoming a game changer for European consumption. What's been overlooked is the fundamental reality of that region – that it is politically fragmented, and those problems are too deep to be overcome simply by the potential economic benefits of exporting gas. And now, the Gaza conflict has again reminded investors of that fragility.

EU GAS CONSUMPTION

"The capacity for Europe to continue to absorb gas supplies will to a large extent depend on their success or failure in meeting the ambitious target to double renewable energy capacity by 2030, as set by the REPowerEU plan of May 2022."

Dr. Carole Nakhle
CEO
Crystol Energy

Gulmira Rzayeva

Founder & Managing Director, Eurasia Analytics

Potential for more Azeri gas to go to Europe?

There are many questions on the supplier side that need to be a clarified. Azerbaijan is exporting around 10bcma of gas to Europe, but for extra volumes to come to that market, we need to understand demand longer term and that would also clarify the length of the contracts. From the buyer perspective, we have seen the OECD committing to double renewable energy production and triple energy efficiency post COP28. So, demand uncertainty is still there. And bringing an extra 10bcma of gas from Azerbaijan to Europe would cost today an around an additional $18 billion. Who is going to fund these projects? Interestingly, the UAE is increasingly active in the South Caucasus, and particularly in Azerbaijan, investing hundreds of millions in renewable energy, and in gas and upstream projects. So, for the sake of argument, if Azerbaijan increases gas exports to Europe from that investment field, then the UAE would become a first-time gas exporter to Europe.

EUROPE GAS DEMAND

"For extra volumes of Azeri gas to come to Europe, we need clarity on contract lengths and to understand what the demand is longer term, which is a bit uncertain because of Europe's green commitments. Bringing an extra 10bcam of gas from Azerbaijan today would also cost $18 billion – who's going to fund that?"

Gulmira Rzayeva
Founder & Managing Director
Eurasia Analytics

Ole Hansen

Head - Commodity Strategy, Saxo Bank

How much attention will the oil market give to central banks this year?

It will be watching, not only because of the risk appetite ebb and flow that we're going to see from differing expectations on rate cuts, but also no one knows if we will get a recession or soft landing in the US. So, generally, we will see high volatility across all markets. On oil markets, we ended the year with prices in a relatively tight range, mostly courtesy of the OPEC+ supply cuts which prevented the market from falling further. I see that policy being maintained this year, as the tug of war between supply and demand continues. The two risks that could unfold would be OPEC+ stepping back from the commitment, or a major geopolitical event that could either send prices sharply lower or sharply higher.

Is the industry feeling the pinch from the higher cost of money?

It will when they get into refinancing rounds, which with average corporate debt, is probably less than three years. That will encourage rate cuts, which will also probably be frontloaded given we have the US presidential election later in the year. We could get a 1.5% cut before that, based on current economic assumptions. In terms of interest rate impacts on industry, the only consolation is the fact that they may see a light at the end of the tunnel because funding rates have started to come down already, and perhaps will come down even further in the near term.

Economic outlook for Europe?

It will be an overall drag on the global economy, but when we see any rate cuts, that is likely to give the property sector demand support. However, Germany remains the focus, and with so many of their major industries still struggling – from chemicals to heavy machinery and automobiles - it will take time to get to the other side of this.

CENTRAL BANK POLICY

"The oil market will be paying a lot of attention to central banks and the risk appetite ebb and flow that we're going to see from moving expectations around interest rate cuts. We might not see elevated volatility in crude oil specifically, but we will see generally high volatility across markets."

Ole Hansen
Head - Commodity Strategy
Saxo Bank

Marc Ostwald
Chief Economist & Global Strategist, ADM Investor Services International

Are central banks feeling more at ease at the start of 2024?
It's tricky given the uncertain economic outlook, supply chain risks, and geopolitics. What we do know is that markets will always misread central bank policy. They should assume that the Fed and ECB are going to be very cautious on the way down with interest rates, given that they got it so wrong on the way up in terms of inflation. I think markets have priced in too much of a cut for this year - we are still in for a period of higher rates, which will adversely affect a lot of economies.

Can we expect China's oil demand to be similar to last year?
I doubt it. A lot of that was for export of refined products and if the rest of the world isn't going to do that well this year, then the demand for that product isn't going to be that high. I'm more concerned about the fact that China will do whatever it takes to get themselves out of this property sector malaise, because there is contagion. No one is expecting China to invade Taiwan, but the military option as a distraction, should not be discounted. Meanwhile, the interest rate story globally won't have much impact in China – the real burden for local government and sectors like construction and fund management, is debt. The one plus is that the savings rate is increasing in China so if something is done which starts to improve confidence, then you could see quite a substantial amount of pent-up demand, and that would be a huge game changer. So, it is what is done on the fiscal side rather than on the monetary side, that is going to be absolutely critical to China's outlook.

How will the energy sector and other parts of the global economy fare with continued higher rates?
We will continue to see M&A action with big oil as they look to reduce their stranded risk assets. In general, all SMEs are going to be more vulnerable to higher interest rates. What's going to be critical in the US is how the Inflation Reduction Act and the Semiconductor (Chips) Act, goes through this year, because all that legislation is sunsetting by the end of 2024. If we suddenly get budgetary austerity, that could have a huge impact on the US economy.

INTEREST RATES

"We know that markets will always misread central bank policy. They should assume that the Fed and ECB are going to be very cautious on the way down with interest rates. I think markets have priced in too much of a cut for this year - we are still in for a period of higher rates, which will adversely affect a lot of economies."

Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

Maleeha Bengali
Founder, MB Commodity Corner

Are central banks feeling more at ease at the start of 2024?
I think they've done a very good job in digging all the excess supply out. The market is very finely balanced right now, and the key will be demand and whether we see a recovery this year in China or a soft landing in the US? That's what will determine oil prices. If we do see some QE by the Fed, that could overtighten the oil market and we could get a price spike. For now, there's very little interest in oil, but speculative money will still be a big game this year, as always.

Will we see the usual correlation between the ECB and US Fed?
The Fed might do some QE at some point, but inflation is still not in the 2% region, so they will be playing a very delicate game between cutting a bit too soon to support the liquidity and the banking system and economic growth, but perhaps reigniting inflation. I think that's going to be the key backdrop for 2024. We might initially see some divergence between the Fed and ECB; the latter has always been late to react, and they have more inflation pressures. The market has priced in about 6 or 7 rate cuts in the US and once that starts, the ECB will follow at a 3-6 month lag, but the ECB will want to make sure they don't cut rates too soon. In terms of debt, the US has just hit $34 trillion, and they just announced another rise of $1.5 trillion in the debt ceiling, so there's no end in sight on that front. It's these dollars we are printing that are fueling GDP growth.

US FED POLICY

"The Fed does need to let go of QT and do some QE at some point this year, but inflation is still not in the 2% region, so they're playing a very delicate game between perhaps cutting a bit too soon to support liquidity in the banking system and economic growth, and possibly reigniting inflation. That's going to be the key backdrop for 2024."

Maleeha Bengali
Founder
MB Commodity Corner

OPINION EDITORIALS

AMERICAS

Clay Seigle
Director of Oil Service, Rapidan Energy Group

US oil production pathway for 2024?
Our outlook is that 2024 and beyond will bring continued growth in US supply in the single digits, and not as robust as last year. Volumetric non-OPEC increases from the US, Gulf of Mexico, Brazil and others, did come on faster than the market expected last year. That was good news for balancing the market from a consumer standpoint, but obviously tricky for OPEC+ to manage markets. US exports of about 4mn b/d are on a par with the biggest exporters within the OPEC+ group.

Will OPEC+ change its strategy to protect market share?
It would take an acute situation to have the core contributors within the group change tack – we don't expect them to approach this challenge by throwing in the towel on supply discipline and undertake a market share war against shale. We should instead watch the signals that are being sent by OPEC+ to adhere to established agreements and to deliver on target and we have confidence that they'll be able to whether this part of the down cycle in terms of prices and to keep that unity going. The market may not be completely buying that optimism yet, but we think balances will tighten and Brent will average around $75 this year if OPEC+ cuts are extended into Q2. Oil demand growth is slowing but it's not contracting and is still constructive for oil prices. But if OPEC+ does not extend cuts into the second quarter, inventories will build like crazy and we would have a more bearish outcome than our base case outlook.

Still very little geopolitical risk premium in prices?
We are watching for potential concern for supply disruptions in the Middle East. In our opinion, the market is mispricing that risk significantly. Any interruption to flows through the Strait of Hormuz would be a $40 price spike, and we see that as about 30% probable, so the next move for crude could be towards that $10-12 price risk.

OIL PRICE OUTLOOK

"We believe Brent will average $75 this year. One of the reasons to be that constructive is that we see OPEC+ eventually being effective in balancing the market and having to extend the supply cuts that they recently announced, through the first half of this year. If they don't, inventories will build like crazy in Q2."

Clay Seigle
Director of Oil Service
Rapidan Energy Group

Brian Pieri
Founding Member, Energy Rogue

Bright future for US production?
Since COVID and through to last year, the US rig count grew by 300%. During that same period, production rose by 20%. That tells us that the basic engine of new drilling is starting to slow down. I take the view that we've seen the peak in US production and that the 13.2mn b/d where we exited 2023, is also not necessarily clear. About 300,000 b/d of that change is how EIA reports their numbers. I see actual production beneath the headline number and that we're about to start a decline and will struggle to stay above 12mn b/d unless we see a response on rigs this year.

What will impact oil prices most this year – geopolitical risk or monetary policy?
We have two major conflicts in areas around strategic energy supplies – Russia and the Strait of Hormuz. The latter has not been factored into the price, so I do see upside for that reason. If we do ease interest rates, that helps support the crude price from an economic and currency perspective. There's also the debt issue in the US, and if the policy is to inflate that out, it adds more economic support to the price on a USD basis. And I hold a bullish view on prices with regards to the likelihood of a US recession. It may come later this year or in 2025, but we can't be too sure of the indicators we've had in the last year or two as that was a catch up from the COVID backlog.

US OIL PRODUCTION

"From the COVID period and through to the peak of rigs in the US last year, the rig count grew by 300%, but production by only 20%. I take the view that we've seen the peak in US production and that we're about to start a decline, and probably going to struggle to stay above 12mn b/d unless we see a response on rigs this year."

Brian Pieri
Founding Member
Energy Rogue

Mike McGlone

Senior Macro Strategist, Bloomberg Intelligence

Trajectory for oil in 2024?

I'm still bearish crude oil prices and for commodities in general. We got too expensive in 2022. We brought in all this supply, curtailed demand and now it's all swinging downward. The key question is what stops this trajectory on commodities such as copper, crude, and corn. It will take significant surprise demand out of China, which is tilting negative. US natural gas is now stuck in a $2-$4 range and I think crude is going to head towards $40. Of all the commodities, oil is also the most auto correlated and we haven't even started central bank easing yet - typically it takes a long and variable lag from the start of an easing cycle for commodities to bottom.

Trajectory for geopolitical risk?

It is there. As far as the market is concerned, we're at the back end of the Russia-Ukraine crisis, but if things flare up further in the Middle East resulting in a supply shock, it would pump oil to $90 and crush demand in China and Europe. US economic performance statistics are all heading negative because of interest rates. To stop crude from falling, we need global economic expansion. The demand pull for oil in the US has shifted as it's a net exporter. Japan used to import almost 4mn b/d and now is at 2mn b/d. So, any shift will have to come from emerging markets, and they're shifting to EVs very fast.

BEARISH COMMODITIES

"Excess supply and curtailed demand have commodities such as corn, copper and crude swinging downwards. The key question is what stops this trajectory? It will take significant surprise demand out of somewhere like China, which is tilting negative, and we haven't even started central bank easing - typically, it takes a long lag from the start of that cycle, for commodities to bottom."

Mike McGlone
Senior Macro Strategist
Bloomberg Intelligence

James McCallum

CEO & Chairman, Xergy Group
& Professor of Energy, Strathclyde University

Did US production in 2023 surpass all expectations?

The surprise to me was that it didn't primarily come from increased drilling activity, but rather from direct activity on recompletion of wells. That's a great success story from a technology, efficiency and use of capital point of view, in bringing production on stream. Clearly, the digital transformation of the industry is well underway, but it won't be a wholesale switch away from the capital efficiency that the majors have been exercising for the last 18 months into putting spending into wells. The markets would not respond well to that over the next year. The merger activity that we've seen from 2023 through 2024, is on a par with the previous year - all part of a process of capital efficiency responding to Wall Street and to the lack of debt finance available to the industry,

When could we see more CAPEX investment in general?

If you look at the fall off in share prices of services companies such as Halliburton and Baker Hughes through the last quarter of 2023 and indeed year on year, what you see is that there is clearly no confidence that we're going to see any ramp up in major activity in capital expenditure any time soon.

CAPEX

"If you look at the fall off in share prices of services companies such as Halliburton and Baker Hughes through the last quarter and indeed year on year, what you see is that there is clearly no confidence that we're going to see any ramp up in major activity in capital expenditure any time soon."

James McCallum
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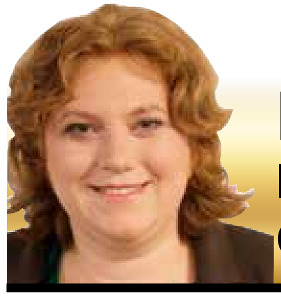


Rachel Ziemba

Founder, Ziemba Insights & Adjunct Fellow, Center for a New American Security

How could the US election result impact the country's energy policy?

We could see certain things clawed back as part of the Inflation Reduction Act, such as on the wind power side, and some of the other steps to implement commitments already made. A lot of details on hydrogen are still being worked out for example. A year ago, the Biden administration was very publicly worried about the gasoline price, but I think the administration has really struggled to get the message out on the fact that the economy is improving. The inflation story is not only about oil and gas - it's also about other services - and some of it is a function that the economy has shifted from one where we had massive supply chain shortages on the goods side, to consumption of services. If the Republicans come in, new legislation relating to energy, would be less likely to use subsidies and government balance sheets, and more likely to do across the board tax cuts. Also, what's going to happen on the LNG export side of things and on the new environmental review? We've also seen a lot of push back from Republicans, on the sanctions relief given to Iran and Venezuela in different ways.

Could Europe turn back to Russian gas and take less US LNG?

We have to think of the role of China and the role that European Energy Transition goals play in this regard. Until very recently, Europe was not willing to sign medium or long-term gas contracts, but it is now starting to do so. There are more gas molecules available to go into Europe because China is buying more piped gas from Russia, so one of the key things I continue to watch is China as a reseller of natural gas, and refined oil products.

CHINA GAS

"One of the reasons why there are more natural gas molecules available to go into Europe, is because China is buying more piped gas from Russia, and one of the other key things I continue to watch is China as a reseller of gas, and refined oil products."

Rachel Ziemba

Founder, Ziemba Insights & Adjunct Fellow, Center for a New American Security

Dr. Raad Alkadiri

Managing Director – Energy, Climate & Resources
Eurasia Group

How consequential will the US election result be for energy policy and geopolitics?
A Trump or Biden Presidency would be very consequential in terms of defining the process of Energy Transitions over the next decade. Biden's administration has gambled on green energy and bolstering it as part of an industrialization process in the US - using the federal government to boost industry and jobs. That has also brought certain elements of support for the oil and gas industry as well. Oo the other side, we see a very stark view of the US focusing on energy independence when it comes to hydrocarbons, but also questions about US leadership globally, where it positions itself in the climate debate, and the future of neoliberalism, and trade. That's all up for grabs and could pull in two very different directions. The US electorate is extremely divided and polarized at this moment in time, as are the political parties themselves - much more than they have been since the American Civil War. Even during the instability of the 1960s, there was still an element of across the aisle cooperation; we didn't have the sort of grenade throwing flamethrower approach to politics that exists right now.

What are the risks of this political paralysis within the US system?
One is that it gets in the way of effective policy making, which makes legislation virtually impossible and means constant targeting, particularly using the courts, of regulatory authorities that are making decisions. Fundamentally, you have an American people who are so divided that they don't agree with each other on the basics. That's what this election is going to end up being fought over. Meanwhile, the US remains a global superpower eating itself alive and doing so in such a way that has consequences for policy and for the rest of the world.

US POLITICS

"In many ways, US politics is paralysed, which risks making legislation virtually impossible. You have an American people who are so divided that they don't agree on the basics, and yet the US remains a global superpower, eating itself alive and doing so in such a way that has policy consequences for the rest of the world."

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

Dr. Karen Young

Senior Research Scholar, Center on Global Energy Policy
Columbia University

Will the US election focus more on domestic or foreign policy?

It is vulnerable to shifts in foreign policy but will still be predominantly about the domestic economy and factors like GDP, employment, headline inflation and gasoline prices. Still, a lot of spoilers could happen between now and November - foreign policy issues that could impact domestic politics and consensus and sentiment in the US. Those actors include Russia in the energy markets, but also ones that are going to find themselves in a very good bargaining position for the kinds of things they want. One example is Saudi Arabia which can ask for the US' cooperation on nuclear energy and security guarantees, in exchange perhaps for support of a Palestinian state, while ultimately not holding responsibility for failure - that would be on the Israeli government's plate and potentially also on the shoulders of a very dysfunctional United Nations and international system, to provide security and guarantees.

How would a Biden or Haley Presidency differ on economics or geopolitics going forward?

It would impact coordination with OPEC+ members for example, and certainly the outlook on Iran, China and Taiwan and trade. If we have another global supply chain scare, whether that is at Bab Al Mandeb and Suez, or due to movements within the Chinese economy which we have no control over, that will impact US voters.

US ELECTION

"Spoilers for the US election, could be for example, Russian energy policy, China and its ambitions on Taiwan, but also actors like Saudi Arabia that find themselves in a good bargaining position on asks like nuclear energy and security guarantees cooperation, in exchange for support on a Palestinian state."

Dr. Karen Young
Senior Research Scholar, Center on Global Energy Policy
Columbia University

Rob Barnett

Senior Global Energy and Commodity Analyst
Bloomberg Intelligence

What is the probable direction of US energy policy?

This is going to be a hot button issue going into an election year. My own view is that we are in an 'all of the above' type of world, where you've got EVs growing relatively quickly in the aggregate, oil demand still going up, and wind and solar demand growing very rapidly. In a good year, oil demand maybe grows 1%, while wind and solar is growing at 20%+ a year right now. At the same time, natural gas is up and coal demand is flat to still rising. So, despite all of the efforts that we're seeing in the clean energy space, fossil fuel demand is still there. Last year, global expenditure on clean energy exceeded $1 trillion; it was one of the first times that clean energy matched or exceeded upstream oil and gas spending, but emissions are still rising. We haven't gotten to the point where any of the spending on wind, solar, EVs, etc. has bent the curve down on fossil fuels.

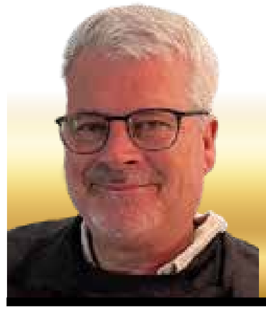
How will a Biden or Trump win impact progress on the Inflation Reduction Act?

The IRA is not in isolation. We also have the Semiconductor Act, which is about bringing microprocessors into the US. The US has abandoned the idea of free trade. It wants clean energy supply and for the manufacturing to occur in the US. Companies are explicitly taking advantage of the subsidies included within the IRA so if it were to get paused or rolled back, it would be a big blow to that capital already being deployed. Oil and gas companies such as ExxonMobil, and Chevron, are also benefiting from IRA subsidies, perhaps more on the hydrogen and biofuel side. But it's really changing the way that many companies are thinking about investing in the US, so that reliance is lessened on China.

INFLATION REDUCTION ACT

"ExxonMobil, Chevron and so forth, are taking advantage of some of the subsidies within the IRA. It is really changing the way that companies are thinking about investing in the US. We're seeing tremendous amounts of dollars being spent to build clean energy supply chains within the US so that reliance is lessened on China."

Rob Barnett
Senior Global Energy and Commodity Analyst
Bloomberg Intelligence



Bill Spindle

Senior Global Correspondent, Cipher News

Is the US a leader or follower in the Energy Transition?

The US political system is a huge player on both stages, with oil and gas on the one hand, and renewables and the Inflation Reduction Act on the other. That's going to be the landscape that Presidential candidates are going to be navigating this year and particularly Biden. For example, a big and difficult decision he needs to make is on what would be the largest LNG facility in the world, the $10 billion CP2 terminal is the Louisiana coast. He won't want to be seen to be fully supporting oil and gas, but also doesn't want to cut those spigots off completely and get blamed for a possible rise in petrol or natural gas prices. A Trump Presidency would have a very different flavour in many ways, but I'm not sure we would see a complete abandonment of the many provisions that the IRA has made for American manufacturing. I doubt they're going to want to undo that.

How do you think China views the IRA?

China has its own approach both domestically and abroad. Overseas, it's a trade issue for them. China absolutely dominates almost every aspect of clean energy and has the ability to undercut even significant subsidies. They're going to try to find ways to get their product into both the US and European market, in one form or another. So, the US and European markets and governments are going to have to make tough choices about how fast they want things like EVs to take off and the speed of the Energy Transition.

CHINA CLEAN ENERGY

"China absolutely dominates almost every aspect of clean energy, with the ability to undercut even significant subsidies, so the US and European markets and governments are going to have to make tough choices about how fast they want things like EVs to take off and the speed of the Energy Transition going forward."

Bill Spindle
Senior Global Correspondent
Cipher News

Richard Redoglia
CEO, Matrix Global Holdings

Has the US Inflation Reduction Act had a successful start?

The IRA is, in reality, an inflation act, with $340 billion of spending allocated already. According to Goldman Sachs, that is effectively going to be $1.2 trillion because there's an unlimited amount of tax credits going forward. The government is mandating, through the Environment Protection Agency, that 6% of all new cars have to be electric. The problem is, only 5.7% of cars sold last year in the US were electric, and the largest car companies are now cutting back on their 2024 and 2025 production forecasts because of losses. What's the solution to that? Subsidies? We're faced with the reality that the IRA, because of the different regulations going forward, will be difficult to get to. Two years ago, the government came out with $7.5 billion to build half a million fast chargers across the country. To date, they have built only two. So, how do you get the megawatts needed to a location that's going to allow for this transition to occur? That's the big question.

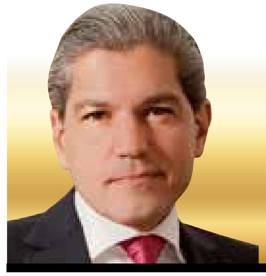
Is the IRA impacting globalisation and geopolitics?

China is massively expanding its EV base and going to take those cars and sell them into Europe at a massive competitive advantage. Is the US now trading oil security in the Middle East to China? I have an issue with how we're going to do this. It seems to me very difficult. Yes, we're going to build a significant amount of solar and wind, but we're getting to that point where you're going to need other things to back that up to allow for constant base generation. Meanwhile, India and China will continue to expand and use coal power to push their transition, which to me is a little difficult to understand.

ENERGY TRANSITION

"I have an issue with how we're going to do the Energy Transition. We're going to build a significant amount of solar and wind, but we're getting to that point where you're going to need other things to back that up to allow for constant base generation."

Richard Redoglia
CEO
Matrix Global Holdings



Aldo Flores-Quiroga

Former Deputy Secretary of Energy for Hydrocarbons, Mexico's Ministry of Energy & Senior Advisor, FTI Consulting

Expectations on progress for the Latin American oil and gas sector this year?

In Brazil and Guyana, we expect output to continue growing, but in terms of the policy shifts that would be required to see major changes in production in the rest of the region, let alone on renewables, we're still not there. But there is immense potential as the region has an energy surplus, the cleanest energy mix, and all that is required for a future Energy Transition. What's missing is the right policies and right domestic political environment for investment and access to capital. In the case of Mexico for example, it has thus far not decided on the future direction for its energy sector, due to constant regime changes, but that may shift this year with elections and with both female candidates very well prepared and very much inclined towards the sustainability agenda. They may bring a change for renewables, and some sort of correction for oil and gas, because the current model is not delivering as much as it could.

Is Brazil's new partnership with OPEC+ significant?

Brazil has been clear that joining the OPEC+ conversation does not mean joining collective decisions to cut production, especially as Petrobras is a public company. But it is significant that a new big player in the oil industry is having a closer conversation with OPEC members.

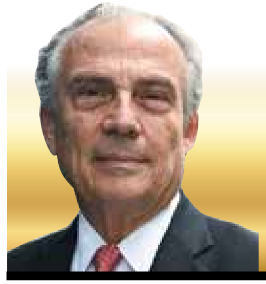
Could Latin American production be a spoiler for OPEC+?

Only to the extent that Brazil and Guyana grow their production much more than what we expect already, which is around 3mn b/d for Brazil and Guyana will continue to grow from where it was last year at about 300,000 b/d. That will require a recalculation by OPEC and other players in terms of market balance.

MEXICO ENERGY

"Both candidates in the 2024 election are very well prepared, very aware, and very much inclined towards the sustainability agenda. They may bring a change for renewables, and they will also bring some sort of correction for oil and gas, because the current model is not delivering as much as it could."

Aldo Flores-Quiroga
Former Deputy Secretary of Energy for Hydrocarbons, Mexico's Ministry of Energy & Senior Advisor, FTI Consulting



Carlos Garibaldi

Executive Secretary, Association of Oil, Gas & Renewable Energy Companies of LATAM & the Caribbean

Will new governments in Argentina and Brazil alter the direction for oil and gas?
We may see more deregulation in Argentina but that could create problems with inflation as energy and transport are severely subsidized. Regardless of who's in power though, Argentina will continue to grow oil and gas output and exploration. Similarly, in Brazil, there's no ideological debate on developing natural resources. They have the cleanest metrics and will continue with renewable energy efforts, in parallel with fully developing and monetizing hydrocarbon reserves.

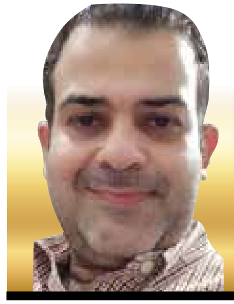
What about the rest of the continent?
The growth potential is there, but there are boundary constraints, both political and environmental. More importantly, Latin America and the Caribbean supply 9% of the world's production but hold 19% of proven reserves. That doesn't add up. Venezuela holds 92% of the oil and 78% of the gas of Latin America and the Caribbean and that brings some dissonance also because those are supposed to be proven reserves.

Outlook for the LATAM decarbonisation agenda?
Companies and industries in the region are moving very aggressively on decarbonization and on diversifying their portfolios on renewable energies. But we have a problem in Latin America in general on licensing and permits. We're talking about electrification and we don't have enough metals and critical minerals. So, there is a problem of what can be achieved with these barriers in place, and on how the Energy Transition can be accelerated in general.

BRAZIL ENERGY POLICY

"There's no ideological debate in Brazil on developing their natural resources. They have the cleanest metrics and will continue with their renewable energy efforts, in parallel with fully developing and monetizing hydrocarbon reserves."

Carlos Garibaldi
Executive Secretary, Association of Oil, Gas & Renewable Energy Companies of LATAM & the Caribbean



Jose Chalhoub

LATAM Consultant, Azur Global Consulting & Venergy Global

Outlook for the Venezuelan oil sector?

The changes that are being carried out by the new PDVSA authorities are more positive but technically, it's still going to be challenging to return to the 3mn b/d we were producing twenty years ago. Recently, different companies have been rushing into the country to get their share of the pie. Production is averaging 700,000-800,000 b/d although the target for the government had been to reach one million b/d by the end of 2023. A lot will depend on the political dynamics, especially with the US, and what each side is willing to concede. Caracas hasn't shown that it will change its traditional geopolitical relationships with the likes of Moscow, Beijing or Tehran, for example, with planned investments from those countries continuing in Venezuela so far. However, the intensity of those relationships has cooled a bit in the recent years. Maduro has not shown that he will necessarily side with the US, but it will be crucial for Caracas to do so if it wants to keep up the pace of investments by US and European oil companies.

VENEZUELA OIL

"Companies have been rushing into Venezuela to get their share of the pie. The target for the government was to reach 1 million b/d by the end of 2023 but production has averaged around 750,000 b/d."

Jose Chalhoub
LATAM Consultant
Azur Global Consulting & Venergy Global

Consultancy
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CELEBRATING "15" YEARS OF KNOWLEDGE EXCHANGE