

ENERGY MARKETS FORUM DAILY BULLETIN



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WEDNESDAY /// OCT 6th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL SUPPORTED AT \$75-\$90/B IN OCTOBER 2022
2. SECOND SURPRISE CRUDE BUILD CAPS OIL PRICE GAINS
3. SAUDI ARAMCO CUTS NEARLY ALL NOV CRUDE PRICES
4. CHINA IS DESPERATE TO SECURE LATIN AMERICAN OIL & COAL
5. NORD STREAM 2 OPERATOR BEGINS GAS TESTS
6. ROSNEFT & VITOL STRIKE FIRST MAJOR OIL TRADING DEAL
7. WALL STREET CLOSES SHARPLY HIGHER AS BIG TECH ROARS BACK
8. BRITISH PORK INDUSTRY WARNS OF MASSIVE PIG CULL
9. NEW ZEALAND CENTRAL BANK HIKES INTEREST RATE TO 0.50%
10. EGYPT & SAUDI SIGN \$1.8BN POWER GRID DEAL

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RECOMMENDED VIDEOS & REPORTS

- OIL PRICES RISE AS OPEC+ STICKS WITH PLAN TO ADD 400,000 BPD IN NOV
- MENA TAX: MARKET UPDATES 2021
- IMF: WORLD FACES 'HOBLED' RECOVERY WITH POSSIBLE CUMULATIVE LOSS OF \$5.3TN
- DEMOCRATS AIM TO PASS INFRASTRUCTURE, SOCIAL SPENDING BILLS
- BROADWAY'S COMEBACK BRINGS BACK BUSINESS
- UAE HIRING BOOST AS COMPANIES EXPECT UP TO 50% RISE IN REVENUE
- A LOOK AT WORLD LEADERS NAMED IN THE PANDORA PAPERS

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NEW SILK ROAD LIVE PODCAST



Rustin Edwards
Head, Fuel Oil Procurement
Euronav NV

Robin Mills
Chief Executive Officer
Qamar Energy

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(DERASAT)

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DAILY ENERGY MARKETS FORUM



NEW SILK ROAD LIVE

TOP 3

WEDNESDAY /// OCT 6th

TAKEAWAYS

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Brent is trading this morning at \$83.05/bl up 0.49 and WTI is trading up 0.43 at \$79.37/bl. Good week for oil, a bad week for Mark Zuckerberg. I mean I say a bad one for old Zucky, he's hardly waking up at night with anxiety about paying his council tax bill, is he? Anyway, enough about Facetube, or whatever it's called, let's talk about the oil market, shall we? Well. \$83.05/bl on Brent. \$79.37/bl on WTI. ICE gasoil at...gulp...\$723.00. Sweden are burning oil for power generation and hang on, yes? Lucifer? Yes, OK thanks for that. Lucifer confirms that hell has indeed frozen over. If I would have said to you this time last year "You know what? I think Brent will be trading in the mid 80's in a



BY MATT STANLEY
DIRECTOR
STAR FUELS

year and the world will be in the middle of an apparent energy crisis", you would have looked at me with one of those looks my wife reserves for "Can I go on a golf trip next weekend?" request.

Brutal. Where's the end game here though? Brent has been grinding higher and higher since April 2020, but where does it stop? Or, the question should be, HOW does it stop? And this is the thing. If you're an end user, using your car as a commuting vehicle, (as we all are right now if you're not working from home of course), you have seen a 40% increase in gasoline prices so far this year. I don't care if you drive a Kia Picanto or a Hummer (other car manufacturers are available) you are going to feel that increased cost on your bottom line. The market had OPEC+ to thank to drag it out of a \$20-hole last April, the question is, is the market thankful now when

prices are up above \$80? I'm not so sure, things just seem a bit uncomfortable. Anyway, on to other things oily. Apparently, EIA data will confirm a build on crude and product stocks today (gasoline up 3.68mn FYI). But but but demand is good! IATA are convening in Boston and I will leave you with some numbers from that get together - total industry losses in 2020-2022 are expected to reach \$201 billion. Total passenger numbers are expected to reach 2.3 billion in 2021. This will grow to 3.4 billion in 2022 which is similar to 2014 levels and significantly below the 4.5 billion travellers of 2019. But but but but...Good day.

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Mohammad Hossain

Ministry of Power, Energy & Mineral Resources
Bangladesh



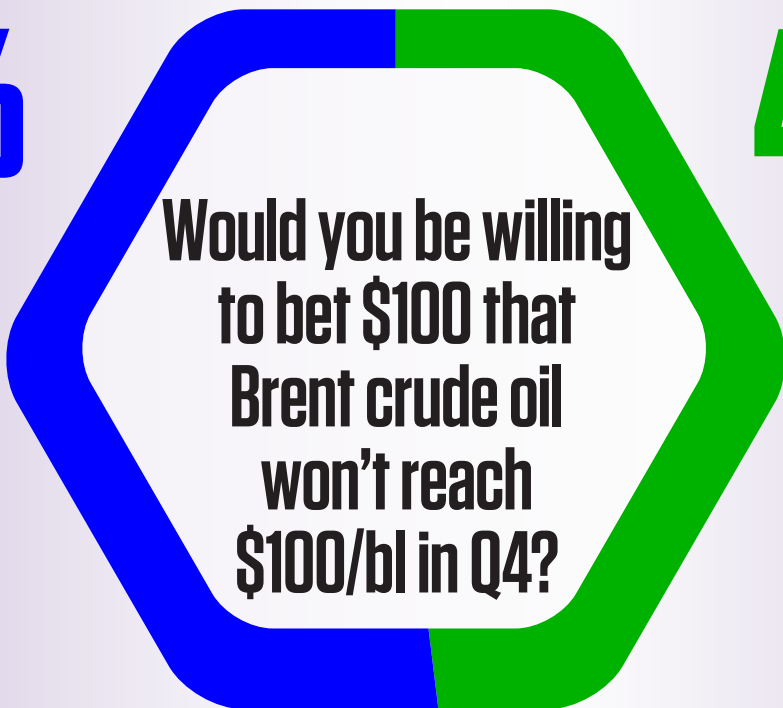
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DAILY ENERGY MARKETS FORUM
INDUSTRY SURVEY



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52%
Yes



48%
No

Source: GI Research Oct 2021

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing **Mashreq 60-SECOND SOUNDBITE**

Omar Al-Ubaydli
Director of Research
Bahrain Center for Strategic
International & Energy Studies

**“Gulf States have made
significant investment
in being ready for the
unexpected”**

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing **Mashreq 60-SECOND SOUNDBITE**

Robin Mills
Chief Executive Officer
Qamar Energy

**“China Govt is often
less in control of its
economy than it claims
to be”**

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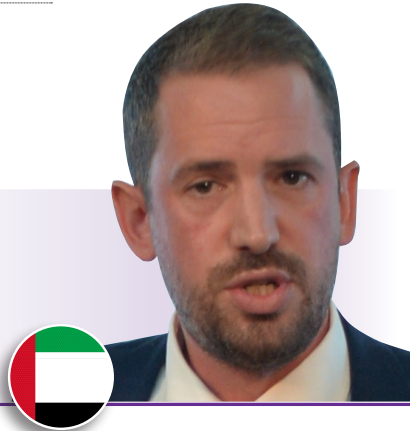
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Matt Stanley
Director
Star Fuels



Will we see recommitment to investment in the sector at these prices?

If you look at the forward curve, \$73 is fair value for Brent crude so there is liquidity. The issue though, is that the people who are invested in the market - the hedge funds - will pile into the front month and can come out of their positions at the same time. If we look at it from a fundamentals point of view, there's a hesitancy further down the curve in second half 2022 - even bullish traders are concerned that by May next year, the market will be in surplus again, and that's just on OPEC balances. Meanwhile, the US crude rig count is back to where it was in March 2020, but production is about 1.7 million bbl lower so it's inevitable that some of that oil will come back. By Q1 of next year, we could start seeing some serious built-in inventories across the globe and by the end of Q2, once all the OPEC barrels are back, we could be where we were three or four years ago with stocks. Would you invest in a market that is hesitant in that regard?

Was OPEC's decision this week to keep output plans unchanged justified?

A rally that is wholly sustained on supply being choked off when the world is coming back from a pandemic is a false economy. Demand is returning easily enough to justify prices in the mid-eighties, which they will probably get to this week because there isn't enough oil in the short term. OPEC is using the excuse of uncertain demand because of Covid, but that's just leverage, as for the majority of the year so far, Covid has been largely ignored and dismissed by the market. What we do have is a general undercurrent regarding people being concerned around COVID and free money and fiscal stimulus, that has manifested itself into a property bubble in China, and it's about to pop. If that happens, or whatever restructuring might occur as a result, it will affect oil market sentiment. China has been seen as the saviour of oil demand for the last two decades. ■

**Paraphrased comments*

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