

# DAILY ENERGY MARKETS FORUM

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### Are rising oil prices starting to concern consuming countries?

The last thing needed during a fragile economic recovery is to be faced with higher commodity prices, especially if they jump quickly. If prices stay at this level, we're going to hear more voices warning of the impact on global economies. That could put pressure on OPEC plus - particularly the Saudis who have always played the role of central banker of oil markets. We are still in a very fragile zone in terms of recovery. Scientists have not ruled out a possible third wave of infection across Europe.

### Is higher cost supply coming back in to challenge OPEC plus?

We are definitely seeing better discipline from US shale companies on committing to new investments and value creation but we must also never underestimate a competitive market structure and the power of the private sector should the right incentives be provided. And in the U.S., the incentives are there from a government policy perspective, as well as price point of view and that can trigger a certain behavior. But putting supply aside, demand remains the biggest wildcard. If we look at the various forecasts from the IEA, they tend to be quite conservative for this year. And even if you keep the virus under control successfully, oil demand is not expected to go back to pre-Covid levels before at least 2023 and possibly beyond.

### What are you on the lookout for in the week ahead?

All eyes will be on the disruptions in US production but what is ironic is that weather conditions - whether deep freezes or hurricanes - are not new challenges and are in any case short term. We should also exercise caution when interpreting inventory drawdown figures - these are a moving target and not an entirely reliable indication of where the markets are heading because of constant changes in demand. ■

*\*Paraphrased comments*

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