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Is the OPEC plus pact vulnerable beyond March?

OPEC plus success remains primarily about Saudi Arabia and I don't see them turning their back on it. The Saudis can take a lot of the credit for the recent climb in prices. Before that, levels were comfortable at around \$45 a barrel. Compliance remains uneven with some countries still not delivering on their promises and we shouldn't expect that situation to improve. Saudi Arabia has traditionally subsidized cheating members because they accept that is necessary to achieve a certain price target. That is what they are after. Once they achieve that, they may ease production, but it will also depend on other reinforcing factors in the economy. And, there is the looming question around what will happen with the Iranian deal - that would stall prices at the \$55 - 60/bl point.

Are expectations for a 6 million bd demand recovery in 2021 still intact?

The positive rebounds in parts of the global economy have lent support to the current market, in China as we know, but more recently in the US, where employment and industrial activity figures are improving. There is genuine demand side support there - the extent of the US oil inventory drawdown has been a surprise. At the same time, OPEC plus will be keeping a very close eye on the potential return of shale at these prices. Despite the overwhelming pessimistic view about the outlook for shale, it continues to surprise on the upside.

Sentiment now seems to be rising, not falling, in the absence of specific direction?

We should keep time frames in perspective. Currently, we have positive sentiment on improving demand and higher vaccine numbers but when you look beyond the mid-year point, the risk may be different. Structural damage to the global economy may create some lasting problems that could come back with a vengeance in the coming years. ■

**Paraphrased comments*

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