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Does the Drop in Oil Prices Indicate a Change in Market Structure?

Ultimately, there is no big change to market dynamics. We have those countries which have managed to vaccinate a majority of their populations and will now try to head towards herd immunity because people will not accept a return to the complete lockdowns, we had in 2020. The problem is that almost nobody has the required 80% vaccination rates yet for herd immunity, and so the cat and mouse game with the virus will continue for a while. If there is no serious mutation which invalidates the protection that the vaccination gives us, then I do think that this is still part of learning to live with the virus. It won't result in the same kind of complete lockdown scenario which we had a year ago.

What Impact will this have on the outlook for oil prices?

The implications for oil prices are still not clear as the world remains awash in oil. If OPEC+ doesn't change its output policies, then most of the investment banks will have to call back their forecasts of \$80+ oil for the end of this year. We will be looking at more moderate oil prices. I think that's acceptable. Everybody can do that, including those oil producers in the Middle East.

Outlook for Global Economic Growth?

From where I am standing, I think economic growth will lose its strength. That's the expectations many of us have had for a while – the growth we saw in the first half of the year will in retrospect be seen as more of a flash in the pan. I expect that we will find it hard to reconnect with the elevated growth levels witnessed before the Covid-19 pandemic started. The oil markets will probably fall lower without further support from OPEC. The question facing traders now -- is \$65 a barrel the right point to get back into the market? The answer comes back to what you think OPEC+ will be doing through to the end of the year. ■

**Paraphrased comments*

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