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Why have oil prices reacted so modestly to Hurricane Ida shutting in over 1mbpd?

You could also point to another statistic which came out earlier this month in the US -- the claims for unemployment are now below the available job openings. That indicates a red-hot economy on top of these oil production shortages from Ida of 1.4 mbpd, and what both of them tell us is that there's just plenty of oil around. You can also add to that, August production of OPEC+ was still way below their target quotas, so they are under what their own agreement permits them to pump.

What is the Outlook for OPEC+ to add more supply?

It is worth noting that in the producing countries outside of OPEC, the 'plus' countries of OPEC+, other than Russia, most are struggling to reach their quotas and in some cases are declining. That should be another bullish indicator, and still oil prices are only up to \$73. So even if there is a short-term price spike right now because of this accumulation of bullish things, it just indicates how oversupplied markets are. It indicates the knowledge that shale oil is coming back gradually, as well as expectation that more production will come from the North Sea, from Brazil and other areas of higher cost production, and so there is just no reason for markets to get concerned by current events.

Should the Market be more Concerned about Supply or Demand?

When you combine the outlook for economic growth, the demand side of the equation, you see economies are not exactly taking off like a rocket. You see more worries about the Delta virus and possibly other contagions coming after it. It explains why we are seeing a much more moderated picture. The reality is that despite Hurricane Ida, despite OPEC+ failing to raise production to their quota levels, and despite the strong US economy -- all these factors combined are still not lifting prices much higher. I think it confirms to those of us who sit on fundamentals, there is plenty of oil in the world full stop. ■

**Paraphrased comments*

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