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Blaming high prices on OPEC is too simplistic a view by the US.

OPEC policy has contributed to where prices are today but the main problem the US faces is inflation. The macro picture is a worry for the entire global economy and the oil sector also. The CPI in the US in September was at 5.4% and at 6.2% in October. In China, factory gate prices were the highest in 26 years and in Germany, the inflation rate hit the highest rate in 28 years. We have a problem of rising prices everywhere.

Has the Fed lost control of this market?

Not yet. They're still saying this inflation is transitory and will hopefully be resolved by the middle of next year once supply chain bottlenecks ease. This may be true, but the question is whether consumers can sustain the additional pain for so long. Politicians are quite sensitive to the reaction of the average person in the street so that raises a dilemma for the government because it wants to trust the economists but also has to respond to the needs of consumers. The Fed might well accelerate its tapering and even revisit its increase of interest rates.

Will Chinese demand remain an engine of demand growth?

I would be cautious about the outlook for Chinese demand in the short term, but it's the longer-term picture that matters most. The country already had structural problems before Covid with regards to its GDP and oil demand slowing down. Meanwhile, we've also seen US crude inventories rising for a third straight week, reaching the highest level since August this year. Everybody seems to agree that supply growth will outpace demand growth in 2022.

Takeaways from COP 26?

It's all in the eyes of the beholder - some might see it as a major success, and others a major failure. One thing that was interesting to hear was John Kerry, the US climate czar, saying that the US would stop producing coal by the end of 2030, only eight years from now. Bearing in mind that coal represents 10% of the country's primary energy mix and 25% of the power sector, it begs the question of how that gap would be filled. The natural gas industry would be the most logical substitute. ■

**Paraphrased comments*

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