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Christof Rühl

Senior Research Scholar - Center on Global Energy Policy
Columbia University

Blaming oil prices for current inflationary pressures is not justified.

The rise in energy prices is part of the cyclical ups and downs. So far, it's a one-time increase and just a shift in relative prices, which will not show up as inflation over time. The Biden administration really did itself a disservice domestically, by asking OPEC + and others for more oil while asking their own producers to slow down. We know that Saudi Arabia and Russia are not in the mood to leave a cent on the table. And while there may be inflation, OPEC+ probably does not view \$85 as killing the global economy. At the end of the day, there's still too much oil in the world. This current tightness is just a political decision by OPEC and others, like US private producers, to constrain supply.

Why are we still seeing restraint by the majors in the Permian?

It's not only the majors in the US reacting slowly- it's majors globally, with their giant share buyback programs and hesitancy to approve big oil or gas projects because of shareholder and political pressure. The investment gap in oil and gas (which has been talked about for decades) is today to do with this shift from Western private producers, to state owned producers in the rest of the world, triggered by environmental concerns. And it's a shift which has barely started. I don't see the BPs of this world going back very quickly to an aggressive oil production mode.

The gas shortage situation in Europe seems to have eased?

European prices have calmed down to an extent and are becoming more or less a function of LNG and coal prices elsewhere, particularly driven by Asia. Putin's announcement last month that Russia could supply Europe with more gas, did calm the market as it believes he has the ability to deliver.

What do you take away from the Fed meeting last week?

There are several strands of reasoning which can explain the Fed's behavior. The US has been living with inflation rates of 5% for a few months now - higher and longer than the Fed and the government had ever predicted. But the Fed starting to taper is really just taking its foot off the accelerator of QE - not the end of it. Plan B will be the rise in interest rates to curb inflation from hurting growth. ■

**Paraphrased comments*

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