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I am leaning more to those who are bearish on oil for Q3.

Recessionary fears, decline in China demand, one million barrels a day already being pumped from the Strategic Petroleum Reserve, and the upcoming Biden visit to the Middle East with possibly more Saudi and UAE oil forthcoming, in addition to Venezuelan oil being signed off to be sold to Europe - all these indicate that the crude oil market is not as tight as everybody said, and lower crude oil prices will also eventually feed through to product prices.

How well are sanctions on Russia working so far?

From a US perspective, what the Biden administration wants is the redirection of oil flows. Firstly, they want more oil from the Middle East going to Europe, and then they want to slowly throttle Russian supplies, by Europe not buying it and then presumably by Asia, either voluntarily or forced to join the sanctions regime by secondary sanctions, but I'm quite skeptical about the latter. Not only are countries like China benefitting from getting sanctioned Russian oil at a 35% to 40% discount, but also Chinese businesses in terms of oil and to some extent gas costs, will now be outcompeting European business on a large scale, so it's not clear that they're going to be lining up to give up this advantage. China and India are more oil intensive economies than the West and their oil demand is growing, so they're much more sensitive to the oil price.

What about Russia's curtailment of gas deliveries to Europe?

Gas is different and is being approached in a completely decentralized and voluntary mode by Europe. Countries such as Bulgaria and the Netherlands have been cut off by Gazprom as they have refused to pay in Rubles – that's accounting for 16% to 20% of European deliveries already. But despite Gazprom turning up the heat, the EU will maintain a flexibility and we're now for example seeing it starting to replace gas with coal. The storage of gas in Germany is at 50% right now, far above the lowest levels we have seen over the last five years. Russia won't be able to sell its gas anywhere else, so this will eventually have more tangible financial consequences than what we see in the oil markets. And if EU energy sanctions are maintained, in a falling oil price environment, it will cause serious problems internally for Russia. ■

**Paraphrased Comments*