



Developments on the oil market in 2021

*Erik SOMELAR ft Balázs
Józsa*

Directorate General for Energy

13th Oil Forum

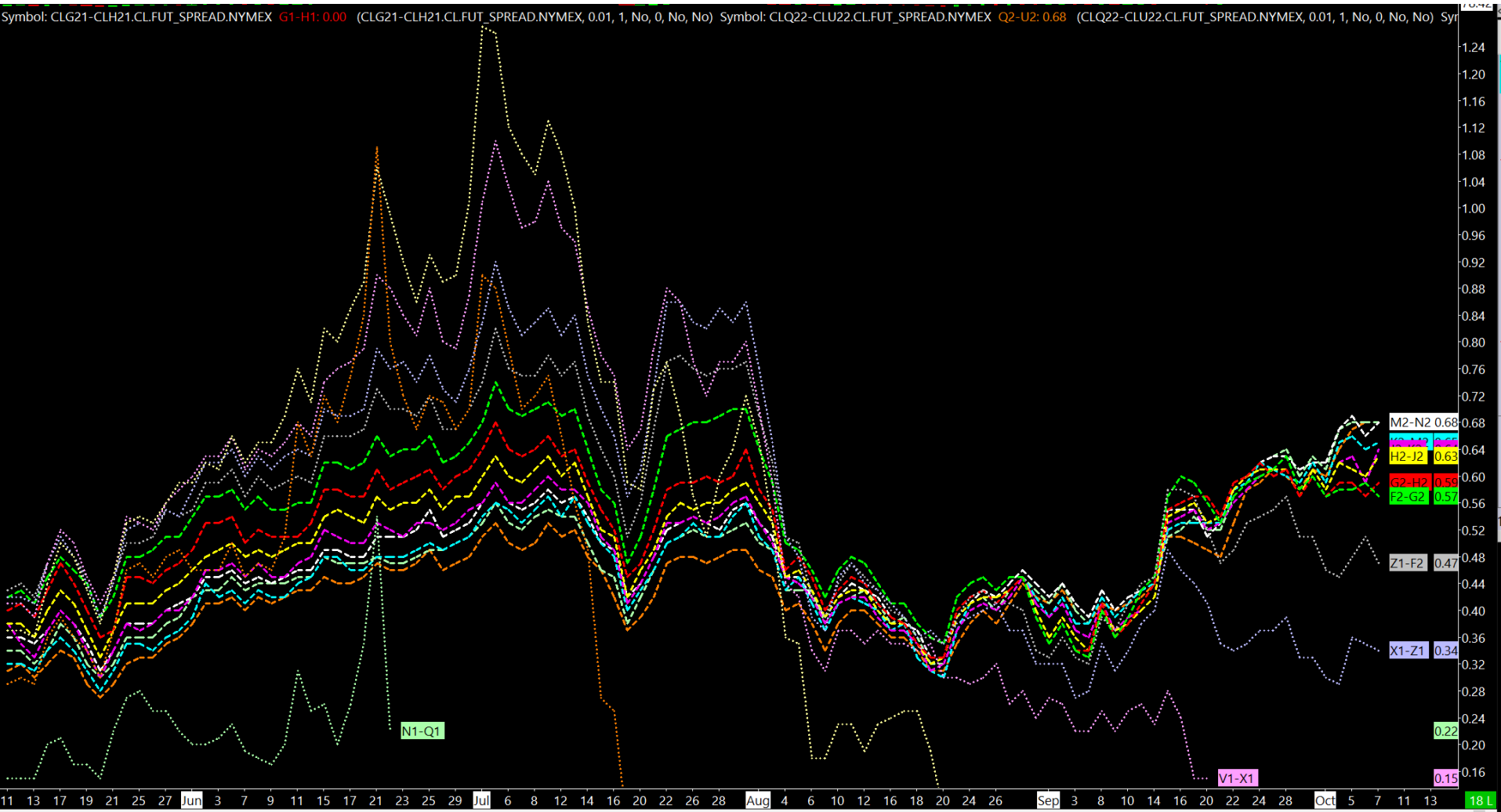


European
Commission

WTI futures for November 2021



WTI month-on-month time spreads 2021

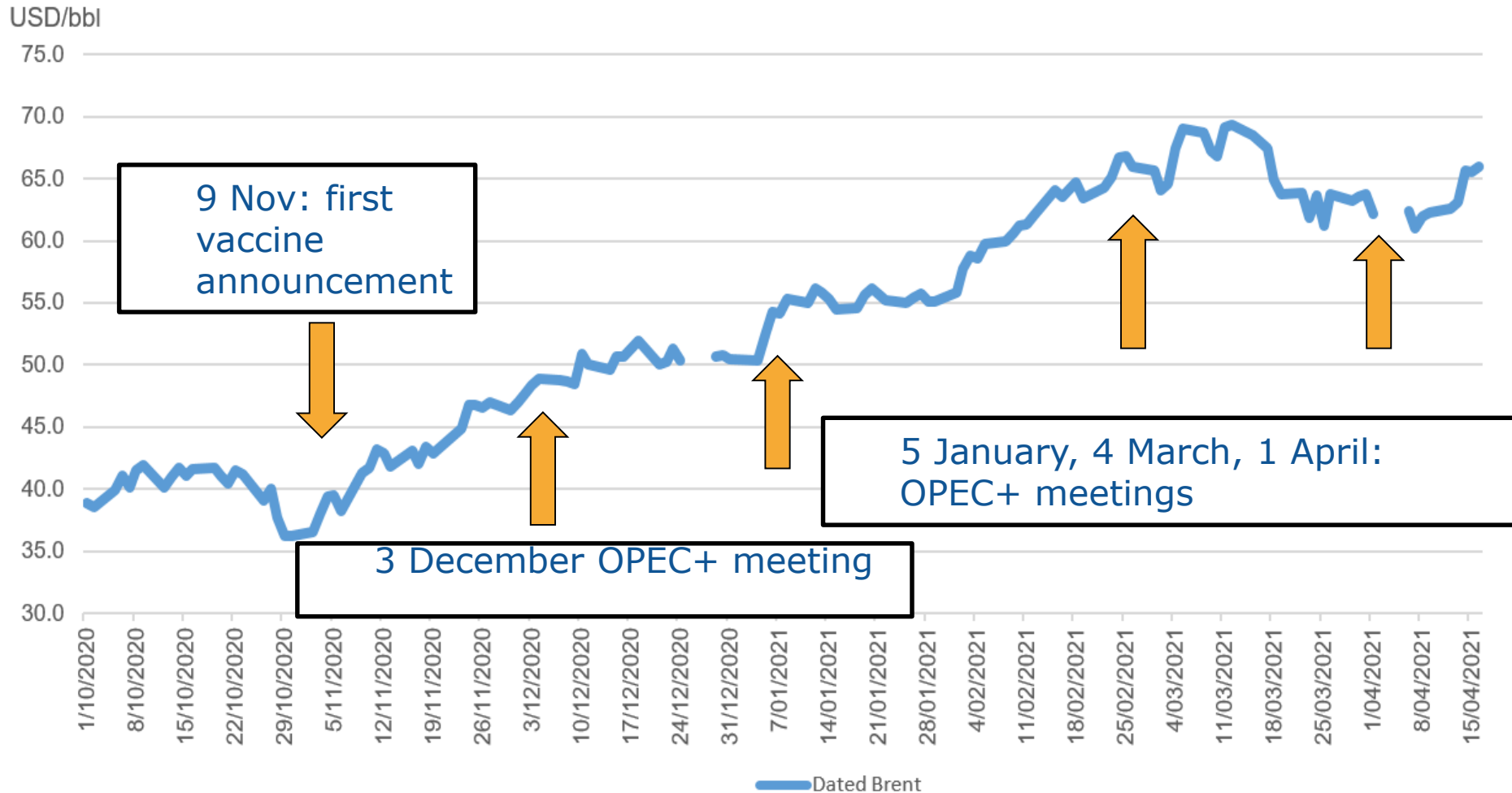




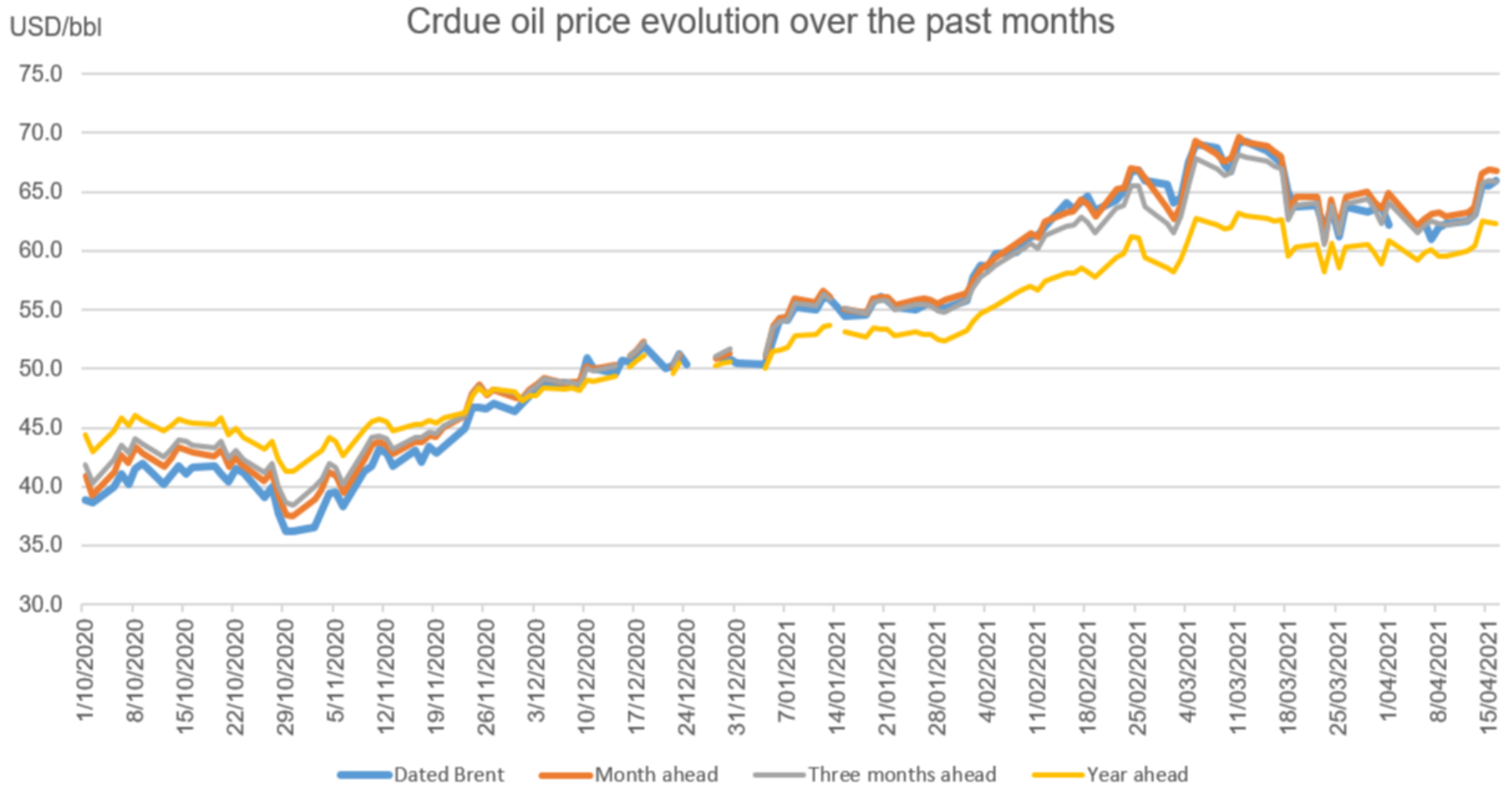
European
Commission



Dated Brent – huge rally in wintertime



Contango narrows – then turns to backwardation



Source: European Commission

Demand side factors

- In spite of new Covid-19 measures in many countries (no strict inland travel restrictions as in spring), optimism on the start of vaccination, global demand for oil products grew
- Robust demand for oil imports in China, amid solid economic recovery
- Cold winter in many parts of the world (China, US, etc.)
- Global inflationary pressure expectations: traditionally good for commodity investments; anti-inflation hedging assets, including energy and oil
- Budget stimulus packages (e.g. the one adopted in the US in February, amounting to \$1.9 trillion or the recovery plans in the EU): support to economic recovery, investments in oil and other energy commodities

Supply side factors of the oil market – OPEC+

- Successive OPEC+ decisions influencing the market
- 3 December: production cut 0.5 mbpd less than expected as of January (in practice meaning increase)
- 5 January: KSA voluntary cut by an additional 1 mbpd for February and March
- 4 March: In spite of two-year high crude prices, production levels were maintained (for RU and Kazakhstan slight increases)
- 1 April: Increase of production in May (0.6 mbpd), for June (0.7 mbpd), for July (0.8 mbpd), including the SA cut phase in, altogether 2.1 mbpd increase - in April market prices stabilise so far

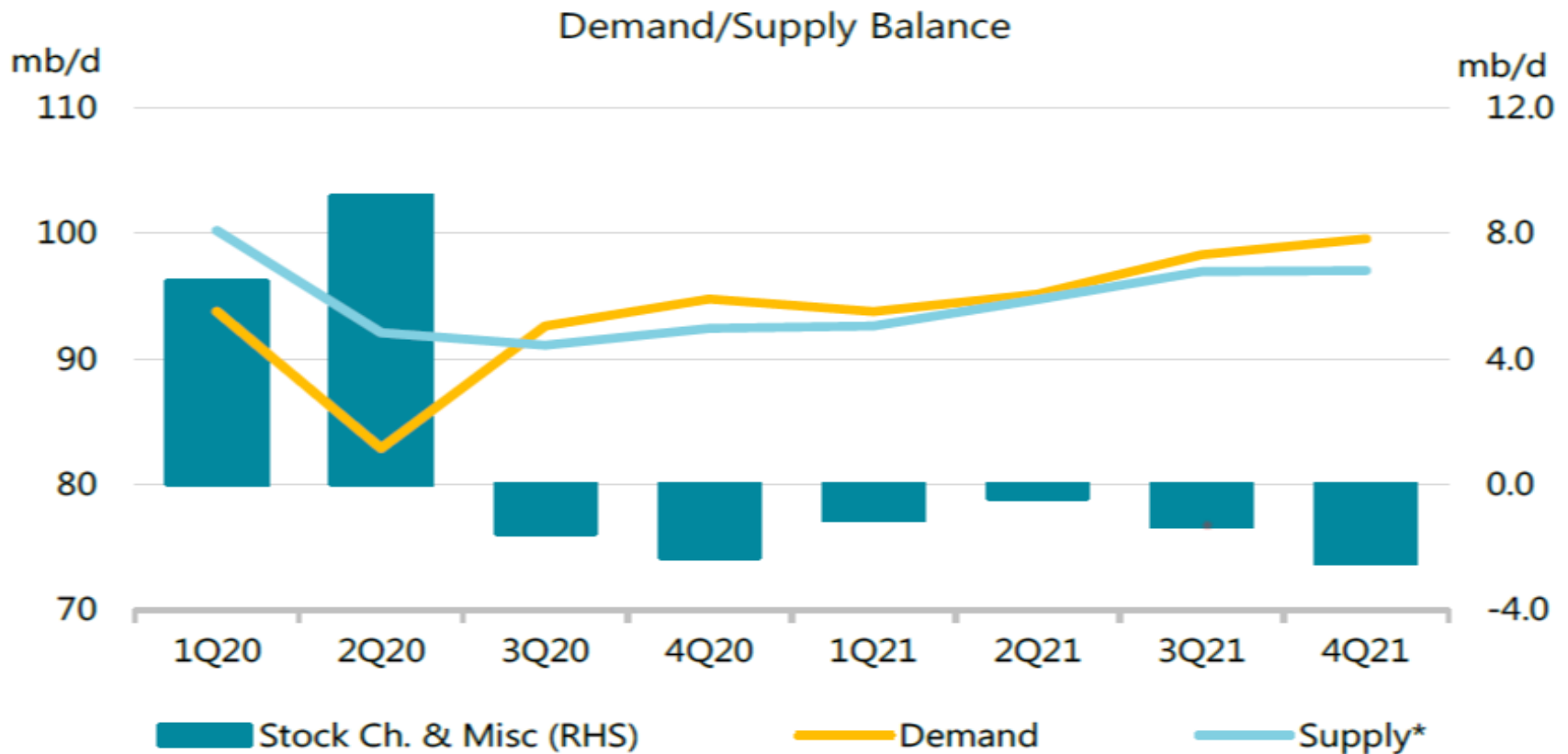
Supply side – other factors

- Owing to increasing crude prices, US shale oil production is increasing (higher rig counts 324 in April 21 - 190 in Aug 20)
- However, in February freezing weather put an obstacle to production and refining in the US (- 1mbpd)
- Decreasing industrial oil stocks in the OECD countries, but still high in historical comparison
- By the end of 2020 oil production in Libya, owing to cease-fire agreements between rival group, came back above 1 mbpd, and until April 2021 it stabilised at this level
- Iran is increasing its exports, mainly to China (600 thousand bpd), in spite of sanctions still in force, ahead of new negotiations



European
Commission

Demand-supply equilibrium



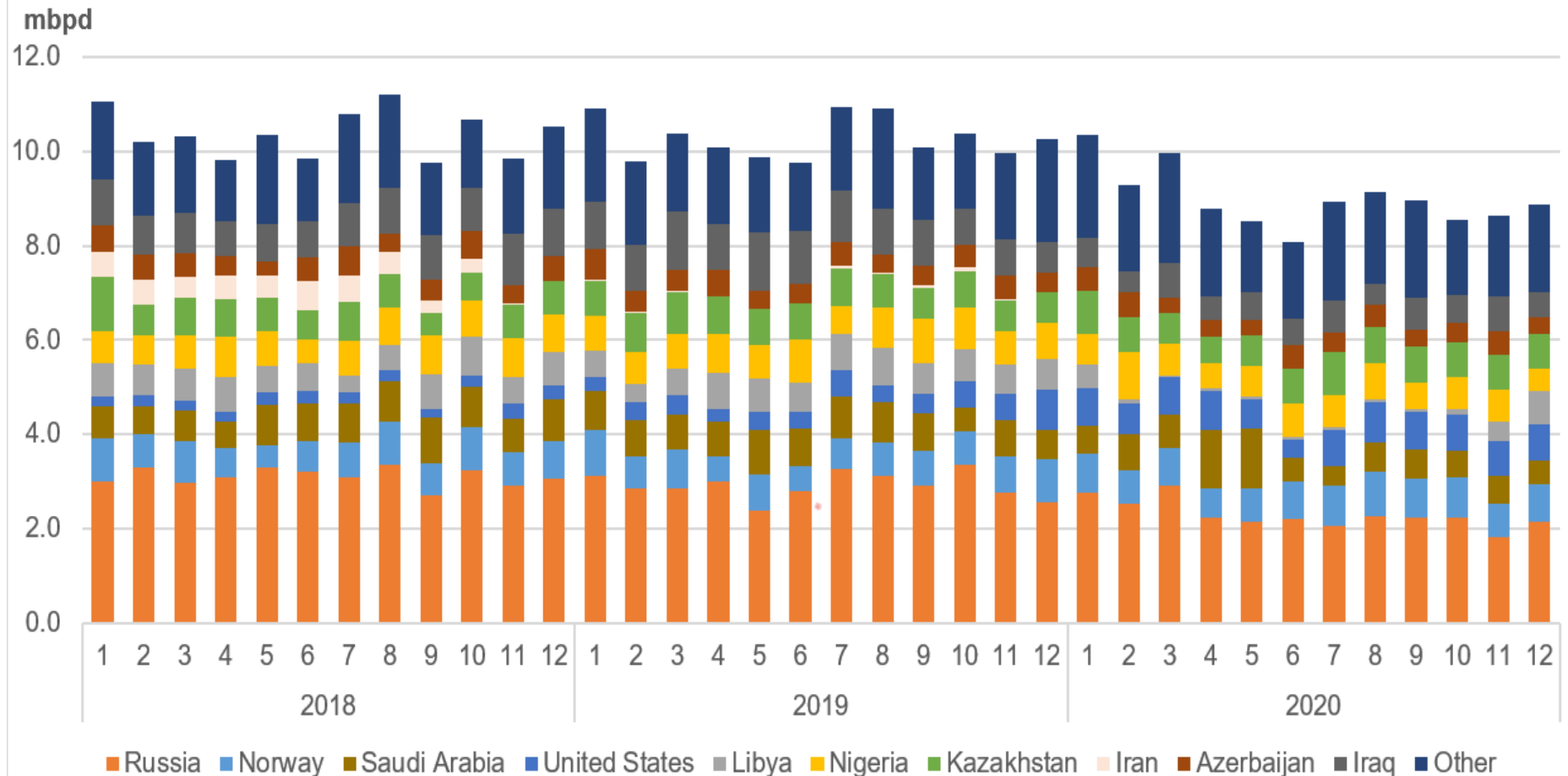
* Assumes 100% compliance with OPEC+ deal

Source: International Energy Agency



European
Commission

Monthly oil imports in the EU



Source: European Commission



Thank you!

