

Flash Note 06/04/2018

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Energy sector - Fighting the inevitable

- **(Price Positive in the short term)** – Russian Energy Minister Alexander Novak said that his country's cooperation with OPEC on oil production (output cuts) cut **could become indefinite** once the current output-cut agreement expires at the end of this year. Novak reiterated his proposal for the creation of a joint organization with the cartel to facilitate joint efforts with the oil market (this is to say that they will do everything possible to maintain the historically monopolistic character of the sector). Novak said other large oil producers could join. Meanwhile, Qatar argues it is too early to exit OPEC production cuts. Qatari Energy Minister al-Sada said OPEC and its allies should maintain their output curbs to guarantee healthy price levels that will allow increased investment in the industry and help prevent a long-term supply and price shock.
- **(Price Negative in the long term)** – As US production hits an all-time high led by output from the Texas Permian basin, pipelines are filling up more quickly than expected. With new pipeline projects scheduled for this year, producers may be forced to slow drilling or even shut in active production. It observes that pipeline utilization to the Gulf Coast has averaged about 89% this year, but **has been 96% in the last four weeks!!**

We keep our structurally negative view for oil price.

Best regards