

Flash Note
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Bad omens for oil lovers

As OPEC cuts, others exploit this circumstance, neutralizing the effects of the output cut agreement.

I have been informed that both European and Chinese oil traders are shipping a record 22M barrels of crude from the North Sea and Azerbaijan to Asia so far this month. Over 11M barrels of North Sea Forties crude have either been offloaded or are on their way to Asia, adding to a record 11M barrels of Azeri crude oil from Azerbaijan.

Unsurprisingly to me, It seems clear that oil traders have seen an opportunity, seeking to plug a supply gap left by OPEC production cuts, and are now selling North Sea oil profitably (after the recent rise in the price of crude) in arbitrage deals in Asia. As a result, seven supertankers have been chartered by traders and have either delivered or are expected to soon offload European crude to China and South Korea this month.

No surprises after all. In an energy market that has definitively mutated, what some ceases to do will be made by others, without the possibility to reach an absolute agreement at a collective level.

Kind regards,

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