

## Flash note 20/04/2021

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### Global political dynamics still favor an increase in oil price

Below I summarize the most relevant developments in the field of politics and the energy industry. I also point out the potential impact that each driver should have on the price of crude oil.

- **(Price Positive) – Saudi Arabia exports fall due to its voluntary cut in production:** Platts reported that Saudi Arabia drew on its stockpiles in February while exports fell, reflecting the impact of its voluntary 1M bpd production cut. Exports fell 957K m/m to 5.63M bpd in February, breaking a seven-month run of increased shipments. Total output was down to 8.15M bpd from 9.10M in January, while inventories fell 137.21M barrels in February to 134,572M barrels, the lowest since JODI began compiling figures in Jan-02.
- **(Price Positive) – China imports from Saudi Arabia rise on stronger demand and less port congestion:** China's crude imports from Saudi Arabia were up 8.8% m/m in March to 1.85M bpd (though below the 1.94M bpd from April), allowing Saudi Arabia to retain its position as China's biggest supplier for a seventh-straight month. Some of the gains were driven by a clearing of congestion in Shandong ports, which had previously slowed oil arrivals. Arrivals from Saudi Arabia are expected to drop further in April given the voluntary 1M bpd supply cut and the recent increase in prices of Arab light crude for the Asian market.
- **(Price Positive) – China's oil-product exports could rise more than 30% in 2021:** Platts reports that analysts expect China's oil-product exports to rise by 31.7% y/y in 2021 as the recovery in the jet-fuel market and an improving global economic backdrop supports demand. The country's product exports dropped 17.4% in 2020 on pandemic impacts on jet-fuel demand.

- **(Price Positive) – Vehicle miles traveled tops 2019 levels in the US for first time since before the pandemic.** Vehicle miles traveled on US interstates ended the week of (11-Apr) slightly higher than 2019 levels. A large portion of the boost was from trucking, which rose 7% vs the same period two years ago. Weekly passenger miles were just 1% below their 2019 level, but much higher than the -40% y/y for some points during the pandemic.
- **(Price Positive) –Shutdown of Dakota Access could bring 400K bpd off the market:** The operators of the Dakota Access oil pipeline argued in a federal court that the system's shutdown would be even more harmful than previously anticipated. The pipeline began operating in 2017, and was the biggest system carrying oil from the Bakken shale basin of North Dakota and Montana (and transports 570K bpd), but has been engaged in legal battles with Native American tribes and activists since before the line started construction. The DC Court canceled a permit allowing the pipeline to operate below the Lake Oahe waterway in North and South Dakota,. The US Army Corp of Engineers will conduct an environmental review to decide on the line.
- **(Price Positive) – Interior Secretary Haaland rescinded a previous interior department order to expand available acreage for oil and gas leasing in the National Petroleum Reserve in northern Alaska.** Around 18M acres were made available for leasing in December, up from the ~13M acres in a previous Obama administration plan. This means less potential output.
- **(Price Positive) – New US sanctions to Russia do not target energy sector but could signal moves to come:** Platts reports that while the US sanctions issued against Russia on 15-Apr do not specifically target the energy sector, but analysts note the structure of the sanctions leaves room for stricter moves to come. It notes that future targets could be the Nord Stream 2 pipeline (which has been the target of US criticism) or even energy projects in Russia or its overseas joint ventures.
- **(Price Negative) – A "new understanding" is taking shape in the talks with Iran to reissue the 2015 nuclear deal:** Iranian Foreign Ministry said that Iran welcomes the prospect of talks with Saudi Arabia in an effort to promote regional peace and stability. The two countries, which cut diplomatic ties in 2016, held talks in Baghdad on 9-Apr, with another round scheduled late in April. The talks come amid indirect approach between the US and Iran on a return to the 2015 nuclear deal (US

National Security Adviser Jake Sullivan described the talks as “constructive”). Meanwhile, Iran's Deputy Foreign Minister Abbas Araghchi said this weekend that a "new understanding" was taking shape in the talk and that Iran would start work on a full draft text for negotiators to discuss. Iranian officials said in April that “an interim deal on the 2015 nuclear accord could be a way to gain time for a lasting settlement”. Negotiators have begun drafting proposals for the US and Iran to return to compliance with the nuclear deal.

**Our strategy and recommendation:**

We still maintain our target range, with a defined strategy in which we would sell crude with the WTI (West Texas) above USD65pbl, and we would buy crude with the WTI below USD55 pbl (today a barrel of WTI is at 63).

All said, and although we left the upper limit of the range (Sale level) unchanged at USD65 pbl, the battery of facts expressed above leads me to think that the USD65 level could be surpassed during the next weeks.