

Geopolitical, Security and Political Risks for Oil and Gas Weekly Monitor

Jose Chalhoub

Political Risks and Oil Analyst

Global oil and gas markets close another week significantly plenty of volatility while still keeping their record high prices as supply and storage capacity remain the most important concern amid an ever growing demand while there continues to be significant disruptions and threats to new interruptions of both oil and gas supplies. On this here are the most significant geopolitical and political risks and threats this week:

1.) Ukraine: the war in Ukraine continues with Russia still determined to control all regions of Eastern Ukraine as President Zelensky keeps on calling and requesting for more weapons with Washington and NATO carrying out more military and financial aid prompting the recent swift response by Moscow through GAZPROM of cutting gas exports via the key gas pipeline NordStream to Germany and impacting other countries such as France, Italy, Austria and also Czechia after recently having cut off supplies to Poland and Bulgaria, prompting a spike in natural gas prices heightening tensions between the EU and Moscow while deepening the energy crisis in the continent while the recent actions of attacks against oil and gas facilities have escalated after a recent drone attack on a refinery in Rostov while tensions remain related to the ban on the transportation of goods to the enclave of Kaliningrad by the bordering Lithuania sparking frictions with Moscow.

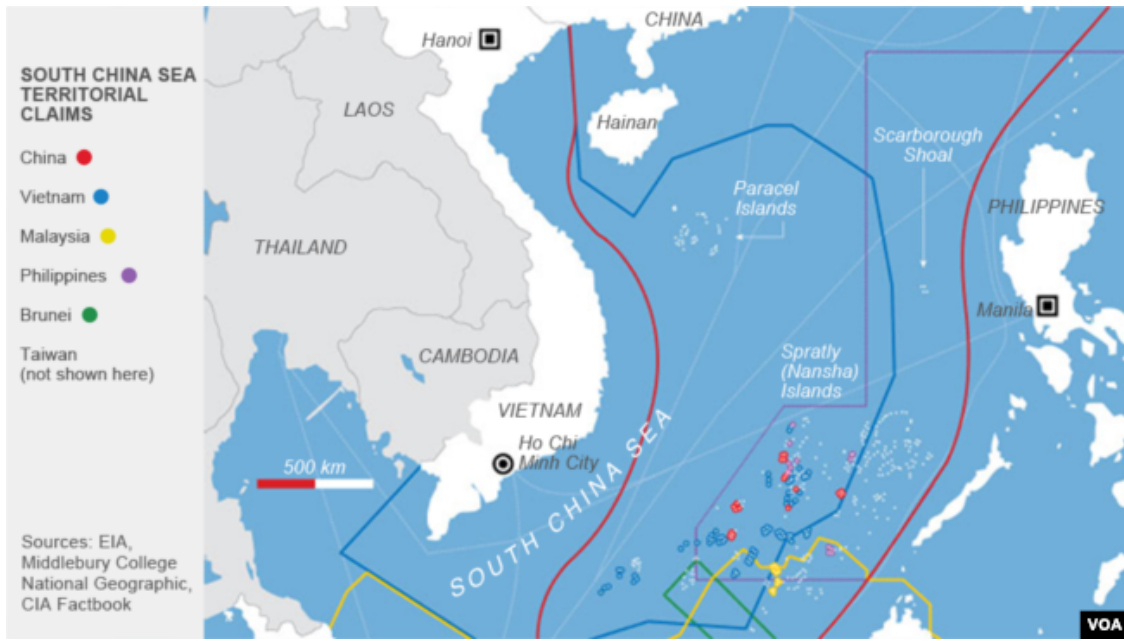


2.) Iran: no new developments have been made in the still stalled formal nuclear talks between the so called P4+1 including Washington and Iran over the potential retaking of the Joint Comprehensive Plan of Action (JCPOA) as the Biden administration and Tehran keep on stubbornly holding on their requests and demands in order to return to the talks and even more so after a recent skirmish in the waters of the Persian Gulf where a crew of a fast boat belonging to Iran's Islamic Revolutionary Guard Corps (IRGC) weaved headlong into the path of a US Navy ship in the Persian Gulf on June 20, in the latest tense encounter between the two adversaries in Middle Eastern waters.

3.) Libya: the country is still under a blockade of different ports and wells impacting severely its oil production even after recent statements by the oil minister informing on the jump of the production to around 700.000 barrels per day as there is still confusion and no clear data on the real rates of output as recent clashes in the capital Tripoli erupted between members of the conflicting parties struggling to control power without any real date set for elections in a protracted political and security crisis after the invasion and dethroning of former ruler Muammar Gaddafi by NATO forces.

4.) U.S.A: the Biden administration and the oil industry in the country continue to be confronted as the current White House keeps on blaming the sector and major oil companies such as EXXON, CHEVRON, OCCIDENTAL for the current high gasoline prices and calling out on to them and refiners to not profiteering on high oil prices and produce more gasoline while suspending for 3 months the federal gasoline tax and a retaliation by these companies in the continuation of this standoff seen by a political move by the WH as it is few months ahead of the called Midterm elections where it is not facing the best of moments and spiraling high gasoline prices across the U.S.

5.) Philippines: the government of Rodrigo Duterte stated that it has terminated talks with China where it was discussing joint projects in the South China Sea after his government ordered an abrupt end of the negotiations with Beijing after announcing Manila has not been achieving any benefits of these joint projects and in an area where Manila and Beijing have been in disputes on areas which China claims to be of its own in the fiercely contested oil rich waterway.



6.) Kurdistan, Iraq: a rocket launched impacted the Khor Mor gas field located in Iraq's northern city of Sulaymaniyah, in the iraqi Kurdistan and operated by the UAE based company DANA GAS although without causing major damages or interruption to the production of the field, which mostly produces for local consumption and currently producing around 15.000 barrels per day of condensates, 450 million of cubic feet per day of gas, having started operations in 2008 in the middle of ongoing disputes between Baghdad and Kurdistan for the legal aspects of the Kurdish oil production which Baghdad rejects its autonomous control and wants to have all power of their operations in the Kurdistan.



Assessment: geopolitical risks affecting current global oil and gas markets so far, critical to monitor regarding its potential or direct impact on supplies, as world markets are facing increasing demand for this year and next year with an OPEC+ already repeatedly stating that its facing important problems with its overall supply and reporting for the month of May an under compliance of 176.000 barrels per day which if adding to them the current forced disruptions in critical spots such as Libya (already down almost 1MMBPD) and any potential threat of disruptions on countries such as Saudi Arabia, Iraq to name some while coupled with the coming effects of further vanishing of russian oil off the markets, the situation might worsen even more in the coming months.

Meanwhile, important meetings are being held regarding the BRICS in Beijing as Moscow and Beijing are deepening commercial and energy ties just as they are seeking ways to create a new alternative financial system as a consequence of the sanctions against Russia and the war in Ukraine, while NATO is set to meet next week in Madrid where the alliance is poised to discuss the admission of Sweden and Finland as security and energy threats continue for the EU from Moscow in an ongoing evolving geopolitical dynamics where the existing blocs seem to be redesigning and adjusting to the new security and energy realities while new blocs are on the path to emerge with implications to global oil, gas and commodities markets in general.