

Oil and Gas Markets Brief

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1.) The closing bell: oil futures closed trading day on Monday in Europe (markets were closed in the US due to the Juneteenth holiday) marked by a drop in the Brent price settling at \$114.13 per barrel while the WTI also dropped to trade at \$108 per barrel as fears over the onset of a recession continues while also due to important problems faced by idling refineries in China as a consequence of the recent lockdowns imposed in different cities like Shanghai, key port, while inflation continues to hit different prices of commodities including oil as it is expected more interest rates hikes by the US Fed for next July amid a growing demand for oil and marked by the still unfolding war in Ukraine, prompting many European countries to rush signing in different LNG deals with countries like Qatar to secure gas supplies in the coming months and years.

In this sense, some points worth mentioning are the recent inking of a deal between the Italian large oil and gas company ENI with Qatar Energy to participate in projects of LNG plants and facilities in order to ramp up imports of LNG amid a rush of different European countries to switch to using coal and secure more gas for their storage after Russia has been reducing its gas exports to countries such as Germany, Austria, Italy and France, as the EU continues to ramp up its pressure against Moscow to push for a stop of the conflict in Ukraine and also ramping up the sending of weapons along with the US to the Ukrainian resistance.

Meanwhile also important to highlight is some points released by the JODI's most recent report, an initiative between the OPEC and others such as International Energy Agency to improve transparency in information publishing, where it reported for example that Saudi Arabia jumped its exports of oil for April to 7.38 MMBPD but with a lower refining intake which fell to 2.5 MMBPD in April and with inventories rising to 139.5 MMBIs while exporting 1.4 MMBPD of refined products and with the world oil demand having dropped in April with global commercial stocks increasing, ahead of the upcoming addition of 648,000 barrels per day in July agreed by OPEC+ in its last meeting. Here is the link to the JODI report: <https://www.jodidata.org/oil/>.

Meanwhile, the dollar dropped slightly in today's trading session, closing at 104.36 in the dollar index, while the euro gained some to close trading session at 1.05 , coupled with a slight gain for gold to trade at \$1840, silver at 21.5\$ and wheat dropping around 5% to close trading at \$1032, while its important to mention that the ruble reached a new record high to close trading session at 55.5 RUB-USD, amid the continuing pressure and demand by the Kremlin to pay for its gas and oil exports in rubles to its clients in Europe but with now some concerns by the Bank of Russia of having too strong a currency that could dampen the country's own exports due to the rising value of the ruble against the dollar in whats being a strategy by Moscow to wean itself off the use of the dollar just as it announced it was replacing the SWIFT by creating its own blockchain system for its international payment transactions.

Natural gas prices: natural gas prices increased for their contracts in July in Europe at the TTF Hub in Netherlands trading at 125.6 euros per MW-H as the crisis continues unfolding in Europe with Moscow continuing cutting supplies of gas by around of half the normal exports to countries such as Italy, Germany, Austria, Czechia, France, Netherlands, prompting their recent announcement of switching to use of coal and rushing to get more supplies for their storage and also after news breaking out on GAZPROM rejecting to book additional gas supplies to Europe via Ukraine, deepening the gas supplies concerns and crisis across the european bloc.

Also interesting is that this situation has prompted the government of the Netherlands to activate what calls an energy crisis plan and ramping up the production of around 2.8 billions of cubic meters of gas from the country's largest and most prominent field Groningen as the domino effect grows amplifying the gas crisis in the continent.

Geopolitical risks and developments: the war in Ukraine continues its impacts to global oil and gas markets as Russia continues its advances in Eastern Ukraine now planning to further advance and break the resistance in the Luhansk region by the Ukrainian forces in a war that as the UK Chief of Staff warned that it could expand all across Europe to which it warned the British army to prepare for a full scale confrontation simultaneously to NATO chief warning that it could last for years. Also important to add the standoff almost simultaneous that the Kremlin faces with Kazakhstan as it blocked exports of Kazakh oil via the CPC pipeline while the Lithuanian government banned the transit of goods between the russian enclave of Kaliningrad to the rest of russian regions while the Kremlin seemingly is in retaliation against Kazakhstan government for its recent statement against the recognition of Donetsk and Lugansk as

independent republics, provoking this move by Moscow waging the use of energy as a geopolitical tool.



Map of the location of the enclave of Kaliningrad, key port and an oblast of Russia.

The situation of shutdown of production of a key oil exporter to Europe such as Libya seemed to experience an improvement as it suddenly jumped to 800,000 barrels per day after some fields have been coming back online according to statements from the nation's oil minister although without any clear path for the current situation of blockades and amid a still acute and uncertain political standoff impacting severely its oil industry.

Meanwhile, the election of the leftist former Bogota mayor and former guerrilla member Gustavo Petro as president of Colombia, known for his staunch anti oil and anti fracking position and threatening to eliminate oil production and extraction in the country already impacted the country's different oil companies stocks in Canada while waiting for the US markets to open as there are concerns and risks on what specific agenda the elected president might carry out regarding the current Colombia's oil sector and the direction its oil company ECOPETROL could take as it has become an important oil player and also exporter to countries like the United States.

To watch this week: the unfolding of the war in Ukraine and what other gas and oil consequences it will have, inflation data updates for the UK and Japan, consumer confidence readings in the UK and the eurozone, the release of the EIA weekly report, measures and agendas by Gustavo Petro in Colombia, the situation of state of emergency in Ecuador and current state of emergency impacting its oil production