**Oil and Gas Markets Brief**

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**1.) The closing bell:** oil futures closed trading day on Tuesday with a reverse to previous losses as the Brent jumped back to settle at $115.7 per barrel while the WTI also jumped around 1% to settle at $109.2 per barrel as summer season demand continues to grow as it finally sets in Europe and the U.S. while there are still important concerns regarding global supplies as the global oil markets continue remaining in a tight mode while at the same time there are still some flashpoints of disruption of supplies such as in Libya, Ecuador and Kazakhstan just as spare capacity and problems with compliance of some members of OPEC+ such as Nigeria and Angola with their quotas have been unsolved so far.

In this sense, its worth highlighting recent statements coming from EXXON ($XOM) CEO Darren Woods in the context of the Qatar Economic Forum on the issue that global oil markets may remain tight between 3 to 5 more years mainly and mostly as a consequence of the lack of investment produced as an aftermath of the pandemic, while also in the same tonic statements coming from the giant oil trading company VITOL CEO Russell Hardy saying that oil markets have been tightened by an overall upstream and downstream capacity crunch which are unlikely to loosen much unless there's some abatement in the global demand where significant amount of extra investment is urgently needed just as the world faces a relatively tight refining situation, altogether causing the current situation of high oil prices.

Meanwhile, the dollar dropped slightly in today's trading session, closing at 104.21 in the dollar index, while the euro gained some to close trading session at 1.053 , coupled with a slight drop for gold to trade at $1838.5, silver jumped around 2% to settle at 21.7$ and wheat continued dropping around 6% to close trading at $978, while its important to mention that the ruble reached a new record high to close trading session at 53.7 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 and 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.

**Natural gas prices:** natural gas prices bounced in US markets around 3% to settle at $6.88 MMBTU as the gas crunch and crisis continues in Europe after Russia announced it was cutting gas exports to another country such as Greece as GAZPROM stated it was due to maintenance works in its operated Turkish Stream that delivers gas to Greece via Turkey adding it to the growing list of countries that have been subject to interruption of gas supplies from Russia such as Italy, France, Poland, Bulgaria, Denmark, Finland as the war continues impacting the energy geopolitics in Europe and pushing countries to turn to the use of coal as they rush to secure additional supplies of gas for their storage for the arrival of the winter season while the key facility of exports of LNG from the US, Freeport LNG in Texas, continues under repair works that will last around 3 months.


**Geopolitical risks and developments:** the war in Ukraine continues 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. At the same time, all the diplomatic and geopolitical attention remains centered on the standoff over the ban of transports of goods to the port of Kaliningrad, a russian oblast enclave near the border with a NATO member such as Lithuania who enforced the ban as part of the recent package of sanctions against the Kremlin that prompted strong reactions by Moscow and which could spark another entirely new phase of the conflict if Putin decides to take more aggressive steps against a member of NATO if the ban persists or potential new retaliations such as further blocks of exports of wheat or more cuts of exports of gas to more EU members.

Meanwhile, according to a recent claim, Estonia's defense minister accused Russia of multiple border violations by helicopters and simulation of missile attacks on the country ahead of NATO's summit next week as more tensions and frictions grow amid speculations that the Baltic could be the next theater of war for Russia as there does not seem that any peace negotiations could be carried out between Kiev and Moscow to reach a deal while the EU seems to rush out on the acceptance of Ukraine membership into the bloc.

The 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 and without any clear picture of what the trend of current production in the country will be being that unstable and with the possibilities of persistent blockades of ports and wells as long as there is no final solution to the current political deadlock that faces both conflicting governments.

At the same time, the situation of emergency in Ecuador continues by indigenous groups while also PETROECUADOR continues in the force majeure of production operations and running the risk of penalties on its contracts for cargoes and exports if the current situation remains the same as the unrest continues mainly centered in the capital Quito and 3 provinces against fuel prices hikes and against current economic crisis in the country.

**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, the situation of state of emergency in Ecuador and current state of emergency impacting its oil production.

**Assessment:** All in all, global oil and gas markets are going through a multilayered problem of supplies shortages and lack of further investments currently mixed with current geopolitical risks adding more extra supplies shortages or interruptions mainly as a consequence of the war in Ukraine and other spots, global refining problems and lack of investments as well impacting prices of oil products at the same time, which could in the medium and long term provoke a forced demand destruction and a drop of prices that could simultaneously, depending on the level of drop of prices, discourage new investments in new projects by international oil companies, while this situation of global conflict has proved the strategic current relevance of oil, gas and coal as main drivers of the energy mix and the economy.