

Oil Price Turmoil

Situation Assessment and Outlook

Special Webcast
Thursday, April 28th, 2022

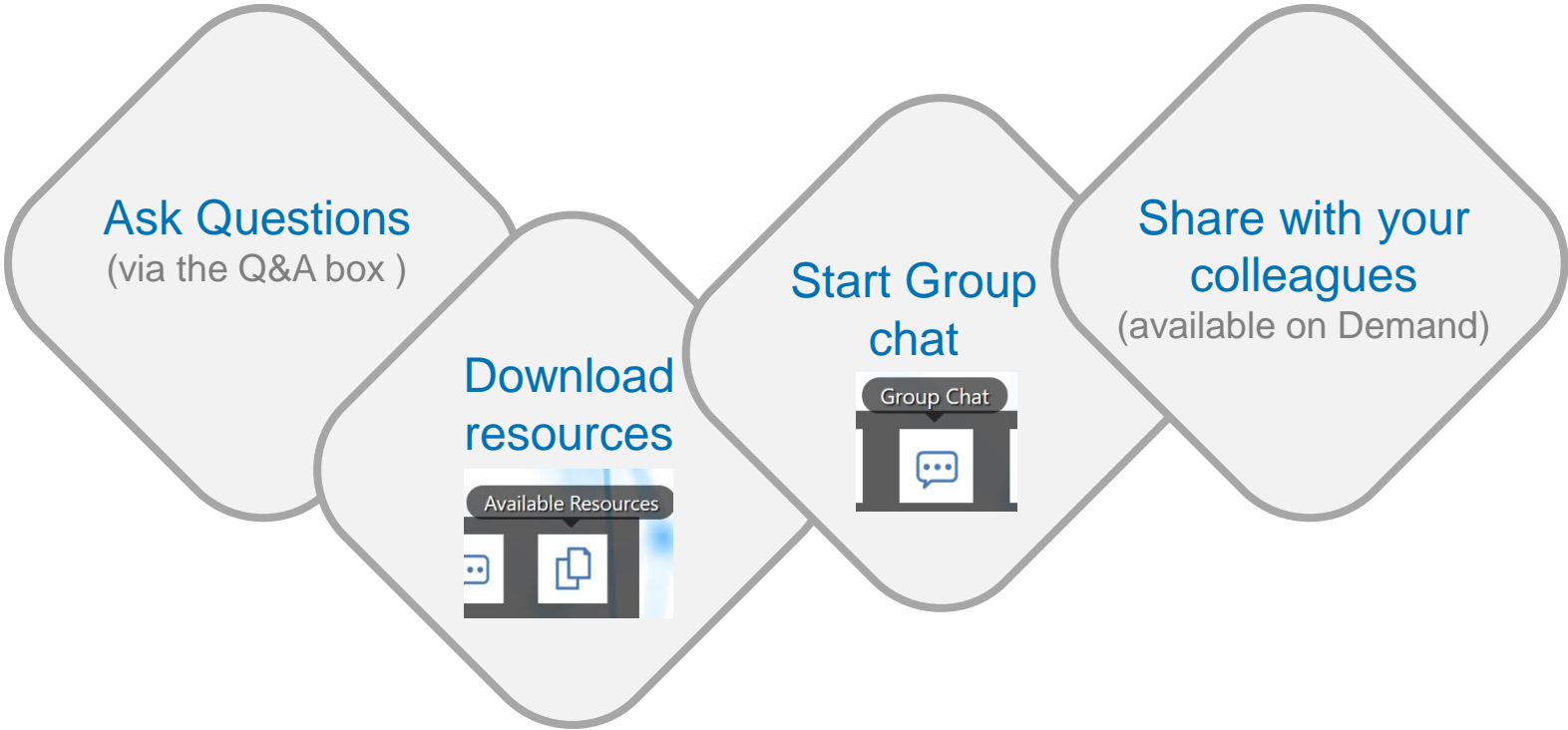


Questions we will be exploring today

- What is different between the current surge in global oil prices and previous oil crises?
- What scenarios are possible and how likely are they to bring prices down?
- What has China's position been so far and how might it change if the Ukraine conflict intensifies?



Making the most of the webcast



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Today's panelists



Hiba Itani
Senior Economist, Gulf Center
The Conference Board



Yuan Gao
Senior Economist, China Center
The Conference Board

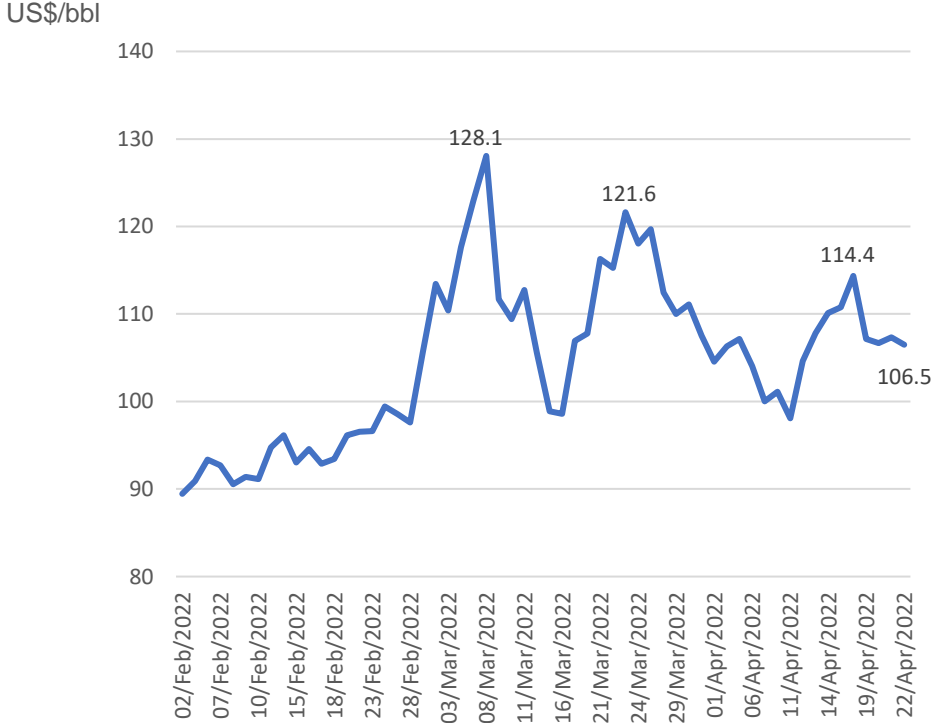


Anke Schrader (Moderator)
Research Director, Asia
The Conference Board



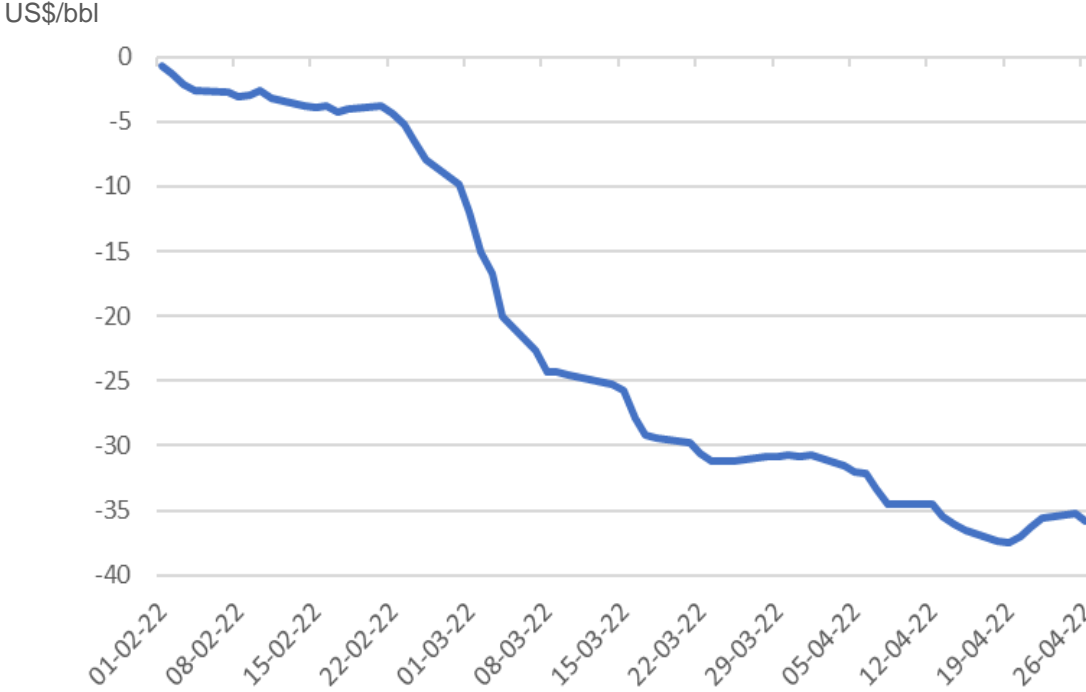
2022 looks like a volatile year for oil prices

Global oil market is going through a fourth cycle



Source: Haver

While Russia's Urals mark big differential to Brent

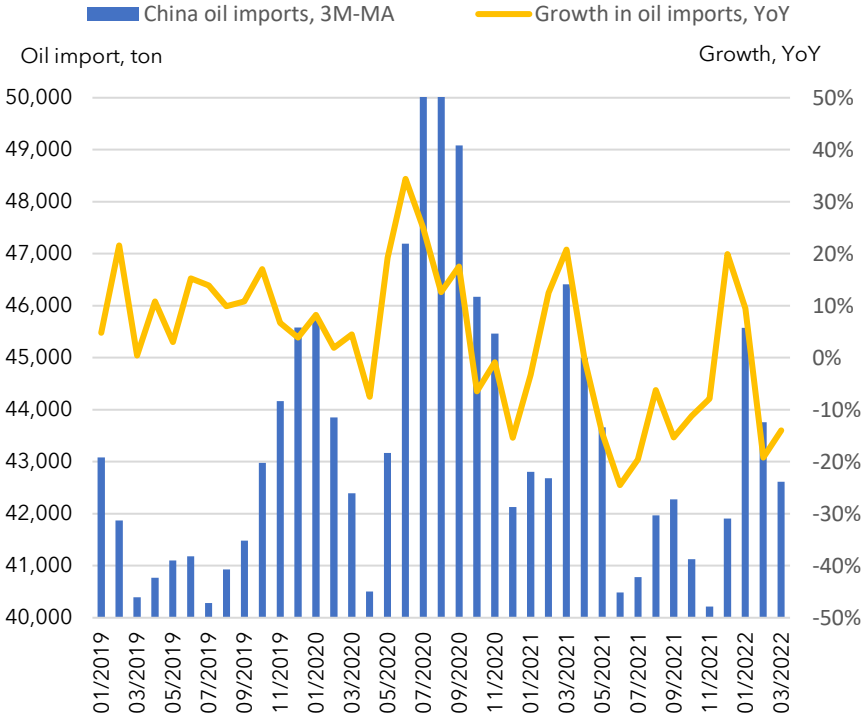


Source: Thomson Reuters



Worst COVID disruption since early 2020 is weighing on China's energy demand

China's crude oil imports has declined since mid-2021



Sources: CEIC, The Conference Board

China's power production growth dropped sharply in March amid COVID disruption



Sources: CEIC, The Conference Board



Poll 1

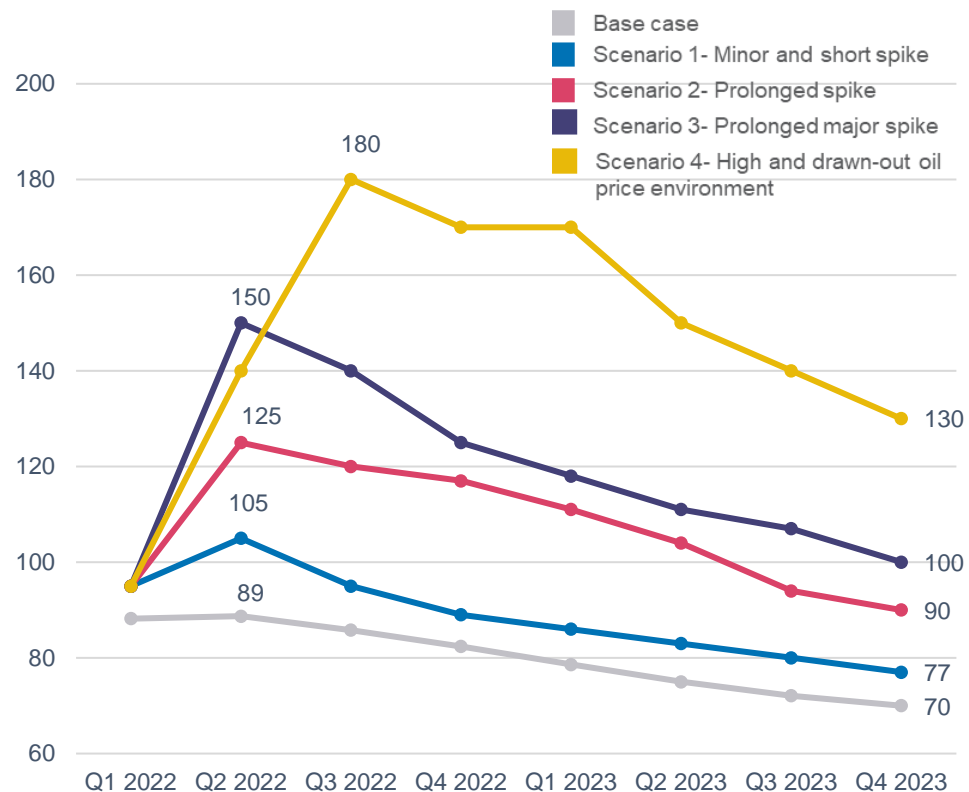
In your opinion, how do you see the trajectory of oil prices during the next 6 months compared to now?

- a. Steeply upward
- b. Moderately upward
- c. Flat
- d. Moderately downward
- e. Steeply downward



Uncertainties dominate the global oil market

Scenarios for Brent Oil Price in 2022 and 2023



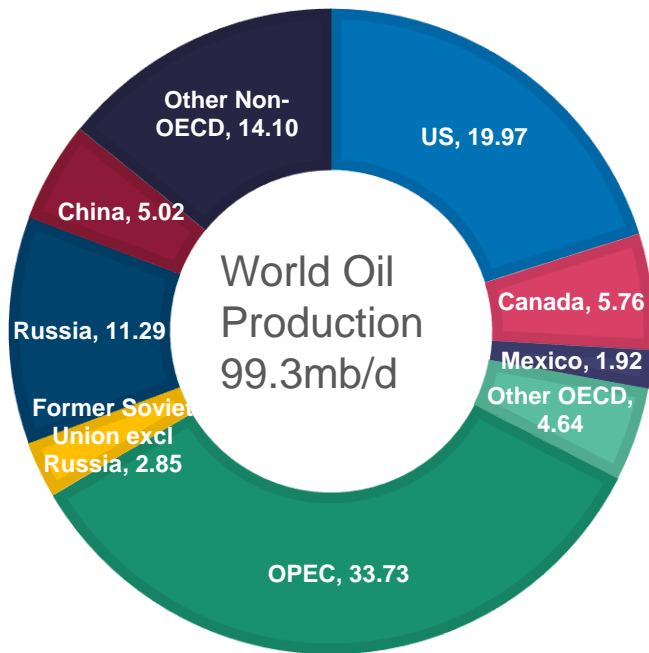
Source: The Conference Board

- **Oil Scenario 1** – In case of a full invasion of Ukraine, sanctions are imposed on Russia – however US and EU shield the oil market by not politicizing the oil market. This will result in a **minor and short spike in oil prices**.
- **Oil Scenario 2** – Russia intensifies its aggression on Ukraine. The turmoil appears to last for several months before reaching an agreement. Major oil companies exit from Russian projects. Oil prices will go through a **prolonged spike**.
- **Oil Scenario 3** – OPEC+ intervention in the market remains negligible in face of rising Russian oil and gas shortages. The oil supply gap widens resulting in a **prolonged major spike**.
- **Oil Scenario 4** – Oil and gas embargo is imposed on Russia as threats of use of nuclear weapons intensify. The US and OECD oil exporters will then intervene extensively by increasing shale production and releasing barrels from SPR, and OPEC and Iran will try to fill the gap. However, the market remains unbalanced resulting in a **high and drawn-out oil price environment** despite an oil demand slump.



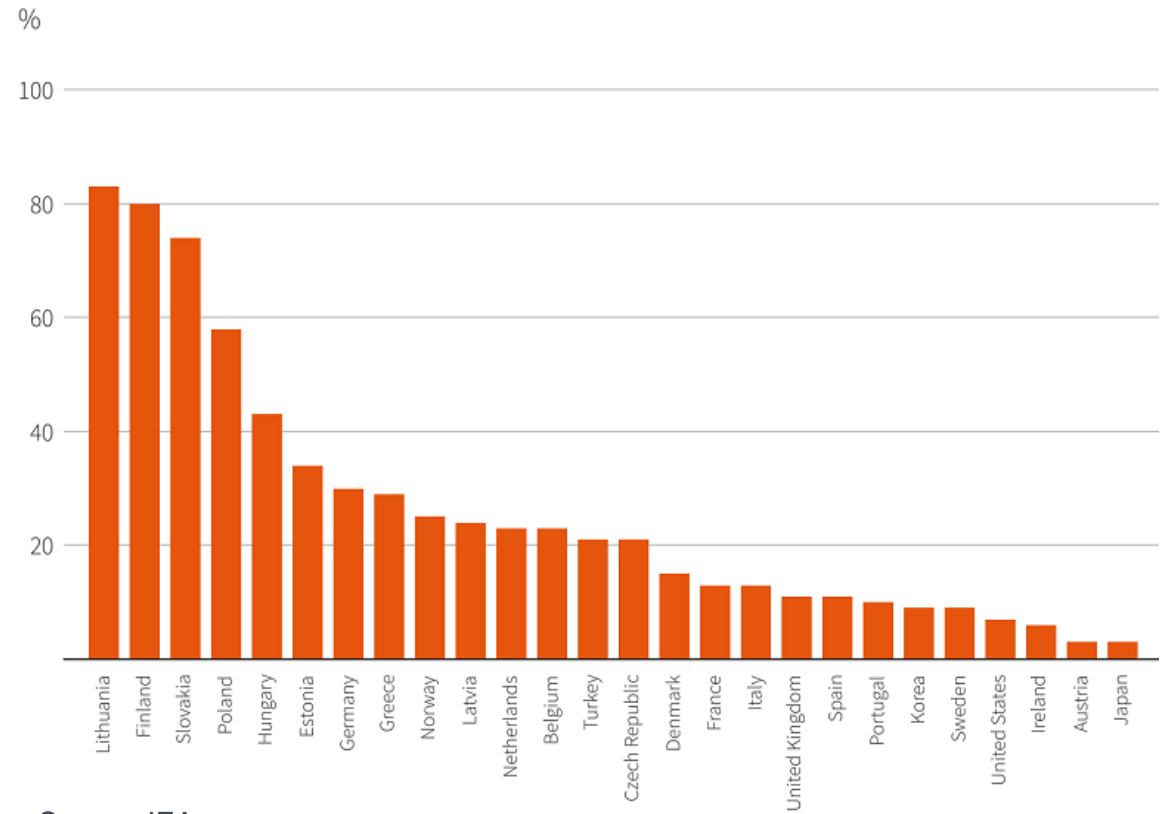
How much oil and gas are at risk?

World Oil Production as of March 2022



Source: EIA

Europe high dependency on Russian oil, gas and coal

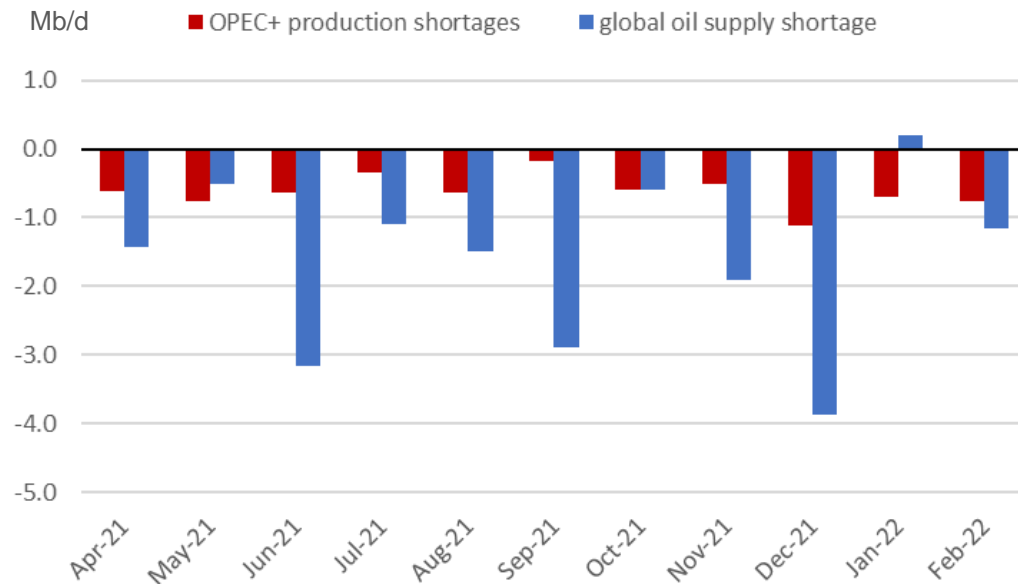


Source: IEA



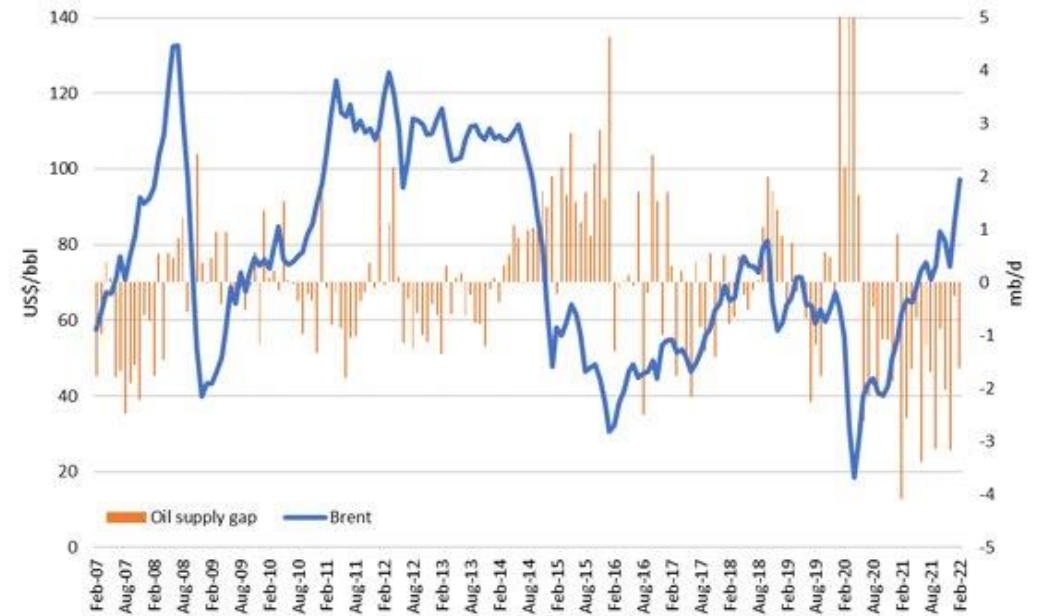
Geopolitics rather than fundamentals are driving energy prices up

OPEC+ continuously falling short of their production targets



Sources: S&P Platts, EIA

Oil crisis during the last two decades



Sources: EIA, The Conference Board



Q&A

