# Europe After The Russian Invasion Of Ukraine

## *How Are We Coping?*


Ian Moore – Director of Markets

The Oil Market Journal

# About Us

**The Oil Market Journal**
About Us

- OMJ provides intraday oil prices, energy news & analysis

- Clients in 45+ countries ranging from governments, oil companies, transportation and industrial oil buyers

- Partners with Platts, Argus & Dow Jones, ICE and over 20 global commodity exchanges

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Founded in 1999

Provides a low-cost solution

Easy to use and deploy

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# Geo-political Background

# Market Background
## Saudi, US and Russia Policy Decisions

| Country | Date | Event |
|---|---|---|
| Saudi Arabia | 2nd October 2018 | **Saudi dissident murdered in Saudi Consulate, Istanbul** |
| US | 20th November 2019 | **Joe Biden says he will make Saudi a pariah state** |
| US | 21st January 2021 | **President Biden bans drilling for oil on Federal land** |
| US | 11th March 2021 | **$1.9 trillion stimulus package** |
| US | 30th August 2021 | **US and NATO Withdrawal from Afghanistan** |
| Saudi Arabia | 4th October 2021 | **OPEC+ fails to increase oil supply by sufficient volumes** |
| Russia | 24th February 2022 | **Russia invades Ukraine** |

## Market Background
Implications

- US relations with Saudi Arabia damaged

- US shale sector growth constrained

- Surge in economic activity and commodity demand at a time when economy was already recovering

- Afghanistan withdrawal damaged US, undermined NATO, and emboldened Putin aggression

Russian deputy Prime Minister and former Russian Energy Minister
Alexander Novak and Saudi Arabian Energy Minister
Prince Abdulaziz bin Salman Al Saud at the OPEC Headquarters, Vienna.

**No excuse for:**

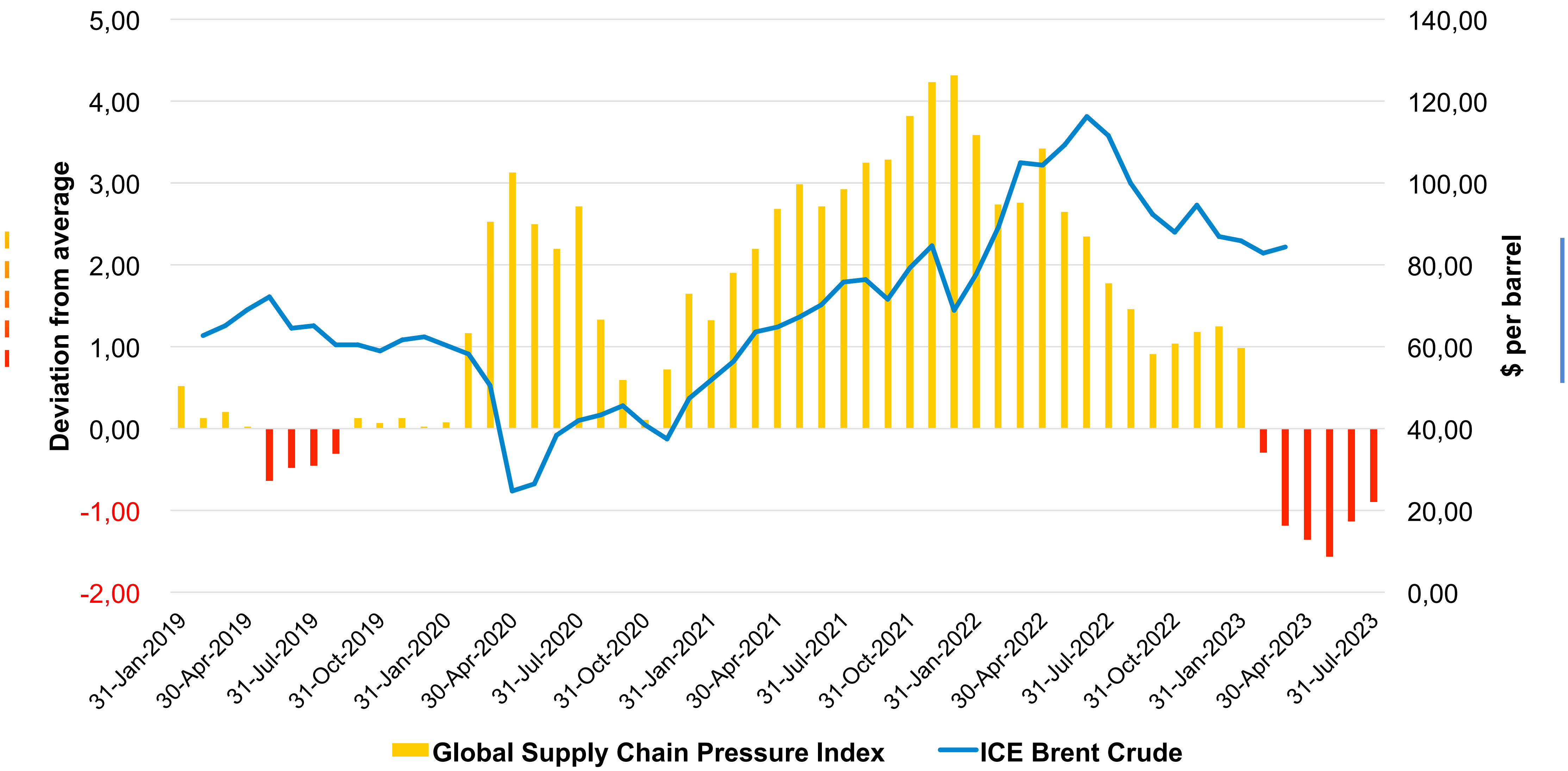
- Unlawful and evil invasion of Ukraine by Putin's regime

**Little excuse for:**

- Saudi Arabian avarice

# Economic Implications

# Global Supply Chain Pressure Index




Source: ICE, Federal Reserve Bank of New York, https://www.newyorkfed.org/research/gscpi.html.

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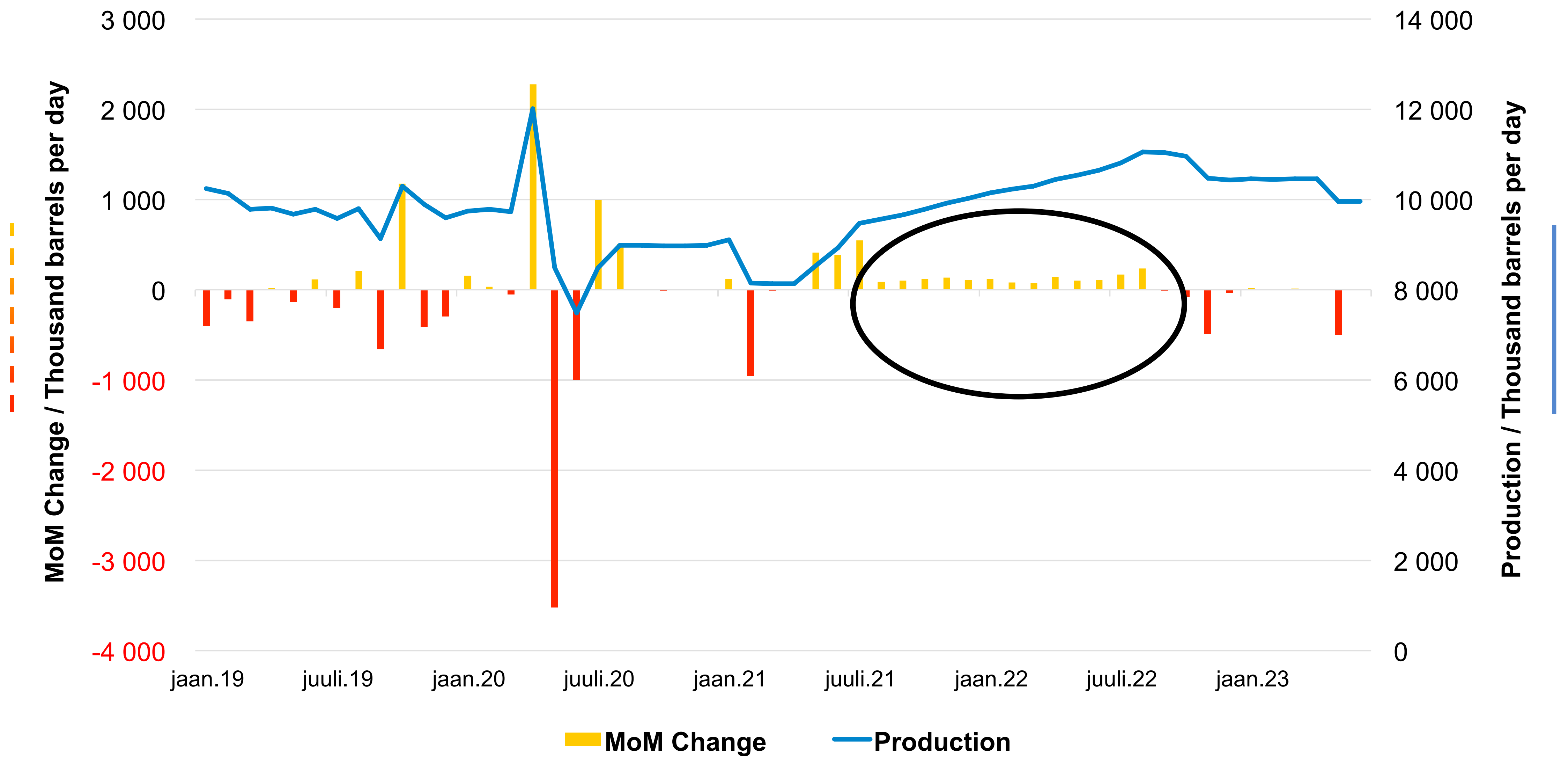
# Saudi Arabia – Crude Production




Source: JODI

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# Policy Corrections

## **Market Background**
US Policy Corrections

- **Federal Reserve interest rate hikes moderated demand**
- **SPR release moderated oil prices**
- **Biden allows drilling on Federal Land (Willow Project)**

**However….**

- 6th September 2023, Biden bans drilling in the National Petroleum Reserve in Alaska

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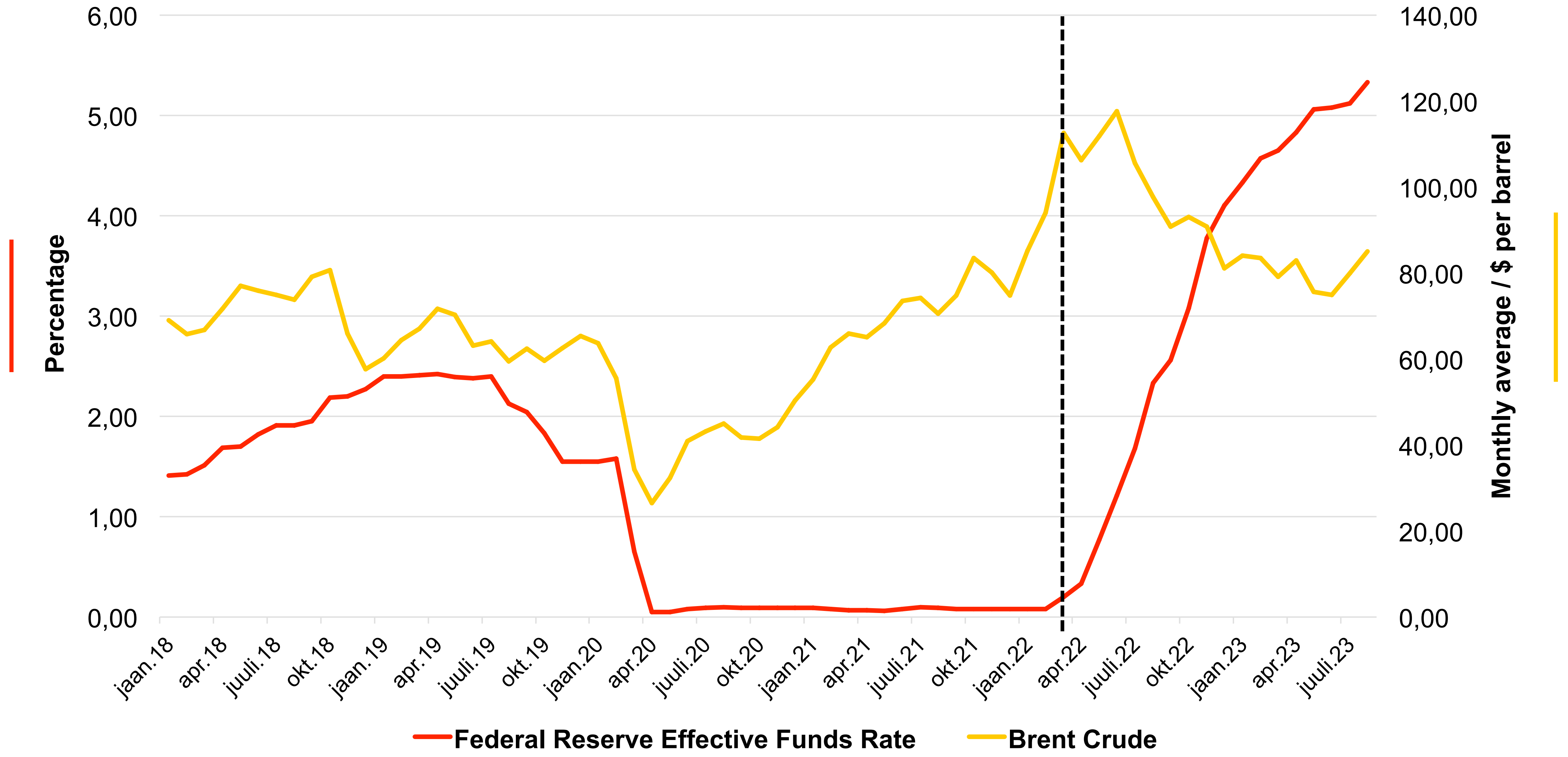
# FED Hiked US Interest Rates




Source: ICE, FRED

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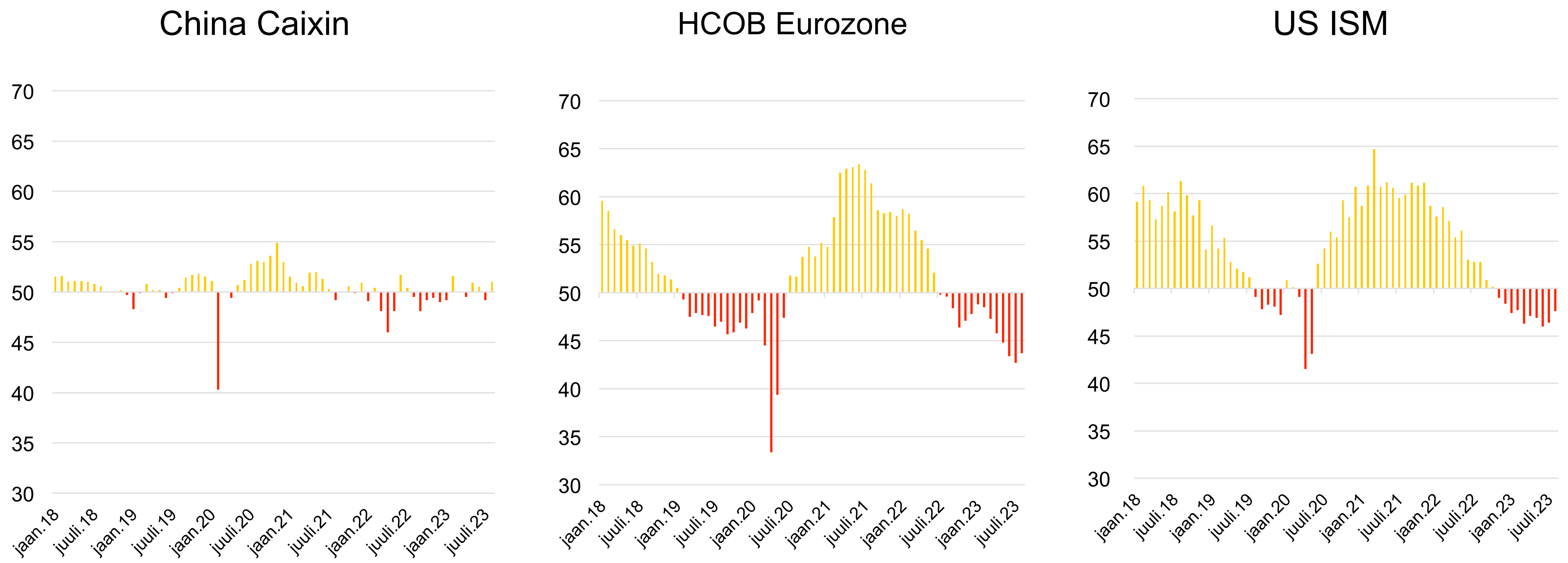
# **Slowing Global Manufacturing**
## International Manufacturing PMIs




A reading below 50 indicates contraction

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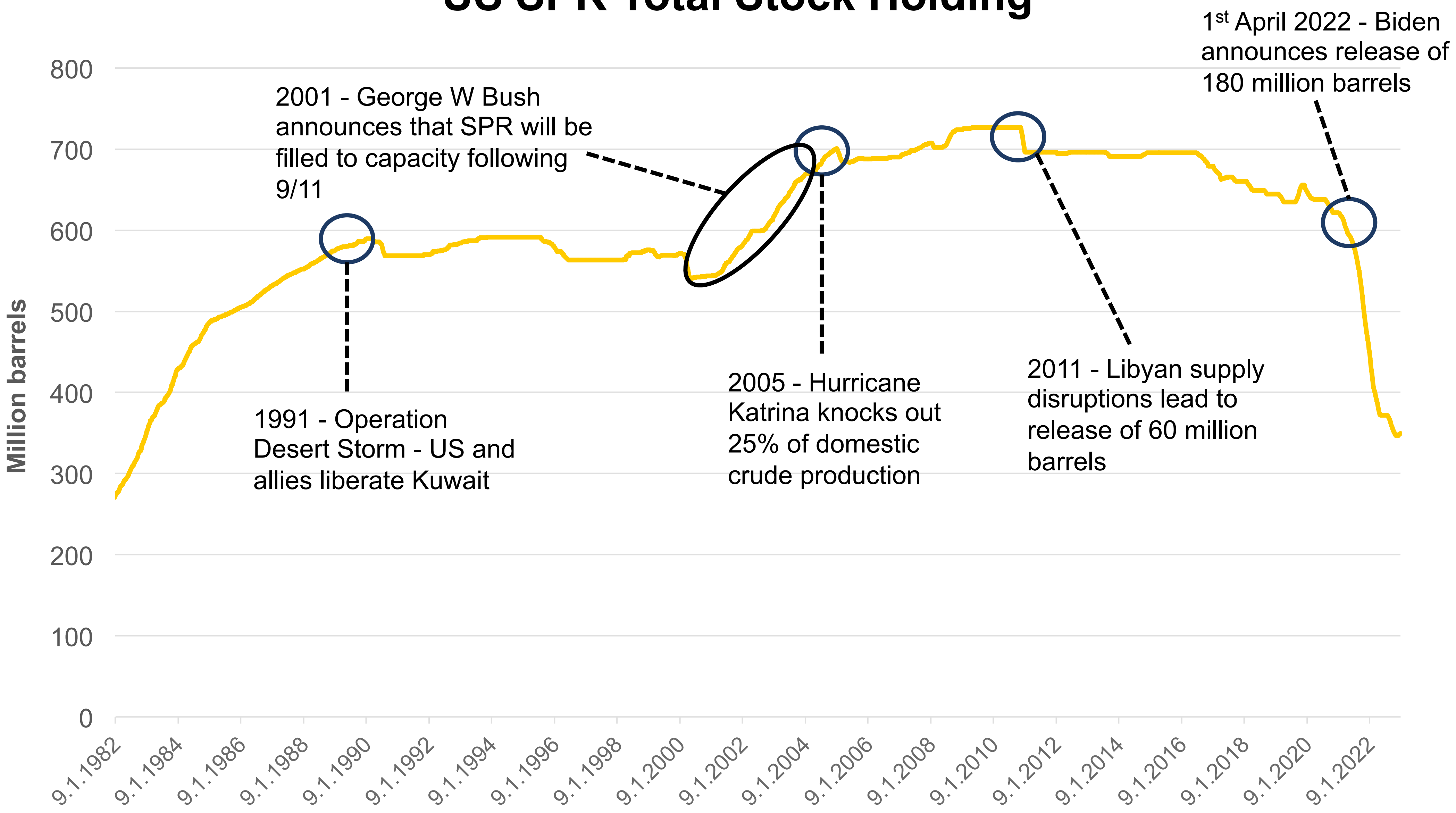
# US SPR Total Stock Holding




Source: US EIA

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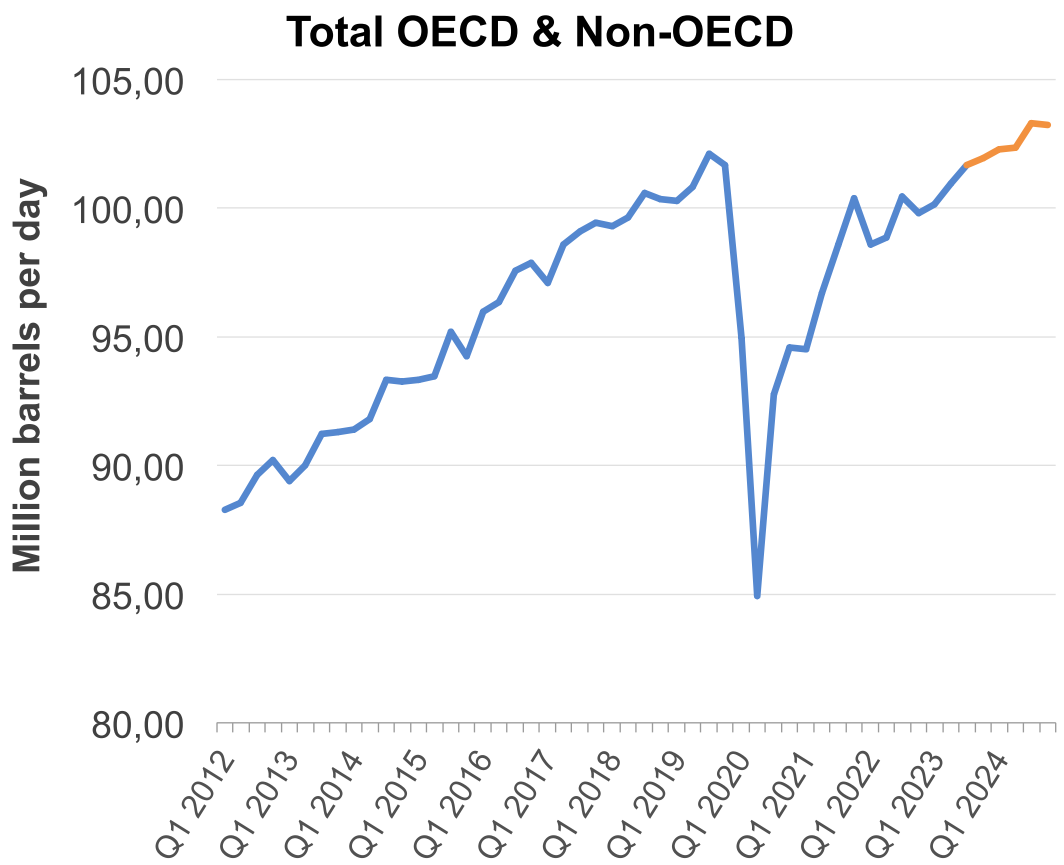
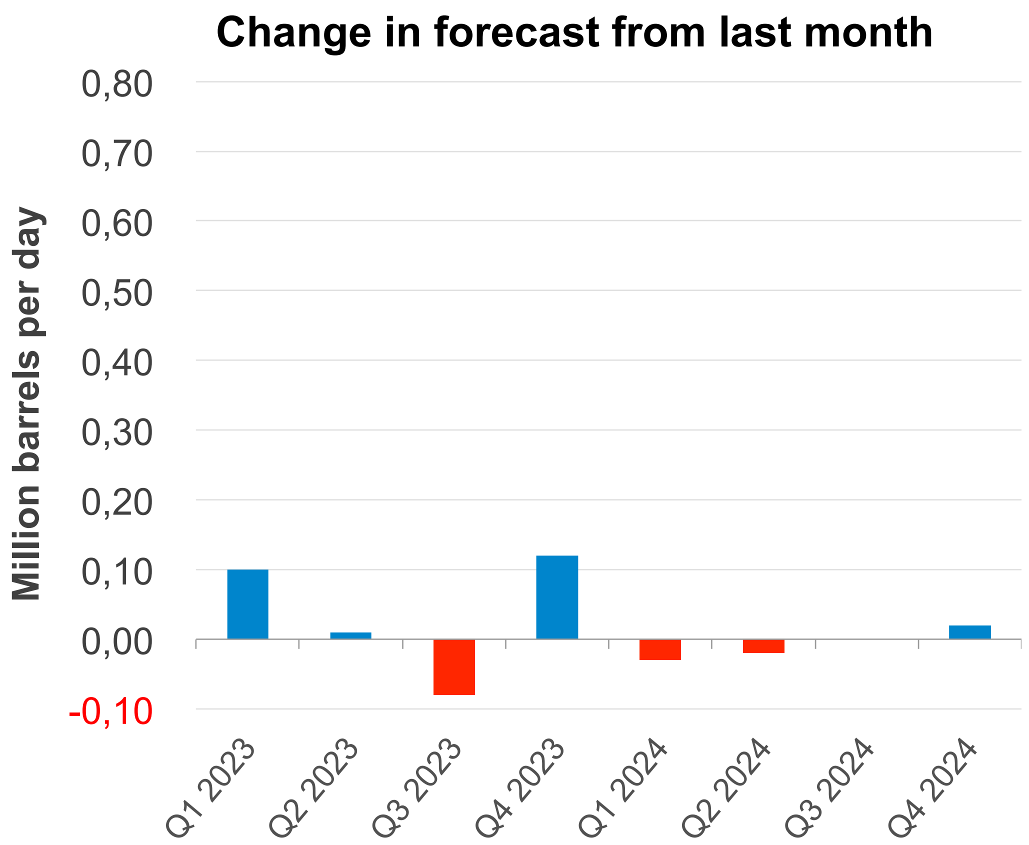
# Global Oil Supply and Demand

# Global Crude Demand Forecasts
(August Data)

| Year | Demand m bpd |
|---|---|
| 2023 | 101.19 |
| 2024 | 102.80 |




Source: US Department of Energy, EIA, STEO

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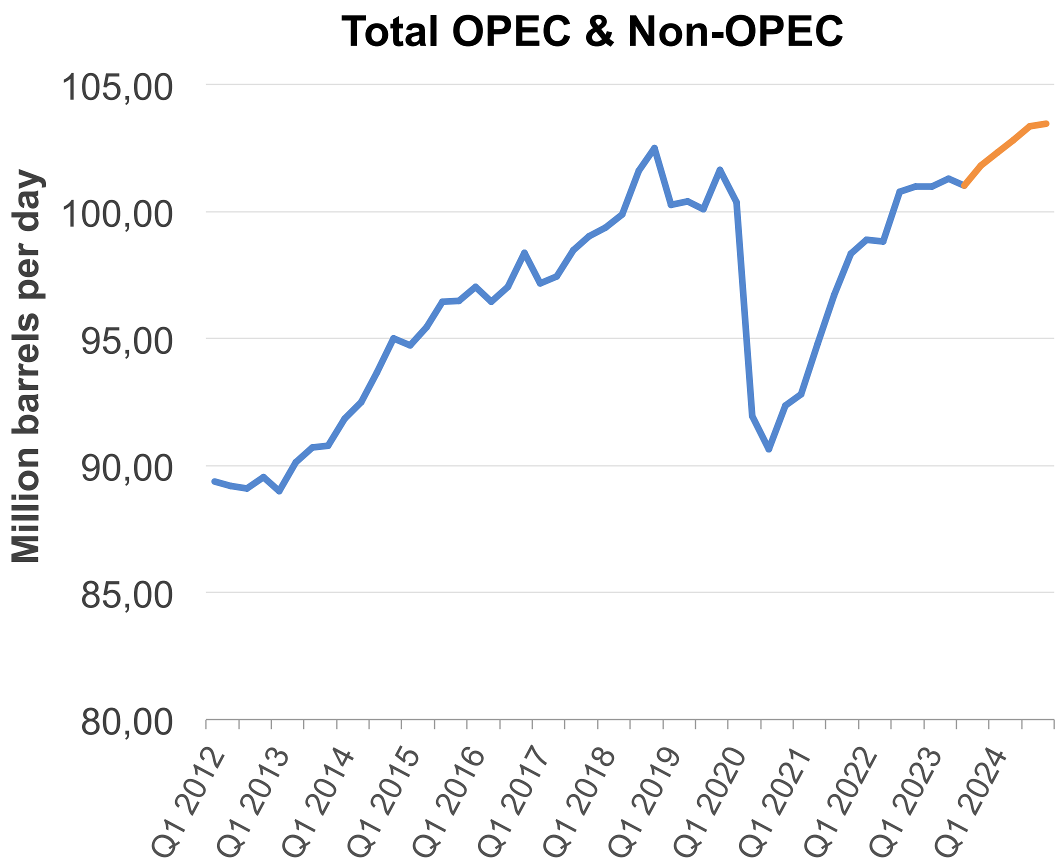
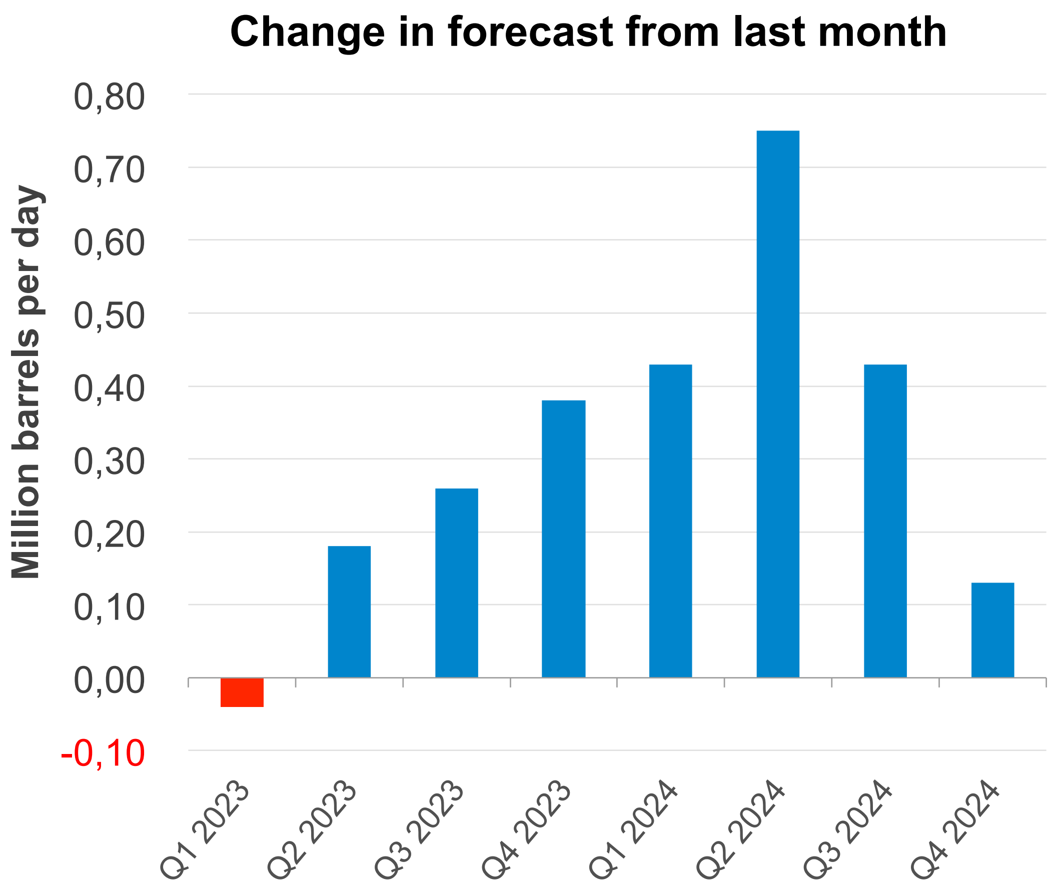
# Global Crude Supply Forecasts
(August Data)

| Year | Supply mbpd |
|---|---|
| 2023 | 101.3 |
| 2024 | 103.0 |




Source: US Department of Energy, EIA, STEO

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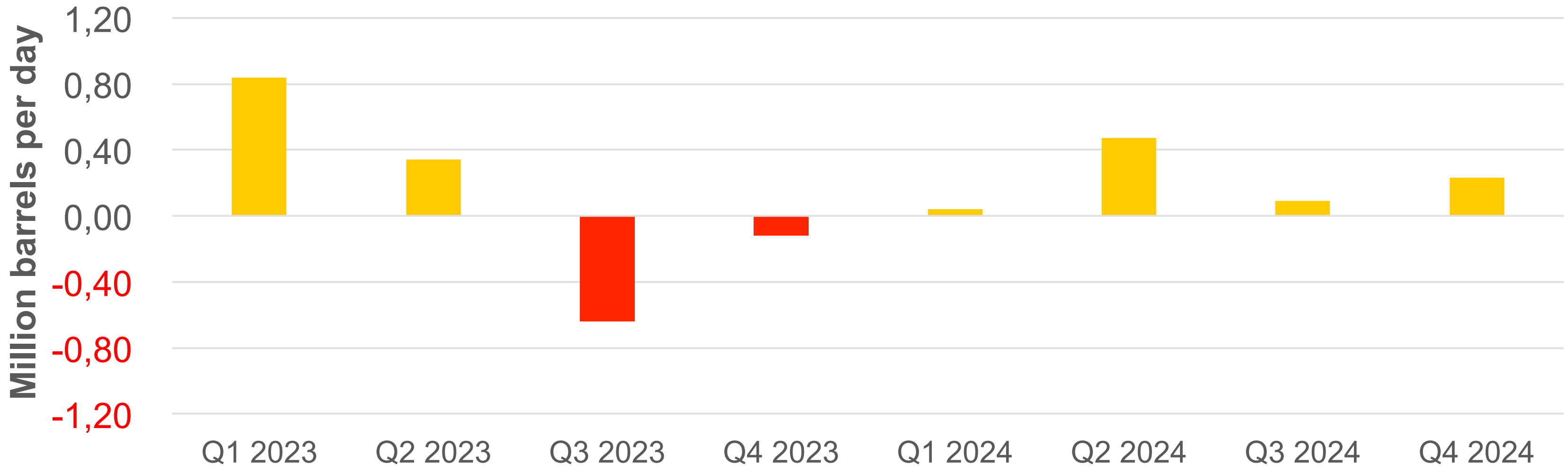
# Global Supply and Demand Balance
## EIA STEO August Report

| Balance<br>Million barrels per day | Q1 2023 | Q2 2023 | Q3 2023 | Q4 2023 | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 |
|---|---|---|---|---|---|---|---|---|
| Balance - Current Month | 0.84 | 0.34 | -0.64 | -0.12 | 0.04 | 0.47 | 0.09 | 0.23 |
| Previous - Previous Month | 0.98 | 0.17 | -0.98 | -0.38 | -0.42 | -0.30 | -0.34 | 0.12 |
| **Change** | **-0.14** | **0.17** | **0.34** | **0.26** | **0.46** | **0.77** | **0.43** | **0.11** |




Source: US Department of Energy, EIA, STEO

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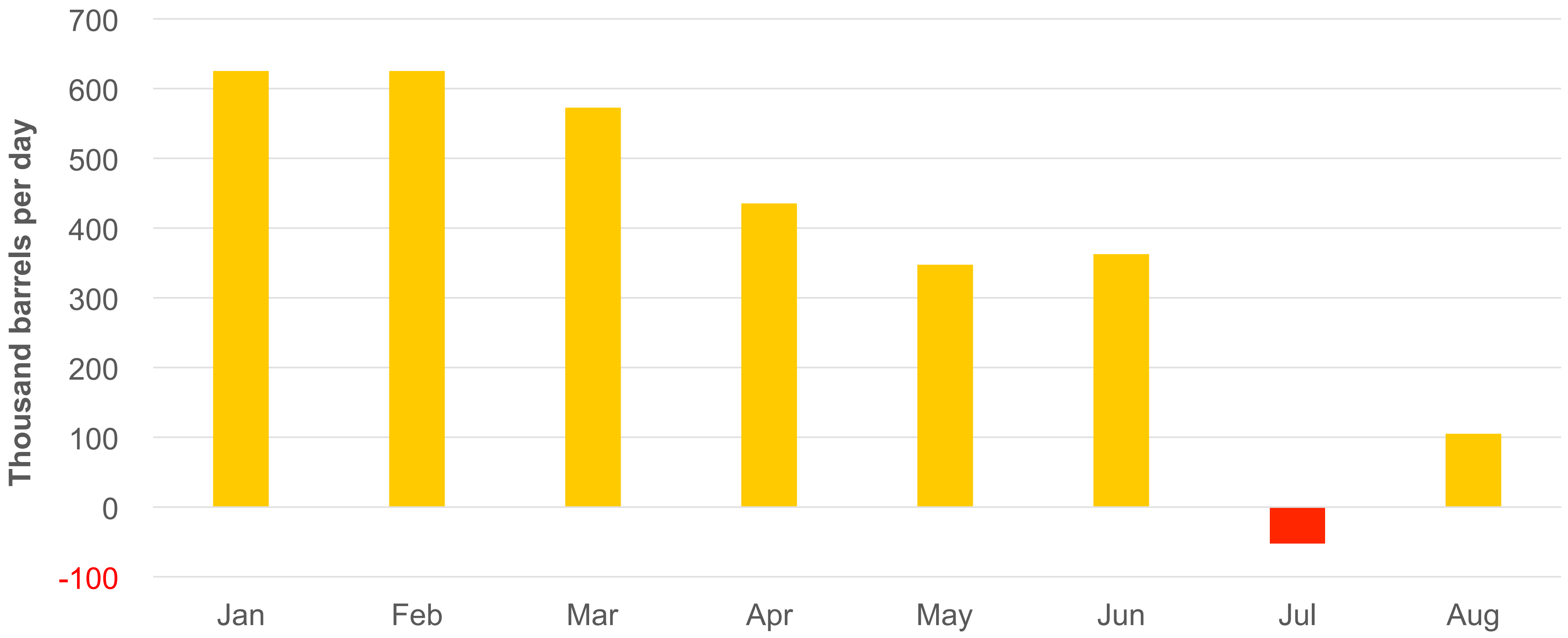
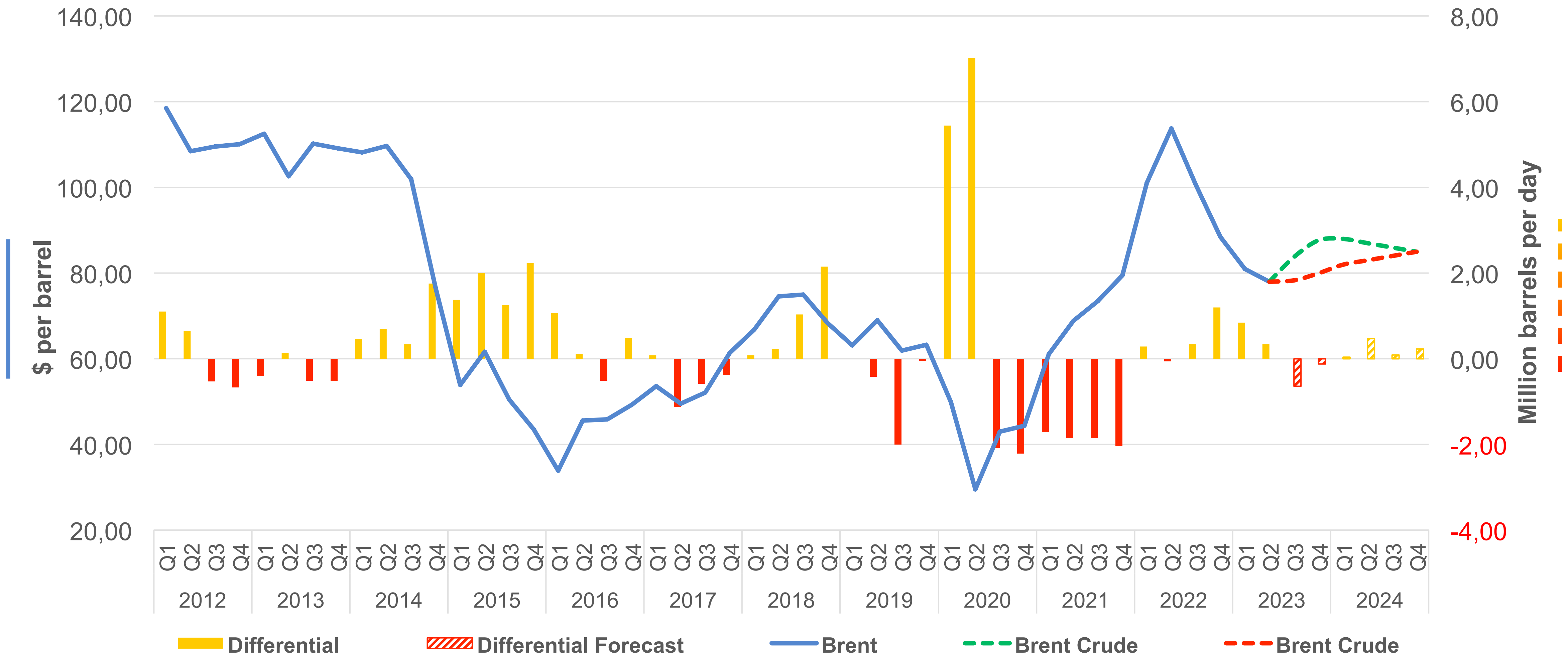
# Global Supply and Demand 2023 Projections
## EIA STEO August Report




Source: US Department of Energy, EIA, STEO

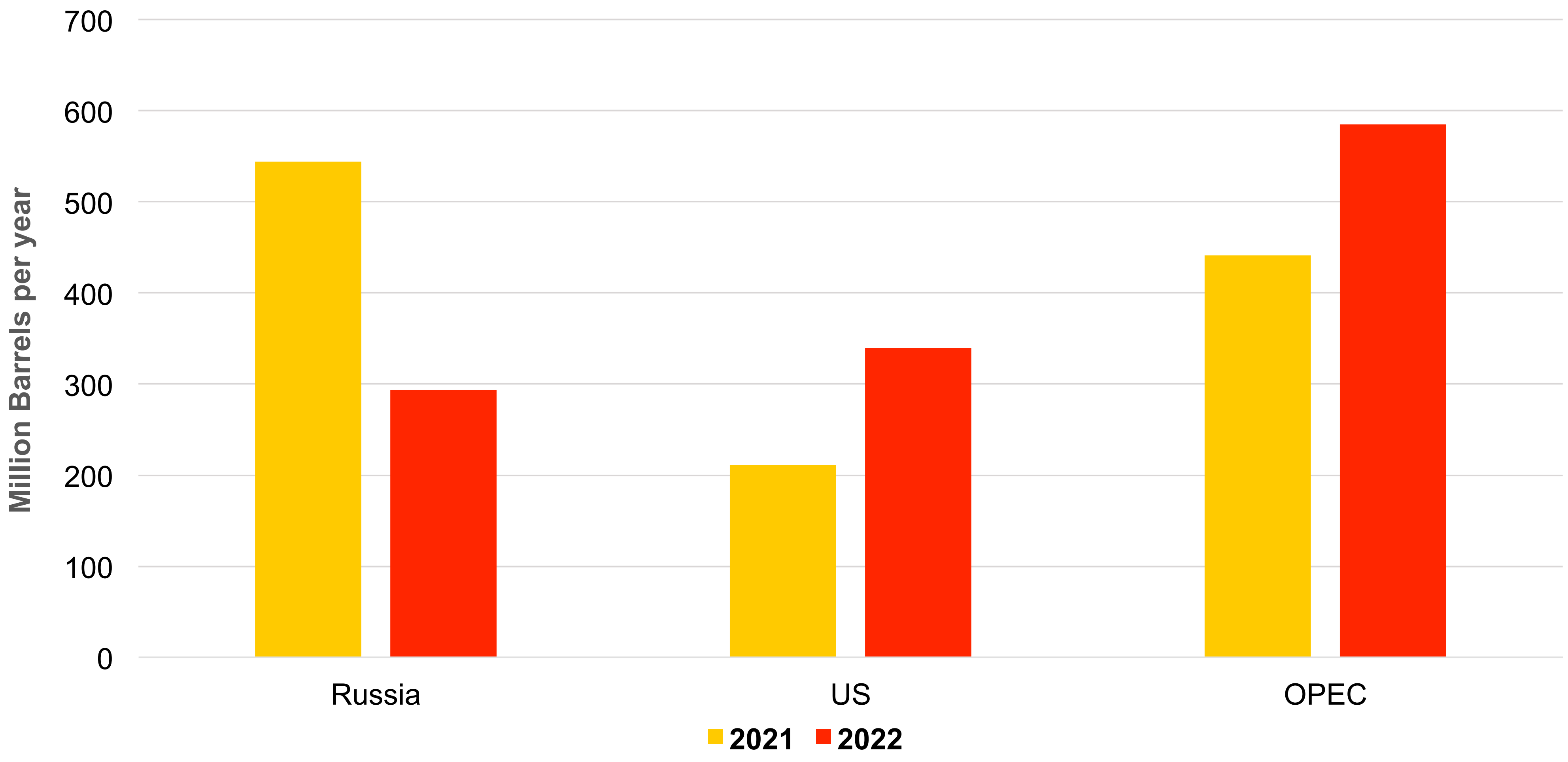
# Global Supply and Demand 2012-2024
## EIA STEO August Report




Source: US Department of Energy, EIA, STEO

# European Oil Supply and Demand

# European Crude Imports – How Are We Replacing Russian Oil?




Source: Euroilstock, Crude imports
by field of production

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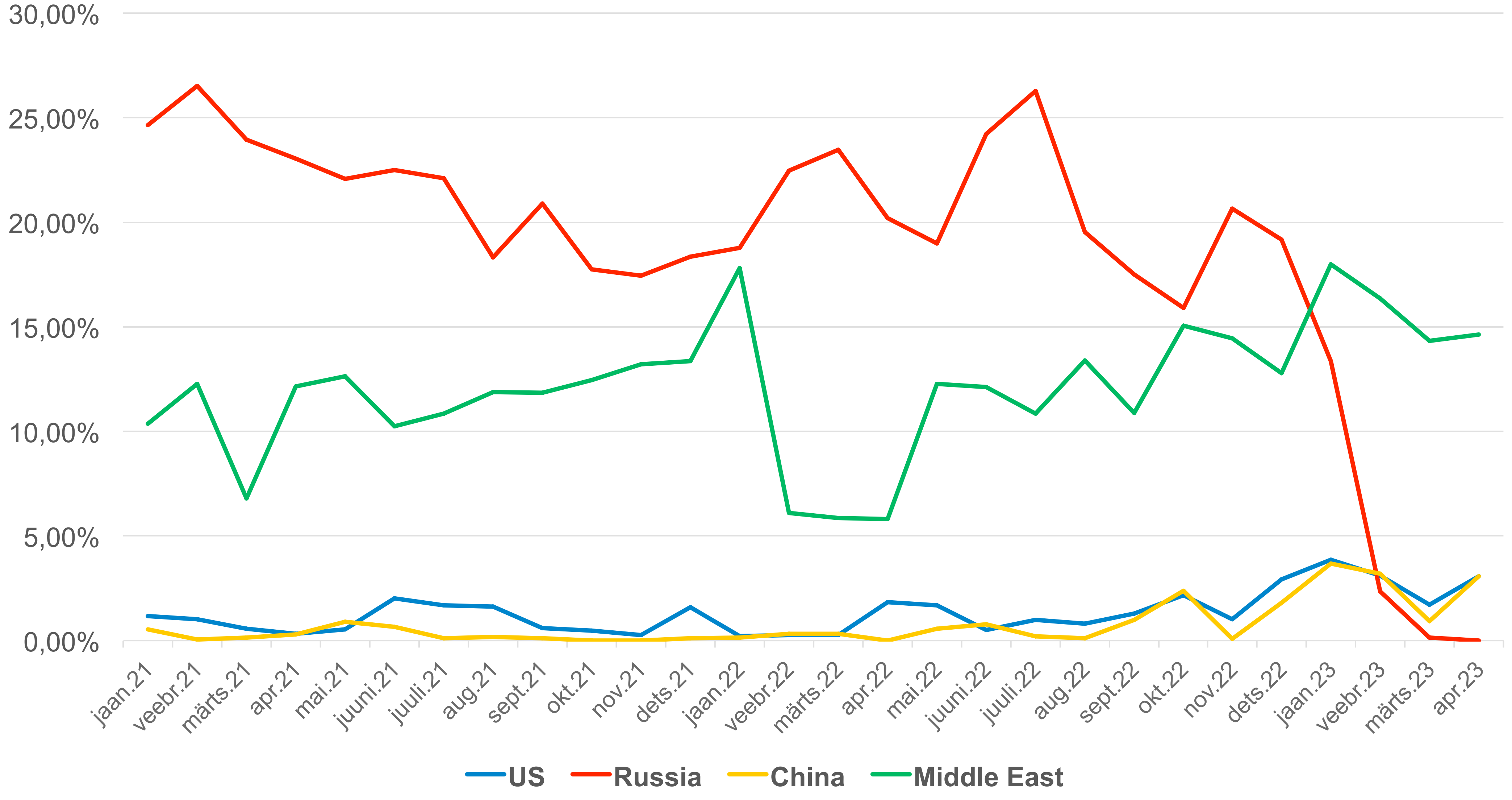
# EU imports of diesel by country as a percentage of total imports (Four largest suppliers to Europe)




Source: Eurostat

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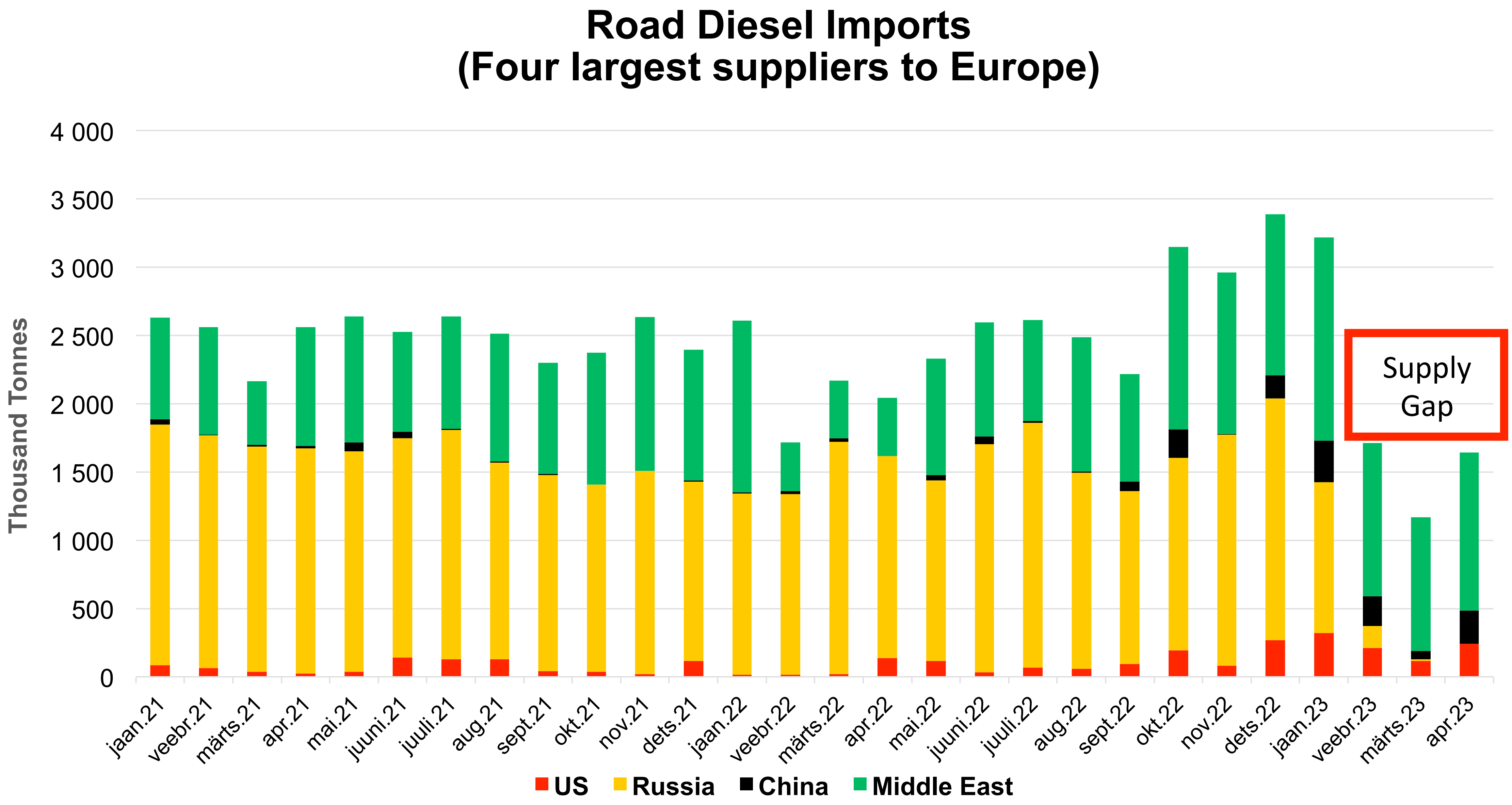


Source: Eurostat

# Total Oil Inventories (Million Barrels)

Lowest — Median — Highest

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 5-year average |
|---|---|---|---|---|---|---|---|---|
| Jan | 1,167.8 | 1,121.5 | 1,075.9 | 1,111.6 | 1,164.3 | 990.5 | 1,045.8 | 1,092.8 |
| Feb | 1,178.9 | 1,115.0 | 1,090.0 | 1,084.5 | 1,147.5 | 993.9 | 1,032.3 | 1,086.2 |
| Mar | 1,165.2 | 1,106.2 | 1,104.6 | 1,130.2 | 1,128.4 | 994.3 | 1,002.3 | 1,092.8 |
| Apr | 1,163.0 | 1,032.4 | 1,094.6 | 1,133.8 | 1,123.9 | 1,006.1 | 1,017.2 | 1,078.2 |
| May | 1,150.9 | 1,099.3 | 1,093.0 | 1,207.2 | 1,130.4 | 1,004.7 | 1,034.4 | 1,106.9 |
| Jun | 1,144.4 | 1,089.2 | 1,103.0 | 1,197.0 | 1,105.2 | 1,006.6 | 1,023.7 | 1,100.2 |
| Jul | 1,144.7 | 1,094.5 | 1,084.7 | 1,191.7 | 1,068.7 | 996.6 | 1,018.2 | 1,087.2 |
| Aug | 1,122.9 | 1,077.0 | 1,111.1 | 1,190.6 | 1,049.7 | 997.3 | | 1,085.2 |
| Sep | 1,091.4 | 1,055.8 | 1,095.9 | 1,176.2 | 1,014.3 | 996.6 | | 1,067.7 |
| Oct | 1,084.7 | 1,044.3 | 1,089.7 | 1,164.9 | 1,002.6 | 992.5 | | 1,058.8 |
| Nov | 1,086.1 | 1,032.0 | 1,086.7 | 1,165.1 | 1,029.2 | 999.6 | | 1,062.5 |
| Dec | 1,082.0 | 1,044.2 | 1,083.4 | 1,146.1 | 999.4 | 1,024.6 | | 1,059.5 |

Source: Euroilstock

# Middle Distillate Stocks and Refinery Output

Median

Lowest | Highest

Stocks: Million Barrels

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 5-year average |
|---|---|---|---|---|---|---|---|---|
| Jan | 457.2 | 424.3 | 390.9 | 426.0 | 468.4 | 383.9 | 409.4 | 418.7 |
| Feb | 455.3 | 414.8 | 396.4 | 421.8 | 460.7 | 376.1 | 403.9 | 414.0 |
| Mar | 450.1 | 403.5 | 404.7 | 419.7 | 447.6 | 365.5 | 380.3 | 408.2 |
| Apr | 458.2 | 397.0 | 408.1 | 443.1 | 447.1 | 376.5 | 384.9 | 414.4 |
| May | 444.9 | 391.6 | 409.6 | 457.1 | 450.8 | 373.0 | 395.6 | 416.4 |
| Jun | 434.4 | 389.8 | 415.2 | 466.0 | 440.1 | 370.0 | 387.8 | 416.2 |
| Jul | 440.9 | 399.8 | 416.0 | 467.2 | 429.2 | 365.5 | 385.4 | 415.5 |
| Aug | 444.0 | 406.0 | 425.8 | 481.8 | 428.5 | 361.3 | | 420.7 |
| Sep | 427.2 | 401.0 | 415.2 | 466.0 | 406.9 | 368.3 | | 411.5 |
| Oct | 409.6 | 378.7 | 403.5 | 465.7 | 389.6 | 359.5 | | 399.4 |
| Nov | 398.6 | 371.2 | 402.4 | 462.4 | 409.4 | 365.3 | | 402.1 |
| Dec | 406.6 | 387.9 | 405.2 | 449.6 | 391.4 | 384.8 | | 403.8 |

Output: % of middle distillate output against total refinery output

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 5-year average |
|---|---|---|---|---|---|---|---|---|
| Jan | 51.8% | 51.6% | 51.9% | 52.3% | 49.8% | 50.6% | 52.3% | 51.3% |
| Feb | 51.5% | 51.3% | 51.7% | 52.4% | 49.7% | 50.0% | 51.7% | 51.0% |
| Mar | 51.2% | 51.0% | 52.6% | 51.5% | 49.1% | 51.2% | 50.7% | 51.1% |
| Apr | 51.4% | 53.0% | 53.0% | 51.6% | 49.1% | 51.3% | 50.6% | 51.6% |
| May | 50.7% | 51.0% | 52.8% | 51.0% | 49.0% | 52.6% | 52.5% | 51.3% |
| Jun | 51.2% | 50.9% | 51.6% | 50.9% | 50.0% | 51.0% | 51.8% | 50.9% |
| Jul | 52.1% | 52.0% | 52.6% | 51.9% | 49.6% | 51.2% | 51.2% | 51.5% |
| Aug | 51.3% | 52.1% | 52.5% | 51.0% | 50.0% | 51.3% | | 51.4% |
| Sep | 52.7% | 51.8% | 52.1% | 50.4% | 49.8% | 50.6% | | 50.9% |
| Oct | 51.1% | 50.9% | 51.9% | 49.9% | 49.7% | 50.2% | | 50.5% |
| Nov | 50.5% | 51.6% | 51.8% | 49.6% | 49.5% | 51.8% | | 50.9% |
| Dec | 52.0% | 52.5% | 53.7% | 50.8% | 50.3% | 52.6% | | 52.0% |

Source: Euroilstock

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# Fuel Oil Stocks and Refinery Output

Median

Lowest | Highest

Stocks: Million Barrels

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 5-year average |
|---|---|---|---|---|---|---|---|---|
| **Jan** | 72.4 | 68.0 | 60.6 | 68.0 | 67.2 | 58.1 | 61.3 | 64.4 |
| **Feb** | 74.9 | 68.7 | 61.1 | 68.3 | 65.2 | 59.3 | 61.1 | 64.5 |
| **Mar** | 73.3 | 66.9 | 61.4 | 71.6 | 66.8 | 58.8 | 60.9 | 65.1 |
| **Apr** | 70.4 | 65.7 | 59.9 | 71.4 | 66.2 | 60.6 | 61.5 | 64.7 |
| **May** | 68.7 | 66.6 | 61.0 | 75.0 | 66.6 | 62.9 | 63.3 | 66.4 |
| **Jun** | 68.9 | 64.8 | 60.9 | 74.3 | 63.8 | 60.5 | 62.7 | 64.9 |
| **Jul** | 69.2 | 65.2 | 62.5 | 73.4 | 61.9 | 59.7 | 59.9 | 64.5 |
| **Aug** | 64.6 | 61.6 | 65.4 | 70.8 | 62.5 | 58.4 | | 63.7 |
| **Sep** | 62.4 | 59.1 | 66.8 | 67.6 | 61.3 | 59.7 | | 62.9 |
| **Oct** | 65.9 | 58.3 | 67.1 | 64.3 | 55.6 | 61.6 | | 61.4 |
| **Nov** | 64.8 | 59.4 | 65.8 | 65.4 | 62.0 | 61.1 | | 62.7 |
| **Dec** | 64.2 | 56.5 | 61.8 | 65.0 | 60.1 | 64.9 | | 61.7 |

Output: % of fuel oil output against total refinery output

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 5-year average |
|---|---|---|---|---|---|---|---|---|
| **Jan** | 11.4% | 11.7% | 11.0% | 10.2% | 9.4% | 10.5% | 8.3% | 10.6% |
| **Feb** | 11.6% | 12.0% | 10.8% | 10.0% | 10.3% | 9.8% | 8.6% | 10.6% |
| **Mar** | 11.5% | 11.5% | 10.4% | 10.3% | 9.8% | 8.8% | 9.0% | 10.2% |
| **Apr** | 11.0% | 11.3% | 9.6% | 11.0% | 10.1% | 9.4% | 9.2% | 10.3% |
| **May** | 11.6% | 11.6% | 9.1% | 10.1% | 10.3% | 11.2% | 9.1% | 10.5% |
| **Jun** | 10.6% | 11.0% | 9.6% | 8.7% | 9.3% | 9.9% | 9.2% | 9.7% |
| **Jul** | 10.3% | 10.6% | 9.1% | 7.8% | 8.7% | 9.4% | 8.8% | 9.1% |
| **Aug** | 10.3% | 10.4% | 9.8% | 8.2% | 9.1% | 9.0% | | 9.3% |
| **Sep** | 11.4% | 10.4% | 9.6% | 8.1% | 9.0% | 10.2% | | 9.5% |
| **Oct** | 11.3% | 10.5% | 9.9% | 7.9% | 9.3% | 10.9% | | 9.7% |
| **Nov** | 11.1% | 10.8% | 9.6% | 8.2% | 9.5% | 9.1% | | 9.4% |
| **Dec** | 11.1% | 10.7% | 8.9% | 9.0% | 9.4% | 9.0% | | 9.4% |

Source: Euroilstock, ICE, OMJ

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# Gasoline Stocks and Refinery Output

Median

Lowest — Highest

Stocks: Million Barrels

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 5-year average |
|---|---|---|---|---|---|---|---|---|
| Jan | 126.7 | 125.2 | 126.6 | 119.3 | 124.2 | 115.4 | 112.0 | 122.1 |
| Feb | 126.4 | 126.8 | 126.1 | 119.6 | 123.7 | 112.5 | 112.6 | 121.7 |
| Mar | 122.2 | 120.9 | 120.1 | 120.7 | 111.9 | 111.2 | 106.9 | 117.0 |
| Apr | 121.0 | 118.7 | 111.0 | 125.3 | 116.5 | 112.0 | 109.1 | 116.7 |
| May | 115.9 | 110.1 | 109.5 | 122.6 | 116.3 | 110.8 | 102.3 | 113.9 |
| Jun | 114.6 | 108.6 | 110.3 | 120.8 | 107.5 | 111.5 | 107.2 | 111.8 |
| Jul | 111.3 | 107.8 | 107.2 | 116.4 | 101.1 | 108.7 | 105.7 | 108.2 |
| Aug | 111.0 | 103.5 | 107.9 | 116.2 | 100.8 | 110.3 | | 107.7 |
| Sep | 108.4 | 105.2 | 106.7 | 111.8 | 98.4 | 106.0 | | 105.6 |
| Oct | 111.3 | 105.6 | 107.7 | 117.8 | 106.6 | 105.1 | | 108.6 |
| Nov | 113.9 | 107.7 | 110.6 | 123.1 | 107.9 | 105.5 | | 110.9 |
| Dec | 121.1 | 113.0 | 113.4 | 120.2 | 105.7 | 108.3 | | 112.1 |

Output: % of gasoline output against total refinery output

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 5-year average |
|---|---|---|---|---|---|---|---|---|
| Jan | 23.2% | 23.0% | 23.3% | 23.3% | 24.1% | 24.5% | 25.0% | 23.7% |
| Feb | 22.6% | 22.7% | 22.6% | 22.1% | 22.0% | 24.8% | 24.7% | 22.8% |
| Mar | 22.0% | 22.8% | 21.6% | 21.4% | 22.3% | 24.6% | 23.4% | 22.5% |
| Apr | 22.0% | 22.2% | 22.2% | 19.7% | 23.0% | 24.4% | 24.0% | 22.3% |
| May | 22.4% | 23.1% | 22.5% | 19.4% | 22.7% | 24.7% | 24.6% | 22.5% |
| Jun | 22.0% | 22.8% | 23.2% | 22.3% | 22.8% | 23.3% | 24.2% | 22.9% |
| Jul | 22.3% | 22.3% | 22.7% | 22.9% | 24.2% | 23.1% | 24.4% | 23.1% |
| Aug | 22.3% | 22.3% | 22.2% | 23.6% | 23.8% | 23.8% | | 23.1% |
| Sep | 24.3% | 23.7% | 22.4% | 24.3% | 23.9% | 22.7% | | 23.4% |
| Oct | 22.6% | 23.2% | 23.0% | 26.0% | 24.6% | 21.8% | | 23.7% |
| Nov | 23.1% | 23.2% | 23.5% | 24.4% | 24.4% | 23.1% | | 23.7% |
| Dec | 23.2% | 23.3% | 23.3% | 23.4% | 24.4% | 23.5% | | 23.6% |

Source: Euroilstock

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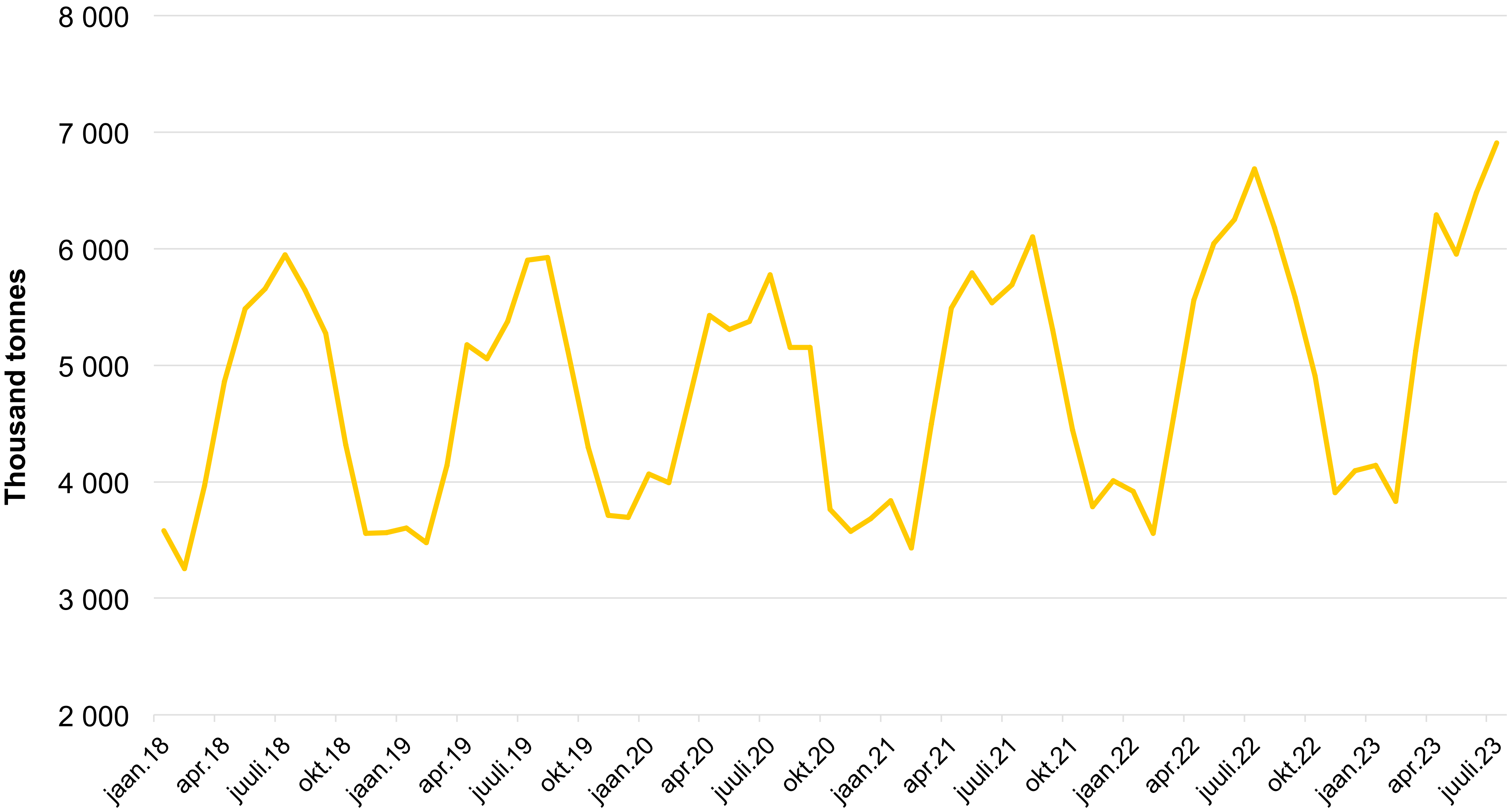
# Russian Refinery Output – Diesel




Source: Argus Media, Russian Energy Ministry

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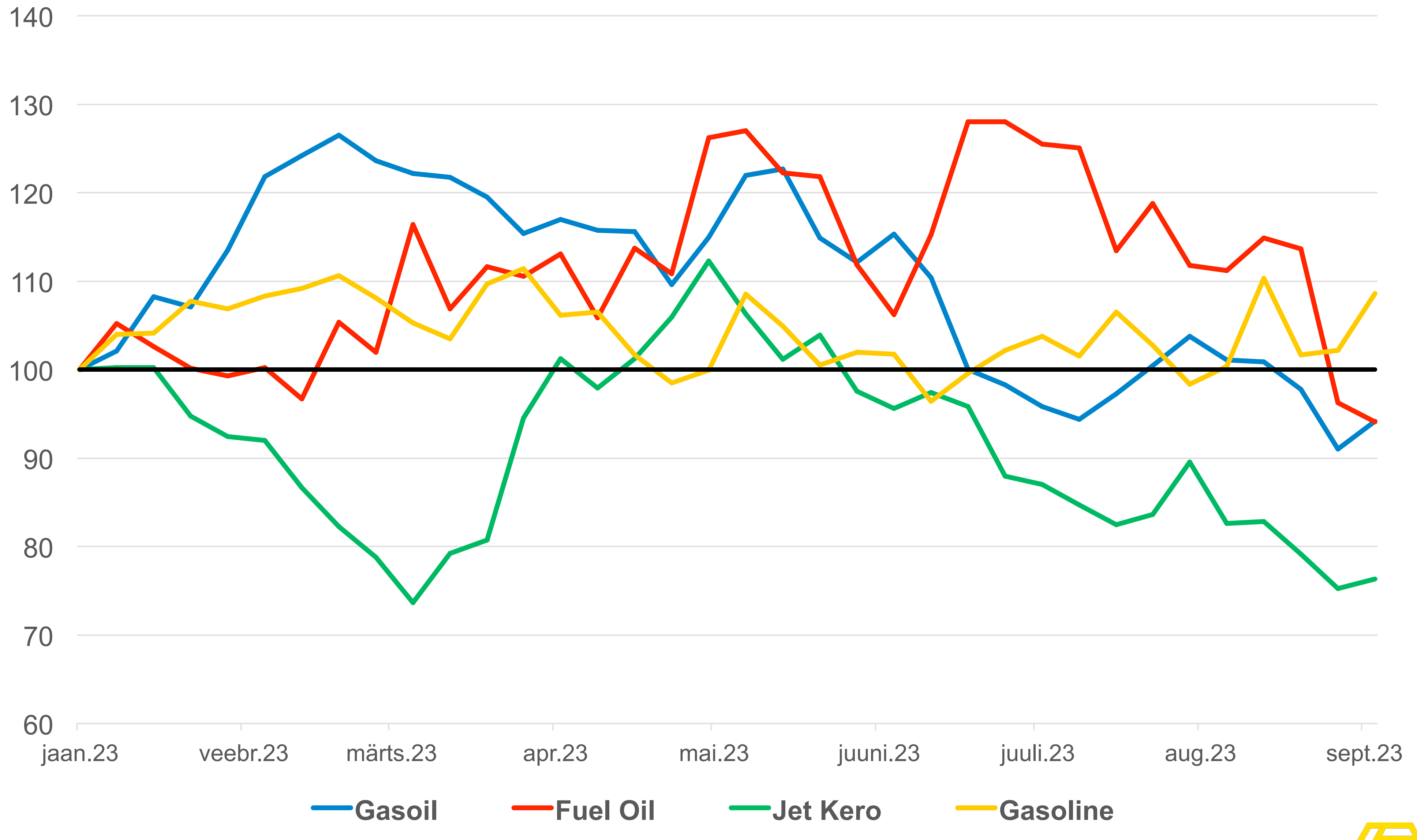
# ARA Stocks – Rebased to 100




Source: Insights Global, Argus Media

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# Conclusions

## **Conclusion**
Outlook

- Europe is now dependent on Middle Eastern and Far Eastern distillate supply

- US Government has limited options left to moderate price

- SPR stocks are at historically low levels, may be a lack of political will for further large-scale releases

- US interest rates are high

# Conclusion
Oil Price Risks to Upside – ICE Gas Oil Testing $1,000/t.


Source: ICE, OMJ, Trading View

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