Oil & Gas

Energy Research Strategy

Wednesday 2 August 2023

Oil demand reaches highest level ever

In the past month, global demand for oil rose to a record high. Limited economic growth in large parts of the world is being offset by growth in emerging countries in Asia. As a result, oil demand continues to grow steadily. In addition, the production cut by OPEC+ is also pushing up prices. We interpret the longer-term price risks as oil demand continues to rise. This clashes with the assumptions in most climate scenarios towards 2030 and beyond. Although TTF gas prices are fairly stable, the price differential between gas in Europe and gas in Asia continues to increase. It leads to European LNG imports decreasing, with many tankers sailing on to Asia. With another period of maintenance on Norwegian gas infrastructure ahead, new major price movements cannot be ruled out. Finally, we zoom in on the correlation between heating days and gas demand.

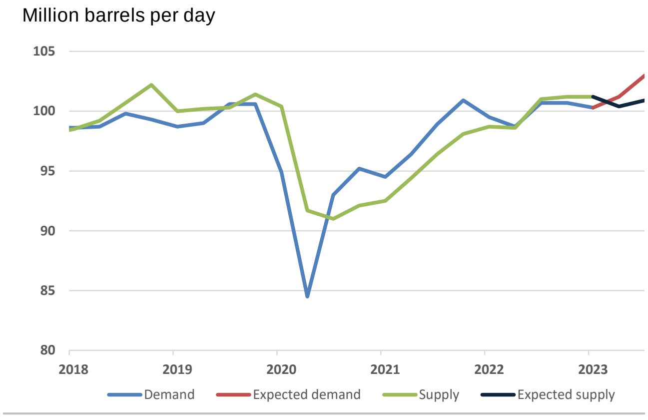
Demand for oil keeps rising … and rising

Earlier this week, we saw reports on the news that oil demand reached its highest point ever. According to Goldman Sachs, global oil demand rose to a record high of 102.8 million barrels per day (mv/d) in the month of July. This puts demand for oil higher than during 2019, just before the drop in oil demand due to measures to combat the Corona pandemic. BP's CEO Bernard Looney, while presenting the quarterly figures, also indicated that oil demand remains firm. He, like the International Energy Agency (IEA), foresees growth of around 2 mb/d by 2023.

From an economic point of view, the oil price rise is also hardly hampered. We see that high inflation rates and increased interest rates do put pressure on economic growth. But despite the fact that some countries are in recession, and others may enter it soon, we see that the impact on oil demand is only small. The price elasticity of oil is not very high. This is not surprising because even during a recession, people need to go to work and many industrial processes continue as usual..

It makes the demand for oil grow in a slower pace, rather than actually shrinking. In addition, the biggest growth in oil demand for years has been seen in emerging countries such as China and India. Countries where economic growth has been somewhat muted as a result of Covid-19, and still has not fully recovered. Nevertheless, economic growth - and by extension energy demand growth - is still very high at over 6% in China and 7% in India.

Oil demand rises further to record high



Source: IEA

Another explanation for increased oil prices is OPEC+'s oil production cut combined with Saudi Arabia's voluntary production cut. The Saudi voluntary cut initially applied only to the month of July. However, it was soon extended to July as well as August. The general expectation is that Saudi

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