

You Don't Know What You Don't Know

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I have been an energy economist for many years, maybe too many. As such it is hard to admit that I am puzzled. The global oil market has been oversupplied relative to weak demand as we have been expressing since August 2022.

However, we anticipated a move to a more balanced, tight market by July 2023. That call now looks somewhat optimistic. While market participants have been expecting for China to grow by 1 to 1.2 million barrels per day (BD), our assumption has been less aggressive estimating 700 to 750 thousand BD growth, combined with a strong recovery only later in the second half of 2023. So, let's see.

With the anticipated move towards a more balanced market, we have been surprised that recent events in Russia and other uncertain factors as to how this will develop have not led to a short term bounce in the market.

I had expected the paper shorts to do some covering, but that has not materialized. They believe the market is weak and will stay that way. I'm not ready to concede to that view given Saudi and OPEC+ interests.



It reminds me of what is going on in the financial community and the Federal Reserve. The financial community believes the Fed has gone too far and that there should be a cut before year-end. The Fed has clearly indicated the opposite; rates are more likely to go up at least two more times with no chance for a cut this year, and most likely next year.

Very smart people are looking at the same data and coming away with totally different views.

Larry Goldstein is an internationally recognized authority on petroleum markets, and has extensive advisory relationships with energy companies, research institutes, and government agencies. He is a former president of the Petroleum Industry Research Foundation (PIRINC) now the Energy Policy Research Foundation (EPRINC), its successor organization, and continues to be on EPRINC's Board of Trustees. He was a founder and president of the PIRA Energy Group, a major energy consulting firm that was acquired by S&P Global in 2016.

He has testified numerous times before congressional committees and regulatory bodies and has been appointed to the National Petroleum Council (NPC) by every recent U.S. Secretary of Energy. He has briefed the Chairman of the Federal Reserve Board, senior officials at the Government Accountability Office, and a wide range of government agencies on developments in domestic and world petroleum markets. He has also served as consultant to the Iraq Coalition Provisional Authority. During the 1970s and 1980s he frequently appeared on the CBS Evening News anchored by Walter Cronkite.