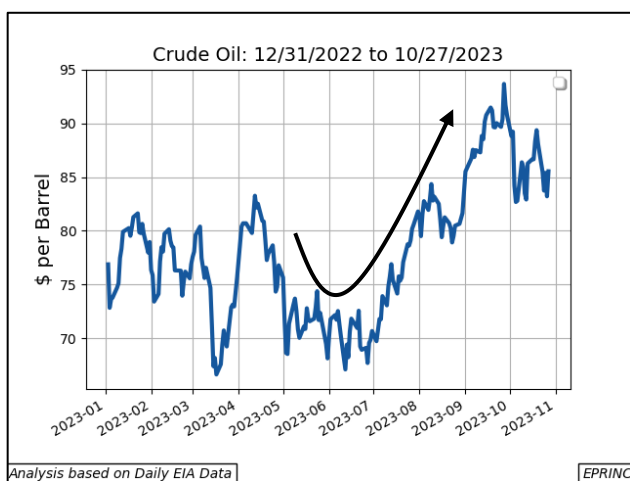


Saudi Production

October 30, 2023

The market is moving into a very similar situation that existed in August 2022. Then, as you will remember, we suggested that stocks would build through May/June and prices would be under pressure.

Figure 1



Prices got as low as \$67/bbl. We suggested that prices would recover in the summer as stocks would be in decline (Figure 1). We were looking for a balanced gasoline market and a very strong diesel market.

We had forecasted that demand would grow at 1.85 MB/d and not at 2.2+ MB/d as the IEA was forecasting. We also had a lower growth for China than the IEA. They were at 1.2+ MB/d and we were at 850,000 bbl/d. The first half of 2024 is shaping up like August of last Year. We've held this view for some time.

You might recall when others were suggesting that the Saudis would give back 1/2 MB/d of their cuts in July. We forecasted that they wouldn't cut in October-December and would possibly hold the cuts into 2024. That is still our view.

The fundamentals support it as well as the politics. It is too early for the Saudis to show any support for Israel or the U.S. A cut of any kind would be interpreted as a move towards the U.S. They don't want to risk any problems with the people in the streets. They want a relationship with Israel and need one with the U.S, but the timing is not right. MBS will play a major role in bringing it about. But not yet.

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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.