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Oil Supported Above $90 Until Year End by OPEC+ Cut: Renaissance

By Bill Lehane

(Bloomberg) -- Despite oil demand contraction risks, prices are supported above $90/bbl for the remainder of 2022, helped by the start of OPEC+ cuts and the US SPR release coming to an end, Renaissance Energy Advisors said in an emailed research note.

- OPEC+ supply cuts set to take root from next month onwards, "with Saudi policy firmly geared toward protecting a floor price between $85-$90": Renaissance
    - Market has priced in that the 2m b/d announced cut is closer to 1m b/d cut in reality
- Release of US strategic petroleum reserves is ending with final tranche of crude for December delivery. While further releases might be made, SPR inventories have fallen to multi-decade lows and there is growing political pressure from Republicans against more releases
    - READ: Biden Open to New Oil Reserve Sales as Last Tranche Released
- US price cap on Russian crude "largely fizzles out," with details still lacking weeks before the EU sanctions start
    - "Refiners will be making December-loading purchases in a matter of days and refiners - particularly in Asia - have already dismissed the price cap"
- Although European refiners may not have difficulty swapping out Russia's Urals crude for other grades, "sweet-sour imbalances are building up in the refining system, particularly as gasoil cracks amplify the search for distillate-rich crudes"
    - OPEC cuts make this search more challenging
- Russian crude flows will be redirected, but it could take 2-3 months to establish new shipping methods that use insurance from non-G7/EU providers
- China's demand weakness will persist but refining runs are set to increase from November as product export quotas will be drawn out over 1Q
    - READ: China Plans to Boost November Fuel Exports by 37% M/m: OilChem

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