23 March 2021 **S&P Global Platts**

OPEC+ set to reach oil inventory goal later this year as US output lags: Vitol

March 23

The OPEC+ alliance led by Saudi Arabia and Russia is set to push global oil inventories back to 2019 levels later this year with demand recovering in China and the US lagging on boosting its production, according to Mike Muller, Asia head of Vitol, the world's largest independent oil trader.

Demand is still about 5-6 million b/d below 2019 levels, with China showing an upswing and Europe set to follow in the next few months, Muller said March 23 at the Fujairah Bunkering & Fuel Oil Forum 2021 organized by Conference Connection. US oil production is still in the low 11 million b/d range, compared with about 13 million b/d in early 2020, he said.

Collective OPEC+ production restraint has helped power a robust rally in the oil market, with S&P Global Platts assessing Dated Brent on March 12 at $69.285/b, its highest since early January 2020. The group's production in February was 37.83 million b/d, its lowest since October, according to the latest Platts OPEC+ survey. It was the first month-on-month decline since the bloc began tapering its unprecedented production cuts in July, when the global economy took its first tentative steps in recovering from the worst of the coronavirus pandemic.

"On the strength of the OPEC plus cohesion witnessed so far this year, OPEC plus is on track to keep a commensurate amount of supply off the market to meet their stated objective of seeing oil inventories onshore and on the water reduced to 2019 levels," Muller said. "The market believes OPEC plus will reach that objective at some point later this year, hence the price and the shape of the curve we're seeing."

OPEC itself is forecasting global oil demand of 96.27 million b/d for 2021, according to its March monthly report, which is 3.71 million b/d below the 99.98 million b/d in 2019.

Fujairah, where Vitol has a refinery producing bunker fuels, is also showing an upturn, he said. Bunker sales in Fujairah dropped to about 500,000 mt/month in 2020, squeezing profits of bunker sales teams, he said. Very low sulfur fuel was the most valuable product for a "protracted period," he said. Volumes are now bouncing back toward a "healthy" 800,000 mt/month mark, with at least 500,000 mt/month of VLSFO bunker sales alone, he said.