



PORTLAND MARKET REPORT



150 ENERGY TALKING POINTS – OIL AND EVERYTHING ELSE

Hello and welcome to our 150th Oil Market Report. Yes, you read that correctly – over a period spanning 12 years, we’ve actually managed to churn out 150 versions of this rubbish! Back when we wrote our first report, the Portland team was young, original and the proud owners of cheap, shiny suits from Marks & Spencer. We still have the suits.

Our first report was in May 2010 and began with the immortal lines “Oil prices began to take a real hammering at the start of May”! We then went on to describe how a combination of EU economic woe and Iceland’s unpronounceable Efvjalfjallajokull volcano eruption was suppressing demand (the latter because of the grounding of aviation fleets). Reading the report back today, it feels a fairly dry and technical description of market events, but there were still exciting subject cameos for underlying energy themes such as bullish demand from the Far East, pressures on refining and price volatility. Subjects that would all reappear many times in forthcoming future articles.

“WE STILL HAVE THE SUITS”

50 reports later (June 2014) and we were discussing the impact of currency on oil prices and how it was always an overlooked factor behind rising fuel costs in the UK. This is a subject that we have revisited on many occasions and is highly relevant today, as the £ crashes to hitherto uncharted, rock-bottom levels. With the current wholesale (Rotterdam) price of diesel around the \$1,200 mark and with the exchange rate around 1.09 (\$ – £), this gives a diesel price (pre-duty and VAT) of 93.06 pence per litre (ppl). Only 6 weeks ago, the exchange rate was riding at the relatively buoyant level of 1.20, which at the same wholesale level (\$1,200) would have given a price 84.53ppl – a full 8.50ppl less. For a modest bus company buying 20,000 litres per week, this means they are incurring extra costs



Chinese tariffs on LNG covered in the August 2018 update – a ‘humdinger’ of a report

of £7,000 per week, simply because the £ has gone into (self-inflicted) meltdown.

Report 100 (August 2018) covered the improbably boring subject of Chinese tariffs being placed on imported US Liquefied Natural Gas (LNG). This really was a humdinger of a report (not) but did deal once again with the theme of rampant Chinese fuel demand and with good reason. Back in 2010, when we started our market reports, Chinese oil demand was around 9m barrels per day (bpd), whereas by 2018, that figure was sitting at 12m bpd – a cool increase in demand of 33% in 8 years!

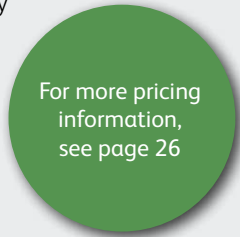
The August 2018 report also touched on a development that has become hugely significant today, and that was the transportation of Liquefied Natural Gas (LNG) by ship. Back in 2018, gas transportation by sea was in its infancy, but was correctly seen by many as the answer to European over-reliance on Russian gas supplied by pipeline. Indeed, the report quoted President Trump as saying (rather portentously) that “Germany is totally controlled by Russia”. As it transpired, the development of US seaborne LNG continued to grow despite the Chinese tariffs and actually stimulated an LNG capacity race involving America, the Middle East and Australia. Thank goodness for that race by the way – without it, Europe would, categorically, not have adequate

gas supplies to survive this winter.

Over the last 150 issues, we have covered everything from the wonders of the Port of Rotterdam, to the difficulties of recruiting young people into the industry. We’ve dissected and analysed the transportation of oil by pipeline, railcar and barge, plus we have predicted how much fuel would be needed for a holiday on the moon (this one really was complete nonsense). All in all, we have specifically covered crude oil exploration on 5 separate occasions, refining in 6 specific reports, along with sporting events such as the Olympics and World Cups (also 6 occasions). Finally, the Middle Eastern oil industry (Saudi, Iran et al) has been covered more than any other topic, with 7 specific market reports.

“THE MOST FASCINATING BUSINESS SECTOR IN THE WORLD”

After so many years of writing, one would think that the subject matter would now be exhausted. But, of course, that is not how the most fascinating business sector in the world – the energy sector – works. Having reached the milestone of 150 reports, it’s fair to say that there are now more fascinating (and at the moment, plain scary) energy talking points than at any point over the last 12 years. In fact, with all that is currently going on, we could probably file an oil or energy related piece every week. Don’t worry though, for everyone’s sanity, we’ll stick with the monthly version! At least for the next 150 reports...



All Portland’s Market Reports can be viewed here: <https://stabilityfromvolatility.co.uk/market-reports/>