Navigating the Tensions: OPEC and IEA on Future Energy Strategies

written by Khadijah Samnani | November 27, 2023

OPEC Secretary-General Haitham Al Ghais recently voiced concerns over the International Energy Agency (IEA)’s portrayal of the fossil fuel industry. Reacting to an IEA report, Al Ghais criticized the agency for presenting a dichotomous choice for the oil and gas sector: either contribute to the climate crisis or shift towards renewable energy. He contends that this perspective neglects critical factors such as energy security and the affordability of energy.

Investor.Coffee (11.24.2023): Optimism in Canadian Markets, Wall Street to Continue Winning Streak

written by Tracy Weslosky | November 27, 2023

In the Canadian markets, there’s a sense of optimism as investors await the release of the country’s retail sales data for September. This anticipation is amidst a global backdrop where U.S. stock index futures remain relatively unchanged in a shortened trading session due to Thanksgiving. Wall Street,

however, appears poised to continue its weekly winning streak, buoyed by beliefs that U.S. interest rates may have reached their peak. European shares are also experiencing an upswing, fueled by new economic data from Germany, while Japanese stocks closed higher. This positive sentiment in the stock market is mirrored in the commodities market, with gold prices benefiting from a weakened U.S. dollar. Meanwhile, oil prices hold steady as the market anticipates the upcoming OPEC+ meeting and its potential decision on further supply adjustments.

The world also watches a significant development in the Middle East, where a ceasefire between Israel and Hamas has commenced. This temporary peace, the first since the conflict's escalation in mid-October, was facilitated by Qatar, Egypt, and the U.S. It's a four-day truce intended to allow humanitarian aid and the exchange of hostages, marking a critical moment in the region's recent history.

Today, the U.S. stock market operates on a reduced schedule, leading to expectations of a quieter trading day. This comes as major U.S. stock indexes like the Dow Jones Industrial Average, the S&P 500, and the Nasdaq Composite have all seen nearly 1% gains over the week, signaling a robust performance in the financial markets.

In corporate news, Canadian mining giant First Quantum Minerals Ltd. (TSX: FM) faces a critical juncture as Panama's top court begins deliberations on the constitutionality of its contract for the Cobre Panama mine. This ruling could have far-reaching implications for the global copper market and Panama's economy, given the mine's significant contribution to the country's GDP. The company has already suffered a substantial loss in market value due to the uncertainty surrounding this issue.

Elsewhere, Europe and Asia are witnessing notable events. In

Israel, the truce with Hamas has led to the release of hostages, a much-needed respite in the ongoing conflict. In Europe, there are planned demonstrations against Amazon, aiming to disrupt one of the busiest shopping days of the year. Additionally, France's foreign minister is visiting Beijing to address trade tensions, particularly concerning a recent EU probe into Chinese electric vehicles.

In the technology sector, Quantum eMotion Corp. (TSXV: QNC | OTCQB: QNCCF) reports significant advancements in digital health with its partner Greybox Solutions Inc. Their recent clinical study in heart failure treatment using a digital therapeutics platform has shown promising results. This breakthrough is crucial for Canada, where heart failure is a leading cause of hospitalization, and healthcare costs are projected to rise significantly.

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- Tuesday, November 28th from 9-920 AM EST: InvestorTalk with Stephen Burega from Appia Rare Earths & Uranium Corp. (CSE: API | OTCQX: APAAF)
- Wednesday, November 29th from 9-920 AM EST: InvestorTalk with Curtis Moore from Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR)
- Thursday, November 30th from 9-920 AM EST: InvestorTalk with Dr. Carolyn Myers from FendX Technologies Inc. (CSE: FNDX | OTCQB: FDXTF)

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Unpacking OPEC’s Latest Oil Production Cut: Is China Pulling the Strings?

written by InvestorNews | November 27, 2023

In a surprise move, OPEC+ decided on the weekend to cut its oil output by around 1.16 million barrels per day. On the surface, this seems like a very bullish move for oil prices, and indeed it was as WTI spiked from just over US$75/bbl to just over US$80/bbl on the news. But is this cut as bullish as it appears? On the surface, I would argue that “no, it isn’t”, as a lot of the cuts primarily involved realigning the quotas with the recent actual production. And it is only 8 members of OPEC+ that are making production ‘cuts’. Nevertheless, I think the impact on oil prices could become like the forecast for interest rates – higher for longer, in light of what some of these actions signal to the global political structure.

China’s recent diplomacy

Without trying to become too much of a conspiracy theorist, let’s look at the timeline of recent events. In late March, China’s President Xi Jinping traveled to Moscow to visit President Vladimir Putin. The “good friends” announced they had agreed to cooperate on a range of economic and business areas, but what stands out most to me was the comment on increasing the use of “local” currency. China has been pushing for the internationalization of its currency for years now (to usurp the US Dollar) and during this visit, Russia agreed to support using

the Chinese yuan in transactions between itself and its partners in Asia, Africa, and Latin America. And who's buying most of Russia's oil these days, which also accounts for the largest component of Russian GDP? According to Bloomberg News, it is China.

Next, we see the announcement that China has brokered a peace deal between long-time rivals Saudi Arabia and Iran. Obviously, it would have been almost impossible for the United States to pull this deal off given its current relationship (or lack thereof) with Iran, but it came as a surprise to many that China was successful in seemingly a short period of time. Where am I going with this? Arguably the only true cut in OPEC oil production in this latest round is going to come from the 0.5 million barrels per day that the Saudis volunteered.

Inflation, interest rates, and the banking crisis

Who stands to see the most pain from tightening the oil supply, which in turn leads to higher oil prices? Mostly, the developed Western nations who are already fighting with inflation and trying to combat that issue with higher interest rates which seem to be pushing a lot of the G7 countries towards a recession. The U.S. is front and center in this battle and has called the OPEC+ production cuts "inadvisable".

If you really want to go down the rabbit hole with me on this, I'll pose one more tidbit before I swing back to less nefarious reasons to be bullish oil. There's one more case to be made for China trying to control the global puppet strings to disrupt the West and its beloved Democracy. As the financial crisis was percolating and Credit Suisse was getting caught up in the panic (although arguably CS was a sinking ship for a long time and this was simply the straw that broke the camel's back), its

largest investor, the Saudi National Bank, said it could not provide the Swiss bank with any further financial assistance. Coincidence? Perhaps, but part of me thinks China is playing a long game here and is selectively calling in favors that cause the most disruption to the West and its hallmark institutions like the banking system.

Oil production cuts or production reality

Whether one believes there is more to the latest OPEC cuts than simply price management or not, there is certainly reason to pay attention to what is happening globally to oil supply and where that might lead. The reality is, as the world spurns fossil fuels and champions renewable energy, it should come as no surprise that OPEC crude oil production has lagged output targets for quite some time because of dwindling capacity, underinvestment, and Western sanctions to certain OPEC+ members.

And this isn't just true for OPEC, but virtually all crude oil production globally has not seen the investment required to grow production. On top of that, not only are we not at peak oil demand but we might not even be close yet as growing nations like China and developing nations like India see oil consumption that is growing at a faster rate than renewable energy is reducing overall demand. In fact, OPEC is projecting year-on-year growth of 2.3 million barrels-per-day ("bpd") in 2023 to over 103 million bpd by Q4/2023.

Table 4 - 2: World oil demand in 2023*, mb/d

World oil demand	2022	1Q23	2Q23	3Q23	4Q23	2023	Change 2023/22 Growth	%
Americas	25.03	24.86	25.17	25.63	25.18	25.21	0.18	0.73
of which US	*20.46*	*20.41*	*20.46*	*20.85*	*20.49*	*20.55*	*0.09*	*0.46*
Europe	13.52	13.12	13.41	14.11	13.42	13.52	0.00	0.02
Asia Pacific	7.46	7.89	7.05	7.27	7.79	7.50	0.04	0.55
Total OECD	**46.00**	**45.88**	**45.63**	**47.01**	**46.39**	**46.23**	**0.23**	**0.49**
China	14.85	15.23	15.40	15.43	16.16	15.56	0.71	4.75
India	5.14	5.41	5.44	5.21	5.50	5.39	0.25	4.96
Other Asia	9.02	9.46	9.65	9.14	9.24	9.37	0.35	3.83
Latin America	6.43	6.44	6.49	6.71	6.65	6.58	0.15	2.29
Middle East	8.28	8.45	8.46	8.84	8.71	8.61	0.33	4.02
Africa	4.40	4.71	4.34	4.43	4.88	4.59	0.19	4.32
Russia	3.55	3.68	3.45	3.59	3.82	3.64	0.09	2.50
Other Eurasia	1.15	1.21	1.16	1.02	1.22	1.15	0.01	0.51
Other Europe	0.77	0.80	0.76	0.75	0.83	0.79	0.02	2.32
Total Non-OECD	**53.58**	**55.40**	**55.14**	**55.13**	**57.00**	**55.67**	**2.09**	**3.90**
Total World	**99.58**	**101.28**	**100.77**	**102.14**	**103.39**	**101.90**	**2.32**	**2.33**
Previous Estimate	99.55	101.26	100.70	101.99	103.51	101.87	2.32	2.33
Revision	0.03	0.02	0.07	0.15	-0.12	0.03	0.00	0.00

*Note: * 2023 = Forecast. Totals may not add up due to independent rounding. Source: OPEC.*

Source: OPEC Monthly Oil Market Report March 2023

Final thoughts

I'll be the first to admit, that I may be reading far too much into what I think is Chinese hegemony. That's fine, but don't lose sight of what's really happening to macro oil supply and demand. Demand continues to creep higher and I wouldn't be surprised to see OPEC reversing its latest cuts before the end of 2023 or possibly even earlier if the U.S. doesn't slip into a recession. It's a delicate balancing act between higher prices that kill demand and prices that drop too low and spark demand. The pendulum often swings too far when it comes to the price of oil, but ultimately if there isn't enough capital being deployed to keep production in line then prices can start moving very quickly.