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## PRICE REPORTS

CRUDE OIL

MARCH 2021

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# Crude Oil Price Report: March 2021

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*The opinions contained in this publication are those  
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Crude oil prices have reached their highest levels from March 2020, the onset of the global pandemic. The increase in oil prices in March 2021 are due to a combination of demand and supply factors. Market expectations of rising oil demand continues to be reflected as both COVID-19 vaccination rates and global economic activities have increased. On the supply side, the ongoing production cuts made by OPEC+ suggests a further upside for crude oil prices<sup>1</sup>.

According to the World Bank Commodities monthly price reports, Crude oil prices continue to recover gradually in March 2021. The Energy Commodity Prices Index (ECPI)<sup>2</sup> increased by 90.1 percent (year-on-year) to 79.98 in March 2021. Average Crude oil prices increased by 98.2 percent whilst the Natural Gas Index increased by 61.0 percent (year-on year). In addition, West Texas Intermediate (WTI) prices increased by 108.7 per cent (year-on-year) to US\$62.35 per barrel whilst Brent crude prices increased by 97.7 per cent (year-on year) to US\$65.19 per barrel in March 2021.<sup>3</sup>

From February 2021 to March 2021, Brent crude oil prices exhibited a monthly increase of 5.2percent while West Texas Intermediate prices increase by 5.6 percent. Brent crude recorded its highest of US\$70 per barrel in early March after OPEC+ announced that it will extend its production cuts through April. Prices subsequently declined in March, after global oil demand slowed as COVID-19 cases increased in parts of Europe.

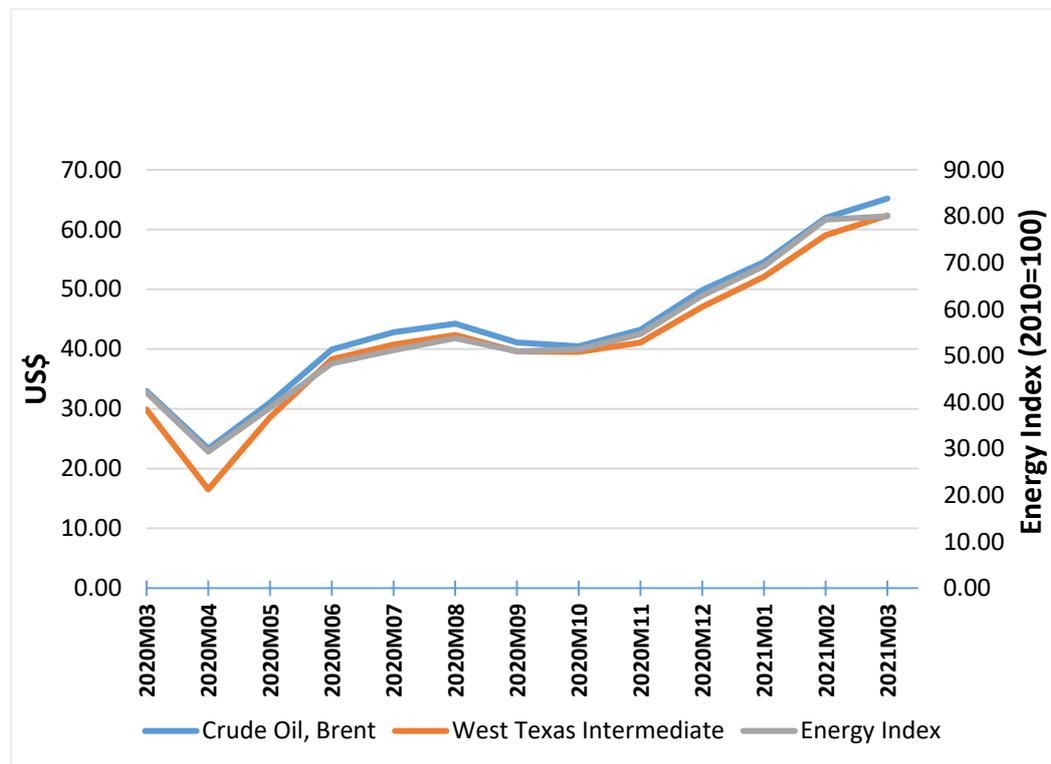
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<sup>1</sup>U.S. Energy Information Administration, Short-Term Energy Outlook April 2021.

<sup>2</sup> The Energy Index includes prices of: Coal, Crude Oil and Natural Gas with weights of 4.7, 84.6 and 10.8 respectively. Coal prices includes prices from Colombia, South Africa and Australia. The Crude Oil prices are the average prices of Western Intermediate Texas, Brent and Dubai, and Natural Gas includes prices from Europe US and Japan.

<sup>3</sup>World Bank- Commodity Prices and Monthly Prices.

**Diagram 1: Crude Oil Prices and Energy Index**



*Source: World Bank Commodity Price Data, monthly prices in nominal US dollars, 1960 to present Monthly indices based on nominal US dollars, 2010=100, 1960 to present*

## Forecasts

U.S Energy Information Administration (EIA) forecasts Brent crude prices to average US\$65.0 per barrel in the second quarter of 2021 and about US\$61.0 per barrel during the second half of 2021. At the meeting held on April 1, OPEC+ decided to ease the existing production cuts of 7 million barrels per day by 350,000 barrels each in May and June, and about 400,000 barrels in July. In addition, Saudi Arabia also decided that it will gradually ease its voluntary cut of 1 million barrels per day over the May-July period.

The April Short Term Energy Outlook report also noted that the market will be tighter, causing rising oil prices in the second quarter of 2021. This is because OPEC+ revised its crude oil production down by 0.5 million barrels per day than in March Short Term Energy Outlook. EIA expects the global oil market to be more balanced in the second half of 2021 but recent increases in price volatility suggests that uncertainty lies within the market expectations and price forecasts.

## Appendix

### Recent Oil and Gas News

Source and Date	Subject	Issue(s)
Oilprice.com March 15, 2021	Brent Hits US\$70	Brent Crude prices rose to almost US\$70 per barrel. Data shows that China's economic recovery accelerate at the beginning of the year, which boosted the energy demand outlook. China's industrial output growth quickened in January-February, beating expectations, while its daily refinery throughput data rose 15% from the same period a year earlier, data showed. There is increasing confidence that global oil demand is rebounding as U.S. Covid-19 death toll is decreasing while China's apparent oil demand rebounded. Market structure which encourages prompt consumption of oil, a pact by top producers to keep output largely reined in and a rebound to demand due to vaccine roll-outs will keep pushing prices upwards despite any temporary setbacks
NS Energy March 17, 2021	Guyana is poised for a busy year of offshore oil exploration in 2021	A total of sixteen new wells are expected to be developed in the emerging offshore region. ExxonMobil identifies Guyana to be a top operational priority as it embarks on a new strategy that will focus on upstream investments on only its most promising assets offering the highest value returns. According to consultancy Rystad Energy, Exxon will focus its drilling activity on firming up resources in the south-eastern part of Guyana's Stabroek block, where deeper plays underneath existing discoveries have been identified, as well as unexplored north-western parts of the block.

<p>Oilprice.com March 29, 2021</p>	<p>Russia Aims To Raise Production, Backs OPEC+ Rollover</p>	<p>Though Russia seeks a slight increase in production to meet its seasonal demand, it favors the rollover of OPEC+ production limits. Since the start of 2021, Russia was permitted to have small increases for its oil production while all other members, except for Kazakhstan, kept their production flat after January 2021. Saudi Arabia also extended its additional unilateral cut of 1 million bpd into April. For April, Russia is allowed to increase its production by 130,000 bpd.</p> <p>Though oil prices surged rapidly in early March due to tighter market conditions, Brent prices dropped later in March as some European countries extended lockdowns and suspended vaccinations due to growing concerns about the side effects of AstraZeneca.</p>
<p>Oil Now Guyana March 31, 2021</p>	<p>Exxon expects better first quarter earnings as oil prices climb</p>	<p>Exxon Mobil Corp expects rising first-quarter results across its three major businesses, with an at least \$2 billion improvement from prices for oil and gas driving profits, the company signaled in a securities filing. The largest U.S. oil producer last year posted four consecutive quarterly losses as falling oil prices and refining margins triggered write downs. It slashed operating expenses last year and could post a per share profit of 50 cents for the quarter ended March 31, according to IBES data from Refinitiv.</p> <p>The filing, detailing factors that affected the business, showed higher oil prices sequentially lift its oil and gas operating results by between \$1.6 billion and \$2 billion over the fourth quarter. Natural gas pricing added another up to \$700 million to operating profit, it indicated .The filing also signaled a gain of as much as \$1 billion in refining from better margins and unsettled derivatives. Exxon’s chemicals business is seen recording an up to \$600 million boost over fourth quarter results in its chemicals business from better margins.</p> <p>ConocoPhillips said its first-quarter results will benefit from higher oil prices and output, but the forecast included an about 50,000 barrel per day hit from the Texas storm. Exxon shares have surged more than a third this year to \$55.83 as investors bet on a turnaround in oil prices and product demand from pandemic-driven lows. Reported first-quarter earnings could hit \$2.26 billion, according to Refinitiv IBES, compared with a year-earlier loss of \$610 million.</p>

<p>Oil Now Guyana April 3, 2021</p>	<p>OPEC+ throws caution to the wind with agreement to add over 2 million b/d to the market by July</p>	<p>After months of preaching caution and saying the time was not right to raise oil production, OPEC and its partners abruptly agreed on April 1 to loosen their quotas and add more than 2 million b/d into the market by July. The move is a bet that the OPEC+ alliance can gradually reclaim some of its lost market share, even as the global economy faces an uneven recovery from the pandemic. The increases will be phased in each month, and the alliance reserves the right to U-turn if market conditions deteriorate, Saudi energy minister Prince Abdulaziz bin Salman said. In fact, OPEC+ ministers are planning to meet again April 28 to review their decision, before the first increment goes into effect in May.</p> <p>The OPEC+ alliance will raise its collective output caps by 350,000 b/d in May, another 350,000 b/d in June, and 441,000 b/d in July. At the same time, Saudi Arabia, which has been cutting an extra 1 million b/d on top of its quota to help bolster the market, will unwind it by 250,000 b/d in May, 350,000 b/d in June and 400,000 b/d in July. The surprise decision still saw front-month Brent futures rise almost 4% to above \$65/b in the wake of the meeting after choppy trading earlier in the day as OPEC+ members debated their options.</p>
<p>Oilprice.com April 1, 2021</p>	<p>Oil Prices Up as OPEC+ Meets to Decide on Output Policy</p>	<p>Oil prices rose slightly as there is optimism and hopes that OPEC+ will keep its production curb in place. Brent crude was recorded at US\$63.65 per barrel, an increase of about 1.5 percent or 91 cents. West Intermediate Texas also increased by 1.7 percent to US\$60.15 per barrel.</p>
<p>Offshore Engineer News April 5<sup>th</sup>, 2021</p>	<p>Oil Falls Below US\$64 on Rising Iran, OPEC+ Production</p>	<p>Oil fell below US\$64 per barrel as rising supply from OPEC+ and higher Iranian production countered signs of a strong economic rebound in the United States and expectations of wider demand recovery in 2021. OPEC+ decided to monthly production increases for the May-July period. Iran is also boosting its supply. Brent Crude for June delivery fell by about 2.2 percent to US\$63.42 per barrel whilst WTI for May settlement fell by 2.6 percent, to US\$59.85 per barrel. Nevertheless, oil prices on average have recovered from their historic lows in 2020 with the support of record OPEC+ production cuts and expectations of oil demand recovery.</p>
<p>Offshore Engineer News April 6, 2021</p>	<p>OPEC+ Bets Crude Oil Demand will Recover As Fast As Output Returns</p>	<p>The decision made by OPEC on April 1 to ease their production cuts from May onwards is a bet that the current soft demand for crude will strengthen at the same pace as production returns. OPEC+ decided to add an effective 2.1 million barrels per day of output by July 2021. The meeting came as a surprise to the crude market as there were expectations of OPEC+ rolling over their cuts into May 2021. The question is whether OPEC+ will be proven correct that demand is recovering at a pace that will see the market being able to absorb the additional crude.</p>

		<p>In terms of demand recovery, there is evidence that Asia's demand for imported crude is improving to levels seen before the pandemic hit demand towards the end of the first quarter of 2020.</p>
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