

**1 February 2019**

## New sanctions supportive for oil prices

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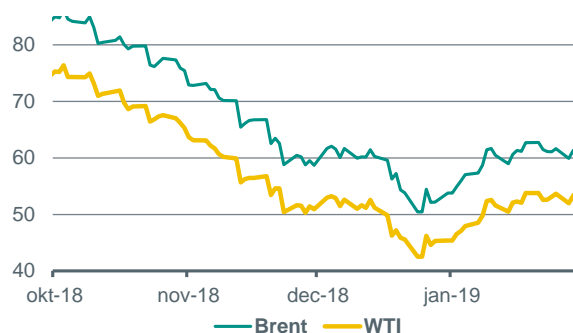
- **Strongest rally oil prices since April 2015**
- **Sanctions of the US against Venezuela will lead to lower oil supply**
- **European and Dutch LNG imports rise**

### Oil prices back in 'the range'

After the decline of oil prices came to a halt during the December holiday period, oil prices have shown a strong recovery. January proved to be the best month for oil prices since April 2015. The strong decline from October to the end of December came to a halt because oil prices were pushed down too far. Brent oil prices has recovered from a low of almost USD 50/bbl to a current level within the trading range of USD 59-63/bbl. WTI oil prices have showed a similar pattern. As a result, the Brent/WTI spread has remained unchanged at USD 8-10/bbl. Brent oil prices are therefore back within our for 2019 expected trading range of roughly 60-80/bbl.

### Brent and WTI Crude oil prices

x USD/bbl



Source: Bloomberg

### Important data:

12 Feb	OPEC Monthly Oil Market Report
13 Feb	IEA Oil Market Report
25 Feb	EIA Monthly Energy Review
25-28 Feb	IP Week London
17-18 April	OPEC/non-OPEC meeting
xx April	Evaluation Iran sanction waivers by US Administration

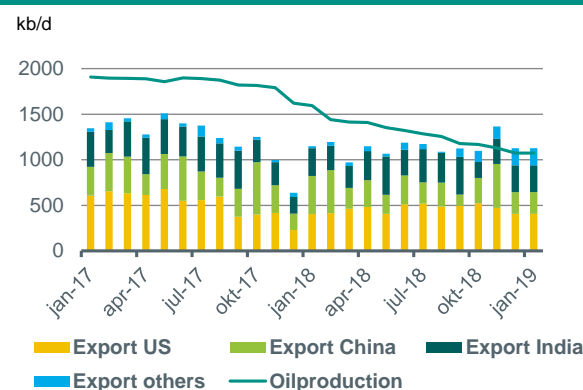
Investors are optimistic that the US and China will reach a trade agreement. This has supported oil prices as investors have set up speculative long oil positions again. Moreover, the oil market will probably tighten because of the production cut agreement by the OPEC+ alliance. However, it is unclear by how much these longs have increased because no data has been released because of the US government shutdown. Soon these data will be released again. Expectations are that early March all data will be up to date again.

### US imposes sanctions against Venezuela

The US has imposed sanctions against Venezuela's state owned oil company PDVSA. As a result the export of around 500 kb/d from Venezuela towards the US will no longer be allowed. On top of that, the Venezuelan import of naphtha from the US will also no longer take place. This naphtha is used as a dilution for the thick Venezuelan crude in order to be able to transport it via pipelines. This import was 300 kb/d.

So, what does this mean for oil prices? We think that the impact of these sanctions on oil prices is unclear. First due to these sanctions most likely around 500 kb/d of supply will disappear from the market. It seems unlikely that Venezuela will be able to find new customers for this. There is enough supply (inventory and production) available in the market to balance the loss of this supply in the near term. Therefore, this production loss does not automatically lead to higher oil prices, especially since the US production will continue to rise and the global supply should be sufficient to meet the global rise in demand growth.

#### Venezuela crude production and exports



Source: Bloomberg

Second comparing Venezuelan oil with US shale oil is not possible due to differences in quality. Venezuelan crude is about the most heavy oil that exists while US shale oil is much lighter. The difference is the percentage of sulfur in the crude. The more sulfur, the harder it is to refine the crude. US refineries should therefore import their crude from somewhere else. Heavy crude from Canada seems the most logic option. However, since production in Canada was cut in order to push up local prices and transporting heavy crude from Canada towards the Gulf of Mexico is quite a challenge, it may take a while before this can be settled.

### Venezuela is an OPEC member

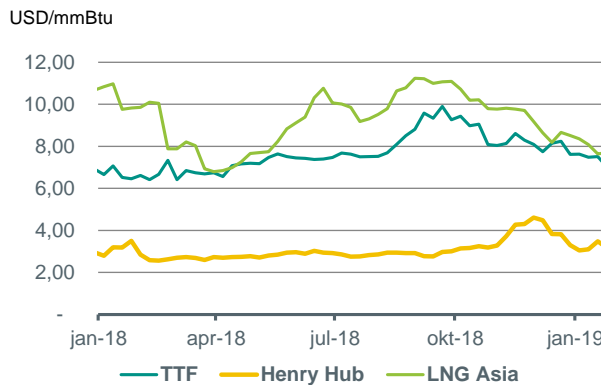
OPEC has, together with some non-OPEC oil producers, agreed in December to cut oil production again. In this case they agreed to cut production by 1.2 mb/d. The US has urged Saudi Arabia and its Gulf allies to raise production in order to balance the lower supply from Venezuela. However, both Saudi Arabia and Russia did not meet these requests. In fact they announced last week to lower production instead by respectively 100 kb/d and 50 kb/d in order to support oil prices. OPEC may have learned from last years' experience when US president Trump imposed sanctions against Iran. Also then,

the Saudi Arabia increased production but this resulted in an oversupplied market after Trump unexpectedly gave some waivers to several countries in order to trade oil with Iran. As a result, oil prices dropped substantially. This time around, OPEC will try to prevent a similar market reaction.

Venezuela is one of the OPEC members. Nevertheless, it was excused to cut production in line with the others as the country already saw production falling by more than 50% in recent years. Nevertheless, these sanctions will have a negative effect on OPEC policy as the total OPEC production will drop again. Most likely, OPEC (especially Saudi Arabia) will closely monitor market developments and adjust its policy as soon as prices rise too far based on this production decline.

Nevertheless, OPEC may prefer a modest increase in oil prices. Due to the recent production cut by OPEC as well as the production cut in Canada, there is enough spare capacity available to increase production on a short notice in order to balance supply and demand if needed. Taking all the above into account we keep our oil price forecasts unchanged.

#### Gas prices Henry Hub, TTF and LNG (Asia)



Source: Bloomberg

#### European and Dutch LNG imports rise

The import of Liquefied Natural Gas (LNG) in both Europe and the Netherlands have continued to rise. In 2018, the number of LNG shipments towards the Netherlands rose to 98, and thus almost doubled compared to 2017. This trend seems to have continued during the first month of this year as well. Also in other parts of Europe, LNG terminals are more busy than one year ago. The LNG supply from Russia, the US as well as Australia have increased. On top of that, Asian demand seems to have cooled somewhat due to high inventories.

Several months ago, the Netherlands became net importer of natural gas. Remarkable is that the shipments of LNG are less traded and transported further, but are more often regassed for consumption in the Netherlands. The availability increased and LNG prices are currently at interesting levels. As a result, LNG prices are, also due to lower Asian demand, competitive compared to the tradable TTF gas prices. As a result, currently LNG is being a good alternative for gas from for instance Norway and Russia.

Table 1: Oil and gas price forecasts ABN AMRO

End of period		31-jan	mrt-19	jun-19	sep-19	dec-19	mrt-20	jun-20	sep-20	dec-20	mrt-21	jun-21	dec-21
Brent	USD/bbl	60,67	70	70	70	70	75	75	75	80	80	80	85
WTI	USD/bbl	52,79	60	60	60	60	65	65	65	65	70	70	75
Natural Gas (HH)	USD/mmBtu	2,91	4,00	3,25	3,00	4,00	3,25	3,00	3,25	3,75	3,25	3,00	3,50
TTF	EUR/MWh	20,50	27,00	25,00	26,00	30,00	31,00	32,00	29,00	34,00	31,00	32,00	34,00

Average		Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	2021
Brent	USD/bbl	63	70	70	70	70	73	75	75	78	76	83
WTI	USD/bbl	53	60	60	60	60	63	65	65	65	65	71
Natural Gas (HH)	USD/mmBtu	4,25	3,75	3,25	3,50	3,50	3,75	3,25	3,25	3,50	3,25	3,25
TTF	EUR/MWh	26,00	26,00	26,00	28,00	27,00	31,00	32,00	31,00	32,00	32,00	32,00

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