PLACE YOUR TRADES

KEY TAKEAWAYS

Special Guests: Oliver Parsons, Leonid Mironov and Street Bomber

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CHIGRL'S KEY TAKEAWAYS

Leonid Mironov

1.On BRICS

On political front it is all about increasing bilateral trade in local currencies, but at least in the next 3-5 years for right now this will not have a practical meaningful impact.

He mentioned the gold trade, saying if you accept yuan then buy gold on the Shanghai exchange, this is not really the same thing as accepting yuan, ans you are just swapping it for gold.

Saudi might be more incentivized to use more yuan at the end of the decade as China becomes a larger and larger oil buyer and trade increase. That said 90% of world trade is invoiced in dollars, it is convenient and safe so this will be hard to walk away from at this point.

2. On Russia financially since sanctions

As far as oil is concerned, they are still making what they were as oil prices as higher, so in that sense sanction are not working.

Russia is making up for a lot with stimulus measures in the domestic market. Overall, Russian market has been surprisingly resilient.

3. On China demand ..demand has been high since March

Overall storage peaked at 1.3billion barrels, so certainly a lot has been going into storage.

China has two buyers teapots and state owned agencies. Why are these refineries buying so much? Well products are highly lucrative right now by selling refined products on overseas markets.

4. On Europe demand for product markets

We are at multi year all time high gasoline demand in Europe to much of everyone's surprise. Also chemical demand has been high, even though manufacturing has been in contraction.

Final thoughts

Watch China production, they are likely to get to 5.5M bpd.

CHIGRL'S KEY TAKEAWAYS

Oliver Parsons

1. On IEA

Right off the bat, he said he has warned clients for years about these agencies and misreporting. OPEC kicked IEA out as a secondary source. IEA has severely underestimated demand over the last 10 years.

On IEA demand number: They see growth at 3M barrels per day to the end of the decade. This is only about 1/3 to 1/2 of historical averages of demand growth. The question is does anyone really believe that oil demand is only going to grow by half of what is has been. The answer is no.

They have also grossly over estimated supply for years. Cornerstone's demand number is 6 million barrels a day.

2. On EIA estimate of 13.8M bpd production by 2024

Short answer is no. The bear case has been that shale is going to grow to 15-20M bpd due to higher prices, but this has not happened.

There is a lot of fuzzy math out there, and people are just not looking at the data.

There is just no CAPEX the Biden administration is certainly not happening by promoting growth, in addition higher lending rates right now.

On shale side everyone is forgetting about the geology and decline rates.

3. On renewables solar/wind/EV

Its death by 1000 cuts. When talking about these technologies, you have to consider EM demand and that information is murky. EM need to climb the hierarchy of energy and that is fossil fuels.

EM as a whole consumption is overtaking DM markets. People are not taking this into consideration. As demand continues to grow there, the green story will continue to fall flat.

4. On offshore

Highest cost profile right now. We are seeing some traction in names. But is offshore going to be the answer to supply growth? We do not think so as it has a long runway to get that out of the ground. Many want to manifest this production to reality, but it just is not happening.

Final thoughts

Keep eye on Saudi Arabia. Saudis are in control of this game.

CHIGRL'S KEY TAKEAWAYS

Street Bomber

1. On M&A and consolidation

Less management teams out there and less rigs out there, and this is affecting production, not many talking about this.

He believes that there is still more room for consolidation. You will see the majors picking up a lot of these smaller producers, then returning capital to investors.

On name to watch for next deal: Endeavor

2. On his company "sustainable water management practices in the oil patch"

They develop, own, and operate integrated midstream water infrastructure networks to manage water for exploration and production companies throughout the Midland Basin. The company's mission is to create value for its customers and stakeholders by addressing their long-term water management requirements through integrated pipeline systems and sustainable water management practices.The goal is to minimize disposal through water recycling and advanced technologies such as desalination and enhanced evaporation. (to hear more about this indepth go to mark 38:46-it is definitely worth your time)

3. On US natural gas market

We have so much gas that has just been bottled up in these basins and companies hedged last year when prices spiked, so there has not been much incentive to drop rigs like we have seen on the liquid side. Several pipelines being build to Freeport for exports, as these come on line, this will relieve pressure on prices.

There are three new projects coming on line in 2024/25 and operators are much more bullish nat gas prices in the next 24-36 months.

4. On best opportunities in shale

Depends on what your thesis is. If you are bearish nat gas, you are staying away from Marcellus and Haynesville. If you are bullish crude you are likely looking at the Permian along with the Bakken and the Powdered River basin and DJ (smaller plays)

5. On Carbon Capture

Very water intensive. You can not recycle most of this. Not really efficient, best carbon capture is a tree. Companies getting subsidies, so there is a lot of interest. The market will end up realizing that is is not is not quite what it was dreamed up to be.

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