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with hosts Erik Townsend and Patrick Ceresna

Dr. Anas Alhajji: 2024 Petroleum Outlook Update

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Erik: Joining me now is Dr. Anas Alhajji, a managing partner of [Energy Outlook Advisors](#), former chief economist for Natural Gas Partners, and now recently named the number three most influential social media influencer on the topic of oil and energy markets outstripping, Dan Yergin and a number of other notable people considerably. So congratulations on the new title, sir.

Anas: Thank you. I don't know whether this is true or not. But thank you.

Erik: Well, I don't know how they came up with it. But I was certainly proud for you the day that I saw that, and hey, we discovered you on [MacroVoices](#). So everybody, just remember where you found the good doctor from. Well, it's great to have you back on MacroVoices. I want to dive right in because the world has changed considerably since the last time that we talked. You just did an Excellent Spaces last week, our listeners got that in last week's research roundup email. So if you haven't listened to that, folks, be sure to.

Why don't we start with a quick update on what's going on with the Yemen war and how it has changed the face of the oil market? And then tie that into what you told us last year, is we were coming to the end of 2023. How does the forecast look into 2024, now with everything that's changed in the world?

Anas: First, we have to make an introduction because this introduction is important to understand what's going on in the Red Sea. Since the Russian invasion of Ukraine, the hottest area in the world became the Red Sea. Literally, the Red Sea became the hottest area. Think about it this way, all of a sudden, now Europe is not importing Russian oil. And Russian oil has to go to Asia. And it has to go through the Suez Canal, Red Sea and Bab-el-Mandeb, which had the strait on the other side of the Suez Canal. So Russian ships or the Russian oil that is going through the Red Sea jumped from an average about 250,000 barrels a day to 1.7 million barrels a day. So you have many tankers passing the Red Sea than before. But at the same time, now Europe does not have enough oil. So the Gulf states that Saudi Arabia and UAE, Iraq and Kuwait, etc., now they need to send oil to Europe, instead of Russia. So we have more oil going north than before. So all of a sudden now, we have more tankers, going after the invasion of Ukraine than ever, and a very large number of tankers. At the same time, Europe now is short on gas. So Qatar has to send LNG tankers to Europe, so we have more traffic. At the same

time, we have this massive growth, and US LNG, and that LNG will go to Asia, it was going through the canal, they're actually going to Asia, especially after the problem is with the Panama Canal, because of the drought. So we have more ships, more oil, more gas, from the United States going through the Red Sea. At the same time, we have the normal traffic going through the Red Sea. So all of a sudden this area became the hottest, add to it other facts.

Now, we are talking about this green economy and what the green economy needs, we have the massive increase in the production of electric vehicles in China. And China needs all those minerals for those batteries and for the cars. And some of them have to come from West Africa and around the globe, especially from Latin America in some cases. And some of that has to go through the Red Sea. Now, China is exporting more solar panels than ever, more parts for wind turbines going to Europe, United States and other places. And that have to go through the Red Sea. So in a sense, all of a sudden, if you want to call it the old world of energy, which is the oil and gas, going through the Red Sea, and all the other forms the new ones, that whether you need it for solar or wind or EVs, going through it. So the Red Sea became the hottest area in the world, regardless of the events of the Houthis or what was happening in Gaza. Now, with the Houthis attacking, started attacking the ships that were supposedly owned by Israelis. A week later, they changed their story and they said they want to attack any ship going to Israel. And then the UK, the US decided to go to the Red Sea with additional Navy to fight the Houthis. In my view, that does not make sense. The Houthis are a very small group as people listen to that space we had about 10 days ago. The Houthis are a very small group there is enough firepower for the United States and others in the area to deal with them. Their impact was limited. Now they've been bumping the hell out of them. And yet, traffic continues to be rerouted. And we have less traffic in the Red Sea than before, which means that the bombing of the Houthis did not do much. And as a result, we have about probably 70% to 75% of traffic being stopped or diverted. No LNG passing through anymore, which will have an impact on Europe right now, in the winter, if this lasts for long.

The other issue that my main concern is not what's happening with the Houthis, or any fights that might happen in Yemen, or in the Red Sea. My problem and my concern, and this should be everyone's concern, that demand saw the most important source of foreign exchange for Egypt, at the Suez canal and now they lost most of it. The Egyptian economy is on the verge of collapse, their currency is collapsing. In fact, just in the last few days, the pound went from like in the black market, from \$1 to 50 pounds to about 70 pounds right now. 65 to 70. Last year, it was only 15 to the dollar. So their currency is collapsing, the economy is suffering. And now they are losing the main source or the most important source of foreign exchange. So what's going to happen to their currency, what's going to happen to inflation, what's going to happen to political instability to put the old political stability, social stability in Egypt, I think we got to watch that. It's very, very important country to worry about. And I think if Egypt is going to be the victim of all of that, it's going to affect everyone in the world. Remember that in 2011? We've seen that during the Arab Spring. And we've seen the impact, why we should worry, we were lucky in 2011. The events did not affect the Suez Canal. But now we have the following issues. And please, if someone is listening and does not know the map, just go to Google and pull Egypt's map to see what I'm talking about. Why we are worried about the Suez Canal in a way that we

were not worried about in 2011. Because if you look at the map of Egypt, right now, they have a war in the south into that they have a war in the west in Libya. They have a war in the north, which Israel and Gaza, the only place left basically is what they have on the Red Sea. And there is a war now. So the country is surrounded by wars. And inside, we have a serious economic problem, we have a serious currency problem. And that's why we got to worry about the Suez Canal, about 5 to 6 million barrels a day passes through Bab-el-Mandeb, which in the south next week between Yemen and Djibouti, more than that passes through the Suez Canal. Now, if someone's saying, well, you have the Red Sea and why the West gets more oil than the South? Well, because the Saudis have pipelines in the middle of the desert, from the Eastern Province, all the way to the west, to a city called Yanbu in the middle of the Red Sea. So the Saudis can export oil and products from it without going through Bab-el-Mandeb. And that goes through the Suez Canal. So there is more oil going through the Suez Canal than the South, so whatever the case is, the main concern right now is really Egypt. It's not Yemen, and not anything else.

Erik: And what are the risks with Egypt? What could happen there? Do we need to worry about regime change? Do we need to worry about them shutting down the Suez Canal for some reason? What are the risks of something happening in Egypt?

Anas: Well, the rest basically is kind of multiple layers here. We start with the economic collapse, because they wanted some loans from the IMF and the IMF is putting some really, as you know, they always put those stringent conditions, which include probably the liberation of the pound. And if that happens, then inflation is going to go through the roof. And they are going to end up with hyperinflation, how the public will react to that? This is the issue what that leads to, we don't know, we can guess. But the issue that was different now from 2011, regarding the Suez Canal, is we have all those wars are up that we did not have before. We had stability on all sides of Egypt. Now we have all those wars. And what that leads to, well, some crazy group or crazy individual just go do something, we don't know. But the issue here is, the risk way, way higher than 2000 lead up.

Erik: So we have a very significant stability risk with the nation of Egypt, just about anything could happen there because of the economic pressure that this situation has created. Let's come back. We're so far just talking about the political premiums that are going on to the oil market because of these events that are happening. Let's come back to the base economic forecast, when we spoke to you last year, your outlook was that demand would continue to grow, although perhaps more slowly than some people thought. You said not to expect \$100 prices in 2023. You nailed that call. Needless to say, at that time, when we spoke to you last, I think you were still looking for \$100+ prices in 2024. But I believe you revise that lower subsequently in the year. So give us an update on where you stand now with respect to your economic forecast. And then how does that marry into the geopolitical premium that's on top of it?

Anas: So the story starts in December 2022. When, the first time we shared the outlook with some clients, and then we posted on Substack in early January. And in that outlook, that one we talked about in the couple of MacroVoices. Basically, we said that we were kind of bearish in the

first half. What is the second half, it's the 2023 is a tale of two halves is still a tale of two halves. But we were really bullish on the fourth quarter, and everything went wrong in the fourth quarter. So just to give you an example, in the third quarter, according to the IEA, world oil demand increased by 3.7 million, of course, that's mostly recovery from COVID, especially in China, and it dropped in the fourth quarter to 1.6. So you can see the massive drop in demand in the fourth quarter. So we were really wrong on the fourth quarter, that was unexpected. And if you go back and look at 2023, 2023 has two characteristics. When we talk about 2022 before 2023, 2022 was a historic year by any standard and we talked about it in the previous [MacroVoices](#). That was, I started here and I explained why it was a historic year. 2023 is not historic, but it has two characteristics. It is the year of records. We said so many records in the energy industry in 2023. Whether you are talking about production, you are talking about demand, you are talking about oil, gas, LNG, renewables, solar, we had to adjust the record on almost everything. Several countries, basically their production hit records throughout the year of records.

Also, what makes it different is, it is the year where every single forecast failed. Now in the previous years, we have some forecasts basically were correct. But 2023, every single forecast failed, including ours, because although our forecast for most of the year was right, really spot on, and then we just lost it on the fourth quarter. So it was the year where forecasts went wrong. And it was clear to June, July 2023, that things are changing and things are slowing and the growth and demand is way slower than what was expected. And our view was, if inventories build, then 2024 will change. But we did not know where we are going to go the inventories. So we ended up with two situations, we had inventory build and slow economic growth, which means that 2024 is going to be kind of a dull year, unlike what we expected, six months earlier, or a year earlier. So what we see today, with absent any political event that destroys capacity, or lock down capacity, this prices Brent in the 70s and low 80s. Probably this is going to be the most common throughout the year. The idea of \$100, we've seen people talking about \$130 and \$113, there is no case for that. And even those who are using the Red Sea as a reason for \$130 oil or \$110. Let's remember this in September 2019, we had this major hit on Aramco. That was a big surprise because no one was expecting it. And we lost 5.5 million barrels a day. Yet, prices increased by only \$20. So if the prices are at today, and we are not going to lose suddenly 5.5 like we did with Aramco. So why do we have to go up by 50 percent. So it is very clear that, yes, with everything we have, things are not as rosy as some people expect in terms of prices.

The rerouting of ships, of course, remember that everything we see today is inflationary. The shipping costs, shipping rates, especially for the spot are going up, insurance rates are going through the roof. The rerouting means we have more fuel consumption. Our estimates based on what we've seen today, that oil demand might increase or bunkering demand might increase by 200,000 to 350,000 barrels a day, because of the rerouting. If we have a complete blockage of the Red Sea, that might go up to 700,000. So we have this extra increase or additional increase in demand that was not there just like three, four weeks ago. But at the same time, the cost is increasing, the cost is way higher. And at the same time, we have issues with LNG, because now Qatar rerouted LNG tankers, that means they will be delayed by about 10 days to 14 days. In terms of arrival to Europe, if the weather is mild, Europeans are lucky. If the weather is really

cold, then they have no choice but to import more from Russia. Remember that Europeans are still importing Russian gas via pipeline, and they import LNG right now. Europe's dependence on Russia is 17% of total gas imports. We expect that this rerouting might increase it to 20%. So it will increase Europe's dependence on Russia.

Erik: You mentioned that demand was starting to pick up now in the beginning of 2024. One of the things we've seen just in the last couple of weeks, is that the prompt time spreads have moved back into backwardation, fairly significant backwardation. I know you watch that carefully. We've also seen, it looks like the beginning of a breakout above the 55-day moving average on WTI oil. As we're recording on Tuesday afternoon, we're still trading at about 74 spot 50, just half \$1 or so above the 50 or 55 day moving average level. It looks like maybe we're seeing the beginning of a new move to the upside. Do you think that's happening? Or is this just noise?

Anas: It is very hard for me right now to see that. I think there is an impact. We have a political premium. I mean, that's very clear. But we have the impact of OPEC+ voluntary cuts. That's very clear too but I want to mix between this one and the previous segment because I want to say something here that's important. Historically speaking, we have the VOCC tankers coming out of Saudi Arabia, they go to the Suez Canal. Before the Suez Canal, they stop on one of the lakes and in a port called Ain Sokhna. There is a reason why they stopped there, because those tankers are carrying 2.1 million barrels. And they cannot go through the Suez Canal because they are too heavy. So when they go to the Suez Canal, the ship becomes very wide and that's not good. So what they do is that, there is a pipeline called SUMED pipeline from Ain Sokhna, that's before south of the Suez Canal. And that is a pipeline that goes northwest to a small town called Sidi Kirayr, that's your port on the Mediterranean. So those tankers empty some of what they carry into the pipeline, and they pump it up to see the courier. Now the ship can float higher, and it can pass the Suez Canal and then it goes left, either it goes back to the carrier and take the equivalent amount that it offloaded, or it can go on its own like this and other small ships can or small tankers can take the oil from city carrier to other countries in Europe. That's why we always have VLCC, Saudi VLC or others from the Gulf, in Ain Sokhna always because they empty there. And then they go through the Suez Canal. As of yesterday, according to Kpler, zero, and inventories in Sidi Kirayr are declining. This is a very bullish signal, if you want to focus on what's bullish, because you don't have enough tankers coming like we've seen before. Which means that either the Saudis are cutting like they're promised, or there are more problems in the Red Sea, and that's why we don't see any tankers there. Aside from that, on the demand side, is still the growth Is not that strong? Shall we still have demand issues to deal with? Here, I want to dispel a myth. And that's very common in the media and among some analysts because this is a very important point to mention. People say that there was a surprise on the production side in 2023. And there is a surprise now in 2024, and therefore, OPEC has to cut production, or OPEC+, that's complete nonsense. Because if you go back to 2023, we got surprises on the upside. And we got surprises on the downside. For example, in the US, we got a surprise on the upside. But that's nice explanation, because it's very important to understand that the upside in the United States, mostly was liquids, NGLS and biofuel. So we did miss big time on the biofuel. And the reason why, I'm not trying to defend myself here, I know nothing

about agriculture. I am not an agricultural economist. I don't know anything about it. But biofuel added about like 400,000 barrels a day last year, which is a massive amount. So there is no way an oil analyst can figure this out easily and think, oh, I'm expecting, you know, the biofuel to add 400,000 because it is added to demand, it is part of the liquids production. But if you look at what we produce from the fields and from the refineries, our number last year for US was 1.25, which was the highest number in the market, because we're very bullish on US production. Well, guess what? The actual number was 1.4. So even our number was more bullish than anyone else, yet, production surprise on the upside, and it is about 250 above our number. But on the other side, there were surprises, big surprises on the downside. Norway did not deliver, Canada did not deliver. So when you look at the global average, there was no surprise on that. We did not see a surprise when you look at the global average, but on individual countries. Yes. And therefore, OPEC already accounted for all those increases on average. And there was no surprise there.

The surprise was really on the demand side and the decline. And the reason why because OPEC has the highest estimate of demand growth. In 2023, they estimated demand to grow by 2.5 million barrels a day. And that wasn't the case, it was way lower. So it was a demand issue. As for 2024, is exactly the same story. OPEC has some of the highest estimates of non-OPEC production. So they are already estimating all of that, there was no surprise. So it's not really a production issue. But to go back to 2023, one of the main issues that's still with us today from 2023 is this, that the growth in demand in 2023 although it was large, we got to realize that it is mostly recovery. It's not actually growth. At the same time, we have completely different worlds. Where we have most of the growth is in China, India, Latin America, and the rest of the world was suffering, it's negative read. So we have imbalanced the growth in demand in 2023. That's still with us today. But what the difference between '24 and '23 is that the recovery is over, we are done with recovery. So now we are going into normal circumstances and normal circumstances when we have two different worlds. Part of it is growing and the other not growing. On average you got stuck because the final number basically is a limited number. So we have an issue here. But what we are seeing in the numbers and we just published two reports, one of them today on Substack and one last week, and I think they could be related to what you are talking about when you ask about that backwardation, because I think this is a point that need to be studied further. If you look at China's numbers for last year, we have a recovery in gasoline, we have recovery in diesel. And when you look at the chart, you can see the dip during the lockdowns. So we have a major dip, and then the recovery and it is really a quick recovery. Here, we have to pay attention to the other details. See, the first one is this big quick recovery that does not happen when you have a recession or low economic growth. Because the recovery from a recession or low economic growth takes time. This one already did, basically, it just opened the door and everything back to normal. So we have this quick recap recovery. But the lesson we learned that when you have lock downs, the essential things of life are still going. When you open the door and people get out, the demand for luxury items is going to increase. So most of the growth, when it comes to energy was everything related to luxury, including jet fuel. Most of the growth in China was injected with 60% increase in demand of jet fuel. Why? Because the luxury items, you open the door and people started travelling. This is not meant to be with us in 2024. It's gone. But again, if you go back to gasoline, diesel and jet

fuel, you can see the dip during the lock downs, and then the recovery, some recovery in gasoline and diesel. But the jet fuel basically went through the roof simply because we are going out of lockdown.

But there is something strange when you look at Naphtha and LPG. It wasn't affected much by the luck now. And the recent increases in them is massive. I mean, massive in a way that we never seen it in history. So what's going on? At the same time who are watching this numbers, Aramco goes to China and sign a massive multibillion dollar deal on petrochemical plants. What Aramco sees in China and petrochemicals that the rest of the world is not seeing, and why this massive growth in NAFTA and LPG, because they're petrochemicals.

So what happens until we see this massive growth? Well, our suspicion that the only change we've seen in China is the massive increase in producing electric vehicles. What that means, in 2023, 9.5 million electric vehicles are sold in China. 9.5 million electric vehicles are sold in China in 2023. That's not related to anything, the production, of course, is higher, and they exported a lot to various countries. This 9.5 million barrels a day, if you want to measure their impact, to measure their impact in terms of the reduction in gasoline consumption, assuming they replace gasoline. And assuming those electric vehicles did not replace previous electric vehicles, like the ones producing the say, in 2014, or 2017. In this case, they're replaced 270,000 barrels a day of oil or gasoline, 270,000 barrels a day of gasoline does the replacement of 9.5. But this is only for fuel. But once you look at petrochemicals and you look at EV production, and you realize that those electric vehicles are using massive amount of products coming from the petrochemical industry to build the car. I'm not talking about the batteries. I'm talking about the body of the car and the seats and everything inside the car. And you look at the massive number that China produces at that time ,it's coming from petrochemicals, that are chemical coming from oil and gas. What does that mean? That means when we say 9.5 million vehicles replaced 275,000, 270,000 barrels a day of gasoline, this is only on the fuel. But when you look at the net, you need to count all the Naphtha and LPG that went in. And based on those early numbers we are getting. It seems that to produce those EVs, will use 600,000 barrels a day. So if you look at the net EVs lead to increase in oil demand and that's what we are going to see in the future if this trend continues.

Erik: I don't think that Just Stop Oil is going to join in and name you their third top favorite guy now, honestly, I think you've lost the title with them.

Anas: Well, I can tell you, if I get a drone flying above my house, I know they are here.

Erik: So it sounds like overall, your view on prices for 2024 is basically maybe there's some bullish impulses in the system right now. Don't expect them to last all year, you're expecting oil prices to stay about where they are unless there's an escalation of one of the many geopolitical conflicts. And of course, there's plenty of risk of that. There always is. But absent that, you think 2024 prices stay about flat, is that right?

Anas: Correct. And there are other issues here, we should consider that Brent at 80. Everyone in OPEC and OPEC+ is happy, by the way. I mean, 80 is good for everyone. Probably a little bit high for consumers. So the concern is, what would Biden do for the re-election? Well, he withdrew oil from the SPR, for example, to lower gasoline prices, et cetera, et cetera. So that's another risk, we have to look at. The related issue to this is kind of because OPEC is going to meet twice this year, OPEC+, we'll see their actions. What we got to pay attention to is really this synergy between Saudi Arabia and Russia. This is a very important relationship to watch. The Russians do not want higher oil prices. Forget about the world, forget about anything else. Putin realizes US LNG basically is what's killing him in Europe. He realizes that whatever the US is doing right now, because the shale revolution enabled the Biden administration to do whatever he is doing, because we can export all that oil to the rest of the world, we can export LNG to the benefit of Europe on the US by 21%. Right now, it was zero, just before the invasion. So he realizes that he lost, because of the LNG. Now, where this LNG is coming, is coming from natural gas. And some of that natural gas or most of it is associated gas coming from shale, from oil plays. So when oil prices are high, those plays produce more gas. And because producers make most of their money from oil at \$100 oil or \$90 or whatever price you want to, they really don't care about the price of gas, and they can sell that gas, of course, when I talk about gas here, I'm talking about natural gas, not gasoline. As you know, natural gas is being sold at negative prices in many cases. Because producers do not care, they made their money on oil. And those wells in West Texas, they bring massive amount of natural gas. So Putin realizes that he should keep prices low, so he can curb US gas production. As long as he can curb your gas production, then all those new LNG plants are not going to be built because there is no reason for them. So this dynamic between Saudi Arabia and Russia, the Saudis want prices above \$90, Putin want them around \$65. So the question, I'm just making this up, is I have no support for this point, but is the average they agree on is something between like 75 and 85. And they don't have to fight over it? We'll see.

Erik: I want to move on now and talk about the longer term outlook, we recently had the CEO of Chevron, commenting that 2025 would be the year where we'd start to see a shortfall of global oil supply compared to demand. There's a chart that JP Morgan has that shows around 2025, '26, in there somewhere that supply and demand start to diverge, basically, because ESG has finally caught up with the market that we had a number of years of lesser investment in the market. And people have anticipated that by the end of the 2020s, there would be a massive deficit, insufficient amounts of oil to meet demand. What is your view of those views? Is this idea that we're headed toward a late 2020s oil and gas energy crisis real? If not, why not?

Anas: Yes, I think if you recall, you and I talked about it in the last episode. In a sense, we talked about it before those guys talked about it. We talked about that future energy crisis. And I think they are correct for the following reason. If you look at the major increases in production in Guyana, and Brazil, in Norway, in Kazakhstan, the investment decision was made like between 2014 and 2017. So the impact of COVID on Investment, not on production, the impact of COVID on investment, have not caught with us yet. That's going to appear in '25 and '26. That's aside from the normal decline because of the ESG and all the other stuff, but at the same ime, I would like to emphasize the point that we have a major failure of green policies around the world. And

because of this failure, demand for oil and gas and coal is going to be way higher than expected. So on one side investment, impact is going to appear. And we are going to have, we are not going to have enough supply.

On the other side, we have surprises on the demand side. And here I would like to mention a very important point related to green policies. If you look at ISO grid, that's the New England grid. As you all know, New England is mostly Democrats, mostly on the left. They support, you know, the fight against climate change. They are pro-environment, all kinds of things. And knowing what you know about them, you think, if you go to look at their grid, that they are super green. Well, look what we had last week, during the cold wave. Last week, we have a day when wind contributed only 1.5% of power generation, 1.5%, and oil, fuel oil contributed 6%. They came back to oil. So that's when you talk about the failure of green policies. The impact was oil demand increased last year, when they had a freeze at, in certain days, oil contributed 40% of generation. Why? Because the LNG prices, as you recall, was super hot, and they couldn't import, because they have to import it, because we cannot supply them with gas. There are no gas pipelines basically, to that area. So they have to import LNG. LNG was \$70 at that time, so they decided to switch back to oil. But this story of switching back, look at Germany, Germany switched back to coal. And just yesterday, they decided to build more natural gas power plants, they refused to sign, six months ago, they refused to sign a contract with Qatar, long term contract, because they said gas is a fossil fuel. And we don't want to commit to it for long term. Now they are coming back, they are committing for long term. So this retreat is not accounted for in the long term outlooks and is going to hit us suddenly, wide investment basically is low. So yes, I am with them. I think we are going to have energy crisis.

Erik: But it sounds like you're not concerned about 2024 being the year that that energy crisis starts it sounds like you think we can get through it.

Anas: I think 2024 It is going to be a very mild year.

Erik: So is 2025 the crisis year or is it farther out later in the 2020s?

Anas: No, it cannot be the crisis year because we still have about 4 million barrels in spare capacity in the oil producing country. So that will be used first. So one major, basically to figure out whether we are heading for a crisis or not, is to look at the decline in spare capacity within OPEC, especially in Saudi Arabia, and that's one indicator.

Erik: So the serious shortfall of where, the point where the supply just can't keep up with demand is late 2020s, '26, '27, '28, in there some place?

Anas: Yes. So '24 is mild. '25 we probably will use some of that spare capacity, and then start showing up later.

Erik: And is spare capacity the best thing to monitor? Is that what we want to watch for when we run out of spare capacity, that's when we know that the shit hits the fan?

Anas: This is another important point here. We will not run out of spare capacity for a reason because there is some spare capacity that is counted as spare capacity but it's not marketable. What that means is some countries are, for example, counting heavy crude as capacity but no one wants it, people wanted the lighter crude. So it just like we want to see a decline. Although organizations like OPEC or the IEA or others still showing, let's say 2 million barrels of spare capacity, but what is the true spare capacity in this case because there is some oil that is literally not marketable. If you go back to 2008 there was a meeting in Jeddah because prices, as you know, exceeded \$140 at that time, so there was a meeting in Jeddah and the former Saudi oil minister Naimi offered the market, he said I have 2 million barrels if anyone wants to come and buy them. Well, the market was not interested. And the reason why the market was not interested for it because it was heavy crude. And who is going to buy heavy crude that's above 100? No, so they couldn't even sell it. But we still show a 2 million barrels of, of spare capacity. So in a sense, we have to look at something we call marketable capacity. And instead of the spare capacity in total.

Erik: It sounds like your estimate is right now the world has about 4 million barrels of spare capacity. That's not that much. I mean, if we had one significant geopolitical upset, you could easily take 4 million barrels of production offline. So it sounds like that we are vulnerable to a price dislocation, if there is a major geopolitical event, barring that sounds like we kind of stay where we are '24 and '25. And late 2020s is when we get into the real crunch?

Anas: Yes, but I would like to add that once prices go up, and let's say \$120, \$130, you're going to get a reaction from demand too. So probably, you can get a reduction in demand by 1 to 2 million barrels immediately on those prices. So it's not only one sided, it's two sided.

Erik: Well, Anas, I can't thank you enough for a terrific interview. Let's try to tie all of this together, give me the overall summary of the outlook for the market based on everything we've discussed.

Anas: Well, when we look at 2024, it's still the story of two worlds, where we already see growth in some quarters, and negative growth and others. So that's one. And the other issue is, let's focus on this China petrochemical thing, because if what I said is going to be a trend, this is a major, major issue where the petrochemical demand for oil is going to outstrip what EVs or electric vehicles can replace in terms of gasoline and diesel. But that's going to be a really big story.

Erik: Now, this is something I've often wondered about, has anybody ever done a study and said, look, just set all of this climate fanaticism about how we're going to completely eliminate fossil fuels forever. Just set that aside, let the grownups into the room for a minute and say, okay, look, we know that we're going to need fossil fuels, we're going to need petroleum to make asphalt to pave roads with and petrochemicals to make plastics with. So there's got to be some minimum amount of petroleum that the world is going to have to continue to consume in order to have asphalt for roads. And that's not an easy thing to replace, by the way, and

petrochemicals to make plastics, which is absolutely essential. Has anybody done the analysis to say, Okay, if you're going to need that much petroleum in order to get whatever the global demand is for asphalt? Well, if you're going to have to refine enough petroleum to meet the world's plastic and asphalt needs, how much fuel oil, how much middle distillates do you end up having to produce, having to refine in order to get to just the minimum that the world needs on asphalt? Has anybody ever figured that out and told the climate guys about it?

Anas: I haven't done this, but I have kind of a percentage in my head, if everything goes well for electric vehicles, and they are able, seriously to reduce oil demand significantly. The minimum we need from the current production, we are producing about 100 and over our demand about 103 of liquids, we need about 80% of that. So we can get rid of 20% or 23%, something like this. But below that we cannot go because of all the other issues. But again, this is I mean, I'm not talking about an academic study here.

Erik: Well, Anas, I can't thank you enough for a terrific interview. Before I let you go though, please tell our listeners a little bit more about what you do at [Energy Outlook Advisors](#). You're also a very well respected keynote speaker. I know your schedules filled up quite a bit recently with having been named as the third most influential speaker and commentator on energy markets. Please tell people where they can find your Substack blog and how they can get in touch with you, if they're interested in having you speak at their event.

Anas: They can google my name Anas Alhajji. Or go to my Twitter account, [@anasalhajji](#), which is my name and they can get all the information, they are in the bio. For those who are interested in speaking engagement, hey can reach me through the website or through Twitter. And for the Substack, we do have two types of Substack, we have the [Daily Energy Report](#), which is issued daily. And then we have the [newsletter](#). The newsletter basically is more in depth and intended mostly for companies and financial institutions and others.

Erik: Patrick Ceresna, Nick Galarnyk and I will be back as [MacroVoices](#) continues right here at [macrovoices.com](#)