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Tug-of-war roils oil

Despite volatility, ANS price changes by only one cent in week of trading

Steve Sutherlin

Petroleum News

A vigorous tug-of war spurred a week of volatility in oil markets, but no clear winner emerged in the battle between COVID-19 delta variant fears and recovering demand for motor fuels.

Alaska North Slope crude pulled higher by 91 cents to close at \$71.60 per barrel Aug. 11, staging a dramatic recovery from a \$69.52 close on Aug. 9, but only a penny away from its Aug. 5 close of \$71.61.

West Texas Intermediate and Brent saw similar price gyrations, but WTI notched a gain for the week. WTI rose 96 cents Aug. 11 to close at \$69.25, \$1.04 above its Aug. 5 close of \$68.29. Brent rose 81 cents Aug. 11 to close at \$71.44, six cents below its Aug. 5 close of \$70.50.

WTI spent the week below \$70, falling \$1.80 to close at \$66.48 on Aug. 9. While ANS and Brent closed below \$70 Aug. 9, both held closing prices above \$70 for the rest of the week.

August trading began with three-day swoon that pulled ANS and Brent out of the upper \$70s. On Friday July 30, ANS closed out the month at \$75.87, and Brent closed at \$76.33. On Aug. 4 ANS closed at \$70.61, and Brent closed at \$70.38.



Prepared by Rep. Tarr
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Brent crude oil spot prices averaged \$75 per barrel in July, according to the U.S. Energy Information Administration.

The EIA expects Brent prices to remain near current levels for the remainder of 2021, averaging \$72 from August through November, it said in its short-term energy outlook released Aug. 10.

“In 2022, we expect that continuing growth in production from OPEC+ and accelerating growth in U.S. tight oil production - along with other supply growth - will outpace decelerating growth in global oil consumption and contribute to Brent prices declining to an average of \$66 in 2022,” the EIA said.

The EIA said its latest estimates show that gasoline consumption in May through July was higher than previously expected, with growth in employment and increasing mobility leading to rising gasoline consumption so far in 2021. The EIA expects the trend continue into next year, with gasoline consumption to average almost 9 million barrels per day in 2022.

“However, our assumption that a relatively high share of the workforce will continue working from home next year compared with before the pandemic keeps our forecast gasoline consumption below the 2019 level of 9.3 million,” the EIA said.

Biden administration knocks gas prices

The Biden administration is concerned that higher gasoline prices will run the U.S. economic recovery off the road, and it is asking The Organization of the Petroleum Exporting Countries and its allies including Russia for help.

“OPEC+ must do more to support the recovery,” White House National Security Advisor Jake Sullivan said in a statement Aug. 11.

“Higher gasoline costs, if left unchecked, risk harming the ongoing global recovery,” Sullivan said, adding that crude oil prices in 2021 have been higher than those at the end of 2019, before the onset of the pandemic.

Sullivan said the administration is engaging with relevant OPEC+ members on the importance of competitive markets in setting prices.

“While OPEC+ recently agreed to production increases, these increases will not fully offset previous production cuts that OPEC+ imposed during the pandemic until well into 2022,” he said. “Although we are not a party to OPEC, the United States will always speak to international partners regarding issues of significance that affect our national economic and security affairs, in public and private.”

In a separate Aug. 11 press briefing, White House Press Secretary Jen Psaki said the outreach to OPEC+ is “ongoing and something that isn’t new, as of today or even as of yesterday.”

“It’s meant to be a long-term engagement - consistent, long-term engagement, as we work to address not just anti-competitive behavior in the United States, but in the global marketplace as well,” she said.



"But I'd also note that we know that they have supply that's available, that can be accessed, and that's what we're really referring to here."

When asked if there was anything U.S. producers can do to increase production or that the administration, would consider doing to make more U.S. oil, Psaki offered no specific examples.

"Well, that wasn't an ask we made," she said. "The point we have made in these communications is that we do have the sup- - we're not making a supply question here - or we're not posing a supply question domestically."

"Obviously, OPEC has its own unique role on the global marketplace," Psaki said.

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