

# Commodity Update



07 September 2021

## New Age or Stone Age?

Today is the first Commodity Update following the end of our summer hiatus. While ordinarily we would be regaling tales of our summer holidays, this year just getting to leave the house has been a Herculean effort in and of itself.

With people now returning to the office, we've also seen a significant uptick in the urgency with which climate change lobbyists are telling us we need to implement climate policies in order to stave off "disaster."

The word disaster is in quotes because by our reckoning, this is now the 18<sup>th</sup> year that "disaster is imminent." We have been continuously stressing that we, like the climate change lobby, believe that the climate is changing.

Our key differences are that we believe the climate has been changing for the last 5bn years, whereas the climate change lobby will have you believe it's only been changing in the last 200. A considerable difference.

Review of the literature published by organisations such as Greenpeace and extinction Rebellion. The one thing that we are struck by, apart from the charming naïveté associated with a lot of the content, is that the majority have no comprehension of the role that oil and gas has in the world around them, more than just being plastics and fuels, in fact, the electronic revolution would be impossible without oil and gas.

It is the failure to grasp even this basic premise that leads a lot of observers to realise that the vast majority of policies that the climate change lobby are pushing would send back quality-of-life 50 or 60 years and would be likely to see low-income families choose between food or heat.

Such is the disconnect with the interconnect ability between oil and gas and current modern-day life, beyond the internal combustion engine, that we wonder whether this is a deliberate obfuscation of the scale of the transition that is required, more than just beyond "net zero."

We can't believe that the leaders of Greenpeace and Extinction Rebellion are as charmingly naïve as they portray in their material, so we are left with the only other sensible conclusion that it is about control and patronage, i.e., they only want the people that they feel deserve access to cheap energy to gain it.

Against that backdrop, the question is Greenpeace and Extinction Rebellion trying to take us into a new age or back to the Stone Age. Given the paucity of some of the arguments, we think the Stone Age.

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## Fingertip Figures

Table 1 – Commodity Prices

Item	Price	1 Month Change	
		(Net)	(%)
<b>Crude</b>			
Brent (\$/bbl)	72.61	(5.11)	(6.57%)
WTI (\$/bbl)	69.29	(4.66)	(6.30%)
OPEC (\$/bbl)	71.64	0.16	0.22%
WCS (\$/bbl)	60.94	(4.66)	(7.10%)
<b>Natural Gas</b>			
Henry Hub (\$/mm btu)	4.71	0.79	20.20%
NBP (p/therm)	136.44	29.49	27.57%
JKM (\$/mm btu)	18.46	2.55	15.99%
Dutch-TTF (€/MWh)	51.57	10.77	26.41%
PSV (€/MWh)	50.31	9.99	24.78%
De Gas Pool (€/MWh)	47.81	7.07	17.34%
<b>Currencies</b>			
GBP (\$/£)	1.387	(0.003)	(0.23%)
EUR (€/\$)	1.188	0.002	0.19%
JPY (¥/\$)	109.7	(0.085)	(0.08%)
NOK (Nk/\$)	8.668	(0.167)	(1.89%)
RUB (P/\$)	72.73	(0.418)	(0.57%)

Source: FactSet & OGA data

## In This Edition

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Oil & Gas Advisors

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## Commentary

Since before the summer we commented that we felt that momentum was gaining in the oil and gas markets, that the “gallop to green” being undertaken at the expense of investment in upstream business units, would begin to have an effect.

While oil prices are being driven by the net impact of the Hurricane season in the Gulf of Mexico, it is worth remembering that the underlying market metrics, precipitated by shifting investment patterns, is continuing.

This is being compounded, in the United States at least, by an increasingly hostile government, who although seeking to clamp down on domestic production, is urging international producers to fill the gap. The very definition of madness.

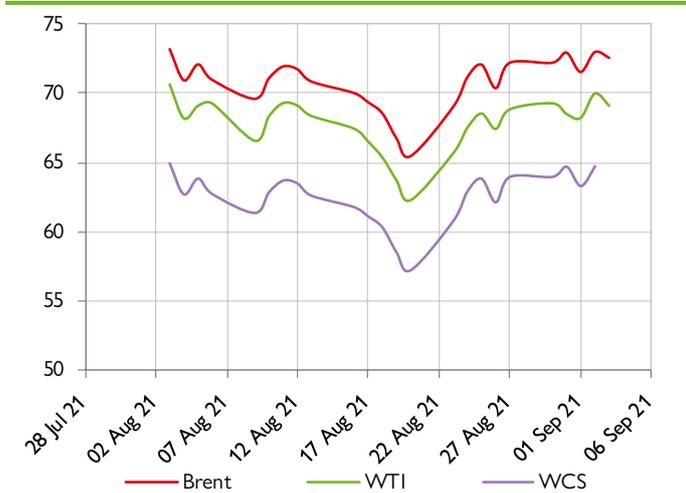
In the coming weeks, we’ll be looking at the Democrats proposals for oil and gas in greater detail, which we believe could effectively arrest any further investment, for the next two years at least, depending on the outcome of the midterms.

We also have to remember, that all of this is in the face of a global economy that is struggling to recover from the effects of Covid. While we don’t pretend to be politicians, we can’t understand the myopia associated with destroying one industry voluntarily, when you need all industries to be firing on all cylinders to help drive forward the recovery.

## Charts

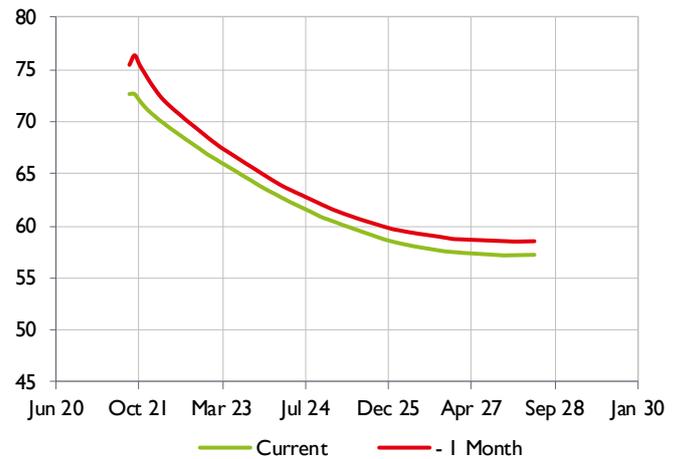
### Oil Charts

**Figure 1 – International Benchmark Prices – Last Month**  
\$/bbl



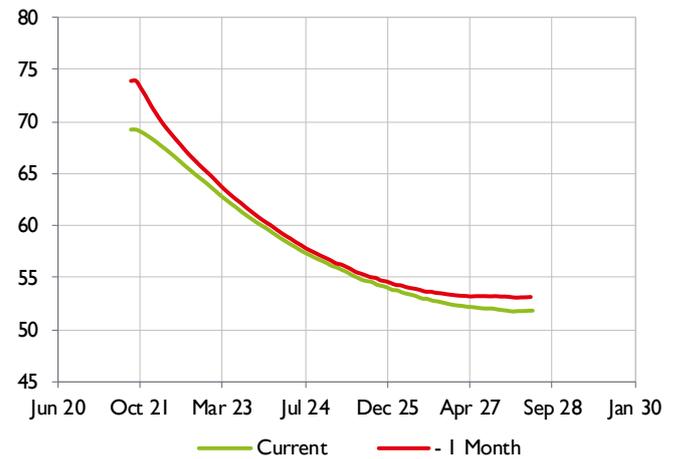
Source: FactSet & OGA data

**Figure 2 – Brent Forwards**  
\$/bbl



Source: FactSet & OGA data

**Figure 3 – WTI Forwards**  
\$/bbl



Source: FactSet & OGA data

### Historic Pricing

**Figure 4 – Brent**  
\$/bbl



Source: FactSet & OGA data

**Figure 5 – WTI**  
\$/bbl



Source: FactSet & OGA data

**Figure 6 – OPEC**  
\$/bbl



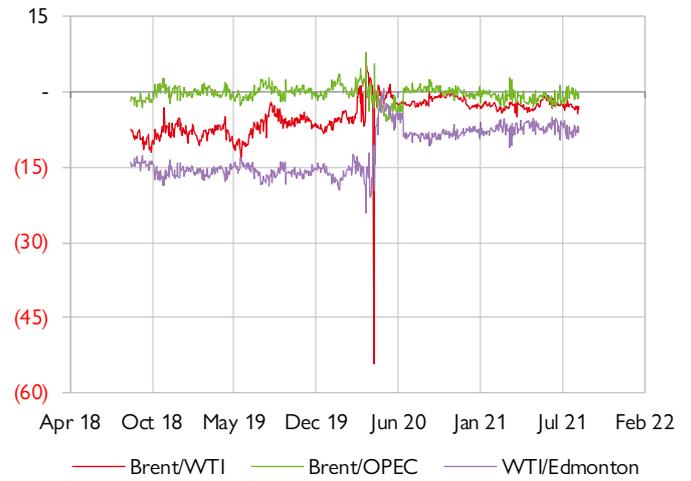
Source: FactSet & OGA data

**Figure 7 – WCS**  
\$/bbl



Source: FactSet & OGA data

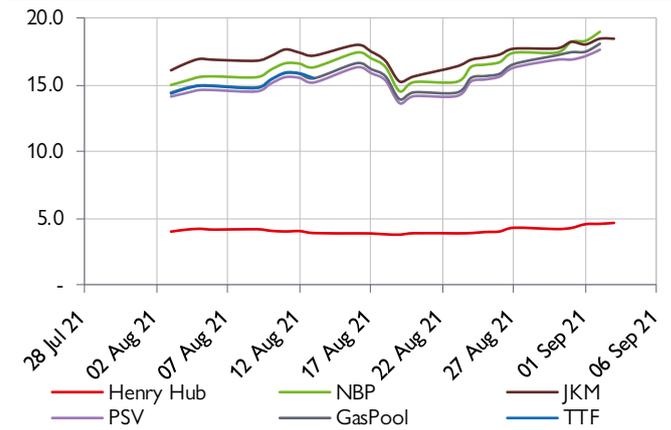
**Figure 8 – Differentials**  
\$/bbl



Source: FactSet & OGA data

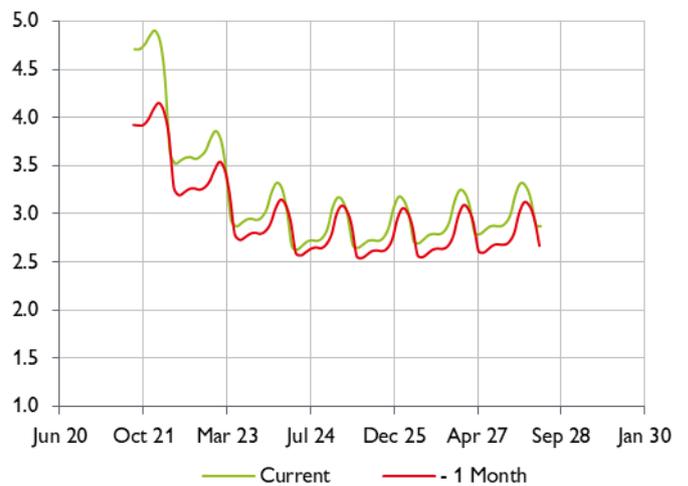
### Gas Charts

**Figure 9 – International Benchmark Prices – Last Month**  
\$/mm btu



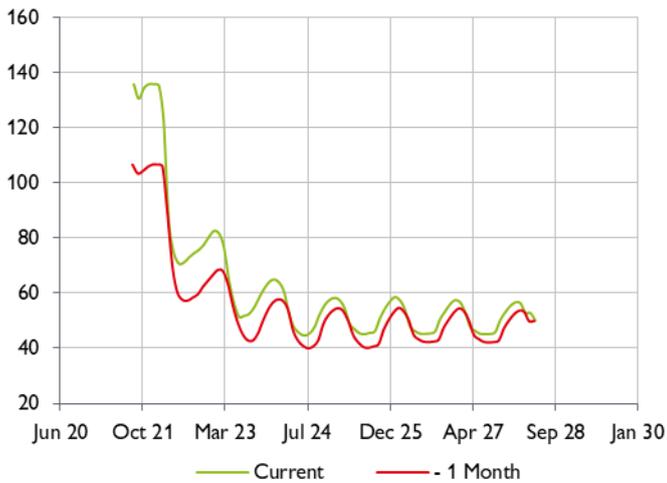
Source: FactSet & OGA data

**Figure 10 – Henry Hub Forward**  
\$/mm btu



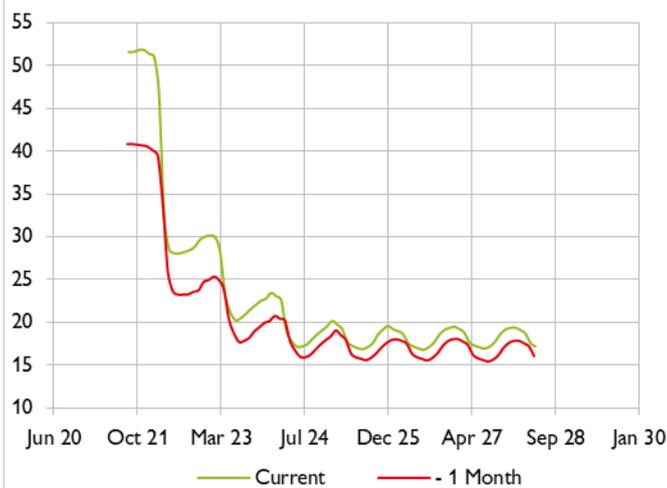
Source: FactSet & OGA data

**Figure 11 – NBP Forward**  
p/therm



Source: FactSet & OGA data

**Figure 12 – Dutch-TTF Forward**  
€/MWh



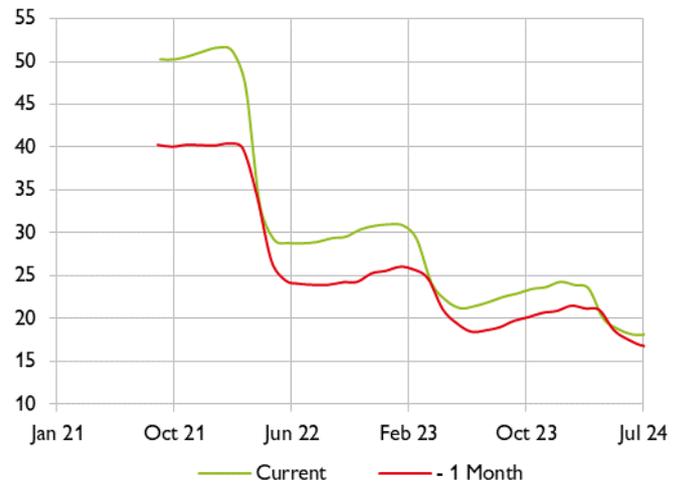
Source: FactSet & OGA data

**Figure 13 – JKM Forward**  
\$/mm btu



Source: FactSet & OGA data

**Figure 14 – PSV Forwards**  
€/MWh



Source: FactSet & OGA data

**Figure 15 – German Gaspool Forward**  
€/MWh



Source: FactSet & OGA data

**Historic Pricing**

**Figure 16 – Henry Hub**  
\$/mm btu



Source: FactSet & OGA data

**Figure 17 – NBP**  
p/therm

Source: FactSet &amp; OGA data

**Figure 18 – Dutch TTF**  
€/MWh

Source: FactSet &amp; OGA data

**Figure 19 – JKM**  
\$/mm btu

Source: FactSet &amp; OGA data

**Figure 20 – PSV**  
€/MWh

Source: FactSet &amp; OGA data

**Figure 21 – De Gaspool**  
€/MWh

Source: FactSet &amp; OGA data

## Rig Charts

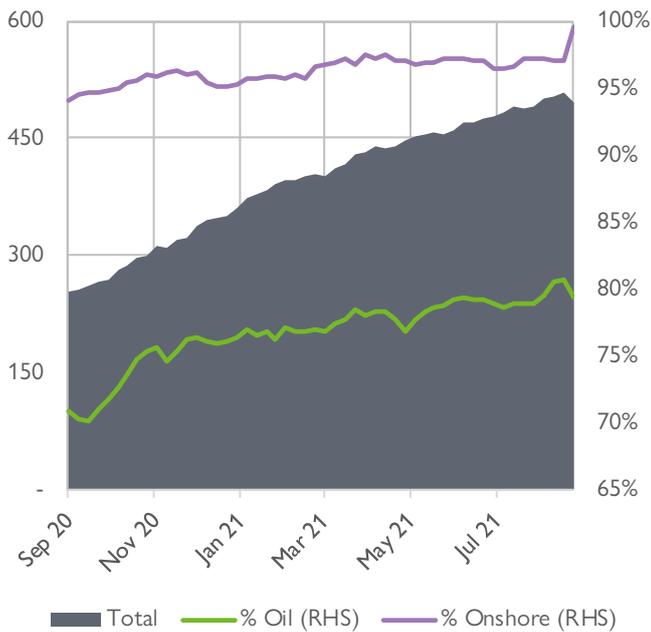
**Table 2 – Rotary Rig Data**

Item	Latest (δ %)	-1 Month (δ %)	-6 Months (δ%)
USA	497 (1.2%)	503 23.3%	408 58.8%†
Canada	152 (2.6%)	156 44.4%	108 80.0%†
North America	649 (1.5%)	659 27.7%	516 62.8%†
Rest of the World	777 3.5%	751 7.1%	701 (6.2%)†
<b>Total</b>	<b>1,426</b> <b>1.1%</b>	<b>1,410</b> <b>15.9%</b>	<b>1,217</b> <b>14.4%</b>

Source: FactSet &amp; OGA data

Note: † - 6 month change

**Figure 22 – Rolling 12-Month Rig US Rates Count**



Source: Baker-Hughes, FactSet & OGA data

## About Us

Oil & Gas Advisors assists its clients in achieving their goals and objectives. We advise our clients on asset level acquisition and disposals (A&D), farm-ins and farm-outs, corporate-level mergers and acquisitions (M&A), equity, debt, corporate and asset restructuring, and strategic matters.

We also assist our clients in gaining access to the capital markets, whether it is for debt via the issuance of corporate bonds, Reserves Based Lending (RBL), or structured credit instruments such as PrePay structures, or the equity markets, whether the seed, IPO or secondary markets.

OGA has worked with a wide range of oil & gas companies, from start-ups and independent E&P companies, to BP and Chevron, Gulf Oil. OGA has also worked with a range of specialist financiers, from boutique investment and merchant banks, to Bank of America Merrill Lynch, HSBC and ING Barings.

OGA's extensive experience with sovereign wealth funds also, such as Dubai World, where OGA formed part of the management team with responsibility for the economic, financial and legal management of Dubai World's oil & gas business, investments and subsidiary companies.

OGA's project and transaction value exceeds \$65bn, experience which has been gained in all the hydrocarbon provinces. As a company, we understand that the areas in which it operates are often sensitive and key to the health and successful development of our clients.

We understand that honesty and integrity are of paramount importance. We are committed to developing an environment where our clients' needs are met, and expectations exceeded, which is reflected in our approach, core values, people and affiliations.



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