Oil Likely to Soar Above $200 per Barrel if the G7 Manages to “Cap the Price” of Russian Crude Oil

Description

WORLD: Oil prices are likely to soar past $200 per barrel if G7 manages to cap the price of Russian crude oil, according to chief commodities analyst at Swedish bank SEB Group.

Bjarne Schieldrop, SEB analyst, said on Wednesday in no uncertain terms that the G7’s price capping proposal was a “recipe for disaster” given the current stress that the oil market is under.

The G7 leaders agreed on Tuesday to study ways to cap the price of Russian oil sold internationally and are seeking support among “like-minded” nations. It was one of the critical items to be discussed at this week’s G7 meeting as the group tries to find creative ways to lower energy prices for themselves and maintain adequate crude supplies from Russia—while simultaneously punishing Russia in what many see as an impossible task.

U.S. **Treasury Secretary Janet Yellen** continued to put pressure on European countries to support a price cap.

According to Schieldrop, the plan seems “neat on paper, but it sounds like a recipe for disaster right now,” given the strong demand for crude oil and low supplies that so far given Russia the upper hand in the market. Russia could, the analyst argued, choose not to sell the oil at a capped price—a decision that could lead to Russia’s production falling by as much as 2 million barrels per day.

Russia’s crude and condensate production rose in June by 5% to 10.7 million bpd, according to Kommersant sources—a figure that includes between 800,000 and 900,000 bpd of condensate, which is not included in the OPEC+ agreement. But Russia’s oil exports have slipped 3.3% in June with the rise of domestic refining demand.

Russian **Deputy Prime Minister Alexander Novak** said that Russia would raise its production again in July.

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Date Created
07/02/2022