

The Oil Market Journal

2022 End of Year Review of Prices and Fundamentals



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Key Events in 2022

Q1 Highlights

January

Fundamentals strengthen as refinery outages and increased demand weigh on crude and diesel stocks.

February

Prices extended higher as Russian - Ukraine tensions rise. Russia finally invades on 24th Feb, sending oil markets into a volatile frenzy.

March

The war in Ukraine continues as the world looks for alternative energy supply. ICE Gasoil blows out on 9th March, peaking at \$1665/t.

Q2 Highlights

April

United States announced the release of 180 million barrels of crude oil (1 million barrels per day) of emergency reserves from 1st May 2022.

May

EU agreed a ban on imports of Russian oil from December, however, some European oil traders ceased buying Russian diesel in mid-May.

June

The US Federal Reserve hiked interest rates by 0.75% (75 basis points) which was the biggest interest rate rise since 1994.

Q3 Highlights

July

US President Biden visits Saudi Arabia in the hope that OPEC will pump more oil. The Euro falls below \$1.00.

August

OPEC+ announce production hike of 100,000 barrels per day, effective September. Rhine water levels fall to 31cms at Kaub, Germany.

September

OPEC+ announce cuts of 100,000 barrels per day, effective October. Recession fears cause oil demand worries. Nord Stream pipelines damaged in explosions.

Q4 Highlights

October

OPEC+ announces production cut of 2 million barrels per day from November. President Biden announces release of 15 million barrels from SPR. French refinery strikes lead to refined product tightness in Europe.

November

Economic slowdown fears lead to demand concerns as FED hikes by 75bps, Saudi Arabia cuts oil prices and COVID cases spike in China.

December

OPEC leaves production quota unchanged. G7/EU ban on Russian crude takes effect.





Ukrainian President Volodymyr Zelenskyy has "risen to the occasion" as a wartime leader.

Prices



FEDERAL RESERVE

WARRNER & LECHE

1936

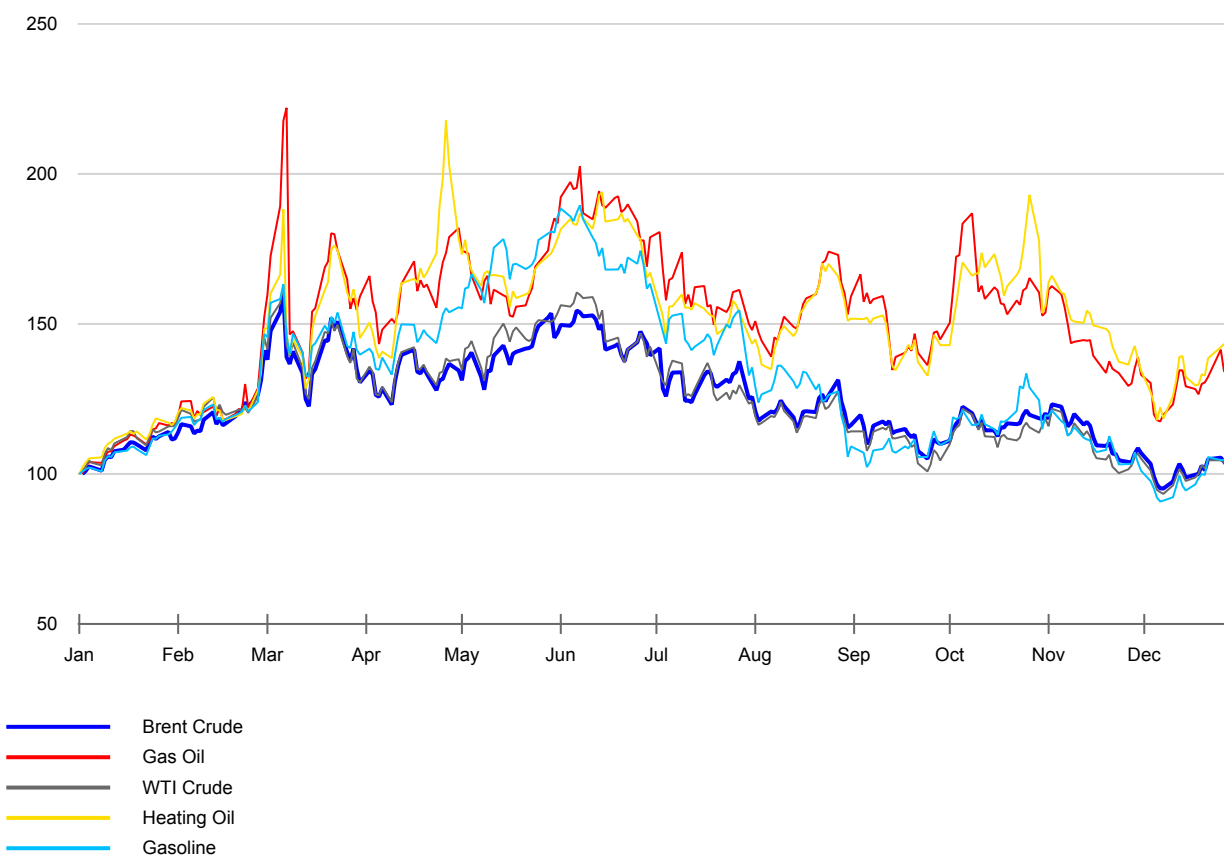
The US Federal Reserve hiked interest rates in June by 75-basis points, the largest single hike since 1994.

Oil Futures

Price Performance 01 January 2022 - 31 December 2022

Rebased Graph

Fig 4.1



Futures	Last Price	Change	Change %
ICE Brent Crude \$/b.	85.91	8.13	10.45
ICE Gas Oil \$/t.	921.00	254.00	38.08
NYMEX WTI Crude \$/b.	80.26	5.05	6.71
NYMEX Heating Oil US c/g.	336.22	103.21	44.29
NYMEX Gasoline US c/g.	245.95	23.10	10.37

Sources: ICE, NYMEX, OMJ

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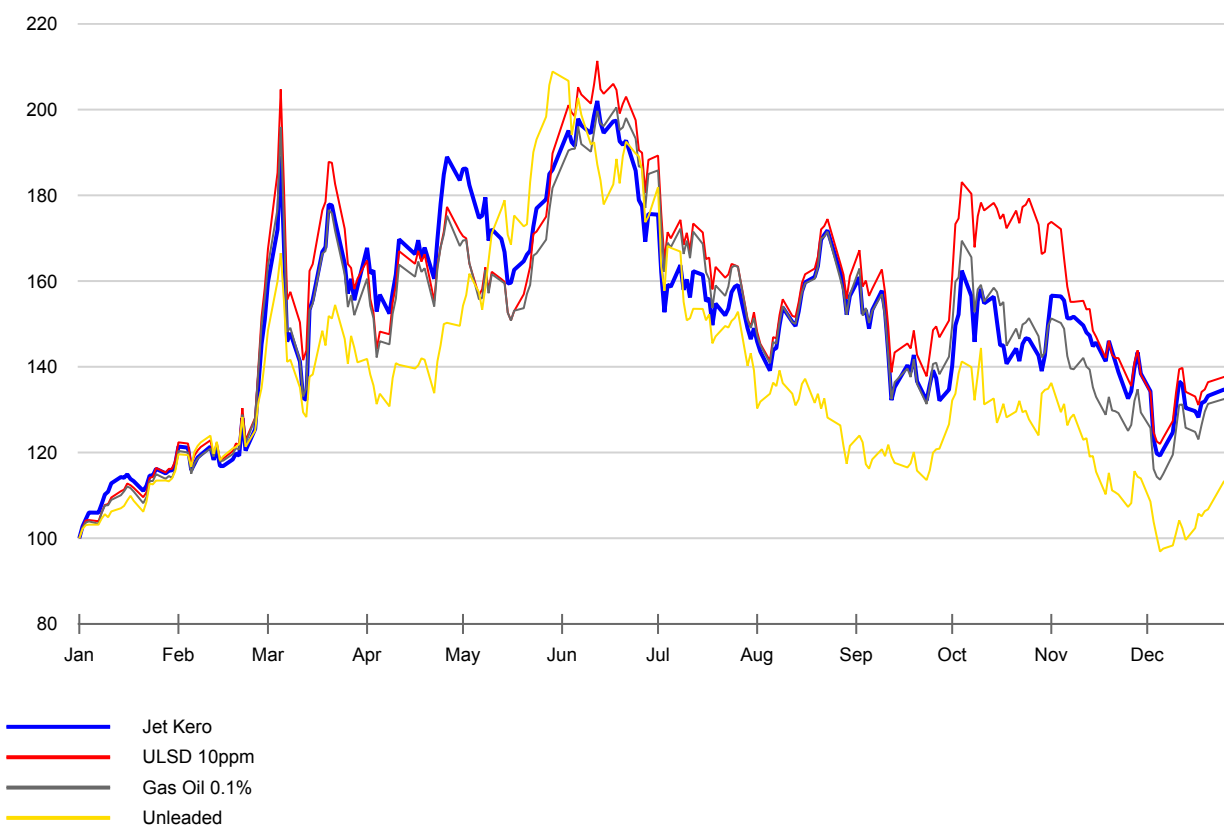


Refined Products

Price Performance 01 January 2022 - 31 December 2022

Rebased Graph

Fig 5.1



Rotterdam CIF Cargo N.W.E Basis ARA	Last Price \$/t.	Change \$/t.	Change %
Jet Kero	983.50	275.75	38.96
ULSD 10ppm UK	958.50	281.75	41.63
Gas Oil 0.1%	910.75	240.50	35.88
Unleaded	894.50	126.50	16.47

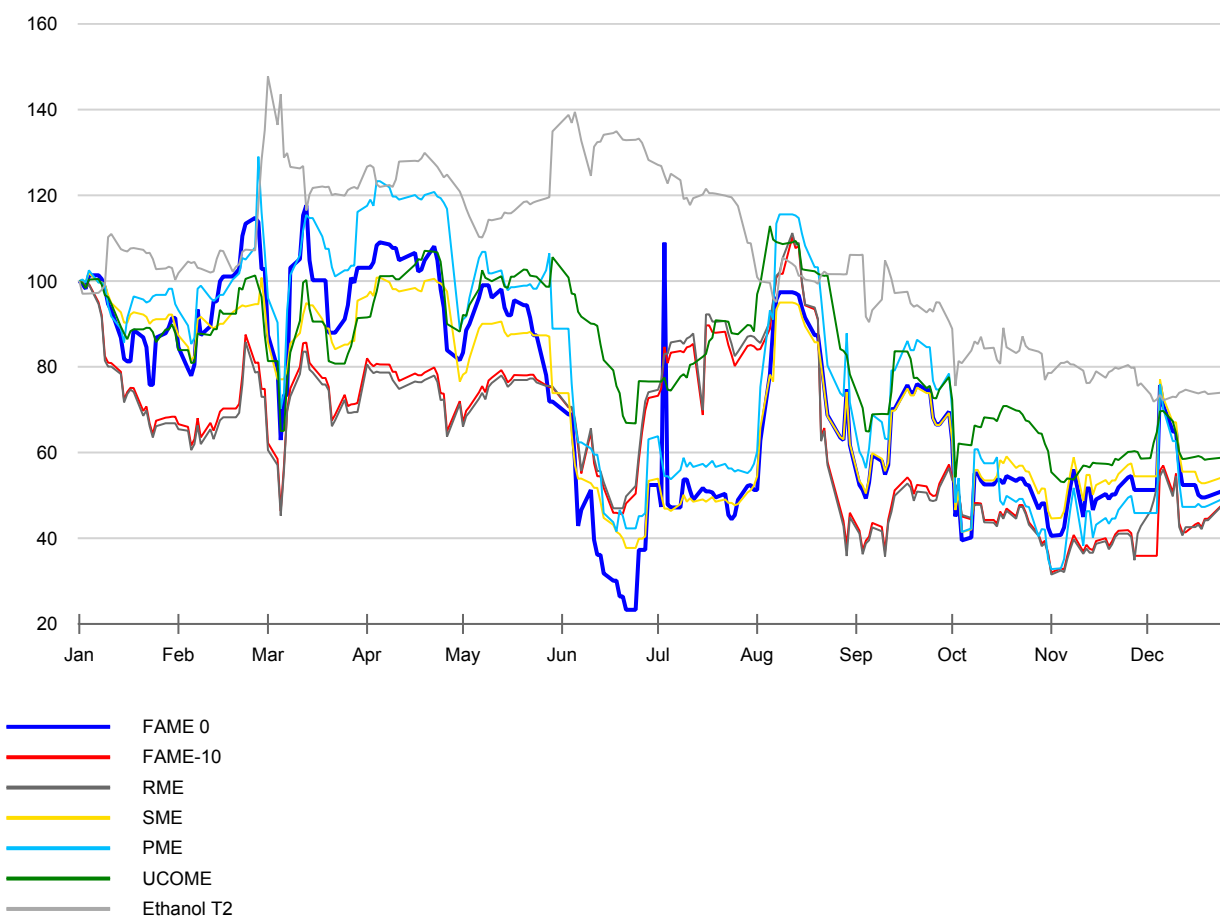


Biofuels

Price Performance 01 January 2022 - 31 December 2022

Rebased Graph

Fig 6.1



Rotterdam FOB Barge ARA	Last Price \$/t.	Change \$/t.	Change %
FAME 0	437.00	-428.00	-49.48
FAME-10	615.20	-773.60	-55.70
RME	635.00	-812.00	-56.12
SME	502.67	-617.33	-55.12
PME	342.67	-547.33	-61.50
UCOME	737.25	-486.75	-39.77
Ethanol T2	977.14	-535.11	-35.39

Sources: SCB, OMJ. Prices are differentials except for Ethanol T2



Marine Fuels

Price Performance 01 January 2022 - 31 December 2022

Rebased Graph

Fig 7.1



Fuel Oil	Last Price \$/t.	Change \$/t.	Change %
3.5% Rotterdam FOB Barge	356.25	-64.25	-15.28
NYMEX Gulf Coast HSFO Swap	356.36	-44.07	-11.01
Singapore 380 Swap	378.02	-55.24	-12.75
0.5% Rotterdam FOB Barge	514.00	-35.50	-6.46
Singapore Gasoil 10ppm Swap	892.58	228.11	34.33

Sources: Platts, CME, OMJ

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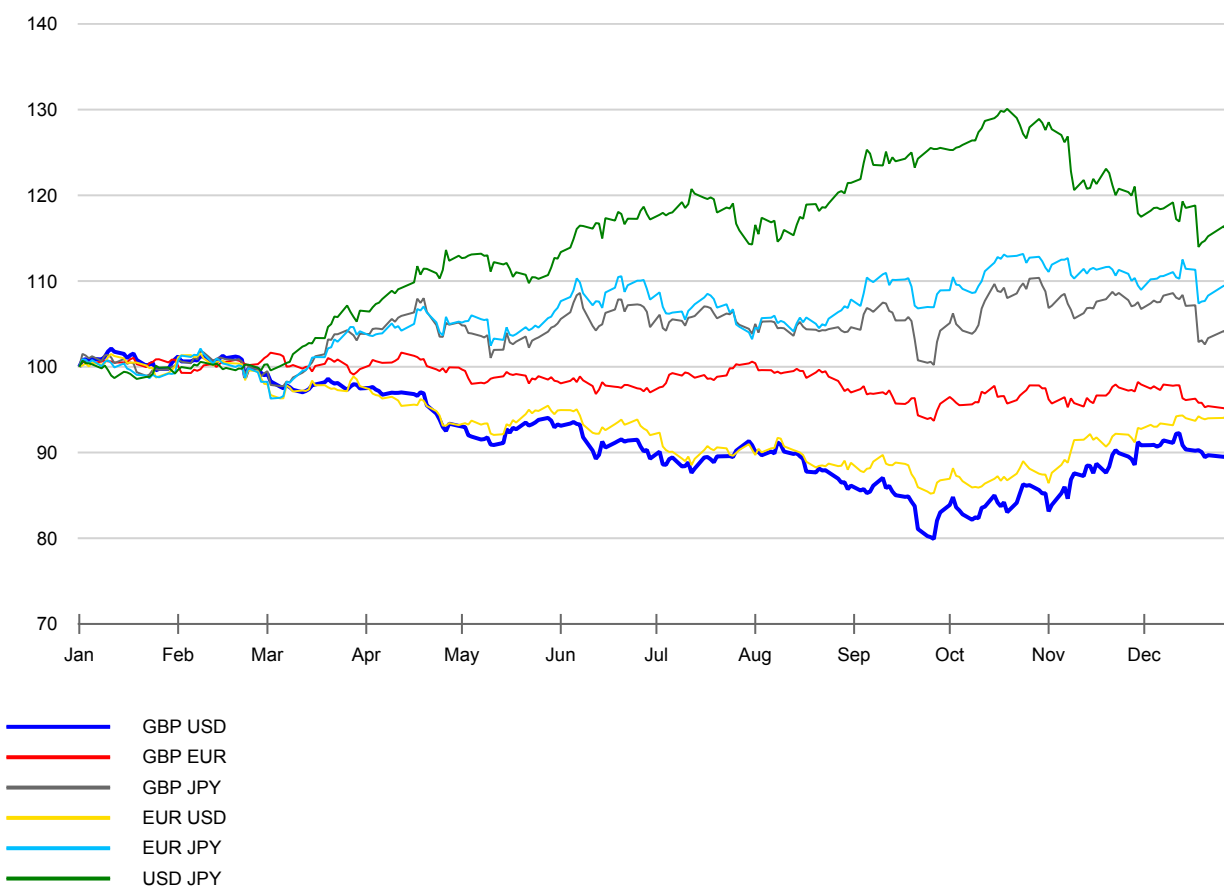


Foreign Exchange

Price Performance 01 January 2022 - 31 December 2022

Rebased Graph

Fig 8.1



Currency Pair	Last Price	Change	Change %
GBP USD	1.20290	-0.15	-11.19
GBP EUR	1.12710	-0.06	-5.37
GBP JPY	158.71665	2.74	1.76
EUR USD	1.06725	-0.07	-6.15
EUR JPY	140.81830	9.86	7.53
USD JPY	131.94500	16.79	14.58

Source: OMJ





16th July 2022: President Biden meets Prince Mohammed Bin Salman to discuss OPEC oil production. OPEC would later announce oil cuts, testing US - Saudi relations.

Fundamentals



Russian deputy Prime Minister and former Russian Energy Minister Alexander Novak and Saudi Arabian Energy Minister Prince Abdulaziz bin Salman Al Saud at the OPEC Headquarters, Vienna. Mr Novak flew into Vienna for the OPEC+ meeting on 5th October 2022. He was the first senior Russian government official to enter the European Union since the start of the Ukrainian war.

Distillate

Distillate stocks remained below 2021 levels and the 5-year average for the entire year as refineries were slow to pick up production runs post-COVID. (Fig 9.2). This supported prices with ICE Gasoil closing the year 38.08% higher.

Demand was strong in Q1 but quickly declined in Q2, Q3, and Q4. Demand fell as a result of rapidly rising energy prices in the aftermath of Russia's invasion of Ukraine. (Fig. 9.5).

Distillate days cover for 2022 averaged 29.26, which is 5.42 days below levels seen in 2021 and 6.51 days below the 5-year average.

Days Cover - Distillate

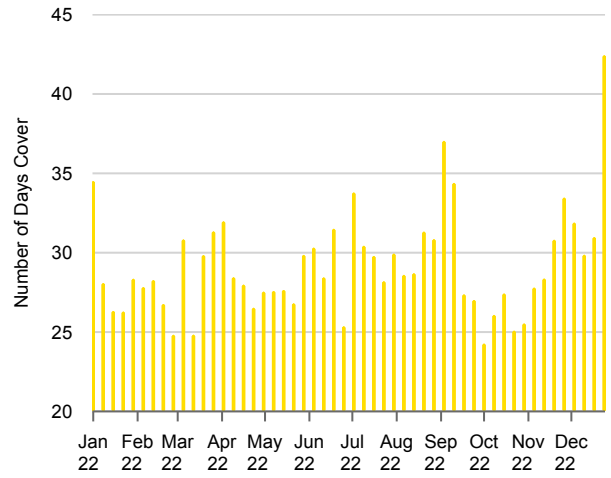


Fig 9.1

Stocks - Distillate

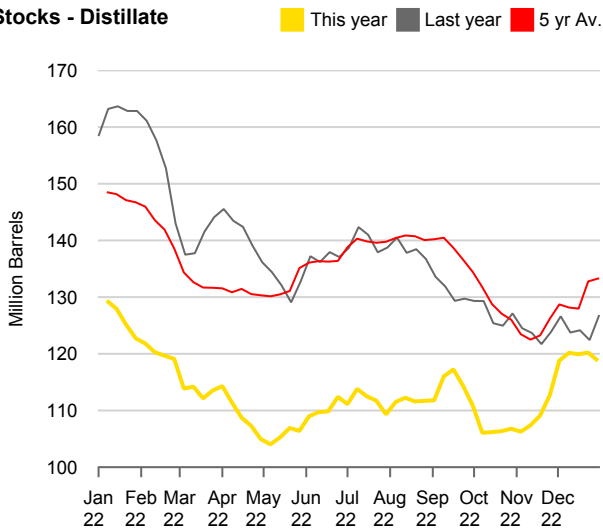


Fig 9.2

Difference Compared to Last Year - Distillate Stocks

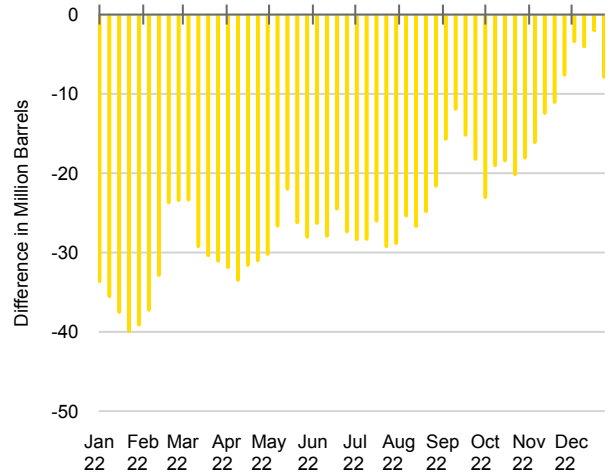


Fig 9.3

Demand - Distillate

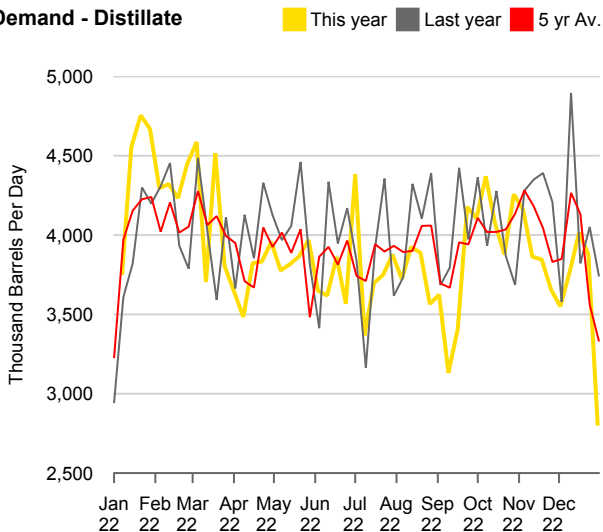


Fig 9.4

4 Week Average Demand Growth - Distillate

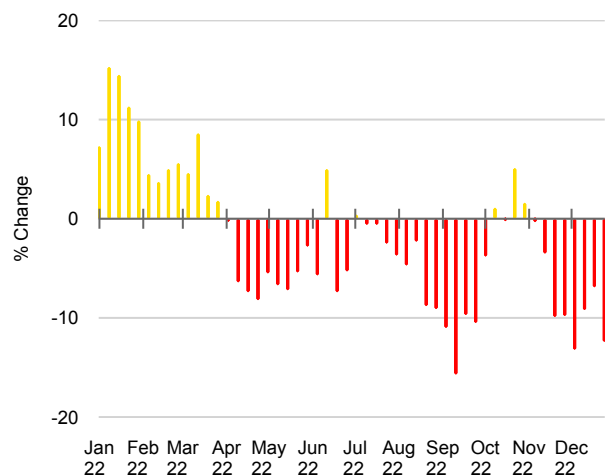


Fig 9.5

Sources: EIA, OMJ



Gasoline

Gasoline stocks were predominately lower than levels seen last year, only managing to break above last year's levels for 11 weeks of the year. Stocks in November fell to their lowest since November 2014.

Demand remained exceptionally weak in 2022 with 4-week average demand growth declining every week except one from Q2 onwards. Demand growth declined from Q2 onwards on higher prices and a slowing economy. (Fig 10.5.)

As a result, gasoline has been the worst performer of refined products on the year as ARA petrol gained 16% while diesel and kerosene gained 41% and 39% respectively.

Days Cover - Gasoline

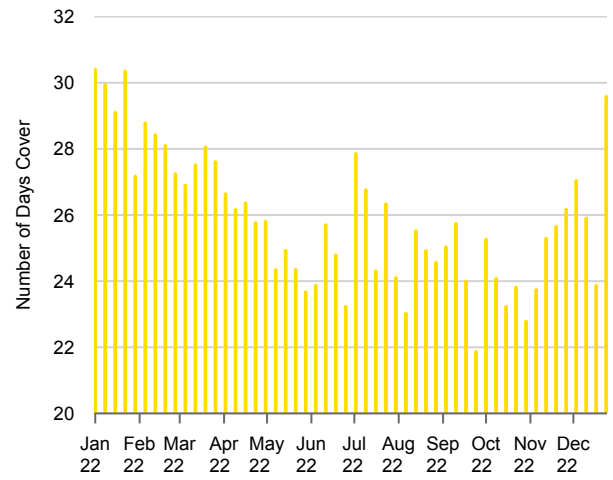


Fig 10.1

Stocks - Gasoline

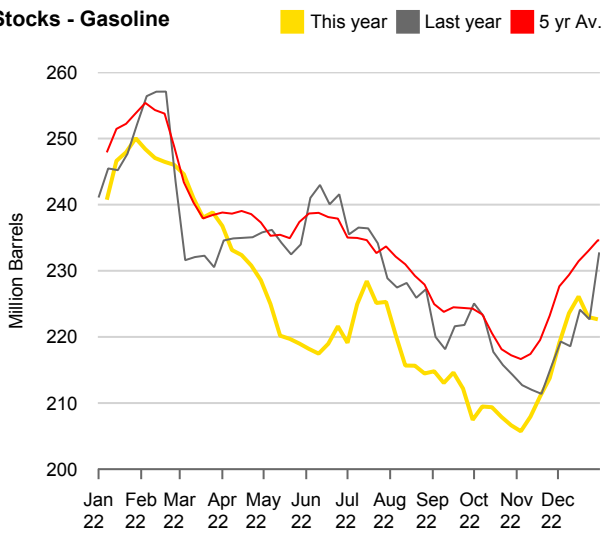


Fig 10.2

Difference Compared to Last Year - Gasoline Stocks

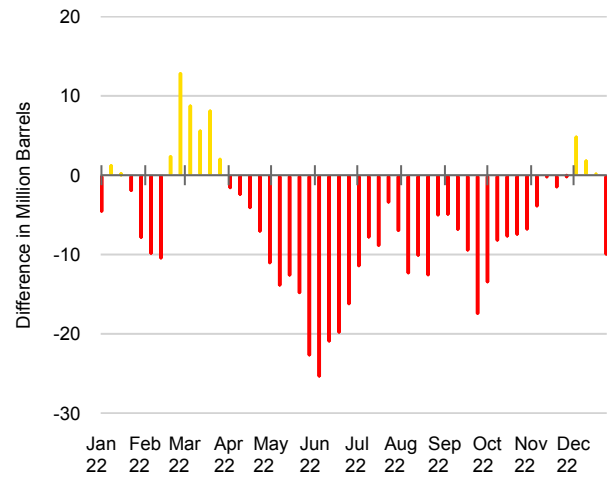


Fig 10.3

Demand - Gasoline

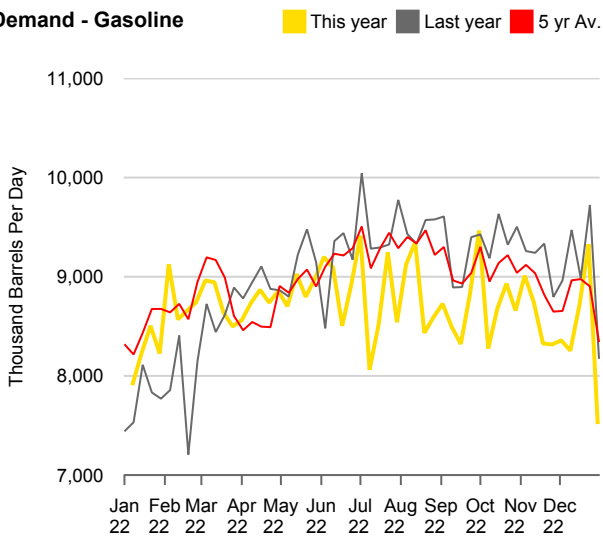


Fig 10.4

4 Week Average Demand Growth - Gasoline

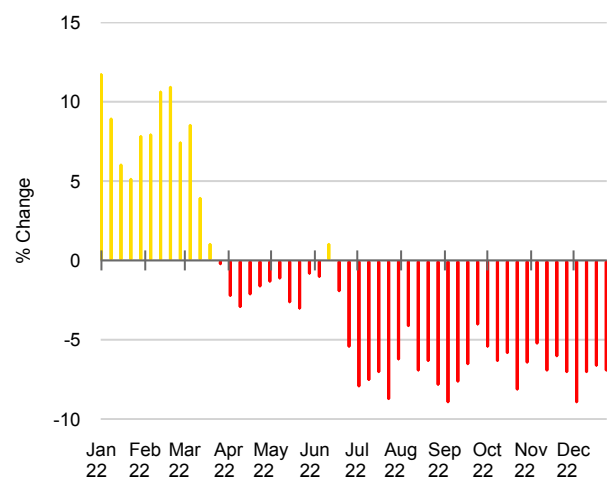


Fig 10.5

Sources: EIA, OMI



Crude

Crude fundamentals remained strong in 2022 on the back of exceptionally low stocks that led to the release of 180 million barrels of oil from the US Strategic Petroleum Reserve. Stocks remained below the 5-year average for the entire year and only broke above levels seen last year in the autumn of 2022.

Total product demand began the year above both the 5-year average and levels seen last year but 4-week average demand growth began to contract during Q3 and Q4 in light of higher prices and a weakening global economy.

Days Cover - Crude

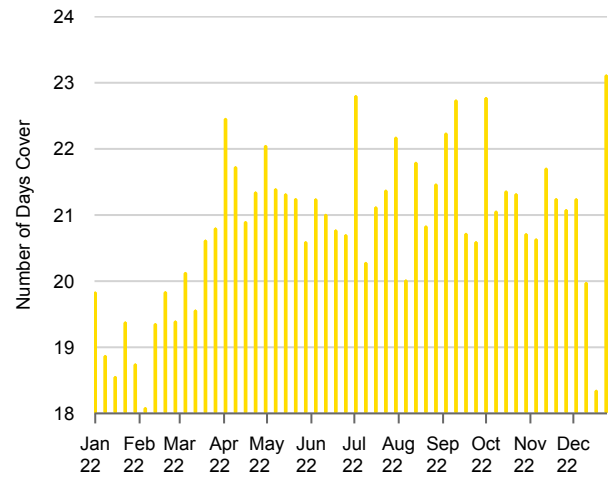


Fig 11.1

Stocks - Crude

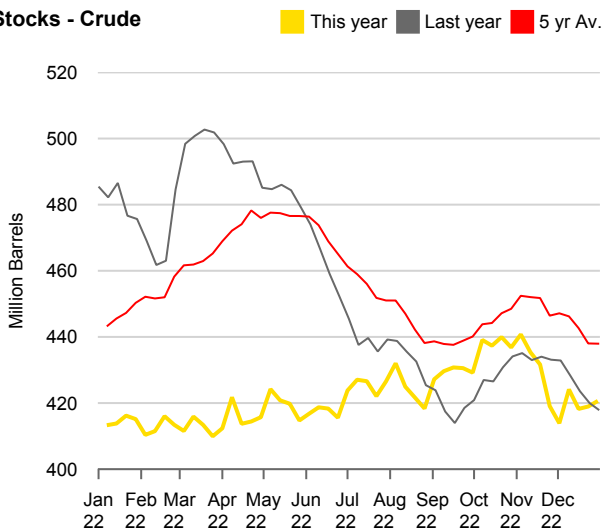


Fig 11.2

Difference Compared to Last Year - Crude Stocks

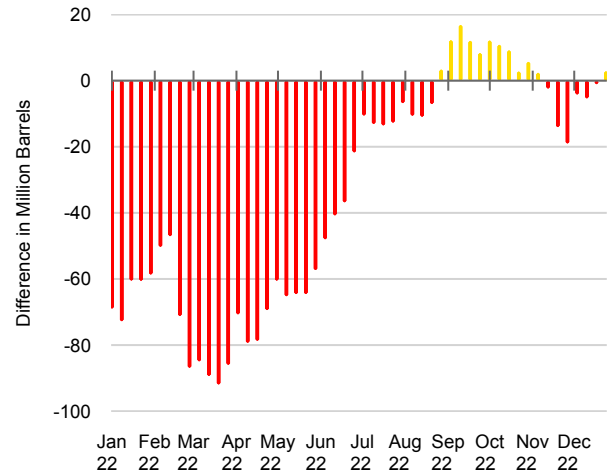


Fig 11.3

Demand - Total Products

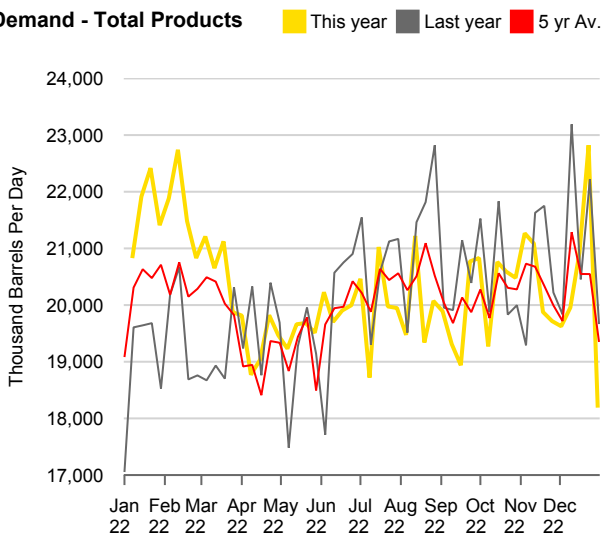


Fig 11.4

4 Week Average Demand Growth - Total Products

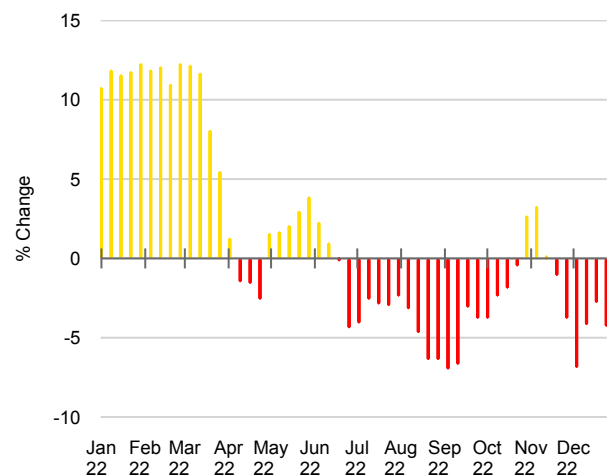


Fig 11.5





11th October 2022: Trade unionists and TotalEnergies employees gather outside the TotalEnergies refinery at Gonfreville-l'Orcher, France.

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