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Oil Holds Above \$80 as IEA Warns of Volatility, Higher Prices

- OPEC also set to present global market outlook as crude climbs
- Gas rally seen aiding demand for oil products as alternatives

By Saket Sundria

(Bloomberg) -- Oil held above \$80 a barrel after a four-day advance as the global energy crisis fanned demand and the International Energy Agency warned of a spike in volatility and scope for higher prices.

West Texas Intermediate was steady after posting the highest close since October 2014 as the IEA said in a flagship report that the world was failing to invest in energy on the scale that's needed to avoid sharp increases in fossil-fuel prices and at the same time escape catastrophic climate change.

In the physical market, Russian Sokol -- a diesel-rich grade when refined -- has hit the highest premium to benchmark prices since January 2020, according to traders and data compiled by Bloomberg. That offers fresh evidence of the scope for oil benefiting from the rally in gas as users seek alternatives.



Crude has surged this year as a rebound in activity from the pandemic has boosted consumption, depleting inventories. In addition, shortages of natural gas and coal have driven rising demand for alternative power generation and heating fuels in Asia and Europe as the Northern Hemisphere winter nears.

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"I am not ready to say we have topped out yet, but whether oil hits \$90 to \$100 will depend on how cold it gets," said John Driscoll, chief strategist at JTD Energy Services Pte. "There may be some spike, some volatility in the meantime. People are watching the mercury now."

Prices:

- WTI for November delivery eased 0.1% to \$80.57 a barrel on the New York Mercantile Exchange at 6:36 a.m. in London.
- Brent for December settlement was nearly flat at \$83.39 a barrel on the ICE Futures Europe exchange.

As part of the IEA's World Energy Outlook, the group's head, Fatih Birol, warned that "there is a looming risk of more turbulence for global energy markets." The Paris-based organization represents some of the world's most industrialized countries, including the U.S., Germany and Japan.

While oil consumption has been expanding at a rapid clip, the Organization of Petroleum Exporting Countries and its allies has taken a cautious approach to restoring production that was shuttered last year. OPEC will present its latest monthly snapshot of global market conditions later on Wednesday.

The oil market's overall bullish mood is reflected in increasingly backwardated timespreads, with near-term prices trading above those further out. WTI's prompt timespread was 76 cents a barrel in backwardation, up from 29 cents at the start of last week. The Brent prompt spread is 70 cents in backwardation.

Still, U.S. oil demand may be showing signs of a slowdown, with a survey predicting builds in both crude and gasoline inventories. Gasoline stockpiles may expand by 1.25 million barrels, which would be a fourth weekly rise if confirmed by official data due on Thursday.

Related coverage:

- The energy crunch is due to a hasty transition to renewables, Russian Deputy Prime Minister Alexander Novak told Rossiya TV.
- UBS Group AG has raised its forecasts for Brent and WTI by \$5 a barrel on a surge in demand.
- Monthly deliveries of gasoil futures in the ICE Futures Europe market fell to their lowest since July.

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