

Global Oil Markets Are Now Balanced, Russia's Novak Says



(Bloomberg) – Global oil markets have rebalanced following last year's historic collapse in demand, according to Russia's deputy prime minister.

"The last few months we have seen low volatility, which means the market is balanced, and the prices we see today certainly correspond to the situation in the market," Alexander Novak said on state television channel Rossiya 1 on Sunday. Crude will probably average \$45 to \$60 a barrel this year, according to Novak, who was Russian energy minister before President Vladimir Putin promoted him in November.

Benchmark Brent crude has surged 22% this year to top \$63 a barrel as energy use recovers in the U.S. and China and nations roll out coronavirus vaccines. Prices have also been buoyed by deep supply cuts from the Organization of Petroleum Exporting Countries and its partners, who are trying to clear

surplus stockpiles built up during the pandemic.

The oil market “has partially recovered, but not completely yet,” Novak said, adding that global demand was about 8% to 9% below pre-pandemic levels by the end of last year, compared with a decline of 20% to 25% in April and May.

Most members of the OPEC+ coalition, which has been gradually restoring barrels halted during the crisis, are pausing the process for two months. But Russia secured a 65,000-barrel-a-day increase in its quota for February and March, while Saudi Arabia is implementing a unilateral cut of 1 million barrels a day. OPEC+ ministers will meet in early March to discuss next steps.

Novak also commented on the Nord Stream 2 project, a natural gas pipeline being built under the Baltic Sea from Russia to the German coast. Despite U.S. sanctions targeting the project, it will be completed, Novak said. Work on the line resumed in late 2020 after being halted for a year.

(Updates with further Novak comment in fourth paragraph.)

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