Energy Intelligence

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OIL DAILY®

CONTENTS

In Brief

Data Snapshot

Suncor CEO Resigns After Another Worker Fatality

The CEO of oil sands giant Suncor Energy has resigned following the latest in a string of worker deaths at the company's facilities, adding to the uncertainty over the company's strategy and culture.

Mark Little announced his resignation as Suncor's CEO on late Friday, one day after a worker was fatally injured at a shovel maintenance pad at the company's Base Plant Mine near Fort McMurray, Alberta.

The death was the second at the Base Plant Mine this year and the 13th worker fatality at a Suncor facility since 2014. It also occurred just days before the company's management was scheduled to provide an operational update to its investors, including a review of its safety performance. That presentation has since been postponed.

No Panacea

Little's resignation marks a significant first step in an overhaul of the company's management and direction, but company observers say that more systemic changes are needed.

“This is not about a dividend cut, multiple operational issues, and the inability to meet guidance, all of which [Suncor] has suffered from,” analysts at Eight Capital Research said in a note. “This is about people risk, and this level of events is something we have never seen in the 25 years of covering the sector."

However, the analysts also said that Suncor's problems go well beyond who sits in the CEO chair.

“The issue isn't a one-person situation, in our view," said Eight Capital. “This is not just the CEO's fault. This is about the corporate culture where accidental deaths have plagued the company even prior to Mr. Little's tenure as CEO began."

Travis Wood at National Bank of Canada said in a note that Suncor's size and scale suggested that there were deeper problems that needed addressing.

“Additional executive changes will likely be required to properly and effectively strike cultural change across Suncor,” wrote Wood.

Energy Wall Street veteran Paul Sankey concurred.

“The problem for Suncor is, to build a safety record takes time, and at the moment, their clock just got reset to zero,” Sankey said on his YouTube channel on Monday.

He added that Suncor shares are likely to continue trading on a “mistrust basis” with regard to safety performance for months and even years, given the need for “comprehensive evidence” that its track record has actually improved.

In a statement on Friday, Suncor Chairman Michael Wilson acknowledged that the company had failed to improve its safety record and that change was needed.

“Suncor is committed to safety and operational excellence across our business, and we must acknowledge where we have fallen short and recognize the critical need for change,” said Wilson.

Wilson said that executive vice president Kris Smith will act as Suncor's interim CEO while the board of directors looks for a permanent replacement.

Recurring Problems

Little took the helm at Suncor in 2019 and made worker safety a strategic priority for the firm. However, deaths and injuries continued to occur at the company's operations.

Following the death of a worker in January when a heavy-haul truck rear-ended another vehicle at Base Mine, Little took full responsibility.

"As CEO, the accountability for safety and operational excellence is with me, period," Little said during the company's earnings presentation in February. "Like, I own this."

In April, hedge fund Elliot Management announced that it had taken a 3.4% stake in Suncor and called for a C-suite overhaul, citing the company's poor safety record among other reasons.

"Suncor has tragically lost 12 employees and contractors in fatal accidents since 2014, more than all of its closest peers combined over the same period," Elliott said in a letter to Little and the company's board of directors. "... It is evident that Suncor's status quo is not working."

At the time, Elliott called for the appointment of five new directors and a review of the company's management and assets. Elliott has yet to comment on the latest worker fatality and Little's resignation.

Jeffrey Cavanaugh, New Orleans

Speculators Pull Money From Oil Market

Market sentiment is increasingly less convinced that crude oil and refined products can return to their recent highs, and speculators are rapidly selling bets on higher prices and putting more money on lower prices.

Funds and banks think that high prices have started to erode demand growth for fuels like gasoline, even though hard data is still needed to firm up the anecdotal evidence.

Outflows of speculative capital gained speed in the week ended Jul. 5 and nearly $11 billion in value was withdrawn from the market, according to calculations French bank Societe Generale.

“Most of the bearish flow came from crude oil — Brent and West Texas Intermediate (WTI) — driven by fears of recession and accompanying energy demand destruction,” the bank said in a note.

Sentiment can switch on a dime. The value of net positions riding on higher Brent prices, for example, dropped to $15 billion in the first week of July, down from $29 billion in mid-June.

Fewer Futures

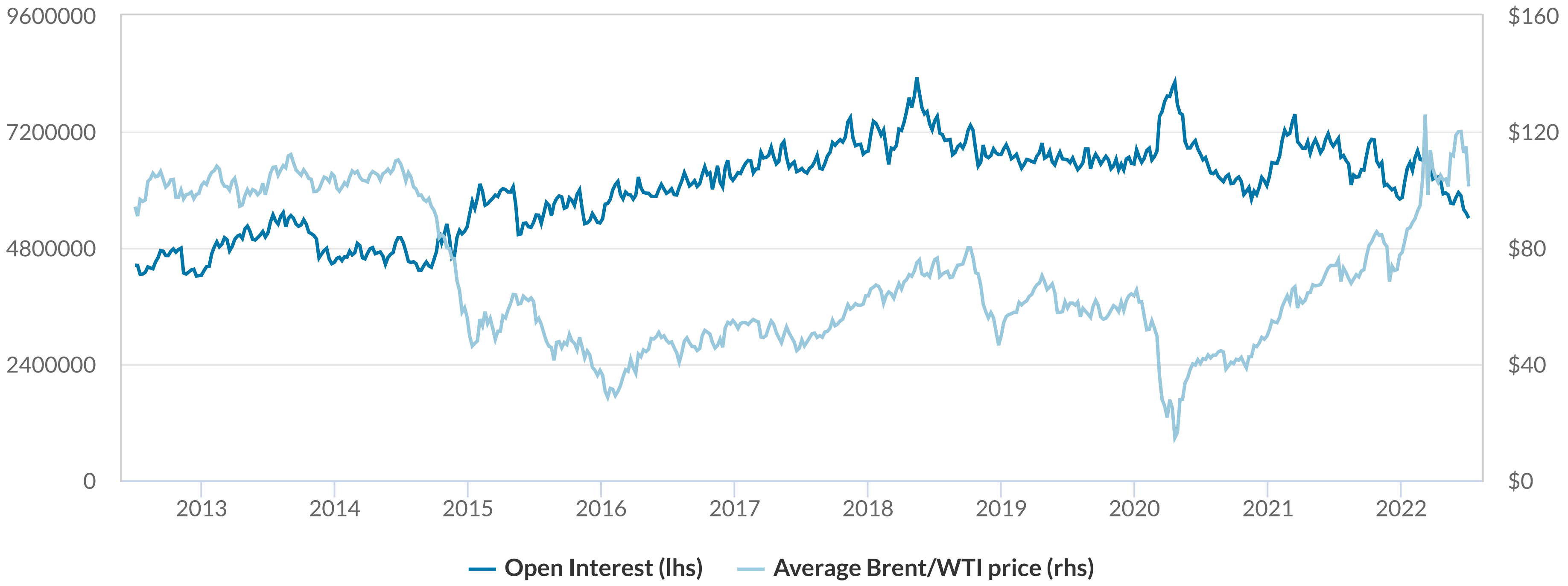
Significant volatility in crude prices has lowered trading volumes on the ICE and Nymex exchanges, and has also lowered the number of contracts held in Europe’s Brent, the global crude benchmark, as well as US WTI.

The moment that oil shot over $100 per barrel in early March, the number of futures contracts held in crude oil dropped. By early July, the total volume of contracts had hit a seven-year low at 5.4 million.

Total open interest in Brent and WTI futures contracts combined has dropped by 20% from its recent high of 6.8 million contracts, achieved in late February just before Russia invaded Ukraine.

The exposure in diesel and gasoline contracts has likewise sharply dropped, with bets on rising prices falling even though prices have gone up 40% since the start of the war. Traders have pointed out that the price volatility caused many smaller funds and individuals to exit the futures markets as trading became too expensive and risky.

HIGHER PRICE LOWERS FINANCIAL OIL HOLDINGS



Source: CME, ICE, Energy Intelligence

Output Hedge

It is not just speculators that are lowering their exposure to oil. US producers are also less keen to hedge future output than in previous cycles of the shale revolution.

Hedged volumes have nearly halved over the past year in WTI to the equivalent of less than 400 million bbl, or 33 days of total US crude production.

Traders had pointed out that the high costs of hedging and expectations of rising prices have kept companies on the sidelines.

In the US, the moment WTI rises over $70/bbl, producers become less likely to sell their future production via the financial market and would rather be exposed to prices in the spot market. The appetite for hedges drops even more when WTI is over $100/bbl.

In June 2021, when WTI moved over $70/bbl, producers sold 760 million bbl of future production forward, which guarantees sufficient cash flow and keeps the business going. By the start of July 2022, with WTI over $100/bbl, that volume had dropped to 399 million bbl.

A similar pattern is visible in global benchmark Brent. When Brent moved towards $70/bbl in the spring of last year, 1.26 billion bbl of oil were sold forward using Brent futures. With prices now consistently over $100/bbl, that volume has dropped below 800 million bbl.

John van Schaik, New York

BLM Releases Draft Review of Conoco's Willow Project

The US Department of the Interior (DOI) has released a new draft environmental review of ConocoPhillips' Willow project on Alaska's North Slope, which could prove a key litmus test for how the Biden administration weighs the climate impacts associated with oil and natural gas projects.

A federal district court in Alaska sent the Bureau of Land Management (BLM) back to the drawing board last year after ruling that the project's previous approval failed to fully account for its potential climate and wildlife impacts.

The draft supplement to the 2020 National Environmental Policy Act (Nepa) review, quietly released on Jul. 8, outlined a range of pathways for Willow to regain that approval, including not developing the project at all; rerouting planned infrastructure in order to minimize the disruption to caribou herds and cut down on stream crossings; reducing the number of planned drill sites by one; and shrinking the gravel footprint of the project.

The BLM didn't indicate a "preferred" alternative, saying that the proposal will help in selecting a preferred route. But the agency did say that including fewer drill sites would "reduce the overall amount of infrastructure (e.g., gravel footprint, miles of gravel road, miles of pipelines) that may impede caribou movement and impact subsistence users."

The bureau is taking public comment on the draft review through Aug. 29.

As planned, the Willow project would have included up to five sites, a central processing facility, an operations center pad, up to 37.4 miles of gravel road, ice roads, airstrips, a mine site and up to 389.9 miles of pipelines.

The project is expected to have potential peak production of over 180,000 barrels per day over a 30-31-year lifespan and total projected output of up to 629 million bbls.

Policy Precedent

Policy watchers are viewing the Willow review as something of a test case for how robust the Biden administration's Nepa analyses will be with respect to the greenhouse gas (GHG) impacts of energy projects, which has become a hot button issue in US courts in recent years.

Among the core issues the court in Alaska saw with the Trump-era Willow review is that the Nepa analysis failed to explain why it did not quantify the indirect foreign global emissions impact of the project. Instead, the government cited a negligible impact and a lack of information on foreign energy consumption and emissions patterns, which the court countered by pointing out that there were models available.

In the new draft, the BLM estimates the project will account for nearly 62.5 million metric tons of carbon equivalent in downstream foreign emissions based on a 100-year global warming potential time horizon, if it goes forward as proposed.

The draft Willow supplement is already drawing fire from environmental advocates. Christy Goldfuss, a former Obama environmental official that is now with the Center for American Progress (CAP), tweeted last week that she was "totally furious" that Interior was "one pro forma step" from letting the project go forward.

A CAP analysis of Willow earlier this year found that the project is "laughably incompatible with the climate goals and international obligations made by the Biden administration" because of its planned footprint and lifespan.

Bridget DiCosmo, Washington

Oil Futures Trade Sideways, Keep Rally Hopes Alive

Expectations are rising for oil prices to take a major dive on fears of lower oil demand, but this sentiment has not yet taken center stage, with crude futures staying well above $100 per barrel while physical Brent is back up to $114/bbl.

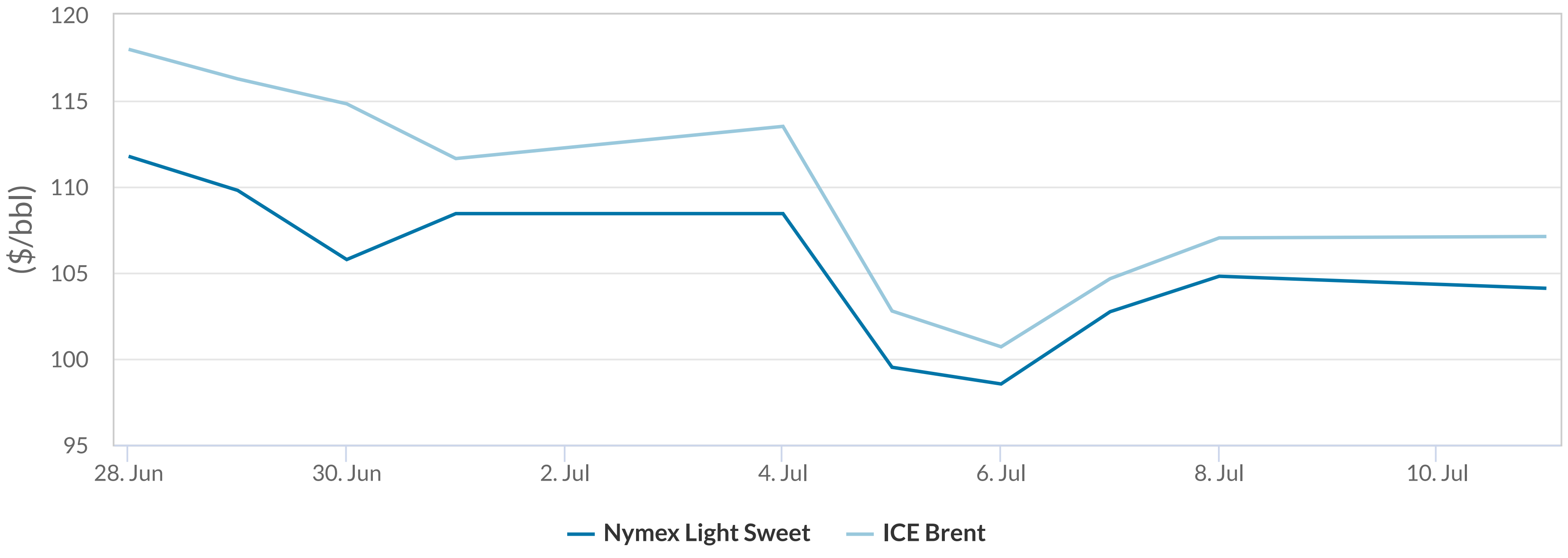
On ICE Futures, Brent for September loading fell to a low of $103.64/bbl during trading on Monday before eking out an 8¢ gain for a close of $107.10/bbl. Meanwhile, August Nymex West Texas Intermediate (WTI) dropped by 70¢ to $104.09/bbl.

The sideways Brent trade helped the contract keep its recovery going from the recent low of $98.50/bbl last Wednesday and Thursday, and kept the hope alive that Brent futures could again rally beyond $110/bbl.

Technical trading analysts point out that bulls must pull Brent and WTI significantly over the 22-day and 50-day averages to get there, though. "Bulls have no case otherwise," said ICAP Technical Analysis in a note.

ICE BRENT VS. NYMEX WTI FUTURES

Front Month Contracts



Diesel Over Crude

For much of Monday, trading focused on selling crude oil contracts and buying diesel futures, a play that predicts crude will be cheaper than diesel going forward.

Such a trading position expects diesel prices to outperform crude oil prices, and seems to bank on the conviction that the world has enough crude oil but not enough refining capacity to turn that crude into diesel.

During morning trade in New York, crude was down 2% much of the time while diesel was up 3% in the US and 5% in Europe before the latter's gains softened and crude regained some ground. Gasoil in Europe ended Monday up $59 at $1192.50/ton, while diesel in the US was up 9.52¢ at $3.7681 per gallon.

Such a trading position looks beyond summer and sees the world remaining short of diesel. That could be the result of refineries going into maintenance, an ongoing natural gas crisis forcing more fuel switching and Russia having to lower its product exports due to the EU import ban.

The trade also suggests that high prices and an economic recession would hurt demand for crude oil and gasoline more than diesel. Gasoline contracts on the Nymex in New York traded lower in line with crude oil for most of the day, and in late volatile trade closed 1.5¢ higher at $3.4622/gal.

John van Schaik, New York

Eni Wins 2022 Energy Innovation Award

Energy Intelligence, publisher of *International Oil Daily* and *Oil Daily*, announced that Eni has been chosen as the winner of the 2022 Energy Innovation Award.

The Energy Innovation Award winners are chosen in a two-part process that includes an evaluation of their performance relative to the proprietary Transition Strategy Index and Low-Carbon Investment Tracker benchmarks developed by the Energy Intelligence Energy Transition Service.

Winners are then chosen from a shortlist of candidates through a vote by an independent panel of leading experts drawn from finance, government, academia and consulting.

"The energy transition isn't an easy feat. The world will need more companies like Eni that are proactive in adapting, innovating and investing to find solutions," said Lauren Craft, editor of *EI New Energy* and administrator of the award.

"Eni's leadership and marked advances over the past year are an example to the energy industry — an industry with fundamental and integral roles to play in the energy systems of tomorrow."

Eni scored highly across a range of quantitative measures and was recognized by voters for its innovative strategic approach to the energy transition.

“Eni stands out for its consistently high rankings in Energy Intelligence's benchmarking of companies' energy transition positioning, as well as its increasingly ambitious goals to reduce greenhouse gas emissions, including those from use of its products," said Alex Martinos, head of Energy Transition Research at Energy Intelligence.

"We are tracking the Italian firm's rapidly expanding investments in low-carbon technologies — focused on renewables, but also extending to biofuels and beyond."

Eni CEO Claudio Descalzi will receive the award during the Energy Intelligence Forum 2022 on October 5. The Forum is being held in-person in London from Oct. 4-6.

"Today, more than ever, at a time when the international events we are experiencing put us in front of the reality of economic and industrial systems that are still mainly based on traditional energy models, we must remain firmly anchored to our decarbonization objectives, which will be fundamental to further increase our energy independence," said Eni CEO Claudio Descalzi.

The Energy Innovation Award has been given out annually by Energy Intelligence for more than a decade. Previously known as the Innovation in New Energy Award, past winners include Equinor, Total, Shell, Vattenfall, Engie and Iberdrola.

Staff Reports

IN BRIEF

US Natgas Prices Rally on Heat Wave

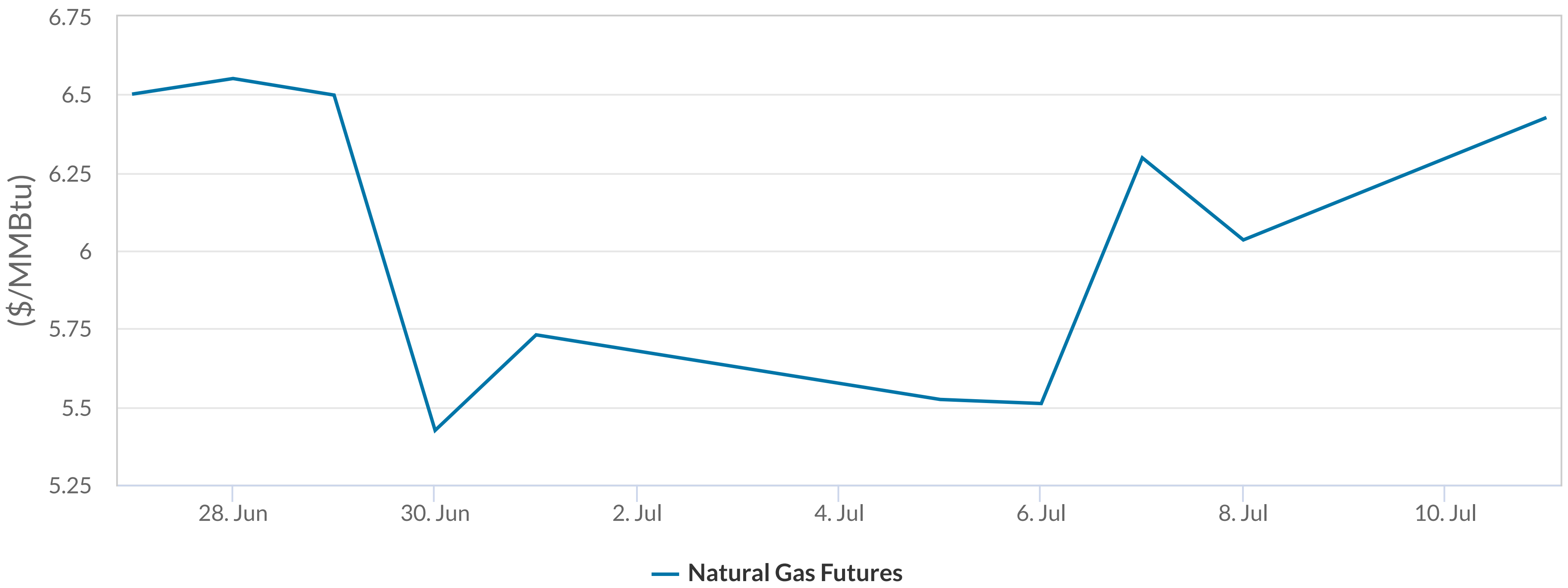
US August natural gas futures pushed above $6.60/MMBtu on Monday before falling back as a sweltering early July gives bulls a reason to rally. The prompt month rose by 39.2¢ to $6.426/MMBtu.

Power burns averaging 40.2 Bcf/d last week are at record highs for this time of year as a heat dome parks itself over Texas and much of the central US. The Electric Reliability Council of Texas (Ercot) has seen a string of record demand peaks as statewide highs rise well into the triple-digits.

"Day-to-day fundamentals support today's price move as weather forecasts adjusted hotter through the weekend, bringing an additional 2.7 Bcf/d of power demand over the next two weeks," Gelber & Associates analysts said.

The rally might continue in the days ahead if those forecasts are confirmed, Gelber said, by raising supply concerns as gas-to-coal switching struggles to gain traction.

NYMEX NATURAL GAS FUTURES



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Tom Haywood, Houston

Canada to Fund CCS R&D Projects

Canada has launched a call for research and development (R&D) projects focused on carbon capture and storage (CCS) to apply for federal funding as the country looks to advance its net-zero emissions goals.

The C$81.5 million (US$62.7 million) call for expressions of interest would support R&D and demonstration projects in three areas: capture, storage and sequestration, and utilization of carbon dioxide (CO_2).

Projects selected through this call "will help emission-intensive industries identify, develop and test technologies with competitive costs and energy efficiency levels, which they could implement to capture their CO_2 emissions," according to a statement.

The call is funded under Canada's Energy Innovation Program. The federal government has pledged to invest C$319 million to advance the commercial viability of CCS technologies. Canada is aiming to eliminate net carbon emissions from its economy by 2050.

The call, announced last week, is open through Oct. 3. It represents Canada's second solicitation for CCS innovation projects. The first focused on front-end engineering and design studies for large-scale projects and ultimately granted funds totaling up to C$50 million for 11 proposals.

The new focus area is targeting CCS technologies and processes that have the potential to significantly reduce capital and operating costs and increase applicability to different emission sources, sizes and CO2 concentrations compared to commercially available, amine-based CO2 capture technologies.

Luke Johnson, Houston

DATA SNAPSHOT

Oil and Gas Prices, Jul. 11, 2022

All data are produced by Energy Intelligence in cooperation with Refinitiv.

CRUDE OIL FUTURES

($/bbl)	Chg.	1st Mth.	2nd Mth.
ICE Brent	+0.08	107.10	103.65
Nymex Light Sweet	-0.70	104.09	101.21
DME Oman	+0.08	105.09	101.59
ICE Murban	+0.04	108.42	102.85

INTERNATIONAL SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
Brent (Dated)	+0.91	114.85	113.94
Dubai			104.05
Forties	+0.28	119.10	118.82
Bonny Light	+1.03	122.10	121.07
Urals	+0.28	85.15	84.87
Opec Basket*			114.30

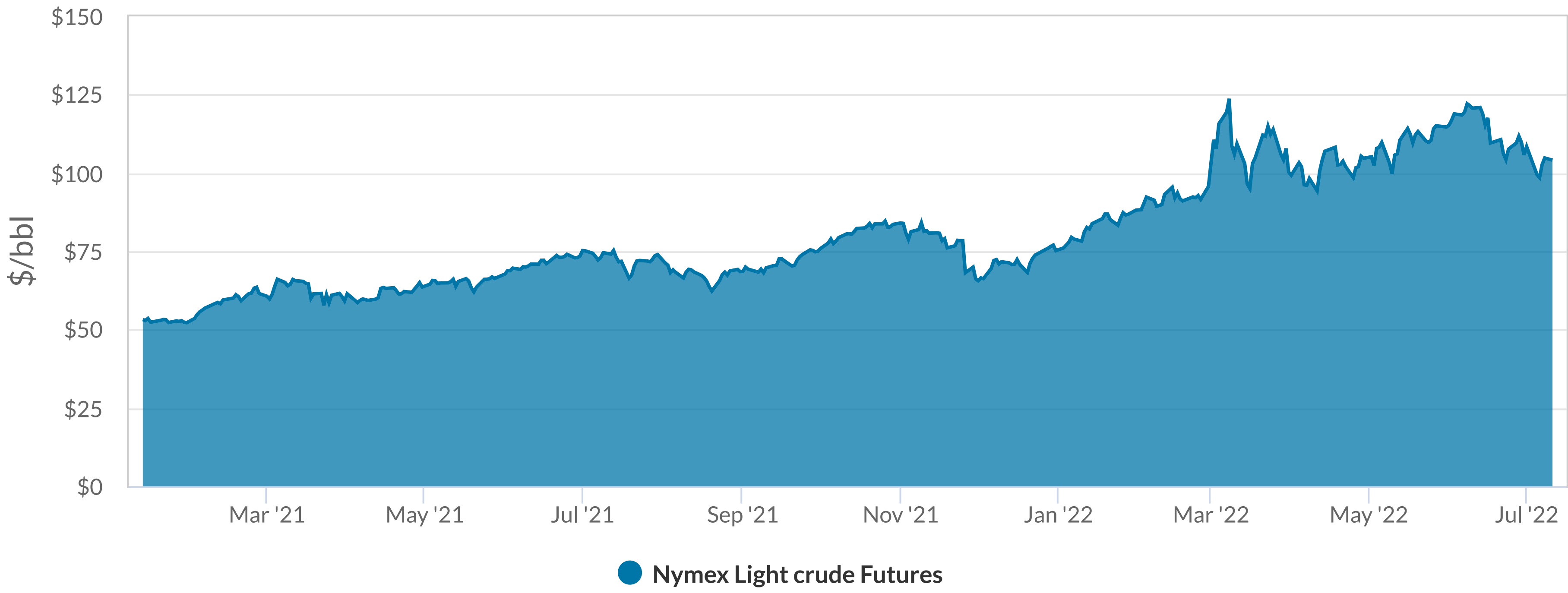
*Opec price assessed.

NORTH AMERICAN SPOT CRUDES

($/bbl)	Chg.	Price	Prior Close
WTI (Cushing)	-0.69	106.09	106.78
WTS (Midland)	-0.79	107.79	108.58
LLS	-0.69	107.64	108.33
Mars	-0.34	101.59	101.93
Bakken	-0.69	110.09	110.78

ICE BRENT CRUDE FUTURES

NYMEX LIGHT CRUDE FUTURES



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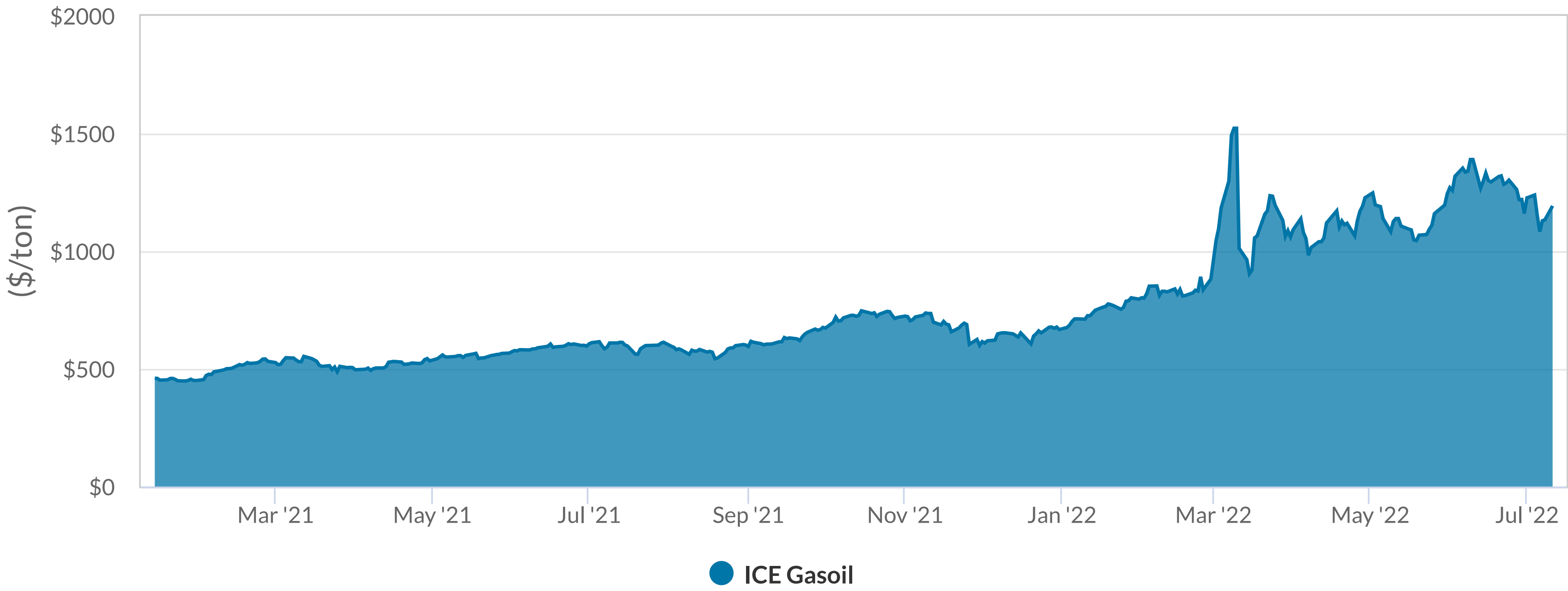
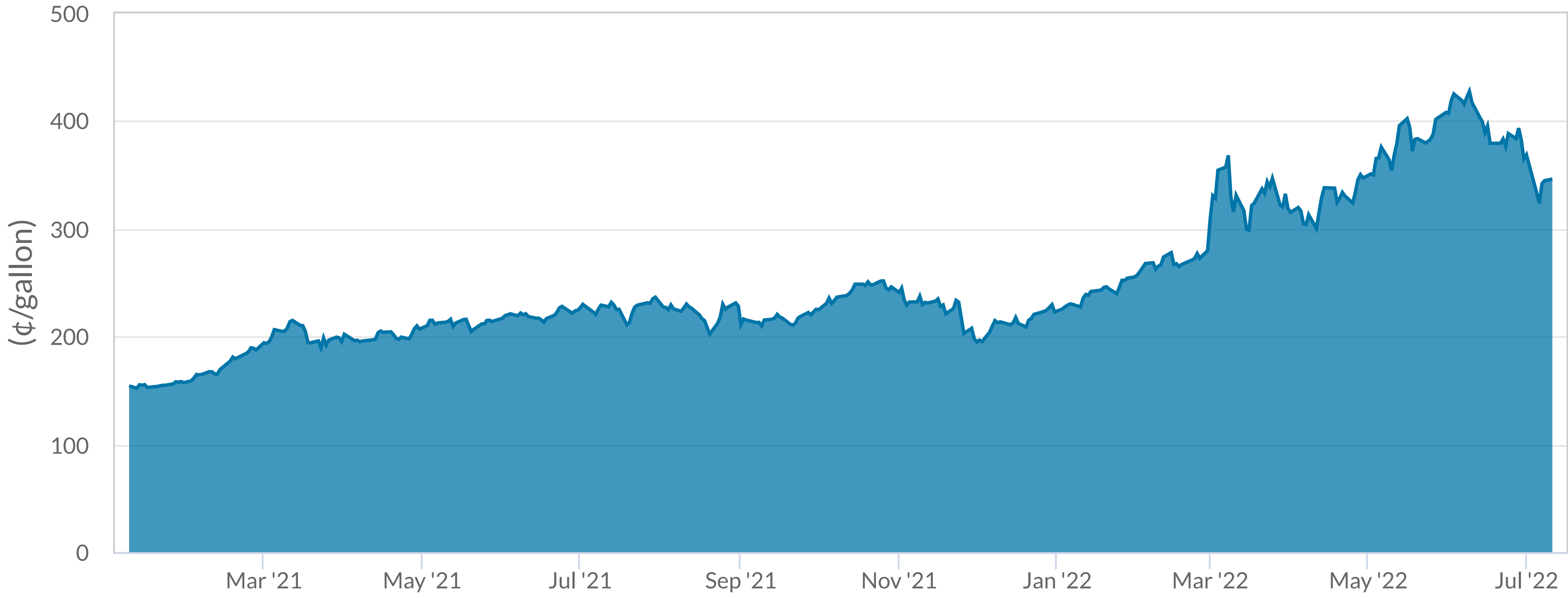
REFINED PRODUCT FUTURES

Nymex	Chg.	1st Mth.	2nd Mth.
Gasoline (¢/gal)	+1.51	346.22	331.03
ULSD Diesel (¢/gal)	+9.52	376.81	368.38
ICE			
Gasoil ($/ton)	+59.00	1192.50	1109.75
Gasoil (¢/gal)	+18.83	380.60	354.19

ICE GASOIL FUTURES



NYMEX GASOLINE FUTURES



US SPOT REFINED PRODUCTS

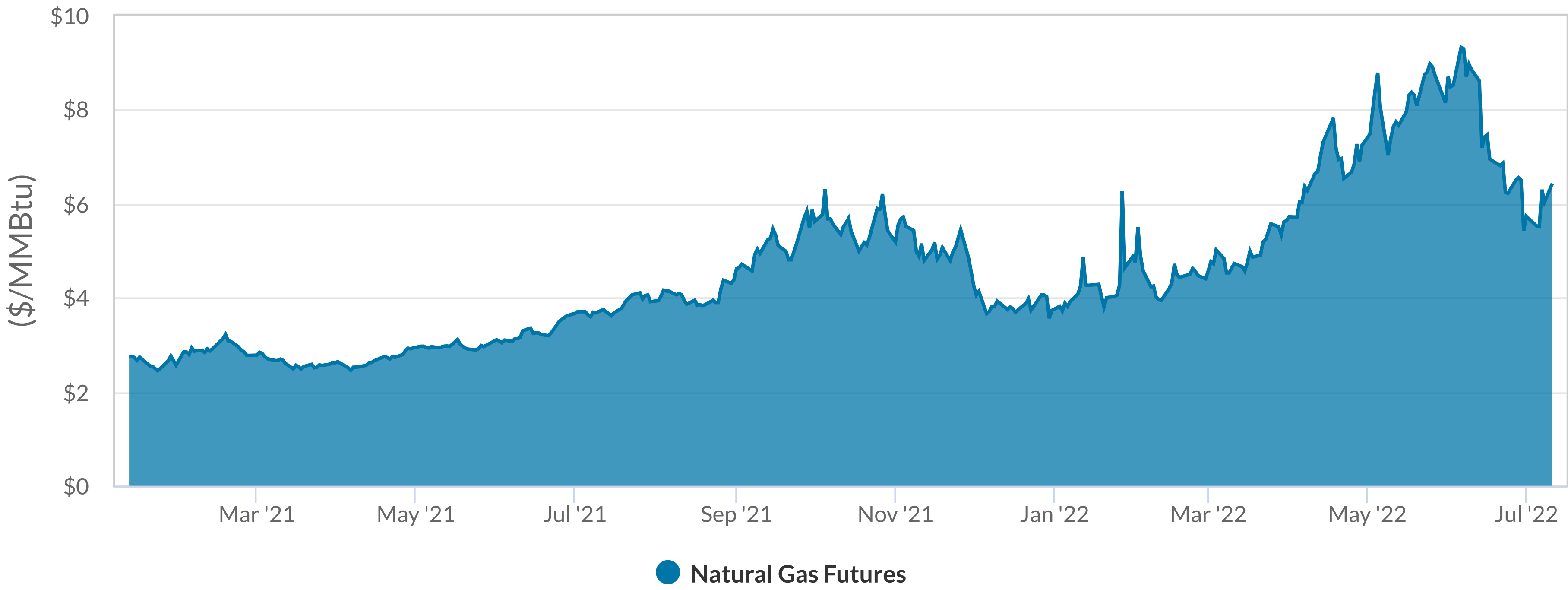
New York (¢/gal)	Chg.	Price	Prior Close
Regular Gasoline	-0.24	364.27	364.51
No.2 Heating Oil	+8.35	366.95	358.60
No.2 ULSD Diesel	+8.35	384.70	376.35
No.6 Oil 0.3% *			108.23
No.6 Oil 1% *			90.84
No.6 Oil 3% *			84.52
Gulf Coast (¢/gal)			
Regular Gasoline	-0.24	348.27	348.51
No.2 ULSD Diesel	+8.60	377.95	369.35
No.6 Oil 0.7% *			97.42
No.6 Oil 1% *			97.42
No.6 Oil 3% *			80.32

*Price in $/bbl. Percentages refer to sulfur content.

INTERNATIONAL SPOT REFINED PRODUCTS

Rotterdam ($/ton)	Chg.	Price	Prior Close
Regular Gasoline	-4.00	1173.00	1177.00
ULSD Diesel	+40.00	1225.50	1185.50
Singapore ($/bbl)			
Gasoil			141.24
Jet/Kerosene			137.15
VLSFO Fuel Oil ($/ton)			907.52
HSFO Fuel Oil 180 ($/ton)			516.67

NYMEX NATURAL GAS FUTURES



Refinitiv

NATURAL GAS PRICES

($/MMBtu)	Chg.	Price
Henry Hub, Nymex	+0.39	6.43
Henry Hub, Spot	+0.37	6.77
Transco Zone 6 - NY	N/A	6.31
Chicago Citygate	+0.49	6.43
Rockies (Opal)	+0.52	6.45
Southern Calif. Citygate	+0.90	7.41
AECO Hub (Canada)	-0.42	3.03
Dutch TTF (euro/MWh)	-3.23	166.77
UK NBP Spot (p/th)	+40.00	215.00

US/Canada spot prices from Natural Gas Week

Equity Markets, Jul. 11, 2022

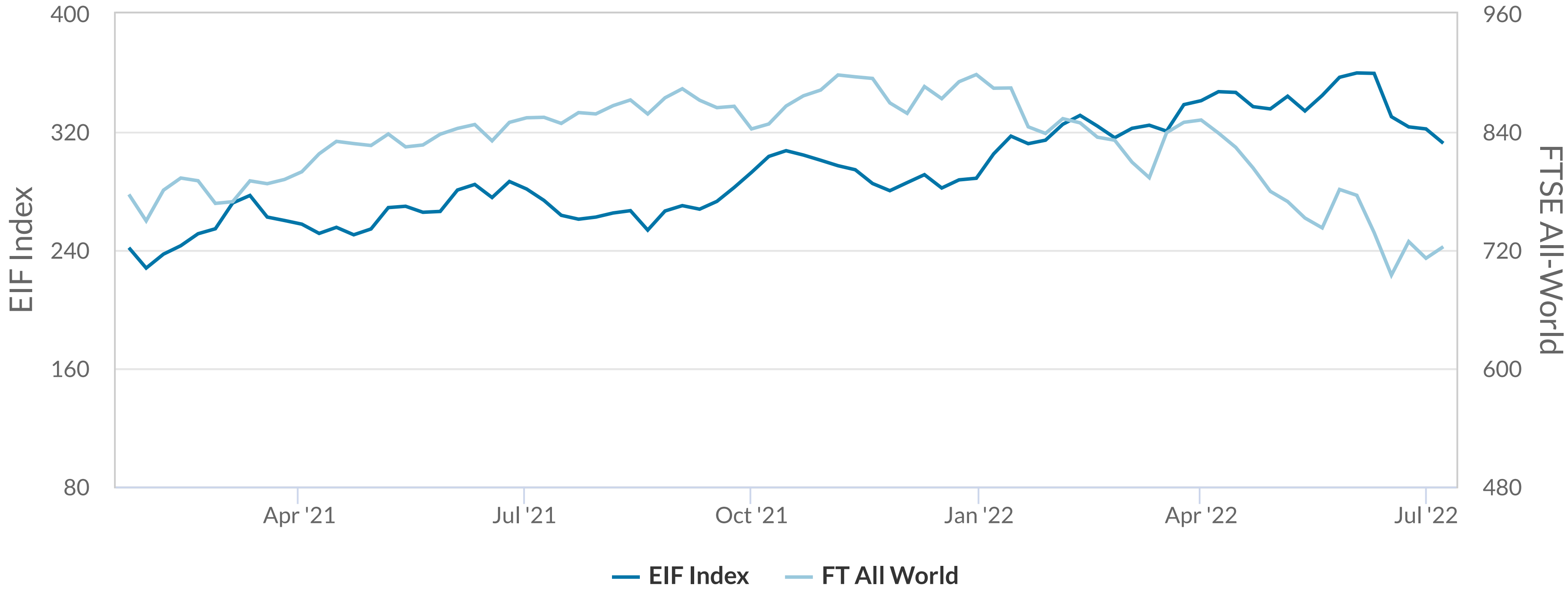
All data are produced by Energy Intelligence in cooperation with Refinitiv.

EQUITY MARKET INDEXES

	Chg.	Index	YTD %Chg.
EIF Global*	-0.32	312.20	+8.21
S&P 500	-44.95	3,854.43	-19.58
FTSE All-World*	+0.81	723.33	-19.74

*Index for previous day

EIF INDEX



EIF Global Oil and Gas Index of 21 traded equities