

# INSIDE OIL - ASIA

FRIDAY, FEBRUARY 5, 2021

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## TOP NEWS

### Shell's profit slumps in 2020 as the pandemic bites

Royal Dutch Shell's profit last year dropped to its lowest in at least two decades as the coronavirus pandemic hit energy demand worldwide though the company's retail network and trading business helped cushion the blow. The Anglo-Dutch oil major's annual profit slumped 71% to \$4.8 billion as its oil and gas production and profits from refining crude into fuels dropped sharply.

### Lack of overhauls at U.S. refiners could stall industry recovery

U.S. oil refiners are predicting a strong recovery in fuel demand in the second half of this year as vaccination rates increase and workers are expected to resume commuting and taking vacations. But oil processors appear to be skimping on routine spring overhauls that typically prepare refineries for peak summer output.

### China's CNOOC to expand offshore gas, unconventional fuel to cut emissions

China's CNOOC Ltd said it will accelerate the exploration and development of natural gas, including deepwater reserves in the South China Sea and unconventional resources onshore China, to cut carbon emissions. One of the industry's lowest-cost explorers and producers, CNOOC said net oil and gas output last year grew by 5% to 528 million barrels of oil equivalent (boe) and it aimed to raise 2021 output to 545-555 million boe.

### COLUMN-Escalating oil prices signal need for more output: Kemp

Rapidly rising oil prices are signalling the need for more production in the second half of the year to halt the fall in global inventories and satisfy recovering consumption as epidemic-related travel restrictions ease. Global petroleum stocks have fallen by almost 600 million barrels since May 2020, after rising by over 1.2 billion barrels in the previous five months as a result of the epidemic and lockdowns.

### Saudi Arabia keeps March Arab Light crude OSP to Asia unchanged

Saudi Arabia's state oil producer Aramco kept its March official selling price (OSP) for its Arab Light crude to Asia unchanged at plus \$1 per barrel versus the Oman/Dubai average, according to a document seen by Reuters on Thursday. Asian refiners had expected top oil exporter Saudi Arabia to lower OSP for the flagship Arab Light grade by 16 cents a barrel, according to a Reuters survey, to track a fall in benchmark prices last month and coronavirus-induced weakness in demand.

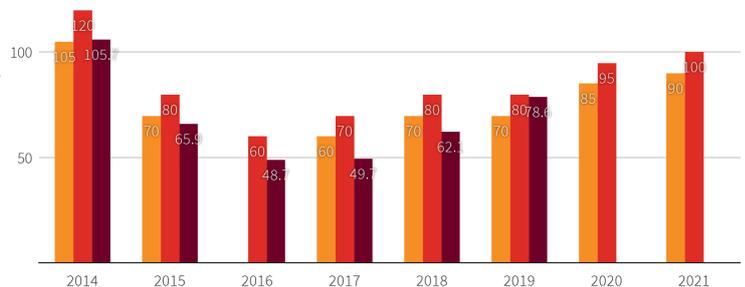
### Indian refiners would buy Iranian oil if sanctions eased- HPCL chief

Indian refiners would resume imports of Iranian oil if the United States eases sanctions against Tehran, the chairman of state-run Hindustan Petroleum Corp said on Thursday. U.S. President Joe Biden's administration is seeking a diplomatic solution to the nuclear dispute with Iran, which could see sanctions eased.

## CHART OF THE DAY

### CNOOC's Capital Spending

● Min. Capex ● Max. Capex ● Actual Capex



Note: Capex in billion yuan  
Source: CNOOC Ltd

**India warns rising oil prices may dampen global economic recovery**

India's oil minister Dharmendra Pradhan warned on Thursday that rising oil prices could hurt global economic recovery in the aftermath of the COVID-19 pandemic that caused most economies to shrink last year. Global crude oil prices rose to their highest in about a year this week as production cuts by the Organization of the Petroleum Exporting Countries and their allies including Russia tilted the market balance towards a deficit.

**API asks court to review U.S. EPA rule on consolidated fuel standards**

The American Petroleum Institute, a leading energy trade group, filed a petition this week asking the U.S. Court of Appeals to review a rule from the Environmental Protection Agency that consolidated fuel quality regulations. In December the agency issued a final rule on updating existing gasoline, diesel and other fuel quality regulations to reduce compliance costs for the industry, as well as the federal government. One of the changes included consolidating summer-grade gasoline in the United States under a single standard.

**EnQuest to buy Suncor assets for \$325 mln with refinanced debt**

Oil producer EnQuest agreed to buy Suncor's 27% stake in the Golden Eagle fields for \$325 million, roughly equivalent to its market capitalisation, on the back of a planned debt refinancing and equity raise, it said on Thursday. The company, which has net debt of around \$1.3 billion, said the deal would add around 10,000 barrels of oil equivalent per day to its output and \$100 million in net present value, meaning the difference between projected earnings and costs.

**Valero joint venture to become top U.S. renewable diesel producer**

A Valero Energy Corp joint venture will become the largest renewable diesel producer in the United States in 2023 when it opens a second facility at a site in Texas. The second-largest crude oil refiner in the United States on Thursday said it and partner Darling Ingredients Inc approved construction of a 470-million-gallon renewable diesel plant in Port Arthur, Texas.

**Canada's Suncor Energy reviews mining safety after three workers killed**

Canada's second-biggest oil company, Suncor Energy Inc, said on Thursday it had started a third-party safety review, after three contract workers died in two separate mining accidents. Chief Executive Mark Little said the review would focus on mining operations, which are one of the ways the company extracts crude from Alberta's oil sands. It is scheduled for completion this quarter.

**MARKETS TODAY**

**OIL:** Oil ticked up on Thursday on strong U.S. economic data, falling inventories and the OPEC+ decision to stick to its output cuts, but a stronger U.S. dollar limited the gains.

**FOREX:** The dollar headed for its best weekly gain in three months, lifted by growing confidence that the U.S. economic recovery will outpace global peers.

**EVENTS SCHEDULED FOR THE DAY (GMT)**

- 0700** DE Industrial Orders m/m for Dec: Expected -1.0%; Prior 2.3%
- 0830** UK Halifax House Prices m/m for Jan: Expected 0.3%; Prior 0.2%
- 0830** UK Halifax House Prices y/y for Jan: Expected 5.90%; Prior 6.0%
- 1330** US Non-Farm Payrolls for Jan: Expected 50,000; Prior -140,000
- 1330** US Private Payrolls for Jan: Expected 50,000; Prior -95,000
- 1330** US Manufacturing Payrolls for Jan: Expected 30,000; Prior 38,000
- 1330** US Unemployment Rate for Jan: Expected 6.7%; Prior 6.7%
- 1330** US Average Earnings m/m for Jan: Expected 0.3%; Prior 0.8%
- 1330** US Average Earnings y/y for Jan: Expected 5.1%; Prior 5.1%

**TECHNICAL CHARTS**

[NYMEX Crude](#) | [NYMEX RBOB Gasoline](#) | [NYMEX Heating Oil](#) | [ICE Brent Crude](#) | [ICE Gas Oil](#) | [ICE Heating Oil](#)

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