



**MACRO Voices**  
with hedge fund manager Erik Townsend

## Dr. Anas Alhajji: Erik has the Energy Crisis story all wrong. It's WORSE than he thinks!

September 8<sup>th</sup>, 2022

**Erik:** Joining me now is Dr. Anas Alhajji, former chief economist for NGP Energy Capital Management, which for anyone who's not familiar is the premier private equity fund in the oil and gas space and former professor from the Colorado School of Mines, the University of Oklahoma, and Ohio Northern University. Anas, it is great to have you back on the show it has been too long and boy, we are overdue for a crude oil special. It's great to have you back.

**Anas:** Absolutely, absolutely.

**Erik:** I want to start by sinking up. We talked a lot about this last time and I'm not going to spend a lot of time on this subject. Anybody who's interested who didn't catch your last interview should go back and listen to that one, because it's as relevant as it was the day it was recorded. But I want to just kind of follow up on our last interview, after that interview and watching what's happened in the market, I have become convinced that the world is in a global energy crisis and I'm going to make a bolder statement than we made in that last interview. I'm going to say that, although the recession may hide this, and it might be years before people really figure this out. I do not believe that it is possible for the world to return to pre-pandemic normal in the sense of energy demand going back to where it should be naturally, you know if normal growth path had continued, and there hadn't been any pandemic. I make the argument that it is not possible to get there because the energy supply needed to do that simply does not exist. And furthermore, in order to solve that problem would take several years because you'd have to start making much more investment in new oil and gas production. And I think we have a really, really serious problem. Everybody's talking about this European energy crisis. I don't think there is a European energy crisis. I think that Europe just happens to be feeling it the hardest, and what's in Europe now is going to get worse. And I think it's coming to the rest of the world. Am I missing something because that's a pretty strong statement that there's no way out.

**Anas:** Yes you are missing something but the other way. The crisis is 10 times worse!

**Erik:** Oh, it's worse than I think?

**Anas:** It is 10 times worse than what you think.

**Erik:** That's not possible because I think it's really, really, really, really bad.

**Anas:** Let me explain this quickly since we already covered part of this in the last interview. But let me explain quickly where things are going and why I am very bullish on oil and specifically bullish on natural gas and LNG even call. The issue here is that, yes, we have, we don't have enough investment in oil and gas in the last seven years. We have lack of investment and there are many reasons for that decline in investment. But the big story of the future, regardless of the current story, regardless of the current crisis, regardless whether we are going to have a recession or not, the problem we are having is the failure of the green policies. And the failure of a green policies by default will increase the demand for oil, gas, and coal. And that demand is not counted in any outlook that exists today. None. So where that oil and gas and coal is going to come from? Already we don't have an investment for the current outlook but the demand is going to be way higher. So the gap is going to be very large.

**Erik:** Would you agree with me that one of the risks here is that we're probably already headed into a global recession but we could get stuck in it in the sense that as we begin to recover from recession, that means oil demand goes up. That means price goes up. And I think it's going to go up so much that the increase in the cost of energy could create I'll call it a recession traps sort of like a liquidity trap. Once you're in it, you can't get out of it, because the process to get out of it is to increase demand. And as soon as you do that you'll cripple the economy with too much energy cost. Do you think that's a possibility that we get into a recession that maybe even turns into depression, because energy is the gating factor that keeps us stuck there.

**Anas:** One of my fears, since we live in the United States, one of my fears is if you look at Europe, and the conservation measures they have today where they are asking people to have cold showers and to change the thermostat and do this and do this and do this and do this. I am afraid that's going to happen in the United States. And if it's going to happen here in Texas, we just had two months of temperatures above 100 which means there is no way you can be outside. And if you cannot turn on the air conditioning, people are going to die literally with 107. And in Arizona, it was 112 the other day, people are going to die. So my fear is our lifestyle is going to change completely for a long time. So it's not only about recession. It's about our lifestyle that we enjoy. We are going to be just like third world countries, but we are going to suffer more, because in third world countries, they are already used to what they have, we are not used to it. We have a generation right now, which is the most privileged generation on Earth. And you are going to tell them, sorry, we don't have power. So you cannot play with your phone and you cannot play your games on the computer and you cannot do this and you cannot do this. Can you imagine what's going to happen? I mean, people are already complaining about the mental health problems. So the issue is way larger than a recession. We are talking about health issues, we are talking about lifestyle, we are talking about everything related to the Western civilization as we knew it.

**Erik:** Well Anas, you are shocking me because frankly, I didn't think there was anyone on Earth who was more concerned about this than I am. And it sounds like you may be but let me

try one last volley to one up you before we move on to some other subjects. A lot of people think that I'm nuts for saying that this is just the beginning. I think that Vladimir Putin is very astutely running a chess game where so far everybody thinks that the only thing he's willing to withhold from the global market is Nord Stream 1 gas to Europe, which, of course has been shut down this week and Russia has announced that it will remain down indefinitely. Nobody seems to be making the very obvious connection that if he's willing to lose the revenue and withhold the gas from Europe, he's probably willing to withhold oil as well. And as we get into a very tight physical market situation, my contention is that we may get to a point where Putin realizes, hey, I could take half of Russia's oil off of the market intentionally, that would force the market to double the price of oil, I'd get the same revenue. And I would be using taking our oil, a Russian oil off of the market as a tool of resource warfare to wage war instead of nuclear weapons. And I think we're headed toward a global resource war where basically all the people that have predicted that a finite planet would eventually reach its limit with too much population growth and so forth. I think that big moment, the so called Peak Oil moment is here.

**Anas:** We are already in the seventh round of sanctions on Russia right now, seven! Which means that the first one second one, etc, all of those failed. And the reason why they failed, because it is very clear to Western leaders that they cannot push Putin to the corner, they cannot corner him. Because if they corner him, the price is going to be exactly what you said. So that's why the sanctions were a joke. This reminds me of the catch 22 that the Biden administration got stuck into I'm going to mention two examples, how they got stuck. The only way to negotiate with Iran is to turn the blind eye to the sanctions. And the Iranians, well, no one is punishing me, no one is doing anything why I have to go for a deal. That's number one. The second example is President Trump put the Houthis in Yemen on the terrorism list, then President Biden came in or remove them from the terrorism list. Why? Because the only way to negotiate with them is to remove them because no one in the United States even government officials are allowed to meet with any terrorist under the Terrorism Law.

So the only way to do it is to lift them from the terrorism list. And once you remove them from the terrorism list. Why do they have to negotiate with you now? So we have exactly the same situation right now with Putin. It's a catch 22. And they cannot push him to the corner and if they keep pushing him to the corner, they will end up with problems. That is why when we talk about all the sanctions and the jokes around the sanctions because we discussed this in the previous interview. Many of the sanctions are basically just a joke and if you look at the G7 decision just last week, to impose a cap on Russian oil, you can see how I mean, they really do not want to push them to the corner.

**Erik:** Anas this is a fascinating conversation and I'm tempted to continue it because I'm fascinated to know whether you really and truly do think this is worse than I think it is. But I want to move on now because there's another topic we didn't get into last time that I really want to cover with you. And that is the pricing of oil in US dollars and specifically, what I'm talking about is I think a lot of people who are not deeply interested in macro economics don't really understand the role of the petrodollar system in perpetuating the US dollar status as reserve currency. One of the senior ministers in Russia. Sergey Glazyev has architected a plan to try to

persuade the rest of the world to stop using dollars to settle international trade and use other current indices and they're specifically trying to focus on the trade of oil because it's the biggest global commodity market in existence. What does all of this mean? Is there a risk that if the rest of the world were to dump the dollar and start pricing oil in other currencies that could force the loss of the US Dollar as a reserve currency or losing that status because the petrodollar system is essentially disabled at that point.

**Anas:** The quote you mentioned is very important because notice that it mentioned settlement, it did not say pricing, this point is extremely important. So let me explain the details of this. Oil has been priced in US dollar is priced currently in US dollar and will remain priced in US dollar for the foreseeable future.

**Erik:** Okay, does that mean it's going to be settled in dollars?

**Anas:** Well, I will go through that but we have some caveats here we have to go through before we discuss the details of it. First of all, which is back to your point that we have to distinguish between pricing oil in dollar and getting revenues in nondollar which is the settlement that you are talking about, such as in Euro or others. Oil is priced in dollar but if an oil producing country wishes just like Russia or others to receive revenues in Yuan or Euro or Turkish Lira or whatever they can do so given the prevailing exchange rates. The other caveat that getting revenues in nondollar have an impact on the role of the dollar as a global reserve currency. But it does not affect its dominance. And this is important for example, let's say, if I'm just making up those percentages, if the dollar role in international trade is 80%, it might decline to 75% or 70% but that's still dominance. So it will lose ground but still dominant. And notice that all the countries that are trying to get rid of the dollar are the countries with sanctions. And the question which is purely academic question is, will countries when we have free world, no sanctions, will countries willingly pick up another currency for settlement?

The other caveat is some people say since I said oil is priced in dollar and will continue to price in dollar. Some people might say hey Anas you are wrong. Oil contracts in Shanghai exchange are priced in Yuan. And that contradicts what we have just said. The answer is yes, there is an exchange where Yuan is used to price the oil there, but a careful analysis of the oil pricing in China and after adjusting for timing, exchange rates, and crude quality. Prices in Yuan in Shanghai exchange are a mirror image of the dollar pricing in Dubai exchange. Which means that any way you look at it, the pricing is going to be in dollar no matter what, especially that the US is the largest oil producer in the world and the US has become one of the largest exporters of oil in the world.

So even if countries try to create their exchanges, as long as the US is the largest producer and a large exporter, oil will remain priced in dollar no matter what. And to go back to you to part of your question on will OPEC or Saudi Arabia ditch the dollar pricing? No. There are many reasons why and I think the audience will be interested in knowing a little history and why they will continue using the dollar. When we moved from the gold standard to a float dollar. The first loser in the world was OPEC and OPEC members because the real value of their oil just

declined substantially with the inflation. So OPEC met OPEC experts met and they brought in experts from all around the world and they use the IMF and the World Bank, etc. They studied various options to price the oil that was in 1974-1975. They are public studies and some secret studies. And after they looked at other currencies, which was of course the Sterling was one choice. The Yen was one choice as you remember the Yen was kind of a good currency when they looked at the basket of currencies. They looked at pricing it in gold. They looked at the IMF SDR. After looking at all the choices, they decided to stick to the dollar despite the losses and by the way, OPEC report every month shows a chart in the first section of the report on the losses from using the dollar. So you can look at the losses from inflation and the dollar on the chart.

There is a myth here I would like to explain to. People say that it is an agreement between Kissinger, the former head of the State Department of the United States during the Nixon years. So there were disagreements between Secretary Kissinger and the Saudis, and the CIA was involved or they made a pact to price oil in dollar. Until today, it's a myth. There is not a single evidence that this happened. No one basically showed any proof even Kissinger in his memoirs and autobiographies and this stuff, there is nothing. So this is a myth. But my explanation to that is the following. When oil prices quadrupled in 1974, after the embargo and after the production cut. Those countries were awash with money, all dollars, but the inflation was very high, real interest rate was very low. And because of nationalization of assets in the oil producing countries, there was efforts by the West, I'm talking about the United States and Europe to literally freeze the assets of some countries so there was a risk. If you invest overseas, your assets could be frozen. At the same time, the inflation is eating up your whatever interest you want to earn that nominal interest. So there was no incentive for the Saudis to invest outside, while the Saudi economy was very primitive. Most of the population was nomads, at that time, many of them lived in tents. There were barely any roads. I mean, it was very primitive economy. You cannot invest the money in it. So the only choice left for them was, if you bring economist to study this, and there are books written on this and articles at that time, that the best investment is to keep oil in the ground. And by the way, this idea is related to the future energy crisis that you mentioned at the beginning of the show. I will allude to this at the end.

So they wanted to cut production, because the best investment for them was to keep oil in the ground. Kissinger then went there and told them look, your fear is that if you invest in the West, you are not going to get a real return. What about this, you invest in Treasury in the United States and we guarantee you real return. And by law, you cannot confiscate or freeze any assets that invest in treasuries. So the two concern that the Saudis had were eliminated. So they start recycling the petrodollars. So naturally they are recycling this in the United States and it is in dollar, and the United States uses dollar. So by default, the dollar was the currency of choice. So it wasn't a part of an agreement use the dollar? No, it was by default because of that.

**Erik:** Okay, so the very popularly held belief is that Saudi Arabia is unable to price its oil in anything other than dollars because the deal was the Saudi royal family kind of gets protection from the US government military in exchange for keeping it priced in oil. You're saying that's

100% myth, there is nothing about changing from dollar to something else that would cause a loss of military support for Saudi Arabia from the United States.

**Anas:** Correct. So, there are two reasons for that just to reiterate. The first reason is, the dollar remains the best choice even without anything. And the second one is the idea that the United States guaranteed real returns for them made them recycle in the United States and that gave power to the dollar. So now, I'm going to explain why because I want to eliminate this myth completely and explain it in a kind of a nice way where people understand what's going on. The currency that is used to price oil has three characteristics: liquidity, relative stability, and global acceptance. Why the global acceptance at that time and if you look at the 70s, 80s and part of the 90s. There was nothing but the dollar period. So regardless of production and military and all that stuff, there was no other choice to meet those three conditions. I mean, you are talking about 1.6 or \$1.7 trillion, the value of oil trade this year. There is no other currency can provide liquidity like the dollar. So it was the dollar historically. The Euro came in later but the problem here is this. First, the problem of pricing all in one currency is the same whatever currency you use. So whether you use the yen, or the dollar, or the Sterling or the euro, etc, you move from the dollar to other currency, you still have the same problems. So moving to another currency is not going to solve your problem. And the problem with the Euro is that you have to deal with 28 countries, while with the dollar, it's only one government and one central bank and that's it. So it is very clear that the dollar is still the choice. Just look at Brexit, for example. And its impact on the Euro and the crisis that happened there so why deal with the Euro? The dollar is still king in this case.

The other choice they had was to price oil in basket of currencies. But a basket does not work. And the reason why because OPEC members historically are scattered around the world. I say historically because Indonesia bailed out, but Indonesia was far away on the other side of the world. The Arabs basically are in the Middle East and next to the Iranians. And then you have Venezuela and Ecuador in Latin America. And then you have Gabon and Nigeria and Western Africa. So they are scattered all around the world and their trading partners are different. Therefore, a basket of currency will benefit some and hurt the others. So they cannot, there is no way for OPEC members to agree on the content of the basket, because whatever content they have, some member is going to be hurt by it. And then even if they do so and they agree on it, they have to change it every month and the management of it is going to be extremely costly.

**Erik:** Anas, I understand all of your arguments for why oil needs to continue to be priced in dollars. But I want to run a hypothetical situation by you. Let's suppose that Mohammed bin Salman gets a phone call from Xi Jinping. And maybe it's a conference call, and Vladimir Putin is on it. And they say look, we know Mohamed, you gotta keep it priced in dollars, we get it. But the thing is that settling it in dollars allows the Americans to meddle with our business and you know, impose sanctions and so forth. Let's price it in dollars but let's settle these dollar payments using some kind of digital currency. Now that could be a cryptocurrency like Bitcoin. It could be the digital Yuan, although that obviously introduces some other issues for Saudi Arabia, could be some newly created maybe Sergei Glazyev is secretly building a new digital

currency expressly for the purpose of settling oil payments so suppose it's priced in dollars. But the trading partners say look, we don't want to settle in dollars, we want to get off of dollars as soon as we possibly can into some kind of digital currency that the Americans are not able to tamper with or interfere with our affairs. Is that something we should think about?

**Anas:** Okay, here are the answers. The first one is, remember the three conditions that I mentioned that to price all you need is three conditions. And one of them is the relative stability and the worldwide acceptance and liquidity. The problem is when it comes to Bitcoin or any crypto, they don't fit those conditions. So it's not going to work. But the second point, the first point you mentioned is very interesting, because they might say, okay, don't get your revenues in dollar, get them in something else. There are a couple of problems here. The first problem is Saudi Arabia, Bahrain, Qatar, Kuwait, and the UAE. Five countries, all of them, their currencies are backed to the dollar at a certain exchange rate, at a fixed exchange rate. Which means that when the dollar goes up, their currencies goes up. Their currencies go up and they benefit from that. Why shoot themselves in the foot by getting rid of the dollar, lowering it, and lowering their currencies, because their inflation will go up. So they need to debug first and that will take like structural changes in the economy to do that. I don't think they are willing to do that before 2030.

**Erik:** Okay, the second argument I definitely agree with. I'm going to respectfully disagree with the first one because it's pretty easy to hedge that Anas. Either side of that transaction, if they want to be assured of payment in dollars. They can settle on a price in dollars and say we're going to settle it in Bitcoin. And each side of the transaction can hedge their price risk or their FX risk by taking on a Bitcoin position, opposite whatever currency they want, whether it's dollar or something else.

**Anas:** No, absolutely. But those guys they never did use any system of hedging. I mean, besides Mexico, as you know, Russia thought about hedging but those countries basically they thrive I mean, especially if you are talking about OPEC+ management. You cannot work with hedging if you want to control the market, or at least control the edges of the market. So you have to dissolve OPEC completely and go for a more competitive market to be able to hedge. So that's the reply to this. But there are other issues to this that the trade between Saudi Arabia and China is still yes, it's been growing substantially but still small because the only way the Saudis will benefit from getting revenues in Yuan is to trade with China with the same amount, which means that they have to perfectly manage it to get exactly the same amount. And to do that, the amount is very small. We are talking about 50 billion while the oil trade is 1.6 trillion. So still, the impact is very small in this case.

**Erik:** Got it. Let's move on to the comedy segment. The G7 has proposed a solution to this whole situation, all we need to do is put a price cap on Russian oil. Shocks me that we even need to explain why this won't work. But will it work?

**Anas:** Well, did you see the comic that I posted like 20 of them on Twitter.

**Erik:** I've seen a few of them and I've seen some from other people. And it's amazing to me that I mean and I can't figure out... Do you believe that the government officials that are promoting all this? Are they really stupid enough to believe their own bullshit or are they just saying this to virtue signal because they're telling their constituents what they want to hear?

**Anas:** Let's go over this. Let's go over this because this is kind of very interesting. I mean, you have... who is spearheading this? Yellen, Janet Yellen. And Janet Yellen, as you know, she failed miserably when she tried to deal with inflation, although inflation is her specialty and she failed miserably and she said, we have no problem. This is transitory, etc, and then blew up in our face and everyone's face, completely. And now Janet Yellen is an oil expert. So what do you expect? But let's go through those details Erik because this is kind of really funny.

**Erik:** Yeah well, you and I both understand this really well. So let's go back for the benefit of our listeners, please explain is it possible for a price cap to work yes or no and if so or if not, why not?

**Anas:** It's not going to work. And I'm going to list some reasons in a very simple way. As we speak, the UK is struggling with imposing a price cap on energy prices within the UK. If the UK cannot impose a price cap within their own borders on their own citizens. How they are going to impose a cap on another country's oil, which is Russia in an international market. Number two, if the US failed to cap health cost for several decades, how does the Biden administration cap the price of Russian oil, which is completely out of their control? Number three, if the price cap is a good idea, and it is workable, and it is effective, and great but just name all the description you want about this amazing idea? Why did they give Japan an exemption? They did give Japan an exemption basically to import oil at the market price from Sakhalin, has Sakhalin-2. Why? That means they know it's not workable. Four, if they think it is doable. Why did they officially go back and read their three page press release, they officially asked OPEC to increase production. Which means as if they are saying it will work but only if OPEC increases production. Number five, they want to monitor every tanker carrying Russian oil. They want every tanker to show a paper of origination where it came from where that oil come from? And another paper from a bank now listen to this from a bank showing the price they paid. It has to be that price they specified or lower. Now that bank could be any bank or could be accredited bank from them. So are they going to hire 87,000 people to monitor and inspect these papers? Notice that I use 87,000.

What they are going to do with the violations. If they catch violations, what is the punishment and whom they are going to hire to punish or who's going to catch them. Is the US Navy going to go around the world after those guys. What makes this fascinating is this... Who gave the G7 the authority to control world seas and to inspect tankers? They don't have the legal authority to do so. Number six, it is clear from the press release, that they want the EU to go ahead with sanctions on Russia, which means that they are going to ban the imports of oil from Russia at the end of the year, except three countries that are landlocked. But throughout the press release, they mentioned middle income countries, and the benefits to the middle income countries. And we know there are no middle income countries in the EU. And the US is not a



middle income country and Canada is not a middle income country. So what they mean, they mean literally India and China. But India and China are already getting above a \$30 discount buying Russian oil in a sense. And that's what's funny about this. India and China have already kept Russian oil prices long ago. From March, they kept it. Why do they need the G7 price cap?

**Erik:** When you're saying they capped it, you're saying that they're just choosing not to add to their reserves or to buy more above a certain price.

**Anas:** What I'm saying is, in a sense, Russia and India are buying it let's say at \$70. It looks like a price cap after the discount. So why do they need the G7 to put another cap and most likely it will be within this range anyway. And yet they have to show papers, they have to go through all the inspections, they have to be delayed. So there is no incentive at all for China and India to go through this. And one of the ironies is this is the first G7 meeting we've seen in many, many years where climate change never been mentioned. So to sum up, why the G7? Of course, the G7 was pressured by the Biden administration because the Biden administration want to show something before the election. Why do they need to cap the price of Russian oil? There are only two answers. Only two. The first one is because they want to reduce Putin's revenues. Why? Because they couldn't control his oil exports. The irony is, and this is the fact of life, if they cannot control Russian exports, they cannot control the export prices. It's as simple as that. They cannot control export, therefore they cannot control their prices. That shows the decision is political just before the midterm election in the United States. So that's the first one.

The second one is do they need the Russian oil? If they do, that becomes immoral because they are trying to tell the Ukrainians look, we are standing by you. We are imposing all of this because of Ukraine. We are doing this, this, this, this, and all of a sudden, they are telling Putin sorry we need your oil but at a cheaper price. But look at this, when they are saying this, they are telling Putin sorry. We really really need your oil but can you give it to us at the same price that India and China are getting and think about it? What would Putin do? Not only Putin... anyone, any person instead of Putin on the other side? They'll say, you know what, if you need them, like we started the podcast today. If you need it, I'm going to cut supplies. So the end result is it's all in the hands of Putin like you said earlier, we're going to raise prices farther.

**Erik:** Do you believe that the politicians who are proposing this in the G7 sincerely believe that it could work or do you think that they just can't think of anything else to say and need to give the public the sense that they're trying to do something?

**Anas:** I think this is my own opinion here and I'm going to focus it is my personal opinion. I think Yellen knows what she is forced to say it will work. And we already heard from couple of ministers in the EU in the last two days saying it will not work. So they know but they've been pressured. And the reason why I say this, because when they went to the meeting, the only way they can get a resolution is to get a consensus. And the only way they can get consensus basically is to give kind of agree to certain things that the members asked for, just like Japan when they asked for an exemption. So the only way Japan can say yes, if they get the exemption. So it is clear that many members or many officials believe it's not workable.

**Erik:** Anas, I want to go back to the subject of production capacity. Now when we talked about this in the last interview we did. You were very quick to say that the world is definitely starting to run out of spare capacity but we're not out yet. You know, the Saudi still had a million million and a half barrels of spare capacity at that point. It seems to me since we did that interview. OPEC+ has been consistently under producing to the tune of about 3 million barrels below their quotas. And furthermore, I think it's fascinating that they without any explanation, they change their terminology. So suddenly, we don't have production quotas anymore. We have production targets. So it's not a quota, it's a target. Then more recently, we just saw a reversal, where they had increased their production target or ceiling by 100,000 barrels a day because Biden had pressured them to, they just reversed that at this week's meeting. What does all this mean? Sure sounds to me like the world is completely out of spare capacity.

**Anas:** Okay, a couple of things here. First of all, the difference between the target or the ceiling of production, and the actual production has no impact on the market. Because this is kind of an imaginary thing that people just talk about, but has no actual impact on the market. But it tells you that some countries cannot increase production. And the loss in production basically happened because of political reasons, especially in Libya, there was a time when we lost about one million barrels a day. We lost about 300,000 barrels a day from Nigeria and then we lost some Kazakhstan oil if you recall in March and April. So those losses were completely political, and they have nothing to do with the capacity, we still have the capacity. The issue here is, we have little left, and this little left become so prized that you have to manage it effectively to make the most out of it. I did hear from an official, a Saudi official about after the recession we had in 2008 2009. He said never again. And what he meant what he meant by never again, was that there will never run out of spare capacity, because when they run out of spare capacity in early 2008, the speculators took over. And that was a major, a major problem.

So their idea here is I'm going to keep this capacity as long as I can, unless I have an emergency. What I have to use it for a short term. Do we still have spare capacity? Yes, we do. We can do. We can finish this year and the next three quarters next year without any problems. But after that, once we reach the fourth quarter of 2023, we have a serious problem. To go back to your point about the 100,000 this month and the following month. Right now we have these issues, and I think people should pay attention to this. Last year, two major developments happened in the market. And I think we covered this in the previous broadcast. Two major developments happening in the market. The first one that OPEC members for the first time ever, they refused, especially the large ones with a spare capacity. They refuse to infringe on the market share of others. This never happened before. Historically, when prices go up, and some members cannot cover their quota. The others will come in and cover their code and increase the production that why OPEC was a failure for a long time. Now it's a completely different story. And this constitute a major change in market structure in 2021. Now comes 2022 What are the major events the first major event is the invasion of Ukraine. The second major event is the use of the SPR a large quantity by the Biden administration. And the third major event what we've seen today and in the last month two, which is what I call the OPEC three leg policy. This never happened before. What did the OPEC three three leg policy first, OPEC meets at the beginning

of the month, they come out OPEC plus of course, they come up with the decision whatever that decision is don't behave or act based on that decision. That decision is not complete. You wait until you hear the Aramco SP the official selling price. Because Aramco official price can nullify that decision, the OPEC decision a day or two days earlier, or can literally contribute to it. And then you start seeing a direction here, then the last leg is what's going to happen to supply. Notice here I said supply I did not say production, because supply could be larger or smaller than production. For example, you might end up with a production and then countries have oil in storage. So they can pre produce and export what they produced and then use oil in the storage and export the two. So the total is supply. So this becomes important here. So we got to watch. Are they storing oil? That means their exports are lower and the supply is lower, or are they literally diverting oil from domestic consumption because it's the end of the summer, the cooling season is over and they are going to increase supply although their production is declining or staying the same. So those are the three legs to the pot. LOC and we got to watch those together as one unit to understand what's going on. And that's why I have this coded tweet last week, when I said, increase plus increase equal, no change, or decrease plus decrease equal, no change in anticipation of a decrease in output, and decrease in in the OSP of Aramco. So that was written a week before the event. So the idea here is, we have to look at those three things, because it's kind of musical chair, where the net of that is no change.

**Erik:** Well Anas, I cannot thank you enough for an absolutely terrific interview. I'm going to resist the temptation to ask you to elaborate on the Strategic Petroleum Reserve because I make a policy of not arguing with guests. And I think that conversation might need a referee. I'm not sure.

**Anas:** Hold on a second... hold on. Look, look, look, you cannot beat me on that.

**Erik:** I can easily beat you on that because you're missing the whole point. But we're not going to get into debate on [MacroVoices](#). We'll save that for a beer sometime.

**Anas:** Well, I'm going to buy gloves today.

**Erik:** Okay well, I don't argue with guests on this podcast. So we'll have to duke it out on another venue someplace. Maybe I know you do a lot of speaking engagements. Maybe we'll be at a conference and I just hate to show you up in front of your peers... I don't know. So we'll save that one for another day Anas.

But before I let you go, please do tell our listeners. You are one of the most respected public speakers in the entire oil and gas industry. Do you have any upcoming presentations that are open to the public? If so, where and when? For people who are interested in hiring you for private presentations. How do they find out about that and for people who want to follow your outstanding work, tell us your Twitter handle and how they can follow you?

**Anas:** Yes, unfortunately, there are no public events at this time. All of them are private events. People can go to my website, which is my name, [anasalhaji.com](http://anasalhaji.com) and there is a form there and

a section for messages so they can fill out the form and we will receive the request for speaking engagements. And then there are the of course, [Twitter](#) account and LinkedIn and other things if people want to contact me. I do put a lot of things on [Twitter](#), I just would like to mention at the end here, I do post a lot of things in Arabic. And please know that there is this translation button at the bottom left of every tweet. So if you see in Arabic, some of them are even breaking news before anyone else in the world. So, you can just click on that translate and you get it in the language that your browser is set in. Thank you Erik for everything and I'm looking forward to that SPR fight.

**Erik:** Hahahaha it's a fight you cannot win sir but we'll leave it there. Patrick Ceresna and I will be back as [MacroVoices](#) continues right after this.