



Greetings,

Excerpts and full text of today's *Washington Post* column by IHS Markit Vice Chairman Daniel Yergin and IHS Markit Vice President Roger Diwan follows. Please feel free to quote from below.

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How to Stop the Tsunami of Surplus Oil That's About to Slam the Global Economy

By Daniel Yergin and Roger Diwan
Washington Post
March 24, 2020

Excerpt: Complete text here -- <https://wapo.st/2WG4S2b>

Daniel Yergin, vice chairman of IHS Markit, is the author of the forthcoming "The New Map: Energy, Climate, and the Clash of Nations." Roger Diwan, vice president of IHS Markit, directs oil and financial markets strategy at the firm.

Amid the economic shutdown in response to the coronavirus pandemic, much attention has focused on dire consequences in the airline and retail industries, but recent developments in the oil and gas industry — which accounts for 60 percent of the world's energy — are also alarming.

The oil business is caught up in a double crisis. There are the damaging economic effects of the pandemic, with demand plummeting, but oil is also being battered by an all-out battle for market share and by surging production, which is driving prices further down. Since the start of the year, oil prices have dropped 60 percent, from \$68 per barrel to \$27 at latest report. That spells deep trouble for debt markets with large borrowings by oil companies.

With the global economy already in crisis, a hammer blow could fall in the next two months if, as seems likely without immediate action, more surplus oil floods the marketplace than at any time in history.

The market-share battle is between Saudi Arabia and Russia. The conflict could always be ended by a phone call among the principals, but given their entrenched positions, stopping the price war and easing the market turmoil may well require collaboration through some broader framework, such as the Group of 20. That would permit a discussion going beyond the present Russia-Saudi impasse, bringing in the United States and a larger group of producers and consumers, including Brazil, China, France, Germany, Mexico and the United Kingdom.

As it happens, the Saudis are chairing the G-20 this year, and are eager to make their stewardship a success. To that end, they have called for the group's coordination in dealing with the pandemic. Similar work together is essential to heading off the economic damage from an unprecedented oversupply of oil....

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