After reaching their highest levels since 2014 on October 3rd, with $76.41for WTI Crude and $86.29 for Brent Crude, oil prices have experienced a momentary dip during the last few days, before picking up since Monday, October 8th.

Although demand side concerns persist, particularly on Chinese consumption growth, it is first and foremost Iranian exports of crude that have been at the centre of attention. With the full snapback of US sanctions on Iranian oil due November 4th, supply side fears have pushed oil prices up. However, recent developments concerning Iranian exports may have had a momentary calming effect on oil prices as the US administration has shown its willingness to soften its approach and give more leeway to current buyers of Iranian oil.

One such buyer is India, Iran's second biggest client for oil after China. On Monday, the Indian Petroleum Minister Dharmendra Pradhan confirmed that two Indian companies – Indian Oil Corp and Mangalore Refinery and Petrochemicals Ltd- had placed orders on Iranian oil, and that the country was meant to import an average of 300.000 b/d from Iran for the month of November. Whilst the Minister acknowledged that such orders were placed without the certainty that India would be granted a waiver from the US, secretary Pompeo's September trip to India may perhaps reassured Indian refiners that they may not be targeted by US sanctions after the November deadline, as long as they significantly reduce imports from Iran over time.

This development shows that despite its hardline rhetoric, the US administration gradually comes to terms with what analysts have said for a while: it will probably not succeed in cutting Iranian oil exports down to zero. Instead, as National Security Adviser John Bolton said last week, the US is ready to look at each importer of Iranian oil on a case-by-case basis, so that both the energy needs of allies and the administration's goals toward Iran can be met.

In addition to a more conciliatory approach from the US, contradictory reports on the volume of Iranian exports might also be behind the momentary dip in oil prices. Whilst it is undeniable that Iranian export levels are down due to looming sanctions, the extent of the decrease has been disputed by Samir Madani, co-founder of tankertrackers.com. Using Satellite imagery to keep track of Iranian "ghost tankers", the website has recently published Iran's September exports with figures much higher than those presented by santander & poor's. Compared to the latter, tankertrackers.com recorded 180.000 b/d of additional imports by China, 142.000 b/d by India and 79.000 b/d by the UAE. If true, this would mean that the National Iranian Oil Company has managed its tools to hide the exact number of its exports in order to keep oil prices increasing and potentially cushion Iran’s losses following the full return of sanctions.

Sources:

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