



Will 2021 Bring a Recovery for Oil?

The UAE are quietly confident that the coming year will see a slow but steady resurgence in the demand for oil. Speaking to Sky News Arabia, Energy Minister Suhail Al-Mazrouei explained that he envisaged a “gradual” recovery that would take place over the course of the year.

Oil demand fell to record low levels last year, after the spread of coronavirus prompted governments across the globe to introduce lockdown measures aimed at containing the disease. With far fewer cars on the planet’s roads and industry coming to a standstill in some sectors, there was a significantly reduced demand for the commodity, impacting upon countries who rely on it for much of their economy.

However, it’s hoped that 2021 will bring a brighter future for all. With several viable vaccine candidates now in the process of distribution, experts predict that oil demand will once again rise – regardless of any new strains of the virus which may threaten to derail its progress.

Vaccines to the rescue

2020 was a miserable year for many oil-exporting countries. The global economic contraction engendered by COVID-19, coupled with a significant drop-off in demand for oil, led to a near collapse of the market altogether. Only emergency measures put in place by OPEC+ to curb production and keep prices relatively stable prevented an all-out disaster.

However, 2021 looks set to bring better news. The emergence of [several new COVID-19 vaccines should affect oil demand positively](#), precipitating a return to something resembling normality and whetting the international appetite for oil once more. As populations around the world bring the virus under control and commerce begins to open up again, oil prices should rebound.

Of course, the process is expected to be a gradual one, with Al-Mazrouei indicating he doesn’t expect significant changes to be visible until the second half of the year. However, the Emirati Energy Minister is bullish that a wholesale recovery for oil could transpire by the end of 2021.



New strain to cause setbacks?

That recovery could potentially be threatened by the evolution of a highly contagious new strain of coronavirus, first discovered in the UK in December. With Britons barred from travelling to many countries and reports of the strain surfacing in the United States and Australia, oil prices dropped by over 2% in the immediate aftermath of the discovery.

However, Al-Mazrouei remains confident that the new strain of the virus will not pose long-term problems for either the health of the global populace, nor for the oil market. “I haven’t seen any danger from these strains,” [he explained](#). “The global health sector can find a solution to this virus.”

Early indications do suggest that the new strain is just as susceptible to the vaccines as the original one, which could support Al-Mazrouei’s supposition. In any case, 2021 looks set to a brighter year for everyone, regardless of whether they work within the oil industry or not.