

# Crude Supply Risk



This index captures the price influence of changes in oil supply on a weekly basis. Factors are assessed on the country level: A positive score indicates a bullish impact on price, whereas a negative score indicates a bearish impact. The absolute value of the score is an indicator of the magnitude of the impact. The global price risk index is an aggregate of country-level risk scores, weighted by the country's share of global crude and condensate capacity.

The value of the global price risk index indicates the price influence as follows:

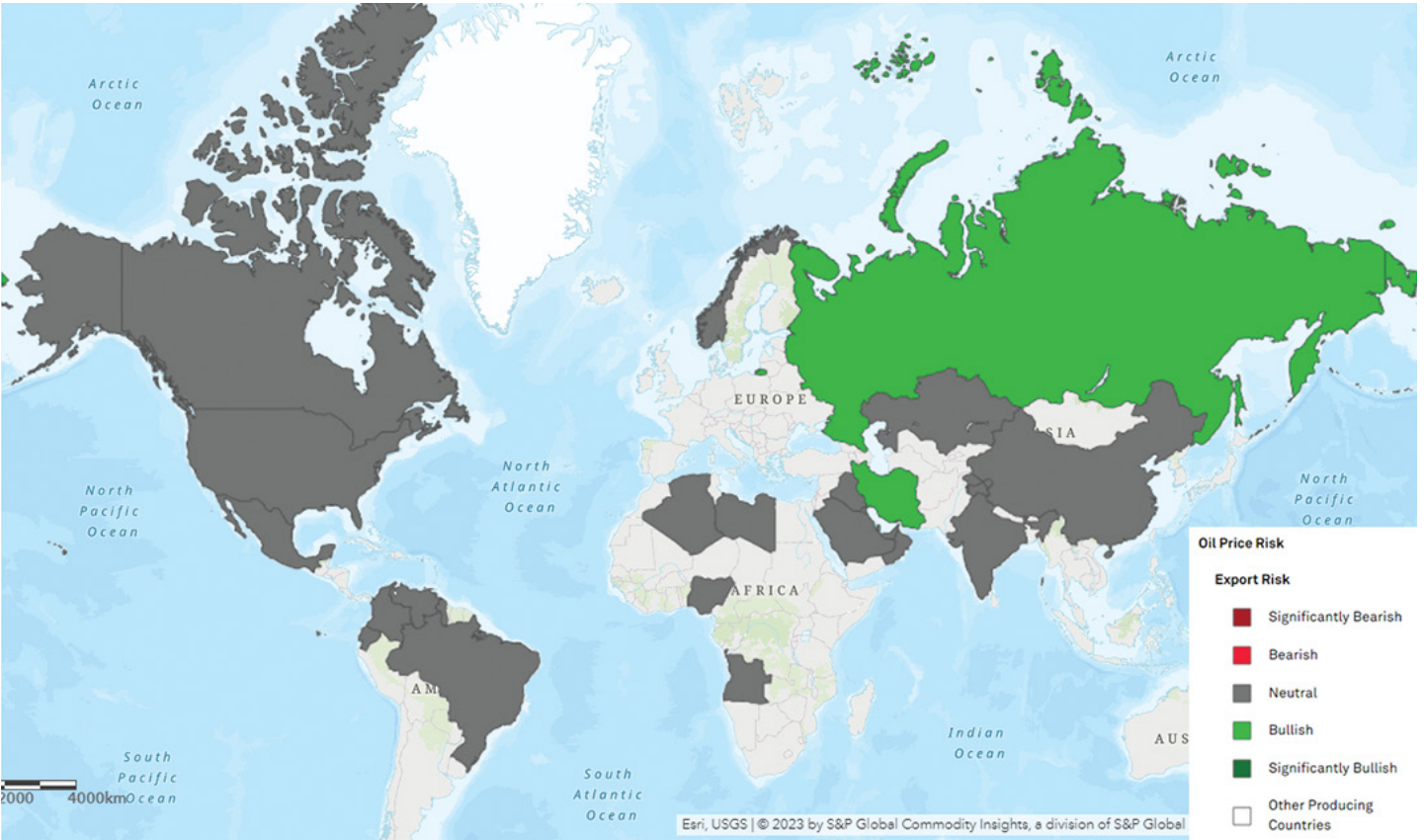
Bullish	>0.08
Neutral	-0.08-0.08
Neutral	<-0.08

It is comprised of six factors; Political Violence, Geopolitical Risk, Export Risk, Facility and Personnel Violence, Ministerial/Policy Volatility, and Labor Unrest.

An example of the index for several countries is shown below:

	Political Violence	Geopolitical Risk	Export Risk	Policy Change	Facility And Personnel Violence	Labor Unrest	Overall Country Price Risk	Supply Capacity	Supply-side Contribution to Global Price Risk
United States	0	1	1	0	0	1	0	12.039	0.059
Russia	0	0	0	0	0	0	0	11.223	0.000
Saudi Arabia	0	1	1	1	0	0	0	12.006	0.04
Canada	0	0	1	1	0	0	0	4.844	0.008
Iraq	0	0	0	0	0	0	0	4.684	0.000
Total								88.258	-0.022
									Neutral

This sentiment is also available as a spatial representation.



## Factor: Political Violence

### Definition

The Political Violence score measures the likelihood of state failure, civil war, coups and coup attempts, revolution and/or public unrest, and terrorism in a country, based on recent history and current dynamics.

### Short-term price risk influence

-2	Moderate bearish impact
-1	Limited bearish impact
0	Neutral
1	Limited bullish impact
2	Moderate bullish impact

### Interpretation

This score is a broad measure of domestic political violence that aggregates the incidence and/or intensity of state failures, internal wars, coups, revolutions, and incidents of terrorism in a country. Countries with significant ethnic, sectarian, tribal, racial, and class divisions are particularly prone to episodes of violence and political breakdown.

Countries that have not experienced abrupt political changes or violence and therefore appear stable on the surface could also undergo disruption if the frustrations of citizens build up, particularly in non-inclusive systems that provide limited outlets for public expression, and subsequently erupt into unrest and violence. Moreover, threats to political stability carrying a risk of devolving into violence may emerge not only from organised or unorganised social and grassroots forces (“bottom up” risks), but also from intra-elite struggles (“top down” risks).

## Factor: Geopolitical Risk

### Definition

The Geopolitical Risk score measures the degree to which a country is vulnerable to the threat of external war or conflict with its neighbours, as well as risks emanating from broader geopolitical tensions including sanctions and/or reputational risk.

### Short-term price risk influence

-2	Moderate bearish impact
-1	Limited bearish impact
0	Neutral
1	Limited bullish impact
2	Moderate bullish impact

### Interpretation

High vulnerability to geopolitical risk indicates that a country’s domestic political and social stability can be influenced or disturbed by external forces. The dangers may arise not only from the risk of spillover or contagion from an unstable or aggressive neighbouring country or as a result of disputes over borders, resources or control of populations, but also in some instances from the emergence of new geographic entities (such as South Sudan or Iraq–Kurdistan). The presence of a choke point in the state’s vicinity that heightens risks to the movement of oil — such as the Suez Canal or Strait of Hormuz — may also be a factor in assessing geopolitical risk.

In addition, geopolitical risk may stem from the country’s political behaviour in the international system. A country that is perceived (particularly by the United States) to be exporting terrorism, developing weapons of mass destruction, committing genocide, trafficking in narcotics, or routinely violating human rights, may invite regional or international scrutiny and conflict and ratchet up geopolitical tensions — potentially leading to economic sanctions and/or direct conflict or military intervention.

## Factor: Export Risk

### Definition

The Export Risk score is an assessment of constraints on the export of oil. Scores take into account several factors: physical infrastructure constraints (such as pipeline capacity); domestic or external political interference over export infrastructure or policy measures that favour domestic uses of energy over exports; security risks including piracy, vandalism, or terrorism; the risk of international sanctions that directly or indirectly restrict hydrocarbon exports; and the potential for production cuts in coordination with OPEC’s market management strategy. This factor also captures fluctuations in supply due to changes affecting state reserves of oil, for example releases from the US’s Strategic Petroleum Reserve.

### Short-term price risk influence

-2	Moderate bearish impact
-1	Limited bearish impact
0	Neutral
1	Limited bullish impact
2	Moderate bullish impact

### Interpretation

Export Risk represents the broad risks to the export and monetisation of oil production and can be sourced from a variety of drivers. With regard to physical infrastructure, the lack of pipelines and other infrastructure act as a constraint to export. The threat of piracy, vandalism, and terrorism may also pose a risk to exports if facilities, infrastructure, or cargoes are targeted.

Exports can be impacted by domestic political restrictions and interference, particularly if a policy decision is made to divert oil production to meet rising domestic demand, or if a release from a strategic reserve frees up additional barrels. In some cases, OPEC policy may affect a country’s decision to increase or decrease production and export volumes.

A country’s confrontation with the U.S. and/or international community (regardless of the nature of the confrontation) may also trigger the issuance of sanctions which interfere with its capacity to export oil.

## Factor: Facility and Personnel Violence

### Definition

The Facility and Personnel Violence score assesses the presence of various threats to both energy company personnel and facilities. Threats include: pipeline attacks, bombings, piracy, non-lethal violence, kidnappings, and killings.

### Short-term price risk influence

-2	Moderate bearish impact
-1	Limited bearish impact
0	Neutral
1	Limited bullish impact
2	Moderate bullish impact

### Interpretation

The rankings assigned to this risk factor represent the likely impact of violence on oil production and exports, including scope and duration of any outages.

## Factor: Policy Change

### Definition

The Policy Change score assesses the potential impact changes in government policies and/or sector leadership affecting oil production and/or exports. Shifts in the content or direction of policy usually (but not always) stem from changes in the government itself or from changes in leadership at the energy ministry and/or the national oil company. Shifts in policy — especially when made abruptly — pose the most risk to production and exports, compared to changes in leadership that do not alter policy (at times, because the new figure placed at the helm of the energy sector management does not have real authority).

### Short-term price risk influence

-2	Moderate bearish impact
-1	Limited bearish impact
0	Neutral
1	Limited bullish impact
2	Moderate bullish impact

### Interpretation

The Policy Change factor score is meant primarily to measure the risk of possible hydrocarbon and energy policy shifts affecting oil supply and export flows; such shifts usually (but not always) result from changes in the government itself or of key personnel (i.e., energy minister and/or head of NOC).

While new administrations or leadership changes in the hydrocarbon sector are not particularly alarming, an increasing number of such moves may reflect overall instability and inconsistency in state energy policy.

## Factor: Labor Unrest

### Definition

The Labor Unrest score measures the risk of disruption to oil production and exports stemming from strikes and lockouts.

### Short-term price risk influence

-2	Moderate bearish impact
-1	Limited bearish impact
0	Neutral
1	Limited bullish impact
2	Moderate bullish impact

### Interpretation

Ratings for this factor reflect the scale and likely duration of strikes and lockouts affecting oil production and exports. In many cases, the duration of disruption is at least partially dependent on the state’s willingness and ability to intervene directly and/or address worker grievances.

## Overall Country Price Risk

### Definition

The overall country price risk is the sum of all the risk factors for that week multiplied by the weighting of each factor.

## Supply Side Contribution to Global Price Risk

### Definition

The supply side contribution to global price risk which is called global price risk in the REST API represents the overall country price risk weighted by the country’s contribution to global crude supply, to indicate that those countries with a higher percentage of supply have a greater impact on supply risks than those with smaller percentage of overall supply.

## Industry shock

### Definition

Industry shocks (i.e., major supply disruptions or other black swan events affecting one or more countries) can change a countries or countries’ importance to the global market for a limited time period. In such cases, analysts may manually adjust country weights to reflect the magnitude of the market impact, with the option to increase an individual country weight up to a maximum of 100% based on industry events and analyst judgement.



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### Asia-Pacific

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+44(0)20-7176-6111

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Please contact your S&P Global sales representative or [ci.support@spglobal.com](mailto:ci.support@spglobal.com)

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