

MAY 14<sup>th</sup> 2020  
VOL. 29

# Fujairah New Silk Road WEEKLY NEWSLETTER

**EXCLUSIVE INSIDE**  
**GLOBAL OIL EXPERTS SHARE**  
**THEIR INSIGHTS PAGE 4**

**EXCLUSIVE INSIGHTS /// ACTIONABLE INTELLIGENCE /// DATA TRENDS /// LATEST NEWS**

## AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

# “WHEN I LOOK AT THE NUMBERS, THEY ARE STILL VERY WORRYING.”

**Fatih Birol, Executive Director, International Energy Agency (IEA)**

*You have recently stated that Q2 2020 would be the worst quarter in history for the energy industry. Has it turned out to be this way?*

**Fatih Birol:** Unfortunately, yes. April 2020 will go down in oil history known as "Black April." We have seen negative oil prices for the first time ever. These are very hard times for oil producers and consumers alike. Oil, as a commodity, is one of the back bones of global financial stability. To see such extreme volatility is not only a major problem for oil producing economies, but also for the global economy as a whole. For this year, we have said oil demand will decline by about 9mn b/d. April will be the first month testing our forecast, which we have seen close to a 30% decline in demand. When I look at the numbers, they are still very worrying.

*If April will see a collapse in oil demand of up to 30%, what is your outlook for May and June?*

**Fatih Birol:** We are revising our numbers all of the time to align with news on the economic side. We are seeing the easing of confinement and partial lifting of lockdowns. I expect that we will see the impact of those measures, even at a gradual level, on demand in the second half of this year. At the same time, lockdowns and confinements are not the only drivers that dictate demand projections. We are also looking at the overall global economy. Many economists are revising their expectations to a more pessimistic outlook for the second half of the year. We will definitely see a significant decline in oil demand.

CONTINUED ON PAGE 3

### Fujairah Average Oil Tank Storage Leasing Rates\*

**BLACK OIL PRODUCTS**

**Average Range**  
**\$3.61 - \$4.38/m<sup>3</sup>**



**↑ Highest: \$4.50/m<sup>3</sup>**

**↓ Lowest: \$3.50/m<sup>3</sup>**

\*Time period: Weekly

Source: GI Research

### Fujairah Weekly Oil Inventory Data

**7,482,000 bbl**

**Light  
Distillates**



**5,466,000 bbl**

**Middle  
Distillates**



**14,911,000 bbl**

**Heavy Distillates  
& Residues**



Source: FEDCom & S&P Global Platts

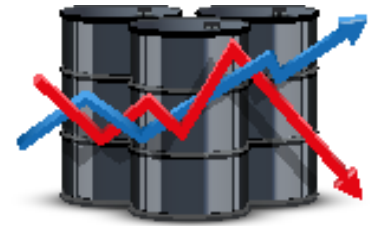
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# THE WEEK In Numbers

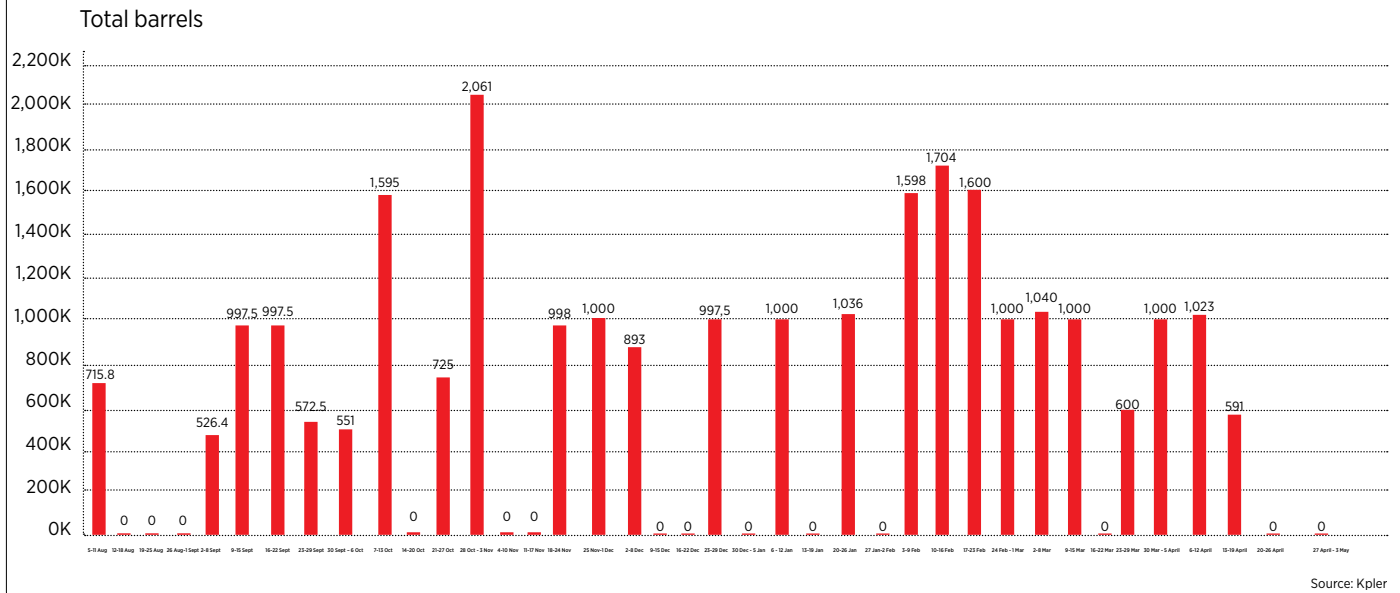


### Weekly Average Oil Prices

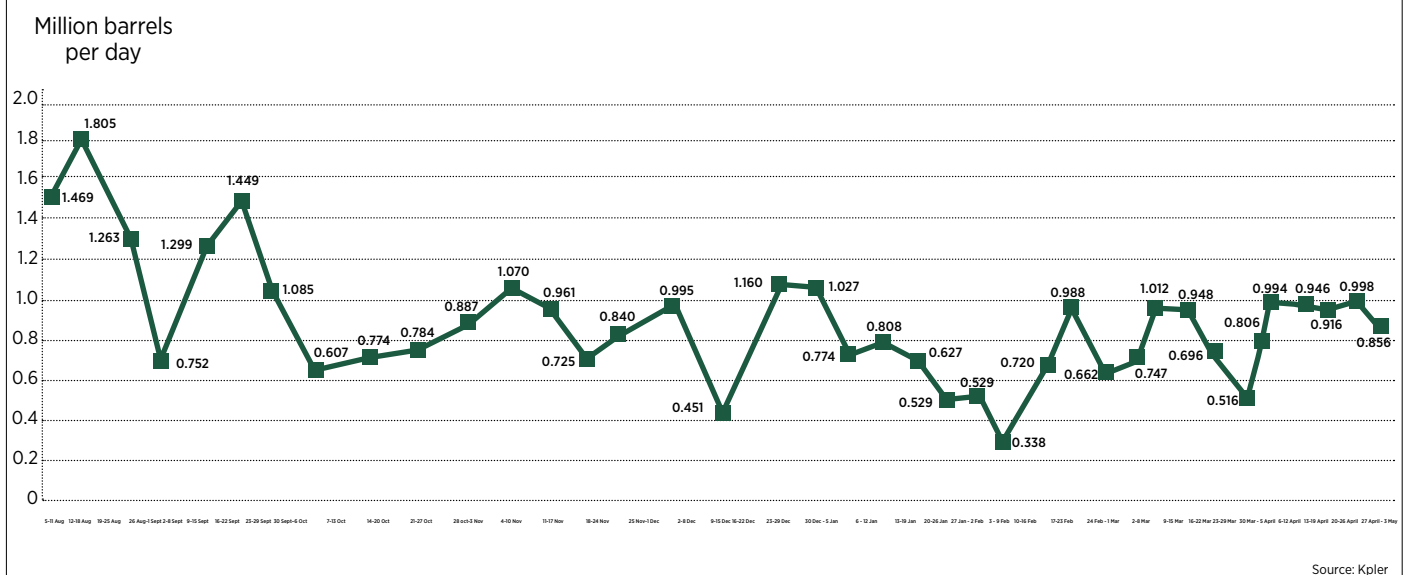
- Brent Crude:** \$29.80/bbl
- WTI Crude:** \$25.98/bbl
- DME Oman:** \$20.02/bbl
- Murban:** \$27.20/bbl

Time Period: Week 2, May 2020  
Source: IEA, OilPrice.com, GI Research

## Weekly Imports of Heavy Sweet Crude into Fujairah



## Total Refined Product Exports from the GCC to Asia-Pacific



## CONTINUED FROM PAGE 1

***The IEA has always been a very strong advocate for lower oil prices. Surely, all of this is good for your constituents?***

**Fatih Birol** I don't agree. We don't want to see low oil prices. Instead, we want to see fair prices. Prices may be low now, but people cannot make use of it. For example, we have cheap gasoline prices, but nobody can drive. Consumers aren't benefiting at all. You will definitely see some activity in the road transports segment, but I still expect a big lack of demand in areas such as aviation. Again, extreme volatility in oil prices is bad for everybody. The IEA's members include the largest oil producers in the world, such as the US, Canada, Norway, Brazil and Mexico.

***What is your expectation for compliance of OPEC+ production cuts in May?***

**Fatih Birol:** There will be a significant amount of reduction coming from OPEC+ countries, the US, Canada, Brazil, Norway and others. However, the real problem is that we have a huge decline in demand. We need to see numbers on the demand side move up. It is very important to have those production cut targets and to have full compliance from all countries involved to meet those targets. OPEC+ countries are in a more difficult situation than others. They are suffering from multiple pressures. One is the huge crash on their revenues. Another is the Covid-19 pandemic, which some of the countries don't have strong health systems. The third is social and political pressures at home.

***The OPEC+ agreement is to reduce output by 23% for May and June, and then to increase production in July. Do you recommend OPEC+ reconsiders that or do you think the market is ok?***

**Fatih Birol:** We don't know yet. However, we can get it from the current picture of energy markets if nothing changes. I believe there may be a need for further efforts coming from producing countries, in order to make 2020 less worse than we thought at the beginning of this crisis. This is, of course, up to them to decide. Market balance will be dictated by demand and not supply. We still have a huge amount of surplus on the market and lots of floating oil around the world. If you put in the global context we had before the current crisis, we had about a 100mn b/d of oil consumption. Before the crisis, we were talking an oil glut and the demand collapsed.

***What lessons do you expect the oil industry to learn from this crisis?***

**Fatih Birol:** There will be a lot of lessons learned for the demand side and on the supply side. However, it is far too early to make a concrete conclusion. I can tell you that



there are a lot of lessons to teach. For example, some people think that the shale oil is going to die forever. I don't agree with that. It will come back at \$40/bl. Technology is still there in the shale business. They know how these rocks are. The geology is there. The US shale industry will come back but maybe slowly.

***Who will be the biggest oil producer in the world in 2021? We came into 2020 with the US, Russia, and Saudi Arabia with the top players in the global energy sector. How do you see the ranking in 2021?***

**Fatih Birol:** These are still the top three countries. However, we will see whose oil industry is more resilient. This is a long-distance marathon where inches matter. It is important who finishes attempts to finish first.

***From the point of view of going forward, do you expect China and Asia to remain the biggest demand center?***

**Fatih Birol:** China, India and the Middle East. These are the three major demand centers with very strong growth opportunities. We may see oil demand growth come back to normal levels. However, 100mn b/d will take some time. It will not happen within a year. It depends on global economic growth. For example, in Europe, people are starting to talk about the second wave of Covid-19. There are grueling circumstances surrounding the economy and global citizens. There are a lot of uncertainties. But, one thing is clear, we will need oil for years to come. We should be careful when we make our calculations on demand growth for the future. Let's not forget, we have another challenge which is the sustainable development and sustainable use of energy. This is also part of the equation.



[WATCH FULL INTERVIEW HERE](#)

# GIQ EXCLUSIVE SOUNDINGS

## Oil Moves Higher as Markets Navigate Demand Uncertainty and Fears of Second Waves of Covid-19

Over the last week, Gulf Intelligence has interviewed energy market experts in Asia, the Middle East, Europe and the US – the intelligence below is harvested from these exclusive briefings.

- Christof Rühl, Senior Research Scholar Center on Global Energy Policy Columbia University
- Tony Quinn, CEO, Tankbank International
- Adi Imsirovic, Research Associate, Oxford Institute for Energy Studies
- Kevin Wright, Lead Analyst APAC, Kpler
- Paul Young, Head of Energy Products, Dubai Mercantile Exchange
- Dr. Leila R. Benali, Chief Economist, APICORP
- Omar Najia, Global Head of Derivatives, BB Energy
- Andy Laven, Chief Operating Officer, Sahara Energy Resources
- Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
- Dr. Zhen Wang, Deputy Director-General, Policy Research, CNPC
- Vandana Hari, Founder & CEO, Vanda Insights, Singapore
- Rustin Edwards, Head of Fuel Oil Procurement, Euronav NV
- David McWilliams, Adjunct Professor of Global Economics, Trinity College Dublin

### **Christof Rühl, Senior Research Scholar Center on Global Energy Policy Columbia University**

"The numbers coming in have become more clear, showing that demand is not falling as much as expected and global oil storage is not as full as many people forecasted."

### **Tony Quinn, CEO, Tankbank International**

"What we have seen is that the storage market is actually balanced. We have real demand for physical tanks on the ground. Over the last five years, you could have gotten it everywhere, now you can't get it anywhere."

### **Adi Imsirovic, Research Associate, Oxford Institute for Energy Studies**

"The rally last week was a bit of a surprise. My guess at this stage is that it has to do with the flows. All of the oil that is going into storage needs to be hedged. All that oil has been hedged by selling the backend of the curve, which probably lifted the front end a bit. Also, the easing of lockdowns."

### **Kevin Wright, Lead Analyst APAC, Kpler**

"As economies start to open up, we will start to see recovery in demand. It is going to be a natural progression to a more balanced situation than we currently have at the moment."

### **Paul Young, Head of Energy Products, Dubai Mercantile Exchange**

"We are caught in a narrow range now at around \$30/bl. From the demand side, we are definitely seeing some positive news, but it is one of those things that if you want positive news your going to find it."

### **Omar Najia, Global Head of Derivatives, BB Energy**

"You may see a relief rally for the next few weeks, but reality is going to come back sooner or later."

### **Dr. Leila R. Benali, Chief Economist, APICORP**

"You are going to see the emergence of new players across the energy sector. The relationships between IOCs, independents, and shareholders are evolving dramatically. For 2020, we have to accept that there will be a lot of uncertainty for the industry with the potential for mergers and acquisitions."

### **Andy Laven, Chief Operating Officer, Sahara Energy Resources**

"At the moment, the market is trading on emotion and not on anything that is close to fundamentals. The whole world is ignoring fundamental changes that are happening with Saudi and the impact that may have with OPEC moving out further on cuts."

### **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**

"You need to tread with caution. There is volatility in the market, and we are seeing a lot of contradicting news and intelligence."

### **Dr. Zhen Wang, Deputy Director-General, Policy Research, CNPC**

"China is seeing good recovery, especially with oil demand in April compared to the prior month of March."

### **Vandana Hari, Founder & CEO, Vanda Insights, Singapore**

"I believe the worst for oil demand is over. It might be a slow, jagged recovery but we are on a path of demand recovery."

### **Rustin Edwards, Head of Fuel Oil Procurement, Euronav NV**

"Overall, refinery margins are still in negatives in a lot of major pricing hubs and will remain the same until we see real demand for products to absorb the supply and get refineries back to normal run rates."

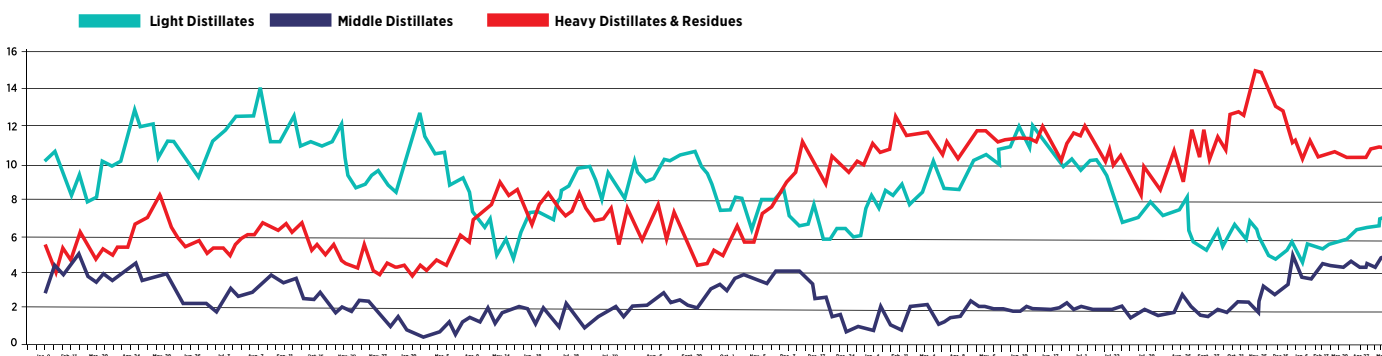
### **David McWilliams, Adjunct Professor of Global Economics, Trinity College Dublin**

"What we see is a second cold war between the US and China. This is halting global cooperation."

# Fujairah Weekly Oil Inventory Data



bbl (million)



## TOP TAKEAWAYS

- Total oil product stocks in Fujairah hit a fresh record high of 27.859mn barrels, breaching 27mn barrels for the first time since stock reporting began at the start of 2017. The previous record high was last week when 26.192mn barrels were seen. Overall stocks rose by 6.4%, or 1.667mn barrels week on week, which led builds across all three stock categories.
- Stocks of light distillates saw a build of 766,000 barrels, or 11.4% week on week. Total

volumes stood at 7.482mn barrels. The East of Suez gasoline market was seeing some green shoots of demand recovery with refiners reacting accordingly as Indian and Chinese refiners were raising run rates in response to gradual improvements in domestic demand. Indian Oil Corporation, the country's largest state-run refiner, raised crude throughput to 60% levels at its nine refineries, with the restart of several process units, company officials said.

- Stocks of middle distillates hit a fresh record high of 5.466mn

barrels as they rose by 12.6% or 611,000 barrels at the start of the week. The previous record high was February 6, 2017 when they stood at 5.277mn barrels. The East of Suez gasoil market has been underpinned by a slight improvement in sentiment, buoyed by tightening supply balances amid ongoing refinery run cuts and turnarounds in the region. However, traders have said that a meaningful recovery in gasoil demand has yet to be seen.

- Stocks of heavy distillates rose by 2%, adding 290,000 barrels

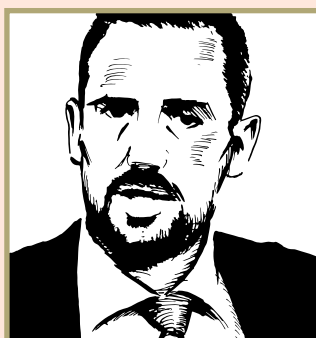
on the week to stand at 14.911mn barrels. Demand for prompt bunkers in Fujairah has waned following a recent uptick last week with buyers looking to cover requirements towards the end of May and early June. "We are expecting May demand to be even less than in April. We did not receive many inquiries in the last two weeks," said a trader. Delivered Marine Fuel 0.5% bunkers were assessed in Fujairah at \$225/mt on Tuesday, representing a fall of \$2/mt week on week.

Source: S&P Global Platts

### ***"Things are not going to return to how they were, but things will change and probably for the better."***

Brent is trading this morning at \$29.91/bl, up 0.72/bl. WTI is trading up 0.57/bl, at \$25.86/bl. "Oh, I see," said the Tin Woodman. "But, after all, brains are not the best things in the world." "Have you any?" enquired the Scarecrow. "No, my head is quite empty," answered the Woodman." On that note, let's quote someone else. "Thanks to the leadership of President @realDonaldTrump, the transition to greatness is well underway, and our economy, along with our US energy companies, is going to see massive gains on the other side of this pandemic." Thanks Dan. Bullish words indeed, Mr. Brouillette. But, what exactly are you basing this forecast on? We saw the first draw on crude stocks last night in the US since

January. Did the market rally on the news? Not a bit of it. Well, it went up to \$30.55/bl as tourettic traders bought on the first sign of a draw. But, we ended up closing at \$29.19/bl, 1.40/bl lower than the highs after stats were issued. But why? Look, the simple facts are that US oil production is still high. Demand cannot be deemed as "back," when the draw we saw last night in no way signals that things are returning to normal. The real issue though, was the economic outlook from Fed chair Jerome Powell. Grim to say the least. But I'm sure Jerome won't mind. He was Trump's MIP (Most improved player) last month. I wonder if there's a picture of Jerome and Donald put up as you walk into the West Wing. Doubt it. The thing is though, you can't say that Powell is wrong. If I said to you eight years ago that in 2020



**BY MATT STANLEY**  
DIRECTOR  
STAR FUELS

Donald Trump would be President of the USA, Boris Johnson was the UK Prime Minister, WTI prices were going to trade negative, and air travel as we know it nigh on ceased completely...you would have deleted my number, called my mother, and put me in a nut house. But this is the reality we are in. Covid-19 has decimated

global markets, and unless people face the truth about what a recovery is going to look like, then the longer it is going to take us all to actually start one. Things are not going to return to how they were, but things will change and probably for the better. Things will become more efficient, less bureaucratic and these are all reasons to look forward to the path to recovery. Making statements that things are coming back is both presumptive and dangerous. I think we have another couple of painful months ahead. The IEA report is out at 0900 GMT, and all eyes will be on that to see what the immediate future might really hold. Pretty serious today Stanley? OK...let's end with this. I'll tell you what I love doing more than anything, trying to pack myself in a small suitcase. I can hardly contain myself. That's better. Good day.

May 14, 2020

# Fujairah Spotlight

## Jet fuel imports into Fujairah climb to two-year high in contango market

Jet fuel imports into Fujairah climbed to a two-year high in April 2020. It's another sign that traders may be betting on higher prices as airlines slowly add more passenger flights and countries ease Covid-19 lockdowns. Jet fuel imports were at 39,800 b/d for the month, the most since 47,600 b/d in April 2018 and up from 6,950 b/d in March 2020.

Sources: Hellenic Shipping News, Kpler

## UAE- Fujairah Charity Association Distributes 150,000 Iftar Meals in Ramadan

Fujairah Charity Association, FCA, has distributed 150,000 iftar meals in the first half of the Holy Month of Ramadan to workers and underprivileged families in the emirate of Fujairah. Saeed bin Mohammed Al Raqbani, Chairman of FCA, stated that an average of 10,000 meals was delivered daily to the beneficiaries.

Source: Emirates News Agency (Wam)

## New study sheds light on Fujairah's ancient past

A major new study of the UAE's East Coast towns and villages, concentrating on those in the Emirate of Fujairah, has been published. It suggests that numerous archaeological sites from both the Islamic and the pre-Islamic periods lie unrecognized under large mounds of earth inside the local date palm gardens. The study, by Australian-Emirati archaeologist Dr. Michele Ziolkowski, "Fujairah's Date Palm Gardens: A Preliminary Survey", is published by the Crown Prince of Fujairah, H.H. Sheikh Mohammed bin Hamad Al Sharqi.

Source: Emirates News Agency (Wam)



## GPS Chemoil says 'major' oil companies want new crude storage at Fujairah

GPS Chemoil has received inquiries from several major oil companies to build and then lease them new storage capacity for crude oil in Fujairah even as the Covid-19 pandemic has delayed signing a contract. GPS Chemoil would build the crude oil tanks on the basis of a commitment to lease storage over 7 to 10 years. Tarun Arora, General Manager of GPS Chemoil said, "We will build not on speculation but only against a committed contract." The whole process could take two years after signing and would be financed locally, he said, adding that the Fujairah government supports such projects.

Sources: Hellenic Shipping News, S&P Global Platts

# ENERGY MARKETS COMMENTARY WEEK IN REVIEW



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**NEW SILK ROAD**

**David McWilliams**  
Adjunct Professor of Global Economics  
*Trinity College Dublin*

**Vandana Hari**  
Founder & CEO  
*Vanda Insights, Singapore*

**Rustin Edwards**  
Head, Fuel Oil Procurement  
*Euronav NV*

**PODCAST**  
Thursday May 14<sup>th</sup>, 2020

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**DAILY ENERGY MARKETS COMMENTARY**  
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**Andy Laven**  
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**Dr. Carole Nakhle**  
Chief Executive Officer  
*Crystal Energy*

**Dr. Zhen Wang**  
Deputy Director-General, Policy Research  
*CNPC*

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Wednesday May 13<sup>th</sup>, 2020

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**Paul Young**  
Head of Energy Products  
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**Dr. Leila R. Benali**  
Chief Economist  
*APICORP*

**Omar Najja**  
Global Head, Derivatives  
*BB Energy*

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**NEW SILK ROAD**

**Tony Quinn**  
Operating Partner, *Prostar Capital*  
CEO, *Tankbank International*

**Kevin Wright**  
Lead Analyst APAC  
*Kpler*

**Adi Imsirovic**  
Research Associate  
*Oxford Institute for Energy Studies*

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Monday May 11<sup>th</sup>, 2020

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**Christof Rühl**  
*Columbia University*

**Dyala Sabbagh**  
*Gulf Intelligence*

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Sunday May 10<sup>th</sup>, 2020

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# ENERGY MARKET NEWS

## RECOMMENDED READING & VIEWING

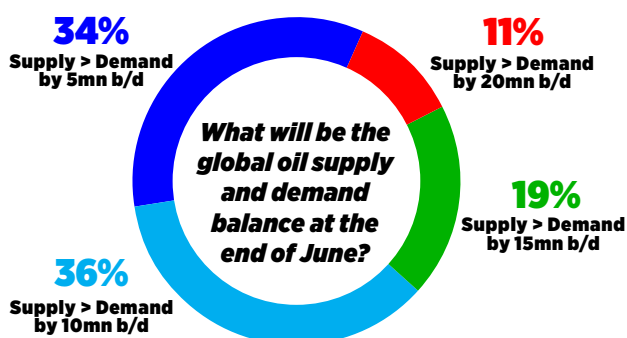
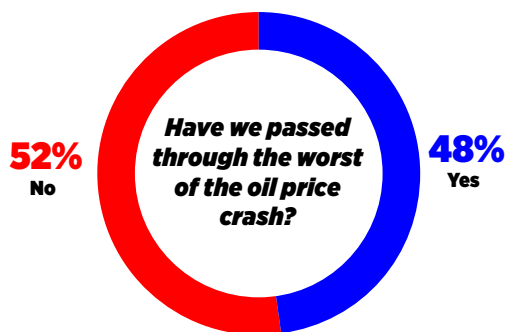
- 1. EIA RAISES CRUDE OIL PRICE OUTLOOK SLIGHTLY - SUPPLY CUTS LEAD TO HIGH INVENTORY DRAWS IN 2021**
- 2. IMF CHIEF SAYS GROWTH FORECAST CUTS 'VERY LIKELY' AS PANDEMIC HITS ECONOMIES HARD**
- 3. OPEC SLASHES OIL DEMAND FORECAST AGAIN - BIGGEST HIT THIS QUARTER**
- 4. AFRICA CONFRONTS COVID-19 OUTBREAK ALL OVER THE CONTINENT**
- 5. PRORATION IS NOT EFFECTIVE MARKET MANAGEMENT FOR THE OIL INDUSTRY**
- 6. SAUDI MINISTER OF ENERGY AND RUSSIAN COUNTERPART CONTINUE OIL MARKET CONSULTATIONS**
- 7. NORWEGIAN FUND EXCLUDES LARGE CANADIAN OIL PRODUCERS**
- 8. WORLD'S LARGEST SHIPPING FIRM SAYS ALMOST 10% OF ITS FLEET HAS BEEN IDLED DUE TO COVID-19**
- 9. CHINA HALTS BEEF IMPORTS FROM FOUR AUSTRALIAN FIRMS AS COVID-19 SPAT SOURS TRADE**
- 10. CHINESE STUDENTS GRAPPLE WITH FIRST ECONOMIC DOWNTURN OF THEIR LIVES**



### RECOMMENDED VIDEOS:

- **FED CHAIR POWELL: ECONOMIC RECOVERY AMID CORONAVIRUS WILL TAKE LONGER THAN EXPECTED**
- **DR. FATIH BIROL: OIL DEMAND DESTRUCTION MAY BE WORSE THAN EXPECTED**
- **DON'T BE SURPRISED TO SEE THE OIL MARKET SELL OFF JUST AS THE DATA GETS BETTER**

## Weekly Surveys



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— OF THE YEAR —  
AWARDS 2020

**FUJAIRAH**

SEPT. 28<sup>th</sup> 2020

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Managing Director  
Port of Fujairah



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**Mike Muller**  
Director – Oil Business Development  
& Head of Trading  
Vitol Asia



**Datuk Md Arif Mahmood**  
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CEO of Downstream  
**PETRONAS**



**Martin Fraenkel**  
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Total Oil Trading SA



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