

Fujairah

New Silk Road

WEEKLY NEWSLETTER

OCTOBER 17th 2019
VOL. 2

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

AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

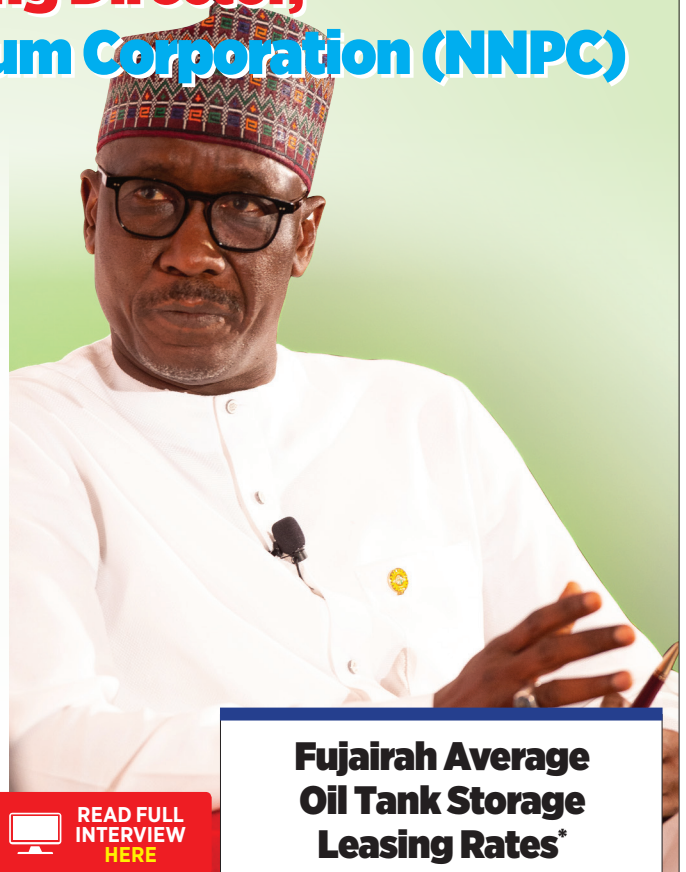
Mele Kyari, Group Managing Director, Nigerian National Petroleum Corporation (NNPC)

Moderator: We are in a period of geopolitical infraction and witnessing significant changes in both supply and demand for oil. Yet, prices seem to be stuck in a \$60-\$70/bl bracket. How do you explain that?

Mele Kyari: Everybody thought that the attack on the Saudi facilities would create a very serious disruption and take prices to \$80/bl, but it didn't happen for two reasons. One is that Saudi Aramco manifested control and started delivering within a short period of time, and secondly, demand forecasts are casting a bearish impact on prices. I don't see any situation where price conditions will go beyond \$65/bl or \$70/bl in the short-term.

Moderator: Is a price range of \$60-\$70/bl conducive to the investment required in the oil and gas sector? What can we expect from Nigeria on that front in the next few years?

Mele Kyari: Nigeria has great opportunity for growth, particularly in oil and gas. We're looking to increase our production to about 3 million barrels in the next 2 to 3 years and there's significant progress on the ground to achieve that. Our country is also tactically placed geographically. Future demand growth is going to come from Africa and Middle Eastern economies - that is where you have the least infrastructural development. There is great potential in these two regions.



[READ FULL INTERVIEW HERE](#)

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
\$3.61 - \$4.10/m³



↑ Highest: **\$4.50/m³**

↓ Lowest: **\$3.40/m³**

*Time period: Weekly

Source: GI Research

Fujairah Weekly Oil Inventory Data

7,106,000 bbl
Light Distillates



2,829,000 bbl
Middle Distillates



12,771,000 bbl
Heavy Distillates & Residues



Source: FEDCom & S&P Global Platts

Insights brought to you by:



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THE WEEK In Numbers

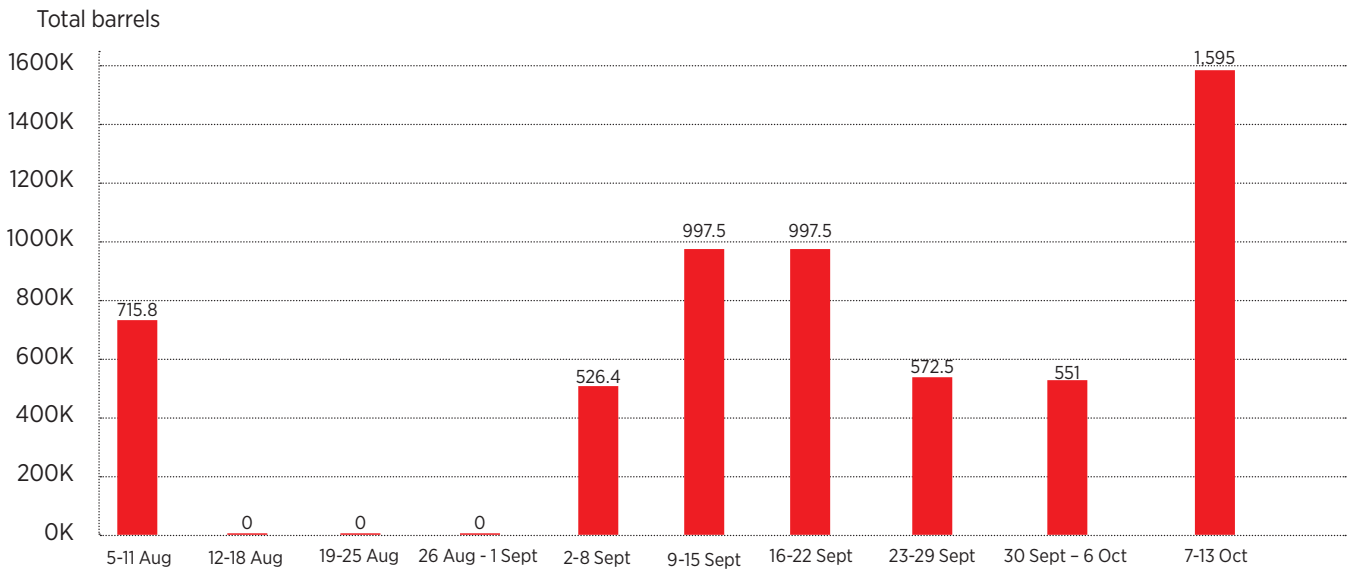


Weekly Average Oil Prices

Brent Crude: \$59.93/bbl
WTI Crude: \$54.15/bbl
DME Oman: \$60.92/bbl
Dubai: \$58.38/bbl

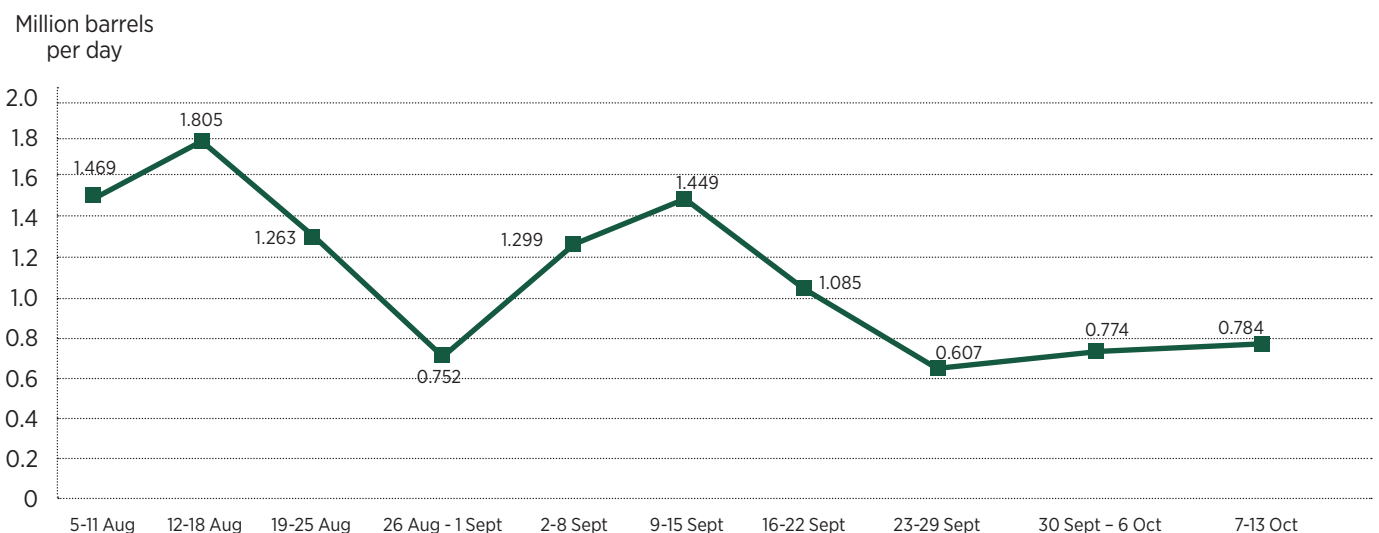
Time Period: Week 1, October 2019
 Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

GIQ

EXCLUSIVE REPORT: IMO 2020

Tick Tock – Three Months Left. Will You Make it?

Fact File

IMO 2020
ONE OF THE MOST DRAMATIC FUEL REGULATION CHANGES EVER IMPLEMENTED...

HOW? By 2020, vessel operators must use low sulfur fuel oil (LSFO) that's compliant and in high demand or invest in other equivalent methods.

WHY? Most ships use oil that contains **3,500 times** more sulfur than typical automotive diesel.

WHAT? Sulfur emission caps for the shipping industry will be reduced from **3.5% to 0.5%**.

COSTS?! Rising fuel costs means rising freight rates. Impact to consumer wallets could be around **\$240 billion**.

WHO? The International Maritime Organization (IMO) UN agency responsible for regulating the global shipping industry.

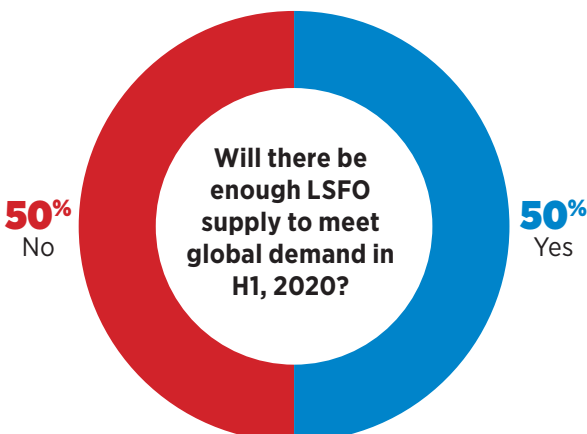
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Source: GI Research, IMO, Guardian, Goldman Sachs, Forbes
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EXECUTIVE SUMMARY

Accelerating alignment across the value chain – from refiners, traders, ports to shippers and more – lies at the heart of making 2020 compliance a reality. The consequences of failure could dent wallets and reputations. Energy stakeholders sitting in the pitch-black IMO 2020 waiting room of hesitation, with just the three months to go, need to rapidly turn the lights on to meet compliance.

Ambiguity over how much LSFO will be available next year abounds. But respondents' views suggest there's more than many think.



INSIGHT

“Storage is full. We see ships full, in the harbour waiting for the change. The refineries are all ready to switch and have been prepared as well. There will be enough product available at the time. That is not a concern. There will be initial teething problems in terms of system changes, but overall the supply side will be fine.”

Keith Martin, CEO, Uniper Global Commodities & CCO, Uniper SE

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[READ FULL REPORT HERE](#)

GIQ Gulf Intelligence

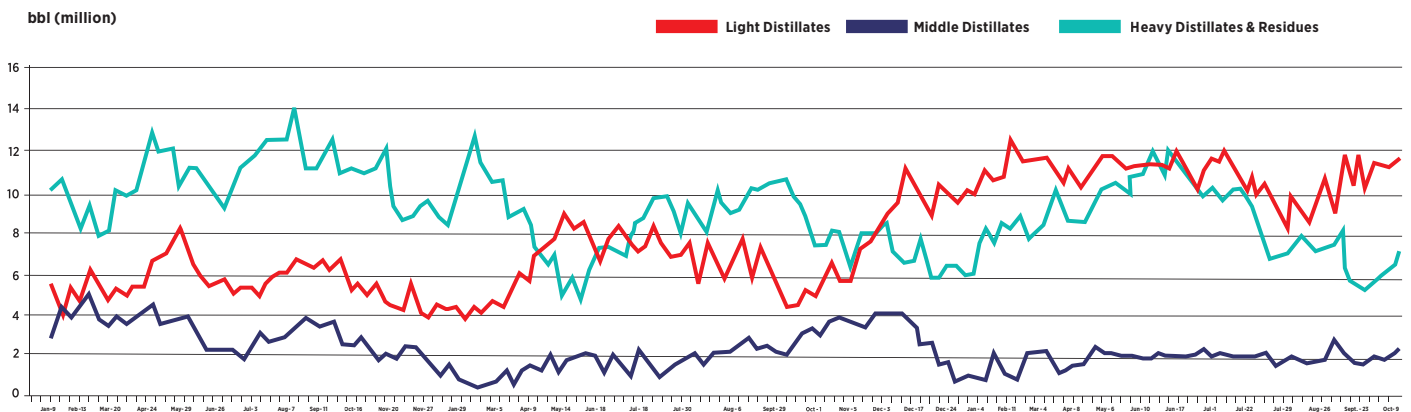
IMO 2020
TICK TOCK – THREE MONTHS LEFT. WILL YOU MAKE IT?

Executive Insights

- MIKE MULLER
Director – Oil Business Development & Head of Trading, Vitol Asia
- KEITH MARTIN
CEO, Uniper Global Commodities & CCO, Uniper SE
- DAVE ERMSBERGER
Global Head of Commodities Pricing S&P Global Platts
- MAGID SHENOUDA
Deputy CEO & Global Head of Trading Mercuria Energy
- ADI IMSIROVIC
Head of Oil, Gazprom Marketing & Trading

Actionable Intelligence October 2019

Fujairah Weekly Oil Inventory Data



As of Monday, October 14, total oil product stocks in Fujairah stood at 22.706 million barrels, the highest level they have stood at since early June. Stocks rose by 2.214 million barrels week on week. Overall product stocks rose by 10.8% with a build across all three product stock categories, with the greatest overall build seen in light distillate stocks.

Stocks of light distillates rose by 1.423 million barrels, reflecting a rise of 25% week

on week. Total volumes stood at 7.106 million barrels. The gasoline market East of Suez has seen an uptick in cracks in recent weeks, led largely by stronger regional demand, sources noted. The FOB Singapore 92 RON gasoline crack against front month ICE Brent was assessed at \$9.74/b on Tuesday, S&P Global Platts data showed.

Stocks of middle distillates built by 26.9%, adding 600,000 barrels to stand at 2.829 million

barrels at the start of the week. The gasoil market has found support in recent weeks as a combination of supply concerns coupled with stronger demand regionally and also in South East Asia have driven cracks for middle distillates upwards.

Stocks of heavy distillates rose by 1.5%, building by 191,000 barrels on the week to stand at 12.771 million barrels. This is the second highest level they have set since stock reporting began at the start of 2017, with

a record high of 13.456 million barrels seen on July 17, 2017. Preparation by the oil industry for the IMO 2020 regulations that will come in just under two and a half months remain in earnest with bunker suppliers noting an uptick in demand and supply of IMO 2020 compliant fuel into vessels, as shipowners start to gradually switch their demand away from high sulfur fuel oil (HSFO).

Source: S&P Global Platts

Oil Commentary

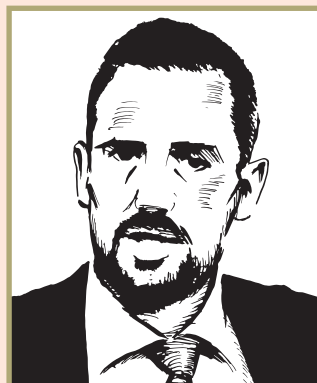
“The Market Needs Drama Whether it Likes to Acknowledge it or Not.”

Brent is trading this morning at \$59.01/bl up 0.27 from last night's close, and WTI is at \$53.06/bl up 0.25. I have mentioned over the course of the last six months that the market has been pinned on hope, and not by facts. Arguably, if we were to have a market leveraged purely off facts then we would probably all be out of a job right now and licking rocks to maintain any kind of sustenance. But hope it seems is the way things are being traded on the back of and I don't want limestone for dinner, so I'm OK with it.

This time hope is around the possibilities of a trade

deal being agreed between the US and China and a hard Brexit being avoided. Ummm, I don't know about you, but has anything been forthcoming that either of these two seemingly endless and boring disputes are reaching an agreement? The answer is a resounding no. Don't get me wrong, Of course I would like them to come to an agreement, but then what's everyone going to talk about? The market needs drama whether it likes to acknowledge it or not. Drama is good – it keeps the fires burning.

Anyway, keep your eyes on the headlines as usual. Freight continues to climb exorbitantly, even though actually we saw



BY MATT STANLEY
SENIOR BROKER
STAR FUELS

a fairly brutal correction in the FFA market, but why shouldn't it continue to rise? The last ten years or so for a ship owner have been about as successful as Arsenal's trophy cabinet (we won the FA cup though!! zzz), so who can blame them for

letting the market run away with itself?

It does pose a question though. As all of you know, even my two-month-old puts up a hand when I say “IMO 2020”, the sulfur spec changes next year on what ships can burn. Fitting a boat with scrubbers was one of the solutions, but let me ask you this: which owner is going to allow any one of their fleet to go into a dry dock for two months when they could easily take advantage of such an increase in freight rates? Hmmmm. Does HSFO get even weaker next year if the little demand that was there is now pushed back until freight levels return to where they were a month or so ago? One to think about. Stats are out tomorrow. Have a good day. October 16, 2019

New Silk Road Monitor

By Afshin Molavi, Senior Fellow, Johns Hopkins School of Advanced International Studies



GIQ TOP 3 TAKES

Gulf NOCs Seek a Seat at the Top Table of Global Energy Trading

How can they position themselves more competitively with IOCs by 2025?



1 Singapore, the Asian trade hub, cut its forecast for economic growth this year to almost zero. Trade hubs like Singapore, Hong Kong and Dubai often serve as the canary in the coal mine, as their growth is often highly dependent on global trade growth. So, when Singapore slows, there may be something foul in the air.

2 Hong Kong, wracked by ten months of protests and whipsawed by the US-China trade dispute, is likely headed for a recession. What's even more troubling, as Bloomberg rightly noted, could be that "Hong Kong's standing as a safe and reliable commercial hub will face irreparable damage – a potential death blow for an economy that has leveraged its business-friendly reputation to become the primary gateway between China and the rest of the world."

3 It has become well-known that China recently had its worst quarter since 1992, with a reported 6.2% growth. Even more troubling, China continues to pile up debt, with

the latest tally at \$1.5 trillion of dollar-denominated debt held by Chinese firms. China's total debt now tops 300% of GDP. Watch this debt space.

4 Passenger vehicle numbers have been down in India, but this was no one-off fluke. It marks the ninth straight month of passenger vehicle sales falls, raising questions about the oft-heralded rising Indian middle-class consumption story driving the future. What's more, rising tensions between India and Pakistan will not be good for foreign direct investment for either side, particularly jarring for Pakistan, not long ago an emerging market investment darling.

5 South Korea downgraded its trade relationship with Japan amid continued disputes over Japan's World War II crimes committed against forced Korean laborers. This Tokyo-Seoul sparring comes at a poor time for both sides as they face the shrapnel of the US-China trade dispute and rising protectionism emanating from the US. October 16, 2019

Maximize Value

Stretching the value of a barrel of oil needs to become a key pillar that defines national oil companies (NOCs). They are no longer just producers and exporters, but also refiners, carriers and now traders. NOCs must benchmark their organizations with private businesses and squeeze out every possible opportunity along the value chain.

Rethink Corporate Philosophy

NOCs should ascribe to a model of an international oil company (IOC) where there is full integration along the supply chain; upstream all the way down to retail. In order to do this, they must shift away from the high-level bureaucracy culture that is currently embedded, as it will only have a negative impact when it comes to growing segments, such as trading.

Back to Basics

The simple formula for facilitating trade is liberalization. NOCs must revert back to the historical origins of trade in the region. They must let the market dictate terms, let go of destination restrictions and stop official selling prices.

ENERGY NEWS

Highlights



Abu Dhabi Seeks to Shift Oil Markets with its Own Crude Benchmark

Abu Dhabi wants to create a benchmark for Middle Eastern crude that competes for customers in Asia with exports from America's shale boom. If the new contract for Abu Dhabi's Murban crude takes off, it could herald a fundamental shift in the way Gulf producers sell oil.

Source: Bloomberg

Egypt's Gas Exports fell to 100m cf/day Due to Low Global Prices

Egypt has reduced the amount of natural gas exported through the Idku liquefaction plant of the Dutch Shell Company to about 100m cubic feet per day (cf/day), compared to 500m scf/day in August.

Source: Hellenic Shipping News Worldwide



East Africa to Post Best GDP Growth As North and West Reel Under Load of Oil Shocks

East African economies are tipped to outpace the growth of other regional blocs this year, as the slump in oil and commodity prices hits north, western and southern parts of the continent.

Source: The East African

China's September Crude Oil Imports Rise on Strong Seasonal Demand

China's crude oil imports in September rose 10.8% from a year earlier as refiners ramped up output amid stable profit margins and solid fuel demand.

Source: Reuters



Oil Falls Due to Caution over First Phase of US - China Trade Deal

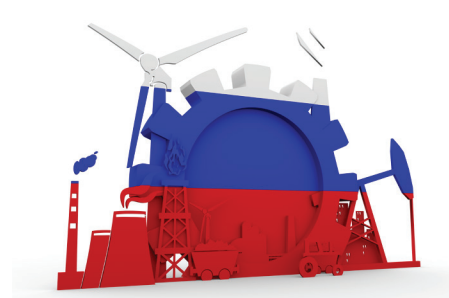
Oil prices fell on Monday 14 October as scant details about the first phase of a trade deal between the US and China undercut optimism over a US-Sino thaw, which helped lift crude markets by 2% at the end of last week.

Source: Reuters

Oil Shipping Costs Soar to Highest Level in 11 Years

The cost of moving oil around the world has hit an 11-year high as producers scramble to find new supertankers following a US blacklisting of a major Chinese operator, which has sidelined dozens of ships.

Source: The Wall Street Journal



Asia May Favor Russian Crude as Freight Rates Jump Post US Sanctions

Northeast Asian refiners may find Far East Russian crude oil highly attractive over the next few trading cycles as they increasingly favor short-haul crude supplies amid a recent sharp uptrend in international dirty tanker freight rates.

Source: Hellenic Shipping News Worldwide

Saudi Arabia Loses \$2bn of Output After Attack on Oil Infrastructure

Saudi Arabia lost production worth more than \$2 billion after attacks on vital energy infrastructure last month. The attacks were the most significant assault ever on the kingdom's oil sector.

Source: Financial Times