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Fujairah New Silk Road WEEKLY NEWSLETTER

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Fujairah Oil Industry Zone
Port of Fujairah
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"Today All the Visions have Turned into a Reality!"

H.H. Sheikh Hamad bin Mohammed Al Sharqi
Supreme Council Member and Ruler of Fujairah

"Dreams do not come easily, and moving towards the future requires patience and work, and the will of men to build nations and leave a remarkable impact across the world.

The UAE's 50th National Day is an exceptional occasion and a historical event that culminates the authentic past and illuminates the country's future towards the next 50 years. We proudly recall the achievements that strengthened the state's presence on the world map and established its name as a developed country in various fields, believing that human capital is the nation's true wealth.

In this exceptional year in which the UAE celebrates its Golden Jubilee, we recall, over half a century, the establishment of the Union on 2nd December, 1971. The Union was founded by the Founding Fathers under the leadership of the late Sheikh Zayed bin Sultan Al Nahyan, and continued by President His Highness Sheikh Khalifa bin Zayed Al Nahyan, and my brothers, the rulers of the Emirates. The Union will continue its development path based on the values of giving, ambitious will, and foreseeing the future.

The UAE, within five decades, thanks to the country's vision and continuous efforts, has become one of the best countries across the world in global competitiveness indicators at various levels. This achievement reflects the state's creative thought, ambitious desire and high determination, which moved it towards the path of progress and building the future, and instilled the spirit of giving between its people, residents and the world.

This year's National Day anniversary coincides with a distinguished global event in the UAE, where the world gathers at Expo 2020 Dubai, and human visions, ideas and experiences are integrated towards better opportunities for the future of the peoples. This affirms the UAE's global position as a source of knowledge, creative ideas and competitive practices across all sectors.

On this glorious occasion, I congratulate President His Highness Sheikh Khalifa bin Zayed Al Nahyan; His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai; His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces; and Their Highnesses Supreme Council Members and Rulers of the Emirates, and people of the UAE."

Source: Emirates News Agency (WAM)

Fujairah Weekly Oil Inventory Data

4,397,000 bbl
Light Distillates

2,348,000 bbl
Middle Distillates

9,025,000 bbl
Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.54 - 4.38/m³

↑ **Highest: $4.50/m³**
↓ **Lowest: $3.40/m³**

THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	$73.94/bl
WTI Crude:	$70.47/bl
DME Oman:	$72.16/bl
Murban:	$81.59/bl

*Time Period: Week 1, December 2021
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $598.00/mt

Low = $575.50/mt

Average = $588.50/mt

Spread = $22.50/mt

MGO

High = $761.00/mt

Low = $719.50/mt

Average = $741.00/mt

Spread = $41.50/mt

IFO380

High = $524.50/mt

Low = $406.50/mt

Average = $458.00/mt

Spread = $118.00/mt

*Source: Ship and Bunker, *, *Time Period: December 1 - December 8*

Fujairah Bunker Sales Volume (m³)

550
180cst Low Sulfur Fuel Oil

567,470
380cst Low Sulfur Fuel Oil

132,721
380cst Marine Fuel Oil

4,635
Marine Gasoil

27,242
Low Sulfur Marine Gasoil

4,449
Lubricants

Source: FEDCom & S&P Global Platts

Mohamed bin Zayed Launches Abu Dhabi Powerhouse to Develop World-Leading Portfolio in Clean Energy

His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the United Arab Emirates Armed Forces, and Chairman of the Board of Directors of the Abu Dhabi National Oil Company (ADNOC)

His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the United Arab Emirates Armed Forces, today announced a global clean energy powerhouse intended to spearhead the drive to net-zero carbon by 2050. Consolidating their combined efforts in renewable energy and green hydrogen, Abu Dhabi National Energy Company PJSC (TAQA), Mubadala Investment Company (Mubadala) and Abu Dhabi National Oil Company (ADNOC) will partner under the Abu Dhabi Future Energy Company (Masdar) brand.

The agreement signing, in the UAE Pavilion at EXPO 2020, was witnessed by H.H. Sheikh Mohamed bin Zayed, along with H.H. Sheikh Hazza bin Zayed Al Nahyan; H.H. Sheikh Mansour bin Zayed Al Nahyan; H.H. Sheikh Khaled bin Mohamed bin Zayed Al Nahyan; and H.H. Sheikh Theyab bin Mohamed bin Zayed Al Nahyan. Signatories were His Excellency Dr. Sultan Ahmed Al Jaber, UAE Minister of Industry and Advanced Technology and ADNOC Managing Director and Group CEO; His Excellency Khaldoon Khalifa Al Mubarak, Managing Director and Group CEO of Mubadala; and His Excellency Mohamed Hassan Alsuwaidi, CEO of ADQ and Chairman of TAQA.

The partnership between three Abu Dhabi champions will have a combined current, committed, and exclusive capacity of over 23 Gigawatts (GW) of renewable energy, with the expectation of reaching well over 50GW total capacity by 2030. Upon completion of this transaction, the expanded Masdar entity will become one of the largest clean energy companies of its kind and be well positioned to lead the industry on a global scale. Today's announcement consolidates the efforts of all three partners, combining their renewable energy and green hydrogen portfolios into Masdar, leveraging the existing clean energy pioneer's strong international legacy and brand identity. The new Masdar partnership builds on the creation in January 2021 of the Abu Dhabi Hydrogen Alliance, comprised of Mubadala, ADNOC and ADQ (TAQA's majority shareholder) and the launch on November 17, 2021 of a new global renewable energy venture between ADNOC and TAQA. Collectively, the partners will supercharge Masdar's growth and expansion, with each shareholder playing a key role. As the United Arab Emirates (UAE) prepares to host COP28 in 2023, this strategic partnership positions Abu Dhabi and the UAE at the forefront of the energy transition. The powerful new combination will further drive de-carbonization of power across local and international markets, while accelerating the UAE's path towards net-zero carbon by 2050 and cementing its leading global role in green hydrogen.

H.H. Sheikh Mohamed bin Zayed highlighted how the UAE is embracing the energy transition as it advances pragmatic and innovative solutions to secure a lower carbon future, paving the way

"UAE WILL CONTINUE TO RESPONSIBLY UNLOCK ITS HYDROCARBON RESOURCES TO DRIVE PROGRESS AND CONTRIBUTE TO GLOBAL ENERGY SECURITY."

for the nation to deliver on its 'Net-Zero by 2050 Strategic Initiative'.

H.E. Dr. Sultan Al Jaber commented: "As the UAE celebrates its Jubilee, today's historic collaboration between three Abu Dhabi powerhouses firmly places ADNOC at the forefront of the global energy transition and marks our entry into the international clean energy space. Through our direct interest in Masdar, and in close collaboration with our partners, ADNOC will further capitalize on the many exciting local and international renewable energy and hydrogen opportunities.

"Since our nation's wise leadership founded Masdar 15 years ago, the company has established itself as a global pioneer across the clean energy and sustainability landscape. This bold and forward-looking strategic partnership, will bolster Masdar's position both locally and globally, and is yet another example of how ADNOC has successfully developed a national and international partnership model, through smart, creative and innovative approaches that are creating additional value and driving sustainable growth for Abu Dhabi and the UAE."

As an early pioneer in the emerging market for hydrogen and its carrier fuels, ADNOC has ambitious plans to grow domestic and international hydrogen value chains, leveraging its trading capabilities, existing infrastructure and logistics.

H.E. Khaldoon Khalifa Al Mubarak, Managing Director and Group CEO, Mubadala Investment Company, said: "Today marks the start of a new chapter for our clean energy champion, Masdar. Fifteen years ago, Mubadala established Masdar out of our conviction that innovation can drive sustainable economic growth while safeguarding the future of the planet. Masdar is a true 'Made-in-the-UAE' success story that reflects our long-term strategy."

"Responding to the mounting challenges of a changing climate requires that we continue to look for innovative ways to create clean energy. With partnerships at the heart of Mubadala's investment philosophy, this joint venture with Abu Dhabi's energy leaders supports the UAE's vision as a global leader in climate action. We look forward to working with ADNOC and TAQA to support Masdar's continued growth and the company's journey in finding new solutions to our climate challenges."

H.E. Mohamed Alsuwaidi CEO of ADQ and Chairman of TAQA said: "TAQA's strategy is to be a champion of low carbon power and water. By taking a controlling stake in Masdar's renewable energy business and working in partnership with ADNOC and Mubadala we have created a path to grow to over 50GW of renewable capacity by 2030 making us the largest player in the MENA region and one of the leading global contributors to renewable power generation. This clean power capability and the opportunity to tap into the expertise in this partnership will also enable us to become a world leader in green hydrogen. We will be a true national champion for the UAE in developing clean energy solutions at home and around the world."

The new partnership envisions a comprehensive focus on two key areas: renewable energy, and green hydrogen. H.E. Dr. Sultan Al Jaber will remain Chairman of the expanded Masdar entity that will cover both renewables and green hydrogen business areas.

It is planned that TAQA will take the leading role with a 43% shareholding in Masdar's renewable energy business with Mubadala retaining 33% and ADNOC holding 24%. Meanwhile, ADNOC will take the leading role with a 43% shareholding in Masdar's green hydrogen business, with Mubadala holding 33% and TAQA 24% respectively. The partnership envisages parties entering into detailed agreements as well as completion of necessary transaction requirements, including obtaining relevant third party and regulatory approvals.

Mubadala established Masdar in 2006 to extend the UAE's leadership role in the global energy sector, while helping to drive the nation's economic diversification and climate action agenda. Today, the company is active in more than 35 countries across six continents and has developed and invested in projects worldwide worth nearly $20 billion. Masdar City, Abu Dhabi's flagship sustainable urban development, will continue to remain under Mubadala's ownership.

Source: ADNOC Press Release, Dec. 1, 2021

ENERGY MARKETS VIEWS YOU CAN USE

Christof Rühl
Senior Research Scholar - Center on Global Energy Policy
Columbia University

OPEC+ FLEXIBILITY SIGNAL HAS LED TO OIL PRICES STABILIZING.

They have said that they will continue on the charted course of adding 400,000 a month but also put into place a fast response structure if needed, so the price reaction has been understandable. The group has done an excellent job so far in estimating demand growth and increasing supply so that prices are upward moving. They are betting that the Omicron situation will not be as bad as what was initially suggested.

WOULD SUSPENDING VOLUMES HAVE BEEN PROBLEMATIC IN TERMS OF INTERNAL QUOTAS?

I think we have seen another example of April 2020 – where the three powers of Russia, the US, and Saudi Arabia, while not completely in agreement at first, eventually came together with this SPR release on the one side and the continued production increases on the OPEC+ side. That could be tested if these tensions between Russia and the Ukraine escalate, however. The next game would be US sanctions on Russia which would have direct consequences for OPEC+ with possible pressure by the US on Saudi Arabia regarding its partnership with Russia. That is the uncertainty which overlays the oil market.

SHOULD WE BE WORRIED ABOUT RUSSIA UKRAINE ESCALATION?

The EU and the Biden administration are underestimating the depth of resentment which is running through Russia's elite and leadership on the matter of Ukraine, which is a real belief that the Ukraine is Russian. The western view today is that Putin is just seeking attention and that, as he did last May, he will ultimately back off. Putin's view, which I think is correct and important, is that the collapse of the Soviet Union was the biggest geopolitical catastrophe of the 20th century and his policies since the beginning have been driven by a desire to put the USSR back together again to some extent - and the Ukraine is a core element of that. What irks him further is the extension of NATO membership into the post-Soviet sphere.

US MONETARY POLICY IMPACT ON OIL MARKETS GOING FORWARD?

Oil markets are generally affected by this but they also have their own corrective. If OPEC suddenly cuts production a little more, then oil can develop quite differently from other commodities and other markets. That is something which should not be ruled out because they certainly has no intention of letting oil fall in lockstep with the rest of the market if that happens.

WEEK AHEAD?

The big rabbit in the hat will be the scientific assessment of Omicron. We also have Tuesday's meeting between Putin and Biden. On the inflation front, I don't expect any surprises from the report coming out in the US. We do need to keep an eye on China because it doesn't look as stable as it used to be. So, all together on the demand side globally and with questions on GDP, it looks like a market which is weakening, not strengthening, if you leave aside all those geopolitical tensions.

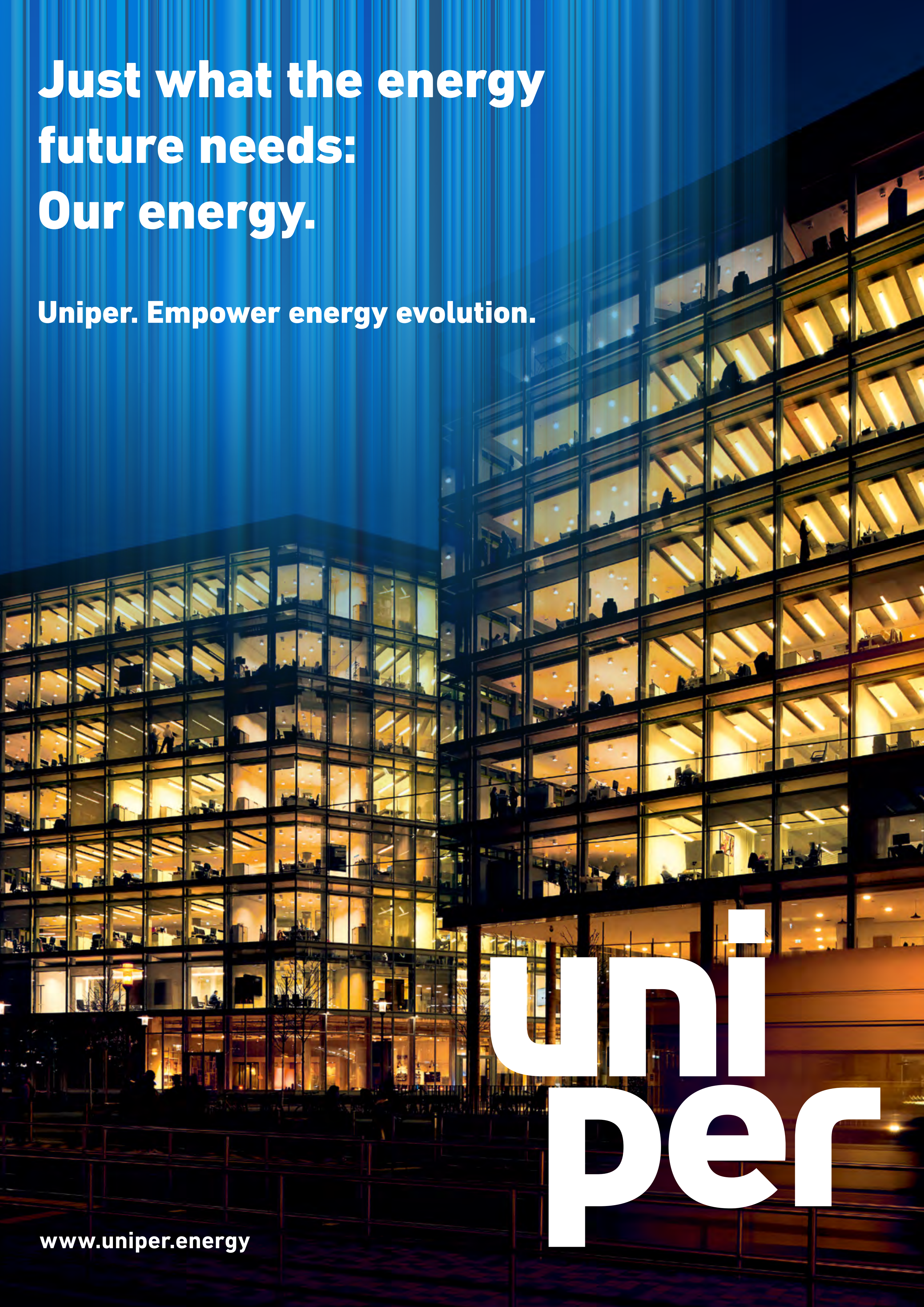
Adi Imsirovic
Senior Research Fellow
The Oxford Institute for Energy Studies

HOW IS THE RECENT OPEC DECISION IMPACTING MARKET STRUCTURE?

We've had a big collapse of the backwardation in the market, which is key, because it's been the policy of OPEC to keep that backwardation going - it's been the backbone of price strength. The key thing we got from the meeting last week is that it was not adjourned. OPEC is keeping the market guessing and markets don't like uncertainty. Let's remember that we also have not exited this demand shock mode. We see some borders closing because of Omicron and by the time we find out about its scientific impact, demand will have slowed down to a certain extent anyway, just as we had started to see jet fuel recovering. China is also not looking particularly bullish, with the crack down on the teapot refineries, subprime property crisis and likely restrictions on industrial activity ahead of the Winter Olympic Games. So, we're back to looking at fundamentals.

IMPACT ON OIL OF WHAT LOOKS LIKE A MORE HAWKISH US MACRO POLICY FOR 2022?

An increase in interest rates is usually not good for commodities as it results in less backwardation and a weaker market. But putting macroeconomics aside and looking at oil supply, I am more optimistic about Iranian barrels returning to the market than the recent rhetoric suggests. If Biden wants to reduce the price of oil very quickly, that's the obvious button to press. In our estimates, Iran has at least 100-140 million barrels of stored oil so you could get up to a million barrels a day overnight. Meanwhile, on the bullish side, we have Saudi OSPs coming out in the next few days and those will probably pick up a little. And even though there's plenty of non-OPEC supply expected to come out in the next 12 months, there's very little spare capacity being left in OPEC. If demand keeps picking up, what are they going to do? All the power has been in that spare capacity.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ADNOC and GE to Develop Decarbonization Roadmap for Power Generation in ADNOC's Downstream and Industry Operations

Abu Dhabi National Oil Company (ADNOC) and GE Gas Power (NYSE: GE) today announced a joint cooperation initiative to develop a decarbonization roadmap that includes reducing carbon emissions from gas turbines used to power ADNOC's downstream and industry operations, including at the world-scale Ruwais Industrial Complex, in Abu Dhabi in the United Arab Emirates (UAE).

This initiative further supports the UAE Net Zero by 2050 Strategic Initiative and strengthens ADNOC's position as one of the world's least carbon-intensive oil and gas producers. The announcement follows the recent clean power agreement between ADNOC and Emirates Water and Electricity Company (EWEC) and enhances ADNOC's pathway to decarbonization while enabling sustainable future growth.

Ahmed Omar Abdulla, Senior Vice President, Refining & Petrochemical Asset Management, ADNOC said: "ADNOC's initiative with GE reinforces our commitment to support the UAE's goal to achieve net zero carbon emissions by 2050 and our ongoing commitment to decarbonizing our operations. This agreement is in line with our energy transition strategy and underscores our commitment to sound environmental stewardship while meeting the needs of the world's growing energy demands. Working together with GE to develop sustainable solutions for power generation also furthers our ambitions to progress hydrogen as a future fuel and will leverage our industry-leading capabilities in carbon capture and storage."

Under the terms of the initiative, ADNOC and GE will explore using hydrogen and hydrogen-blended fuels for lower-carbon power generation; evaluating introducing ammonia as a fuel to power ADNOC's GE gas turbines; integrating carbon capture solutions at ADNOC's power generation facilities; and joint research and development (R&D) programs to develop innovative solutions to reduce carbon emissions from gas-based power generation.

Joseph Anis, President and CEO of GE Gas Power Europe, Middle East, and Africa said: "Energy-intensive industries such as oil and gas, smelters, petrochemicals, aviation, and others, will play an important role in the UAE's energy transition. Hydrogen and hydrogen-blended fuels, ammonia, and carbon capture solutions, offer pathways to near-zero carbon emissions from gas power generation,

without compromising on the reliability of electricity supplies – this is critical for industrial growth. We are honored to work with ADNOC to explore solutions to decarbonize their gas turbines and thank them for their trust in us."

The announcement is a continuation of ADNOC and GE's cooperation to enhance the performance and sustainability of ADNOC's operations. ADNOC and GE recently enhanced the efficiency and performance of ADNOC Refining's General Utilities Plant (GUP) in Ruwais, with upgrades to installed GE gas turbines increasing power output while utilizing the same amount of fuel. Through this new initiative, GE helps bring its industry leading hydrogen experience to ADNOC. Globally, more than a hundred GE gas turbines have operated on fuels that contain hydrogen, accumulating over 8 million operating hours.

The GUP provides electricity and water to the entire Ruwais Industrial Complex. ADNOC is also enhancing the performance and sustainability of the GUP with the development of a waste heat recovery facility. Upon completion of this facility in 2023, the innovation will increase the thermal efficiency of the site by nearly 30%.

GE has contributed to the development of the energy sector in the Gulf Cooperation Council (GCC) for over 80 years. Today, GE-built power generation technologies are installed in up to 350 sites across the region, generating up to half of the GCC's power.

Source: ADNOC Press Release, Dec. 8, 2021

ENERGY MARKETS VIEWS YOU CAN USE

Omar Najia
Global Head, Derivatives
BB Energy

FUTURE DIRECTION OF THE OIL MARKET FOLLOWING THE OPEC DECISION LAST WEEK?

OPEC did exactly what the market expected them to do so that was already priced in. Whether we have one more push to the upside is a very difficult call but on the balance of probability, I think the top is in and oil, and maybe even gas prices, will start to fall, if not now, then in the new year. The bounce we have seen in the last few sessions came following a dramatic $10 drop. We see WTI going to plus or minus $61 and once we get there, the market has to decide whether it goes lower still or whether we try and set new highs. There is still a lot of liquidation to come, and the market has lost the sentiment that it will go higher. There's been too much damage done and it's that capitulation which will move it down.

US NOVEMBER CPI EXPECTED TO SHOW HIGHER INFLATION - IMPACT ON EQUITIES?

Inflation over time is negative for equity prices and for assets, but at the beginning while it's inflating, it's excellent for assets. Today, equity markets are correcting sideways, but they won't do that for an extended period. They will either break to the upside or drop and I think it will be the former because the inflation we are seeing is not in daily goods like bread, but rather in the rare stuff like expensive art. What we have today is fear of inflation, not actual.

Clyde Russell
Asia Commodities & Energy Columnist
Thomson Reuters

WISE DECISION BY OPEC+ LAST WEEK?

I was expecting them to wait given the uncertainties, but they probably did the right thing by taking a 'steady as she goes' approach. The initial indications are that Omicron is not a serious thing, although some governments are taking action to cut down on travel etc. But the market focuses a lot on what producers say and not on what they do. The reality is that OPEC+ is today about 600,000 barrels short of what they said they were going to do. Will they add another 400,000 in December and again in January? The structure of their agreement does not allow members to take each other's market share, so I don't see that extra volume coming into the market.

HOW DO YOU INTERPRET SAUDI ARABIA RAISING ITS OSPS TO ASIA?

It was quite a brave decision because Asian demand has been weak, lagging Europe and certainly the US. China still has quite a few regional lockdowns in place, is still following a zero Covid strategy and still effectively locked off to the rest of the world, so that's keeping a lid on oil demand growth. We have seen an uptick in oil imports in November and will probably see another one this month but that's on the back of the government allowing independent refiners to stock up with crude before the end of the year. That does not necessarily mean that there's a strong demand return in Asia. Refining margins are falling, as are Brent Dubai exchange for swaps, which in theory will make prices against Brent cheaper than the Middle Eastern grades. So, we might start to see more clearance of cargoes from West Africa and more demand of US cargoes flowing into Asia as well. If anything, the Saudi OSP decision will encourage refiners in Asia to switch to their competitors.

SHOULD OPEC+ BE PAYING MORE ATTENTION TO THIS TREND CHANGE IN ASIA?

The major importing nations do not want prices above $80, and OPEC probably has a line in the sand at around $70 so we may have a tug of war to get the price somewhere between those two levels. Also, Chinese crude import demand is just one side of the equation. A lot of what China is doing now is importing oil and exporting products and that trend will continue and in theory means less product will be exported from elsewhere. It's not a zero sum game. What I do see coming to an end is the need for China to import for its SPR, which has been about a million barrels per day for the last few years.

Fujariah Weekly Oil Inventory Data

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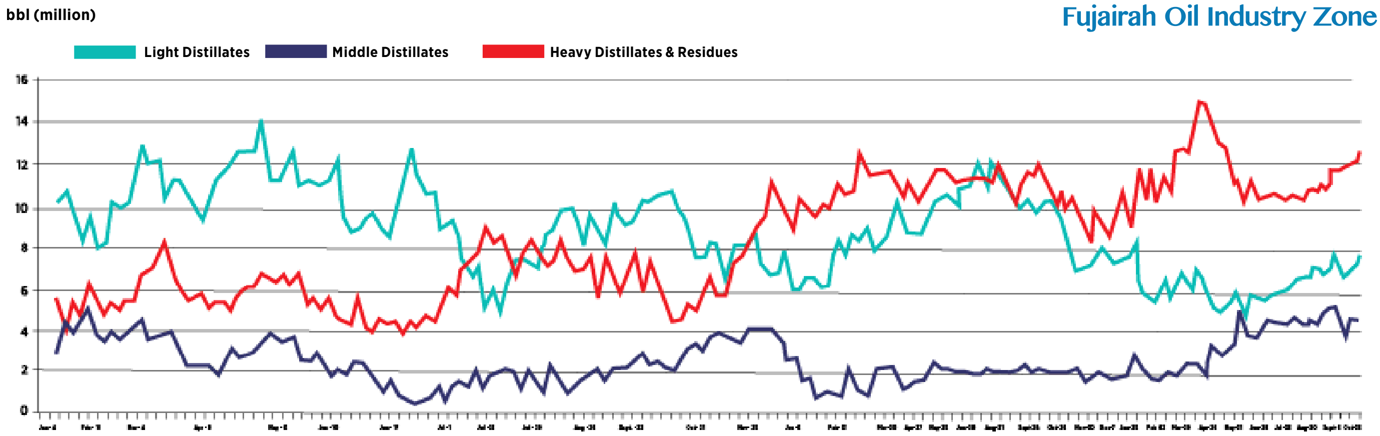

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 15.770mn barrels. Total stocks fell 2.326mn barrels with overall stocks down 12.9% week-on-week. This is a reversal of last week's build when total stocks were reported at 18.096mn. The total stock draw was driven by decreasing stocks of heavy residues while light distillates and middle distillates reported a net gain.

- Stocks of light distillates, including gasoline and naphtha, rose 90,000 barrels or 2.1% on the week to 4.397 million barrels. This is a continuation of last week's rise of 38,000 barrels. Sentiment in the East of Suez gasoline market was supported after South African media reported the new Omicron variant had not caused a surge in hospitalizations despite its rapid spread. Furthermore, US White House Medical Adviser Anthony Fauci said on Dec. 6 there does not look to be a great degree of severity to the strain. Market participants also noted a steady recovery in regional demand, spurred by the continued easing of lockdown measures as well as increasing normalization in countries that are net importers of gasoline. Driving activity — a proxy for gasoline demand — in net importers such as Malaysia, Australia and Vietnam returned to above baseline levels, according to Apple Mobility data.

- Stocks of middle distillates, including diesel and jet fuel, rose by 471,000 barrels or 25.1% on the week to 2.348mn barrels. This is a reversal of last week's fall of 945,000 barrels. East of Suez gasoil markets remained subdued Dec. 7 as traders weighed demand and supply concerns. Market participants said that while it has been observed that gasoil supply seems to have grown, as evidenced by more spot tenders being heard in the market, sentiment was not yet bearish. Among other tenders heard Dec. 7, India's Bharat Petroleum Corp. Ltd. offered 35,000 mt of 10 ppm sulfur gasoil for loading from Kochi over Dec. 28-29, while fellow Indian refiner Mangalore Refinery and Petrochemicals Ltd. is offering 65,000 mt of 10 ppm sulfur gasoil, but for loading from New Mangalore over Jan. 9-11. Both tenders close Dec. 9, with same-day validity. "It's a see-saw market... but the fact that the market feels quite dry in the front sort of resonates with how the market is," a trader said Dec. 7, adding that while more spot barrels have been seen from India, "still, we don't see any big volumes coming out". Having said that, market sources said resupply barrels from India would head to the East, given that arbitrage economics to move volumes West have soured. "Barrels can head to Singapore, given how strong it is, but it doesn't feel like it is a bearish market," a source said, adding that it currently makes more economic sense for gasoil barrels to flow towards the East.

- Stocks of heavy residues fell by 2.887mn barrels or 24.2% on the week to 9.025mn barrels. This is a reversal of last week's rise of 2.747mn barrels. Tepid spot trading activity was heard at both Fujairah and Singapore while buyers opted to retract inquiries on a flat price jump, according to market sources. During and outside the MOC Dec. 7, offers for delivered marine fuel 0.5%S fuel in Fujairah were heard between $587/mt and $610/mt. The lower end of the price range was for product deliverable from Dec. 14 onward. "Delivery slots for the next one week are filled, so barge availability is tight in the near term. Low sulfur fuel oil bunker inventory remains balanced against downstream demand," a Fujairah-based bunker supplier said Dec. 7. The price in Fujairah was assessed at a $10/mt discount to Singapore which saw its delivered bunkers on the same basis assessed at $594/mt

Source: S&P Global Platts

OIL COMMENTARY

BY MATT STANLEY
SENIOR BROKER
STAR FUELS

That Thursday of the year where everyone is getting ready for their work Christmas party. Except we're not. Because we're still in a pandemic. That is of course unless you work for the British Conservative party, then it's knees mother up brown all over the House of Commons. #Partygate. Anywayyyyy. Before I get sued and banned from entering my home country, let's talk oil, shall we? Actually, let's start with today's cracker. One joke after another here - I just found out I'm colourblind. The news came out of the purple. I mean, I look at myself sometimes like how the Fonz does. Right, next joke? Brent is trading this morning at $76.33/bl up 0.51 and WTI is trading up 0.61 at $72.97/bl. Mark Twain once said something that makes me believe he would have enjoyed this oil market very much "All you need in life is ignorance and confidence; then success is sure". Well, you know something Twainy? You're spot on. On one hand we have builds on US oil product stocks, a negligible draw on crude, new covid restrictions in the UK and other EU countries and just about everyone, including OPEC and the IEA, predicting a flip to surplus in crude oil come Q1-2022. Oh, let's also not forget that US oil production was up to 11.7mn bpd last week, a high not seen since early May 2020. Then on the other hand we have ummmm, ermmm, coughs awkwardly, bullish sentiment? I mean I know people are less fearful of Omicron, but it is seemingly being totally dismissed now. A good friend said to me this morning " I think people are forgetting the covid forest for the omicron tree". And you know what? I think that's totally accurate. The issue is that the globe is in varying degrees of what effect Omicron is having. If you look out of your office window in Melbourne then the story is vastly different in the EU, where work from home is being encouraged and here lies the problem, the global economy and recovery has been fractured, and these fractures continue to open as variants (sadly) expand their reach to all parts of the globe. Will things return to full lockdown as we saw in Q2-2020? No, no they won't, but, as I said last week, markets are concerned not about Covid itself, but about government reactions to Covid. I just wonder whether this apparent ignorance oil markets have shown about potential headwinds will ultimately end in tears. Still could be worse, you could be on better.com Zoom call. Commentary returns on Monday.


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ENERGY MARKETS COMMENTARY WEEK IN REVIEW

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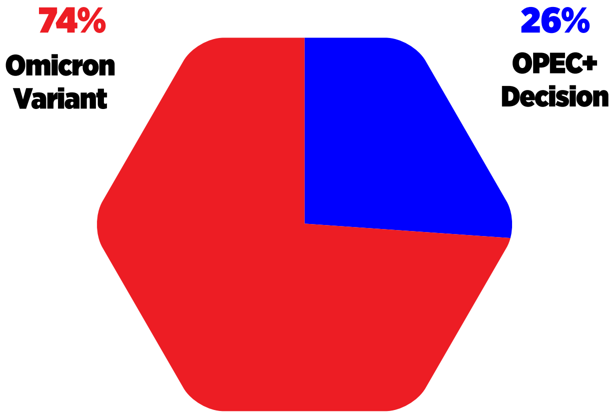
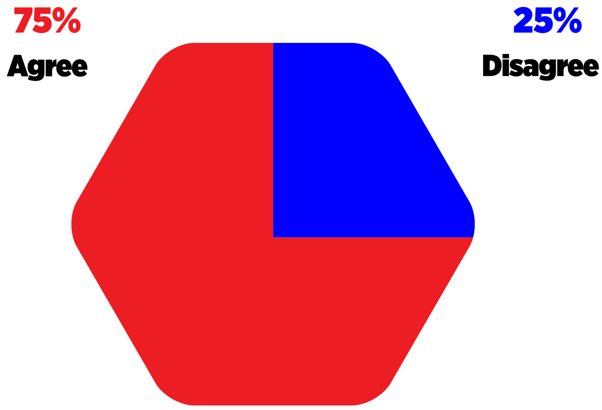
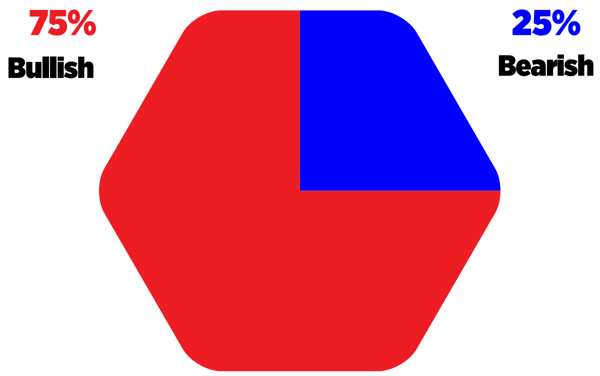
Which will be biggest factor to determine direction of oil markets through December?



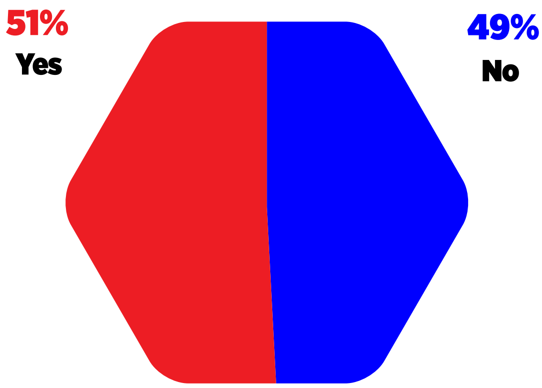
Brent crude oil will return closer to $80/bl if the news on Omicron turns out to be a false alarm?



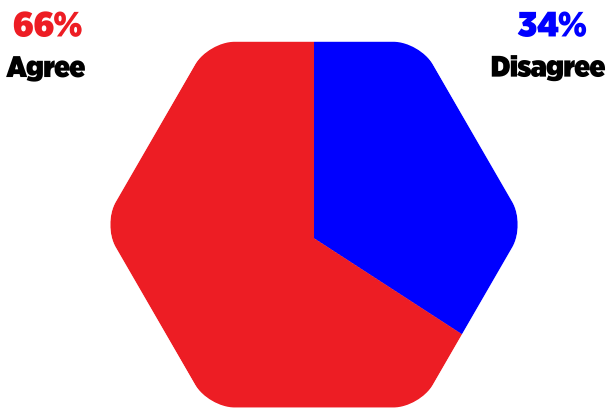
What is your outlook sentiment for oil prices in 2022?



Omicron is now in the rearview mirror for energy markets?



Brent will move back above $80/bl before end of year?



Source: GIQ

Consultancy Intelligence Publishing

ENERGY MARKETS VIEWS YOU CAN USE

Wael Mahdi
Senior Business Editor & Head of Business Section
Arab News

YOUR TAKE ON THE SHUTTLE DIPLOMACY IN THE REGION THIS WEEK?

The Gulf is trying to reorganize itself. This is a trend we have seen since the end of last year with the return of the relationship between Saudi Arabia and Qatar. The kingdom is setting itself targets to develop its relationships and there's is a big push to make all these things happen at a faster pace. One reason is the Iranian nuclear talks - the Crown Prince visit to Oman is a signal that Saudi is reaching out to those who have a good relationship with Iran. It wants to contain any negative development. It also wants to improve its relations with other regional players like Turkey. In tandem, we have a Biden administration in the US which does not have such a strong relationship with the GCC.

WHAT IMPACT DOES THIS HAVE ON THE OIL PRICE AND REGIONAL ECONOMIES?

The Saudis have come to the realization that for oil market security to be sustainable, the geopolitical situation must also be sustainable. At the end of the day, the whole project Saudi Arabia is working on is economic. They want to invest abroad and encourage inward investment to the kingdom. They can't do megaprojects like the one on the Red Sea, if the area is tense politically. The best way is through economic cooperation.

HOW DEPENDENT ARE THESE ECONOMIC PLANS ON A CERTAIN OIL PRICE LEVEL?

The Saudi economy had a budget surplus in the third quarter, the first time since 2019, and it is expecting a surplus in 2022. It's managing its budget well with a more diversified income. Taxation is playing a big part in the increase of non-oil revenues. The crackdown on corruption has returned 250 billion Saudi riyals to the state. Commodities are doing well as is its stock market. Thirty companies listed this year, with strong interest from foreign investors. The last IPO for ACWA Power attracted $300 plus billion – that's almost half of the country's GDP.

WERE YOU SURPRISED AT THE OPEC DECISION LAST WEEK?

For OPEC to change course, there has to be a long-term risk factor such as an expected 10% drop in demand for example. These ingredients are not there today. Let's also remember that reaching this current deal and renegotiating any quota allocation takes a lot of effort so there has to be a very strong driver to do so.

Vandana Hari
Founder & CEO
Vanda Insights

HOW IS OMICRON FACTORING IN TO MARKETS THIS WEEK?

The market has reclaimed about $7 of the $14 drop that happened as a result of Omicron storming onto center stage. One could argue that there is plenty more headroom but the optimism that has come back is also quite an emotional reaction, and that will continue in both directions, depending on what data and information we receive on the virus. So far, it is quite preliminary.

DOES THE OIL PRICE CONTINUE TO DRIFT UP IF OMICRON DRIFTS AWAY?

It's still early days. The WHO has said that we need at least two weeks to determine the potential impact. I think we could see a lot of back and forth and volatility. At any point, I would caution against taking an extrapolating position in whichever direction prices are moving in. I think the oil community will be more cautious on buying into any crude rally or rebound.

HOW WILL ELEVATED SAUDI OSPS TO ASIA LAND WITH ASIAN REFINERS?

The Saudi move was in line with the narrative that we saw coming out of the OPEC+ meeting, which reflected quite a mature, cool-headed decision given market circumstances and it had a sort of calming influence. As far as demand is concerned, the EIA has said this week what we have been hearing for the past few months - that the world is probably going to flip into oversupply in Q1 and that will continue to grow throughout 2022. That's the forecast. To some extent, Saudi Arabia was sending a signal to the market that it is not scared of demand. Asian crude demand growth rates are not going to be spectacular as we go into 2022 but they're also not falling off a cliff.

WHAT'S THE LATEST SENTIMENT ON IRANIAN OIL RETURNING TO MARKET?

The market is not going to bake in Iranian oil until there's a real signal. For the next few weeks, Omicron is going to be the single biggest determinant of sentiment in addition to perhaps what the Fed does and signals at its meeting next week. Those two are far more crucial for oil prices going forward than Iranian geopolitics.

"Any talk of the oil and gas industries being consigned to the past and halting new investments in oil and gas is misguided. The oil and gas industries can be part of the solution to tackling climate change."

H.E. Mohammad Sanusi Barkindo
Secretary General, OPEC

ENERGY MARKET NEWS

RECOMMENDED READING

Series Supported By:

1. OIL STAYS ON THE REBOUND AS OMICRON FEARS EASE
2. OPEC+ LIFTS CRUDE OUTPUT BY 500,000 B/D AMID OMICRON UNCERTAINTY
3. US OIL INVENTORIES EDGE LOWER, FUEL SUPPLIES SURGE
4. OPEC OFFICIAL HITS AT 'MISGUIDED' EFFORTS TO PARE OIL & GAS
5. JPMORGAN SAYS 2022 TO SEE FULL GLOBAL RECOVERY
6. BANK OF ENGLAND NOW EXPECTED TO RAISE RATES IN Q1
7. UK ANNOUNCES PLAN B RESTRICTIONS TO COMBAT SPREAD OF OMICRON VARIANT
8. FINLAND'S PM SORRY FOR CLUBBING AFTER COVID CONTACT
9. RECORD EU CARBON PRICES COULD RALLY FURTHER
10. TWO COMMODITIES TO BEAT OIL IN 2022

RECOMMENDED VIDEOS & REPORTS

- US EMPLOYERS HAVE 11MN JOB POSTINGS TO FILL
- BIDEN SAYS US WILL NOT UNILATERALLY SEND TROOPS TO DEFEND UKRAINE
- THE FRAGILE STATE OF FOOD SECURITY IN THE MAGHREB
- TURKEY'S INFLATION CRISIS REVEALS SYSTEMIC WEAKNESS IN TURKEY'S FOOD SECURITY
- GERMANY'S OLAF SCHOLZ TAKES OVER FROM MERKEL AS CHANCELLOR

aramco

trading

Where Trade Flourishes

London Dhahran(HQ) Fujairah Singapore

Fujairah Spotlight

UAE Rail Programme to Connect the Port of Fujairah to Saudi Arabia

The UAE Government has announced the launch of the UAE Railways Programme, linking Saudi Arabia to the Port of Fujairah. The programme aims to be the largest integrated system for transporting goods across the country and constitutes an integrated strategy for the railway sector in the UAE for the next few decades as it includes a national network of railways linking key cities. Phase one of the Etihad Railways Program has already been fully operational since 2016 and presents opportunities to expand the network beyond the borders of the UAE. Phase two construction was launched in 2018, 70% of it has been achieved in less than 24 months despite setbacks from the COVID-19 pandemic.

Source: PortTechnology

Fujairah Municipality, EP Sign MoU of Vehicle Impoundment Yards

Fujairah Municipality has signed Tuesday a cooperation agreement with Emirates Parkings (EP) with the aim to enhance bilateral cooperation and provide a formal framework in the field of investment, management, rehabilitation of vehicle impound yards. The agreement was signed at Fujairah Municipality by Eng. Mohammed Al Afkham, Director-General of Fujairah Municipality, and Abdullah Matar Al Mannai, Chairman and Managing Director of Emirates Parkings, in the presence of representatives from the two sides. Under the agreement, Fujairah Municipality shall grant Emirates Parkings the concession to invest, rehabilitate, and manage impoundment yards, perform vehicle towing and confiscation management services, in accordance with the highest levels, standards and conditions and in line with the technical conditions set out in the agreement.

Source: Sharjah24

National Bank of Fujairah Launches Two Banking Products for SMEs

National Bank of Fujairah (NBF) PJSC announced today the launch of the “Ahlan” SME account and “OneStop” business account, two exclusive banking products that provide businesses with access to unique features including hassle-free digital banking anytime, anywhere. Through these offerings, NBF expands its award-winning banking services and expertise across various sectors to meet retail businesses and corporates’ needs. “Ahlan” and “OneStop” accounts will include a suite of banking services tailored to retail SMEs and corporates. These solutions act as enablers to support businesses in the UAE – especially newly established ones. Through such business accounts, SMEs will have access to free internet banking, free of cost debit card with no additional fees on withdrawals within UAE, unlimited cash deposits in CMD, free inward payments, zero balance account, preferential FX rates on USD, cost-free account maintenance, free checkbook, free remittance transactions in local and foreign currencies, and many other services.

Source: National Bank of Fujairah

OGA Issues Warning to Operators Over North Sea Deals

The Oil and Gas Authority (OGA) has issued a warning to operators over a type of M&A deal which risks firms defaulting on their liabilities. Though not mentioned directly, the letter comes in the wake of news last month that Fujairah Oil and Gas, which bought into the Brae area through such a transaction in December 2020, is now defaulting on millions of pounds of decommissioning liabilities. Mr Wheeler said some such deals may “put at risk” firms’ abilities to carry out their cost and operating commitments, and used the note to set out that the regulator can also require the licence be revoked, or for the offending firm’s stakes to be transferred elsewhere, once a deal completes.

Source: Energy Voice

GIQ EXCLUSIVE SOUNDINGS

Oil Prices Edge Higher on Declining Fears of Omicron Variant

Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the Middle East, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.

- Kate Dourian, FEI, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington
- Andrei Belyi, PhD, Professor, Founder & CEO, Balesene OÜ
- Bora Bariman, Managing Partner, Hormuz Straits Partnership
- Peter McGuire, Chief Executive Officer, XM Australia
- Rustin Edwards, Head, Fuel Oil Procurement, Euronav NV
- Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
- Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
- James McCallum, Executive Chairman of Xergy, Professor of Energy at Strathclyde University

"President Biden coordinating the SPR release with China, Korea, Japan, and the UK, put OPEC+ in a position where they couldn't be seen buckling to US pressure. OPEC+ will keep going as planned and keep it open ended in case the market turns."

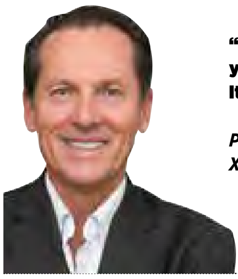
Kate Dourian, FEI, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in WashingtonTurkey

"I don't think US-Russia tensions will have a major impact on oil markets. If anything, tensions like these actually consume oil and is a part of the energy demand picture."

Andrei Belyi, PhD, Professor, Founder & CEO Balesene OÜ

"Things have changed in the world. The transitory story is yesterday's conventional wisdom. The sages of the economy have flipped the direction of the compass. The tightening cycle in the US is going to have an impact on the valuation of markets."

Bora Bariman, Managing Partner Hormuz Straits Partnership



"If you want to be a crude oil trader then I think you have to buy into the market at the moment. It is showing strong moves to the upside."

Peter McGuire, Chief Executive Officer XM Australia

"Russia doesn't really gain anything by invading the Ukraine because the majority of Russian energy users are from the United States and the European Union."

Rustin Edwards, Head, Fuel Oil Procurement Euronav NV

"What we have done is probably put in a longer-term peak just above $85/bl and I think we are going back to that trajectory. Macroeconomic fundamentals and technicals are all bad for crude oil."

Mike McGlone, Senior Commodity Strategist Bloomberg Intelligence

"Scientists say it's still too early to decide whether the Omicron Covid-19 variant is mild or is going to cause some serious infections among the vulnerable population. We are still in this uncertain period."

Dr. Carole Nakhle, Chief Executive Officer Crystol Energy

"We may have seen the top end for oil prices as we come into the end of the year. Many people see oil markets softening."

James McCallum, Executive Chairman of Xergy, Professor of Energy at Strathclyde University

ENERGY MARKETS FORUM NEW SILK ROAD LIVE

Consultancy Intelligence Publishing

TOP 10

DEC 5th - DEC 9th

MARKET OBSERVATIONS FOR THE WEEK

1. Russia-Ukraine border could ignite if left unattended by serious deescalation diplomacy by real actors with positive intentions I.e. it could blow!
2. Oil prices could climb back up to $80 a barrel if Omicron turns out to be a false alarms.
3. What is going on in China is anybody's guess, but clearly the long road of uninterrupted bionic growth is evaporating before our eyes.
4. Saudi setting higher OSPs for Asia in January is a pretty brave move given the weak demand profile at present.
5. China is likely to end buying spree for SPR, which has amounted to about 1 mbpd over last few years.
6. Oil markets may be ending the year amidst some uncertainty, but outlook for market sentiment in 2022 is quite bullish.
7. Saudi is on regional charm offensive ad they can't achieve massive economic transformation if neighborhood remains tense.
8. For better or worse, Omicron appears to be fading into the rearview mirror for the oil markets.
9. OPEC+ decision last week to hold the course with more supply increases showed the markets that they don't fear weaker demand narrative.
10. It is hard to see why Russia would invade Ukraine and risk being cut-off from its two biggest customers in the EU & US.

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