Fujairah
New Silk Road
WEEKLY NEWSLETTER

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AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

US HANDS OFF APPROACH TO REGION FAVORABLE TO IRAN-SAUDI RELATIONSHIP

Dr. Banafsheh Keynoush
Author, *"Saudi Arabia and Iran: Friends or Foes?"*

The US will continue to play a pivotal role in maintaining and ensuring the power balance between Saudi Arabia and Iran, both from a security and energy perspective. However, the fact that the Biden administration is aiming to have more of an over the horizon monitoring of Gulf events rather than being a direct actor, has been a reassuring factor to Iran. One of the basic parameters and strengths of the Saudi Iranian relationship is how it can stand on its own two feet without extreme foreign interventions. This was the case in the period before the Second World War but since then, the relationship has become contingent on what foreign powers did in the region. The fact that the two neighbors are talking today is positive, but they still have a long way to go. Saudi Arabia particularly has said that the current level of talks with Tehran are exploratory and are contingent on the outcome of the nuclear discussions between the US and Iran. If those talks fail, we cannot be certain how willing Riyadh and Tehran will be to maintain a relationship. Tehran meanwhile is engaging on two parallel tracks - one with the West and the US on the nuclear issue and the other with Saudi Arabia. It wants to maintain the talks with Saudi Arabia no matter what, and indicated that it wants the reopening of mutual embassies as a precursor to the continuation of further talks about security in the region.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

6,013,000 bbl	2,588,000 bbl	7,083,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.61 - 4.38/m³

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

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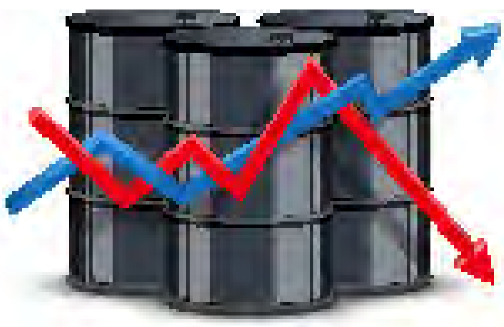
THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude:	$83.38/bl
WTI Crude:	$80.43/bl
DME Oman:	$81.27/bl
Murban:	$82.22/bl

Time Period: Week 2, October 2021
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $612.00/mt
Low = $576.00/mt
Average = $594.50/mt
Spread = $36.00/mt

MGO

High = $758.50/mt
Low = $699.50/mt
Average = $733.00/mt
Spread = $59.00/mt

IFO380

High = $524.50/mt
Low = $504.50/mt
Average = $513.00/mt
Spread = $20.00/mt

*Source: Ship and Bunker, *Time Period: October 6 - October 13*

Fujairah Bunker Sales Volume (m^3)

1,752
180cst Low Sulfur Fuel Oil

541,179
380cst Low Sulfur Fuel Oil

129,410
380cst Marine Fuel Oil

2,215
Marine Gasoil

28,662
Low Sulfur Marine Gasoil

4,345
Lubricants

Source: FEDCom & S&P Global Platts

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Dr. Banafsheh Keynoush

Author

"Saudi Arabia and Iran: Friends or Foes?"

CONTINUED FROM PAGE 1

How will the new government in Iran impact the success of these talks?

Dr. Banafsheh Keynoush: When Iran has been led by more conservative governments, it has generally been more inclined to reach out to Saudi Arabia. Under reformist governments, Iran's leaders have often prioritized relations with the West, with Europe or with the US, as in the case of the Rouhani government, which led the nuclear talks with Washington. President Al Raisi is prioritizing ties with Saudi Arabia and other neighbors such as Pakistan at the moment, to act as a buffer to tensions with the West. He wants to ease tensions around Iran's borders first and then figure out what to do with the US and with the nuclear talks.

What will it take to reinvigorate the nuclear talks?

Dr. Banafsheh Keynoush: Tehran has said that it will return to the talks in Vienna but that it is unwilling to renegotiate any addendum to the existing nuclear deal. Under Trump, the US withdrew from the JCPOA and imposed new conditions on Iran before it would consider returning to the table. But if the Saudis and the Iranians figure out what they want to do in terms of maintaining regional security, Washington might be more willing to stick with the original text of the nuclear deal.

Will the duress that Iran's economy is under not lead it to compromise?

Dr. Banafsheh Keynoush: Iran's economy is really spiraling downwards at the moment and that does influence its decision to negotiate, both with Saudi Arabia and with the Western powers. The talks with Saudi Arabia are very critical in this respect because it is a major energy player and has taken on a lot of the markets that Iran had presence in, such as China. Iran's oil exports to China have declined by over 90% while Saudi exports have increased by 55% in the past year. That not only impacts Iran's economy, but also its geopolitical and strategic thinking. For that reason

"THE TALKS WITH SAUDI ARABIA ARE VERY CRITICAL IN THIS RESPECT BECAUSE IT IS A MAJOR ENERGY PLAYER AND HAS TAKEN ON A LOT OF THE MARKETS THAT IRAN HAD PRESENCE IN, SUCH AS CHINA."

alone, Iran will continue to talk with Saudi Arabia and will continue to hold the nuclear talks for the time being. If no nuclear deal is reached, Iran is planning to build its regional connections and mobilize its economic resources nationally. It's still quite a wealthy country despite the huge economic mishaps.

What issues are Saudi Arabia and Iran trying to resolve exactly?

Dr. Banafsheh Keynoush: From Iran's standpoint, it is pushing for confidence-building steps. There is apparently some talk, for example, that Iraq may have proposed to build a road between the religious city of Mashhad in northeast Tehran via the religious towns in Iraq, into Mecca in Saudi Arabia, to open a pilgrimage path. Other measures include opening embassies, or at least maintaining council level relationships. But confidence building measures are just that. The real test to this relationship will come when they are able to agree on a distribution of power within the region and to work together in Iraq, in Syria, in Yemen. They've had some initial talks on that.

Can the US' role as a broker in the region be relied on given its domestic distractions?

Dr. Banafsheh Keynoush: The US is preoccupied for the foreseeable future. Whether Iran and Saudi Arabia can figure out what to do with their relationship irrespective of what happens in the US and irrespective of what US policy is towards the region, remains to be seen. For the sake of the world, I hope that they can figure out a self-contained relationship in order to be able to withstand the changes that will take place in the US in the years to come.

WATCH FULL INTERVIEW HERE

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ENERGY MARKETS VIEWS YOU CAN USE

Jorge Montepeque
President & Founder
Global Markets

OIL IS STILL SUPPORTED DESPITE RECENT STOCK BUILDS AND WEAKER CHINA DEMAND?
There's a narrative and behavior in markets that has been going on for almost a year – inventories are being consumed daily and demand is exceeding supply on average, so it's natural for prices to react upwards. It's happening across so many commodities. Supply chains have been disturbed and a lot of money has been created by central governments. Demand has remained strong but productive capacity has not. Policies by many governments have also discouraged investment into key industries, such as coal, and gas exploration is constrained in some countries. We're paying the price for all of this now.

TRAJECTORY FOR OIL PRICES IN THE NEXT SIX MONTHS?
We will continue to hit several key points, one after the other. We hit $70, $75, $80 and so on and we are going to probably hit $100 between December and January if the winter is a little bit cold.

HOW MUCH OF THIS STRENGTH IS DUE TO GAS PRICE HIKES?
Gas is very short. Europe has followed a very short-term view that energy is long and cheap, and it's now realizing the error of its ways. We need to wake up. There's a shortage of basic commodities. Global consumption is very strong. Diesel demand in the US is higher than it was prior to the pandemic and in the next three months as countries open-up, demand for jet fuel is going to surge, and we will see another kick back into the price of oil. We were not ready for the end of Covid, and this is why we're seeing this surge.

WHEN DO YOU THINK WE COULD SEE INTEREST RATE INCREASES START?
Definitely in 2022 but central banks will react very slowly and cautiously. There's going to be a big difference between the actual rate of inflation and pace at which interest rates rise. Goods, commodities and real estate will continue to be a good investment.

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

THE OIL PRICE INCREASE HAS A NAME WRITTEN ALL OVER IT - OPEC PLUS.
There's no systematic shortage of capacity - we have almost five million barrels a day of it. The only shortage is political willingness to release that capacity. We also need to be wary on how to judge the strength in current demand because we may have well published OECD and US inventories figures, but we don't really see what's happening in China or Asia and some other regions, where the actual growth comes from.

HOW MUCH ARE NATURAL GAS PRICES DRIVING OIL'S STRENGTH?
There's a systematic difference between the situation in natural gas and coal, and oil. The strong crude price is nothing compared to what's happened with other fuels. Natural gas prices have increased five or six-fold since March and coal has doubled. These are fuels where we have seen an investment gap which has led to a capacity shortage. That's a very different game from what has happened to Brent. Even US shale is coming back; by April next year, we could have substantial changes in US oil production. US natural gas is also plentiful. The only bottleneck for now is transport. A year from now, we may all be lamenting low prices. China doesn't look good, Europe doesn't look good, and the US looks good only if Biden gets his way with implementing his stimulus and infrastructure program.

MACROECONOMIC OUTLOOK THROUGH 1H 2022?
We need to look at the big picture economic performance triangle between Europe, China and the US on one hand, and what happens with this energy and inflation situation on the other. The Biden administration will be slow on clamping down on inflation for pollical reasons and Western governments and central banks deep down know that they have no chance of getting rid of the substantial debt which has been piled up, other than by gradually inflating it away. We will continue to see a conflict between the need for interest rate rises and the desire not to increase them.

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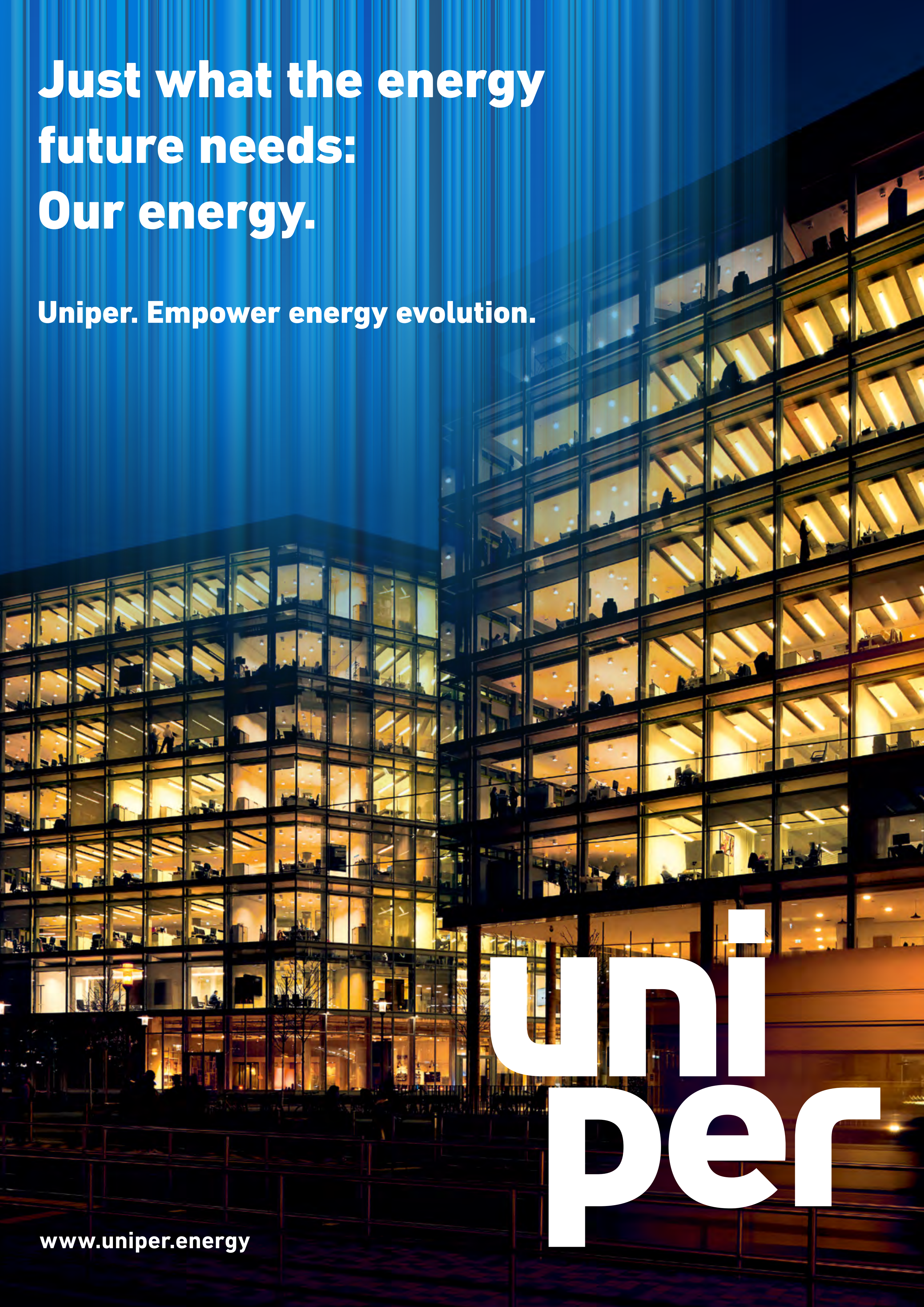
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Bora Bariman
Managing Partner
Hormuz Straits Partnership

OUTLOOK FOR GROWTH AND OIL DEMAND IN Q4?

There is clearly growth in all the major economies but the major bounce from the disastrous Covid recession of 2020 is over. I don't see an acceleration from here and the US September jobs report, at almost 50% below expectations, was in line with this view of a moderating growth outlook. This will also be critical to validating the US Feds narrative for Q4 and Q1 2022 on keeping rates low. There's not much room to err on the side of being hawkish and raising rates and that's why we are seeing these inflationary pressures.

WILL WAGE INFLATION START TO DERAIL THE BALANCE SHEETS OF CORPORATES?

This is the juggling act that especially Western policy makers have had. When Covid caused everything to shut down, governments extended credit to companies, covering expenses of furloughs etc. But now, in the UK for example, the Bank of England is warning British business that their leverage levels are too high. One third of UK companies have debt levels of more than 10 times their cash balances. Likewise, we have had a Federal Reserve in the US telling us that deflation is the risk and so it has followed an inflationary policy. The problem there is that the consequent rise in prices of meat, grain, home heating and electricity, is hitting the working class and developing economies.

HOW BIG A PROBLEM IS CHINA'S POWER CRISIS?

China might be able to put environmental concerns to one side and move ahead to give its industries the competitive advantage which they require on coal. Europe on the other hand, has struggled with that because of certain proclivities that have made them pile into natural gas. They're now having the spike in electricity prices because they're unable to take advantage of coal and nuclear as alternative cheap baseloads.

Laury Haytayan
MENA Director
Natural Resource Governance Institute

HIGH OIL PRICES ARE EXACERBATING THE PRESSURE ON LEBANON TO FUND ITS FUEL NEEDS.

Our power issue has been a problem for 20 years and the shortage of dollars in the country today means we're now seeing the consequences of that. Our ambition today is not to have 24-hour government grid electricity, but just five or six hours, in order to minimize the use of private generators. These use diesel which is no longer subsidized and so getting very costly for individuals.

HAS THE LEBANESE GOVERNMENT AGREED ON AN APPROACH FOR AN IMF RESCUE PLAN?

The government is drafting a plan to present to the IMF, but many politicians aren't interested in this. Instead, they are trying to highlight the humanitarian crisis, hoping that the money which comes in to solve that will remove some of the pressure on resolving the financial crisis. We also have General Assembly elections in March next year so no political party wants to take unpopular, hard decisions on increasing taxes and removing subsidies today. They're hoping that getting humanitarian aid will be sufficient to hold people in place.

ANY PROGRESS ON LEBANON DEVELOPING ITS GAS RESERVES IN THE EASTERN MED

Not really. Efforts have differed from country to country in this regard. Egypt for example has never stopped working on this and Israel can't find an export market for the gas it's producing. We need to create synergies to export Eastern Med gas both to the region and beyond but this requires collaboration. So far, the region has been reactive rather than planning for the long term.

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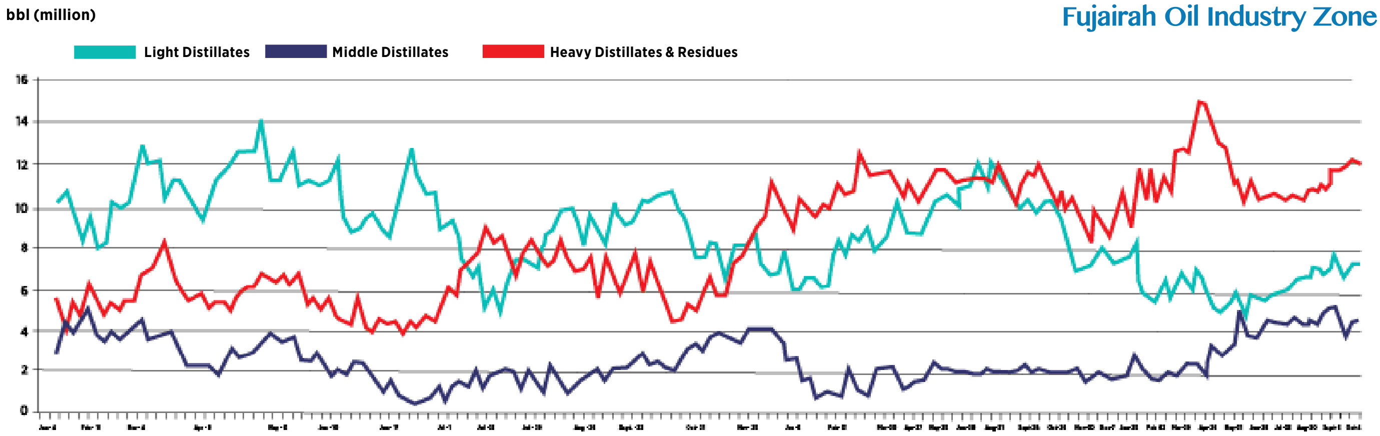
Fujariah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 15.684mn barrels. Total stocks fell 1.029mn barrels with overall stocks down 6.2% week-on-week. This is a reversal of last week's build. The total stock draw was driven by decreasing stocks of middle distillates and heavy residues while light distillates posted a build.

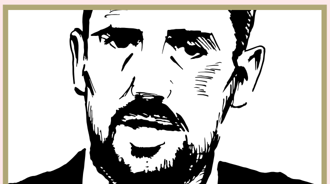
- Stocks of light distillates, including gasoline and naphtha, rose by 1.311mn barrels or 28.4% on the week to 6.013mn barrels. Asian gasoline supply was increasing after South Korean oil refiners raised their crude run rates to the highest level in a year and a half since the Covid-19 outbreak to meet strong oil products demand and higher refining margins, refinery officials said. The country's top refiner SK Innovation, which had kept its crude run rate under 70% since early last year, has recently raised its crude run rate to mid-70%, according to the official. "SK Innovation is ready to further raise its crude throughput if market conditions remain favorable," the refinery official said. "Local refiners are pushing to further increase their crude throughput later this year as refining margins get stronger," he added.

- Stocks of middle distillates, including diesel and jet fuel, fell by 1.267mn barrels or 32.9% on the week to 2.588mn barrels. This is a reversal of last week's rise of 157,000 barrels. Market participants said they expect demand for jet to remain supported by favorable arbitrage economics and limited supply from Northeast Asia. Further support is expected as Japan has started its seasonal stockpiling of kerosene ahead of winter. Market participants added that as countries veer away from a Covid-19-zero policy, demand for travel should see further support in the near term.

- Stocks of heavy residues fell by 1.093mn barrels or 13.4% on the week to 7.083mn barrels. This is a reversal of last week's build of 1.452mn barrels. Despite average spot trading in Fujairah, more inquiries for bunker stems were seen due to the cooling flat price rally, though buyers were still cautious about meeting bunker requirements amid a strong flat price environment, industry sources said. During and outside the MOC, offers for delivered marine fuel 0.5%S fuel in Fujairah were heard between $600/mt and $613/mt. The lower end of the price range was for product deliverable from Oct. 14 onward. "The availability of low sulfur fuel oil bunkers is slightly tight, but would only be short-term due to inconsistent demand," a Fujairah-based trader said. Fewer prompt bunker deliveries have been seen lately, most suppliers are indicating a lead time of at least 5 days away, traders said. On Oct. 12, two fixtures of marine fuel 0.5%S were heard in Fujairah. A 1,300 mt parcel deliverable Oct. 22 and a 500 mt parcel deliverable Oct. 16 --priced at $606/mt and $610/ mt, respectively. Fujairah-delivered marine fuel maximum 0.5% sulfur was assessed $604/mt on Oct. 12. The price in Fujairah is a $4/mt discount to Singapore which saw its delivered bunkers on Oct. 12 on the same basis assessed at $608/mt.

Source: S&P Global Platts

OIL COMMENTARY



BY MATT STANLEY
SENIOR BROKER
STAR FUELS

My Mum always told me "If you can't say anything nice, then don't say anything at all". So, today I will keep things short. Brent is trading this morning at $83.98/bl up 0.80 and WTI is trading up 0.69 at $81.14/bl. We all have morning routines; without routine or structure I would argue we would all go insane. Mine is to usually read the headlines, energy especially (because I'm committed like that boss, in case you're reading). Here is a snapshot of today's headlines "China's energy woes showing up in divergent commodity imports". "Singapore marine fuel sales drop in Sept as bunker calls hit 4-year low". "China Sept factory inflation hits highest since records started". "OPEC trims 2021 demand forecast". "(API) said on Wednesday U.S. crude stockpiles rose by 5.2 million barrels". "Hmm", I say. In that immediate blurry eyed vision when you first wake, when your brain is in the sea of nothing and you still don't want to acknowledge what day it is, my first thought was "Ah, crude must be down based on all this". Nah. Yah, nah. Crude was up 0.65. Ha! Suddenly I realise it's Thursday and my initial hope of markets reacting to negative headlines sensibly, have been dismissed like an English Test Batsman at The Gabba. Very quickly. This is the headline people are reacting off, apparently "A larger-than-expected drop in the U.S. gasoline and distillate inventories led to fresh buying,". Some of you may be thinking I only have negative filters on my news feed. I can tell you I do not. But I think I'll change the real news filter for the ignorance one, because everyone else seems to. Stats later. Bothered? Nope. Good day.

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ENERGY MARKETS COMMENTARY WEEK IN REVIEW

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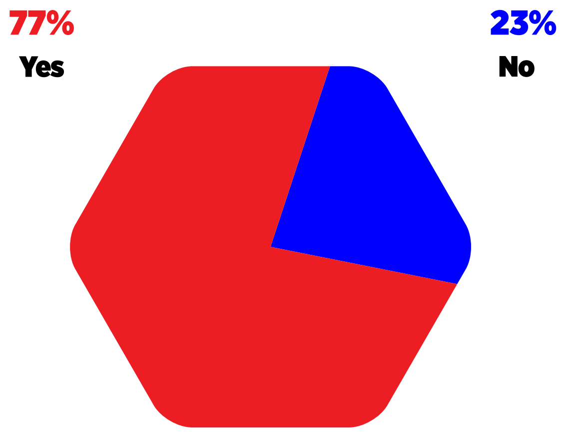
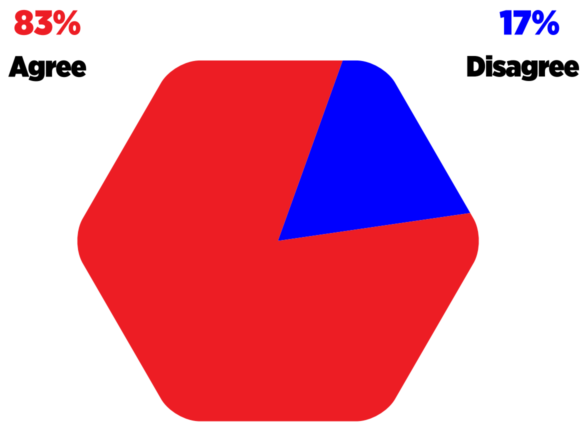
GIQ Weekly Surveys

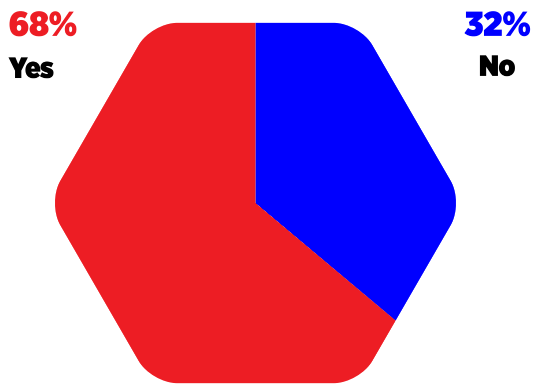
Despite the weak jobs total, wages increased sharply. The monthly gain of 0.6% pushed the year-over-year rise to 4.6%. will the FED start to taper to combat run-away inflation despite poor jobs report?



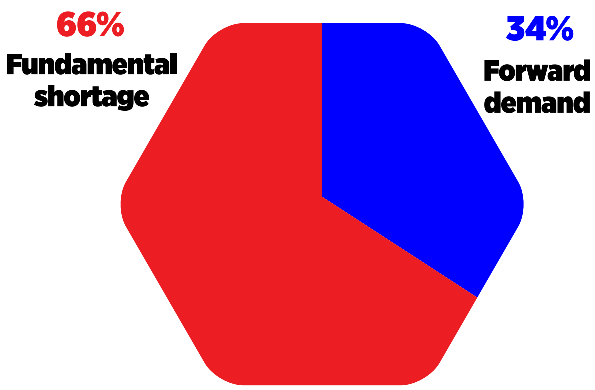
Wage inflation and cost of materials, commodities will weigh on economic recovery in Q4?



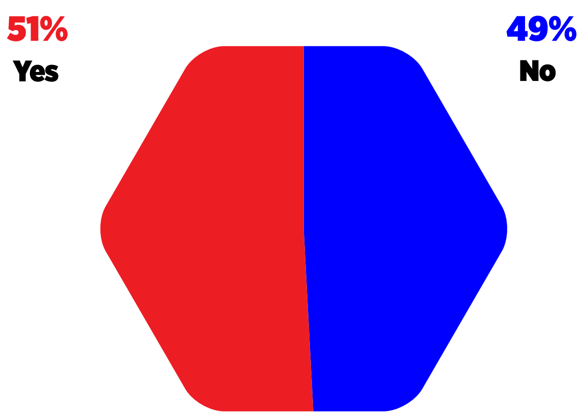
Do oil producers want to see $100 oil?

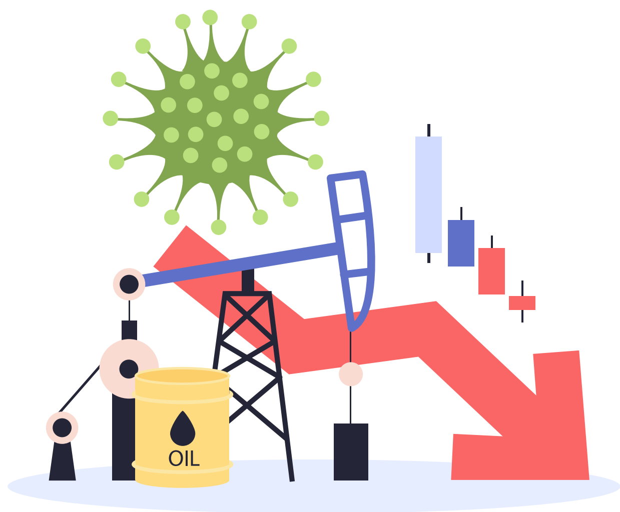


What is driving the oil market today?



Should EU believe Putin when he says that he won't use gas as a weapon?





Source: GIQ

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ENERGY MARKETS VIEWS YOU CAN USE

Sara Akbar
Chairperson & CEO, OiLSERV, Kuwait
& Non-Executive Director, Petrofac

PRODUCERS LIKE $100 OIL BUT IT'S NOT SUSTAINABLE FOR OUR ECONOMIES OR THE WORLD.
However, I still don't foresee that OPEC Plus will make an alternative output plan to what they have today because they struggled to agree on this one. I don't know how successful they would be if they try to open it up again and try and change things. Also, in the back of their mind, OPEC probably doesn't see a real change in fundamentals since the agreement was made, viewing the current supply crunch as temporary.

ARE GULF FISCAL BREAKEVEN PRICES GOING TO DROP IN 2022?
They're not and for the simple reason that budget costs for this region are going up. Populations are increasing, more people are coming to the job market and governments have to spend more on their economies in order to create those opportunities. No matter how much the oil price goes up, costs are increasing at the same time.

IS THE ENERGY TRANSITION PROMPTING OPEC TO TAKE HIGH PRICES WHILE THEY CAN?
To get to this transition world, we need to be growing oil and gas production for the next 20 years. At the same time, this region is very much committed to the transition, so we don't see a disconnect between the two paths. There is a versatile and large variety of products that can be produced from oil and gas and there will be demand for these as long as economies grow. In terms of the new energy landscape, Iraq is one country which can really contribute tremendously. It has added 3-4 gigawatts of solar and renewable power in just the past month so we should keep an eye on what's happening there.

Adi Imsirovic
Senior Research Fellow
The Oxford Institute for Energy Studies

AT WHAT PRICE POINT WILL OPEC NEED TO RELEASE MORE OIL THAN PLANNED?
OPEC+ is in a difficult position because every time they decide they want to supply more, there is a setback from Covid, such as back in August when expected global travel plans fell through. Let's not forget that most of the Gulf countries' nominations are also done two months in advance. But there's also the discretion to supply additional volumes because a number of countries like Angola and Kazakhstan, have had problems meeting their own quotas. In September, Saudi Arabia has given full nominations to their customers; that increase is going to be about 650,000 bd. We 're also already seeing Russian exports on the water picking up quite significantly.

OUTLOOK FOR PRICES IN 2022?
From a balancing point of view, we're not as bullish on oil prices going forward. India has been very disappointing this year, and next year we don't expect demand growth in crude beyond half a million bd. China is facing economic headwinds, especially with the property market - in the worst case scenario, they could see a subprime situation. We see the government trying to cool down the property sector because of shortages of power, floods and so on. Some reports have Q4 industrial production in China falling by as much as 12%. None of this is bullish for demand. As far as crude stocks are concerned, while average draws were about one million bd this year, that won't be the case in 2022. We expect a return of US shale production, primarily from the Permian, at close to one million bd and surplus for the whole year at 1.8 million bd.

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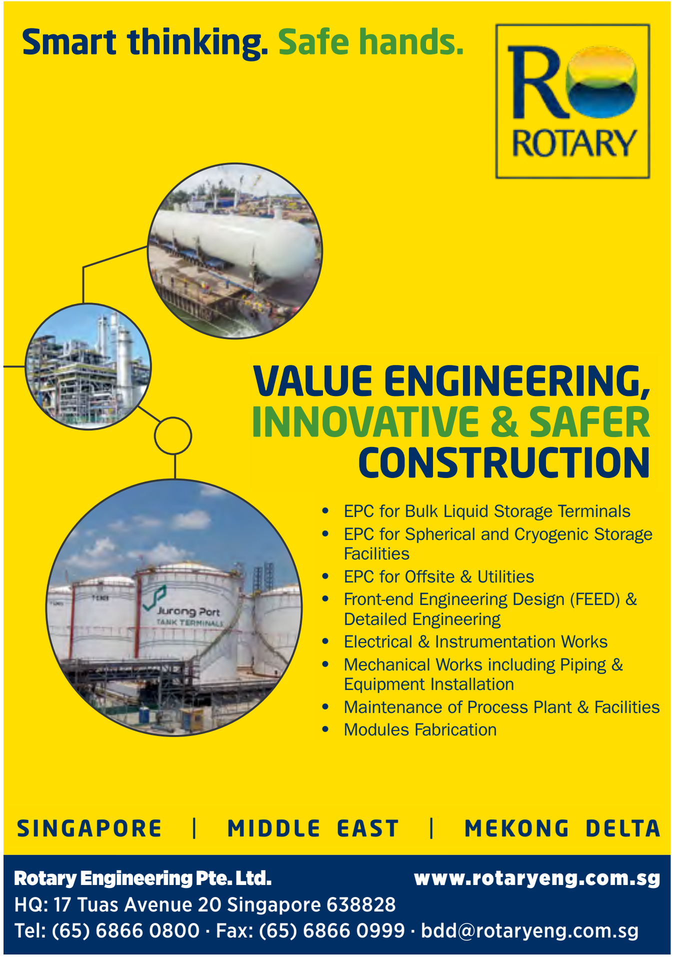
"There is a looming risk of more turbulence for global energy markets. We are not investing enough to meet future energy needs, and the uncertainties are setting the stage for a volatile period ahead."

– Fatih Birol
Executive Director
IEA



ENERGY MARKET NEWS

RECOMMENDED READING

1. **LARGE CRUDE BUILD PUSHES DOWN OIL PRICES**
2. **OPEC CUTS 2021 OIL DEMAND FORECAST**
3. **US EIA EXPECTS SURGING WINTER FUEL SPENDING AS GASOLINE PRICES TOP $3/GAL**
4. **CHINA CRUDE OIL IMPORTS DECLINE BETWEEN JAN & SEPT**
5. **IS THE US STILL A SWING PRODUCER OF OIL?**
6. **PUTIN DISMISSES ACCUSATIONS THAT RUSSIA IS WEAPONIZING NATURAL GAS**
7. **RUSSIA COMPLIES WITH OBLIGATIONS TO REDUCE OIL OUTPUT UNDER OPEC+ DEAL**
8. **WHITE HOUSE ASKS US OIL & GAS COMPANIES TO HELP LOWER FUEL COSTS**
9. **US INFLATION RATE RISES TO 13-YEAR HIGH OF 5.4%**
10. **ENERGY WATCHDOG SAYS NET ZERO CAN PROTECT AGAINST FUTURE PRICE SHOCKS**

RECOMMENDED VIDEOS & REPORTS

- **OPEC MONTHLY OIL MARKET REPORT OCTOBER 2021**
- **WORLD ENERGY OUTLOOK 2021 SHOWS A NEW ENERGY ECONOMY IS EMERGING**
- **PUTIN SAYS RETURN TO $100/BL OIL 'QUITE POSSIBLE'**
- **EGYPT'S RETURN TO REGIONAL LEADERSHIP AND HOW EUROPE SHOULD RESPOND**
- **"LESS INTERVENTIONIST REGIONAL APPROACH BY US FAVORABLE TO IRAN SAUDI RELATIONSHIP"**

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Fujairah Spotlight

Fujairah CP Receives Ambs of Several Central American States

Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, has held separate meetings with Francisco Chacón Hernández, Ambassador of Costa Rica to the UAE; Lars Pera, Guatemala's Ambassador to the UAE; Ricardo Lavery, Panama's Ambassador to the UAE, and Samuel Castro Martinez, Minister Counsellor of the Embassy of the Dominican Republic. Sheikh Mohammed welcomed the ambassadors and wished them success in their work to enhance cooperation between their countries and the UAE. The ambassadors discussed, with Sheikh Mohammed, the bilateral ties between the UAE and their countries. The meetings were attended by Salem Al Zahmi, Director of the Fujairah Crown Prince's Office.

Source: Sharjah24

UAE Rail Link from Fujairah to Saudi Border on Track for Completion

The UAE's plans to complete its national railway segments from Fujairah to Al Ghuwaifat to the border of Saudi Arabia are on track as it seeks to boost its economic competitiveness and reduce carbon emissions, Suhail Al Mazrouei, Minister of Energy and Infrastructure, has said. Mr Al Mazrouei spoke to The National about the UAE completing the linkage from Fujairah to the borders with Saudi Arabia, on the sidelines of the Middle East Rail exhibition in Dubai on Tuesday. Last month, Etihad Rail said that construction work for the 139-kilometre package A of stage two and its connection through Al Ghuwaifat with stage one, which extends 264 kilometres from Habshan to Al Ruwais, was completed two months before schedule. A spokesperson for Etihad Rail told The National: "The Etihad Rail project is on track and we continue to work at an unprecedented pace to establish a new era for transport and logistics in the country".

Source: The National

Fujairah Crown Prince Attends Signing of MoU to Develop Work in Environmental Fields

H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah and Chairman of Board of Directors of the Fujairah Environment Authority, has attended the signing of a Memorandum of Understanding (MoU) between the authority and the Mohammed bin Rashid Space Centre. The Fujairah Crown Prince emphasised the importance of developing the environmental sector in Fujairah by adopting the latest international approved technology. He indicated that the directives of H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, on the importance of supporting national environment projects would contribute to achieving sustainability of natural resources and disseminating the importance of environmental awareness among society members. Sheikh Mohammed emphasised the importance of cooperation among competent entities and enhancing their efforts to support the country's strategy by promoting work in various environmental domains and take advantage of the best international practices and projects which contribute to protecting and sustainability of the environment in the long term.

Source: Emirates News Agency

Clifford Chance Advises Lenders on $280mn Refinancing for Fujairah Oil Terminal

Clifford Chance advises lenders on US$280 million refinancing for Fujairah Oil Terminal. Leading international law firm Clifford Chance has advised the lenders comprising a club of international bank financiers on a US$280 million refinancing transaction for Fujairah Oil Terminal (FOT), a joint venture between Sinopec, Prostar Capital and the Government of Fujairah. FOT is an onshore oil storage facility with a capacity of 7.4 million barrels and is strategically located in the UAE's Port of Fujairah, one of the largest bunkering ports in the world. The new $280 million debt facility will replace existing senior debt as well as enable further organic growth via capital expenditure programmes including funding the connection of FOT's crude oil tanks to the Port of Fujairah's Very Large Crude Carrier (VLCC) loading facility.

Source: MarketScreener

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GIQ EXCLUSIVE SOUNDINGS

Oil Prices Rise to Multiyear Highs Amongst Global Energy Crunch

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.

- Omar Najia, Global Head, Derivatives, BB Energy
- Narendra Taneja, India's Leading Energy Expert
- Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
- Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency (IEA)
- Chris Wood, Chief Executive Officer, Savanara DMCC
- Randall Mohammed, Managing Director, PetroIndustrial USA
- John Defterios, Professor of Business, NYU-Abu Dhabi & Energy Fellow, World Economic Forum
- Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co.

Omar Najia, Global Head, Derivatives, BB Energy
"What you are seeing is a dislocation between demand and supply. It is like if you were at a restaurant, and you fire all your waiters except for one. Now everyone is suddenly coming to eat at the restaurant, and you only have one waiter running around."

Narendra Taneja, India's Leading Energy Expert
"Higher oil prices are always bad for countries like India. At the same time, the Indian economy is recovering fast from the pandemic and demand for petroleum products is on the rise. Petrol demand is already back to levels higher than what we were consuming before Covid-19."

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
"There are different variables effecting oil prices but OPEC+ still plays the biggest role. If they simply open the taps and put more barrels into the market then you wouldn't see oil prices where they are today."

Neil Atkinson, Former Head of Oil Markets Division International Energy Agency (IEA)
"The recent ramp up in prices is not based on a careful analysis of the underlying fundamentals - it's all wrapped up in the understandable fears we have about logistics, inflation and potential shortages. As we move into 2022, fundamental demand is likely to fall back."

Chris Wood, Chief Executive Officer, Savanara DMCC
"We're going to have these troubles for some time. When we have such elastic demand, you see the amplitudes in the supply chain get bigger and bigger, which means that we don't have a consistent steady stream of goods. They end up in the wrong place and this affects availability."

Randall Mohammed, Managing Director PetroIndustrial USA
"The US debt ceiling dilemma will be dealt with, but the question is by what quantum. Tapering and curtailing asset buying is going to happen, by November or December, and they will reduce it by about $15bn per month, until they get to zero."

John Defterios, Professor of Business, NYU-Abu Dhabi & Energy Fellow, World Economic Forum
"We have this short-term energy crunch because the money has been following the ESG principles and flooding into renewables since the pandemic. Lo and behold, we have this space in between where we don't have near-term energy supply because of the post-pandemic recovery."

Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co.
"The current spike in gas prices is just a spike and not a permanent development. I expect gas prices to normalize early next year. If we look back in history, we had spikes in 2014 and 2020. They lasted 4-6 months and then prices went back to normal."

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ENERGY MARKETS FORUM
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TOP 10

OCT 10th - OCT 14th

MARKET OBSERVATIONS FOR THE WEEK

1. Oil price pales in comparison to other fuels. In six months, coal has doubled, natural gas is up fivefold. Lack of investment and capacity in gas means prices will continue to rise. Oil price could also hit $100/bl by December or January if extra cold winter materializes.
2. Diesel demand in the US higher than pre-pandemic levels. Demand for jet fuel seen surging in next three months as countries open-up flights, also kicking into oil price.
3. Russia gas inventories below average, at 75%. Gazprom maximizing production already and can't produce more. Country looking to turn back clock to bring more long-term contracts and pricing back into market.
4. Post Covid-19 bounce is over. Demand and growth in major economies will sustain but not accelerate, helping Fed validate narrative for low rates in Q4 2021 and Q1 2022. Tapering seen at $15bn a month until gets to zero.
5. US retailers warning of Christmas trees shortage and price spike! Falls in line with general goods supply crunch as world emerges from service oriented Covid-19 lockdown.
6. US gasoline prices up 50% plus since last year, directly impacting transportation, goods and services costs, while jet fuel recovery continues as Asian skies open up.
7. Asia faces restricted energy demand picture in 2022 – India crude demand growth seen capped at 500k b/d, while China continues to face property market and power sector headwinds. Global stock draws next year also seen lower with return of almost 1mbd of US Permian crude.
8. High energy prices partly being driven by imbalance in energy transition policy, with mostly supply-side directives and little pressure on demand measures such as carbon tax.
9. Oil supply will exceed demand as we move into 2022 with OPEC+ volumes in place and signs of higher production from US, Canada, Brazil. Oil demand growth already slackening and likely to fall further.
10. Europe at major disadvantage on gas purchases, competing against mighty buying power of Asian economies, particularly China, which are paying whatever it takes to secure supplies.

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