

Fujairah

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WEEKLY NEWSLETTER

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

“Cost cutting. The reality is that money talks.”

Paddy Padmanathan, CEO & President, ACWA Power

Exclusive The 10th Gulf Intelligence UAE Energy Forum 2020

Moderator: Dyala Sabbagh, Partner, Gulf Intelligence

Moderator: What will be the top driver for the growth of the renewable energy in 2020?

Paddy Padmanathan: Cost cutting. The reality is that money talks. Technology is allowing us to increasingly reduce the costs of renewable energy. We can produce electricity in a country like the UAE for 1.7 cents per kilowatt hour. Fossil fuels, even in the cheapest segments, costs around 5-6 cents per kilowatt hour. These [renewables] are unbelievable numbers. Now we can get electricity at that cost, we can open up some amazing opportunities in how we fuel industry.

Moderator: Is the cost of infrastructure holding back renewables?

Paddy Padmanathan: Many countries that have increased the portion of renewables in their energy system have shown that with the infrastructure we have, penetration can be achieved at 30-50%. Infrastructure costs haven't been a large issue, except in some countries with poor infrastructure. Still, Jordan, for example, has very poor transmission infrastructure. Yet, they have managed to inject more than 30% of renewables into the country's system.

**Edited transcript*

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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

7,111,000 bbl
Light
Distillates



4,000,000 bbl
Middle
Distillates



10,450,000 bbl
Heavy Distillates
& Residues



Source: FEDCom & S&P Global Platts

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THE WEEK In Numbers

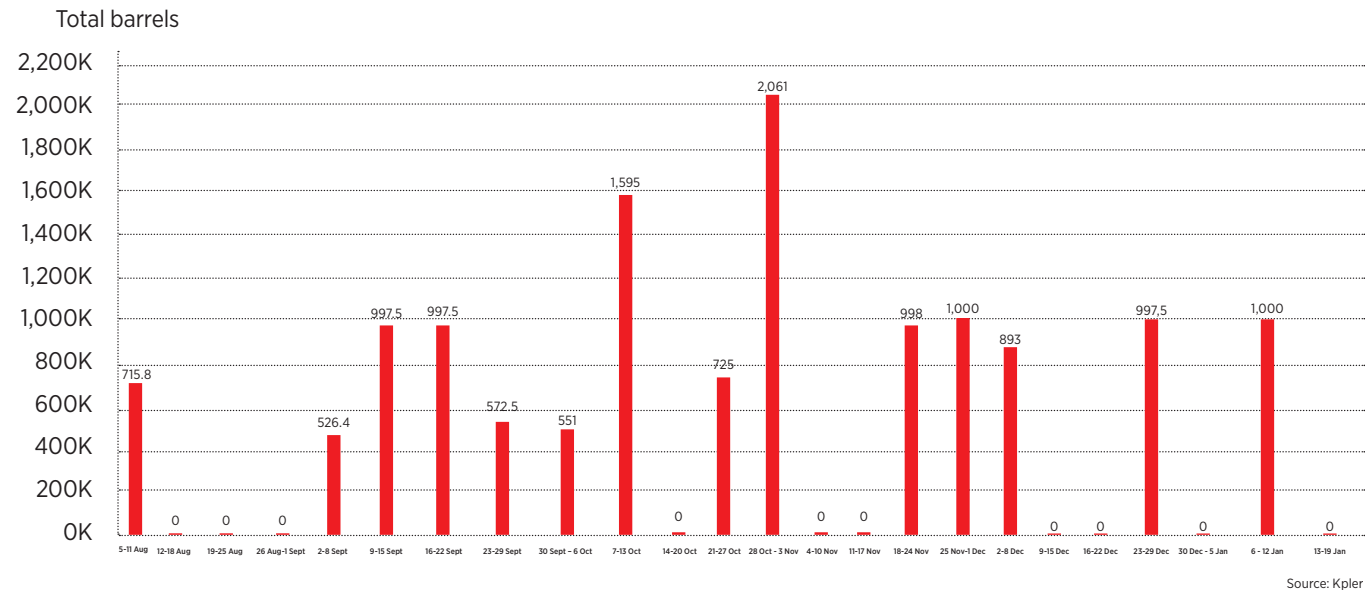


Weekly Average Oil Prices

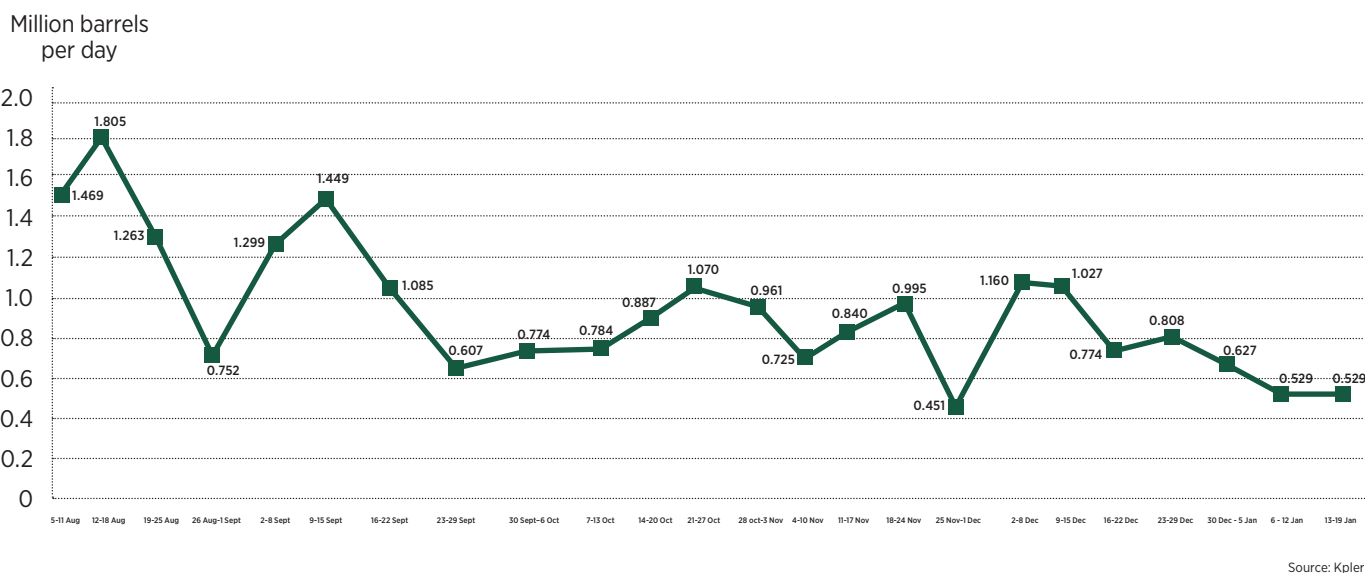
Brent Crude: \$59.34/bbl
WTI Crude: \$53.94/bbl
DME Oman: \$60.91/bbl
Dubai: \$64.45/bbl

Time Period: Week 4, January 2020
 Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Total Refined Product Exports from the GCC to Asia-Pacific





Exclusive

CONTINUED FROM PAGE 1

Moderator: How significant are the hurdles for renewable energy with regards to storage?

Paddy Padmanathan: Storage will be an issue for the next five years. For the majority of the world, there is a certain amount of energy that we consume when the sun is shining. For example, a huge amount of energy gets consumed for industrial purposes during the day. We can increase renewable penetration up to 50% before getting tangled up with the storage issue. If we want to decarbonize electricity generation, we must find a storage solution. It will probably become irrelevant over time though. There will be much more interconnection, with gas as a transitional fuel.

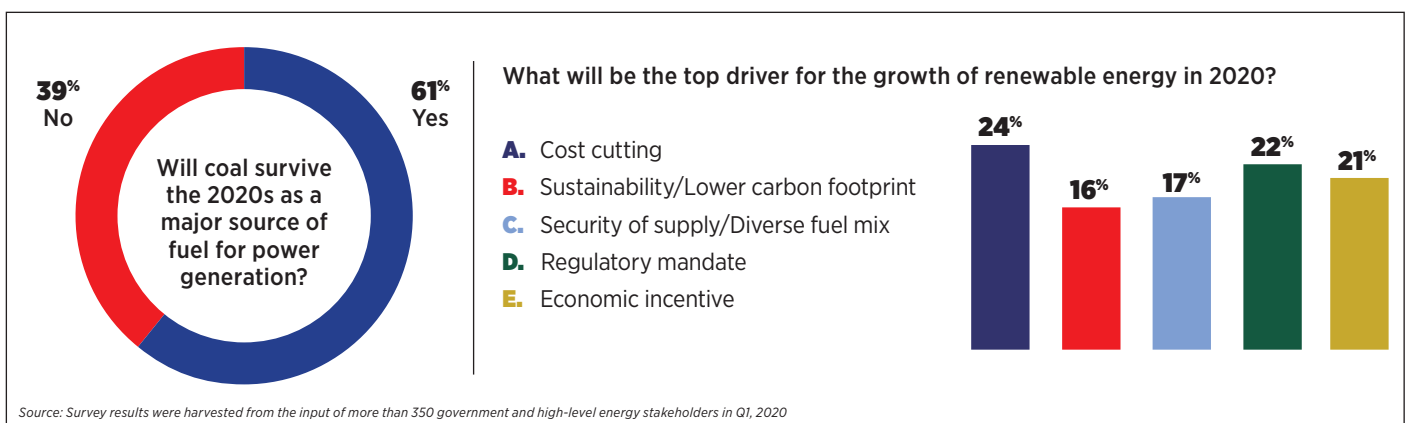
Moderator: Which stakeholders must take the lead in 2020 to turn the climate change targets as per the Paris Agreement into economic opportunities?

Paddy Padmanathan: The answer is very simple: governments must lead. They are currently playing catch up. Industry is playing a significant role, innovating and coming up with solutions, such as cost competitiveness. For consumers as an overall stakeholder group, it is very interesting. More people are talking about why we allow 18-year-olds to lecture us, as opposed to thinking about the content of the message. The public is playing a role, but it's a very mixed picture.

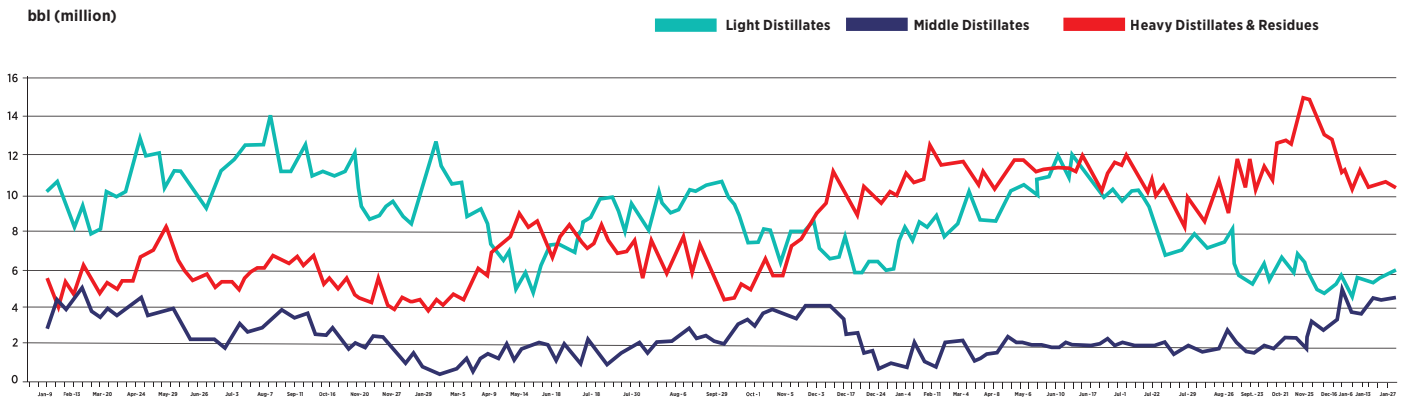
Moderator: Will coal survive the 2020s?

Paddy Padmanathan: No. Money will talk again. We are in the business of structuring huge amounts of project finance. There are only three countries that are left; China, Japan and Korea. And they are all going to stop financing coal-fired power. You will not see any new coal-fired power plant financings. China will be the last country to do so, phasing itself out fairly quickly in the next couple of years.

**Edited transcript*



Fujairah Weekly Oil Inventory Data



TOP 10 TAKEAWAYS Monday, January 27

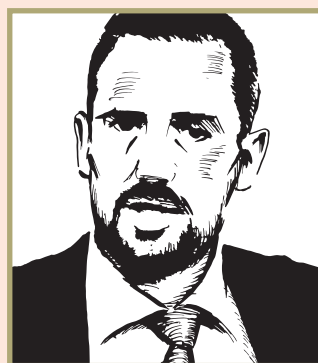
- Total oil product stocks in Fujairah stood at 21.561mn barrels, up 260,000 barrels week-on-week.
- Overall product stocks climbed by 1.2%, with builds in light distillates and middle distillates. Draw down in heavy residues.
- Stocks of light distillates rose by 763,000 barrels week-on-week (+12%). Total volumes stood at 7.111mn barrels – the highest level since mid-August 2019.
- The East of Suez gasoline market under pressure as concerns over coronavirus injected headwinds on the outlook of regional fundamentals, and in turn, crack spreads.
- Market participants drew comparisons between the coronavirus to the SARS outbreak in 2003, when global demand fell by up to 800,000 b/d.
- Stocks of middle distillates rose by 841,000 barrels (+26.6%), to 4mn barrels.
- Gasoil under pressure from concerns about coronavirus. Decline in demand expected amid tightening travel restrictions. “It depends on how the Chinese government continues to react to this,” one trader said.
- Stocks of heavy distillates fell to stand at 10.450mn barrels (-11.4%). Fujairah looking well supplied for low sulfur bunker fuel; tightness at the start of the year has eased.
- Singapore 0.5% marine fuel bunkers on a delivered basis were assessed at \$575/mt on Tuesday, reflecting a premium of \$295/mt to 380 CST high sulfur fuel oil bunkers. These were assessed at \$280/mt.

Source: S&P Global Platts

“The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails.”

William Arthur Ward once said: “The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails.” Now, I’m not saying I’m working on Sloop John B right now, but I would certainly class myself in the latter of those three. During times of uncertainty, this oil market doesn’t quite know how to react. But what is clear is that anything to do with possible supply disruptions have not been met with a ‘write home about the rally’, have they? All the news at the moment points to weakening demand and this has manifested itself

into a 10% drop in the price of oil in the last couple of weeks. Yes, we are seeing a mild risk on appetite this morning. But I fear this is just temporary and most of the gains today, especially after EIA data later which should show a draw, will be given back at the end of the week/early next week. It’s going to take time for the market to adjust to whether weakening demand is the new reality, or if the coronavirus outbreak is purely a temporary “snag” in demand data. I know which of side of the fence I sit on. It was inevitable that we heard from an OPEC minister before too long. Nobody is quite sure who



BY MATT STANLEY
SENIOR BROKER
STAR FUELS

it was, but “a further extension is a strong possibility and a deeper cut is a possibility,” one OPEC source told Reuters. Gee, thanks Sherlock, keep us on our toes won’t you. I’m not being

facetious, but the market is able to predict the next OPEC move with ease. And, frankly, if they don’t pop their heads up during times of high volatility, then the cartel is not doing its job. I expect to see price increase over the coming days. What else is going on? Well, Brexit is mere days away. It strikes me that because so little has been in the press about what is the most important day for the UK in a very long time, perhaps they aren’t ready? Am I allowed to say that? Of course I am. What’s the betting that everyone working on Brexit is up until all hours and Boris is geeing them on with the promise of late-night pizzas?

January 29, 2020

ENERGY NEWS Highlights



US: Energy to China will soar

China has agreed to buy an extra \$18.5bn of energy products in 2020, over and above the \$9.1bn baseline of US imports in 2017, plus an extra \$33.9bn in 2021.

Source: OilPrice.com



India: Discomfort amid oil-linked LNG

India is stepping up pressure on Qatar to renegotiate LNG term deals and move away from oil-linked contracts, as gas prices hit multi-year lows. But any flexibility may come at the cost of a larger volume commitment.

Source: S&P Global Platts



Nigeria: LNG ambitions accelerate

The Nigeria Liquefied Natural Gas Limited (NLNG) and Total Gas & Power (TGP) have signed a LNG sale and purchase agreement for some of the remarketed volumes from NLNG's Trains 1, 2 and 3. The agreement is for the supply of 1.5mn tons per annum for a 10-year term on a Delivered Ex-ship and Free on Board (FOB) basis.

Source: Africa Oil & Power

UAE's SNOC: 1st onshore natural gas discovery in 30 years

State-owned Sharjah National Oil Corporation (SNOC) and Italy's oil company Eni discovered the "Mahani" exploration well within the first year of their partnership. Mahani-1 was drilled to a depth of 14,597ft, with tested gas at flow rates of up to 50mn standard cubic feet per day.

Source: The National



"This discovery is a promising development for SNOC and meets our commitment to make reliable gas supplies available throughout the United Arab Emirates."

**His Excellency
Sheikh Sultan bin Ahmed Al Qasimi
President of SNOC**



OPEC: Future influence?

OPEC's battle to support oil prices as China's coronavirus spreads internationally shows the producer group is struggling to wield the same influence over global crude markets. OPEC and non-OPEC producers, sometimes referred to as OPEC+, could extend production cuts if the intensifying outbreak of the coronavirus hampers oil demand growth.

Source: OilPrice.com