

Fujairah

New Silk Road

WEEKLY NEWSLETTER

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

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“The perception remains that OPEC is a cartel, although the organization explains that it doesn’t manipulate prices.”

H.E. Dr Tawfiq-e-Elahi Chowdhury, Energy Adviser
to the Honorable Prime Minister, Bangladesh

Exclusive The 10th Gulf Intelligence UAE Energy Forum 2020

Moderator: John Deferios, Emerging Markets Editor and Anchor, CNN Business News
H.E. Dr Tawfiq-e-Elahi Chowdhury, Energy Adviser to the Honorable Prime Minister, Bangladesh

Moderator: As an energy importer, what message would you like to share to OPEC and hydrocarbon producing countries?

His Excellency: Hydrocarbon producing countries grew out of a cartel. The perception remains that OPEC is a cartel, although the organization tries to explain that they don’t manipulate prices. They do take into consideration the interests of some customers for long-term stability, but countries like Bangladesh need to be treated on an equal basis. Some discounts and some preferences are given, but it’s all on a day-to-day basis. They need to consider better ways of dealing with long-term customers like us, who have growing demand for another 20 years.

Moderator: What is Bangladesh’s current energy demand outlook? Are you interested in forging further partnerships for energy security?

His Excellency: Bangladesh is growing very fast at 8% GDP per annum. People talk about the energy transition, but we are going through an energy transformation. There is huge demand for consumption, for production, agriculture and industry, so we must have good access to energy. We are an energy importer. We need a stable market, because even small hiccups put us under stress due to budget limitations. More importantly, uncertainty in oil markets always discourages investments. We would like to see a stable market with no hiccups.

**Edited transcript*



Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

**Average Range
\$3.50 – \$4.10/m³**



↑ Highest: \$4.50/m³

↓ Lowest: \$3.20/m³

*Time period: Weekly

Source: GI Research

Fujairah Weekly Oil Inventory Data

6,348,000 bbl
Light
Distillates



3,159,000 bbl
Middle
Distillates



11,794,000 bbl
Heavy Distillates
& Residues



Source: FEDCom & S&P Global Platts

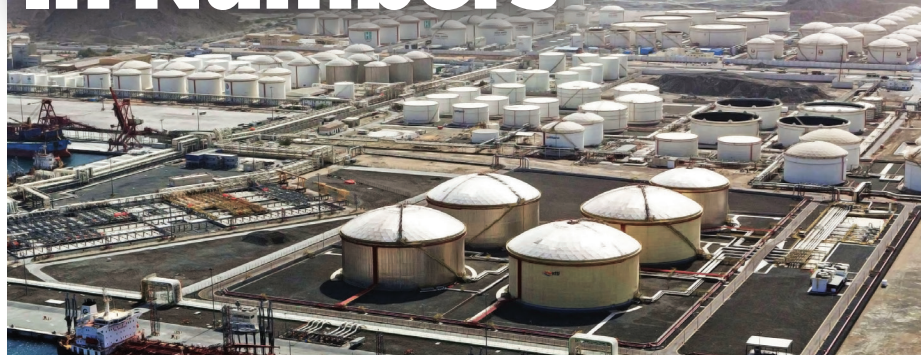
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THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude: \$64.40/bbl

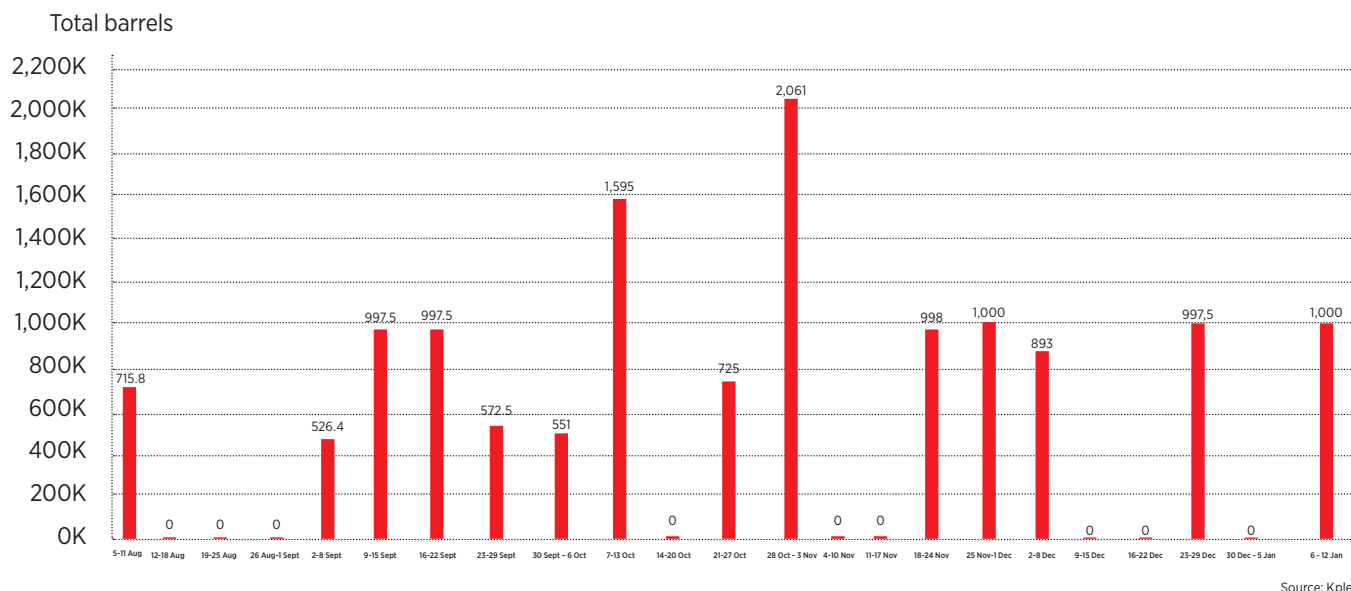
WTI Crude: \$58.03/bbl

DME Oman: \$65.23/bbl

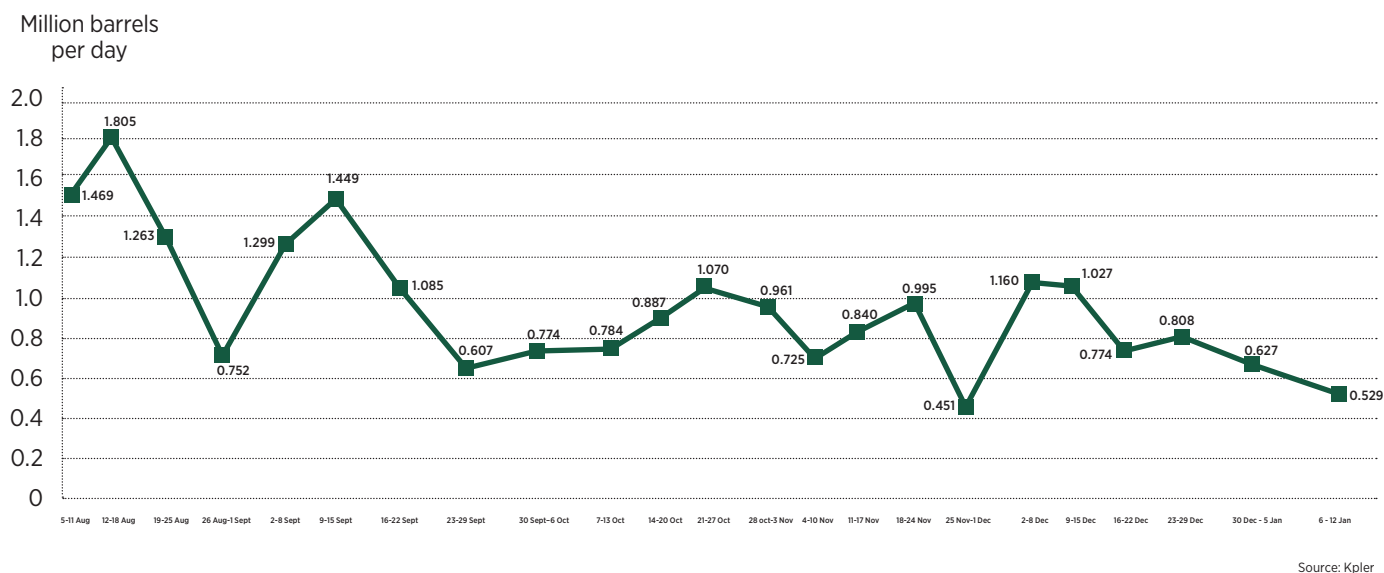
Dubai: \$62.52/bbl

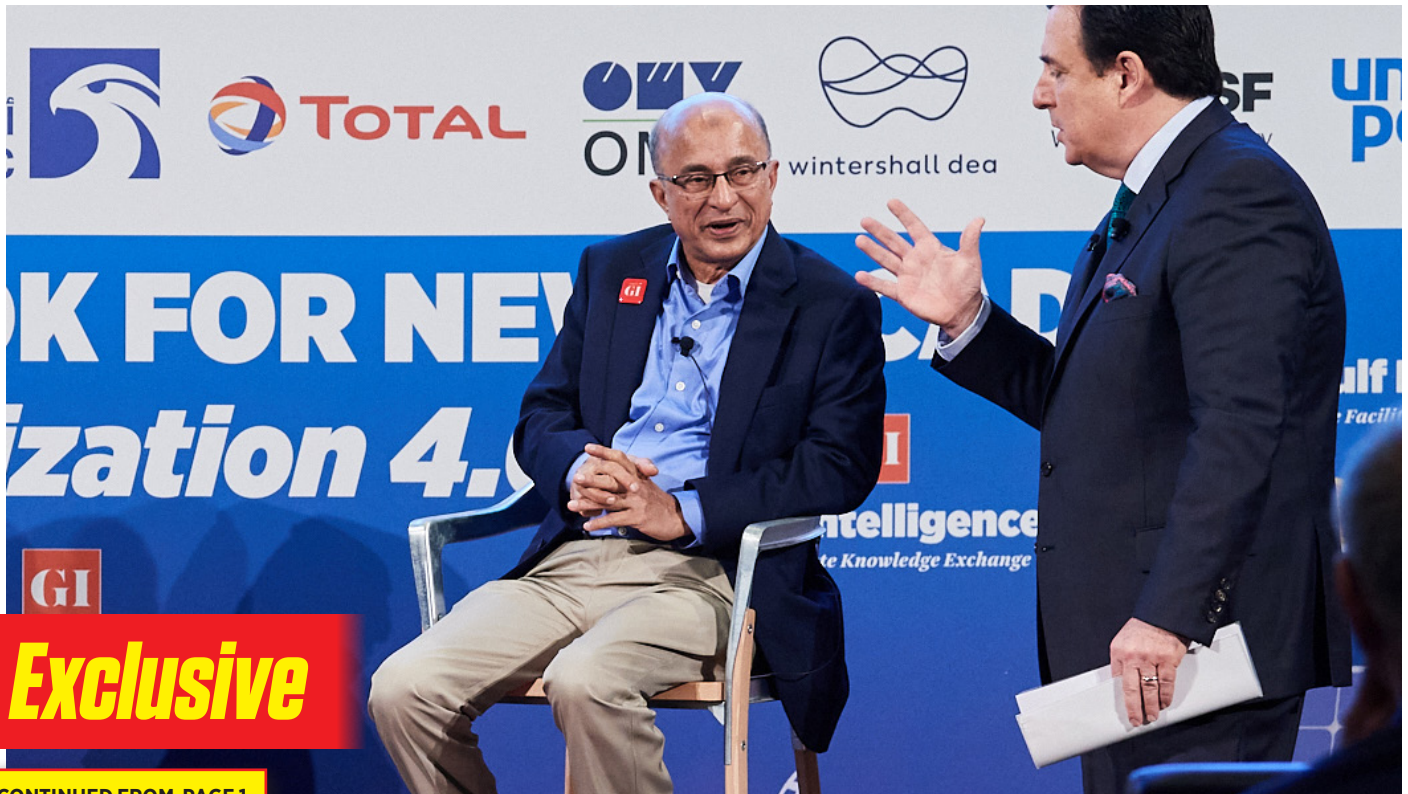
Time Period: Week 3, January 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Total Refined Product Exports from the GCC to Asia-Pacific





Exclusive

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“Our energy dreams will be in jeopardy if we cannot receive a reasonable price for hydrocarbons.”

Moderator: What are your key priorities for energy expansion to meet economic growth?

His Excellency: We are focusing on our energy mix. For example, we are going to have our first nuclear reactor in about two years. We are trying to develop renewable energy, but we still depend on fossil fuels as a base load. We are now importing LNG at roughly 4mn tons and we are looking to increase this to 10mn tons. We have established an offshore regasification facility and we are developing more facilities on shore.

However, all these dreams will be in jeopardy if we cannot receive a reasonable price for hydrocarbons, because we are not able to afford any price that is currently in the market. It is in the best interest of the customers in developing countries, who are going to be consumers of fossil fuels for a longer period, to be dealt with differently by hydrocarbon producing countries. If the price is not affordable for us, we will have to look for other options. We are now focusing on energy efficiency, energy conservation and energy responsibility in order to do more with less. This will be very crucial to being able to afford imported energy in the long-term.

I have been going to countries seeking a long-term contract that fits our long-term plan. I cannot develop a long-term plan with a price that I cannot predict. But if I can have a long-term contract with a valued partner, then I will be able to see what lies in the future.

**Edited transcript*

9mn

tons of oil equivalent was consumed in Bangladesh in 2018. In the same year, the country consumed 24.4 million tons equivalent of natural gas.

80%

of the population in Bangladesh had access to electricity in 2017, up from 20% in 2000.

2017

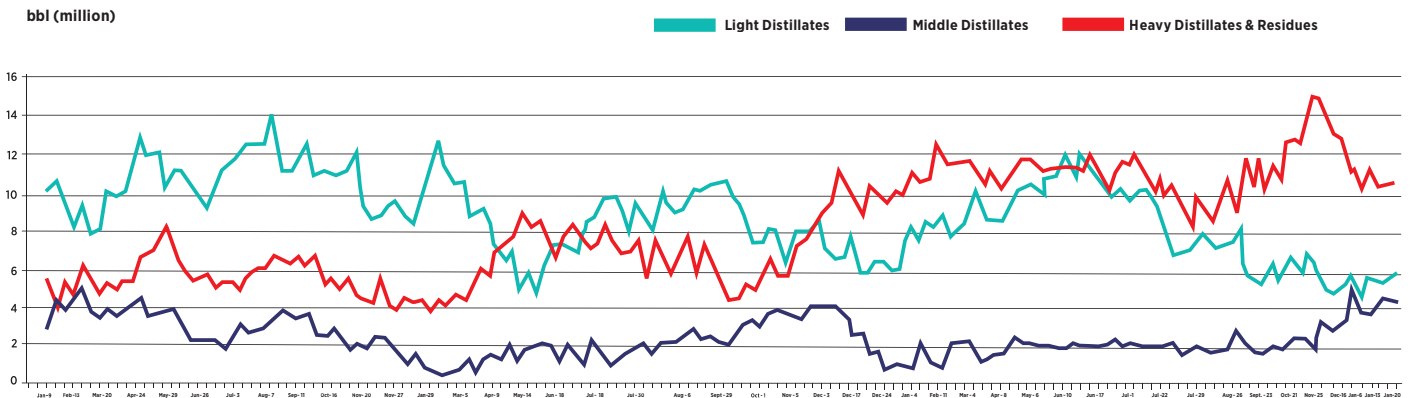
saw Bangladesh start construction of its first nuclear power reactor, Rooppur 1, which will be commissioned in 2023.

163mn

people live in Bangladesh; approximately double the number just three decades ago, in 1980.

Sources: BP's Statistical Review of World Energy 2019; International Energy Agency; United Nations' 2019 Population Review; World Nuclear Association.

Fujairah Weekly Oil Inventory Data



TOP 10 TAKEAWAYS Monday, January 20

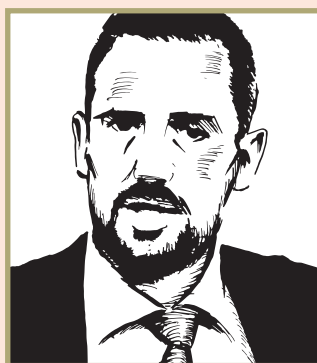
- As of Monday, January 20, total oil product stocks in Fujairah stood at 21.301mn barrels.
- Stocks rose by 895,000 barrels week-on-week. Overall, product stocks were up 4.4%, with builds in light distillates and heavy residues, while middle distillates showed a draw down.
- Stocks of light distillates saw a rise of 502,000 barrels (+8.6%) week-on-week. Total volumes stood at 6.348 mn barrels.
- The East of Suez gasoline market was under pressure from healthy supply and weak demand. Weak crack spreads for gasoline have led to a number of refiners across Asia reducing run rates at their gasoline producing units.
- Weak sentiment echoed by traders: "The AG looks long for me and the market is gearing for storage. [There is] no demand, only supply now. It's a very bearish market — bearishness coming from Singapore," said a Middle East-based trader.
- Stocks of middle distillates fell by 1.136mn barrels (-26.4%) to stand at 3.159mn barrels - the lowest level since late November 2019.
- Gasoil found support from demand from India, coupled with higher demand from the marine sector. The fuel being used directly in vessels or being blended into marine fuel as 0.5% marine fuel prices remained strong.
- Stocks of heavy distillates rose by 1.529mn barrels (+14.9%) on the week to stand at 11.794mn barrels.
- Demand for bunkers at Fujairah was heard to have cooled off compared to a fortnight ago, with shippers now well-covered with inventories. Prices in Fujairah for 0.5% marine fuel have fallen steadily in recent days with the fuel assessed at \$655/mt on Tuesday, down 13.8% on January 7.

Source: S&P Global Platts

"The energy industry is doing more than ever to clean up its act."

The oil price is down 10% since the 6 January. Even though it seems like months ago when we were singing Auld Lang Syne, it is in fact only a little over three weeks ago. Gulp. I remember when the SARS virus pandemic in 2003 started in Asia and let me tell you, there was no Facebook, no iPhone, no oyster cards and no Justin Bieber. It was a simpler time. But I'll tell you this for nothing, that caused some serious squeaky bum time and everyone, more or less, shut down most business travel. I imagine we will see the same after this most unfortunate latest outbreak of Coronavirus. So, the flat price

still has some way to go before recovering in a few weeks' time back up to around \$65/bl on Brent. OK, on to Davos. Look, we all know that the world is warming up. We all know that Johnny Polar Bear is in peril and half the world is on fire and sea levels are rising and that I should eat dolphin friendly tuna. I am not being dismissive about any of these things. I have four beautiful daughters and I want them to raise their families in a world for the next generation too. But come on, Greta, Prince Charles and everyone else, if you have a medium the size of the "World Economic Forum" to discuss matters that are clear for the world to see, why don't



BY MATT STANLEY
SENIOR BROKER
STAR FUELS

you actually get people to do something about it? Arguably the energy industry is doing more than ever to clean up its act i.e. IMO 2020, which reduces sulfur emissions by 85%, cars

running on diesel having little to zero SO2 and refineries reprocessing residual fuels that were the biggest contributors to the greenhouse gas per barrel. The energy industry has and is standing up. Now, don't get me wrong. I am not plagiarising a Trump speech here. Far from it. But if there is one thing to be taken out of his speech, it is that perhaps scaremongering isn't the right way to go about it, especially after the recent tragedies in Australia. I'm just saying perhaps get people in a room and come up with a plan, rather than telling us what we already know. If anybody wants me, I'll be hiding behind my desk chair just in case I get one of those Greta stares. Good day.

January 23, 2020



SHIPPERS

Shipping companies that have invested in retrofitting their vessels with scrubbers currently have a competitive advantage due to the large discount for high sulfur fuel oil (HSFO), versus the premium price tag of low sulfur fuel oil (LSFO). Supertankers that are fitted with scrubbers and hauling 2mn barrels of oil earned about \$20,000 a day more so far in 2020?, according to Clarkson Research Services. Now, shipping companies must decide if it's worth buying more scrubbers.

REFINERS

Marine fuel has become one of the most valuable products for the refining segment of the oil industry. Prices for very LSFO are currently 88-140% higher than HSFO in the world's largest bunkering hubs of Singapore, Fujairah and Rotterdam. This price differential will increasingly drive refineries to invest in equipment for more compliant fuels.

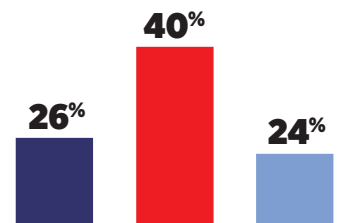
PORTS

Monitoring ships' compliance with IMO 2020 is now in full force for port states, with two violations reported in China's waters so far. The vessels were found in Qingdao and Xiamen, respectively. The first was using fuel with a sulfur content of 0.6777% m/m.

Sources: GIQ, Clarkson Research Services, BIMCO, Maritime Bunker Exchange (MABUX), Standard Club

What will be the average price spread per metric ton of LSFO over HSFO in Q1 2020?

- A. \$100-\$200
- B. \$200-\$300
- C. \$300-\$400



Source: Survey results were harvested from the input of more than 350 government and high-level energy stakeholders in Q4, 2019

AVERAGE PRICES: HSFO (380cSt)

January 1, 2020 - January 17, 2020

BUNKER MARKET	AVERAGE	HIGHEST	LOWEST
Singapore	\$368/mt	\$401/mt	\$333/mt
Fujairah	\$312/mt	\$330/mt	\$295/mt
Rotterdam	\$299/mt	\$313/mt	\$285/mt

Source: Marine Bunker Exchange (MABUX)

AVERAGE PRICES: IMO 0.5% FUEL OIL

January 1, 2020 - January 17, 2020

BUNKER MARKET	AVERAGE	HIGHEST	LOWEST
Singapore	\$701/mt	\$740/mt	\$650/mt
Fujairah	\$754/mt	\$795/mt	\$680/mt
Rotterdam	\$563/mt	\$602/mt	\$525/mt

Source: Marine Bunker Exchange (MABUX)

ENERGY NEWS Highlights



Middle East oil exports to India: 4-year low

India, the world's third-biggest oil consumer, imports 84% of its oil needs and traditionally relies on the Middle East for most of its supplies. However, the region's share of India's crude shrank to 60% in 2019, from 65% a year ago – the lowest level since 2015.

Source: Arab News



Fujairah: New storage and refining projects

Fujairah, the biggest bunkering hub in the Middle East, will soon reveal plans for new storage and refining projects as it reclaims more land to make way for future demand.

Source: Hellenic Shipping



Uganda: \$5bn oil field development

In a bid to expedite the growth of its oil industry, Uganda plans to spend at least \$5bn on the development of the Kingfisher and Tilega oil fields. This amount forms part of the \$15bn-\$20bn that is projected to flow into its developing oil industry over the next three to five years, including the construction of a refinery and crude pipeline.

Source: Africa Oil & Power

IMO: Smooth transition so far – next test to come

“That such a major rule change is being implemented successfully is testament to the diligence and dedication of the IMO, member states and the shipping and fuel supply industries. The next important target is fast approaching, when carrying non-compliant fuel oil on board ships becomes prohibited on 1 March, 2020. I urge all shipowners, operators and masters to comply with the carriage ban, where applicable, when it comes into effect. IMO will remain vigilant and ready to respond and provide any support.”

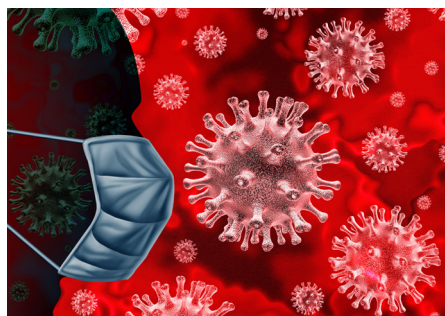
Kitack Lim, Secretary General, IMO, January 22, 2020



OPEC: 100.98mn b/d global demand in 2020

OPEC has projected an increase in the global demand for oil of 1.22mn b/d to 100.98mn b/d during 2020. Average production averaged 99.77mn b/d in 2019.

Source: Emirates News Agency



Coronavirus may trigger \$3/bl drop

The outbreak of a coronavirus in China that is now an international threat could cut oil demand by 260,000 b/d, which would translate into a price drop of almost \$3/bl. Most of the loss in demand will come from jet fuel, as the risk of disease discourages travelers.

Source: Goldman Sachs, OilPrice.com