

# Fujairah

## New Silk Road

### WEEKLY NEWSLETTER

DECEMBER 5<sup>th</sup> 2019  
VOL. 9

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

#### GULF INTELLIGENCE EXCLUSIVE TOP TAKEAWAYS

### Fujairah's Journey to Become the World's Largest Storage and Bunkering Hub

Over the last five years especially, Fujairah has elevated its relevance and capabilities, leveraging its one-stop appeal and geography at the heart of the global east-west crossroads and on the doorstep of the Strait of Hormuz, where 20% of the world's daily oil flows. This has all happened in just 36 years – the Port started full operations in 1983. Now, sights are increasingly set on establishing an energy trading/pricing ecosystem and continually building its appeal worldwide. Watch this space.

- The Port is the world's 2nd largest hub for bunkering and 1st in the Middle East for commercial storage capacity.
- \$1bn will be invested by ADNOC to build the world's largest single underground cavern in Fujairah, with a storage capacity of 42m barrels of crude oil.
- The world's most valuable company, Saudi Aramco, opened their second International office outside of the Kingdom in Fujairah in June – the first firm to establish a global trading desk in the Emirate.
- The largest-ever cargo of ultra low sulfur fuel oil (LSFO), facilitated by Uniper Energy, sailed out of Fujairah in May. The 154,411 ton delivery to Singapore was a much-needed confidence boost for a market that was concerned over supply of LSFO ahead of IMO 2020 – just four weeks away.
- The Port is home to the only very large crude carrier (VLLC) jetty on the 2,000km Indian Ocean coastline of Arabia.

\* Takeaways harvested from the transcript of the 9th GI Energy Markets Forum 2019

*"We are not new to surviving and prospering on this important maritime corridor."*

**Mohamed Obaid Majed**  
Director General, Department of Industry and Economy, Fujairah



#### Fujairah Weekly Oil Inventory Data

**4,658,000 bbl**  
Light Distillates



**3,373,000 bbl**  
Middle Distillates



**12,786,000 bbl**  
Heavy Distillates & Residues



Source: FEDCom & S&P Global Platts

#### Fujairah Average Oil Tank Storage Leasing Rates\*

##### BLACK OIL PRODUCTS

Average Range  
**\$3.59 – \$4.04/m<sup>3</sup>**



↑ Highest: **\$4.30/m<sup>3</sup>**

↓ Lowest: **\$3.40/m<sup>3</sup>**

\*Time period: Weekly

Source: GI Research

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# THE WEEK In Numbers

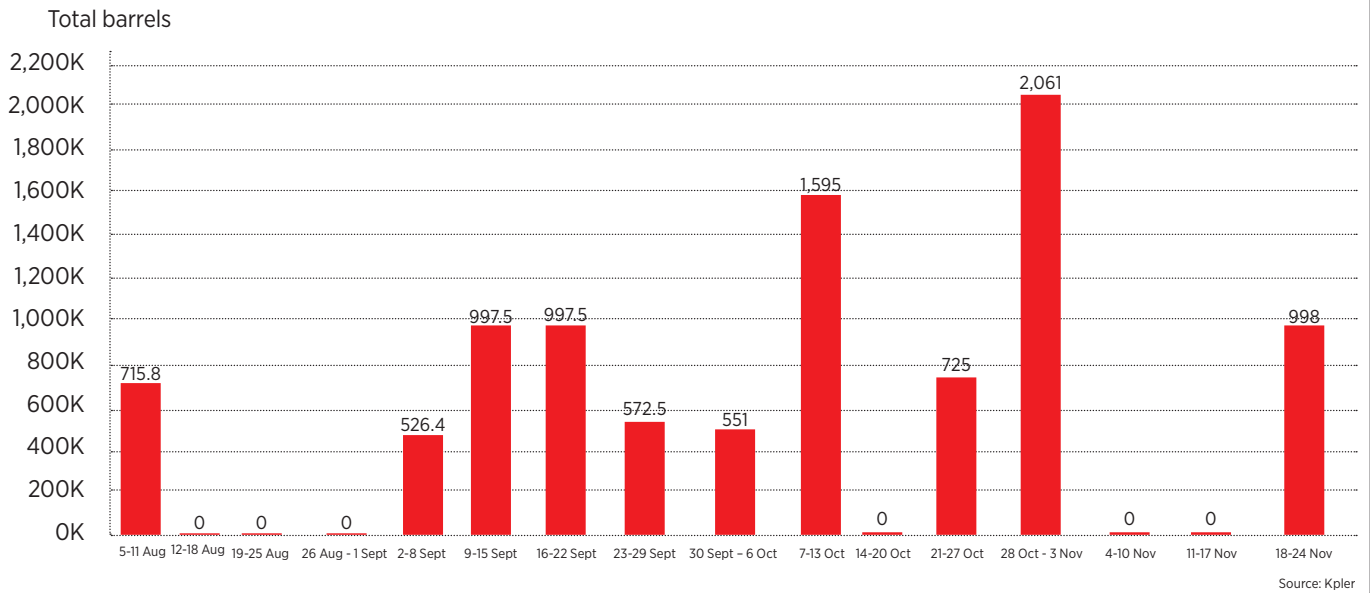


### Weekly Average Oil Prices

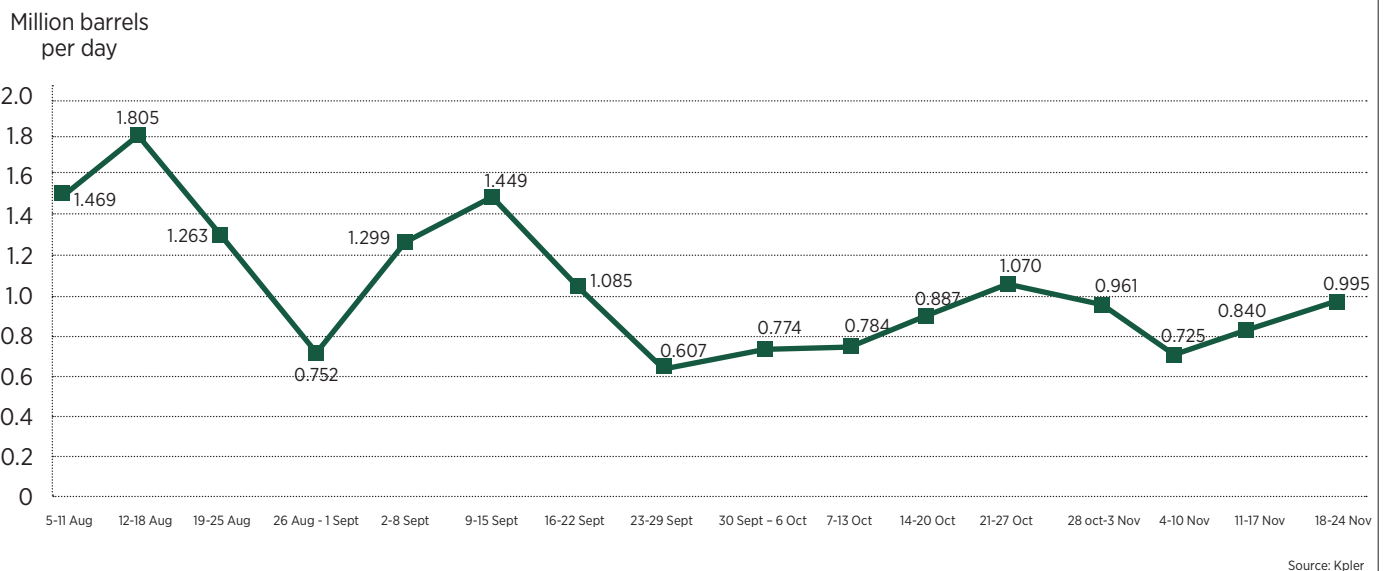
<b>Brent Crude:</b>	<b>\$63.66/bbl</b>
<b>WTI Crude:</b>	<b>\$57.23/bbl</b>
<b>DME Oman:</b>	<b>\$60.04/bbl</b>
<b>Dubai:</b>	<b>\$58.4/bbl</b>

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

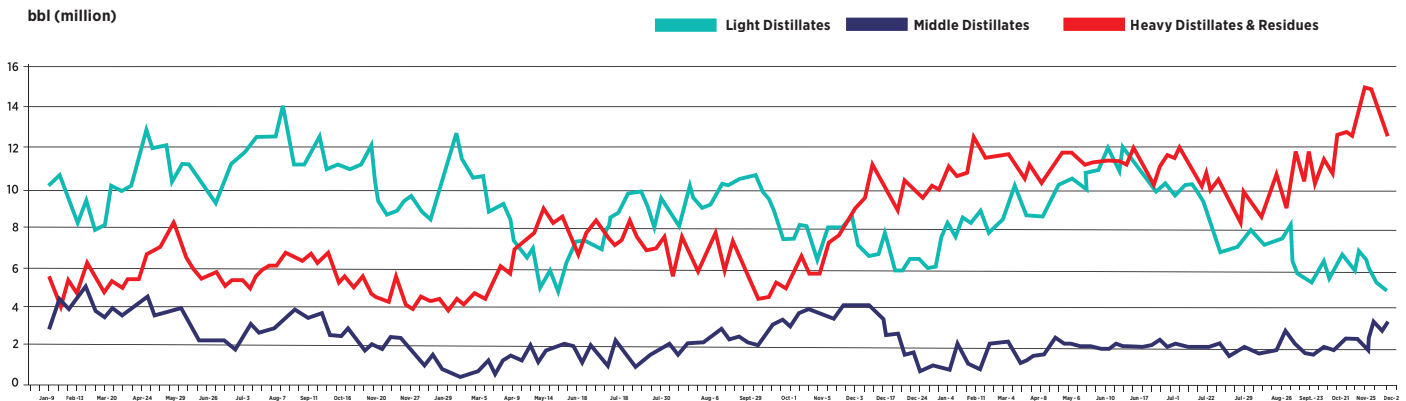
## Weekly Imports of Heavy Sweet Crude into Fujairah



## Total Refined Product Exports from the GCC to Asia-Pacific



# Fujairah Weekly Oil Inventory Data



**As of Monday, 2 December total oil product stocks in Fujairah stood at 20.817mn barrels, their lowest level since early October. Stocks fell 2.453mn barrels week-on-week. Overall product stocks fell by 10.5%, with draws across light and residual stocks, while middle distillate stocks showed a build.**

Stocks of light distillates fell by 254,000 barrels reflecting a decline of 5.2% week-on-week. Total volumes stood at 4.658mn barrels. The East of Suez gasoline market remained

supported following localized supply disruption in the Arab Gulf coupled with steady demand. "The market seems to be still short in gasoline," a trader said. In addition, tightness in octanes continued to support inter-run spreads, sources noted. The FOB Singapore 92 RON gasoline crack against front month ICE Brent was assessed at \$8.36/b on Tuesday, a fall of 21 cents/b week-on-week.

Stocks of middle distillates rose by 11.7%, building by 353,000 barrels to stand at 3.373mn barrels at the start of

the week. Demand for gasoil for blending into marine fuel was lending support to the gasoil complex with IMO 2020 under a month away, sources noted. In the longer term, a potential recovery in the Indian economy could be a supporting factor for gasoil in 2020, sources added.

Stocks of heavy distillates fell by 16.6%, down by 2.552mn barrels on the week to stand at 12.786mn barrels. The market in Fujairah was heard to have largely switched to lower sulfur material for bunkering with under a month now before the

IMO 2020 regulations come into effect, restricting sulfur content in fuel for vessels. The switch in demand continued to put downward pressure on high sulfur fuel oil values, with limited demand for the fuel remaining, sources noted. Delivered bunkers for marine fuel 0.5% maximum sulfur in Fujairah were assessed at \$562/mt on Tuesday, while high sulfur delivered bunkers in the port were assessed at \$240/mt on Tuesday, reflecting a spread of \$322/mt between the two fuels.

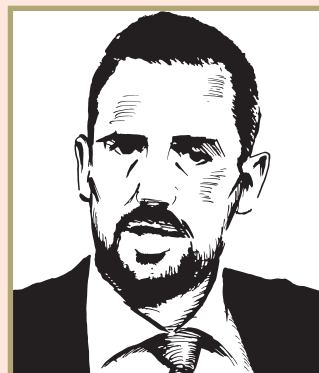
Source: S&P Global Platts

## Oil Commentary

### Whatever it Takes?

OK, today's Christmas cracker is a humdinger. How did Scrooge win the football match? The ghost of Christmas passed. Excellent. OK, this oil market. Well, the rumour mill continues to churn in the hope that Brent will pick up to levels the cartel is happy with, so they don't actually have to do anything. But we all know, in all honesty, that this market is as weak as your Nan's Wi-Fi password. BESTNAN01. Or similar. As I have been saying for a while, there really are only three options for OPEC+. 1) Extend current output policy until the end of 2020. 2) Deepen

the cuts and extend amended policy to the end of 2020. 3) Do away with any talk of "cuts" and just tell everyone that our policy is to supply the market on a month-by-month basis depending on market conditions, and we will adjust as necessary. The latter will prove to the market that the "do whatever it takes" agenda really is going to happen but, in all honesty, I don't see option three happening. I see a higher chance of option two happening, but it is probably a 25% chance only. So, that leaves us with door number one. Anything other than number one will frankly be a disappointment to the



**BY MATT STANLEY**  
SENIOR BROKER  
STAR FUELS

market and this is why, in this numpty's opinion, the market is hesitant to price in anything prior to the meeting. The thing is though, even if by some miracle number two or three

are agreed upon, what will happen to the flat price? It is clear for all to see that all OPEC+ are doing right now is fending off the insatiable production increases that the US are in the midst of... nothing more. So, where is the ceiling on Brent? \$70/bl? \$75/bl? I'd be very surprised if it went any higher than that. But where is the bottom, even if option one isn't agreed upon? \$40/bl? \$30/bl? I'd have to say that it is possible we could see the bottom of that range tested. Ifs and buts. Buts and ifs. In other encouraging headlines, Trump tramples trade talks - say that after an eggnog or two. Keep your eyes on the headlines. Good day.

December 4, 2019

# GIQ EXCLUSIVE INSIGHTS

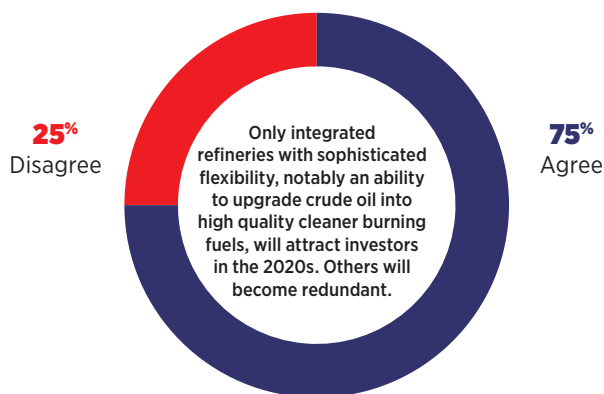
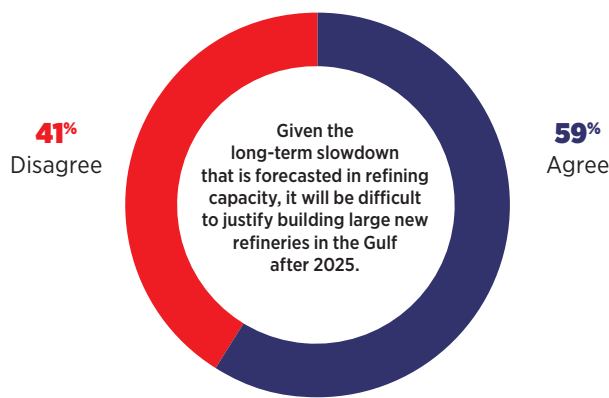
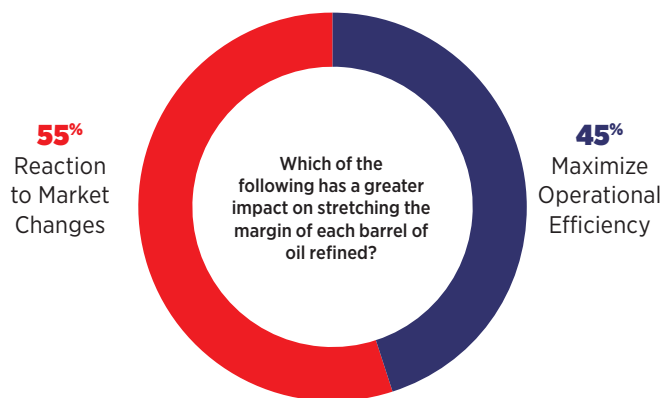
## GULF REFINERS: How to Maximize the Margin of Every Barrel?

### Improve Refinery Efficiency and Boost Utilization Rates

Much-needed investments are going to get tougher to come by 2025 – time for a rethink. More than half (59%) of respondents to an exclusive GIQ Industry Survey said it will be more difficult to justify building large refineries in the next five years, while 75% said only integrated, sophisticated refineries will continue to attract investors during the same time period. Plus, not a single respondent believes the Middle East’s refining industry has been well-prepared for IMO 2020, the biggest shift in global

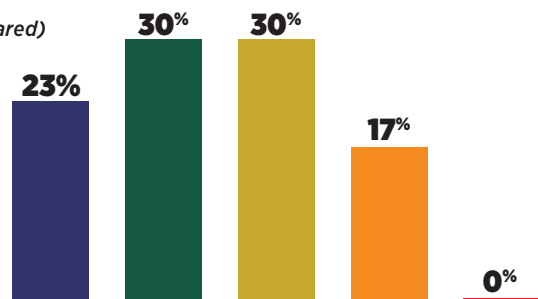
shipping markets since engines replaced sails in the early 1900s. The International Maritime Organization’s (IMO 2020) ruling to limit sulfur from bunker fuel to 0.5%, from today’s 3.5%, comes into play on the 1 January – less than four weeks away. Amid this sentiment, it is unsurprising that quickly improving operational excellence must be a top priority for all refiners. Crucially, refiners must make it easier for investors to support their goals.

\*Edited Transcript; Bahrain, The Gulf Downstream Workshop 2019



From a score of 1-5 how would you score Gulf Refiners performance in preparing for IMO2020?

- A.** 1 (not prepared)
- B.** 2
- C.** 3
- D.** 4
- E.** 5 (well prepared)



Source: The 2<sup>nd</sup> Gulf Downstream Workshop Q4, 2019

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# ENERGY NEWS Highlights



## UAE exports 32.2mn barrels of crude oil to Japan in October

Japan has imported 32.24mn barrels of crude oil from the UAE during October 2019, according to data released by the Agency of Energy and Natural Resource in Tokyo on 3 December. This amount accounts for 37.6% of Japan's total oil imports and represents the highest amount from one country in October.

Source: Mubasher

## Planned Aramco-ADNOC refinery in India to cost \$70bn

A massive refinery complex to be built on the western coast of India by Saudi Aramco and ADNOC is expected to cost as much as \$70bn, nearly twice the amount initially estimated. The 1.2mn b/d refinery being planned in the Maharashtra state will be supplied with 600,000 b/d of Saudi crude.

Source: Oilprice.com

## Nigeria commits to OPEC agreements before Vienna meeting

Nigeria is committed to the full implementation of agreements among OPEC and non-OPEC members, its Minister of State for Petroleum said on Sunday, 1 December, ahead of an OPEC meeting in Vienna on Thursday, 5 December.

Source: Reuters

## Saudi raises light crude prices to Asia to six-year high

On Monday, 1 December, Saudi Arabia raised its light crude prices for sales to Asia in January to the highest in six years, tracking gains in the Middle East crude benchmark and higher margins for light distillates last month.

Source: Reuters

## Russia launches gas pipeline to China

Russia has begun gas supplies to China via the Power of Siberia pipeline, the largest gas project in its history and a symbol of Moscow's diplomatic pivot towards Beijing at a time of worsening relations with the west. Gazprom's \$55bn deal with China's oil and gas major CNPC will eventually allow for 38bn cubic meters in annual gas supplies to China via the 3,000km pipeline that crosses Siberia to the Chinese border in the south-east.

Source: Financial Times

## US is net exporter of oil for first time in decades

The US has cemented its status as a net exporter in world oil markets. The US exported 89,000 more barrels of crude oil and refined petroleum products a day than it imported in September, the first full month of a positive oil trade balance since the 1940s, the Energy Information Administration (EIA) said.

Source: Financial Times

## Mubadala to decide on Pakistan's \$6bn refinery in 2021

Mubadala Investment Company's petroleum and petrochemicals platform will make a final investment decision on a \$6bn Pakistani refinery project by 2021, with the complex potentially attracting other Gulf investment from Saudi Arabia and the UAE. Mubadala Petroleum & Petrochemicals, as well as Austria's OMV, in which the Abu Dhabi company has a 24.9% stake, are looking to develop a 250,000 b/d refinery in the Balochistan region near the port city of Karachi to meet Pakistan's growing energy demand.

Source: The National

### MARK YOUR CALENDAR

## The 10<sup>th</sup> Gulf Intelligence Energy Markets Forum 2020

Under the Patronage of His Highness Sheikh Hamad Bin Mohammed Al-Sharqi Member of the Supreme Council and The Ruler of Fujairah, UAE

September 28<sup>th</sup>-29<sup>th</sup> | Fujairah | UAE