Fujairah New Silk Road WEEKLY NEWSLETTER

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FOIZ منطقة الفجيرة للصناعة البترولية Fujairah Oil Industry Zone

أدنوك ADNOC

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

"IN AUGUST AND SEPTEMBER, WE WERE BACK AT OUR NORMAL LEVELS WHERE WE WERE IN Q1."

Port of Fujairah
ميناء الفجيرة
Port of Fujairah
United Arab Emirates

EXCLUSIVE INTERVIEW: Leadership of the Port of Fujairah

The pandemic and the great and sudden drop of demand showed us how far the bottom can be. It gave us the opportunity to see how much of an impact we, as the Port of Fujairah, would see. We came from record highs for throughput that started in 2019 and continued into Q1 2020, with another record month in February. Then the pandemic came as a shock. We must say that we are resilient. This April, we saw a dip and went down by 25%-30% in throughput. But in May, we already started to pick up again with a very sharp V-recovery. In August and September, we were back at our normal levels of Q1 pre Covid-19. That shows that Fujairah is well-positioned, provides the right services, and can come back online quickly after such a crisis.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

6,045,000 bbl	3,933,000 bbl	10,361,000 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
$3.54 - 4.38/m³

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

Source: GI Research – Weekly Phone Survey of Terminal Operators

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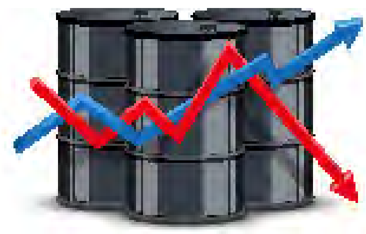
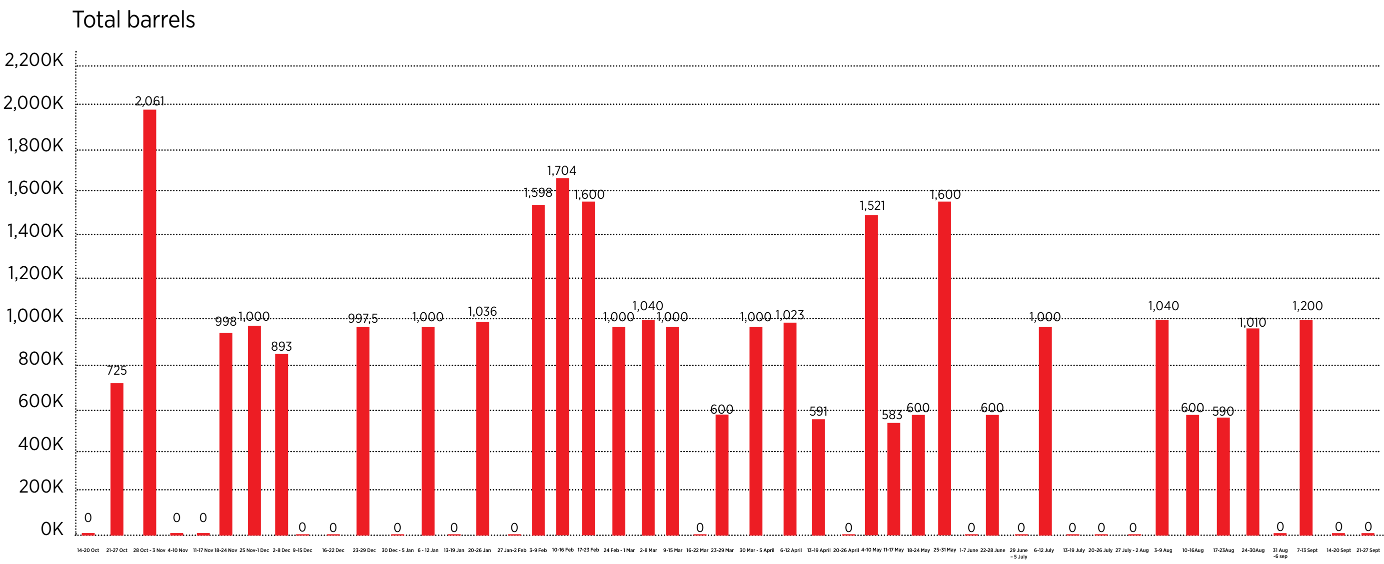


Weekly Average Oil Prices

Brent Crude:	**$42.46/bl**
WTI Crude:	**$40.79/bl**
DME Oman:	**$42.10/bl**
Murban:	**$42.46/bl**

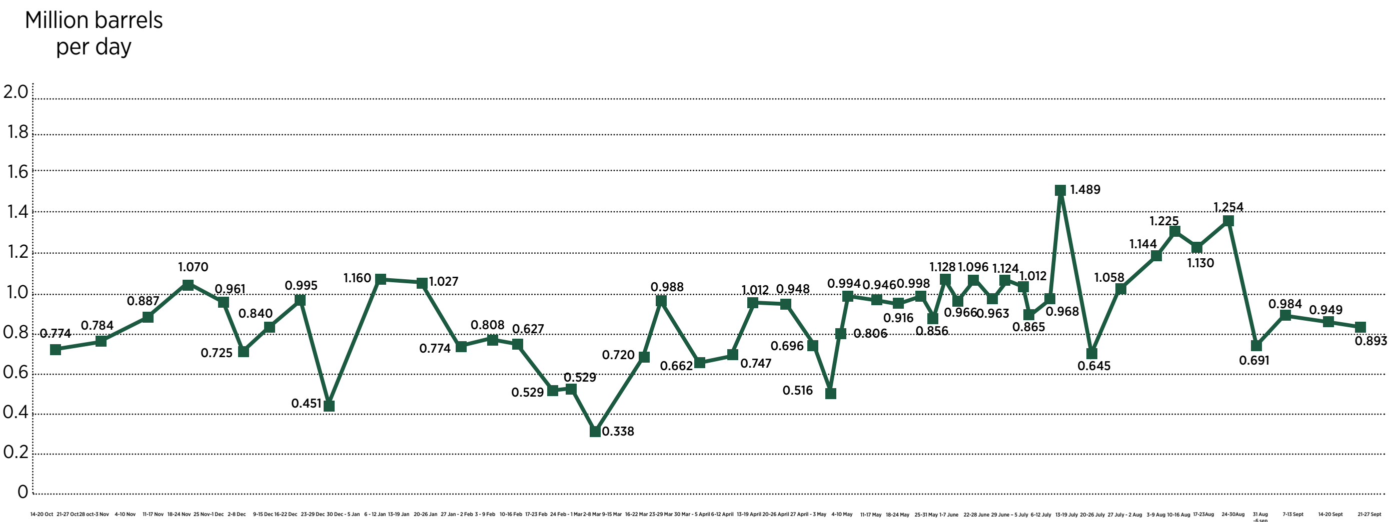
Time Period: Week 3, October 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

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CONTINUED FROM PAGE 1

GIQ: What role did Fujairah's geographical location play in the port's sharp recovery?

Port of Fujairah: We're focusing on the east side of the world. We have our steady supply and flows into the GCC, Pakistan, and India, of course. As soon as these markets began to come out of their lockdowns, the oil followed immediately via the tanks here in Fujairah. We're basically back where we left it in Q1 in a very short period. With regards to bunkering, we thought the bunker markets would get a big hit. We are among the top three in the world. But when it comes to bunkering, it's been the same story. There was very little impact; we are steady. I won't say we're growing at the moment. But for the last couple of years, we've seen a very steady flow. The pandemic did not hit this. So, again we showed resilience.

We saw fuel companies getting into financial trouble, and of course, there were also some here in Fujairah. That makes you aware of the possibility that there might be others. Do we have to have a proper look at things? I have to say, things are going quite smoothly. We also had a few projects lined up which did not proceed because of that. Of course, that's disappointing. But others are still looking to invest in the market. Overall, it's a very dramatic situation and the pandemic is continuing, but the oil side of things here in the port is back. Looking back though, if there were more tanks in the network, we could've seen more flows in and out. We would've benefited from that.

GIQ: What are the opportunities for expansion?

Port of Fujairah: We'll look at existing customers and existing terminals who might have expansion plans. We are in favor of supporting them to grow their business. For any newcomer, there'll be serious due diligence to see what the added value is what they'll bring to Fujairah. There'll definitely not be an unlimited build of new storage capacity. There's room around crude, but for refined products, that'll mean you have to bring in a completely new market or new players. The market we serve nowadays – the Gulf region, east Africa, and the Indian subcontinent – is well served out of Fujairah.

GIQ: What are the ramifications of ADNOC's new Murban contract for Fujairah?

Port of Fujairah: It's exciting to see that was planned for this year, but it's now moved to Q1 2021. We're going to see how it's going to play out and how the trading will develop. ADNOC Trading and ADNOC Global Trading are still relatively new. They clearly indicated at the last Gulf Intelligence Energy Markets Forum that Fujairah is a key global hub for them to grow their trading and business.

GIQ: Has the port made the physical connection yet between the manifold and ADNOC storage?

Port of Fujairah: That's ongoing and has not been finalized yet. This is among the projects that we are developing at the moment. If that that happens, it will give ADNOC the flexibility to trade it. In the end, it's up to ADNOC on how they want to trade their crude. We're ready to make the connection and expand the number of jetties. Fujairah has the superstructure ready to expand from the current nine oil berths up to 21. This of course depends on the sizes, but we have it all in place. We can build a second very large crude carrier (VLCC) jetty. We can expand our matrix manifold system. We can lay more lines. We are all ready when the time comes and when ADNOC is ready.

GIQ: How has IMO 2020 impacted the Port of Fujairah?

Port of Fujairah: We were always very confident that we were well-prepared and well-placed to handle this. We were challenged quite a bit last year on whether we were ready or not. But, as we expected, it worked out very well. It was a very smooth transition. In Fujairah on the port side, we dedicated four bunker berths specifically for low sulfur fuel oil (LSFO) and marine gas oil (MGO) on the right side. We clearly segregated the flows of high sulfur fuel oil (HSFO) and LSFO. We're still able to load HSFO, but we'll do that on separate berths. Over 80% of what we are loading is LSFO. It's a dedicated flow, so there's no contamination and no quality issues. On the terminal side, most of the terminals in Fujairah are relatively new and well equipped. The big players do their blending, and the terminals have these facilities. On top of that, we have two producers in the form of the Uniper topping refinery, as well as the Vitol refinery producing around 500,000 metric tons a month. It's a big chunk of the market demand. All these things together have worked out very well.

GIQ: What role does the port play in regulating the use of compliant fuels on ships?

Por of Fujairah: We have always said that we'll not have that kind of role. It's with the RTA to do regular spot checks if they feel they are needed. They do their vessel inspections and part of the vessel inspections is to see if ships are using compliant fuel. We've had no cases at all. If you just purely look at the numbers between HSFO and LSFO, it's very much 85% LSFO. This is in line with the vessels anchoring for bunker. We're not concerned at all. We're not in a police role and we don't need to be, because the market has shown it can regulate itself.

GIQ: What is your outlook for further data transparency at the Port of Fujairah?

Port of Fujairah: We're currently studying this to see what else we would like to share with the market on a weekly or monthly basis. We're looking into data on bunkering and some other commodities to share. This is not concluded yet. We are working on it in the coming weeks with our partners to see if we can add to the weekly inventory numbers that we have already published for a couple of years now and integrate more transparency.

GIQ: Has this year accelerated the Port of Fujairah's goal of becoming a global energy trading hub?

Port of Fujairah: Crude storage was a missed opportunity this year. The refined throughput and storage have been steady now for the last couple of years. So, it's the crude where we see the opportunity. Unfortunately, we missed out on that. There were some crude tanks in Fujairah, but they couldn't always cater for it. Some terminals also lack the connection to the VLCC jetty. A couple of terminals now have started to invest to connect into the Matrix manifold, the VLCC jetty, and build new tanks. BPGIC is one of those terminals that will hopefully commission their new crude tanks by the end of this year, or early next year. We see the future is there. Obviously, it's also very much driven by ADNOC's initiatives. There are the caverns, and they are supposed to connect to the port as well. If you're connected to the port, then you're connected to all the other terminals.

WATCH FULL INTERVIEW HERE

Port of Fujairah
ميناء الفجيرة
Port of Fujairah
United Arab Emirates

ENERGY MARKETS COMMENTARY WEEK IN REVIEW

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"We wished we'd had a bit more storage capacity. It wasn't enough."

Yusr Sultan Al Junaidy
Managing Director
Horizons Terminals

HORIZON TERMINALS

GIQ: How has the Covid-19 pandemic impacted Horizon Terminals and your operations in Fujairah?

Yusr Sultan Al Junaidy: It's been a very turbulent past couple of months for the whole oil and gas industry. The only part of the supply chain that has not been so shocked is probably the storage and shipping segment. But the whole supply chain has been severely disrupted. We started off the beginning of the year with quite a lot of oversupply. Then along came Covid-19 which hit a lot of the producers pretty badly and caused a lot of demand erosion. That was a difficult time. The first takeaway we had from that was a lot of companies started focusing on operational resilience. We've invoked crisis management like many other companies. These things are usually there for a short period of time, but they're there now for a much longer period. It's become a norm. The second thing we take away from this is that a lot of companies have tried to rationalize their investments in light of not knowing what's going to happen in the next month, or when this pandemic will be over. They've put a lot of projects on hold, rationalizing their capital investment. The last thing is that we see a lot of people becoming more aware of social issues, such as climate change and biodiversity. It's a function of us realizing that we have time on our hands to really consider these things. How could such a microscopic virus really change the whole world? How small are we in the big scheme of things? We've now started thinking about the bigger picture.

GIQ: How did your business and peer group in Fujairah perform over the past six months? Do you wish there was more storage capacity?

Yusr Sultan Al Junaidy: We wished we had a bit more storage capacity. It wasn't enough. We already had oversupply and along came this demand destruction out of nowhere, which caused prices to drop. Everyone was looking for storage. It took us by surprise, and we could see a lot of customers looking for onshore and offshore storage all over the world. Fujairah obviously has benefited from that because there are quite a lot of players and a lot of storage that has been set up.

GIQ: Should Fujairah be adding more tanks to take advantage of storage opportunities that we are currently seeing?

Yusr Sultan Al Junaidy: I hope not, because we want things to get back to normal. This situation, where there is oil demand that has dropped so substantially, has led to low oil prices and increased demand for storage. I'm hoping that we find a solution to this pandemic. I know it's going to take a bit of time, but this is cyclical as well. This is an abnormal situation, but normally you will see contango and backwardation. Demand will go up and go down.

GIQ: Where was the opportunity for storage over the past six months and what can Fujairah do in the future to leverage this?

Yusr Sultan Al Junaidy: It was across the barrel. There's a lot more potential for crude storage in Fujairah because production is steady, and demand has fallen. That's something Fujairah can build on especially since it has the infrastructure to deal with that and export right now.

"AS SHIPOWNERS START LOOKING AT THAT AS AN ALTERNATIVE FUEL IN THE YEARS TO COME, I BELIEVE FUJAIRAH MUST FIND A WAY TO DEVELOP LNG INTO THEIR STRATEGY. THEY MUST MAKE IT AVAILABLE SO THEY CAN MAINTAIN THEIR POSITION AS A GLOBAL BUNKERING HUB."

There are more players coming into the market and hopefully they will export out of there. Predominately it's still products, but crude can have a bigger role. In the future, we should be able to see LNG as well. That's something that Fujairah is well placed to benefit from in the near and long-term.

GIQ: Would Horizon be interested in investing in LNG Storage?

Yusr Sultan Al Junaidy: This is an area that we are interested in investing in and developing. We have a long relationship with Fujairah; we were one of the first movers there. We'd like to develop on that if we come across the right project. Fujairah is growing and the industry is growing. The demand for gas in the UAE, despite the pandemic, is growing strong. There's a requirement for power, energy, and gas. You leverage off that and then you look to develop the bunker markets.

GIQ: How can Fujairah take advantage of the opportunity for crude storage given the current shortage of available land at the moment?

Yusr Sultan Al Junaidy: The Government of Fujairah has always been a great partner. They understand what the business needs. If they choose to make land available, there are ways to do it; some more expensive than others, but there are ways. I believe the crude opportunity is there when it comes to cargo aggregation, blending to get things on spec, and the growth that's coming in Asia. Fujairah can play a role.

GIQ: Should Fujairah develop a refinery?

Yusr Sultan Al Junaidy: It would help to have the production of products close by, but there are many refineries not that far away from Fujairah. Fujairah has the location, the infrastructure, and clear laws covering the whole UAE when it comes to imports and exports. They are already well-placed, but it would help. All the infrastructure in Fujairah is interconnected and allows for the easy trade and transfer of products from one terminal to the next. All of that has been well thought out by the port and the government.

GIQ: How has the implementation of IMO 2020 gone so far in Fujairah?

Yusr Sultan Al Junaidy: The port did a lot of operational changes to be ready. We've already seen our clients bringing in LSFO from last year. The rates and occupancy in Fujairah were already improving from the second half of 2019 to be ready for IMO 2020. It's not easy to change shipping routes. The location will always be there. You just need to have the product. A lot of the traders and suppliers were ready. The port helped by setting things up.

GIQ: What should Fujairah look at adding to maintain its position as a global bunkering hub?

Yusr Sultan Al Junaidy: We keep forgetting that Fujairah has spent a lot of time developing piece-by-piece. For example, our shareholder, Emirates National Oil Company (ENOC), has a plant over there that produces lubricants for the shipping industry. I believe a lot of the companies have already stocked up. There's also production of LSFO. The only thing that I would add, there's going to be growth in demand for LNG as certain regions become stricter in terms of emissions. As shipowners start looking at that as an alternative fuel in the years to come, I believe Fujairah must find a way to develop LNG into their strategy. They must make it available so they can maintain their position as a global bunkering hub.

GIQ: What is your outlook for the drawdown of inventories in Fujairah?

Yusr Sultan Al Junaidy: It's been strong. There has been a pick-up. Some economies have opened. For good or for worse, they've made the decision that they want to open up. That has caused a bit more consumption. We still see a very big weakness in the aviation sector, which is global. But some markets have been opening, especially in Asia. There is unused capacity at the moment in Fujairah, but it's pretty full. Fujairah published their numbers and it's quite well occupied. Capacity is booked even if it's not being utilized. People want that position and that security. There's a bit of volatility in the market and they want to be positioned for that.

GIQ: How has the arrival of larger market players in Fujairah impacted the overall ecosystem there?

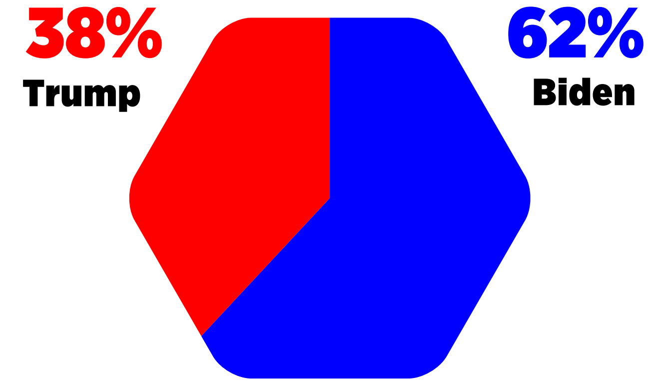
Yusr Sultan Al Junaidy: It's very positive that everyone is seeing the value of having a base out of Fujairah. It will make other competitors think twice because it's not easy to relocate. At the same time, Fujairah must keep looking at remaining not only operationally resilient, but they also have to be competitive in terms of the cost side in order to keep all these players. You can attract everyone. You can only keep them there if you make the effort to keep the costs reasonable.

GIQ: Where are the key points of connectivity for your business and your current plans for expansion?

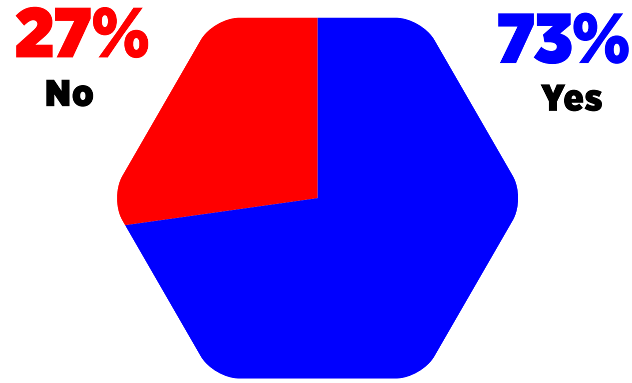
Yusr Sultan Al Junaidy: The clients are moving product into east Africa and the Red Sea. There are constant imbalances in the GCC, so you will see some small cargoes going back and forth. Predominately, you've got product going into the Indian subcontinent, and the other way as well. I can't see us expanding the geography more, because you're limited by the costs of freight and moving product. Also, there's always alternative producers surrounding you.

GIQ Weekly Surveys

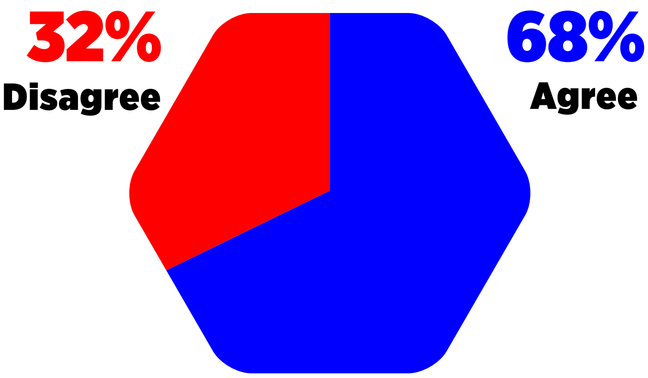
Who will win debate tonight?



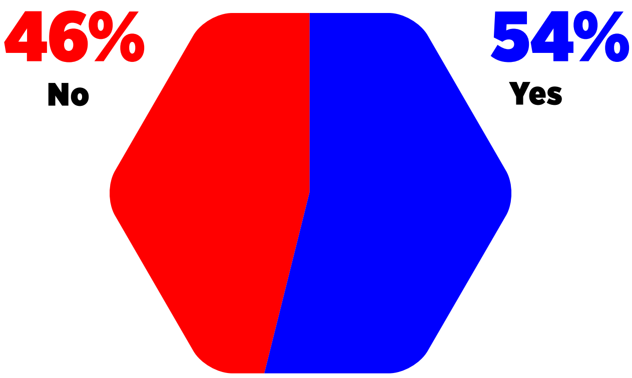
Will downgraded ratings for the world's top economies redice governments' ability to continue stimulus & hence cut oil demand in 2021?



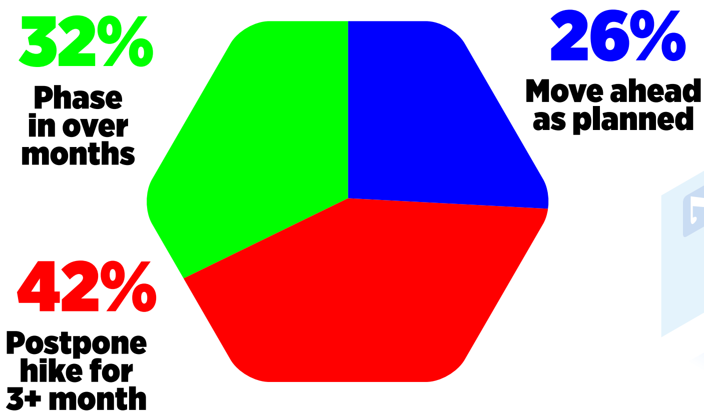
The second wave of Covid-19 infections now hitting the US & Europe may dent but won't derail the economic recovery from the first wave?



China, the world's largest oil importer, is the only G20 Economy to be growing – do you think that will give OPEC enough confidence to proceed with 2mn b/d hike in January?



Following OPEC+ meeting earlier this week, what is your outlook for the scheduled 2mn b/d supply boost on Jan. 1st?



Source: GIQ

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"CEOs and CFOs should be asking: 'How do I Protect my Balance Sheet?'"

NEW ENERGY INTEL

Alzbeta Klein
Director and Global Head of Climate Business
International Finance Corporation (IFC)

IFC International Finance Corporation WORLD BANK GROUP

This exclusive interview is harvested from the 'Two Minute Warning' Featured Interview this week by New Energy Intel, an arm of Gulf Intelligence. Details of the weekly Interview Series are released via social media on @gulfintel.

Alzbeta Klein: We're seeing oil companies around the world revamping their entire business models. Agribusiness companies are using new technologies, cities are rethinking transport, and financial institutions are embracing digitalization. This is all positive disruption. On the other hand, we're also seeing that pressure on investors is growing to account for the impact of their investments. A key step is exploring what investors want in their portfolios, and how to create investment opportunities to facilitate that journey. Pension funds and various large asset owners are realizing that the way the world was constructed was great for many years, but it's not going to get us where we want to be in the next decade.

NEI: How quickly do you expect the Middle East to take a larger portion of the global green finance share and to play a larger role in the global narrative of this transition?
Alzbeta Klein: We have a huge opportunity. When I look at our business in the Middle East, about half of what we do in climate business is in renewables. Yes, those are oil rich countries, but we've seen huge steps towards renewables. To give you a couple of examples from the Middle East and North Africa (MENA), we've financed several projects in Jordan and in Egypt, we've recently financed the largest solar power installation in North Africa. We're also working across the region on several other renewable energy projects. Renewable energy is a unique opportunity to actually build up something that's even cheaper than what you get from traditional fossil fuels. We're also seeing green construction is start starting to play a role, i.e. building a type of building which is better suited to the environment where it's positioned. At the IFC, we have a certification for emerging markets called Edge. We're seeing growth in our companies in the MENA who are starting to use that and build with a green certification, so that buildings are more energy efficient. It's in the interest of the client to do it because it's cheaper to run. The Middle East hasn't used green finance opportunities as much as some other regions, and there is a reason for that. A lot of the companies are financed locally from local capital markets and they haven't seen the pressure from investors that perhaps other companies and other markets have seen. So, investors in Europe and North America have moved quite strongly into green bonds, green loans and ESG-linked loans. My hypothesis would be that the companies in the Middle East probably don't reach out to those markets and haven't seen the demand for these kind of products. But it's an untapped opportunity because we've seen that when a bank issues a green bond, its often oversubscribed. When sovereign debt is issued through a green bonds program, oversubscription is substantial.

"PENSION FUNDS AND VARIOUS LARGE ASSET OWNERS ARE REALIZING THAT THE WAY THE WORLD WAS CONSTRUCTED WAS GREAT FOR MANY YEARS, BUT IT'S NOT GOING TO GET US WHERE WE WANT TO BE IN THE NEXT DECADE."

"THE MIDDLE EAST HASN'T USED GREEN FINANCE OPPORTUNITIES AS MUCH AS SOME OTHER REGIONS – AND THERE'S A REASON FOR THAT."

NEI: Looking at the overall ecosystem in the Middle East, do you think there's real change occurring throughout the financial ecosystem?

Alzbeta Klein: If you'd asked me this question about four years ago, I probably would've answered differently. But today there's a trend that's here to stay. Is it for the top tier companies or is it for all the other companies? Honestly, we are past the stage where it's just the top tier. So, if you think about the green bonds market, for example, it started ten years ago and it was started by multilaterals. The first issue was by the European Investment Bank and then the World Bank and then the IFC. So, there are three parents to the green bonds market. From there, it moved to sovereigns – France, Poland, Indonesia, and a few others. Now it's going to companies and financial institutions. And the next one is real sector companies. And that's the trend we're now seeing in several other areas of green and sustainable finance.

NEI: What do you see as the biggest barriers to accepting this transition and these new climate opportunities for businesses? Is it cultural or purely access to finance?

Alzbeta Klein: It's both. When it comes to companies, it's understanding what the opportunity is. I recall a couple of months ago, we had an in-depth meeting with one of the agri-focused banks and they were looking at issuing a green bond. The biggest obstacle was understanding how much climate-smart agri they already have on their books. They weren't measuring it. They only did basic environmental screening, but they focused on irrigation finance or better land-use and suddenly they realized that it's actually something they would qualify for. Another barrier is culture and investors. Companies that are pressured by investors are probably a bit faster in the uptake. We're looking at what's happening around us and we're seeing climate risk being realized. This isn't a theoretical risk – it's happening today and it's affecting balance sheets and income statements today. The question for CEOs and CFOs should be: "How do I protect my balance sheet?" You do this by investing for the future and we'll hold you accountable.

NEI: What should energy stakeholders keep an eye on going forward?

Alzbeta Klein: One thing is very clear: we're going to be using a variety of fuels going forward. Economics are very clearly pointing to what the future might look like, and that's a tilt towards renewables. That's on the energy side. I think what's going to happen in climate finance is that people will realize that it's not just about energy. It's what we do, what we eat, how we live. It's how we transport ourselves. It was at a climate conference in Bonn about two years ago when the global community acknowledged the role of food and agri-business as both a culprit and a victim of climate change. And therefore, the need to do things differently. Another trend is that investors and asset owners of financial assets are being transferred to younger generations, and they are increasingly aware about how their money is spent. They are pushing asset managers to do very different things with their money. They still want to have good returns, but they also want to have an impact. Impact investing used to be a very niche space several years ago. Now, it's becoming much more mainstream.

NEI: What role does the IFC play in helping to accelerate the opportunities of a green recovery?

Alzbeta Klein: Remember 'Control, Alt, Delete' when computers started many years ago and you had to reboot and restart? I feel we're in this moment in the world. We've an opportunity to rethink and restart. At the IFC, we find companies in emerging markets. We focus on the poorest of the poor countries and mainly in fragile and conflict affected states. We're financing companies in those markets. So, when it comes to green recovery, there are two phases. The first phase is when the pandemic hit back in March, it was all about bringing liquidity and financing to the market because everyone shut down. So how much space do we have for making the recovery greener? Well, we can choose which companies we want to support. And we decided to support those companies that have environmental, social and governmental (ESG) profiles that comply with our standards and we helped them in this immediate liquidity stage. But the huge opportunity we have in front of us is the green rebuild. Once this is all done and we start building new capital investments, they can start building things that are going to be relevant for the next 20 years. So, if you're seeing what's happening with major oil companies and their announcements over the past six months, it's not by chance that they're looking at financing charging infrastructure for electric vehicles (EVs) and offshore wind. Who is better positioned than oil companies to do offshore wind? It's all about marine engineering. At the IFC, we're focusing on both the immediate liquidity needs of our clients, which we've been doing for the past six months. But as we look forward, we're also going to focus on how we can help them on the trajectory to build the companies for the future.

**Edited text from transcribed interview*

NEW ENERGY INTEL

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ENERGY MARKETS FORUM 2020

NEW SILK ROAD LIVE

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TOP 10

OCTOBER 18th - 22nd

MARKET OBSERVATIONS FOR THE WEEK

1. Fujairah's Future Growth will be in Crude Oil Storage & Trading.

3. US election, regardless who wins, is unlikely to jolt oil markets out of low $40s/bl slumber.

3. OPEC+ may have to start answering the question of what to do when oil prices stop rising no matter how much cuts you make?

4. Libya, which is unbridled by oil production quotas, throws a spanner into OPEC planning – ignore at your peril.

5. China's Q3 GDP growth of 4.9% offers hope for oil imports to remain at elevated levels through to the New Year.

6. Port of Fujairah oil flow throughput has recovered to pre-Covid-19 record levels seen in Q1.

7. The Covid-19 pandemic is expanding in over 40 states, with hospitalizations reaching critical levels in some key swing states ahead of the election.

8. Oil markets need to look beyond US elections for direction of travel into the New Year.

9. COVID 2.0 wave is snatching demand recovery from the jaws of glass half-full and moving decisively into glass half-empty territory.

10. OPEC+ JMMC meeting declined to signal intent for proceeding with the January oil output hike, but most market actors urged 3+ month postponement.

ENERGY MARKETS VIEWS YOU CAN USE

Vandana Hari
Founder & CEO, Vanda Insights

Where are oil prices headed in the coming week?

We witnessed a rather remarkable shift in market sentiment last week on the back of strong oil demand and oil import data from both China and India. We also saw a tempered narrative on the resurgence of the virus in Europe and parts of the US in relation to government precautions and extra restrictions. In addition, pressure on prices has eased with colder winter weather forecasts for the Pacific. The one caveat here is how this higher energy demand will translate into actual demand for oil products - heating oil and kerosene today play a relatively smaller share in U.S. and European energy demand.

Do you forecast further oil demand recovery in China?

The market has largely accounted for the economic rebound story in China. Now, it's taking notice of Indian oil demand, which was lagging the Chinese recovery by a long margin but seems to be perking up again. In September, Indian oil demand was about 4mn bd, a big jump from August. Year on year, it was about 96% of demand in the corresponding month in 2019. We have also seen Indian jet fuel demand starting to pick up with almost 200,000 flights a day domestically. This is admittedly below the average 380,000 figure during 2019, but still quite positive, all things considered. As with India, I expect ASEAN countries like Indonesia, Malaysia and Vietnam will continue to focus on getting people back to work and stimulating their domestic economy.

Do you expect OPEC to proceed with its January output hike?

The market will be looking for signals this week about what OPEC plans to do. We have seen that the IEA expects the fourth quarter to be quite tight but starting next year, all bets are off if OPEC proceeds to put another two million barrels into the market. Libyan production could be at 700,000 bd by the end of December – if its rate of recovery continues, we could very easily dip into oversupply in Q1. ■

Dr. Carole Nakhle
Chief Executive Officer, Crystol Energy

Where do you see the direction of prices heading?

OPEC has succeeded very well in putting a floor on prices and standardizing Brent at around $45 a barrel but there is the question of spare capacity that has been overlooked. Record historical production cuts have resulted in a spike in spare capacity. The question now is whether demand is growing fast enough to absorb some of that, as well as built-up inventories. This will play an important role in how OPEC disciplines output to maintain prices going forward.

Do you expect OPEC to clarify its intentions this week for 2021?

OPEC might send some positive signals to the market, but they can also reverse that thought at any time and closer to the date if that acts in their favor. They will also continue to insist on the importance of compliance, which has been quite impressive for the group though it remains unevenly distributed across all members.

How do you interpret recently published global GDP forecasts for 2020?

International organizations like the IMF are mainly aligned in their trend forecasts, even if not in absolute numbers. They are still expecting a V-shaped recovery though that will now take longer and be less steep than originally expected. We're going to see these forecasts continuously updated and revised but I don't expect the situation to change drastically in a negative way. The big uncertainty is when we will return to pre-Covid growth rates and whether we have nationwide or segmented regional lockdowns will feature as a very important factor in this regard. The reality is that it will be very difficult to replicate the national lockdowns that we saw earlier this year. ■

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ENERGY MARKETS VIEWS YOU CAN USE

Chris Bake
Member of the Executive Committee - Vitol

Outlook for the OPEC Meeting Today?

The stated intention of the OPEC meeting is to review compliance with the output cuts, and the policies of trying to mitigate the overproduction that happened through the summer. But I think the real challenge facing OPEC is how do they assess the group's planned production hike that they've anticipated going into Q1, with the market changes emerging i.e. Libya is back to about 500,000 barrels a day, and is expected to rise a little bit further to 750,000 barrels assuming things stay as they are. How will OPEC manage that nameplate rise that they had agreed to for January -- that is the next inflection point for us to try and understand. Can OPEC+ continue to maintain the cuts if prices don't move out of the range they are in right now, because the idea of the cuts was to try and stabilize prices, and yes, they have stabilized, but probably at the lower end of the range that they were expecting.

Do we Need Further Stimulus?

We have a bifurcated market in the West, whereas in the East from Australia to New Zealand, and all the way north, Asia has managed the pandemic very differently, and one would argue a lot more effectively than we have in the West. So, Western governments, and to a certain extent South American and African governments, have a very different equation to manage than a lot of their Eastern counterparts. There is no choice today but to maintain fiscal stimulus in the West. Economies are not able to operate as they traditionally do, and that incremental stimulus is necessary to manage a very uncertain environment in which we are operating. But naturally, there is a growing concern as to how and when those deficits get funded, and we see that in the evaluation of the balance sheets of these countries.

What is Your Expectation for US Rig Count?

The rise in the rig count we saw last week, in the teens, I do not know how material that is to production balances overall. I am not sure that will continue. I am not sure that is a macro trend that I think we need to be wary of. Maybe at $50+ we would expect to see production come back in the US, but 10 rigs here or there, I am not sure that makes material impact to overall U.S. balances.■

Peter McGuire
Chief Executive Officer, XM Australia

What action is OPEC likely to take on output in January?

There are a lot issues ahead for OPEC from a demand destruction component leading into 2021. COVID numbers are ratcheting up across Europe and other parts of the world. The one exception is China, where we have seen growth bounce back. That will probably be maintained over 2021 and probably into the first half of 2022. OPEC will have a stronger look at the global situation come December. In the meantime, everyone is watching Covid numbers and obviously the US election.

What is the outlook for crude prices?

From a trading point of view, it could be that the boom days of crude are behind us. There are simply too many moving parts, one of which is the accelerated transition to greener economies. It could be we never see crude above $70 again. It's not a great trade at the moment. All the heat has been taken out of it with nothing to really track it to.

How are other commodities and currencies fairing?

There's a general push to the downside. The euro is going to come under pressure as will stock indices. In contrast, the future for gold looks more positive. The dollar will likely witness a volatile period post US election. If Trump wins, the index could go down to around 92.5. Asia would benefit from a weaker US dollar but we should also look at other elements like trade and what Trump's agenda would be on manufacturing. Geopolitical factors in the South China Sea will also need to be considered - Asia is a real hot spot at the moment.■

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ENERGY MARKET NEWS

RECOMMENDED READING

1. OIL SLIPS ON WEAKER DEMAND OUTLOOK AFTER US GASOLINE STOCKS BUILD
2. WESTERN CANADA OIL PRODUCTION REBOUNDS AS US OIL STAGNATES
3. EIA: US CRUDE STOCKPILES DIP, GASOLINE BUILDS AMID WEAK FUEL DEMAND
4. MORE DIESEL IN BUNKER FUEL RAISING RISK IT COULD TURN INTO SLUDGE
5. FED'S BULLARD SAYS US CAN WAIT ON FISCAL AID, BUSINESSES ADAPTING
6. CHINA'S IMPORTS ARE SOAKING UP THE WORLD'S EXCESS COPPER
7. MIDEAST SHARE OF INDIA'S SEPT OIL IMPORTS FALLS TO 4-MONTH LOW
8. ASIA-PACIFIC MARKETS LOWER AS IMF DOWNGRADES GROWTH FORECAST FOR THE REGION
9. TENGASCO, INC. AND RILEY EXPLORATION-PERMIAN, LLC ANNOUNCE MERGER AGREEMENT
10. US CRUDE EXPORTS LIKELY TO BE MUTED THROUGH 2020 AS PRODUCTION SLIDES

RECOMMENDED VIDEOS & REPORTS

- FUJAIRAH'S FUTURE GROWTH IS IN CRUDE OIL STORAGE & TRADING
- IFC: CLIMATE IS A HUGE BUSINESS OPPORTUNITY
- IMF: NAVIGATING THE PANDEMIC: A MULTISPEED RECOVERY IN ASIA
- GI SPECIAL REPORT: THE GLOBAL ENERGY TRANSITION ACCELERATED BY COVID-19?

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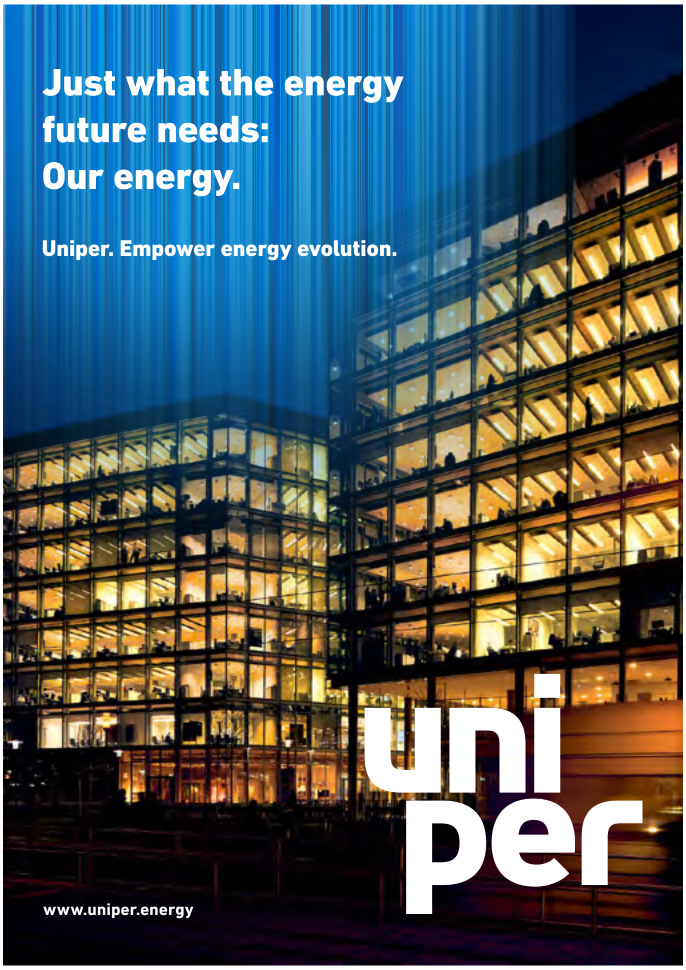

ENERGY MARKETS VIEWS YOU CAN USE

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

Can China Save World Demand for Oil?

In terms of economics, China has not yet the same potential of the US or Europe to pull the global economy along, even if they were to have a rapid recovery from the COVID pandemic, which I don't see. In terms of energy and oil markets, of course there are bright spots, which is Asia, and there are weak spots, which is the West. But it's a global market. We should never forget that. And what matters is global growth. But it's a market where demand has been shrinking in the European Union since 1979, and in the OECD since 2005. Two thirds of the demand growth over the last few years came from Asia. So in the light of this weakness in the major industrial countries, the demand from Asia would not only have to recover, it would have to be super stellar, and higher than in the past, in order to keep the aggregate on a decent demand growth trajectory.

The End of the Age of Austerity?

What happened last week at the annual IMF meeting was a really significant development, and I'm afraid probably not a good one in the long term. The Managing Director of the IMF and the chief economist of the World Bank amongst others, urged all countries, rich and poor alike, to significantly increase their fiscal spending -- it was goodbye to the age of austerity, and a global appeal for more fiscal spending. There are a lot of challenges with this strategy. The first problem is that some countries can afford to do this, and some countries can't, which in due course could leave many states needing to be bailed out. The second problem is that not everyone has gotten the message, like the credit rating agencies. They look at the hard numbers and see countries that are rapidly increasing their debt levels; interest rates that cannot be relied upon to remain low enough to refinance it; and growth potential that has weakened over the last 10 years. The rating agencies will continue downgrading, and their downgrading will make it harder to attract new cheap rollover financing, and another spiral will emerge moving everything in the wrong direction.■

Mike McGlone
Senior Commodity Strategist, Bloomberg Intelligence

What's your outlook for crude prices?

Crude has become boring. WTI is locked in around $40 and Brent around $42 to $45. OPEC has done a good job of supporting the market. They would probably want prices higher but I think $50 is unlikely. We all know that $30 would be risky but we need to see what could be the next catalyst to get us there. Long-term, it's all about the macro picture from a commodity standpoint. If OPEC can sustain its diligence, crude might stay at $40 but I think it's more likely to do what it's been doing since 2008 and trade down towards $30. When crude prices inch up, supply comes back so I'm not too optimistic about a quick recovery.

Can fiscal stimulus measures continue to support global markets?

Stimulus is short term. It might help the oil market, commodities and stock markets but the big picture is what really matters. That's what's going to play out over the next year and we will realize that we're still in a global economic decline and that a recovery will take time. Hopefully, we'll be much better off this time next year but it's very unlikely we will get back to where we were before.

What are your expectations for the US election?

The US election will likely bring a Democratic sweep which will mean higher taxes, more regulation and a massive push for clean energy - crude oil will be like coal for a Democratic administration. We will probably see further fiscal stimulus, a weaker dollar and an underperforming stock market, which is probably bad for crude prices, but better for most other commodities. ■

ENERGY MARKETS VIEWS YOU CAN USE

Walter Simpson
Managing Director, CCED

Why are we still seeing oil at $40?
It seems the oil price has not been following market dynamics from the second half of this year. We continue to have an oversupply and yet prices have remained robust in the low 40s. People are still optimistic that a recovery is going to happen. The inventory rise in the US has been offset by China's gradual recovery and growing consumption.

Would it be hard for OPEC not to increase production in January?
Yes. Oil producing economies are hurting and many are desperate to increase their production so I would not rule that out. It's a balance between the supply, demand and price. Keeping an eye on that and delaying that decision, in my opinion, is a good one.

Is Oman's move to go to the debt markets a positive sign?
That's going to be a tough one for them. They have been struggling with a deficit. The new Sultan came in and made some changes, tweaking ministerial budgets by 10% at the beginning of the year but clearly, all of that has been offset by the drop in oil revenues. International debt markets will no doubt put up a few billion but it's going to be expensive for Oman, especially as they were downgraded in their credit rating recently. There's a lot more that they're going to have to do. I suspect the next big move will be to address subsidies, in particular, electricity. ■

Kevin Wright
Lead Analyst APAC, Kpler

Is OPEC compliance still a concern?
Demand overrides every consideration right now. Some focus is being given to compliance but while this was a real issue in the second quarter, it has become less so in recent months. In July and August, Nigeria and Iraq in particular, started to comply much more strongly. OPEC members are behaving and complying with the overall strategy and direction of the group.

What direction is the oil market headed?
It depends on which market you're looking at. Gasoline for example is quite backwardated - there's nothing on floating storage anymore and demand in certain countries is back to pre-Covid levels. In September, gasoline demand in India was 3% higher year on year. That's a very bullish scenario. Crude on the other hand is not an attractive game at the moment. It's in a steady range of $40 to $45 and we will hold there as long as OPEC keeps oil off the market.

Are we back in secure Chinese demand territory?
Chinese inventories have started to draw and imports are at relatively high levels. That implies refinery runs are up and that we will see decent margins. China will likely continue to buy crude for the next year. Domestic flights in the country are also recovering to pre COVID levels, creating a stable home for jet fuel in Asia.

What's the outlook for the rest of the world?
Not many governments around the world can afford to go into a second nationwide lockdown because of the economic damage it would bring. There is also growing evidence that we are getting better at treating this virus. A vaccine is still a way away but there is marginal confidence that we can start to normalize mobility and previous habits to a certain extent. ■

GIQ EXCLUSIVE SOUNDINGS

WEEK IN REVIEW:

Oil slips on weaker demand recovery, China shows signs of life, and the US' production is still grappling with the hurricane season.

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.

- Matt Stanley, Director, Star Fuels
- Randall Mohammed, VP, Energy Solutions, Ahart Solutions International
- Robin Mills, CEO, Qamar Energy
- Rustin Edwards, Head of Fuel Oil Procurement, Euronav NV
- Dan Graeber, Author, The GERM Report
- Omar Najia, Global Head, Derivatives, BB Energy

Matt Stanley, Director, Star Fuels
"It's exactly the same as it was a couple of weeks ago. OPEC did an extraordinary job in the first half of this year, counting on demand to make a comeback to pre Covid-19 levels in Q4. What's happening is that hope is now being constantly deferred. It doesn't look good for demand coming back."

Randall Mohammed, VP, Energy Solutions, Ahart Solutions International
"Demand has hit a wall. But if you look at overall stock draws, the trend has been going downward since May. Going forward, we're going to see weekly builds and weekly draws as we move deeper into Q4."

Robin Mills, CEO, Qamar Energy
"You always have to not read China's economic data at face value. If you look at the changes from month-to-month or year-to-year, that's telling you something. It's telling us that the Chinese economic recovery is fairly robust and that it outpaces any other big economy."

Rustin Edwards, Head of Fuel Oil Procurement, Euronav NV
"The drop in US production data has been driven by the hurricane activity on the Gulf coast during the reporting period of the Energy Information Administration (EIA) stats. It'll be interesting to see how much of that actually comes back to pre-hurricane levels. Nevertheless, it has put a dampener on things."

Dan Graeber, Author, The GERM Report
"We've had a pretty busy Atlantic hurricane season. The federal government is still seeing some shut-ins in the Gulf of Mexico from hurricane Delta. So, you have to look at the US inventory data through that lens."

Omar Najia, Global Head, Derivatives, BB Energy
"If you look at the biggest market in the world, the S&P 500 is up on hopes of a vaccine for Covid-19 or stimulus. We're looking for the S&P 500 to set some new all-time highs, which will probably be before the US election."

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Fujairah Spotlight

Fujairah Port's Throughput Returns to 'Normal' After Covid-19 hit

Throughput at the UAE's Fujairah has bounced back to levels before COVID-19 slammed business in April, after hitting a record high in February, according to Martijn Heijboer, the port's business development manager. May volume picked up after a 25%-30% plunge in April and by August and September throughput was "back at our normal levels, where we left it basically in Q1," Heijboer said in a Gulf Intelligence interview published online on Oct. 21.

Source: S&P Global Platts

BESIX & Jan De Nul to Expand Port of Fujairah in Dibba

BESIX and Jan De Nul Group are assisting with the expansion of the port of Fujairah in Dibba, the second largest city of the emirate of Fujairah in the UAE, located along the Gulf of Oman. The works for the Dibba Bulk Handling Terminal Project were awarded to the consortium of Six Construct, BESIX's entity in the Middle East, and Jan De Nul Group by the Port of Fujairah (PoF), one of the world's key oil storage centres and the second-largest ship-bunkering hub in the world.

Source: Steel Guru

Oil to AI: The New Resource

The UAE is traditionally known for its oil-rich reserves and tourism-dependent economy, but there is now a remarkable shift in how the world perceives the nation today - tech-savvy and sustainable. Both are the foundations of various industries, a key reason being various government initiatives to harness the potential of artificial intelligence (AI) and machine learning (ML) to restructure the economic map. Other emirates – Fujairah, Ajman, Ras Al Khaimah, Sharjah, Umm Al Quwain – are investing in smart government and smart city plans to enhance daily lives.

Source: Gulf Today

Fujairah Oil Products Stockpiles end Longest Slump on Record

Inventories of oil products at Fujairah on the UAE's East Coast rebounded from a nine-month low to snap the longest slump on record, according to data released today by the Fujairah Oil Industry Zone, FOIZ. Stockpiles in Fujairah as of 19th October stood at 20.339mn barrels, up 3% from a week earlier and the first increase in eight weeks. Fujairah's exports of heavy distillates totaled 788,000 barrels in the week started 12th October, the lowest since 17th August, according to data analytics firm Kpler.

Source: Emirates News Agency

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Fujariah Weekly Oil Inventory Data

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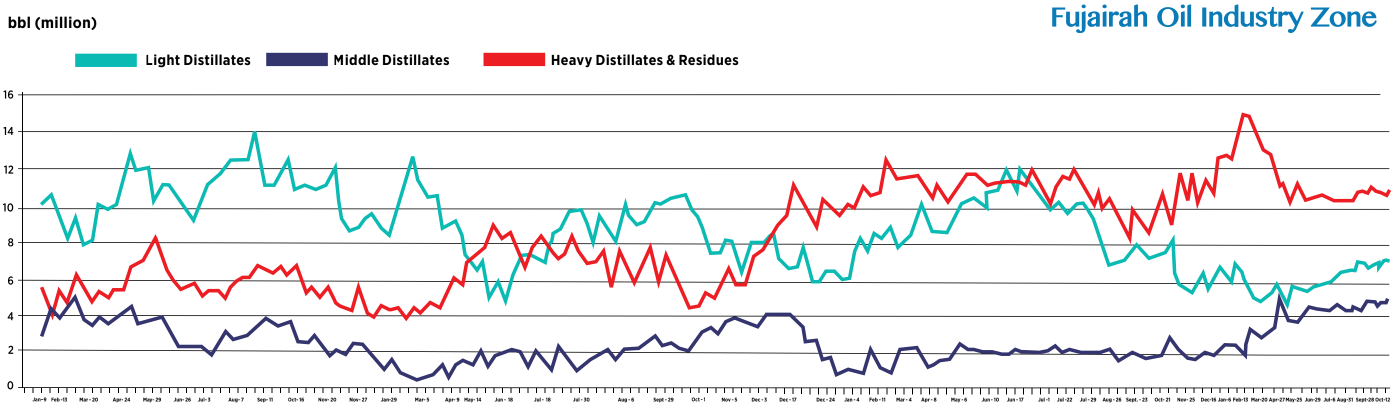

TOP TAKEAWAYS

- **Total oil product stocks in Fujairah were reported at 20.339mn barrels, rising for the first time since late August. Total stocks rose by 653,000 barrels or 3.3% week on week, with a large build in heavy residues offsetting draws in light distillates and middle distillates.**
- **Stocks of light distillates saw a fall of 241,000 barrels week on week to stand at 6.045mn barrels. East of Suez gasoline remained fragile with concerns over demand weighing on sentiment. Fresh movement restrictions in Malaysia implemented to curb the spread of Covid-19, were leading to a bearish tone in the gasoline market. In addition rising outflows from Vietnam and India were seen further weighing on sentiment, sources noted.**
- **Stocks of middle distillates fell by 502,000 barrels to 3.933mn barrels – down by 11.3% on the week. Gasoil demand remained sluggish, with the still fragile state of the market highlighting the long road to recovery ahead for the middle distillate, echoing sentiment seen in the gasoline market. Traders were saying that poor demand, which has led to a slow digestion and drawdown in volumes remained a feature of the market. Furthermore a shut arbitrage on paper, hampering the movement of middle distillates from Asia and the Arab Gulf to the West was trapping barrels within the region.**
- **Stocks of heavy residues rebounded by 1.396mn barrels, rising 15.6% on the week to stand at 10.361mn barrels. Bunker supply in Fujairah was seen as steady, with tightness in barge availability that had been reported in recent weeks having eased, sources said. "The market is balanced," said a Fujairah-based supplier. "Most people can do prompts, there's no tightness in supply as far as I'm aware." Fujairah marine fuel 0.5% maximum sulfur bunker fuel on a delivered basis remained more competitive than supply in Singapore, with the fuel assessed at $328/mt on Tuesday, reflecting a $9/mt discount to the same assessment in Singapore.**

Source: S&P Global Platts

Commodities

Oil markets were broadly flat last week with both WTI and Brent futures recording less than a 1% gain. The OPEC+ Joint Market Monitoring Committee (JMMC) meets at the start of the week to assess whether the producers' bloc can indeed go ahead with tapering its production cuts from the start of 2021. There was also some high level oil market diplomacy between Saudi Arabia's crown prince, Mohammed bin Salman, and Russian president, Vladimir Putin, over the weekend with both leaders stressing more cooperation on oil market stability.

FX

The USD strengthened last week while other major currencies declined following strong risk-off sentiment hitting markets. The DXY index advanced by 0.67% and settled at 93.682, comfortably above the 50-day moving average of 93.311. USDJPY was the least affected, recovering from mid-week lows of 105.04 and closed at 105.40, marking a decline of -0.21%.

The EUR slipped as prospects for an economic recovery faded after a number of countries in the region imposed fresh lockdown restrictions, prompting a rush for the safe-haven USD. The currency fell by -0.91% and settled at 1.1718. It was a choppy week for the GBP which whipsawed after reacting to contradictory reports from both the UK and the EU over Brexit negotiations. Sterling ended the week down by -0.93% and closed at 1.2915.

Equities

Despite securing some sizable gains on Friday, European equity markets were the significant losers last week. A rapid rise in new Covid-19 infections, and an escalating government response to this meaning renewed restrictions on activity in many parts of the continent, weighed on sentiment. France, Germany and the UK have all announced new lockdowns as cases have risen, and their respective benchmark equity indices lost -0.2%, -1.1% and -1.6% over the week, even despite gains of 2.0%, 1.6% and 1.5% respectively on Friday. Given that these end-of-the-week gains were largely driven by currency weakness, the outlook for European equity markets remains uncertain in this environment of rapid transmission.

Source: Emirates NBD

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