APRIL 7th 2022
VOL. 113

Fujairah New Silk Road WEEKLY NEWSLETTER

Supported By:
FOIZ منطقة الفجيرة للصناعة البترولية Fujairah Oil Industry Zone
Port of Fujairah ميناء الفجيرة United Arab Emirates

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

"Global Diesel Flows Likely to Change as Russian Disruption Kicks In!"

Kieran Gallagher, Regional Product Head, Vitol Bahrain E.C

There's an argument to be made that we haven't seen the full impact of the Russian disruption yet. We expect to see a change of direction on the international flows of diesel away from traditional market destinations. We came into the Ukraine conflict with an already very tight Middle Distillate market, so the move on diesel has been exacerbated somewhat because of the sheer volume of exports that Russia gives to Europe in particular. At the moment, much of Western Europe is still taking Russian oil. There's been some self-sanctioning, but the real impact hasn't hit yet. It's also offset somewhat by the current situation in China, where we are seeing stock building and obviously lower demand because of the current Covid situation. We're continuing to see across the world, Gas-to-Oil switching, and therefore very healthy diesel demand in non-traditional sectors. I think there's going to be a change of flows with Russian oil pointing to different areas. On the crude front, a lot of the Indian refiners are already net exporters of diesel so they're not markets that that this flow can traditionally go to, but perhaps some will go to Latin America and little to West Africa. Either way, we certainly see a problematic future on the diesel front if this continues.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

3,410,000 bbl	1,870,000 bbl	10,691,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

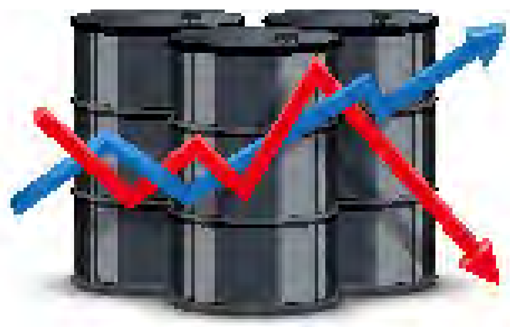
Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.62 - 4.38/m³

Highest: $4.50/m³
Lowest: $3.40/m³

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude:	$104.40/bl
WTI Crude:	$99.65/bl
DME Oman:	$102.04/bl
Murban:	$103.12/bl

*Time Period: Week 1, April 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $907.00/mt

Low = $870.50/mt

Average = $885.50/mt

Spread = $36.50/mt

MGO

High = $1, 277.50/mt

Low = $1,227.50/mt

Average = $1,247.50/mt

Spread = $0.00/mt

IFO380

High = $714.50/mt

Low = $684.00/mt

Average = $699.50/mt

Spread = $30.50/mt

*Source: Ship and Bunker, *Time Period: March 30 – April 6*

Fujairah Bunker Sales Volume (m^3)

150 180cst Low Sulfur Fuel Oil	462,035 380cst Low Sulfur Fuel Oil	125,389 380cst Marine Fuel Oil
1,395 Marine Gasoil	23,419 Low Sulfur Marine Gasoil	5,234 Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

CONTINUED FROM PAGE 1

Kieran Gallagher, Regional Product Head, Vitol Bahrain E.C

Where does Europe get its middle distillates if Russian diesel starts getting disrupted?
What we did see three weeks ago was a massively open arbitrage from the Middle East to Europe. If you take regional demand of diesel out of it on Middle East, Pakistan, et cetera, and you say, there's roughly 3 million tons a month there to go east or west, and we've seen at the beginning of this year, just over a million tons of AG and Indian diesel going east. And around three weeks ago the east-west arb was minus $160 a ton and everything pointed west, and you could argue that 2.5 million tons of that excess flow can go to Europe. So, Europe can get covered if it's willing to pay the premia. And then you've effectively got two different pricing centers pulling for the same oil, and that's currently being reflected in the fall premia that you're seeing paid for diesel in the Middle East where a cargo is trading north of $7 a barrel versus a term price for 2022 at around $1.50.

We're also seeing the east coast of Africa and South Africa currently feeling a few repercussions from government intervention from the initial supply shocks. Where there were duty rebates to importers, for example in the case of Kenya, those now aren't getting paid immediately and therefore we will see small independent retailers who can't afford to import, becoming wholesalers. So, there is a knock-on effect from these rebates. South Africa also just announced a new system of rebating duty to importers, which will cause some speedbumps on supply down to the wholesalers.

How will typical Q2 demand patterns collide with Russian supply disruptions?
We're seeing a massive fight for yield in the refining system, particularly in Europe and North America, and this has been exacerbated this week between jet fuel and gasoil, with the former hitting $320 a barrel in New York Harbor - a record for a physical barge trade. So, we are seeing jet fuel production suffering on the back of the need for diesel already. And as we move into things like the US driving season and the need for gasoline, that will also eat into diesel production. So we expect to see the fight for yield continuing, especially in the US more than other countries.

Structural challenges for shipping premiums associated with Russian energy?
That will play out in the actual delivery price of the oil. In the early stages of the conflict when there was such uncertainty around this, we were seeing some shipowners quote up to $200,000 for the war risk to enter the Black Sea. That has stabilized somewhat now, but what we are seeing is an ever-decreasing fleet of owners of physical vessels willing to call to Black Sea ports.

How are traders navigating the legal challenges on Russian crude and products?
There's a huge amount of dialogue going on, whether it be with governments, with receiving customers or with suppliers. Our compliance team are part of this conversation. There is contractual wording with regards to sanctions clauses, that come into these deals in every facet of the business today and we are devoting that time to it. The sheer volume of all the energy exports that Russia currently supplies to the world does have a broad impact.

WATCH FULL INTERVIEW HERE

Energy Markets Views You can Use

Amena Bakr
Deputy Bureau Chief & Chief OPEC Correspondent
Energy Intelligence

Releasing stocks from the US SPR won't have an impact on the oil price.
It's not a tool for market management. This is what many of the OPEC ministers keep telling the US, both in private and in public, urging it to have more trust in the Gulf's ability to manage markets and balance supply and demand. Although there's a fear of an oil shortage, OPEC Plus doesn't see this. Russian exports have also gone dark, selling into India and China at discounts, so these barrels are still landing in the market.

OPEC aren't even meeting current output commitments?
A lot of the countries are having difficulty meeting their quotas, and there isn't a mechanism to punish them to do this. Keeping unity in the group is a top priority so the UAE and Saudi Arabia will not step in and compensate. Also, with the new higher baselines given to five of the members, the already limited spare capacity will be reduced to almost two million bd. If they were to also use that, the market will panic and we will have higher prices.

Where does the OPEC Plus alliance go beyond the current agreement?
Beyond September, OPEC will reach an agreement that continues the market management process and that's why it's important for them to have Russia on board. It is seen as a critical member of the group.

Is the drop in Chinese demand giving OPEC cause for concern?
They're monitoring the situation very closely, especially with the lockdowns in the country. China is a huge market for them and so all the more reason for them to be cautious around the idea of pumping more barrels into this market. And we also have this flood coming in from the US.

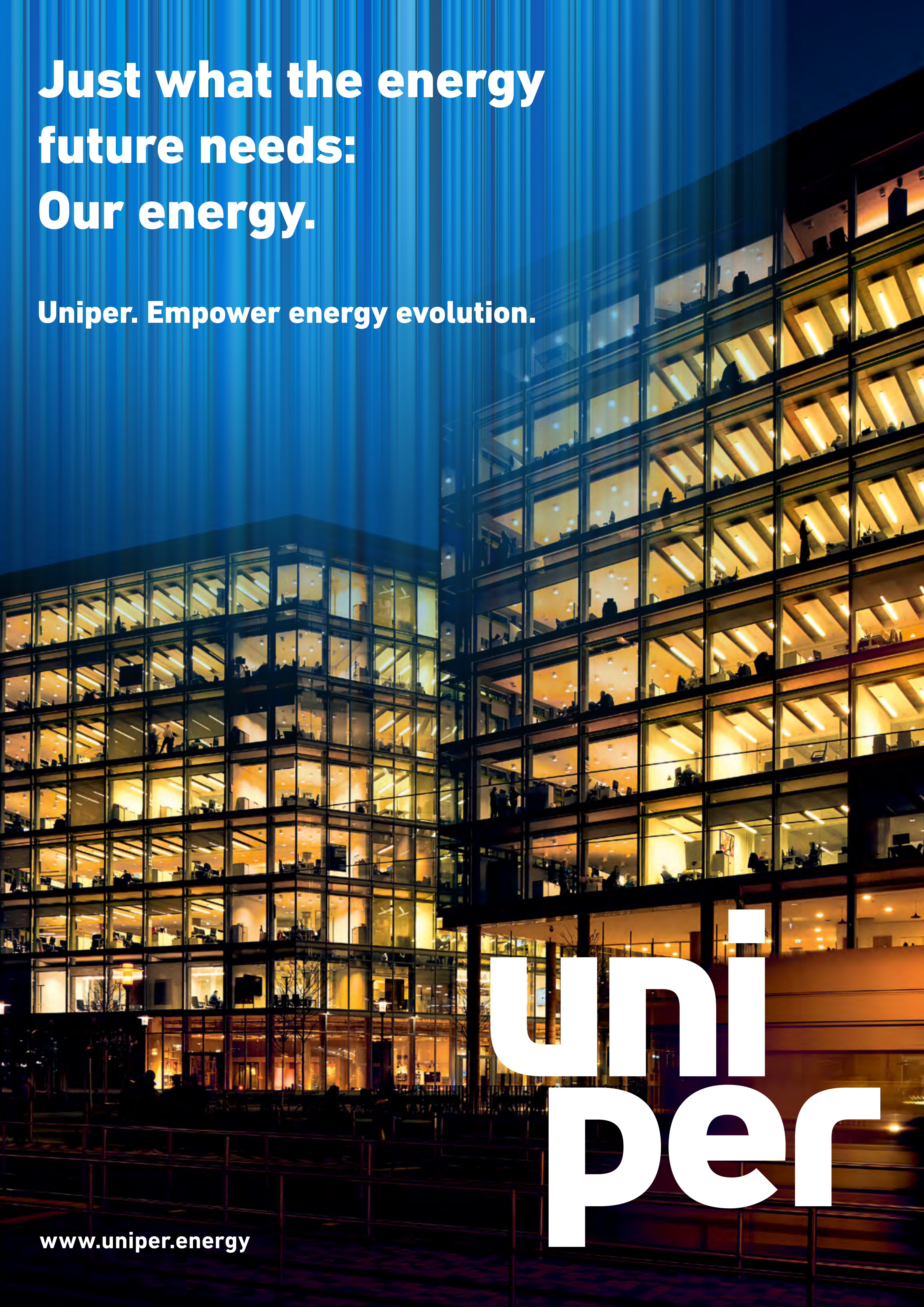
Are we any closer to a deal being reached with Iran?
The nuclear deal still looks very complicated. It's not something that's going to happen any time soon. The US doesn't want to sign a 'bad deal' just because more barrels are needed on the market. The fact that they're releasing oil from their SPR shows that they're not expecting Iranian barrels to come back anytime soon.

Clyde Russell
Asia Commodities & Energy Columnist, Thomson Reuters

Strong crude demand from Asia has prompted Mideast producers to raise prices.
Many Asian refiners have stepped back from buying some eastern Russian grades, so they have limited choice for now except to buy crudes like Arab Light, even if at a big premium. Still, certain Asian refiners will go for the discounted Russian oil - we've already seen quite a lot of buying from Indian refiners, and assuming they can organize the finance Chinese independent refiners could also be keen. But refiners from countries such as Japan, South Korea and Singapore might balk at buying Russian cargoes.

Do you expect China's oil import demand to drop again this year?
I think we've reached the point where China's oil imports are probably going to be steady and maybe even increase, depending also if new refineries are commissioned. What the country has stopped is importing that extra one million barrels a day. Strategic storage is probably close to full or at a level that they are comfortable with so import demand now is going to be much more closely aligned with the refineries throughput. The lock downs in the country will create demand destruction, but the question is whether it will then hit the accelerator when that ends, spending a lot of stimulus on construction and things that tend to be diesel heavy. We might have demand destruction followed by a surge in demand later. That would be very positive for crude import demand and probably also for products because they won't be exporting as much.

Is Asia having difficulty competing with Europe on price for energy supplies?
That's certainly very much the narrative for LNG and coal markets. It's not so much that Asian LNG from Australia, Indonesia, or Malaysia is flowing to Europe, but rather Europe is now taking US LNG, and Qatari LNG cargoes that used to be available for spot transactions into Asia. We have yet to see how crude and products markets might be affected. But if coal and LNG are any guide, we might end up with the rich countries in Asia, such as Japan and Korea, competing with Europe because they can, while the poorer countries, like India, Pakistan and the Philippines, are going to struggle and we could see demand destruction come into play.


Just what the energy future needs: Our energy.
Uniper. Empower energy evolution.
www.uniper.energy
uniper

Fujairah Spotlight

Oil product stocks fall to 7-week low on record light distillates slump

Oil product inventories at the Port of Fujairah in the UAE dropped to a seven-week low as gasoline and other light distillates posted a record slump to an all-time low. The total inventory stood at 15.971 million barrels as of April 4, down 10.7% from a week earlier and the lowest since the record low on Feb. 14, according to Fujairah Oil Industry Zone (FOIZ) data provided exclusively to S&P Global Commodity Insights on April 6.

Source: S&P Global Commodity

Fujairah terminal: Quartet in frame for key Adnoc LNG contract

Up to four leading international engineering giants are in the frame for a key contract from Abu Dhabi National Oil Company (Adnoc) for work on a liquefied natural gas export terminal in the United Arab Emirates.

Multiple people familiar with the development told Upstream that bids were recently submitted for a front-end engineering and design tender involving the LNG export facility.

Adnoc plans to develop a two-train 10 million tonnes per annum liquefaction facility at Fujairah to cater to several gas markets around the world and is pressing ahead with the project's FEED tender.

The bidders are said to include KBR, Fluor and McDermott International of the US and engineering giant Technip Energies, one person said.

Japan's JGC and Chiyoda were also said to be initially eyeing the FEED job but are no longer in the fray, he added. Adnoc is expected to finalise the preferred bidder within weeks and the FEED study is likely to be carried out later this year, another one said.

Source: Upstream

Short Deliveries in Rotterdam, Fujairah Cost Bunker Buyers $250m in 2021

Short deliveries in the key bunker hubs of Rotterdam and Fujairah cost bunker buyers a combined $250 million last year, according to analysis by BLUE Insight. The total comprised an estimated $100 million shortfall in Fujairah and $150 million in Rotterdam throughout 2021.

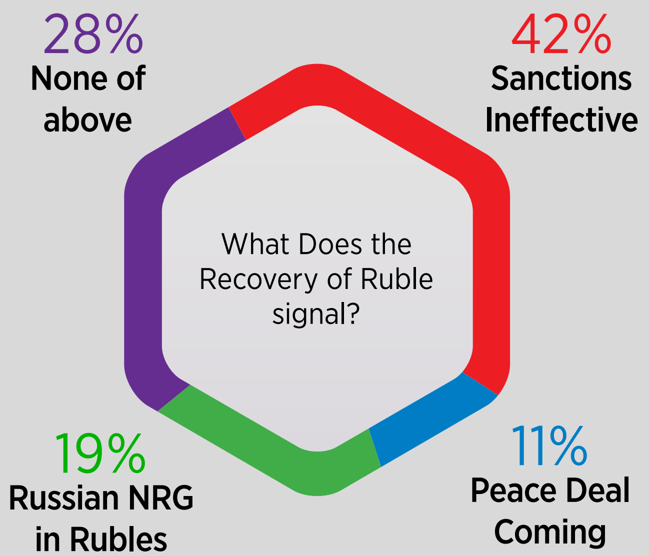
Source: Ship & Bunker

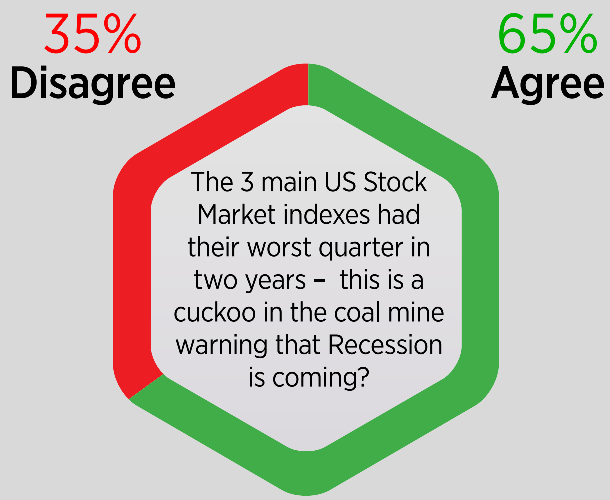
Ruler of Fujairah pardons 114 prisoners

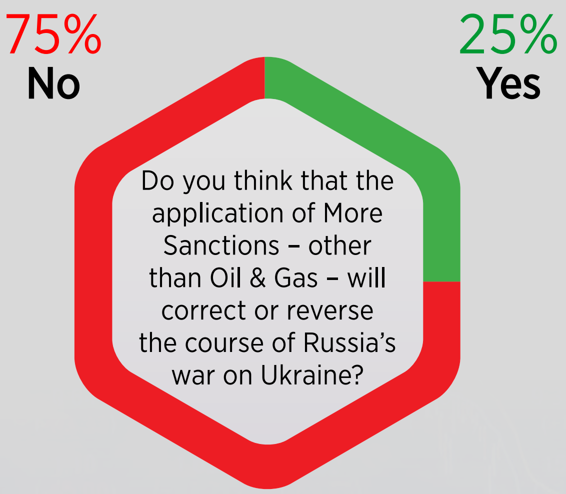
Some 114 inmates of different nationalities at Fujairah's correctional institutions will be released on the advent of Ramadan under orders from His Highness Sheikh Hamad bin Mohammed Al Sharqi, Member of the Supreme Council and Ruler of Fujairah. The pardon was given to the prisoners who proved good character and conduct. They will enjoy spending the holy month of Ramdan and Eid Al Fitr with their families.

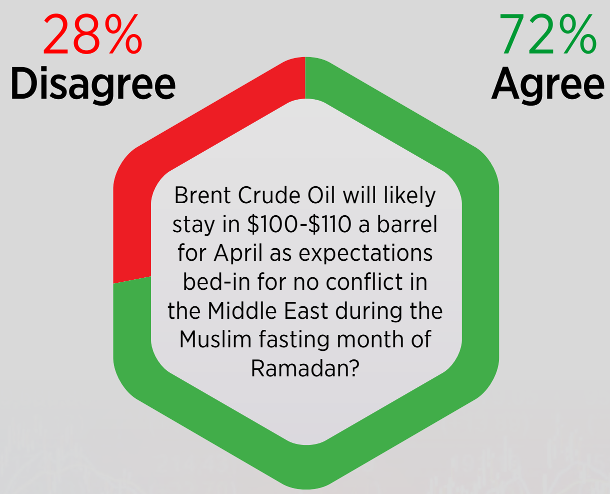
Source: Khaleej Times

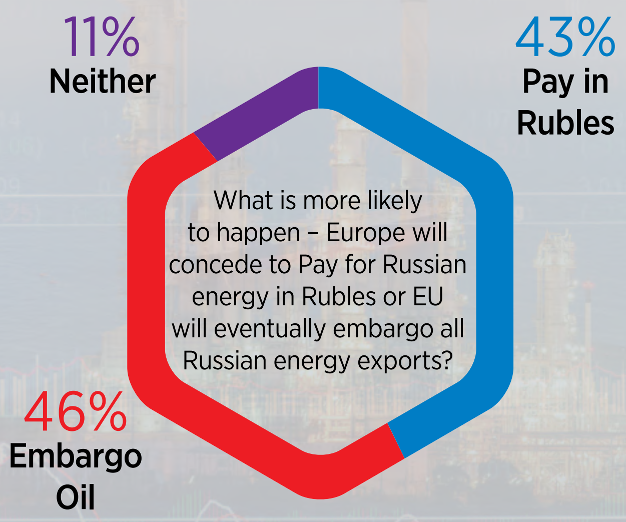
Weekly Surveys











Source: GI Research March 2022

Consultancy Intelligence Publishing

Energy Markets Views You can Use

Asad Khan
Chief Economist & Head of Research, Jadwa Investment

SAUDI ECONOMY UPDATE – TOP 10 INSIGHTS

1. **Real Economy:** Full Year 2021 Fiscal Data – Revised full year 2021 fiscal data showed government revenue came in 4 percent higher, and expenditure 2 percent higher than provisional numbers. Recently released full year GDP data showed the Saudi economy recorded growth of 3.2 percent in full year 2021.

2. **PMI Confidence Improves:** February's non-oil PMI saw a sharp rebound to 56.2, the highest level in three months.

3. **Consumer Spending:** With consumer sentiment climbing to its highest level on record in March, and with a vast majority of Covid-19 restriction being lifted during the same month, we expect consumer spending to show strong levels of growth in the months ahead.

4. **Industrial Sector:** In February, the monthly value of licensed investments in new factories stood at SR1.2 billion.

5. **Government Finance:** The net monthly change to government accounts with SAMA declined by SR11.5 billion in February. SAMA Foreign Reserve Assets – SAMA FX reserves declined by $5.3 billion month-on-month in February, to circa $442 billion. Looking ahead, we expect a sharp rebound in FX reserves in March as circa $18 billion in Aramco dividends are transferred to government.

6. **Money Supply, Bank Deposits and Credit:** The broad measure of money supply (M3) rose by 7.8 percent year-on-year, and by 1.6 percent month-on-month in February. Full Year 2021 Balance of Payments – Full year 2021 data showed that the current account surplus stood at $56.1 billion, equivalent to 6.7 percent of GDP (versus -3.2 percent in 2020).

7. **Inflation:** Prices in February rose by 1.6 percent year-on-year (the highest rise in eight months) and by 0.3 percent month-on-month. Looking ahead, we expect rises in global food prices, as a result of the Russian-Ukrainian conflict, to put upward pressure on food prices locally.

8. **Labor Market:** The unemployment rate for citizens declined to 11 percent in Q4 2021, compared to 11.3 percent in Q3. Moreover, participation rates rose to 51.5 percent during Q4 (versus 49.8 percent in Q3), primarily as a result of higher female participation.

9. **Oil-Global:** Oil prices climbed further during March as the economic and energy related fallout over the Russian-Ukrainian conflict intensified. Latest available official data for January shows that Saudi crude oil exports rose to their highest level in 21 months.

10. **Stock Market:** TASI continued trending upwards in March, rising by 4 percent month-on-month.

Jose Chalhoub
Political Risk & Oil Analyst

Any real breakthrough for Venezuela to return into the US fold?

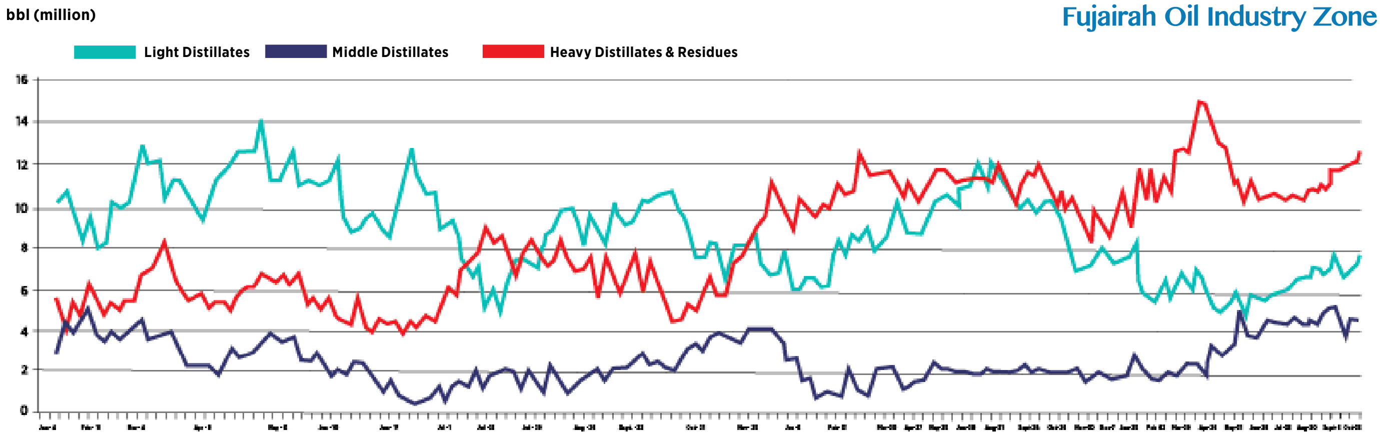
There's been lots of speculation since US officials held a meeting with the Maduro government to see if any deal could be done for Venezuela to fill some of the void left by banning Russian oil into the US. But there's been no further news. The Biden administration has allegedly renewed the license for Chevron to keep operating in the country and to trade Venezuelan oil until December at least. That does not necessarily mean that other US companies are coming back. We must also remember that companies like Exxon, which used to have a JV with PDVSA, had their assets expropriated and confiscated. Another critical point is that the US will, and should in my opinion, ask for political concessions if it is to reengage. One example could be in relation to the conflict in Ukraine – many officials of the Venezuelan government and many entities still have bank accounts in Russia, which are now under sanctions, so that could be a point to negotiate.

How quickly could we see extra oil flows resume if JV deals are done?

The damages to the Venezuelan oil sector over many years have been significant, even before the imposition of US sanctions. Even if US companies were to restart JVs, operationally speaking it's going to be tough for PDVSA. It's not going to happen overnight. We need investments, we need better wages for Venezuelan oil workers, we need a total revamp of the entire sector.

Fujairah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 15.971 million barrels. Total stocks fell by 1.922 million barrels with overall stocks down 10.7% week-on-week. Light distillates posted a large draw while middle distillates and heavy residues posted small rises.
- Stocks of light distillates, including gasoline and naphtha, fell by 2.509 million barrels or 42.4% on the week to 2.509 million barrels. This is the single largest weekly draw in stocks since records began at the start of 2017. The previous record draw was 1.989 million barrels seen on June 24, 2019. The East of Suez gasoline market was coming under continued downward pressure with Chinese April exports heard increasing, raising overall supply. On the demand side, there was an increase in end-user demand for the road fuel, with Indonesia particularly increasing demand as it lifts movement restrictions and Ramadan is ongoing.
- Stocks of middle distillates, including diesel and jet fuel, rose slightly by 83,000 barrels or 4.6% on the week to 1.870 million barrels. The gasoil market remained well-supported as market participants continued to keep an eye on policy developments in Europe, as the potential sanctioning of Russian energy exports by the EU was back in focus. In tender activity, South Africa 's PetroSA has issued a buy tender seeking 42,000 mt of 50 ppm sulfur gasoil, as well as 26,000 mt of 95 RON gasoline, for delivery over May 12-15 at Mossel Bay, according to market sources. The tender closes April 4, with validity until April 6.
- Stocks of heavy residues rose by 504,000 barrels on the week to 10.691 million barrels. Bunkering activity at the Port of Fujairah was picking up with a spike in flat price on a firming crude had led buyers to come in and meet their immediate requirements on fears that flat price may continue to rise, said traders. Most offers for Fujairah-delivered marine fuel 0.5%S bunker were heard at $870-$880/mt, while trades were heard concluded at $870-$875/mt. The grade was assessed at $870/mt, $16/mt higher on the day. The premium of Fujairah-delivered marine fuel 0.5%S against the same grade in Singapore was $21/mt with Singapore delivered bunkers assessed at $849/mt on the day.

Source: S&P Global Platts

FX
Despite the relative hawkishness of the Fed minutes, currency markets look to have already priced in much of the news and FX reaction was relatively contained. The dollar index closed up 0.13% at just shy of 99.60 as EURUSD dropped moderately to 1.0896 and USDJPY rallied to 123.80, up 0.16%. Sterling closed the day roughly flat at 1.3069. USDCAD moved up almost 0.5% as the Fed looks to be taking the edge on the Bank of Canada in terms of how quickly it will tighten policy. The pair settled up at 1.2544. AUDUSD fell almost 0.9%, wiping out all the gains recorded after the RBA indicated it was preparing tighten policy at its meeting earlier this week while NZDUSD fell 0.4% to 0.6918.

Equities
Equity markets were once again weighed down by the prospect of more rapid tightening in the US, with the drawing down of the balance sheet squarely in focus as the minutes from the last FOMC meeting were released Wednesday. In the US, the NASDAQ was once again the primary loser, dropping -2.2% as investors weighed up the risk to some of the more speculative growth stocks on the index. The Dow Jones lost -0.4% and the S&P 500 -1.0%. In Europe, the CAC lost -2.2%, with markets there increasingly concerned around the chance of an upset in the upcoming presidential election. Germany's DAX dropped -1.9% and the UK's FTSE 100 closed -0.3% lower. Locally, the DFM dropped -0.1% and the ADX -0.2%, while the Tadawul added 0.4%.

Commodities
Oil prices dropped overnight as the market responded to an official plan from OECD countries to release 60m bls from their strategic reserves, on top of the 180m bls announced from the US last week. Brent futures settled down 5% to $101.07/bl while WTI fell below $100/bl, closing down 5.6% at $96.23/bl. Data from the EIA showed a 2.4m bls build in US commercial crude inventories last week while SPR stocks were down by 3.7m bls. US production pushed up by 100k bd to 11.8mbd while product supplied was roughly stable at around 19.8mbd.

Emirates NBD


Vitol
At the heart of the world's energy markets
Serving customers with our expertise, logistical excellence and unique opportunities.
vitol.com

Energy Markets Views You can Use

Christof Rühl

Senior Research Scholar - Center on Global Energy Policy
Columbia University

Energy Sanctions on Russia will Backfire Badly if they Lead to Price Increases

Sanctions against the Russian Federation are developing so fast that it is hard to keep track of them and even harder to see a consistent narrative as events unfold. But there is one. Russia is the world's largest exporter of energy and commodities. A persistent balance of payment surplus is the source of its financial strength, in terms of both current income and the financial assets previously accumulated by "fortress Russia." Oil, gas, and coal exports constitute the most valuable revenue streams and are therefore prime targets of sanctions policy.

The problem is that energy sanctions will backfire badly if they lead to price increases large enough to derail the economic performance of sanctioning countries. The sanctions imposed immediately after the invasion did not even include restrictions on commodity exports. They nevertheless affected energy: freezing the assets of Russia's Central Bank removed credibility from the threat of Russia cutting its own energy exports to inflict economic damage on sanctioning countries.

Over the long term, the country may see its economic prospects reduced to selling raw materials on the cheap. Immediately after the first round of sanctions, spot demand for Russian oil dropped by approximately one-third (2.5 million barrels per day) as uncertainty over the new rules disrupted trade and financial flows. The global price of oil jumped by 30% while Russian crude, shunned by traders, still sells at a 25% discount. How this dual price effect is managed is the hallmark of the success of energy sanctions.

Markets, however, will adapt to circumstances. Without further disruption, such as direct energy sanctions, both the local discount and the global price increase will be competed away. Workarounds will fix the current state of regulatory flux. Trading will become efficient again. Russia's income flows would be restored.

And so, energy sanctions have returned to center stage—with a twist, however. The sanctions discussion has moved from a one-size-fits-all approach enforced by secondary sanctions, as in the case of Iran or Venezuela, to "sanction picking," with individual countries or country groupings imposing restrictions they feel they can afford on selected commodity imports, including oil and gas.

Henning Gloystein

Director - Energy, Climate & Resources, Eurasia Group

European sanctions on Russian gas would be a last resort

Coal will be first and then oil with some caution. Gas would do the most damage and almost certainly cause energy rationing at some point this year. Most Europeans don't want sanctions on Russian oil and gas at this stage. It won't do anything to de-escalate the situation and might escalate it further. That is why they prefer to announce a shift away from dependency on Russian oil imports as fast as possible without sanctions. Europeans are having to do absolutely everything to plug the gaps and prepare for a potential embargo on Russian energy supplies, including more coal consumption. But interestingly, the hope by some that this will derail the green transition is just not accurate. Every single major government in Europe has doubled down, spending billions of euros in addition to what was already planned, on renewables, on hydrogen, on heat pumps, on absolutely everything that is not oil and gas imports. Investing long term in clean and local supply chains may be getting overlooked a bit in this conflict and it won't solve the problems of this year, but it will solve these issues long term.

Is it proving tricky to maintain cohesion on sanctions within the western alliance?

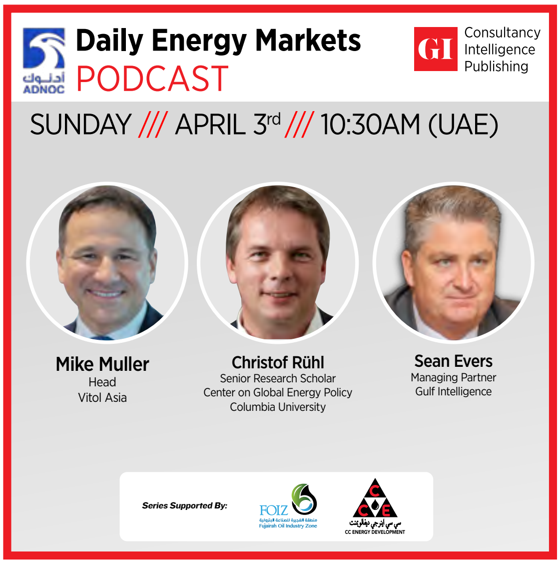
Many people are running in different directions. Europe is trying to prioritize a minimum joint plan of action against Russia, while exerting maximum pressure. They want to be seen as acting as one, but it is proving to be a challenge. Europe also needs to keep some ammunition for later if the war escalates further. It also needs to preserve its own economy and not only in terms of growth - if all energy stops flowing in Europe, we are going to see energy rationing and next winter people will freeze.

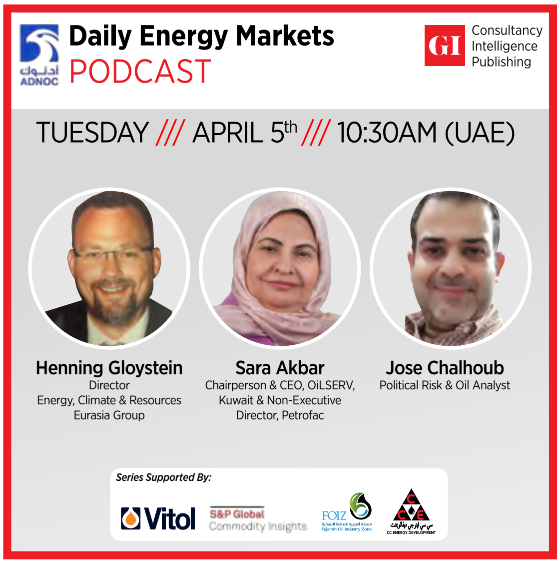
How is the risk insurance on Russian waters structurally impacting the market?

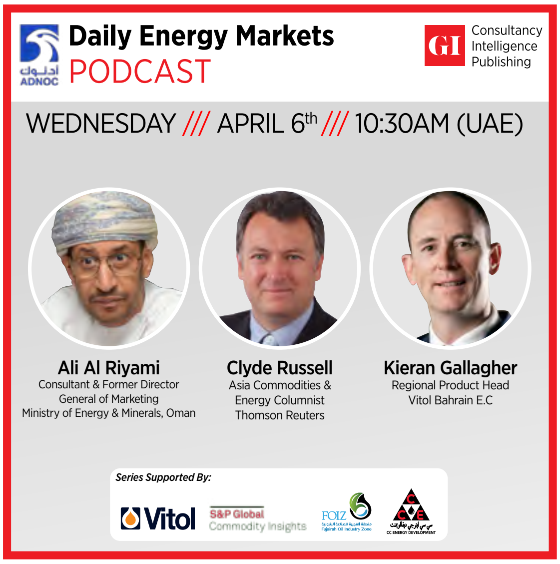
This is a risk factor and a cost factor in the global supply chain, which was already stressed before this war erupted. And it's not just for shipping of oil and gas. The grains crisis caused by this war is at risk of seriously causing food shortages in many parts of the world, so it's a disruption risk as well as one of higher prices.

Energy Markets COMMENTARY

WEEK IN REVIEW







CLICK HERE TO LISTEN

Energy Markets Views You can Use

Robin Mills
Chief Executive Officer
Qamar Energy

Could Iran Replace Russian Oil and Gas?

In pursuit of non-Russian hydrocarbons, U.S. and European officials have come calling at the usual destinations, Riyadh, Doha, and Abu Dhabi, and some less traveled, including Algiers and even Caracas. So far, they have not appeared in Tehran. The holder of the world's second-largest gas reserves, and one of the few countries with substantial spare oil production capacity, seems like an obvious destination – with equally obvious demerits.

Negotiations continue in Vienna over a U.S. reentry into the Joint Comprehensive Plan of Action nuclear deal, from which the administration of former President Donald J. Trump withdrew in May 2018. After recent progress, the talks stalled over a last-minute demand from Russia for sanctions exemptions. Since that was apparently resolved, Washington has faced the thorny issue of Iran's demand for the United States to lift the designation of the Islamic Revolutionary Guard Corps as a foreign terrorist organization.

But if the stringent sanctions on Iran are lifted, would it really make a difference in the current oil balance?

Estimates of Iranian oil exports and storage vary widely because of shipments ostensibly from Oman and Malaysia going to China, but in fact originating from Iran. Iran may have up to 90 million barrels of crude and condensate (a light oil derivative of natural gas) stored on land in its territory, at sea, and in tanks in China, enough to add about 1 million barrels per day to the market for three months.

It would take Iran a few months to gear up to full pre-sanctions crude output of 3.8 mb/d, of which around 2 mb/d would be available for exportation (after meeting domestic demand), though it would probably get there more quickly than most analysts expect. The Iranians already went through such a restart process following the original 2015 JCPOA, and production was close to pre-sanctions levels within three months.

That would boost Iran's overall exports by 1.2 mb/d to 1.4 mb/d. Only two other OPEC members, the United Arab Emirates and Saudi Arabia, have comparable or larger spare capacity. The International Energy Agency has suggested Russia's production could fall by 3 mb/d in April due to sanctions and buyer aversion. Therefore, while Iran's full return would not totally compensate, it would be a major contribution.

ENERGY MARKET NEWS

Series Supported By:

1. OIL GAINS US$1 AS EMERGENCY OIL RELEASE SEEN AS BAND-AID
2. GLOBAL MARKETS-STOCKS FALL, DOLLAR STRENGTHENS AFTER FED MINUTES
3. 31 COUNTRIES PLAN A BIG RELEASE OF EMERGENCY OIL
4. FED PLANS TO SHRINK THE BALANCE SHEET BY $95BN A MONTH
5. HUNGARY READY TO PAY FOR RUSSIAN GAS IN RUBLES
6. FEDERAL GOVERNMENT APPROVES CONTROVERSIAL BAY DU NORD OIL PROJECT
7. GERMAN FINANCE MINISTER: IMMEDIATE RUSSIAN OIL, GAS EMBARGO IMPOSSIBLE
8. IRAN IS READY TO SIGN THE NUCLEAR DEAL BUT IS DONE WITH NEGOTIATIONS
9. CHINESE STATE-OWNED REFINERS AREN'T RUSHING TO BUY RUSSIAN SPOT CONTRACTS
10. RUSSIA HIT WITH NEW ROUND OF US SANCTIONS AS JOE BIDEN DECRIES 'MAJOR WAR CRIMES'

RECOMMENDED REPORTS

- EIA REPORT AN UNEXPECTED WEEKLY RISE IN US CRUDE SUPPLIES
- LAWMAKER BLASTS BIG OIL CEOS AT HEARING: 'YOU ARE RIPPING OFF THE AMERICAN PEOPLE'
- GREEN & DIGITAL GROWTH IN SAUDI: WHY IT MATTERS!
- A FERTILIZER SHORTAGE, IS DRIVING UP GLOBAL FOOD PRICES & SCARCITY
- REPORT: HAVE WE LOST OUR BEARINGS?
- "US OIL PRODUCERS ARE FACING SUPPLY CHAIN DISRUPTIONS LIKE ALL OTHER INDUSTRIES!"

S&P Global and IHS Markit Complete their Merger

S&P Global
Commodity Insights

GI Soundings Week in Review

Oil Market Stability Seen As Shortlived Ahead of Shock Still To Come from Ukraine War

Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the MiddleEast, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.

- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**
- **Her Excellency Mariam bint Mohammed Almheiri, Minister of Climate Change and Environment, UAE**
- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Danial Rahmat, Senior Energy Security Consultant**
- **Edward Bell, Senior Director, Market Economics, Emirates NBD**
- **Lael Brainard, Board of Governors, US Federal Reserve**
- **Ali Al Riyami, Consultant & Former Director General of Marketing, Ministry of Energy & Minerals, Oman**

Peter McGuire, Chief Executive Officer, XM Australia: "Expectations about how many times the Fed will raise interest rates this year have gone through the roof lately as there's been no let-up in the relentless upsurge in inflationary pressures. Crucially, Fed officials have come out in droves since the mid-March gathering to back a 50-bps increase at the next meeting."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence: "Commodities can be their own worst enemies when they get too far out over their skis, and we see 2022 risks akin to 2008's pump and dump. Energy prices may inch higher or collapse, the latter typical amid similar supply-shock spikes. What's different now is the U.S. paradigm shift to largest energy producer and net exporter from the top importer. Embracing technology is a primary reason, and the war and high prices should accelerate existing trends away from a world reliant on fossil fuels, notably from mercurial sources." *(Source: Bloomberg Intelligence)*

Her Excellency Mariam bint Mohammed Almheiri, Minister of Climate Change and Environment, UAE: "Increasing the share of clean energy in the power mix is a pillar of the UAE's climate action and its shift to low-carbon green economy to achieve sustainable economic development in line with the UAE Net Zero by 2050 Strategic Initiative. The Barakah (Nuclear) Plant significantly supports our energy transition, considerably reducing greenhouse gas emissions and slashing the country's carbon footprint, which advances our climate action and brings us closer to meeting our climate neutrality ambitions by 2050."

Omar Najia, Global Head, Derivatives, BB Energy: "I have a sneaky suspicion that all is not well with the oil market. It is underestimating the effect that the sanctions on Russia will have. This war has changed everything. The only question in my mind today is whether $93.50 WTI is the low and whether to buy now or wait for another $10 drop."

Danial Rahmat, Senior Energy Security Consultant: "The IRGC has been responsible for delivering Iranian crude, in close partnership with Iran's national tanker company. If it remains sanctioned, there will be a significant problem for Iranian oil cargoes to be sent to global markets. And even if sanctions are removed, in the short-term Iran won't be able to produce more than 1.2 million bls above what it does today."

Edward Bell, Senior Director, Market Economics, Emirates NBD: "Manufacturing activity in India slowed in March according to the S&P Global PMI. The headline index fell to 54 from 54.9 in February but nevertheless still represents healthy levels of growth. New orders moved lower compared with February and were at their lowest level since September last year. India's economy will be highly exposed to the effects of higher input costs, particularly in the manufacturing sector, as the war in Ukraine contributes to higher commodity prices and disorderly supply chains." *(Source: Emirates NBD)*

Lael Brainard, Board of Governors, US Federal Reserve: "It's of paramount importance to get inflation down! The Federal Open Market Committee will continue tightening monetary policy methodically through a series of interest rate increases and by starting to reduce the balance sheet at a rapid pace as soon as our May meeting."

Ali Al Riyami, Consultant & Former Director General of Marketing, Ministry of Energy & Minerals, Oman: "The Saudi OSPs into Asia for May were a surprise to all but they show that the demand for Saudi oil is superior to that for Russian grades. And this means that we won't see any competition between the grades and the two producers in the coming few months."

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
April 3rd - 7th

1. The fundamental drawdown of oil inventories that have underpinned this market for the last 18 months is ongoing despite all the shock and awe.
2. China is facing many challenges with Covid at present that many in Asia believe they will overcome, whereas markets in the West appear less confident in any country's ability to control Omicron.
3. Oil markets will remain structurally challenged by all things Russia even though energy sanctions in essence remain optional.
4. OPEC+ are urging customers to trust them to keep managing the international oil markets even though they are pumping 1mbd below their commitment -- that's a hard sell!
5. Oil markets appear to be underestimating the full consequences of the sanctions imposed on Russia, which could still see a rupture in Russian gas exports to Europe.
6. OPEC+ are facing a free for all when current agreement expires in September as currently few members can meet existing production targets, never mind elevated ones.
7. European unity on Russia will get increasingly challenged as the remaining sanctions inevitably end up in the energy bucket!
8. Oil markets have not yet seen supply disruption from the shock & awe of Russia's invasion of Ukraine as we are still in the quiet before the storm.
9. Saudi Arabia's announcement of record-high Official Selling Prices (OSPs) for crude oil into Asia in May gives a very strong signal that they expect demand for Mideast crude to be solid in the wake of Ukraine war.
10. We are seeing very, very healthy Diesel demand across the world due to gas-to-oil switching.

WGC2022.ORG

IGU
INTERNATIONAL GAS UNION
UNION INTERNATIONALE DU GAZ

IGU
WGC2022
28th WORLD GAS CONFERENCE
DAEGU, KOREA 23-27 MAY

28th World Gas Conference

23-27 May 2022 | Daegu, Korea

Shaping the Global Energy Agenda at the World's Largest Gas Industry Conference

EARLY BIRD REGISTRATION DEADLINE EXTENDED

SAVE US$500 WHEN YOU REGISTER BEFORE 31 MARCH 2022
BOOK YOUR PLACE AT WGC2022.ORG

90	12,000	UNRIVALED	500	350	30,000m^2
COUNTRIES	PARTICIPANTS	NETWORKING	SPEAKERS	EXHIBITORS	EXHIBITION

General Enquiries	info@wgc2022.org
Registration Enquiries	registration@wgc2022.org
Exhibition Enquiries	exhibition@wgc2022.org
Sponsorship Enquiries	sponsorship@wgc2022.org

HOST ASSOCIATION
THE KOREA GAS UNION

HOST PARTNER
KOGAS

PRESENTED BY
IGU

Consultancy
Intelligence
Publishing