

MARCH 12<sup>th</sup> 2020  
VOL. 20



# Fujairah New Silk Road WEEKLY NEWSLETTER

**INSIDE**  
**SCROLL DOWN FOR**  
**EXCLUSIVE OIL INSIGHTS**

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

## **CORONAVIRUS IS NOW A PANDEMIC**

### **“WE HAVE RUNG THE ALARM BELL LOUD AND CLEAR.”**

**Tedros Adhanom Ghebreyesus, Director General  
World Health Organization (WHO)**

- 118,000 cases in 114 countries
- 4,291 people have lost their lives
- Non-China cases have risen 13-fold in a fortnight

“In the days and weeks ahead, we expect to see the number of cases, the number of deaths and the number of affected countries climb even higher. Thousands are fighting for their lives in hospitals. WHO has been assessing this outbreak around the clock and we are deeply concerned both by the alarming levels of spread and severity, and by the alarming levels of inaction. We have therefore made the assessment that COVID-19 can be characterized as a pandemic. Describing the situation as a pandemic does not change WHO’s assessment of the threat posed by this virus. It doesn’t change what WHO is doing, and it doesn’t change what countries should do. We have never before seen a pandemic sparked by a coronavirus. And we have never before seen a pandemic that can be controlled, at the same time. We have called every day for countries to take urgent and aggressive action.”

Source: World Health Organization, March 11, 2020  
\*Edited comments



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

**BLACK OIL PRODUCTS**

**Average Range  
\$3.68 – \$4.30/m<sup>3</sup>**



**↑ Highest: \$4.50/m<sup>3</sup>**

**↓ Lowest: \$3.60/m<sup>3</sup>**

\*Time period: Weekly

Source: GI Research

### **Fujairah Weekly Oil Inventory Data**

**6,758,000 bbl**  
Light  
Distillates



**2,508,000 bbl**  
Middle  
Distillates



**12,315,000 bbl**  
Heavy Distillates  
& Residues



Source: FEDCom & S&P Global Platts

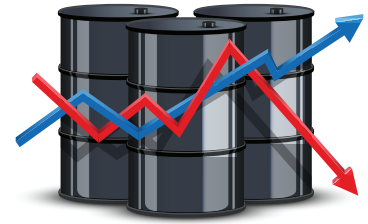
Insights brought to you by:



**Publishing**

**Thegulfintelligence.com**

# THE WEEK In Numbers

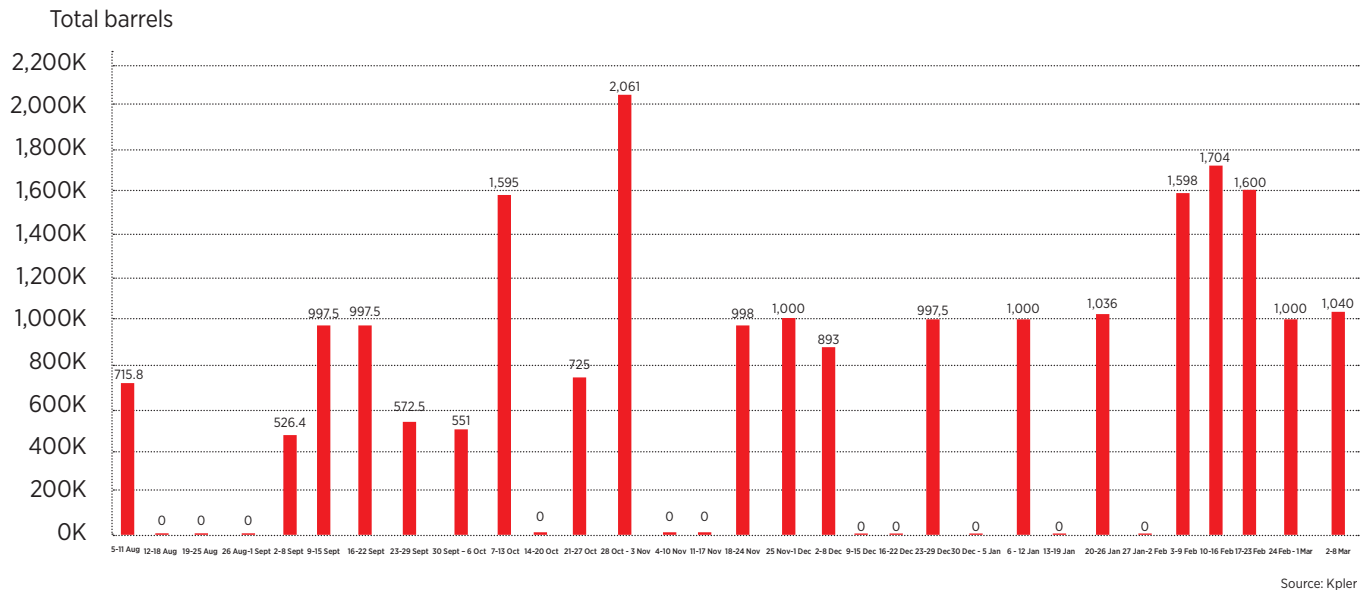


### Weekly Average Oil Prices

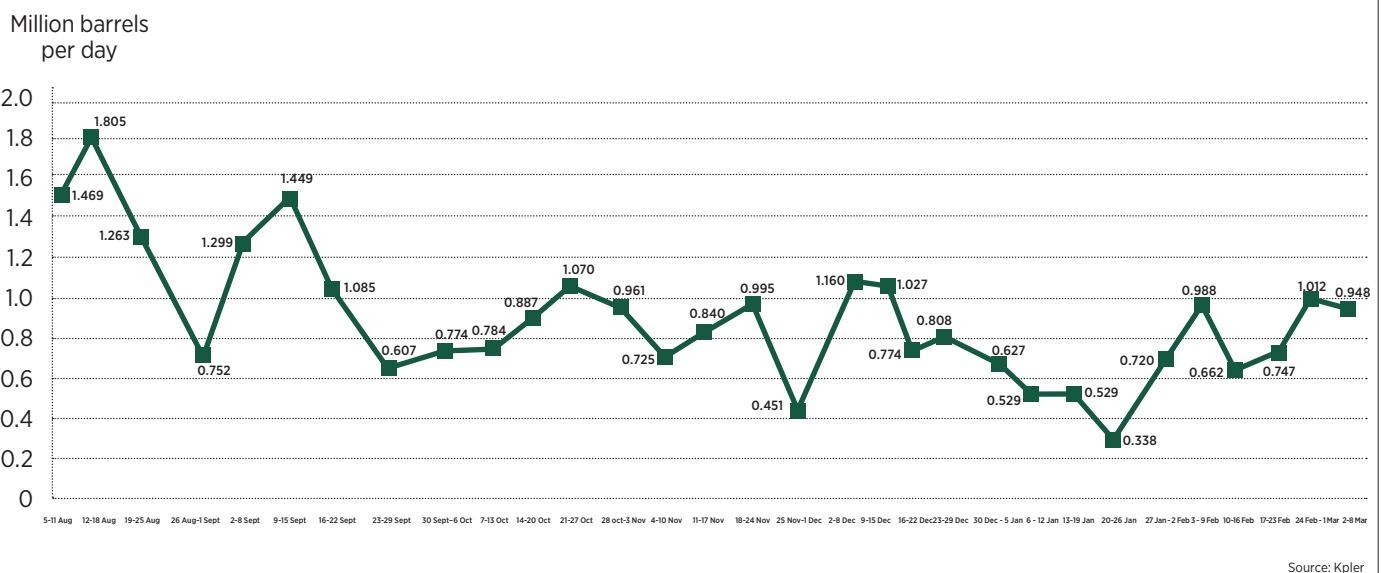
**Brent Crude:** \$38.85/bbl  
**WTI Crude:** \$36.87/bbl  
**DME Oman:** \$43.20/bbl  
**Dubai:** \$40.81/bbl

Time Period: Week 2, March 2020  
 Source: IEA, OilPrice.com, GI Research

## Weekly Imports of Heavy Sweet Crude into Fujairah

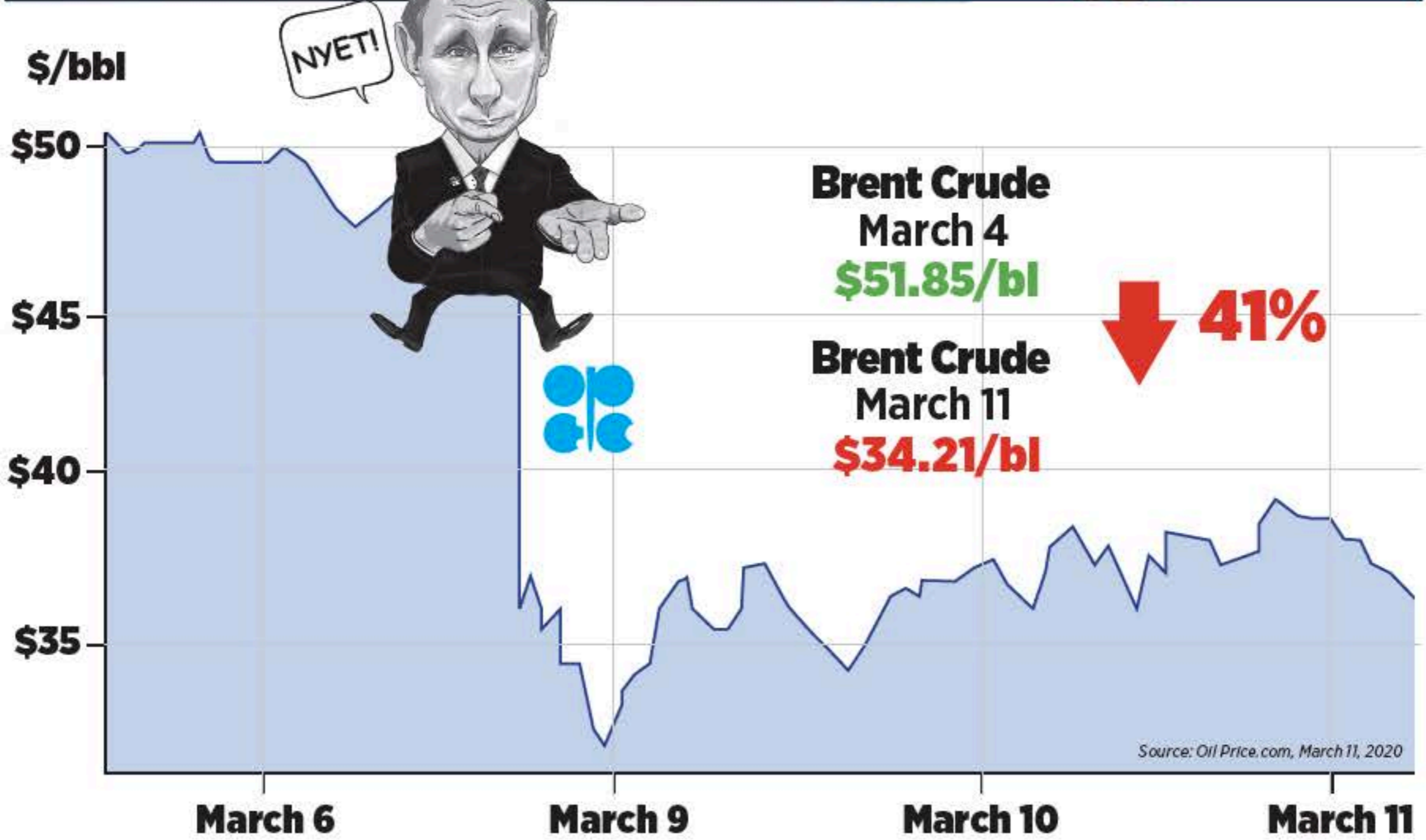


## Total Refined Product Exports from the GCC to Asia-Pacific



# GI EXCLUSIVE

## SAUDI-RUSSIA DIVORCE: OIL MARKET'S REACTION?



### SURPRISE MOVE

In early March, questions were asked about what OPEC would do if non-OPEC producers did not agree to additional output cuts. The response shown to the right reveals that there was little hint of the brewing Saudi-Russia storm.

**“THERE IS NO REASON TO DOUBT RUSSIA’S COMMITMENT.”**

H.E. Mohammad Sanusi Barkindo  
OPEC Secretary General

Source: FX Street, March 5, 2020

### TIMELINE

**What:** OPEC unveiled a plan on March 6 this year to extend existing production cuts of 2.1mn barrels through to the end of 2020 and make further cuts of 1.5mn b/d.

**Outcome:** Russia refused to back the plan at a meeting with OPEC in Vienna on March 7, leaving the future of its three-year alliance with the organization in doubt and raising the prospect of a huge supply glut.

**Consequence:** On the same day, Saudi Arabia announces that it will increase oil output in April (next month), going well above 10mn b/d, as the kingdom responds aggressively to the collapse of its OPEC+ alliance with Russia. Saudi Aramco also slashes its April 2020 pricing for crude sales to Asia by \$4/bbl to \$6/bbl a barrel, and to the US by \$7/bbl.

**Watch this date:** The next official meeting of OPEC’s joint technical committee is scheduled for March 18.

Sources: CNN Business, Gulf News



# SAUDI-RUSSIA DIVORCE: OIL MARKET'S REACTION?

## ENERGY STAKEHOLDERS' VIEWS

**“WITH A COMBINATION OF A MASSIVE SUPPLY OVERHANG AND A SIGNIFICANT DEMAND SHOCK AT THE SAME TIME, THE SITUATION WE ARE WITNESSING TODAY SEEMS TO HAVE NO EQUAL IN OIL MARKET HISTORY.”**

Fatih Birol, Executive Director  
International Energy Agency (IEA)

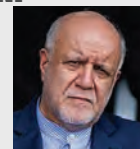
Source: Twitter, March 9, 2020



**“THIS OPEC SUMMIT WAS AMONG THE WORST MEETINGS I HAVE EVER SEEN DURING THE HISTORY OF THIS ORGANIZATION.”**

H.E. Bijan Zangeneh  
Minister of Petroleum  
Iran

Source: IFP News, March 6, 2020



**“THE DOORS ARE NOT CLOSED. THE FACT THAT THE AGREEMENT HAS NOT BEEN EXTENDED AFTER APRIL 1 DOES NOT MEAN THAT WE CANNOT CONTINUE TO COOPERATE WITH THE OPEC AND NON-OPEC COUNTRIES. A CHARTER WAS SIGNED LAST YEAR, AND WITHIN THIS FRAMEWORK, WE WILL CONTINUE THIS INTERACTION.”**

Alexander Novak  
Minister of Energy, Russia

Source: Vesti, March 10, 2020



**“THE AMOUNT CURRENTLY IN RUSSIA’S SOVEREIGN WEALTH FUND, OVER 10.1TRN RUBLES, WILL BE ENOUGH TO LAST THE COUNTRY 6-10 YEARS WITH OIL PRICES AT \$25/BL - \$30/BL.”**

Source: Russia's Ministry of Finance Website, March 9, 2020

**“I FAIL TO SEE THE WISDOM FOR HOLDING MEETINGS IN MAY AND JUNE, WHICH WOULD ONLY DEMONSTRATE OUR FAILURE IN ATTENDING TO WHAT WE SHOULD HAVE DONE IN A CRISIS LIKE THIS AND TAKING THE NECESSARY MEASURES.”**

Prince Abdulaziz bin Salman  
Energy Minister, Saudi Arabia

Source: ASHARQ, March 11, 2020



**“SAUDI ARABIA AND RUSSIA ARE ARGUING OVER THE PRICE AND FLOW OF OIL. THAT, AND THE FAKE NEWS, IS THE REASON FOR THE MARKET DROP!”**

Donald Trump  
President, US

Source: Twitter,  
March 9, 2020



**“WE ARE IN A POSITION TO SUPPLY THE MARKET WITH OVER 3MN B/D IN APRIL. IN ADDITION, WE WILL ACCELERATE OUR PLANNED 5MN B/D CAPACITY TARGET.”**

H.E. Dr. Sultan Ahmed Al Jaber  
UAE Minister of State and CEO, ADNOC Group

Source: WAM, March 11, 2020



**“THESE SHALE GUYS WERE ALREADY IN PAIN. NOW WE ARE GOING TO START SEEING BANKRUPTCIES, PERHAPS WIDESPREAD.”**

ClipperData

Source: CNN, March 11, 2020

## GULF INTELLIGENCE EXCLUSIVE INTERVIEW

**“TAKE CONTROL OF TRADING  
WHAT YOU PRODUCE  
– ALL THE WAY TO END USERS.”**

**Talal Al-Awfi**  
**Chief Commercial Officer**  
**OQ**

*The transformation of national oil companies (NOCs) into international national oil companies (INOCs) has been underway for some time. What was the strategy behind merging ORPIC and Oman Oil Company?*

**Talal Al-Awfi:** The reality is about taking control of trading what you produce all the way down to the end user. You can have a big portfolio and be naturally long, but it is becoming more essential for you to be naturally short as well. You must be involved on both sides of the equation and that is what initiated this whole transformation of NOCs. Oman is relatively small when it comes to production and we are also impacted quite significantly with oil pricing. There is no longer this concept of cheap oil. For us, it is necessary to move forward and change that attitude of just being a producer and a hands-off FOB seller. At the same time, there was a need for consolidation. Across the board, we had Orpic, which was focused on refining, and we had Oman Oil, which was the investment arm of the government in the oil sector. We realized there was synergy between the two and there's added value by having them under the same umbrella. We wanted to capitalize on the lean concept and be more manoeuvrable. There's always the risk of adding more bureaucracy when two entities combine. But by blueprinting integration to find the synergies, we have a competitive advantage if we do it right.



**“We have a competitive advantage – if we do it right.”**

**Will this help you compete better internationally?**

**Talal Al-Awfi:** It will position us well to compete internationally. In terms of the commercial aspect of this integration, the company is in a very solid position. We have a very active trading vehicle that started as a joint venture with Vitol. It's an international entity that is trading more non-Oman origin molecules versus Omani. We've been able to establish ourselves internationally, from Dubai all the way to Houston, to China, and so

forth. We are also commercially active in petrochemicals. We have a position when it comes to speciality chemicals through our investment in OXEA and we are trying to penetrate the polyethylene market. There's a lot of rationalization taking place. We are trying to capitalize on the extraction of gas, and we have identified three key areas for us to expand on. Overall, we are trying to maximize the value of that molecule.

Source: The Gulf Intelligence Middle East Summit 2020, IP Week 2020  
\*Edited transcript

# GIQ NETBACK PRICING SERIES

## PART 2/3 – FOLLOW THIS SPACE!



**EXCLUSIVE INSIGHTS FROM LEADING TRADING EXPERTS**

## OUTLOOK FOR BENCHMARKS IN 2020?

*What's next in the Middle East's bid to control the pricing of its own export fuels, crude and products? And what role can Fujairah play?*

### Time to change

"The current pricing netback architecture with Singapore works. But establishing independent benchmarks out of Fujairah would enable more flexibility and opportunities to manage and meet our customer requirements, particularly locally. Brent and other benchmarks are successful because there are a lot of producers, traders and customers around them i.e. players driving liquidity. Now, a lot more trade is coming into Fujairah, in part thanks to IMO 2020. We've seen an explosion of interest in trading products."

### Setting a template?

"The new Murban contract will hopefully enable the regional market to start looking at different pricing references for the Middle East." The Intercontinental Exchange (ICE) will launch a futures contract this year on a new Abu Dhabi exchange for ADNOC's flagship Murban crude oil.\*

### 3 Trends to watch

"It is more difficult than ever to see where the crystal ball of price benchmarking will play out in the Middle East. Industry must keep an eye on three major changes this decade: digitalization, trading flows and the energy transition."



**"WE'VE SEEN AN EXPLOSION OF INTEREST IN TRADING PRODUCTS."**

### Ramp up ambition

"What must the Middle East do to emerge as its own globally relevant pricing center that stands shoulder-to-shoulder with Singapore? In short: build liquidity, albeit this isn't easy. There have been very few successes worldwide, i.e. new contracts attracting good liquidity. But we are experiencing an unprecedented change in trading patterns and a changing crude quality, which puts the Middle East in a very fortunate spot geographically. Plus, the region can stretch the value of every barrel. This dislocation offers the Middle East a window of opportunity."

### Follow the leader?

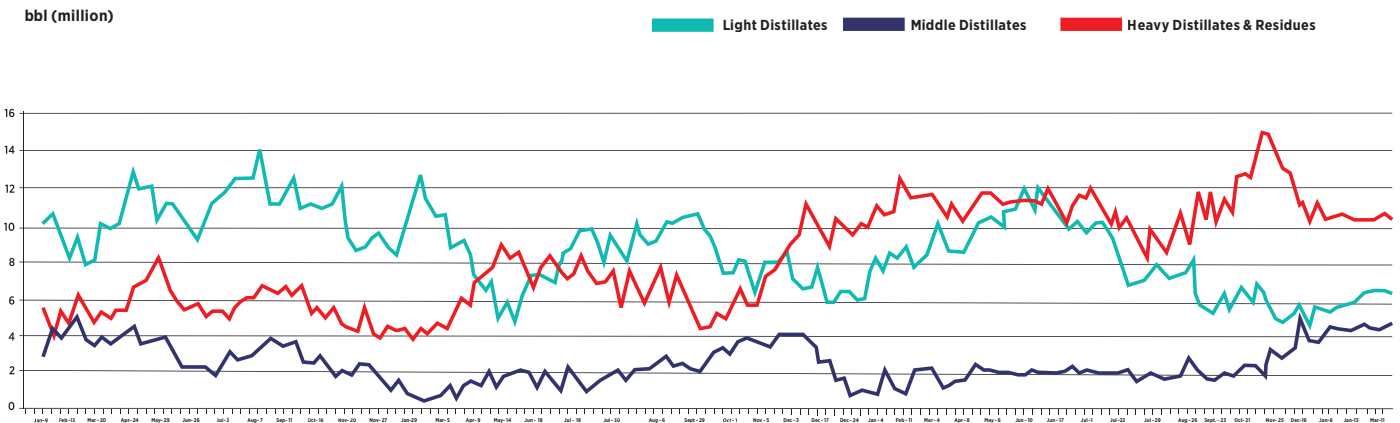
"Fujairah is at a turning point and is playing catch up to Singapore. Singapore acts as a reference point for us to understand how we can build Fujairah into a better trading hub."

### China's pricing appetite?

"You can argue that China, one of the biggest energy importers worldwide, will inevitably try to establish more contracts. But then we go back to the issue of trust and transparency."

Conducted under the Chatham House Rule  
\*S&P Global Platts

# Fujairah Weekly Oil Inventory Data



## TOP 10 TAKEAWAYS Monday, March 9

- Total oil product stocks in Fujairah stood at 21.581mn barrels, falling for the second consecutive week to their lowest level since the end of January. Stocks fell by 1.559mn barrels week-on-week (-6.7%), led by draws in light and heavy distillate stocks. Middle distillates showed a build.
- Stocks of light distillates saw a drawdown of 864,000 barrels

(-11.3%) to 6.758mn. The East of Suez gasoline market was hit by recent volatility in the flat price. Underlying market sentiment remained cautious. Run cuts and refinery turnarounds at some North Asian refiners seen as supporting factors. Physical cracks for 92 RON gasoline in Singapore were choppy. The grade was assessed at a \$7.09/bl premium to front month ICE Brent futures on Tuesday, in contrast to \$4.65/bl a week ago – marking a \$2.44/bl rise week-on-week.

- Stocks of middle distillates rose by 546,000 barrels (+27.8%) to 2.508mn. Recent volatility in crude markets had a knock-on effect on the gasoil market, with a contango market structure emerging in gasoil. Traders eyeing the potential of storage. However, market participants still wary as the coronavirus hammers demand for middle distillates.
- Stocks of heavy distillates fell by 1.241mn barrels (-9.2%) to 12.315mn. In Fujairah, the

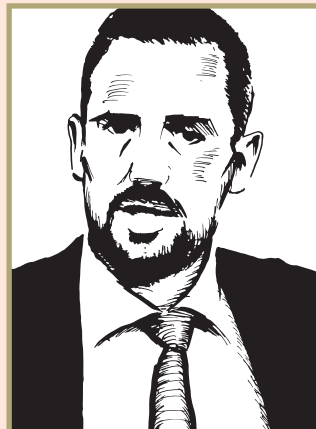
recent slide in the flat price for bunkers, led by the plummet in crude prices, was stimulating demand. “Demand was actually okay, even though the market was a mess,” one trader said. Delivered bunkers for Marine Fuel 0.5% in Fujairah were assessed at \$330/mt on Tuesday, reflecting a fall of \$105/mt week-on-week.

Source: S&P Global Platts

## “We are living through a part of economic history.”

It seems like everyone is pushing the panic button. Yet, if fears and hysteria are put aside for a moment, then we have to look at the fundamentals. Let’s go back to Q4 last year. What was everyone talking about? The US-China trade dispute and Brexit. Still, everyone kept banging on about how great demand was going to be. Whereas in actual fact, demand was rubbish and the forecasters were about as right as Michael Fish [British weatherman who didn’t forecast the Great Storm

in 1987]. Then, at the start of this year, supply was possibly disrupted and crude was up at \$70/bl. Yet, the minute there was some negative news that might hit demand, that was it...an apocalypse. And we are right in the middle of it. On a global level, the hysteria around the coronavirus is just getting started. Compound this with the amazing timing of Saudi Arabia, Kuwait, Russia (and others to follow) flooding the market with more crude oil and we are in the quagmire without even a wooden spoon, let alone a paddle.



**BY MATT STANLEY**  
SENIOR BROKER  
STAR FUELS

I mentioned yesterday that the OPEC+ strategy was a brave one – an expensive one, but a brave one.

US President Trump can’t realistically pull anything out from under that red cap he wears to support the US energy industry. This is a gamble of behemothian proportions from the OPEC+ side and one that could seriously disrupt Trump’s time at the White House. Whoever said that oil and politics don’t play hand in hand, eh? I imagine we will see the Fed come out soon with another cut, either that or Donald has to go to Congress on his hands and knees to beg for some fiscal stimulus measures. Please Make America great again. Pleeaseeeee. Good day.

March 11, 2020

# ENERGY NEWS Highlights



## OPEC leaves oil price in free fall

It is still all about the coronavirus in and outside of markets. But OPEC has thrown plunging oil prices into the equation. After last Friday's collapse in OPEC+ talks, the oil market is essentially facing a price war.

Source: FX Street



## Iraq, Kuwait follow Saudi's lead

Iraq cut the official selling price for its Basrah Light crude for buyers in Asia by \$5/bl for April shipments. Kuwait reduced its selling price to Asian customers by the same as the Saudis.

Source: Arabian Business



## Pakistan: Beneficiary of oil slump?

The plunge in oil prices may help importer Pakistan save \$4-\$5bn in oil and gas shipments alone.

Source: The Express Tribune

## Saudi-Russia price war: Oil, stocks crash

With oil demand plunging because of the spread of the coronavirus, the partnership seemed more important than ever. OPEC, of which Saudi Arabia is the undeclared leader, was keen to make a deal with allied oil producers, led by Russia.

Source: The Economist

## Saudi: Price cut spurs tremors

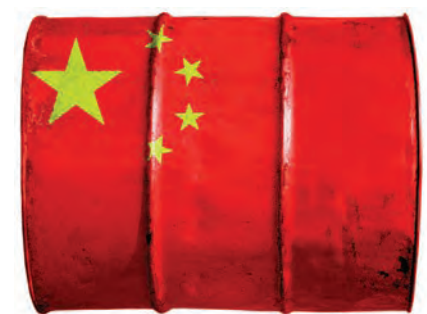
With the coronavirus outbreak slowing trade, transportation and other energy-intensive economic activities, demand is likely to remain weak. Even if Russia and Saudi Arabia resolve their differences, a global oil glut could keep prices low for years.

Source: The New York Times

## Saudi to boost capacity to 13mn b/d

Saudi Arabia has unveiled plans to boost its oil production capacity to a record high of 13mn b/d. The price of crude oil fell by more than 3% after the announcement.

Source: The Wall Street Journal



## China: Teapot refiners ramp up

China's independent oil refiners are cranking up production as local governments begin to relax strict measures to contain the coronavirus and fuel demand begins to recover. A sharp plunge in crude oil markets triggered by the erupting Saudi-Russia price war has also boosted profit margins.

Source: Reuters





# Gulf Intelligence

~ We Facilitate Knowledge Exchange ~

## CALENDAR 2020

### **The 10<sup>th</sup> Gulf Intelligence UAE Energy Forum**

Under the Patronage of  
His Excellency Eng. Suhail Mohamed Al Mazrouei  
UAE Minister of Energy & Industry

*Abu Dhabi*

### **The 4<sup>th</sup> Gulf Intelligence IPWeek Middle East Energy Summit**

Hosted by the Energy Institute - IPWEEK

*London*

### **The 3<sup>rd</sup> Middle East Oil Markets Workshop**

*Dubai*

### **The Gulf Intelligence KSA Energy Knowledge Series 2020**

#### **APPEC Singapore Middle East Energy Series 2020**

*Singapore*

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

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

*Fujairah*

### **The 4<sup>th</sup> Middle East LNG Workshop**

*Dubai*

### **The 4<sup>th</sup> Gulf EOR Workshop**

*Abu Dhabi*

### **The Gulf Intelligence Abu Dhabi Energy Knowledge Series**

*Abu Dhabi*

### **The 8<sup>th</sup> Gulf Intelligence Oman Energy Forum 2020**

*Muscat*

**[thegulfintelligence.com](http://thegulfintelligence.com)**