Fujairah New Silk Road WEEKLY NEWSLETTER

NEW SEASON '23-'24

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FOIZ منطقة الفجيرة للصناعة البترولية Fujairah Oil Industry Zone

Port of Fujairah ميناء الفجيرة Port of Fujairah United Arab Emirates

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

"Oil Industry Has Mitigated Impact of the Ukraine War!"

Ali Rashid Al Jarwan, CEO, Dragon Oil

From the start of the Ukraine war, through to the end of 2022, companies and countries had to deal with large disruptions to supply chains, to marketing and to financing within the industry. At Dragon Oil, we immediately put a task force to see what items were affected and what mitigation measures were needed. The task force was active for four months and luckily, we absorbed all the disruption and expedited some of the materials and chemicals we needed from the east, in Kazakhstan, to fill the gap for all our requirements. It was a very successful program. The second major impact was that we were not able to continuously export as normal, because of the embargo on Russian tankers and all the Caspian countries were concentrating on sending their oil through Baku. That was very difficult, and we suffered between March and August. We were obliged to cut our exports by half as the Baku-Ceyhan pipeline was also under maintenance, but we were lucky to have storage tanks which absorbed more than 2 million barrels in capacity – the maximum possible. That was relieved in September 2022, with the pipeline reopening and due to our engagement with the government of Azerbaijan in securing tenders for 2023 with their marketing companies. We also had the advantage of high oil prices around $85 and at some point, hitting $100, during the second quarter of 2022. Now, more than one year on, the industry is stable, with many players having mitigated the impact of the war. Europe especially has developed alternative supplies to those from Russia and managed to absorb the shock last winter. So, lots of lessons learnt, and companies and countries are now prepared for the year ahead because they have solutions.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

5,955,000 bbl	1,436,000 bbl	8,609,000 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

$3.52 - 4.40/m³

↑ Highest: $4.60/m³

↓ Lowest: $3.38/m³

THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	$89.71/bl
WTI Crude:	$86.37/bl
DME Oman:	$89.73/bl
Murban:	$91.11/bl

*Time Period: Week 1, September 2023
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $ 639.50/mt
Low = $631.50/mt
Average = $636.00/mt
Spread = $8.00/mt

MGO

High = $952.50/mt
Low = $942.50/mt
Average = $948.00/mt
Spread = $10.00/mt

IFO380

High = $547.50/mt
Low = $517.00/mt
Average = $525.00/mt
Spread = $30.50/mt

*Source: Ship and Bunker, *Time Period: Aug. 30 – Sept. 6, 2023*

Fujairah Bunker Sales Volume (m^3)

1,272 180cst Low Sulfur Fuel Oil	**459,665** 380cst Low Sulfur Fuel Oil	**174,227** 380cst Marine Fuel Oil
1,387 Marine Gasoil	**23,015** Low Sulfur Marine Gasoil	**4,151** Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Ali Rashid Al Jarwan, CEO, Dragon Oil

Outlook for global demand given the questions marks around China?

My forecast for the remainder of the year is that prices will average $75-$85 because there is a more positive economic outlook for many countries. The US economy is strong, diversified, and innovative and inflation is coming down worldwide because of central bank policy. China's growth is not looking that bad for 2023 – it was estimated previously to be above 6%, but the actual result might be around 4%, similar to other emerging markets. Chinese oil demand will likely continue at current levels, if not slightly higher.

Concerns about new global production capacity and lack of investment?

Dragon Oil is producing 180,000 b/d from its three sites – in Turkmenistan, Egypt, and Iraq. Our strategy for new production is that 50% will be from organic growth, mainly from Turkmenistan, using new technologies and drilling for new prospects within the Cheleken concession, and the rest of our growth will be through acquisition. The time cycle to increase long-term capacity is typically four to seven years in normal conditions. So, in the interim, I think most operators will adopt smart, disciplined investment which will enable them to at least maintain production levels or increase them lightly through efficiencies.

Do the new trade flows since the Ukraine war impact E&P and marketing decisions?

If you take the national oil companies of in the GCC, there have been no major changes - they have long established customers in countries such as Japan, China, India. The disruption of oil and gas flows has now been mostly mitigated, with consumers and suppliers consolidating relationships and partnerships, and that has all helped to reduce any uncertainty.

In what way can COP 28 being hosted in the UAE be an advantage?

It's a good opportunity for the UAE and all operators to showcase best practices on cleaner energy. The country has worked hard on reducing gas flaring and minimizing emissions, in particular CO2. It is also building an infrastructure for electric vehicles and generating power from solar energy at very low prices. As operators, we have a chance to show our commitment to decarbonization. Dragon Oil now has zero flaring in Egypt for example and will achieve the same in Iraq within two years. In Turkmenistan, we are committed to reducing emissions as much as we can and improving our standards of pipeline monitoring for leaks as well as emergency response times.

WATCH FULL INTERVIEW HERE

MARK YOUR CALENDAR
October 10th & 11th, 2023

#EMFWEEK23 ITINERARY

Port of Fujairah
United Arab Emirates

ENERGY MARKETS FORUM

October 10th - 11th, 2023 | Novotel, Fujairah

aramco trading · Vitol · ADNOC · enoc · S&P Global Commodity Insights · MERCURIA

OCT. 10th

Time: 11:00AM
What: Open Registration

Time: 1:00PM
What: Welcome Lunch
Host: *H.H. Sheikh Saleh Al Sharqi, Chairman of Port of Fujairah*
Special Guest: *H.E. Haitham Al Ghais, Secretary General, OPEC*

Time: 2:30PM - 4:30PM
What: ENOC Oil Markets Workshop

Time: 2:30PM - 4:30PM
What: BUS TOUR of FOIZ Oil Storage Terminals

Time: 2:30PM - 3:30PM
What: After Lunch Briefings
Oil & Geopolitics

Time: 7:00PM - 9:00PM
What: Aramco Trading Gala Awards Dinner
Host: *H.H. Sheikh Saleh Al Sharqi, Chairman of Port of Fujairah*
Special Guest: *H.E. Haitham Al Ghais, Secretary General, OPEC*

Time: 9:30PM - 10:30PM
What: GI Networking Social Hour

OCT. 11th

ENERGY MARKETS FORUM 2023

Time: 8:00AM - 9:00AM
What: Breakfast Briefings &
Leadership Roundtable Breakfast

Time: 9:00AM - 11:00AM
What: Plenary Session
Host: *H.H. Sheikh Mohammed Al Sharqi, Crown Prince of Fujairah*
Special Guest: *H.E. Suhail Mohamed Al Mazrouei UAE Minister of Energy & Infrastructure*

Time: 11:30AM - 1:00PM
What: Industry Roundtables

Time: 1:00PM
What: Lunch
International Energy Journalism Awards

Time: 2:30PM - 4:30PM
What: BOAT TOUR of Port of Fujairah

5:00PM - END OF EMFWEEK23

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Fujairah Spotlight

Fujairah issues two new Property laws

The emirate of Fujairah has announced two new laws governing property ownership; Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, issued Law No.3 for 2023 and Law No.4 for 2023, regulating real estate development guarantee accounts. The two laws stipulate that developers, management companies, associations and owners' unions are to align their situations with the provisions of the laws within six months from the dates of their issuance (with the possibility for the relevant authority's director to extend the deadline for the same period when required).

Source: ME Construction News

National Bank of Fujairah Encourages Saving with New Max Saver Offer

The National Bank of Fujairah (NBF) announced today a promotional offer on its Max Saver range of accounts, designed to encourage customers to build up and grow their savings. This scheme, which will run until the end of February 2024, will offer increased interest rate on conventional Max Saver accounts to 3.5 percent per annum (for AED-denominated accounts), and 3 percent per annum (for USD-denominated accounts).

Source: www.zawya.com

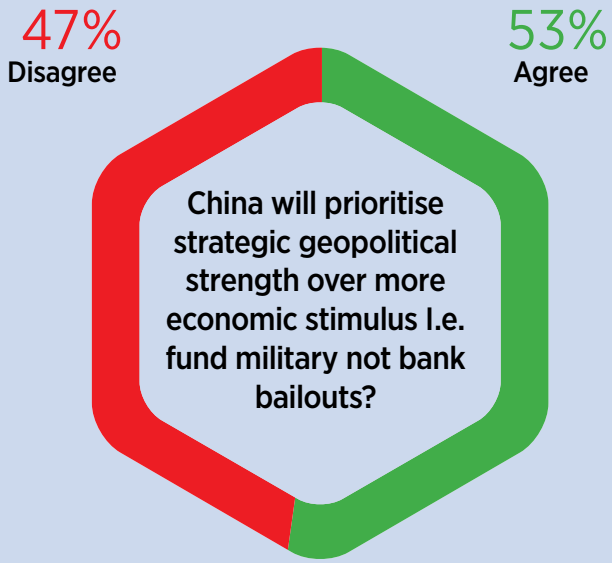
Fujairah Terminals looks to new railroad, Asia trade for expansion

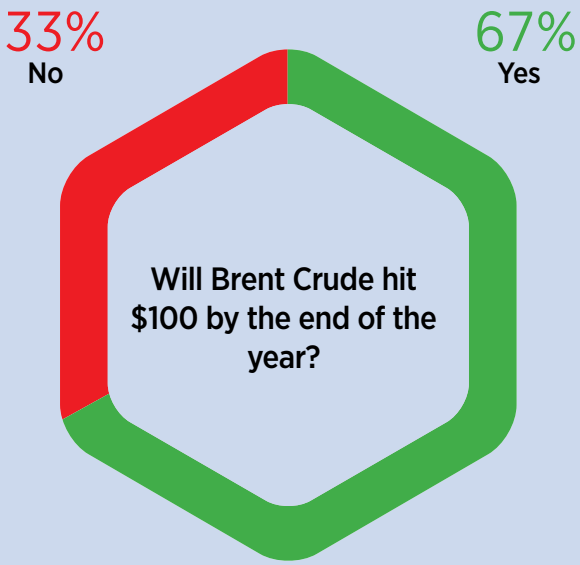
AD Ports Group's Fujairah Terminals, which has operated at the Port of Fujairah under a 35-year concession since 2017, is looking at its connection to the UAE's Etihad Rail network and increased ties with Asia to enhance cargo traffic while the cruise business takes in more passengers, the company's CEO Abdulaziz al Balooshi said in an interview.

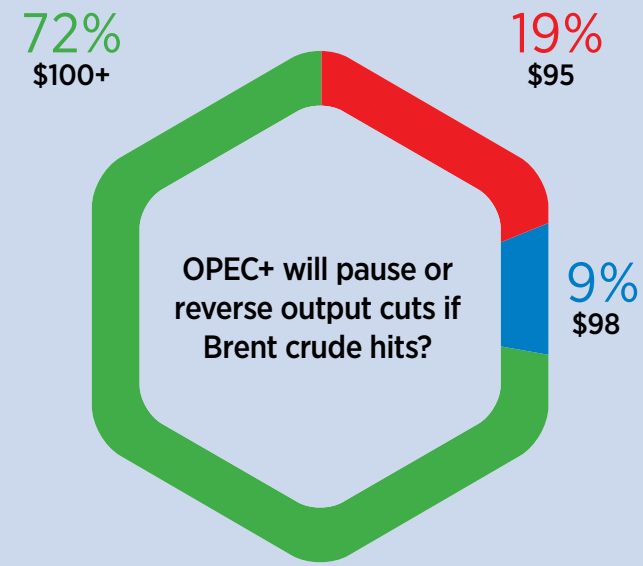
Source: Hellenic Shipping News

GI Weekly Surveys

Will bearish or bullish sentiment drive direction of oil prices through end of year?







Source: GI Research March 2023

Fujairah Weekly Oil Inventory Data

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 16.000 million barrels with a drop of 1.322 million barrels or 7.6% week-on-week. The stocks movement saw a rise for light distillates, while a drop for middle distillates and heavy residues.
- Stocks of light distillates, including gasoline and naphtha, increased by 444,000 barrels or 8.0% on the week to 5.955 million barrels. The East of Suez gasoline complex was rangebound Sept. 5, as many market participants were away from their desks amid the three-day APPEC industry event, market sources said. "This week there seems to be limited market activity as the APPEC conference is going on," a trader said. The Chinese government has issued 12 million mt (95 million barrels) in export quotas for clean oil products and 3 million mt for fuel oil in its third batch of allocations for 2023, sources with close knowledge of the matter said, enabling oil companies to implement their export plans for September. The allocation brought the quota volume for gasoline, gasoil and jet fuel exports to 39.99 million mt, up 7.4% from the overall quota allowance of 37.25 million mt for 2022. It was unclear whether more quotas will be allocated towards the year end, sources said.
- Stocks of middle distillates, including diesel and jet fuel, fell by 576,000 barrels or 28.6% on the week to 1.436 million barrels. Market sentiment in the East of Suez ultra low sulfur gasoil complex was seen firmer Sept. 5, even as refinery margins and cash differential for the 10 ppm sulfur grade softened. Brokers pegged the balance-month September-October Singapore gasoil swap time spread at plus $3.40/b in midafternoon trading Sept. 5, widening from the Platts-assessed plus $3.20/b at the Asian close Sept. 4. On the high sulfur front, Vitol sold two 200,000-barrel cargoes of 2500 ppm sulfur gasoil cargoes to Trafigura. One cargo was Straits loading while the other loads from the Arabian Gulf. The rise in trading volume comes on the back of supply uncertainty as China delayed the announcement of a third batch of export quotas. Meanwhile, the volume of Singapore gasoil swaps traded during the Platts MOC assessment process fell 22.13% on the month to 4.75 million barrels in August, S&P Global data showed.
- Stocks of heavy residues fell by 1.186 million barrels, down 12.1% on the week as they stood at 8.609 million barrels. Spot trading activity at the key bunker hub of Fujairah was firm Sept. 5 with some suppliers reporting plenty of inquiries, though in Singapore, demand was heard to be average at best. One supplier said inquiries had been firmer in the prior Sept. 4 session. "Yesterday [Sept. 4] was better," the supplier said. Several Fujairah suppliers noted firm demand for the Sept. 5 session, likely as the dip in upstream crude oil prices drew more buyers in. The front-month ICE Brent crude contract at the end of the Platts Asian bunker MOC was trading at $88.51/b at 5.30 pm Singapore time, down 49 cents/b from its Sept. 4 settle. "Today [Sept. 5] is busy. Plenty of inquiries on the books," one supplier said. A second supplier said that supply across the three bunker grades in Fujairah were adequate.

Source: S&P Global Commodity Insights

Energy Markets Views You can Use

Mike Muller
Head
Vitol Asia

Are crude prices likely to hold at current levels?

Some would say that the $12 added to the price of Brent since the end of June, would constitute a breakout. It's taken a few weeks to see the data resulting from the removal of perceived excess supply by OPEC+ cuts, but there's been a noticeable removal of crude inventory on the water. It's fair to say that global demand has worked with the removal of crude oil supply, to give us a fundamentally tighter market now. The front Brent spread shows there's a perceived risk premium or tightness because supply has been removed or because demand is surprising to the upside. All eyes this week will be on OPEC+ as nominations are due and OSPs get released. It's also the time of month when the monitoring committee gets together and decides on whether to tweak the balances. Many expect them to roll the cuts into October and some people are saying that the refinery maintenance period is not exempt in Russia so it might be quite easy for them to also put forward an output cut, which would potentially help underpin prices in the high $80s.

Has Chinese demand disappointed the market?

The construction sector is responsible for a lot of energy demand, but it is not the only one that consumes energy. We have seen imports of crude, coal, and petrochemical feedstocks, naphtha and particularly LPG, into China exceed expectations, albeit off a very low baseline. So as an economy, China is still growing. Year-on-year oil demand growth, projected forward for the rest of 2023, has China consuming about 1.2-1.3mn b/d more oil than in 2022. A third of that increase is jet fuel, and more than half of the rest is petrochemicals, and there's a good slug of gasoline in there too, and growth in diesel which is usually what is hit most by the construction sector.

Outlook for China's product export quotas?

The recent quotas issued are very much in line with expectations, which is that regular levels will continue. On a year-on-year basis, China has exported a lot more product this year, and despite that, the market has tightened. The amount of quota that allows China to put diesel, jet fuel and gasoline into the market for the balance of this year is at much lower levels than was the case for Q4 2022, by a factor of about half, and that's at the very time of year when Asian demand grows.

ENERGY MARKET NEWS

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Energy Markets Views You can Use

Clyde Russell
Asia Commodities & Energy Columnist
Thomson Reuters

Is the market any wiser ahead of Q4 as to the direction of travel?
There's no clear consensus on what OPEC+ will do next or on China demand - the oil market is fundamentally confused. China demand hasn't been as strong as people thought, but that doesn't mean that it won't improve in the coming months. But, traditionally, what's happened when prices have been high, they've trimmed their imports and that can be as much as two million b/d. So, if we see prices consistently above $90 and heading higher, China will trim. Whether that's enough to lower oil prices or change OPEC+ tactics, is another question.

LNG demand outlook for Asia?
There's more appetite for spot cargoes. We've seen the Chinese come back into the market at current price levels and starting to see the Japanese buy up for the northern winter with their gas storage levels a bit lower than the five-year averages. But the more price sensitive buyers like India and Pakistan are still largely on the sidelines.

Are Chinese government stimulus measures working?
We've seen a paradigm shift in how this is being done. China used to loosen the monetary policy taps, particularly into construction or infrastructure, but we're not seeing that this time. What they're trying to achieve is low inflation growth of around 5% and they're also managing a whole range of other demographic issues. Still, that does not mean they will stop buying vast amounts of commodities, but it won't be the huge growth driver that it was.

Outlook for Chinese refined products exports in Q4?
It's clear they're going to export more – there was a new round of quotas that was slightly more than the market expected and there's likely to be a further round in November and December. They've built up massive spare capacity and if they can't sell it domestically, then they will sell it outside. Gasoil margins have been very strong in Asia also so they're seeking to capture some of that.

Dr. Raad Alkadiri
Managing Director - Energy, Climate & Resources
Eurasia Group

It would be silly to argue with the current bullish sentiment.
Everyone is still watching China and there has been demand from China this year despite the poor economic recovery headlines. So, if we see signs of China picking up over the next couple of months, that's going to impact the market. Meanwhile, OPEC+ has pulled barrels off the market, compliance has been high, and we see a market that has been in equilibrium in the past month. We will certainly test the $90s – the question is how high above that we go. For the Saudis, a range of $85 to $90 a barrel is that Goldilocks price, and over $90 probably even more so. Given their domestic fiscal needs, they're going to continue pushing an oil market management policy that achieves their goals, as long as it doesn't impact demand.

Impact of the Ukraine war on oil markets today?
It's not a direct factor for the direction of travel in the sense that you've got a bifurcated oil market that's being sustained in part by the design of an oil price cap that keeps oil flowing. The US does not want to see Russian crude off the market - it recognizes that it would lead to a major spike, and bubbling behind the scenes is a possible rise in gasoline prices, heading into an election year. The Ukraine war is drifting into a long-term stalemate and will have secondary or tertiary impacts on the market.

How realistic is a Saudi-Israeli rapprochement for the region?
A couple of factors potentially stand in the way of it. One is the US security guarantee, which is not a given. Theres also reticence about giving a green light for a civilian nuclear program in Saudi Arabia. The Saudis will also have to negotiate with a very right-wing Israeli government. So, there are complications moving forward.

Energy Markets COMMENTARY WEEK IN REVIEW

Energy Markets Views You can Use

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

Soft landing for the US economy?

The consensus has shifted towards the Fed being very close to one more rate hike in November or in January and then it could be done. But we should remember that four of the six percentage points decrease in inflation over a year, has been the result of lower gasoline prices feeding into the CPI consumer basket, so if the crude price increases now feed into gasoline, that could revive the entire debate on inflation in the US and what the Fed should or should not be doing. But generally, it's still an economy that's at a very high activity level - unemployment is very low, output is very high, and housing prices are going up.

Is the US now replacing China as the big pillar of the global oil market?

I remain very skeptical on China's ability to revive its economy, short of a massive support program. It's not managing the transition from industrialization to services very well so overall growth rates will continue to decelerate. What's also interesting is the efficiency improvement in the US on the oil supply side - at the same time as the rig count has declined, production went up. These productivity improvements would mean that it's likely to be less elastic in reacting to a decline in economic activity than we are used to because they have more headroom.

Next steps for OPEC+?

The Saudis have incurred the cost of the initial cuts so far. They may rollover the cuts into October and say that Russia can carry half of those because of the problems that it is having with production. Saudi Arabia is sticking to its program of bringing prices up and Russia has realized that a 500,000 b/d cut and maybe another one, and a $10 increase in prices, is good for revenues.

Dr. Yousef Alshammari
CEO & Head of Oil Research, CMarkits, Senior Research Fellow, Imperial College London

The extension in cuts made by Saudi Arabia and Russia was expected.

What was surprising was the demonstration of a very strong alliance between the two countries. Saudi Arabia has made it clear in previous statements that they would be happy to deepen the cuts, but we hadn't had any clear statements coming from Russia. So, what we saw this week was a joint alliance between Saudi Arabia and Russia, and importantly with Russia even curbing its exports, which can be monitored more accurately because it does not publish its production figures. That's sent a very strong signal that the two countries and the OPEC+ alliance as a whole, are in strong agreement. And that's the main reason why we saw an almost 2% jump in prices over the past couple of days. I think the cuts will stay in place until the end of this year. There is then the question of whether they will remain through 2024, with the uncertainty on whether prices will hit $100. If that happens, I think there could be some easing in the cuts.

Any concerns about the refining market and general capacity constraints?

I think the industry is in a shift and worried about the future demand for fuels, partly driven by the shift towards alternative modes of transport. That's been a major driver of why we're seeing under-investment in refining, especially in Europe. In the Middle East, the situation tends to be slightly better because of upcoming demand, and we see many countries in the region now expanding refineries, and in Asia also.

GI Soundings Week in Review

"Market Still Uncertain on Direction of Travel!"

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**
- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Ram Narayanan, Director/ VP - Strategic Market & Business Development, Vedanta**
- **Andrei Belyi, PhD, Professor, Founder & CEO, Balesene OÜ**
- **Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies**
- **Paul Hickin, Editor-in-Chief, Petroleum Economist**
- **Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center - Atlantic Council**
- **Mike McGlone, Senior Macro Strategist, Bloomberg Intelligence**
- **Osama Rizvi, Energy & Economic Analyst, Primary Vision Network**

Peter McGuire, Chief Executive Officer, XM Australia OPEC+ "I'm erring on the side of 'pedal to the metal' by Saudi Arabia on policy because OPEC countries have had a hemorrhage price for quite a while and were not able to get above $70-$75. There seems to be more momentum from those collective governments to want a higher price running into Christmas."

Omar Najia, Global Head, Derivatives, BB Energy PRICE DIRECTION "This market is headed higher in a very broad sense. It doesn't mean that we're not going to see a dip in prices but there's an overarching shift between debt-based economies of the West and resource-based economies of the rest of the world, and all you need is for the latter to say we want more, for commodities prices to rise."

Ram Narayanan, Director/ VP - Strategic Market & Business Development, Vedanta RUSSIAN CRUDE "The discount on Urals has come down to $14-$15, compared to $20-$25 four months back - that's one reason those imports have dropped in India. Another factor is our relationship with Middle East suppliers, but I'm still a bit surprised at the rate at which that drop in Russian imports has happened."

Andrei Belyi, PhD, Professor, Founder & CEO, Balesene OÜ EUROPE GAS "Underground storages are now filled at 90%, a record high for this time of year. But the remaining two thirds of winter demand in Europe still has to be met with LNG, and most utilities don't have long-term contracts. If there is any problem, suppliers will prioritize Asian contracts, so it's not risk-free."

GI Soundings Week in Review

continuation

Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies OPEC+ POLICY "There are significant question marks over the possibility of systemic weaknesses in the Chinese growth model, so given that OPEC has put itself in a position where it can react to price spikes much more quickly than before, it's better for them to continue with this cautious approach; that's their mentality at the moment."

Paul Hickin, Editor-in-Chief, Petroleum Economist CHINA ECONOMY "The PMI data from China came in below 50, which signals a slight contraction. The economy isn't picking up in the way that some talked about. On top of that, there's the China SPR concern, so you've got a double whammy there that could well act as a cap to prices."

Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center - Atlantic Council EUROPEAN ENERGY "Electricity usage in Europe went down 5% during the first six months of 2023 and the use of fossil fuels for producing electricity, went down dramatically, while renewables went up to replace these. Europe is still pushing very hard towards decarbonisation."

Mike McGlone, Senior Macro Strategist, Bloomberg Intelligence CHINA DECOUPLING "The key thing is what's happened in China. We see US rates have moved so far so fast, about 300 basis points above China. US imports from Mexico have surpassed those from China for the first time in 20 years. There's a significant shift in getting out of China by the US and Europe."

Osama Rizvi, Energy & Economic Analyst, Primary Vision Network PAKISTAN ENERGY "Global macroeconomic conditions have a disproportionate impact on countries like ours. If oil prices hit $100, we are going to see some serious issues. Petrol prices are at around $1 (PKR308) in Pakistan and I'm expecting another PKR100 increase, so that would definitely spill over into the social reign."

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