Fujairah New Silk Road WEEKLY NEWSLETTER

SEPTEMBER 1st 2022
VOL. 128

Supported By:
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

India is Facing a Huge, Huge Current Account Deficit due to High Oil Prices!

Vibhuti Garg, Lead India - Energy Economist, IEEFA

India is facing a huge current account deficit due to high oil prices. Its imports of oil in financial year 2021/2022 grew by 8% from the previous year. In terms of nominal volumes, oil imports were 212 million tons in the fiscal year ending 2021/2022 compared to 227 million metric tons in the fiscal year 2019/20 pre Covid. But our import bill has gone up exceedingly, by 94%, from about $63 billion in fiscal year 20/21 to about $120 billion in 21/22, leading to a huge trade deficit. That's a stark change, and coupled with declining foreign exchange reserves, the country has had no choice but to start to reduce its energy import bill and scout for cheaper options, like Russian crude. India also wants to contain high inflation. That has become critically important when you have seen the downfall of neighboring countries like Sri Lanka, which is facing huge economic and human crises because of dependance on expensive imports. In the last few months, our wholesale price index was in the range of 15%, and even the CPI reached the 6% mark in May and June of this year. The CPI is still 6.7% now, in correlation with fuel price rises. And given that the government cannot pass on these high costs to consumers, the subsidy burden has gone up for certain items. Fertilizer subsidies, which are critical for agricultural growth, have hit $14 billion in the past two years and are expected to double to $28 billion for the ongoing fiscal year due to high gas prices. The government has started restricting certain imports because prices are so much higher. There is also a lot of emphasis on clean transportation like electric vehicles so that India can start to reduce its oil import bill. The country wants to become an export hub for green hydrogen and start using that for hard to abate sectors. There is a clear shift to clean energy that the country needs to actively pursue to protect itself from the vagaries of high imported fuel prices as this is something that may not be sustainable in the long run because it implies huge subsidy outgoings for the government for some of the critical elements.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,273,000 bbl	3,024,000 bbl	11,675,000 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:	$97.74/bl
WTI Crude:	$91.70/bl
DME Oman:	$96.27/bl
Murban:	$99.07/bl

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

Fujairah Weekly Bunker Prices

	VLSFO	MGO	IFO380
High	$817.50/mt	$1,413.50/mt	$510.50/mt
Low	$777.50/mt	$1,357.00/mt	$489.00/mt
Average	$808.00/mt	$1,385.00/mt	$503.50/mt
Spread	$40.00/mt	$0.00/mt	$21.50/mt

*Source: Ship and Bunker, *Time Period: Aug. 21 - Aug. 31, 2022*

Fujairah Bunker Sales Volume (m^3)

262 180cst Low Sulfur Fuel Oil	518,374 380cst Low Sulfur Fuel Oil	112,223 380cst Marine Fuel Oil
1,032 Marine Gasoil	33,237 Low Sulfur Marine Gasoil	4,864 Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Vibhuti Garg, Lead India - Energy Economist, IEEFA

Can India not get some revenue back in oil products exports?
Refined petroleum product export volumes have gone up in volume by 10% and in terms of value, by 107% from $21.4 billion to $44.4 billion today. However, that is still miniscule compared to our overall crude oil import bill of $200 billion. Exports do make up for some amount of the trade deficit, but not enough. We are still facing a huge, huge current account deficit on account of rising import oil prices that we have witnessed in just the last couple of months alone.

Will Russian crude oil have a permanent growing home in India?
Oil imports from the Middle East slipped to 61.9% from 63.9% in the past year while the share of the Eurasian region (which includes Russian oil) in India's overall crude oil imports, reached a record 18.8%, compared to 3.4% in the preceding 12 months. And our crude from North America almost halved to 6.8%, so there is a clear change in dynamics. Iraq continues to be our largest oil supplier, now followed by Russia which has replaced Saudi Arabia in second place. How these dynamics play out going forward will depend on prices in the international market. If the current levels persist, we will probably see increased supply from Russia. If they soften, we might be able to procure more from the Middle East, Africa or even the US. The discount on Russian crude has gone down. It started with a $20-$30 a barrel discount but now we are seeing a discount of about $8/bl.

Is India adjusting its fuel mix given the dynamics of energy costs?
The Russia Ukraine war has led many countries, including India, to turn inwards and rely on what is available in the domestic market to enhance their energy security. We are trying to enhance our limited domestic oil and gas production and domestic coal reserves. We have also seen volatility in imported coal prices, which has made it expensive and unreliable - prices from Australia, South Africa and Indonesia, the main suppliers of imported coal to India, have all increased. India has a lot of coal potential but let's not discount the fact that it is also aggressively increasing renewable energy deployment as well as its commitment to clean energy fuels. It can balance intermittent renewable energy with flexible battery storage, as well as pumped hydro. That's how India can manage energy security and price volatility. It has also enhanced its ambition to meet 50% of its installed capacity from non-fossil fuel energy sources and to reduce the energy intensity of the economy by 45% from 2005 levels by 2030. We are going in the right direction – we just need to accelerate the pace.

Despite all these costs, India's economy seems to be growing at a decent rate?
In the first quarter of 2022, we grew around 4.1%. In the fiscal year 2021/2022, our economy grew by 8.7%. The Reserve Bank of India and other estimates from the World Bank or IMF, have GDP growth rates for the financial year 2022/2023 at around 7%, so the economy is picking up despite elevated energy prices. Manufacturing, construction and farm activity are all up, so we expect very robust growth. That also has implications for electricity demand, which will rise by 6% to 7% in 2022, as well as in 2023.

WATCH FULL INTERVIEW HERE

ENERGY FOR LIFE

Abu Dhabi National Oil Company (ADNOC) is one of the world's leading energy producers and a reliable global energy supplier. With a production capacity of 4 million barrels of oil per day and around 11 billion standard cubic feet of natural gas per day, our work continues to enable our country and our people to realize their remarkable potential, acting as a catalyst for the growth and diversification of the UAE economy.

TOGETHER, WE BRING ENERGY TO LIFE.

Energy Markets Views You can Use

Vandana Hari
Founder & CEO
Vanda Insights

Oil price trajectory difficult to predict
There is just so much uncertainty both on the supply and demand side. The big element that the market has its eye on with supply is the Iran deal, and that has put the market on quite a roller-coaster sentiment in the past few weeks. But the market is starting to discount the initial optimism on an 'imminent' deal, which had put quite a bit of pressure on prices. Another big factor that will influence price direction is the OPEC meeting on Monday. The announcement made by the Saudi oil minister last week on possible production cuts took a lot of participants by surprise. OPEC+ is keen to put a floor on prices, at around $90/bl, and despite its jawboning, it has probably succeeded in doing that into the foreseeable future.

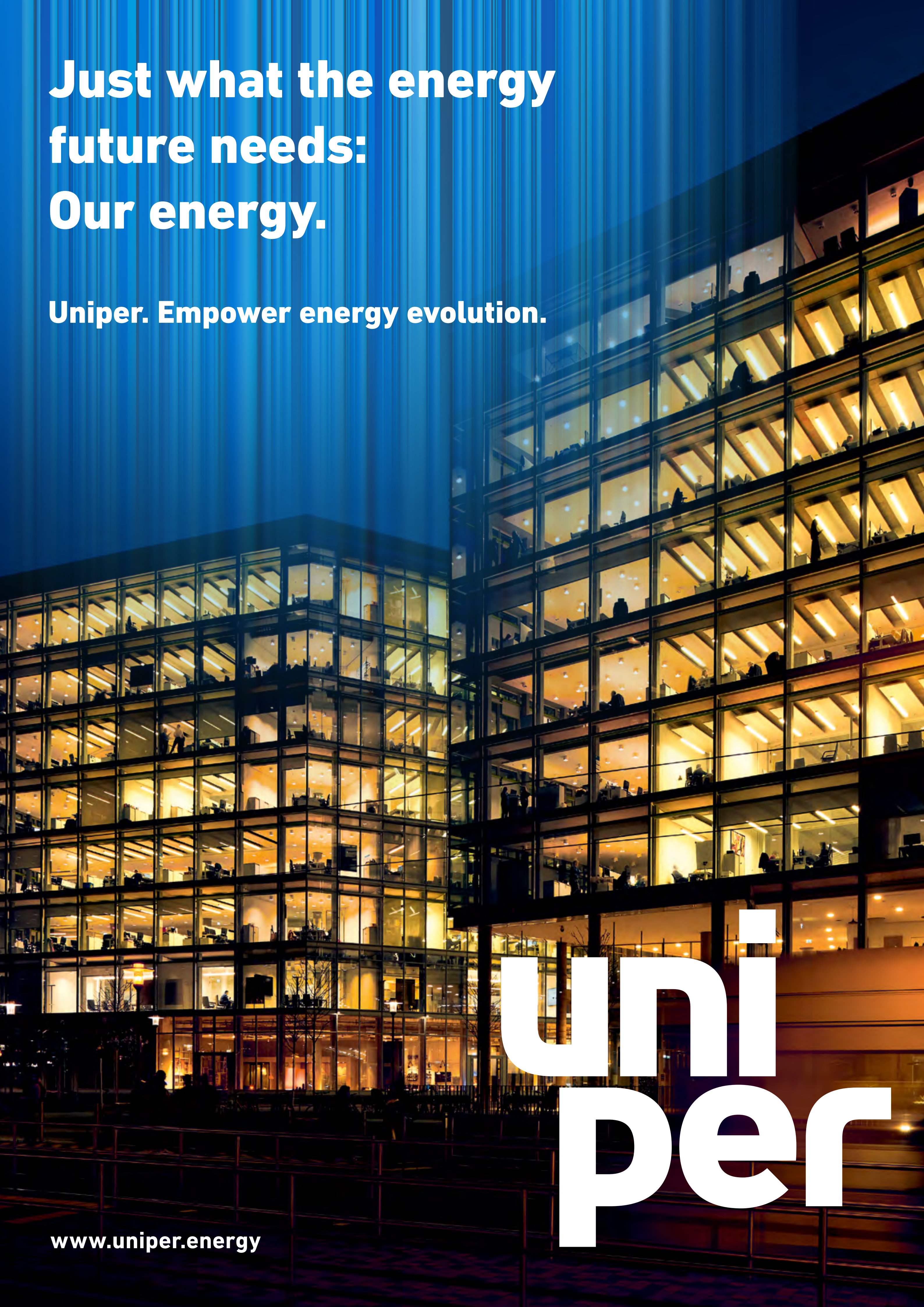
Outlook for China in Q4
The consensus view is that the Chinese economy will continue to be hobbled by its zero-tolerance Covid policy. Once the Communist Party meeting is over this autumn, the government will start easing a little bit on the very strict measures, but the general view is that perhaps after mid-2023, we could see the COVID restrictions easing more fully. Only then will we see China's oil and gas demand rebound. Meanwhile, with the shortage in spare capacity within OPEC + and gas in Europe, the market has been heaving a sigh of relief that Chinese demand has been muted compared to what we might have seen prior to COVID. China has even exported some of its surplus LNG cargoes into Europe.

Peter McGuire
Chief Executive Officer
XM Australia

China is a bearish pillar in the current $100 oil price
It's had the weather outages and what's happening as far as its agricultural base, energy consumption and how its moving forward with domestic growth. The word on the street also is that the debt in the property sector, accounting for 33% of their overall economy, is unwinding, and mortgage holders are not paying mortgages. Will that shake the foundations of the debt holders of international banks and the whole property sector? Meanwhile, the COVID situation still hasn't officially been put to bed and the stimulus that came through about a week ago was underwhelming.

No Pivot in Fed policy
The Fed's message is clearly pain for households ahead. That is probably the major concern that I think is going to hit everyone on Main Street. There's no chance of any pivot. We're looking at hands on the wheel and rate hikes certainly for the next couple of months from the Fed and its ECB counterpart. Inflation is the main storyline and we saw how equities reflected that last week with the Nasdaq down 4%. Meanwhile, the US dollar index is being pumped up at nearly 109 so that's been a very solid move.

Main Street feeling real inflation
The consumer on Main Street is feeling inflation and that's certainly true as far as Europe and certainly the UK with energy prices. All of this will play into the market. Every single consumption item is being ratcheted up and it's hard to tell what the true price of inflation is. Is it 10% or is it really 35% when you think of the cost of things like coffee or making renovations to your home, or goods and services in general. I think inflation is a lot higher than 10%.


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

Fujairah Spotlight

National Bank of Fujairah champions the role of Emirati women during Emirati Women's Day celebration

To mark this year's Emirati Women's Day, National Bank of Fujairah (NBF) organised an event honouring Emirati businesswomen, highlighting their important role in the UAE's social and economic development, and the part they play in the UAE's future. Addressing the event, Dr Raja Easa Al Gurg, Deputy Chairperson of the National Bank of Fujairah, shared her advice on how to make a difference in their respective organisations. Dr Al Gurg highlighted that Emirati women should seek not only recognition, but also, to add value, following their role models to make the most of their individual strengths.

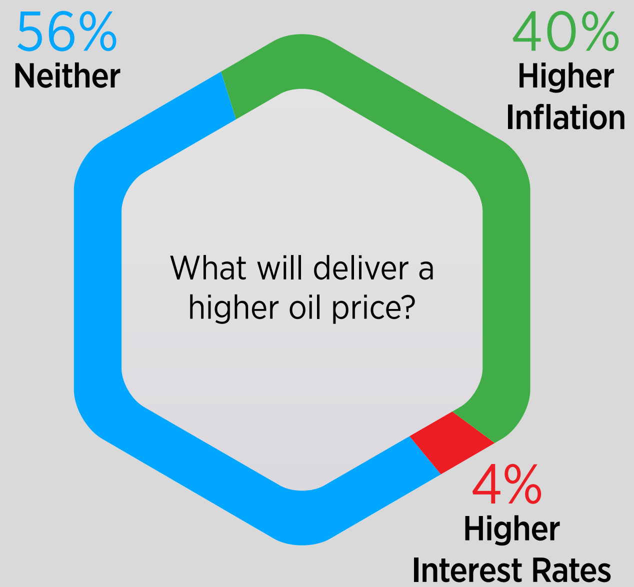
Source: ZAWYA

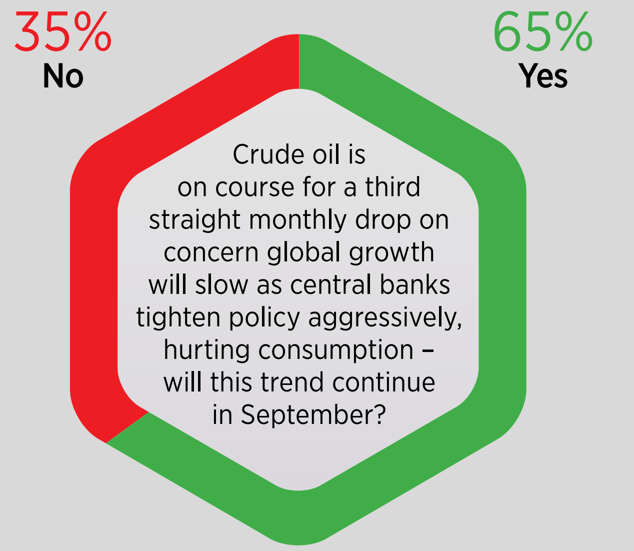
Oil product stocks on rebound as fuel oil exports slow

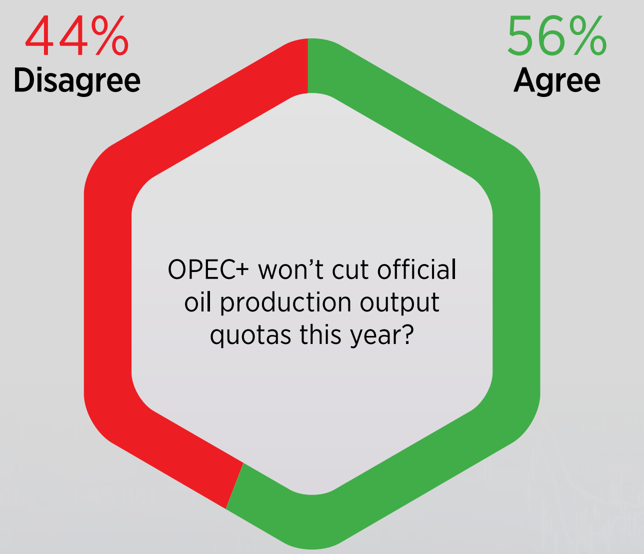
Oil product stockpiles at the UAE's Port of Fujairah climbed for the first time in three weeks, led by an 11% jump in fuels used for shipping and power generation, in the week ended Aug. 29, according to Fujairah Oil Industry Zone data. The total inventory was 21.972 million barrels as of Aug. 29, up 0.8% from a week earlier after dropping 9.6% the previous two weeks, the port data provided exclusively to S&P Global Commodity Insights on Aug. 31 showed. Inventories were 20.21% higher on the year.

Source: S&P Global Commodity Insights

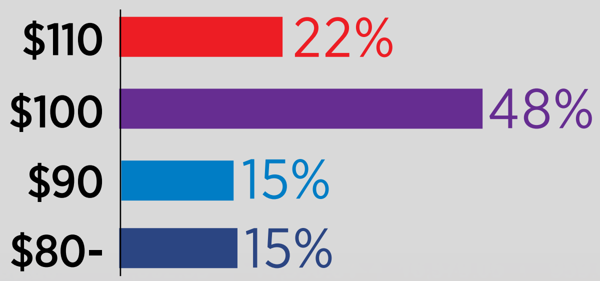
Weekly Surveys



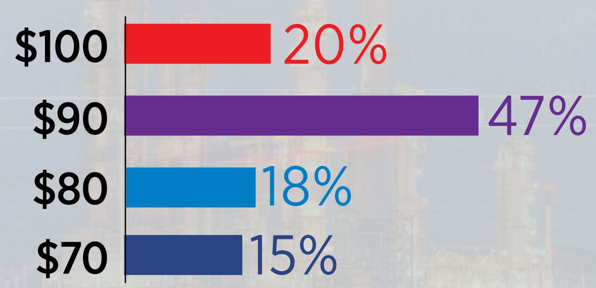




What will oil price average over the final 4 months of 2022 – Closer To:



What Oil Price can OPEC+ realistically defend in a weakening global economy?



Source: GI Research March 2022

Energy Markets Views You can Use

Mike McGlone
Senior Commodity Strategist
Bloomberg Intelligence

US Federal Reserve Will Keep Pounding Hard
The FED has got a sledgehammer out which is pounding hard and will continue to do so until it tightens things, or until the market tightens for it. The fact that energy had such a substantial rally this year is part of the reason the Fed has been more aggressive with inflation, and I fully expect it to succeed. With a strong dollar and a global recession, the market must go lower, and if it doesn't, the Fed will become more and more aggressive. I believe we are in for a period of great reversion of risk assets, and crude oil's not going to be isolated. I'm looking at WTI at $75, and I think there' a pretty good ceiling above $100 a barrel.

Do the markets believe Jay Powell?
It's starting to. A key point to make here is that the Fed's support has gone until we have clear signs of economic stress and that's coming. Just look at China, where demand for crude is going down. We are at a point where we are entering the most severe economic global recession of our lifetime and it's overdue. It's just a matter of time before crude oil goes back to its clearing price – it's too high right now. OPEC has done a great job, but in 10 years or so, they will be redundant. The world has accelerated towards alternative sources of energy to fossil fuels and dicey resources such as Russia.

Will inflation fall as fast as it has rallied?
Crude oil went from $50 to $130 this year and now it's at $100. What if it goes back down? That's deflation. It's virtually guaranteed. Look at natural gas in Europe. What is that doing for consumer spending? It's going to shut down everything. People are going to have to use a large portion of their income to pay for energy. Shutting down demand is going to create that global recession, which resets everything. A good example in the US is unleaded gasoline demand. It's turning over at a higher velocity than it did in 2008. We've already had that peak in price around $5 and now it's around $4. Yes, the US is releasing SPR, but part of that is due to the election coming up and they need prices to go lower.

Ole Hansen
Head of Commodity Strategy
Saxo Bank

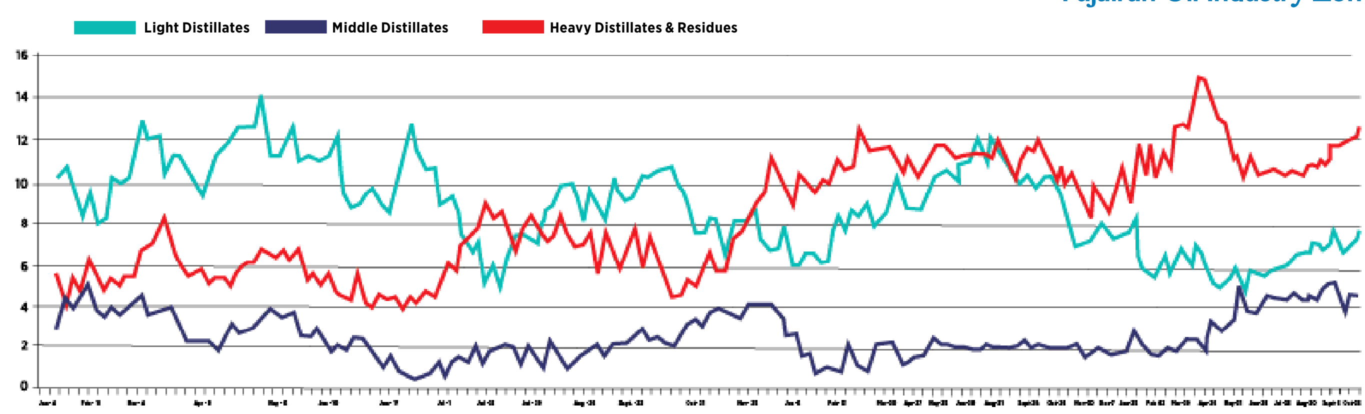
Weather Woes & Energy Crisis Lift Commodities!
The commodity sector continues to recover as the Bloomberg Commodity Index claws back more than half of what it lost during the June to July 20% correction. Gains were seen across most sectors, led by agriculture as weather woes lifted the cost of coffee and the three major crops – especially corn. Industrial metals received a boost from China's continued efforts to support its weakening economy by announcing more stimulus policies that would pump billions into infrastructure projects. The energy sector was supported by surging gas prices driving up demand for diesel and Saudi Arabia flagging the risk that OPEC+ may cut production to stabilise volatile markets.

In financial markets, the dollar reached a fresh 20-year high against the euro as Europe's energy crisis continued to pressure the economic outlook for the region. US stocks tumbled and bond yields rose ahead of Friday's eagerly awaited speech by Federal Reserve Chair Jerome Powell. In which, he was expected to reiterate his determination to bring down inflation by continuing to hike interest rates. Inflation-fighting measures, such as hiking interest rates and removing stimulus into a post-pandemic economic slowdown, was the main driver behind the recent correction in commodities.
Overall, however, we maintain the view that commodities can weather headwinds from an economic slowdown with supply of key commodities being equally challenged. In the long term, support for commodities will be driven by underinvestment, urbanisation, the green transformation and deglobalisation. In the short term, prices are likely to be supported by the unfolding energy crisis in Europe, Russia-sanctions related supply disruptions, adverse weather raising fresh concerns about food supplies, and China's efforts to support its economy.

(Source: Saxo Bank)

Fujairah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 21.972 million barrels, with a build of 185,000 barrels, or 0.8% week-on-week. The stocks movement saw large draw across light distillates offset by a large build in heavy residues and a small build in middle distillates.
- Stocks of light distillates, including gasoline and naphtha, fell by 1.149 million barrels or 13.6% on the week to 7.273 million barrels as they fell to their lowest level since the end of July. The East of Suez gasoline complex was under pressure as it tracked a narrowing US RBOB-Brent crack as gasoline demand is expected to fall globally approaching the winter months. In tenders, QatarEnergy was heard offering 25,000 mt of 95 RON gasoline for loading over Sept. 20-21 in a tender that closes Aug. 30, market sources said.
- Stocks of middle distillates, including diesel and jet fuel, rose by 216,000 barrels or 7.7% on the week to 3.024 million barrels. The East of Suez gasoil complex continued to be bolstered by an open arbitrage for flows to the West of Suez. However, several observers cautioned that rising freight rates could dent arbitrage economics. In tenders, QatarEnergy is offering to supply a combination cargo -- comprising 60,000 mt of Jet A-1 and 20,000 mt of 10 ppm sulfur gasoil -- for loading from Ras Laffan over Sept. 20-22. The tender closed on Aug. 30.
- Stocks of heavy residues rose by 1.118 million barrels or 10.6% on the week to 11.675 million barrels, bouncing back above the 11-million-barrel level. Trading activity for bunkers in the Port of Fujairah was steady with activity expected to gain momentum in September as low prices attract some buyers, sources said. Fujairah delivered marine fuel 0.5%S bunker was assessed at $795/mt on Aug 30, reflecting a rise of $10/mt day on day. While a trade was heard at $798/mt for 670 mt of product deliverable Sept. 5 onward. In contrast delivered marine fuel 0.5%S bunker in Singapore was assessed $25/mt lower than Fujairah at $770/mt on Aug 30, reflecting a rise of $5/mt day on day.

Source: S&P Global Platts

Commodities
Oil prices fell a second day in a row, closing out August at USD 96.49/b in Brent and USD 89.55/b in WTI. The OPEC+ meeting next week is the next major catalyst for markets and the alliance's advisory body endorsed the Saudi view of a disconnect between physical and futures markets and also revised its expectations for 2023 to a deficit of around 300k b/d from a 900k b/d surplus.

FX
The prospect of much tighter ECB policy is helping to turn the Euro around somewhat with three days of gains in a row. The single currency added 0.4% to settle at 1.0054 last night and is managing to hold above parity in early trade today. While the ECB may indeed move with another large hike in rates, policy rates will still remain well below the Fed, keeping a wide advantage for the dollar.

Equities
Global stock markets continued to head lower yesterday, amidst some high profile warnings that the bottom is yet to be hit and ongoing concerns around recession risks and central bank tightening. In the US, the NASDAQ, the Dow Jones and the S&P 500 dropped -0.6%, -0.8% and -0.9% respectively while in Europe the CAC (-1.4%) was the major loser, followed by the DAX (-1.0%) and the FTSE 100 -1.1%).

Source: Emirates NBD Report


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

Dr. Charles Ellinas
CEO, Cyprus Natural Hydrocarbons Co. &
Senior Fellow, Global Energy Center - Atlantic Council

Is the gas situation in Europe as bad as the headlines indicate?
Not only is it looking bad, but it is getting worse. Energy prices are climbing by the minute. Gas prices have now reached 340 euros per megawatt hour and electricity prices in France and Germany have exceeded €1,000 and prices continue to climb. If Nord Stream 1 is shut down completely, that will stop supplies of gas to Germany. Gas storage in Europe is sufficient until the end of December; after that, it won't suffice. And Europe sees the whole thing being repeated next year, so much so that they estimate that the cost of energy in 2023 may be 12% of Europe's GDP. Europe may spend $1.3 trillion next year just buying gas.

Can Europe implement an energy price cap?
That will only come if their respective energy ministers come together and agree on one, which I don't see happening given the lack of funds for subsidies. Europe has already spent approximately €300bn dealing with the energy crisis so far – the money is simply not there.

How will Europe solve this crisis?
I think it will burn more coal but there's more to it than that. France has shut down 31 of 56 nuclear plants due to maintenance and Norway has stopped exporting electricity to Europe due to drought. Despite this, Europe is still sticking to its plan to cut Russian oil down to zero by the end of the year. So as a result, more gas is being used and so it may run out by the end of the year. What surprises me most is that the European governments are almost paralyzed - they don't know what to do and are deferring decisions.

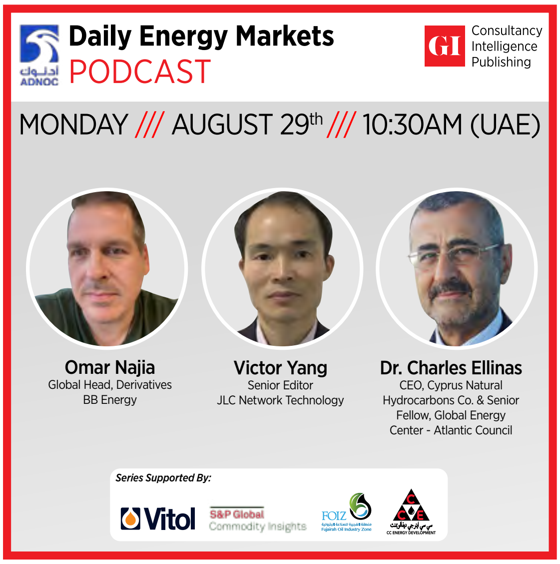
Danial Rahmat
Senior Energy Security Consultant

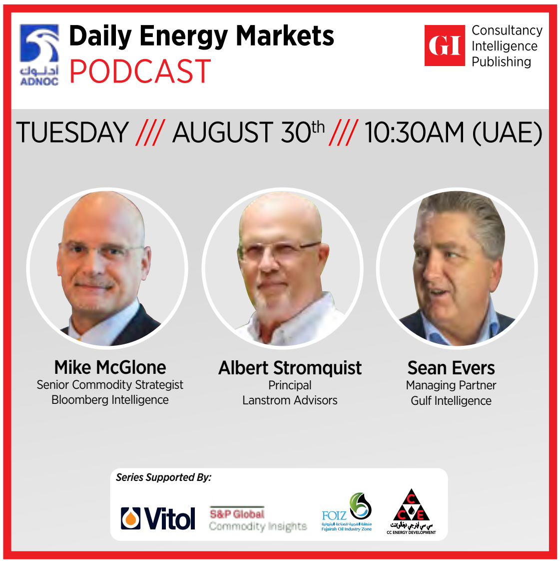
September will be an important month for Iran nuclear talks.
Iran needs this deal. Its 25-year strategic partnership agreement with China is suspended. The Chinese are not going to invest in the Iranian upstream or downstream market until US sanctions are removed. And given high oil and gas prices globally, Iran could also use the opportunity to enhance its economy in the short-term and its regional influence. If Iran does not come back to the JCPOA deal, it will be disastrous as it not only means US sanctions but also international UN sanctions. While waiting for the JCPOA, Iran has advanced its relations with Russia, with agreements on exporting Russian gas and Russia has also invested in Iran's upstream sector. We've even heard that the Iranian electricity grid is going to be connected to the Russian grid so that Iran can export Russian electricity to Iraq or elsewhere.

Iranian oil still flowing into Asia
Iranian exports to Asia dropped in June but once it accepted the new Russian prices as an indicator, they increased. During August, total exports to China hit 1.1 million barrels, perhaps not directly, but through Malaysia, Indonesia, or elsewhere. Iran also plans to increase non-oil exports to its neighboring countries. There's a lot of hope that Iran can become a North/South economic transportation corridor for Russia, India, and possibly Pakistan, and if it develops its agreements with Russia to become a gas hub for regional customers like Pakistan, Turkey, and even Iraq, that would also be positive.

Energy Markets COMMENTARY

WEEK IN REVIEW





CLICK HERE TO LISTEN

Energy Markets Views You can Use

Clyde Russell
Asia Commodities & Energy Columnist
Thomson Reuters

It will be hard to jawbone the oil price higher

We're seeing an increasing disconnect between the paper market and the realities of the physical market. OPEC has been complaining about volatility, but they are quite frankly part of the problem. Who wants to trade on the market when an energy minister can come out, say something, and suddenly the price is 10% higher than it was 20 minutes earlier, and then equally, in a few days, it's back to where it was. It's not going to work. OPEC is not helping in that regard. They want oil to remain around the $100 level, but they are having to swim increasingly against the tide. You've got an energy crisis in Europe that's turning rapidly into an economic one and we've still got weak demand for crude coming out of China. It's going to be hard for OPEC to jawbone the oil price higher.

China not as strong as it was

It's expected that August Chinese crude oil imports will be under 9mbd again, for a third straight month. China was a country that averaged about 10.5mbd in 2021 and even more in 2020 when it bought up all the cheap oil during the pandemic. I don't see anything changing now - they've got lockdowns, issues getting the economic stimulus working and inherent problems in the construction sector. Exports of oil products are also lower than what they used to be, and I don't see any of that coming back in 2H 2022. We have to factor in that China's not going to be a 10-11mbd importing country and OPEC should also take note.

Russia vying with Saudi as top China crude supplier

China was importing more than what it needed in 1H 2022 and they can import even less should they choose to use more of their inventories buffer. They are also busy switching quite a lot of their oil around. They are buying from Russia, which has been their top supplier for the last couple of months, except in August when it was Saudi Arabia. The fact that the Saudis are now with Russia as China's biggest supplier, should be an alarm bell for the OPEC part of OPEC+.

Energy Markets Views You can Use

Daniel Richards
MENA economist
Emirates NBD

Are GCC economies concerned about inflationary pressures?
To a certain extent they will be. We expect some of those price pressures related to energy or food will come into play. We've seen high prices trickle into the housing market already. But on the fiscal side, they are flush with cash across the GCC. The weighted average for budget surplus forecasts this year is over 10% of GDP. If they do start to see a real impact on households from higher prices, GCC governments certainly do have the wherewithal to implement measures to soften expenditure policy, but they haven't done that so far. They have been concentrating the large sums of money from higher oil prices and high production to balance their books and prioritize long-term investment.

US FED policy impact on the Gulf region?
We haven't seen any backing down from the US Fed's hawkish messaging, and that put the rally in equities over the summer to bed. We still expect 150 basis points this year alone over the next three Fed meetings. The ECB is also stepping up its game in that regard. And here, with the UAE dirham pegged to the dollar, that will impact things and monetary policy will be hiked in tandem for the most part as it always is. That could be a mixed blessing because it makes what is not a highly competitive region in terms of exports, even more expensive, especially in the services sector. The resurgence of the tourism sector could slow down - that's just one example of how the dollar strength isn't necessarily a major benefit for local economies.

ENERGY MARKET NEWS

1. OIL FALLS ON GREATER SUPPLY, LOWER CHINA DEMAND
2. OPEC+ JTC REVISES DOWN 2022 SURPLUS TO 400,000 B/D
3. INFLATION HITS 9.1% IN COUNTRIES USING EURO CURRENCY
4. ASIA'S FACTORY ACTIVITY SLUMPS ON CHINA'S COVID CURBS, US SLOWDOWN
5. THIS DECADE'S OIL BOOM IS MOVING OFFSHORE
6. IRAN SEEKS STRONGER US GUARANTEES FOR REVIVAL OF 2015 NUCLEAR DEAL
7. TANKER REFLOATED AFTER RUNNING AGROUND IN EGYPT'S SUEZ CANAL
8. INDIA QUARTERLY GROWTH RISES TO 13.5% AFTER PANDEMIC SLUMP
9. YELLEN WARNS OF FAILURE TO AGREE ON RUSSIA OIL PRICE CAP

Series Supported By:

ADNOC · mashreq · CC ENERGY DEVELOPMENT · uniper · FOIZ Fujairah Oil Industry Zone · SNOC

RECOMMENDED VIDEO & REPORTS

- BULLS STARVED IN AUGUST DURING WORST CROSS-ASSET SELLOFF SINCE '81
- AUSTRALIA HOUSE PRICES RECORD STEEPEST DROP IN FOUR DECADES
- WILL GERMANY ABORT ITS NUCLEAR U-TURN?
- CHINA'S ENERGY CRISIS PUSHES SHIFT FROM GREEN TO COAL
- CHINA HAS WAIVED THE DEBT OF SOME AFRICAN COUNTRIES
- "INDIA CAN'T KEEP GROWING AT 7% IF ENERGY PRICES REMAIN ELEVATED!"

GI Soundings Week in Review

"OPEC+ Can't 'Jawbone' Oil Prices to Stay at $100!"

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.

- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Victor Yang, Senior Editor, JLC Network Technology**
- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**
- **James McCallum, CEO & Chairman, Xergy Group, Professor of Energy, Strathclyde University**
- **Laury Haytayan, MENA Director, Natural Resources Governance Institute**
- **Ole Hansen, Head, Commodity Strategy, Saxo Bank**

Omar Najia, Global Head, Derivatives, BB Energy INFLATION: "People still don't get what decimation lies ahead for Europe. Come winter, when people get slapped across the face by massive bills, you're going to see lots of political change. The Euro will get decimated and GDP as well, the Yen we're already seeing that and the time for dollar decimation is also coming."

Victor Yang, Senior Editor, JLC Network Technology CHINA DEMAND: "China had a surplus of products in 1H 2022 so a lot of state-owned refineries are under heavy pressure to now lower their stockpiles. They were increasing inventory by 2mbd in the first half of the year but are beginning to slow down, so we're not going to see a significant pickup in crude imports demand any time soon."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence US FED:"The Fed has a sledgehammer out which is pounding hard and will continue to do so until it tightens things, or until the market tightens for it. The fact that energy had such a substantial rally this year is part of the reason the Fed has been more aggressive with inflation, and I fully expect it to succeed."

James McCallum, CEO & Chairman, Xergy Group, Professor of Energy, Strathclyde University CONSUMPTION: "The impact on energy and food as a result of the Ukraine war, is now being felt by the average consumer in Europe. People are beginning to pull the reins and will continue to do so. If you look at behaviour around energy consumption, people are beginning to not use hot water and they will also wind back their consumption on central heating by 10 to 20%."

Laury Haytayan, MENA Director, Natural Resources Governance Institute OPEC: "There are two objectives that are very important for OPEC and OPEC+. The first is to keep a price that is acceptable for producers as their economies are built on these revenues, and I think they will not choose to increase production and keep discussing these cuts instead. The second objective is to hold ties with Russia."

Ole Hansen, Head, Commodity Strategy, Saxo Bank GAS: "We have seen strong gas flows into Europe in recent weeks. Those which have received less gas are obviously in Asia, especially China. We will see competition for gas and LNG in the autumn. That means Asian gas prices will remain high and that will also support a fuel switch in Asia more than in Europe in terms of actual barrel flow."

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
August 28th - September 1st

1. China oil imports are likely to remain sub 10mbd for the rest of the year as the country struggles to stimulate its way out of Covid lockdown.
2. Libya, Iraq, and Iran, which together add up to close to 10mbd, are facing some uncertain political and geopolitical turbulence that could unravel in multiple directions - just saying!
3. OPEC+ meet next week and one must never rule out that they could act sooner than expected to defend a falling oil price, but they would be wise to choose their moment carefully.
4. Share prices for the major IOCs have still not returned to pre-COVID highs despite the record profits being enjoyed this year - maybe that explains why they have to use so much of the windfall to pay robust dividends just to keep shareholders engaged.
5. Europe's worst-case scenario for the coming winter appears to keep getting worse as gas and electricity rates keep hitting new record highs with no respite in sight.
6. China's oil refineries are likely to reduce their crude purchases approaching Q4 as they need to draw down on inventories that have built at close to 2mbd in the first half of the year.
7. Oil prices are set for the 3rd month of declines and this trend is likely to continue into September as the global economy slows further and with it, demand destruction accelerates.
8. OPEC's jawboning on possible output cut has lost its impact on the market as it is already underproducing, but it's probably succeeded in setting a floor of about $90/bl on prices for the time being.
9. China Covid restrictions likely to stay in place till mid-2023 and only then will its oil and gas demand rebound. Meanwhile, Europe breathes sigh of relief as weaker Chinese buying eases stress on supply.
10. Iran wants to seal deal on JCPOA - in the meantime it has secured Russian investment in its oil and gas industry and continues to send its sour crudes east to Asia in tandem with Russian pricing.

ITINERARY

10th Anniversary EMF22 WEEK

ENERGY MARKETS FORUM

October 4th - 6th, 2022 | Novotel, Fujairah

DAY 1 - OCT. 4th

What: Port of Fujairah Executive Boat Tour
Where: Port of Fujairah
Time: 2:00pm

What: FOIZ Oil Storage Terminals Industry Tour
Where: Port of Fujairah
Time: 2:00pm

What: The Aramco Trading New Silk Road CEO of the Year Awards 2022
Where: Novotel, Fujairah
Time: 7:00pm

DAY 2 - OCT. 5th

What: Industry Forum - East of Suez Outlook
Where: Novotel, Fujairah
Time: 8:00am - 3:00pm

What: International Energy Journalism Awards Dinner
Where: Novotel, Fujairah
Time: 7:00pm

DAY 3 - OCT. 6th

What: Energy Markets Workshop - Benchmarks
Where: Novotel, Fujairah
Time: 8:00am - 2:00pm

Consultancy
Intelligence
Publishing