

Fujairah

New Silk Road

WEEKLY NEWSLETTER

NOVEMBER 7th 2019
VOL. 5

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

AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

“Fujairah’s growth must continue. We talk about independent benchmark pricing. The question is: why is this not happening?”

Ibrahim Al Buainain, President & CEO, Aramco Trading

Moderator: You’re opening offices here in Fujairah and have started trading in the UAE. What’s next?

Ibrahim Al Buainain: Our downstream business is growing. We’re at 5.5mn b/d of refined capacity. With expansions and plans that we have, we would reach 8mn-10mn b/d. That’s why we’re trying to connect our system together and change the business model into global mode.

Moderator: What is the biggest challenge for you at Aramco Trading?

Ibrahim Al Buainain: Aramco is a very structured company. So, in the trading business, they’re not comfortable with it. Everything has to be headquarter-centric. But if you truly believe that this is a global business, you have to think global. Time zones are a big thing, as is talent. In Fujairah, we see a level of attraction and that’s what we need. We need somebody who really wants to be in that business and in that geography. If you’re a blender or a storage player, you can see your

assets [in Fujairah]. And if you have multiple traders around here, there will be a good network that you can build around.

Moderator: Do you think the ecosystem can be strengthened?

Ibrahim Al Buainain: Of course. It’s always about who comes first and who can come after. We’re big enough to attract other people to come. In 2008, Fujairah was just a few tanks. Ten years later, there’s significant growth. This growth must continue. We talk about independent benchmark pricing. The question is: why is this not happening in Fujairah?

**Edited Transcript*

 [FULL INTERVIEW HERE](#)



Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

**Average Range
\$3.61 – \$4.10/m³**



↑ Highest: \$4.50/m³

↓ Lowest: \$3.40/m³

*Time period: Weekly

Source: GI Research

Fujairah Weekly Oil Inventory Data

5,923,000 bbl
Light
Distillates



3,090,000 bbl
Middle
Distillates



14,329,000 bbl
Heavy Distillates
& Residues



Source: FEDCom & S&P Global Platts

Insights brought to you by:



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THE WEEK In Numbers

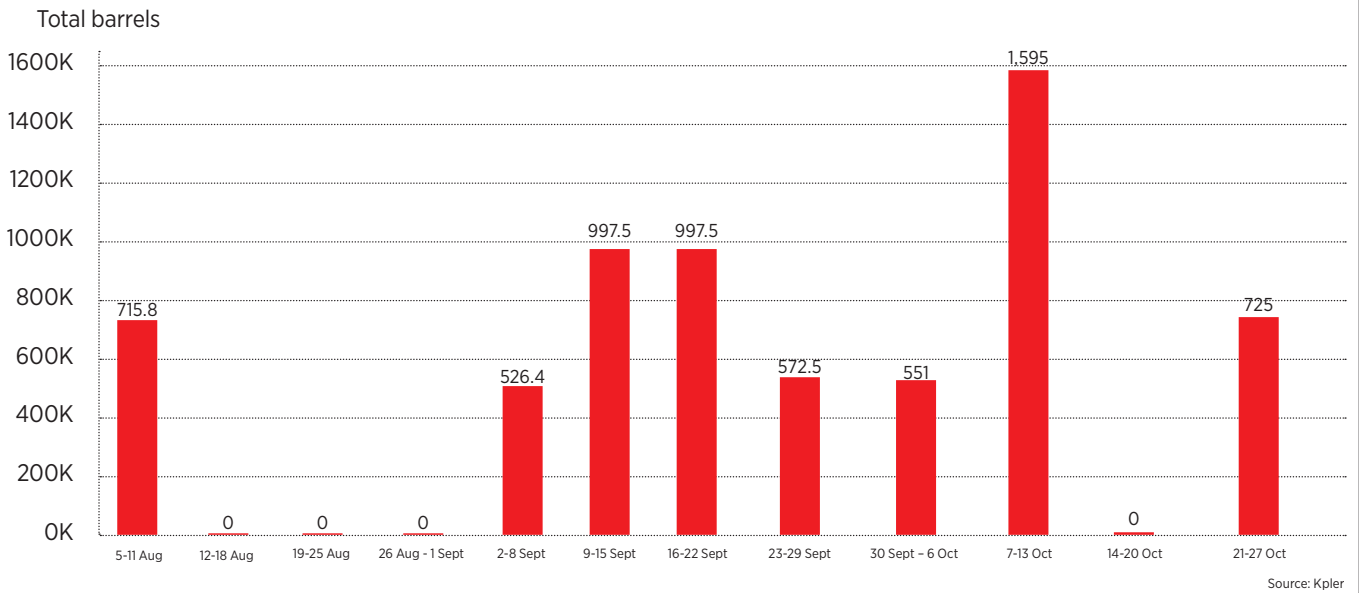


Weekly Average Oil Prices

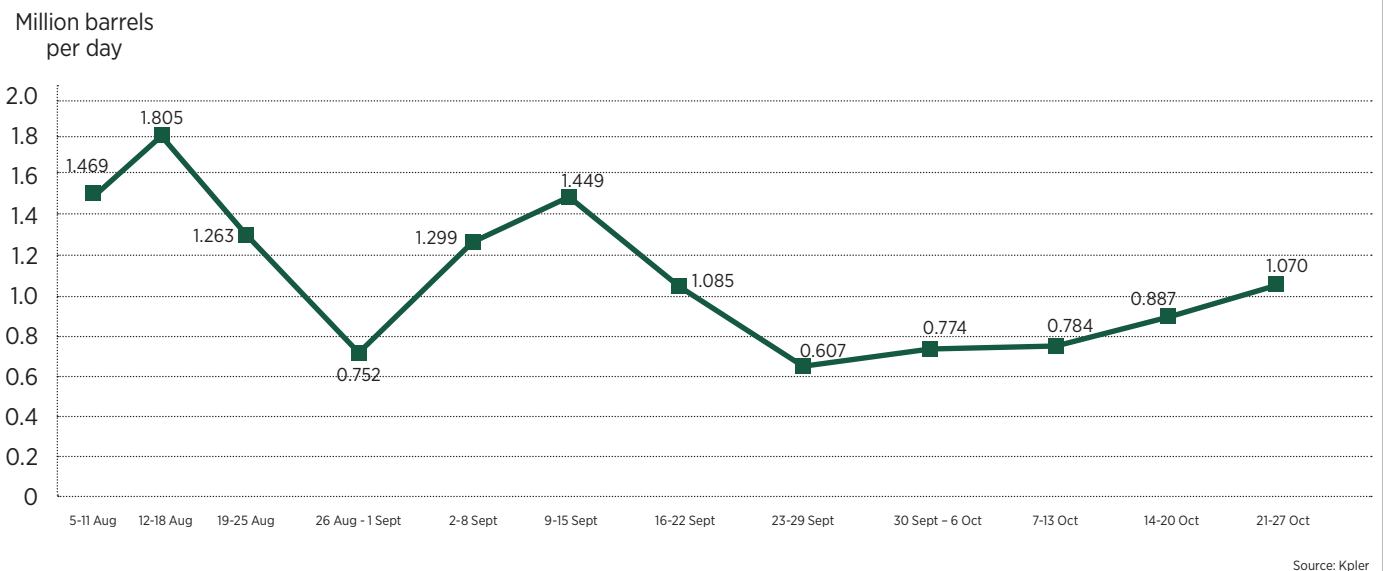
Brent Crude: \$61.17/bbl
WTI Crude: \$55.50/bbl
DME Oman: \$61.71/bbl
Dubai: \$58.43/bbl

Time Period: Week 1, November 2019
 Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Total Refined Product Exports from the GCC to Asia-Pacific





EXCLUSIVE INSIGHTS

OCTOBER ENERGY MARKET SURVEY
US-China Trade Deal Would Propel Brent Beyond \$60/bl

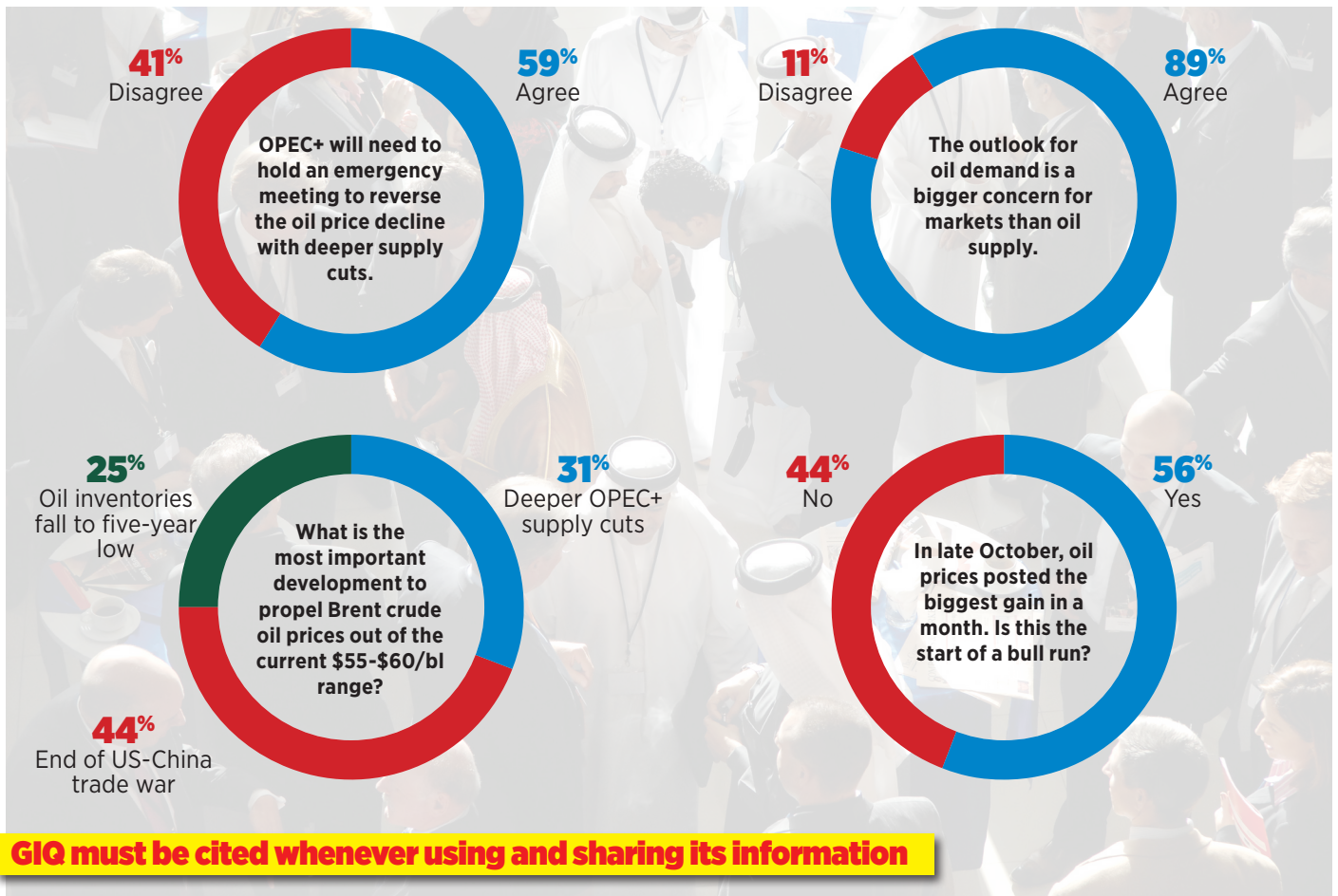
Removing the boxing gloves in the US-China trade war will be the most important enabler to propel Brent crude prices out of the \$55-\$60/bl range, according to nearly half (44%) of respondents to GIQ's monthly Energy Market Survey. Roughly a third (31%) said deeper supply cuts by OPEC+ would be the most significant factor, while a quarter expect it to be declining oil inventories.

The uncertainty created by the ongoing spat between the world's two largest economies and energy consumers has weighed on global GDP and energy demand growth this year. Coupled with ample global supply, this has placed a natural cap on oil prices, particularly during the third quarter. Plus, more headlines on the increased affordability of renewables in recent months has triggered more forecasts on 'peak oil'; some saying 2022 is realistic.

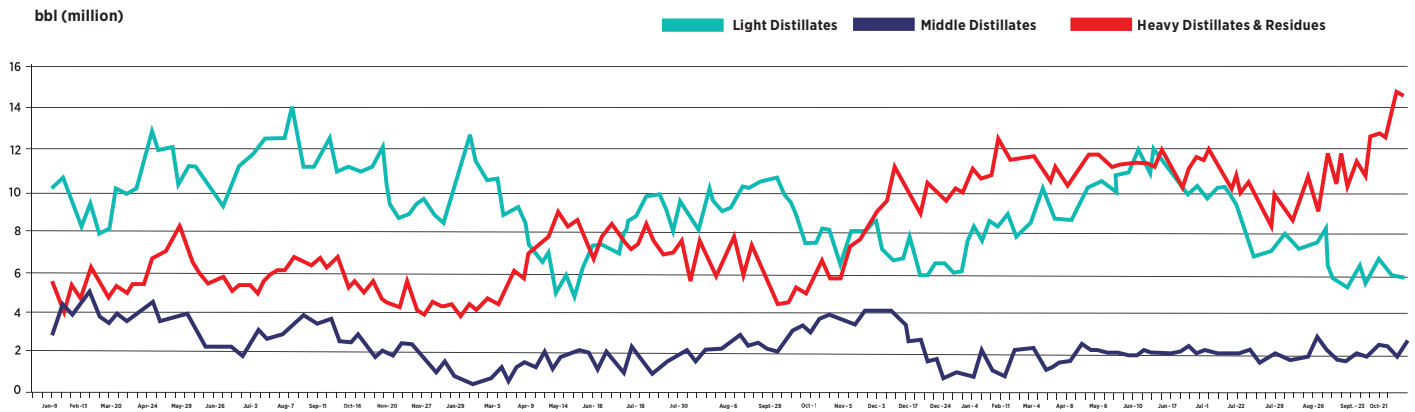
Unsurprisingly then, a large majority (89%) said the outlook for oil demand was a bigger concern for markets than supply (11%).

Brent crude prices in September averaged \$62.83/bl, slipping by 5% to \$59.71/bl in October. A temporary blip upwards of \$1-\$2/bl during the last week of October - the biggest gain in a month - was short-lived. But when asked, 56% believed this could be the start of a bull run.

The next OPEC+ gathering is just one month away, on the 5 December in Vienna, where the group will decide on its output policy. More than half (59%) said OPEC+ should hold an emergency meeting ahead of December to consider deepening production cuts to support prices. There's still time...



Fujairah Weekly Oil Inventory Data



As of Monday, 4 November, total oil product stocks in Fujairah stood at 23.342mn barrels. Stocks rose by 736,000 barrels week-on-week. Overall, product stocks built by 3.3% with a large build in middle distillate stocks, offsetting falls in light and heavy distillate stocks.

Stocks of light distillates fell by 109,000 barrels, reflecting a fall of 1.8% week-on-week. Total volumes stood at 5.923mn barrels. The East of Suez gasoline

market was under downward pressure from steady outflows seen from Asian producers amidst a seasonal lull, sources noted. The FOB Singapore 92 RON gasoline crack against front month ICE Brent was assessed at \$7.41/bl on Tuesday, standing \$1.34/bl higher week-on-week.

Stocks of middle distillates rose by 52.7%, adding 1.067m million barrels to stand at 3.090mn barrels at the start of the week. This is the highest

level in just under a year, with them last breaching 3mn barrels to stand at 3.108mn barrels on 19 November, 2018. Traders looking at the market for Middle Eastern gasoil noted that the arbitrage to move barrels out of the region to the West remain closed on a combination of high freight rates and strong East-West spreads.

Stocks of heavy distillates fell by 1.5%, falling by 222,000 barrels on the week to stand at

14.329mn barrels - the second week on record that they have stood above 14mn barrels since stock reporting began at the start of 2017. The persistence of high stocks comes as the IMO 2020 regulations draw ever closer. Traders noted a continued switching by shipowners from high sulfur fuel oil (HSFO) to low sulfur fuel oil (LSFO) as they look to prepare their ships for the new sulfur standard.

Source: S&P Global Platts

Oil Commentary

“Just saying Greta, don’t start. How dare you Stanley! How dare youuuu!”

You know, it is a funny old world we live in. One that has arguably seen the greatest progression in evolution over the last 75 years than in millennia before it; not even Charles Dickens could argue with that. Medicine, technology, transportation, travel, efficiency, food, communication, reality TV shows – the list goes. But everything is definitely better than it was if you lived in 1944 when you were in peril if you cut yourself on a rusty nail. In 2019, we find ourselves at the whim of one social media platform, which I personally think is going to shape parts of our future. And that is Twitter. Now, I’m

not on Twitter, my opinions are far too controversial and I think I’d cry every time I got trolled, but many people are on this platform. Yesterday, old Greta was at it again. Just a few months ago, Barkindo said that the greatest threat to the global oil industry came from climate activists. “There is a growing mass mobilization of world opinion... against oil,” Barkindo said. In response, 16-year-old Swedish climate activist Greta Thunberg tweeted: “Thank you! Our biggest compliment yet!” Now, I want to compare this tweet to another famous tweeter who doesn’t like OPEC: “Oil prices are too high, OPEC is at it again. Not good!” Is it just me or could that be



BY MATT STANLEY
SENIOR BROKER
STAR FUELS

from the same person? @realDonaldTrump @GretaThunberg. Just saying Greta, don’t start. How dare you Stanley, how dare youuuu. Right, moving on, stats are out later and supposedly we will see a build on crude stocks, but they have been largely ignored in the same way I shall

ignore my carbohydrate free diet over the coming weeks. The bulls will be hopeful that Brent has broken out into a new range of \$60-\$65/bl and stuck firmly in the middle of that range we are. I seriously doubt this latest range has any legs though. It is purely the bulls being sneaky and hoping that nobody notices. Well, let me tell you my bovine friends, this market is not going to ignore you for long. OPEC have acknowledged that their demand forecasts were way wrong (shock) and Russia haven’t been sticking to the pact (shock). If stats in the US continue to show builds on crude and the US system proves to be ever more efficient, then you could be in for a lean Christmas. Good day to all.

November 6, 2019

World-Leading Oil Trading Hub:

How Strong is Momentum in the Middle East?

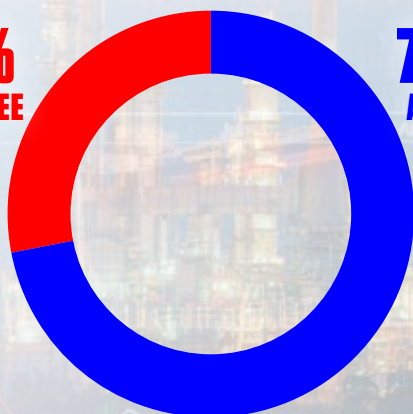
The milestone decision this month to list ADNOC Murban crude oil on a stock exchange – strengthening Abu Dhabi’s position as a global energy player – may only be the start of the benchmark news cycle. This move for ADNOC’s 1.7mn b/d of product could be a significant stepping stone in establishing independent pricing benchmarks for Middle Eastern oil and spurring Fujairah’s reputation as a global trading hub – high-time, many argue, for the historical epicenter of black gold. Whispers about this evolution have turned into bold chatter over the last three years; ADNOC’s news elevates it to raised voices. Watch this space.

NEW MARKET IDENTIFIER CODES				
MIC	CC	NAME-INSTITUTION DESCRIPTION	Linked to operating MIC	More information
IFAD	AE	ICE FUTURES ABU DHABI	IFAD	WWW.THEICE.COM

The pricing of Middle East crude oil is poised for another shake-up, with Abu Dhabi seeking to establish a futures contract for its Murban grade that flows at 1.7mn b/d.

THE MAJOR CHALLENGE NOW WILL BE TO CONVINCE MARKET PARTICIPANTS THAT A NEW INDEPENDENT CRUDE BENCHMARK IS NEEDED.

28% DISAGREE



72% AGREE

INSIGHTS

“If you convince the market that another benchmark is required (and there’s liquidity and transparency), then it would succeed. It’s all about perception.”

Magid Shenouda, Deputy CEO & Global Head of Trading, Mercuria Energy Group



“There is a trend in Asia for people to price their oil on dated Brent or WTI. It isn’t appropriate for Asian refiners to be exposed to the US’ hurricanes, for example, when they have an opportunity to buy Sakhalin crude, West African crude, etc. So, a new benchmark has legs in conjunction with existing ones.”

Mike Muller, Director of Oil Business Development & Head of Trading, VITOL Asia



ENERGY NEWS Highlights



Russian Oil Output Down in October, but Misses OPEC Deal Target

Russia lowered its oil output to 11.23mn b/d last month from 11.25mn b/d in September, again missing its obligations under a global pact to curb production.

Source: Reuters



The US Oil Industry Just Did Something It Hasn't Done in 40 Years

The first trade surplus in petroleum in more than 40 years helped the US post a lower trade deficit in September, compared to August. But overall US exports and imports in all sectors also declined as trade spats, tariffs and slowing global growth weighed on trade.

Source: OilPrice.com



India is Striving to Meet its Oil and Gas Needs

The Indian government on Tuesday, 29 October, announced that Indian Strategic Petroleum Reserves Limited (ISPRL) signed a memorandum of understanding with Saudi Aramco. This could mean that the Saudi company would keep millions of barrels of oil in India's underground storage facilities.

Source: TheNational

ADNOC's Murban Crude to be Listed on Futures Exchange in 'Historic' Step for Abu Dhabi's Oil Pricing

Abu Dhabi's Supreme Petroleum Council on Monday approved a decision to list ADNOC's flagship Murban crude on a futures exchange as the energy governing body also updated the country's oil and gas reserves following new discoveries in the emirate.

Source: TheNational



Oil Falls as Big US Crude build offsets hopes for US-China Trade Talks

Oil prices fell on Wednesday, pulled down by a larger-than-expected build-up in US crude stocks, after gaining for three straight sessions on expectations of easing US-China trade tensions.

Source: Reuters



OPEC Lowers Forecast for Oil Demand Growth, its Market Share is Dwindling

OPEC has downwardly revised its forecast for global oil demand growth over both the medium-term and long-term, citing tough market conditions and 'signs of stress' in the world economy.

Source: CNBC



Africa's Oil & Gas Sector is Booming

Over this year, 13 African nations have announced bidding rounds. Angola, Cameroon, Democratic Republic of Congo, Equatorial Guinea, Ghana, Mozambique, Nigeria, Republic of the Congo, Senegal, Sierra Leone, Somalia, South Sudan, and Uganda announced bidding rounds of more than 220,000 square kilometers (84,942 square miles) of acreage, primarily located offshore.

Source: OilPrice.com



AGENDA

ADNOC TRADING FORUM

TRANSFORMING THE TRADING LANDSCAPE:
AN UNPRECEDENTED OPPORTUNITY

Tuesday 12th November | 15:45 - 17:15
ICC Hall, Abu Dhabi National Exhibition Center, Abu Dhabi

Hear from leading industry experts on the future of the trading landscape, as well as ADNOC's vision for its Marketing, Supply and Trading Directorate.

15:45 Welcome and opening

15:50 Opening remarks on market macro forecasts and trends

HELIMA CROFT - Managing Director and Global Head of Commodity Strategy,
Global Research, RBC Capital Markets

16:00 Fireside Chat: Exchanges: Past, Present & Future; Bringing Transparency to Energy Markets

JEFFREY SPRECHER - Chairman & CEO, Intercontinental Exchange and
Chairman of New York Stock Exchange

HELIMA CROFT - Managing Director and Global Head of Commodity Strategy,
Global Research, RBC Capital Markets

16:30 ADNOC presentation

An introduction to ADNOC's new Marketing, Supply & Trading Strategy

16:40 Panel Discussion: The Transforming Trading Landscape

ADNOC and invited guests address the key emerging issues and opportunities in the global crude/products trading landscape

KAYO FUJIWARA, General Manager, Executive Officer, Crude Trading and Shipping Dept, JXTG

RUSSELL HARDY, CEO, Vitol

PHILIPPE KHOURY, Executive Vice President, Trading, ADNOC

DISATHAT PANYARACHUN, Senior Executive Vice President, International Trading, PTT

SHIGEHARU YAJIMA, Director, Senior Managing Executive Officer, INPEX Trading

17:15 Close