Fujairah New Silk Road WEEKLY NEWSLETTER

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"China Unlikely to Risk Everything on Russia!"

Rachel Ziemba, Adjunct Senior Fellow, Center for a New American Security

One of the challenges for President Xi Jinping right now is that when he met President Putin at the Beijing Olympics right before the war kicked off, I would imagine that whatever the Russians shared, it was not for an extensive war that would be drawn out for six or seven months, and that was going to roil global supply chains. Yes, it has provided some opportunities for China, but a lot of costs too and for the global economy. Political support from China to Russia has remained incredibly high, in part because of the underlay of increasing Chinese tension with the West more generally, and especially the US. There might be a dependency relationship, especially as sanctions close in on Russia and China is the more meaningful supplier. There is also the joint goal of weakening the tools of Western hegemony and particularly at a time when the US is looking to deny China access to high level technological products and trying to deny Russia of even more elements. However, China also cannot fully control Russia. I don't think it is willing to throw its whole economy into a much more centralized government run economy in quite the same way that Russia is. I think the Chinese might be willing to jeopardize some of their trading relationships, but not all of them to the same extent as Russia. There's a bit of a circular dynamic whereby China is increasingly getting cheap resources from Russia, and maybe from others, and turning around and being able to sort of export, to the US and elsewhere. So, it's more of a balancing act. I think China's relationship with Russia serves some of their purposes, but not all.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,361,000 bbl	2,693,000 bbl	13,396,000 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

Weekly Average Oil Prices

Brent Crude:	$93.02/bl
WTI Crude:	$87.77/bl
DME Oman:	$91.95/bl
Murban:	$91.68/bl

*Time Period: Week 3, Sept 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $729.000/mt

Low = $681.50/mt

Average = $708.00/mt

Spread = $47.50/mt

MGO

High = $1,565.50/mt

Low = $1,149.00/mt

Average = $1,360.00/mt

Spread = $0.00/mt

IFO380

High = $462.00/mt

Low = $424.50/mt

Average = $444.50/mt

Spread = $37.50/mt

*Source: Ship and Bunker, *Time Period: Sept. 7 – Sept. 14, 2022*

Fujairah Bunker Sales Volume (m^3)

Volume	Product
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

Rachel Ziemba, Adjunct Senior Fellow, Center for a New American Security

How important is the meeting between Xi and Putin for energy markets?
China is quite willing to buy cheap resources whenever they are offered but what will be very important is not only what the Russians and Chinese do directly, but also whether we start to see more splintering in the political resolve across the EU. Ultimately, the other challenge has been that as prices, especially for natural gas, have risen sharply in Europe and a lot of LNG has found its way there, not only is there the question mark of how they will pay for it, but also it potentially helps to widen the gap between emerging and developed economies, and almost increases the incentive for countries like Turkey to act as intermediaries with Russia.

How significant an energy security crisis is the world in right now?
We're seeing an attempt to use sanctions as a weapon to reshape not just smaller economies, but G-20 members, and we're seeing the reformulation of supply chains, not only in energy directly, but also due to the legacy of the pandemic. We're also seeing this wave of climactic shocks that are putting pressure on a lot of renewable power systems, particularly hydroelectric and otherwise. So, it's a confluence of all these different factors, along with uncertainties on demand, particularly from China.

Is underinvestment in E&P at fault?
Some people say that but there are areas where investment is happening. One of the main challenges right now is that if you're going to invest in a large project, you need demand five, ten, 20 years down the road. That's one of the reasons many European utilities are not buying a lot of natural gas. They know the transition rules are going to kick in. So, it is due to a combination of policy and industry choices over the last decade, in addition to the scramble today.

Given how commodities underpin the USD, have sanctions been an own goal?
We are seeing a lot of countries wary of being boxed in by the US weaponization of the dollar. It has been the policy for last couple of decades but has reached a zenith more recently. The US and Europe are at pains to stay very aligned on Russia, but we are seeing a splintering in some of the payment systems. We are also potentially seeing a circumstance where there are more extensive competing prices. Natural gas is still priced very regionally at this point, but LNG has made it more globalized, so it makes sense that we see more experimentation there than with the oil price. Ultimately, one of challenges in targeting very large countries with sanctions, is that even though they lose out in the short term, they want to preserve optionality and keep things open in the longer term, and that could reduce US and other countries leverage over time. It also could make it much more difficult to assess what supply, demand and price really are and we could end up with a real bifurcation of prices on the global market. That might be good for arbitrage traders but not necessarily great for consumers and definitely not for those who are trying to plan for the longer term.

Can Gulf states manage their China relationship while pegged to the dollar?
One of their concerns is that the dollar peg and other elements of the security relationship with the US might limit their attempt to forge deeper relationships with a wide range of countries. Gulf countries are now doing much more trade with China, and they would like to continue to trade with Russia, but they also don't want to give up their big markets in developed economies. It's the same thing to some extent with China. China is uncomfortable with circumstances that push it 100% into the Russian camp. They want to stay in serving the Chinese camp.

"China is uncomfortable with circumstances that push it 100% into the Russian camp. They want to stay in serving the Chinese camp."

WATCH FULL INTERVIEW HERE

Energy Markets Views You can Use

Kate Dourian, FEI
MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington

Are we going to eventually get a direction for this market?
Supply is tight with spare capacity razor thin and refinery capacity also limited. Even if OPEC increased their production by 1 million barrels a day in August, they would still be short by about 3 million. And moving forward, we've got the hurricane season, further action taken by Putin, the meeting in Shanghai, and Iran may not be coming back. So, the market is tight enough that any disruption is going to push prices up again. On the demand side, China is a big unknown, but if its economy comes back, it will with a vengeance. So, the market has lost its direction for now and you have high volatility because liquidity is low and that leads to these mad gyrations in price.

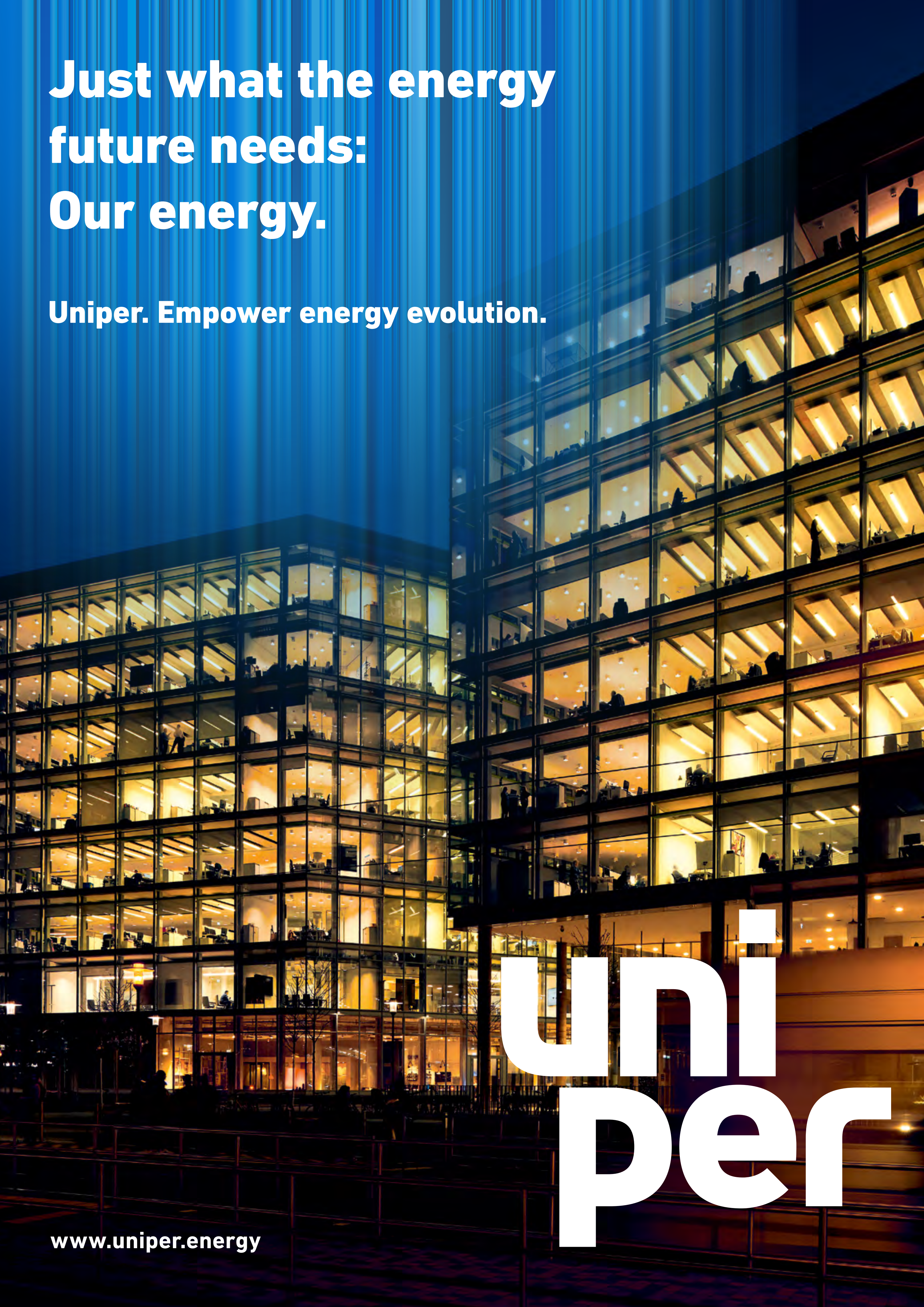
How does Europe view China's overt support of Russia?
If you wanted China to move closer to Russia, you could provoke them on Taiwan, which is what happened recently. That raises geopolitical tensions in the region just when you don't need them. The other interesting thing is the Shanghai meeting, and you might have Iran being drawn into that whole group. We're seeing a dislocation in geopolitics and countries are becoming more inward-looking.

How impactful have sanctions on Russia been so far?
If and when the embargo comes into effect in December, Russia will have to shut in production and we will see more impact on its exports. But trade is already shifting and adjusting. India for example has gone from buying zero, to one million barrels a day of Russian oil and is making products from that, so that means sanctions are not so effective. There will be some impact from the embargo on Russian energy and especially on gas as it cannot be diverted like oil, but then again, Russia's main revenues come from oil.

Omar Najia
Global Head, Derivatives
BB Energy

Crude is a good each way bet.
Either we break $85 and head to $110 or we drop to $70 and thereafter break down towards the $60 level. On the balance of probability, we will keep heading lower because there's so much selling interest and liquidating of positions. But for a real sales opportunity, we would need to be $20 higher than we are today. Either way, we are not going to see another high of $130/bl WTI before we see the $60 level.

Are we finally seeing some USD weakness?
The dollar index topped out at about 111. I think it needs to correct down to 105, and then back up to 115 for a new high. I certainly think it's too early to sell the dollar and too early to buy the euro. If the euro drops down to $0.90, then that is a good buy. The broader picture is that the debt is massive and to pay it back is clearly unsustainable, and interest rates are increasing. The UK is borrowing another GBP 150-170 billion. That, coupled with price caps on energy, means that there is no incentive for people to save anything. Moving further west, the US government debt is the highest it's ever been and interest rates are still going up. Recessions and depressions start when debt is massive and there is no doubt in my mind that the repercussions of a recession that will hit Europe, will move on to the US.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Fujairah Spotlight

Oil product stocks hit 4-week high amid slowing LSFO ship demand

Oil product stockpiles at the UAE's Port of Fujairah climbed to a four-week high on Sept. 12 led by gains in fuels used for power generation and shipping amid signs of slowing shipping demand for low sulfur grades, according to Fujairah Oil Industry Zone data published Sept. 14. Total inventories were 23.450 million barrels as of Sept. 12, up 7.9% from a week earlier and the highest since Aug. 16, the FOIZ data provided exclusively to S&P Global Commodities Insights showed. All three product categories for light, middle and heavy distillates showed gains for the week.

Source: S&P Global Commodity

UAE's Etihad Rail connects major freight terminal to network's main line

Etihad Rail has revealed that headway is continuing on the UAE's mega national network project after connecting a major freight terminal to the network's main line. In the post they tweeted: "Our National Railway network traverses through the Hajar mountains and extends for 145 km, connecting the borders of Sharjah, going through Fujairah all the way to Ras Al Khaimah, providing a safe and efficient means of transportation across the unique topography created by the scenic mountains into the other emirates."

Source: AlArabiya News

Fujairah Ruler extends condolences over death of Queen Elizabeth II

H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, has sent a message of condolences to King Charles III of the United Kingdom of Great Britain and Northern Ireland, following the death of Queen Elizabeth II. H.H. Sheikh Hamad extended his sincere condolences to the Royal Family and the people of the United Kingdom. H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, also sent a similar message to King Charles III.

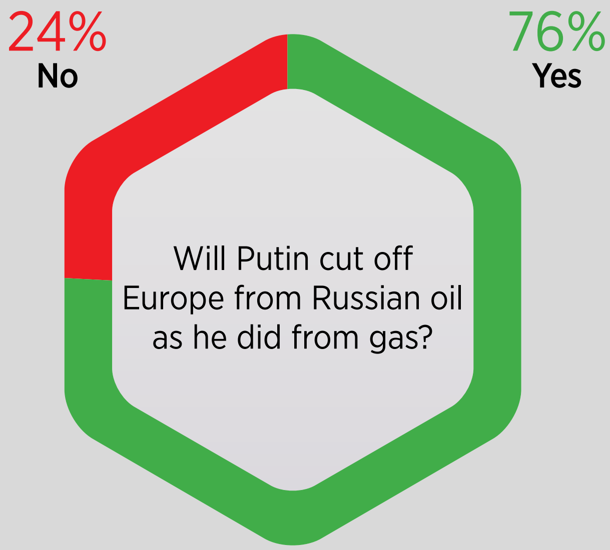
Source: Emirates News Agency-WAM

Acquiring the Monjasa Shaker for Middle East operations

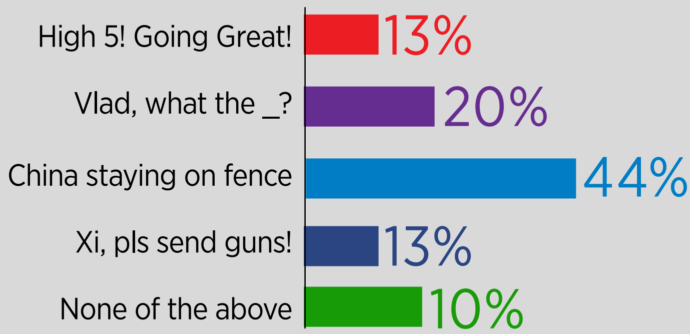
Oil and shipping group, Monjasa, acquires the oil and chemical tanker, Monjasa Shaker, (9,600-dwt) for cargo and bunkering operations in the Arabian Gulf. Equipped with deepwell pumps and five tank segregations allowing multiple fuel grades onboard, Monjasa Shaker increases operational flexibility. Capacity-wise she matches demand for transporting oil cargoes from the Fujairah bunkering hub to Monjasa's main markets across Dubai, Abu-Dhabi and Sharjah ports, as well as performing ship-to-ship refuelling operations.

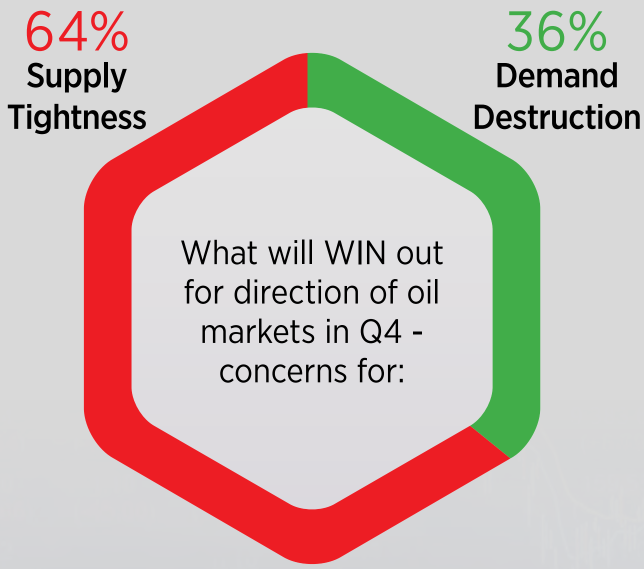
Source: Hellenic News Shipping

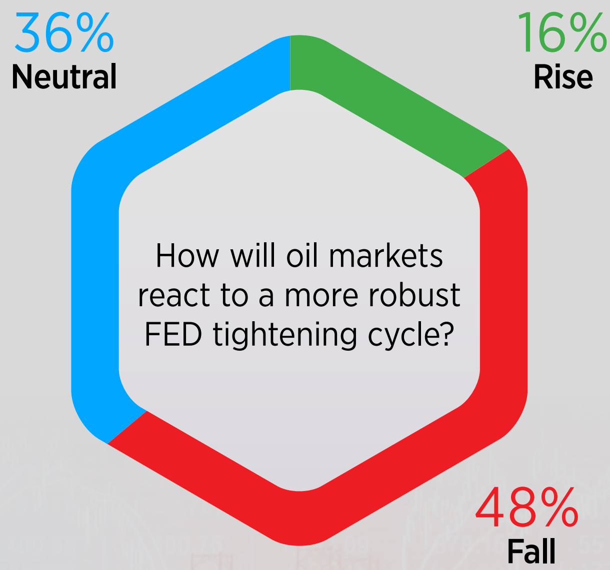
Weekly Surveys

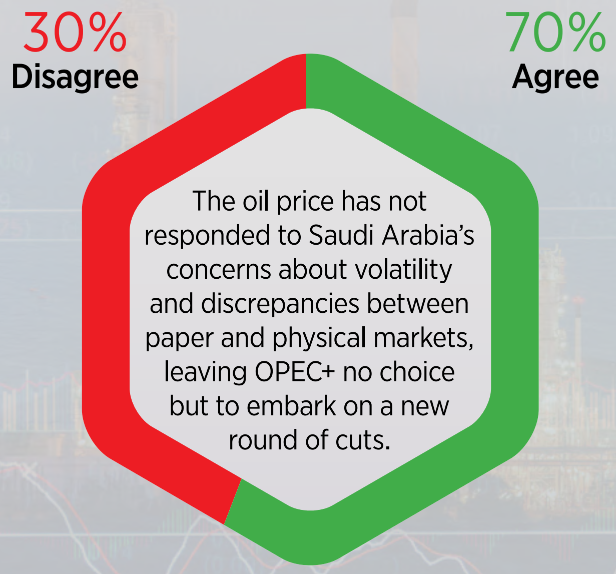


Xi to meet Putin this week – what do you think they say to each other 7 months on?









Source: GI Research March 2022

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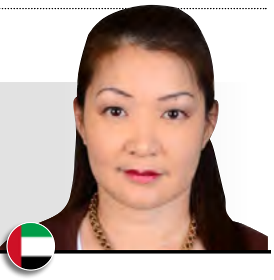
Energy Markets Views You can Use



Dr. Li-Chen Sim
Assistant Professor
Khalifa University

Political consequences of OPEC defending a high oil price?
It was quite a good move in the sense of intention that they are ready to cut supply and it signals at least some unity to try to stabilize market prices, but I don't think that it plays out very well at all in the West in terms of optics. And this comes after the optics of not condemning the Russian invasion of Ukraine. The optics are very, very important in this case, and they will not be very useful for the Gulf states.

Outlook on how the Russian economy will cope in the next six months?
If you look at the IMF report, the drop in Russia's GDP is around 4-6%. We have reports of Russian capital flight for business or political reasons and the automotive sector being affected by shutdowns. So, there is quite a big effect on the Russian economy because of the war, but there's also conflict among economists to what degree sanctions are making an impact.

Are we any closer to a US-Iran deal being reached?
I cannot see a deal being done before the US midterm elections – there are too many ifs and buts. For the world energy markets, it would be useful as it would ease some of the pressure, but the world is too distracted with the war in Europe. And on regional front, we have Saudi Arabia and UAE on the one hand trying to reduce tensions with Iran, Turkey, etc. but on the other hand, there's a realization that if the JCPOA does happen, that means that they would have to deal with Iranian oil output, which would make it even more difficult to control supply and prices, so they're in a bit of a conundrum.

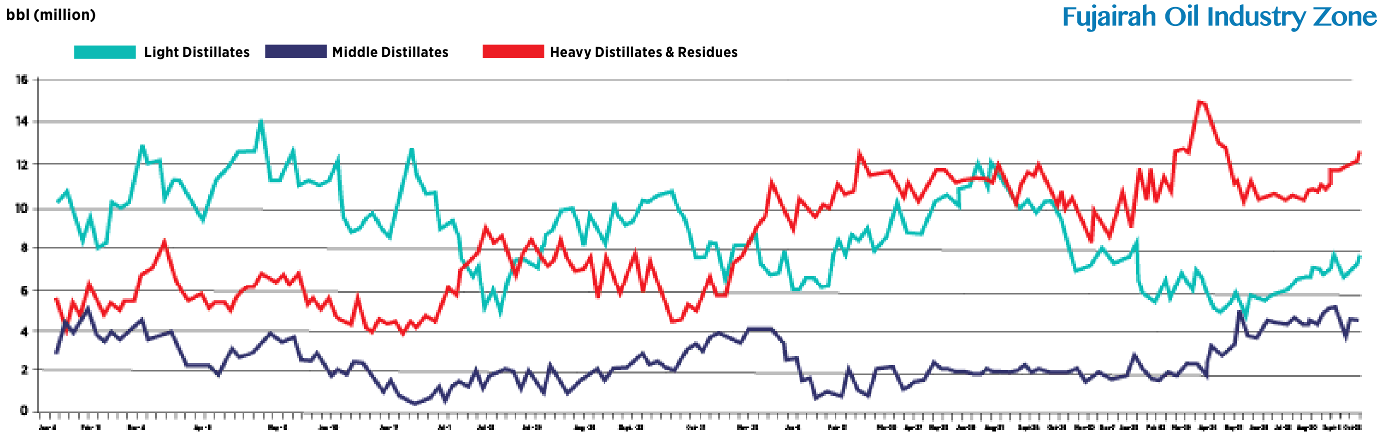
Mike McGlone
Senior Commodity Strategist
Bloomberg Intelligence

All industrial metals are slowing, and oil is going to follow.
Copper's down 20% on the year and with the global economic strain, I fully expect we're heading to a global economic recession. The war in Ukraine, coupled with the aftermath of the biggest pump in liquidity that's being dumped. The Fed is tightening and the rest of the central banks of the world, except China, are catching up. The dollar is a complete lose-lose recipe for commodities. You have the world's largest energy producer and net exporter, the largest agricultural exporter and producer, and the country with the world's strongest currency, raising rates aggressively, tilting its economy into a recession. Europe's already in it. It's a classic recipe for what happened in 2008 but this is going to be more enduring. I expect WTI to hit a ceiling of around $100 and then head to $75 by year end. The question I ask myself if what stops this? It is certainly not going to be the Fed.

US economic outlook doesn't look too bad despite Fed action?
The trajectory we're heading for in the US is a recession and the key thing that's more significant is that there needs to be a decline in risk asset prices much more than we have already. The only thing that's going to stop the Fed more in real-time is if and when the stock market goes down at a higher velocity. The S&P is down almost 20% but it's got to go down at least a third, if not more. That will slow down the Fed tightening. That is what we need to reduce this inflation situation. This is the big reset. Inflation is always a monetary phenomenon and after the biggest pump in liquidity ever last year, it's now dumping at the greatest pace ever. And then we have the 'Invisible Hand' – that is showing up in demand destruction and elasticity of supply in commodities. What is abnormal is to sustain commodity prices at the levels they were at just six months ago.

Fujairah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 23.450 million barrels a build of 1.711 million barrels, or 7.9% week-on-week. The stocks movement saw builds across all three stock categories with heavy residues posting the greatest build on the week breaching the 13 million barrel level for the first time since June last year.
- Stocks of light distillates, including gasoline and naphtha, rose by 291,000 barrels or 4.1% on the week to 7.361 million barrels. The East of Suez gasoline complex was finding support from lower flat prices seen in recent weeks. In Kenya the country's Oil Industry Pipeline Co-ordination Secretariat plans to purchase fuels for October and September delivery via a tender which will open on Sept. 22, according to a source aware of the matter. The purchase would consist of three 85,000 mt cargoes of gasoline with final boiling point of maximum 200 degrees centigrade, for arrivals over Oct. 23-25, Nov. 1-3 and Nov. 12-14.
- Stocks of middle distillates, including diesel and jet fuel, rose by 21,000 barrels or 0.8% on the week to 2.693 million barrels. The East of Suez gasoil complex was largely steady, searching for direction amid a lack of fresh cues, while fundamentals remained largely stable. "[I] think market direction not clear, but there should be more bullish factors further [down]," said a trader. Regionally the arbitrage to move oil from the Arab Gulf to Europe was looking closed, with higher freight rates playing a role. "Freight has been strengthening a lot over past two weeks," a trader said.
- Stocks of heavy residues rose by 1.399 million barrels or 11.7% on the week to 13.396 million barrels, breaching the 13-million-barrel level for the first time since early June 2021. Stocks were last higher on June 7 last year when they stood at 13.873 million barrels. During and outside the MOC process, Fujairah-delivered marine fuel 0.5%S was heard offered at $717-$730/mt, with the lower range of offers for product deliverable from Sept. 14-20 onward; no bids or offers were heard during the MOC process. Fujairah delivered marine fuel 0.5%S bunker was assessed at $717/mt on Sep 13, reflecting a rise of $17/mt day on day. In contrast delivered marine fuel 0.5%S bunker in Singapore was assessed $12/mt lower than Fujairah at $705/mt on Sep 13, also reflecting a rise of $17/mt day on day.

Source: S&P Global Platts

Commodities

Oil prices settled higher overnight with Brent futures up 1% to USD 94.10/b and WTI added 1.3% to USD 88.48/b as the IEA cautioned that product markets are likely to face considerable tightness in coming months. The US government is also considering plans to rebuild its strategic petroleum reserve, although it hasn't indicated a "trigger price" at which it would make purchases.

FX

Currency markets bounced back a bit overnight with a drop in the broad dollar index after large gains following the US CPI print earlier in the week. EURUSD add 0.1% to close at 0.9981 while GBPUSD gained 0.4% to settle at 1.1539. USDJPY pulled in favour of the yen, down 1% to 143.08.

Equities

US equity markets enjoyed some modest gains yesterday after the sharp sell-offs the day before which followed the upsize surprise on the inflation print. The Dow Jones, the S&P 500 and the NASDAQ added 0.1%, 0.3% and 0.7% respectively. They remain well down ytd, however, with the NASDAQ down -25.1%.

Source: Emirates NBD Report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Energy Markets Views You can Use

Matt Stanley

Partnerships Lead, Middle East
Kpler

Where do fundamentals sit in the context of giving this market any direction?

There is so much ambiguity in the markets at the moment - whether that's the Iran deal, supply in Q4, what happens with gas and how often that's replenished, the Fed or inflationary pressures, etc. What the market is trying to understand is what will that pivot point be, such as increasingly higher inflation or the Fed with an even more hawkish view, that will mean a sell off or ramp up in prices. That is why we are in a range of $85 to $100 for now. I don't think fundamentals are reflected in current prices. I think there is a lot more upside that needs to be priced in, but it's very difficult for market participants to get off the recession train, which is what they're faced with come Q4. Longer term, there is simply not enough investment in fossil fuels. OPEC can for now come out with an aggressive narrative to put a floor on prices but fundamentally, the world is facing an energy crisis because of lack of investment.

Are tanker rates giving any indication where the market is heading?

Trade patterns are shifting, and they have done this all year. If you want a case study, look at India and Russian crude oil imports. In July 2021, they imported 3.2 million barrels and in July 2022, they imported 36 million barrels. So, oil is still moving but the problem is that the world is breaking apart. We've always had issues in Venezuela and Iran concerning shipping fleets and if you add Russia into the mix, that's a sizable percentage of energy that is going to move into what we call the 'dark fleet', which isn't going to be accepted into the EU, UK, Canada, and the US. But the growing economies, the majority of which are sitting in Asia - India, China, Singapore – are still importing Russian fuel and that is likely to grow and so become increasingly hard to track.

Ahmed Mehdi

Research Associate
The Oxford Institute for Energy Studies

Uncertainty on impact of forthcoming sanctions on Russian energy exports.

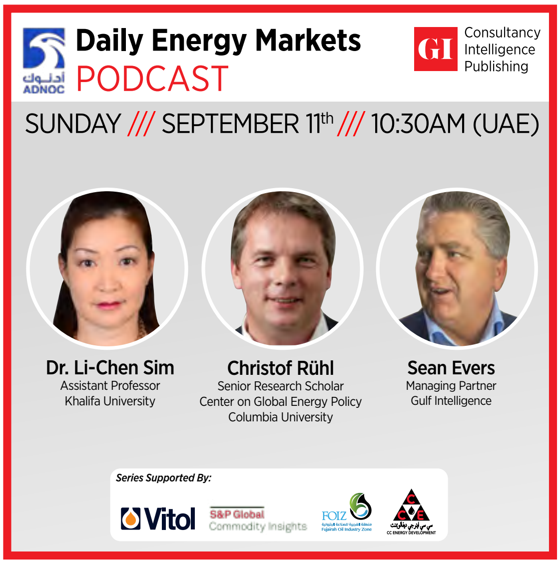
The IEA has suggested 1.9 million bd in losses for 2023, and that despite gas to liquids switching in Q4, surpluses will continue to build mainly because of revisions to demand. In my view, the expected losses in Russian exports may prove to be less than the 2-3 million bd number that's out there, because products may continue to enter the market and there's also ongoing confusion about the proposed price cap. The fundamental point is that surpluses are going to start taking place next year, mainly because of revisions on demand. The difference in OPEC's demand growth numbers for this year and the rest of the consensus out there, is also quite a big delta of about 1.2 million. So, the point about weakness in the market is justified but there are also issues like spare capacity and an OPEC+ policy that continues to support a floor price of the 85-90 range.

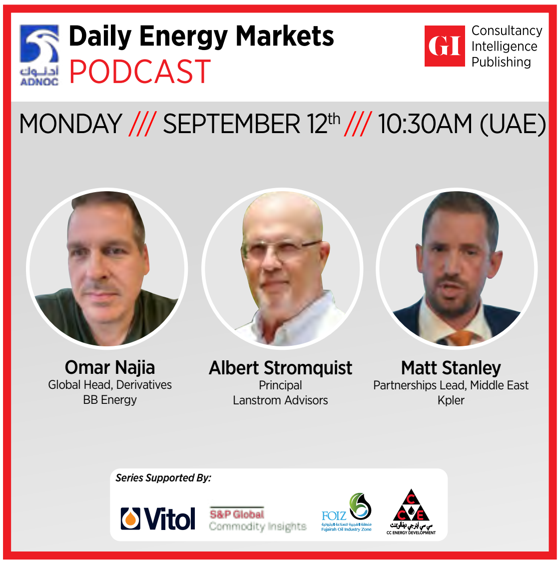
Will Russia get around the sanctions?

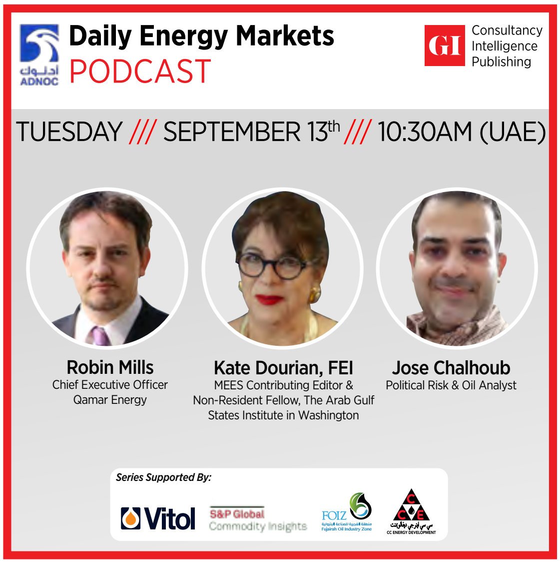
If you take seaborne volumes to Europe, we've already seen significant redirection going on into Asia and also uptake of Russia's downstream volumes in Europe. Even If you take out a million barrels from flows to Europe, the question is around the products side and whether that can be taken out of the market effectively without a price cap. Can origination of Russia cargoes into Europe be enforced and tracked? So, the key question is will we see redirection, or a shut in of Russian production.

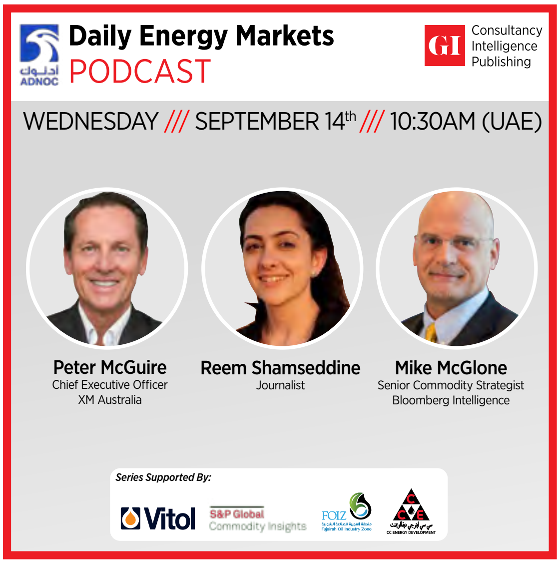
Energy Markets COMMENTARY

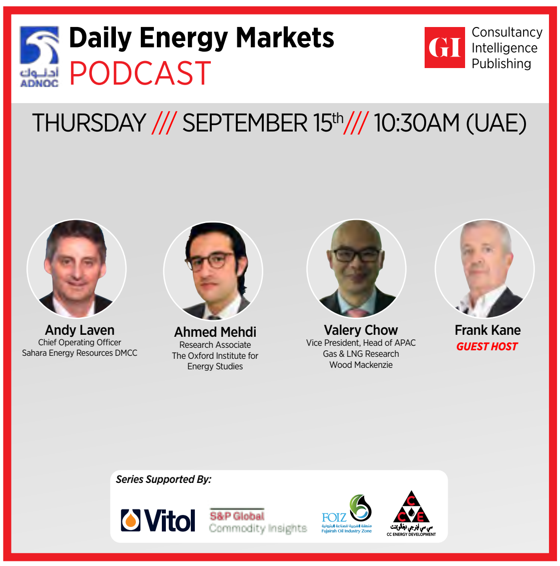
WEEK IN REVIEW











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Energy Markets Views You can Use

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

Two things continue in oil markets – volatility and the downward trend.

The consensus is that there will be excess oil supply in 2H 2022. At the same time, you don't want to put all your money on lower oil prices because of low inventory and capacity levels – the layers of protection against disruptions are still very thin and any political event could lead to price spikes. Furthermore, the EU is boycotting Russian crude oil imports on December 5th and refined products on February 5th, and there is the US proposal, signed off by the G7, to put a price cap on Russian oil. The cuts in volumes will decrease revenues for Russia. The more immediate target of the price cut will be a very difficult thing to do because we already have a price discount for Russian oil, and dual pricing systems in economics always spell trouble. But the outcome of all of this will be a continuation of a downward price trend and a Russian reaction in the form of cutting exports, which will likely lead to a price spike.

Trajectory for Russian gas flows into Europe in Q4?

Russian pipelined gas exports to Europe are already down to at least one quarter of what they used to be. The EU used to consume 40% of its gas from Russia and now it is down to 9%. That market is probably lost for good, and it will take years for Russia to redirect this gas somewhere else because they will need to build pipelines first.

Could we see another 0.75 rate cut from the ECB this year?

It's likely we will see another big cut by the US Fed, but much less activity going forward for the ECB because they have to deal with this very heterogeneous group of countries in different stages of crisis. The key to what happens for Europe is on the economic front. If they can sustain their energy and other sanctions throughout the winter without generating big protests, and control headline inflation or at least appear be decisive and confident on that front, the European economy, especially the central states, could hold up well. The EU is a much stronger economy than Russia and it can probably manage to have a shallow recession of about 5%. The ECB can then declare victory and that confidence boost sort of reinforces itself.

Energy Markets Views You can Use

Robin Mills
Chief Executive Officer
Qamar Energy

Your thoughts on the efforts by OPEC + to move the market towards supply tightness?
I think demand destruction is winning and that's really a China story. That is where the bulk of the variance in demand comes from given the lockdowns that wipe out hundreds of thousands of barrels a day of demand at almost a moment's notice. On the supply side, the market is not too worried, which is why we are in the $90s range and not in the $120s.

Where is Chinese support at for Russia and what impact does that have on the market?
China throughout this crisis has given a certain amount of rhetorical support to Russia. I don't think Xi Jinping wants Russia to lose and the fact that Russia's doing so badly is quite disturbing to him. On the other hand, China has not given too much practical support in terms of weapons or money. It's still hedging its bets and has been cautious about trying to go directly against the US and European sanctions. Russia is clearly the junior partner in this relationship and China has exploited that, such as with buying discounted Russian oil.

Outlook for US and European economic policy and its impact on energy demand?
Both central banks are getting hawkish on inflation, but I think the pressures in the US seem to be easing – it is reaching peak core inflation and gasoline prices, which were a key driver, are well down. Still, the Fed remains somewhat hawkish. For the EU, the drivers of inflation are more widespread, and it also has this underlying issue of high energy prices in terms of electricity and gas. The US and EU economies are in different positions but they're still both hawkish on fighting inflation.

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4. INDIA'S TRADE WITH RUSSIA IN RUPEES TO START SOON
5. XI JINPING UNLIKELY TO THROW PUTIN A LIFELINE AMID SETBACKS IN UKRAINE
6. US NORTHEAST FACES POTENTIAL ENERGY SHORTAGES AS RAILS START TO SHUT
7. OLAF SCHOLZ SAYS VLADIMIR PUTIN DOES NOT SEE WAR AS MISTAKE
8. SWEDISH PM RESIGNS AS RIGHT-WING PARTIES WIN VOTE
9. ANALYSTS MAY HAVE OVERHYPED AMERICA'S LARGEST OIL BASIN

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- JAPAN POSTS RECORD TRADE DEFICIT IN AUG AS ENERGY IMPORTS SOAR
- CHINA ISSUES HIGHEST TYPHOON WARNING AS STORM APPROACHES WORLD'S LARGEST CONTAINER PORTS
- AVERAGE INTEREST RATE FOR 30-YEAR FIXED-RATE MORTGAGE HITS 6% FOR FIRST TIME IN 14 YEARS
- RAILROAD UNION VOTES TO AUTHORIZE STRIKE THAT COULD HAMMER ECONOMY

GI Soundings Week in Review

"Drop in Demand, Ample Russian Supply Weigh on Prices!"

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.

- **Valery Chow, Vice President, Head of APAC, Gas & LNG Research, Wood Mackenzie**
- **Andy Laven, Chief Operating Officer, Sahara Energy Resources DMCC**
- **Jose Chalhoub, Political Risk & Oil Analyst**
- **Joseph McMonigle, Secretary General, International Energy Forum (IEF)**
- **Peter McGuire, Chief Executive Officer, XM Australia**

Valery Chow, Vice President, Head of APAC, Gas & LNG Research, Wood Mackenzie OIL TANKERS: "In a world where demand is still rising, the question is, will we have enough oil tankers? I'm not that positive that we will. We may end up having a fleet of relatively old tankers, with sub-par technology, plying the world's trade routes and that will be inadequate, so I can only see tanker rates rising over the longer term if we don't get new investment."

Andy Laven, Chief Operating Officer, Sahara Energy Resources DMCC US OIL: "The major issue in the US is going to rotate around climate change and the availability of Capex. I don't see the developed world going down the path of 'drill baby drill'. They're doing it at the moment because of short-term pressure but further out, that's just not going to happen."

Jose Chalhoub, Political Risk & Oil Analyst SOUTH AMERICA: "Brazil and Guyana are the only two players in the region that have a stable oil industry and that could increase production capacity. The rest of the region, countries like Peru and Argentina, have had political and social unrest since 2019 and with that comes a lack of investment."

Joseph McMonigle, Secretary General, International Energy Forum (IEF) REFINING: "I am concerned that investors are holding back from new refinery investments based on decarbonization forecasts that may not be borne out in reality. The global refining industry is stretched, so unexpected disruptions have a disproportionate effect on prices. Governments urgently need to review their contingency plans to ensure they can cope with the inevitable and I believe more investment will be needed." *(Source: IEF Website)*

Peter McGuire, Chief Executive Officer, XM Australia JAPAN: "Japan is struggling with an aging workforce and being locked down to some extent still from traveler and tourism dollars. It needs to open its doors to hard currency and turn into the travel destination it used to be. They need to look at where their yen is going and maybe that's their master strategy - to weaken their currency and make all their exports more competitive."

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
September 11th - 15th

1. Impact of sanctions on Russian crude and products may not be as strong as people hope, and market surplus will anyway continue to build into 2023 because of demand revisions.
2. Falling Asian gas demand has flipped entire trade flows. The massive drop off in China has meant spot cargoes only heading one way now - to Europe.
3. There may be a short-term energy crunch today but post Covid and post Ukraine war, the developed world is not going back to 'drill baby drill'.
4. Russia is likely to cut off oil supply to Europe before Europe imposes blockade on Russian seaborne oil in December.
5. The leaders of Russia and China are scheduled to hold their first meeting since the War in Ukraine this week -- the staging optics will be very interesting.
6. China is unlikely to back away quickly from Zero-Covid policy after Communist Party conference in October as it would be an embarrassment for China's president.
7. Oil markets are not reflecting all the challenges facing the international oil industry, most notably the lack of capex going into developing new supply.
8. Where the Dollar goes could give the oil markets a new direction -- strong dollar is obviously impacting Demand.
9. China's oil demand destruction is the biggest bearish factor in the market presently, but the question going into winter will be whether it is bearish enough to overwhelm supply concerns emanating from Russia's War in Ukraine.
10. Europe's ability to successfully tackle the energy crisis has been sub-par to date - it is hard to see it improving after it stops importing Russian oil in December.

ITINERARY

Port of Fujairah
United Arab Emirates

10th Anniversary EMF22 WEEK

ENERGY MARKETS FORUM

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

GI Consultancy Intelligence Publishing

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

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