

APRIL 23<sup>rd</sup> 2020  
VOL. 26

# Fujairah New Silk Road WEEKLY NEWSLETTER

**EXCLUSIVE INSIDE**  
**GLOBAL OIL EXPERTS SHARE**  
**THEIR INSIGHTS PAGE 3**

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

## AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

# “IT WILL ONLY TAKE INDIA 7 DAYS TO GET BACK TO 100% AFTER LIFTING COVID-19 LOCKDOWN.”

**Narendra Taneja, National Spokesman on Energy, BJP-India's Governing Party**

*How quickly will India recover following the lifting of Covid-19 lockdowns?*

Recovery will be very quick. As soon as the lockdown is lifted, you will see recovery within seven days. It is not going to take longer than this. Everything is ready. The people, infrastructure, government machinery, and oil companies are all geared up. We are just waiting for instruction from the government to lift the lockdown. It all depends on the overall situation when it comes to Covid-19. Right now, the situation is under control. However, when it comes to Covid-19, nobody knows this creature, so we are all keeping our fingers crossed at the same time.

*How does India navigate its G20 position between supporting a global oil industry but, at the same time, not seeking higher oil prices?*

Ultra-low oil prices are bad for India in the same way that ultra-high oil prices are. We are a little worried about how this is going to impact economies of countries such as Saudi Arabia, Iraq, UAE, Oman, and the wider GCC. We have 8mn Indians living and working in the region. If the region's economies suffer, then so will they. India has a huge stake in the Middle East in terms of stability. Stable regimes are very important. If regimes become unstable due to low oil prices, then the Middle East takes on an environment of a more disruptive nature. That is bad for India just as ultra-high oil prices are equally as bad. We want something in between. India always plays an important role in the G20 when it comes to oil. What we have seen now, with the US, Saudi Arabia, and Russia coming together is the making of a Super OPEC+ where they want to control production. It is fine so far because oil prices are low. But, will this be an arrangement that we have to watch closely in the future where they start to intervene into other segments of the economy?

 [WATCH FULL INTERVIEW HERE](#)

### Fujairah Weekly Oil Inventory Data

**6,037,000 bbl**

Light  
Distillates



**3,553,000 bbl**

Middle  
Distillates



**13,638,000 bbl**

Heavy Distillates  
& Residues



Source: FEDCom & S&P Global Platts

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

**BLACK OIL PRODUCTS**

**Average Range  
\$3.54 - \$4.38/m<sup>3</sup>**



**↑ Highest: \$4.50/m<sup>3</sup>**

**↓ Lowest: \$3.40/m<sup>3</sup>**

\*Time period: Weekly

Source: GI Research

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# THE WEEK In Numbers



### Weekly Average Oil Prices

**Brent Crude:** \$23.11/bbl

**WTI Crude:** \$16.10/bbl

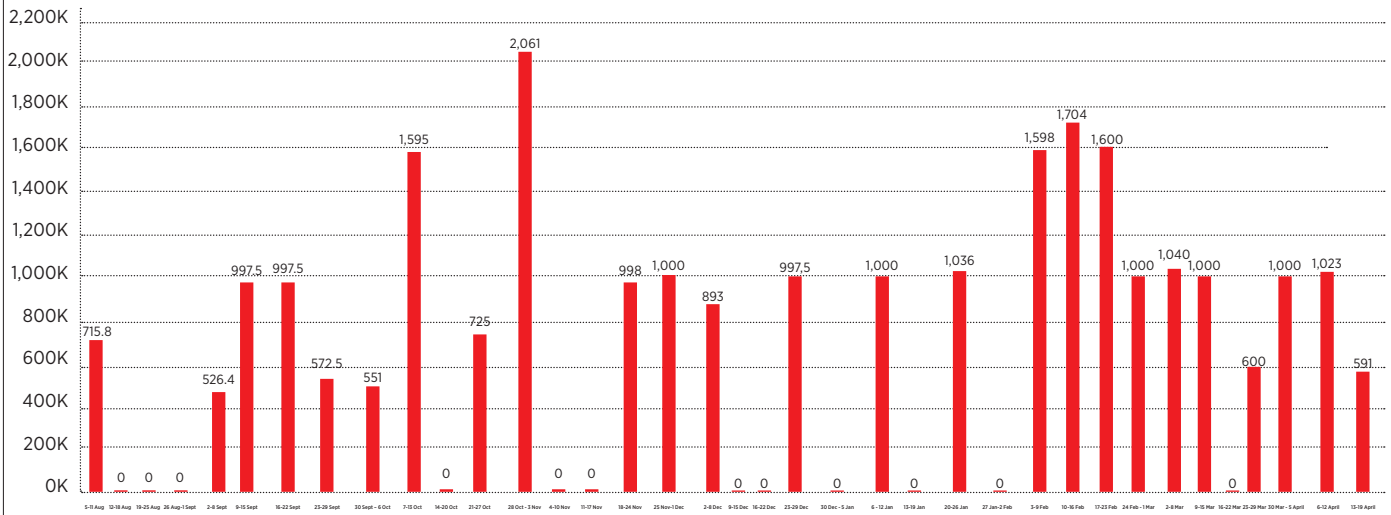
**DME Oman:** \$24.29/bbl

**Murban:** \$18.91/bbl

Time Period: Week 3, April 2020  
Source: IEA, OilPrice.com, GI Research

## Weekly Imports of Heavy Sweet Crude into Fujairah

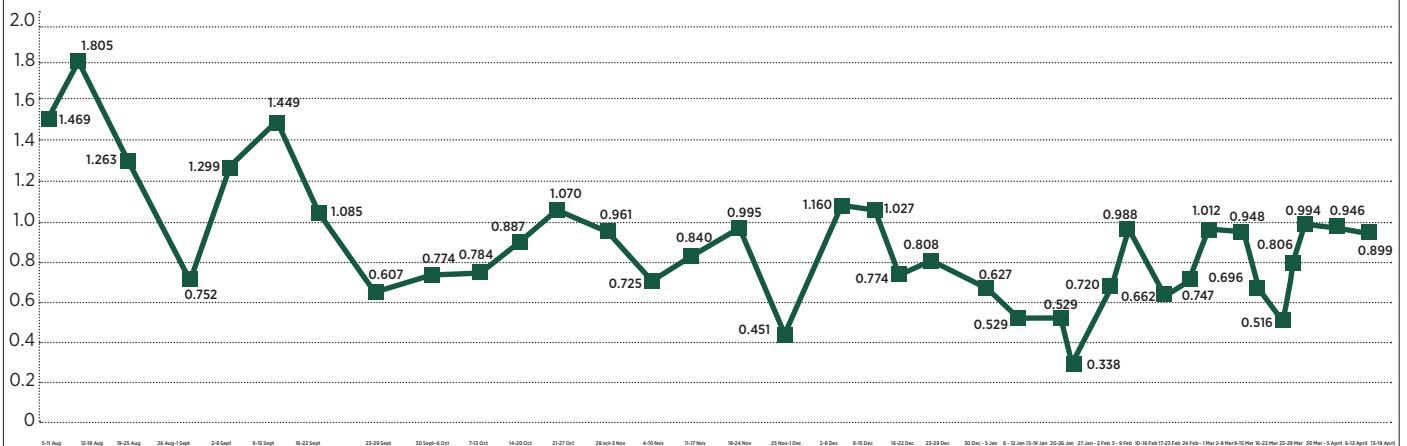
Total barrels



Source: Kpler

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

Million barrels per day



Source: Kpler

# GI EXCLUSIVE SOUNDINGS

## The Oil Bear Market is far from Over

Over the last week, Gulf Intelligence has interviewed energy market experts in Asia, the Middle East, Europe and the US – the intelligence below is harvested from these exclusive briefings.

- Chris Wood, Managing Director, Uniper Energy DMCC (Dubai, UAE)
- David McWilliams, Adjunct Professor of Global Economics, Trinity College Dublin (Dublin, Ireland)
- Rustin Edwards, Head of Oil Procurement, Euronav NV (Geneva, Switzerland)
- Malek Azizeh, Commercial Director, Fujairah Oil Terminal (Fujairah, UAE)
- Omar Najia, Global Head of Derivatives, BB Energy (Dubai, UAE)
- Edward Bell, Senior Director, Market Economics, Emirates NBD (Dubai, UAE)
- Zhuwei Wang, Lead Analyst, S&P Global Platts (Dubai, UAE)
- Capt. Tarun Arora, General Manager, GPS Chemoil LLZ FZC (Fujairah, UAE)
- Robin Mills, CEO, Qamar Energy (Dubai, UAE)

### **Chris Wood, Managing Director, Uniper Energy DMCC**

“WTI is a warning signal for everybody else out there, that if you have crude right now, you have to think about what you will be doing in the future if you don’t have a home for it. Clearly it showed during last night’s extraordinary events, where we saw the price of WTI drop to -\$37.63/bl.”

### **David McWilliams, Adjunct Professor of Global Economics, Trinity College Dublin**

“The vast majority of the world does not produce oil. In fact, the oil rich countries are just a tiny section of work. Most of us are oil consumers. For non-oil producing countries, this is the only good news we have heard in about a month. Our cost base, at least the energy side of it, has come down a little bit. What has been happening in the west is our revenue base has collapsed, but our cost base has remained high.”

### **Rustin Edwards, Head of Oil Procurement, Euronav NV**

“Ships are being taken for floating storage. The charter rates are moving higher on time charter equivalence. We are seeing longer term duration requests from traders to charter vessels. It is indicative of the current situation you see from the terminal side being full. Freight rates are very strong. They continue to find a new floor and go higher.”

### **Malek Azizeh, Commercial Director, Fujairah Oil Terminal**

“You would think it’s a good time for storage, but the world is not ready for such an event. That is why everything is crashing down, including the price of oil because there is nowhere to put it. At the moment, Fujairah’s crude capacity is not enough for even regional outflow of the surplus. If you look at the current tankage for crude in Fujairah, it’s about 3mn cubic meters and that’s all being utilized.”

### **Omar Najia, Global Head of Derivatives, BB Energy**

“There is an ETF fund called the USO, which is a fund that buys front month WTI and rolls it every month. When the market is in contango, that means that every month they are paying a higher price to roll. The market knows when they will do these rolls, which is the last five days of the month. Yesterday was a special day because everyone knows that they were going to sell May and buy June. So, everybody did the same thing.”

### **Edward Bell, Senior Director, Market Economics, Emirates NBD**

“What we saw with the influence of the USO ETF rollover, reflects the apparent variables of depressed demand, excessive supply, and a shortage of storage around the world.”

### **Zhuwei Wang, Lead Analyst, S&P Global Platts**

“We are seeing positive recovery in China, at least comparing the month of March to February. We are seeing a very apparent moderation of decline. However, this does not mean that we will see a significant recovery in Q2 of this year.”

### **Capt. Tarun Arora, General Manager, GPS Chemoil LLZ FZC**

“For Fujairah, storage Demand already picked up in Q4, 2019 when the demand increased due to IMO 2020 Requirements for LSFO. After the developments over the past few months, the market has become flushed with oil and right now it is very difficult to get any storage in Fujairah.”

### **Robin Mills, CEO, Qamar Energy**

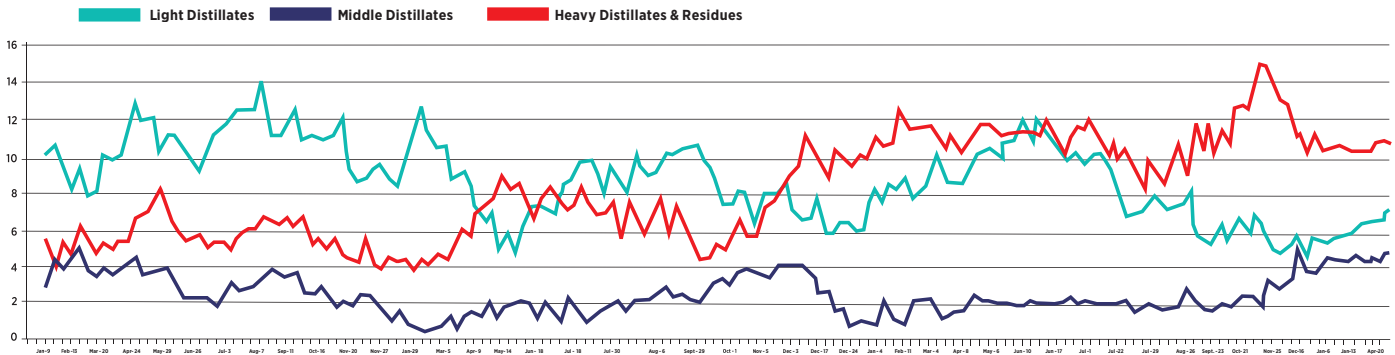
“I’m not taking the recent US-Iran comments too seriously to be honest. We have seen a lot of saber rattling and obviously in Iraq we have seen some serious attacks by one side or the other. This latest one, is revolutionary guys in speed boats cruising beside some US warship and taunting them. This is the usual tit-for-tat on so called harassment. Trump’s a master of distraction as we know. He’s thrown this out. He’s thrown out the thing about immigration. It’s a distraction of his mishandling of the Covid-19 pandemic in the US.”



# Fujariah Weekly Oil Inventory Data



bbl (million)



## TOP TAKEAWAYS

- Total oil product stocks in Fujairah stood at 23.228mn barrels. Stocks fell by 6.9% or 1.725mn barrels week-on-week, led by sizeable draws in light and heavy distillates, while middle distillates showed a build.
- Stocks of light distillates saw a draw of 903k barrels or 13% week-on-week. Total volumes stood at 6.037mn barrels. The East of Suez gasoline market was seeing some support from a reduction in refinery run rates, sources noted. In the US and Asia, refiners were heard to be cutting operating rates.

Indonesia's Pertamina, the biggest gasoline importer in Asia bringing forward maintenance at some of its refineries, shutting down their respective CDUs due to lower fuel demand. In the US, nationwide refinery utilization is expected to post a 2.3% decline in the week ended April 17, bring runs to 66.8% of total capacity, analysts said. Physical 92 RON gasoline cargoes rebounded to a \$6/bl discount to front month ICE Brent futures on Tuesday, reflecting a rise of \$7.20/bl week-on-week.

- Stocks of middle distillates rose by 21.7%, or 634k barrels, to stand at 3.553mn barrels at the start of the week, their highest

level since the start of February. Extensions to nationwide lockdowns has limited road and air traffic as countries battle the rampant spread of Covid-19, injecting fresh pessimism into the Asian gasoil market. India, for one, has extended its lockdown period to May 3, after a 21-day containment that ended on April 14. The country's gasoil demand is expected to see a larger contraction of between 30%-40% in April, S&P Global Platts Analytics said in a report.

- Stocks of heavy distillates fell by 9.6%, drawing down 1.456mn barrels on the week to stand at 13.638mn barrels. Bunker traders in Fujairah saw slowdown

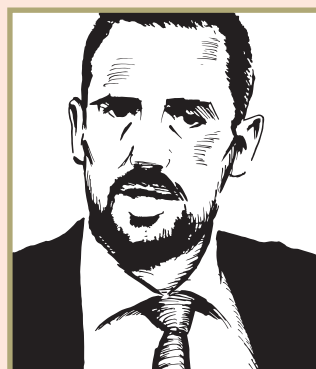
in activity in recent days, with falling prices leading to buyers staying on the sidelines before covering requirements. "I am just observing the market today because there's just a wide range of offers heard and demand is negligible," a trader said. A widening spread in delivered bunker prices for Marine Fuel 0.5% was seen in recent days between Fujairah and Singapore. In Fujairah, delivered Marine Fuel 0.5% bunkers were assessed at \$195/mt on Tuesday, reflecting a \$25/mt discount to delivered Marine Fuel 0.5% bunkers in Singapore, which were assessed at \$220/mt on Tuesday.

Source: S&amp;P Global Platts

## "We are still to hear from anyone about additional voluntary cuts"

"It'll be all right, my fine fellow," said the Otter. "I'm coming along with you, and I know every path blindfolded. If there's a head that needs to be punched, you can confidently rely upon me to punch it." The words, not of Donald Trump to every US oil producer, but of Kenneth Grahame who wrote *The Wind in the Willows*. Still, words I'm sure every shale/Texan/other US oil producer is clinging on to right now, in the hope that one of those orange arms is thrust around them in support. Brent is trading this morning at \$22.48/bl, up 2.11/bl. WTI is trading at \$15.20/bl, up 1.42/bl. Imagine me writing that four months ago. You would have called the authorities and had me sectioned immediately. But this is the reality the oil

market is faced with. To put it into context, WTI is trading up 11% this morning. 11%! Madness. I know the question you're all asking. If someone worships exhaust pipes, are they a catholic converter? No not that. But it's a very good question! The real question is, why are we trading up? Yesterday we hit a low of \$15.98/bl on Brent, but settled at \$20.37/bl. This on the back of EIA data that showed a 15mn build on crude oil and gains on other products. Yes, maybe gasoline builds were lower than forecasted, but a build, nonetheless. Rumors of production falling are just that, rumors really. It is inevitable that the price devastation we have seen over the last three months will of course shut in production by default. We are still to hear from anyone about additional



BY MATT STANLEY  
DIRECTOR  
STAR FUELS

voluntary cuts and this is highly disappointing to those producers whose fiscal budget relies on oil revenue. If prices do continue this upward trajectory we have witnessed over the last 24 hours, seemingly only on the back of nothing but an aggressive tweet

from his Donaldness, then the less likely we are to hear from anyone before the week is out. However, deep within the bowels of this ever-gloomy outlook we find ourselves constantly in right now, there was one glimmer of hope I read this morning. A US oil fund is predicting \$100/bl. Boy, do I want what that person has for breakfast. I bet it's not marmite on toast, let me put it that way. Now, with the oil price crash, the Permian Basin has been burdened with bankruptcies, and tens of thousands of fired and furloughed employees. So, when return to business as usual, there will likely be a shortage of spare capacity. Low supply, high demand. That's how these things work. Keep an eye out for \$100 barrels coming down the pike. Amazing. I think I'll end things here today. Good day y'all and watch out for triple digits!

April 23, 2020

# ENERGY MARKETS COMMENTARY WEEK IN REVIEW



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- We Facilitate Knowledge Exchange -

**PODCAST**  
**DAILY ENERGY MARKETS COMMENTARY**  
**NEW SILK ROAD**

Robin Mills  
*Gamar Energy*

James McCallum  
*Xergy*

Rustin Edwards  
*Euronav NV*

**Thursday April 23<sup>rd</sup>, 2020**

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**PODCAST**  
**DAILY ENERGY MARKETS COMMENTARY**  
**NEW SILK ROAD**

Malek Azizeh  
*Fujairah Oil Terminal*

Frank Kane  
*Arab News*

David McWilliams  
*Trinity College Dublin*

**Wednesday April 22<sup>nd</sup>, 2020**

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**PODCAST**  
**DAILY ENERGY MARKETS COMMENTARY**  
**NEW SILK ROAD**

Chris Wood  
*Uniper Energy DMCC*

Omar Najja  
*BB Energy*

Edward Bell  
*Emirates NBD*

**Tuesday April 21<sup>st</sup>, 2020**

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**DAILY ENERGY MARKETS COMMENTARY**  
**NEW SILK ROAD**

Edmund O'Sullivan  
*Author  
The New Gulf*

Capt. Tarun Arora  
*GPS CHEMOIL LLC  
FZC*

Zhuwei Wang  
*S&P Global Platts*

**Monday April 20<sup>th</sup>, 2020**

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**PODCAST**  
**DAILY ENERGY MARKETS COMMENTARY**  
**NEW SILK ROAD**

Christof Rühl  
*Columbia University*

Sean Evers  
*Gulf Intelligence*

**Sunday April 19<sup>th</sup>, 2020**

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TO LISTEN**

# ENERGY MARKET NEWS

## RECOMMENDED READING & VIEWING

- 1. US NAVY INSTRUCTED TO 'DESTROY' IRANIAN GUNBOATS HARASSING US SHIPS**
- 2. CRUDE FUTURES REBOUND IN EARLY ASIA TRADE TODAY**
- 3. MARATHON PETROLEUM WARNS OF UP TO \$7.8BN LOSS ON OIL ROUT**
- 4. OIL TRADERS CHASE STORAGE SPACE**
- 5. GUANGZHOU TESTS EVERY STUDENT RETURNING TO SCHOOL**
- 6. SURVEY: 60% READY TO START FLYING AGAIN WITHIN 2 MONTHS OF ENDING LOCKDOWN**
- 7. MILAN ANNOUNCES SCHEME TO REDUCE CAR USE AFTER LOCKDOWN**
- 8. EU MEET TODAY ON \$2 TRILLION STIMULUS PACKAGE**
- 9. CHINESE AGENTS STOKED PANIC IN US BY SPREADING FAKE WARNINGS**
- 10. NEGATIVE OIL PRICES SERVE AS A WARNING TO TRUMP**



**DAILY RECOMMENDED VIDEOS:**

- **PIERRE ANDURAND MADE A FORTUNE TRADING OIL AS IT COLLAPSED IN VALUE**
- **INDIA'S ECONOMY WILL SPRING BACK IN NO TIME, BJP ENERGY SPOKESMAN**

**52%**  
70mn b/d

**18%**  
90mn b/d

**30%**  
80mn b/d

**How Much Oil  
Will the World be  
Pulling Out of the  
Ground by the  
end of Q2?**

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