Fujairah New Silk Road WEEKLY NEWSLETTER

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AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

LAST WORD OF THE YEAR ON OIL MARKETS

Chris Bake

Member of Executive Committee, Vitol

Oil prices next year will be towards the upper end of the range that we've seen in 2021 and consolidating there, with potential upside depending on incremental demand. We've cleared a huge amount of inventory this year that was accumulated through the middle and second half of 2020. OPEC has been slowly ramping back production and they're not far from being at baseline, rather than below baseline. If we assume that demand remains at current levels, we are going to be incrementally looking for the marginal barrel and we are going to feel the impact of the reduction in capital investment of the past few years in sustaining oil production over the medium term. That's a trend, and the only real way to regulate it is through price management of demand. One of the surprises of 2021 was the resilience of OPEC to stay the course. Another was the lack of price response from incremental US production. And another more recent surprise development out of the US, is the political willingness to try and manage and curtail prices in a seemingly contradictory way. We have an administration very supportive of renewables and alternative energy, but also desperately trying to force prices down at the retail pump to encourage the passage of a key bill in Congress. So, there are a lot of dichotomies in the market today that are further exacerbating those push and pull balances.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

4,205,000 bbl	2,297,000 bbl	8,810,000 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
$3.54 - 4.38/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.40/m³

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Weekly Average Oil Prices

Brent Crude:	$74.47/bl
WTI Crude:	$71.33/bl
DME Oman:	$72.89/bl
Murban:	$73.85/bl

*Time Period: Week 2, December 2021
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $601.00/mt

Low = $591.50/mt

Average = $596.50/mt

Spread = $9.50/mt

MGO

High = $761.00/mt

Low = $753.50/mt

Average = $758.50/mt

Spread = $7.50/mt

IFO380

High = $445.00/mt

Low = $433.00/mt

Average = $439.50/mt

Spread = $12.00/mt

*Source: Ship and Bunker, *Time Period: December 8 - December 15*

Fujairah Bunker Sales Volume (m^3)

550
180cst Low Sulfur Fuel Oil

567,470
380cst Low Sulfur Fuel Oil

132,721
380cst Marine Fuel Oil

4,635
Marine Gasoil

27,242
Low Sulfur Marine Gasoil

4,449
Lubricants

Source: FEDCom & S&P Global Platts

Chris Bake
Member of Executive Committee, Vitol

CONTINUED FROM PAGE 1

Your take on Saudi Arabia's view that we could lose 30% of global production this decade because of lack of investment?

Chris Bake: If you look at the international oil companies and their stated production objectives over the next 10 years on the path to net zero 2050, they all have to, not only mitigate carbon production through offsetting means, but also reduce carbon emissions through less production of hydrocarbons. The issues around that are probably best expressed through the pricing of the oil markets, where we have seen demand resilience despite the pandemic, and the lack of alternative investment, specifically seen here in Europe in the price of gas, is also very much manifest. That can be an indicator of more volatility to come and that is going to be very difficult for the OECD to deal with over the next few years.

Does the transformation of the upstream oil opportunity and access to capital create opportunities for new actors?

Chris Bake: We are seeing a massive refocus by the established majors in the upstream sector to try and narrow their scope of activity because they are needing to consolidate their capital allocations to the sector. That is going to attract other players, be it service providers or companies such as ourselves who have this year acquired sizable acreage in the US Permian Basin.

Is the question mark on China demand the start of a trend?

Chris Bake: We're seeing the events of the last 24 months play out. Chinese year-on-year crude demand growth was around 600,000 b/d. Last year, we saw China uniquely placed among all the developed economies, incrementally absorb up to 1.3mn b/d year-on-year from 2019. We saw a massive surge of imports into the country, especially in the low-price environment of Q2 2020, where they built over a billion barrels of oil. As the global demand equation slowed down, the Chinese were one of the fastest to be able to respond and the effect of what we're seeing this year, with their lower net import numbers, is the unwinding of that inventory acquired in 2020. Obviously, there is a strategic level to that inventory, so they're not going to continue to unwind ad infinitum, but they were able to take advantage of that pricing range. However, I don't see a change in trend or dynamic in demand. I think there continues to be efforts in China to curtail coal. Gas consumption continues to grow and pending a further contraction of the economy (and it will contract slightly, partially driven by national strategy), we don't expect a continued curtailment of demand.

How can the industry earn a seat at the climate solution table while sustaining market share within the new energy fuel mix?

Chris Bake: Holistically, we need a hybrid solution. We don't have sustainable renewable capacity to meet the current demand for energy. Abatement, offsetting and capture are all tools that need to be put in the war chest against climate change. But if we also want to have sustainable economies and base energy demand, we need hydrocarbons as part of the mix for the medium-term future. As an industry, we will continue to support a transition to more sustainable renewable energy sources, aggressively investing in alternatives, such as wind, solar and hydrogen, but all those also still require storage solutions. We have seen the impact this year of how the lack of available hydrocarbons, specifically gas, which is trading in excess of $250 on a barrel basis in Europe, can be very difficult for us economically. The base demand for energy, especially for transportation electrification, continues on a swing basis, to be hydrocarbons.

Your reflections on some of the geopolitical hotspots of 2021?

Chris Bake: Many issues have been on the boil throughout the year, but my main takeaway has been the resilience of demand and the global economy despite Covid. In terms of regional geopolitics and Iran and the US finding agreement, it's a Catch-22 because Iran does not view an executive order in the US as sustainable because the change of administration could change it again. They want an incentive to come back to the table. Meanwhile, they see that they can continue to sell their oil into non-dollar markets. Sanctions have not been enforced in any notable way, so they feel that they can continue to act with impunity. The US has limited tools to bring them to the table, so it's a difficult balancing act. Looking to Europe, we have a concern by Russia as to what's happening on their borders with an expanding NATO presence. And looking east, China's use of its growing international reach to make sure that it has all the necessary energy and raw material supplies, is going to continue to cause tensions, especially as the West realizes that they have probably been less strategic in solving for some of the basic raw material supplies that they need in order to compete in the new sustainable energy environment.

Impact in the Middle East on the US gradual geopolitical withdrawal?

Chris Bake: The perception that the US has taken a step back in the Gulf has started to shift alliances between the Gulf states and also the various axis of support, including Turkey and Israel. The regional powers have begun to realize that they need to work together, fend for themselves and create stability to consolidate their growth platform and continue to attract direct foreign investment.

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Maleeha Bengali
Founder
MB Commodity Corner

US INFLATION NUMBERS ARE NOT IMPACTING MARKETS THAT NEGATIVELY?
The market's more concerned about the rate of change of inflation rather than the inflation number itself. Having said that, the market in the last month has been very worried about the macro picture. Inflation and what the Fed does with its balance sheet is a concern. The Fed is still adding liquidity and that is what is driving the S&P. The markets are strong right now, but if the Fed tapers more aggressively and inflation is a huge concern, then the market can drop again. That is going to be the key answer we get this week when the Fed meets on the 15th of December.

OMICRON NOT TURNING OUT TO BE SO BAD FOR OIL MARKETS AFTER ALL?
Omicron is not the main reason why the oil market fell. It was the trigger. There's a shoulder period between October and December when oil demand drops off and we see a correction. And at $86, oil had been massively bullish, so when Omicron hit a very long market, it fell. There's also distress in the rates market and in the bond markets. It's all one big macro trade.

CHINESE ECONOMY IMPACT ON OIL DEMAND GOING INTO THE END OF THE YEAR?
China won't let the property market collapse be a financial armageddon. They will try to get rid of all the excess and allow the bigger players to deleverage and support the underlying market. The key thing is what China does going into the Beijing Olympics and whether they start reaccelerating demand into that. We saw a small uptick back in November, and we think demand will be strong into January.

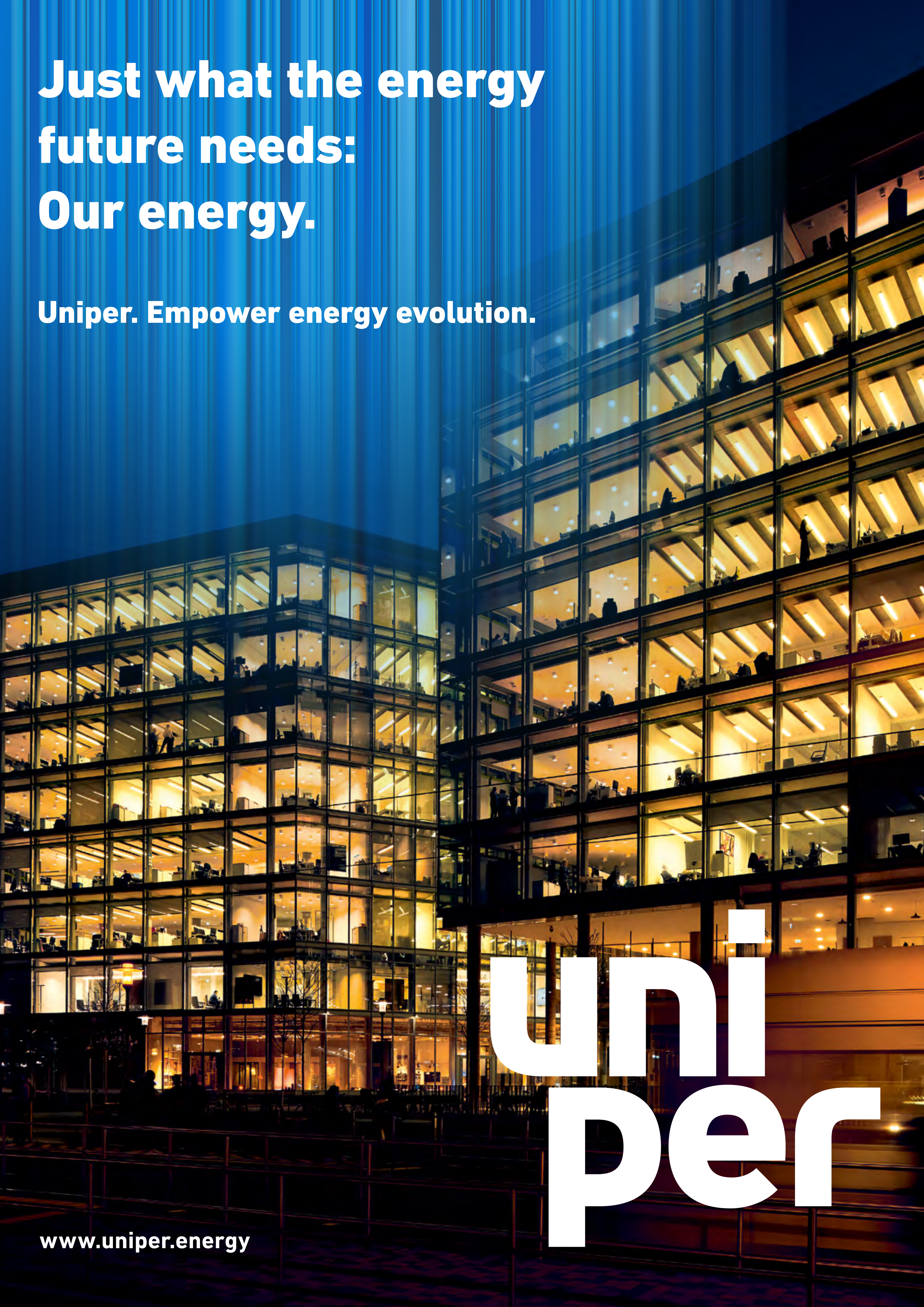
SURPRISES FROM 2021, WHAT TO WATCH FOR IN 2022?
The relationship between the US administration and OPEC has been a surprise as they are usually more in sync with each other. The blatantly ignorant central bank policy and their management of debt has been a concern this year. Looking ahead to 2022, we will be watching liquidity, the dollar and the bond market and how that plays out in terms of Fed policy. We think global GDP growth is at the risk of probably plateauing. There are lots of moving parts. It's very uncertain. If oil prices and gas prices and supply chains do not ease, the bond market may force the Feds hand to taper more.

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

I AM BEARISH ON OIL MARKETS.
Demand is not as strong as had been predicted by many analysts – it's still not quite back to where it was 2019. The decline in demand year after year by increased efficiency improvements is with us, which would indicate that the downward corrections will have to be corrected down further. On supply, we have had the carrot of higher prices with us long enough to see a reaction, with US rig counts indicating more shale by spring and private supplies from elsewhere in the world expected, such as Guyana, Brazil and the North Sea. OPEC Plus still has its work cut out for it. Until US summer driving demand picks up next year, we will be in the range where we are right now. I don't see it improving week after week, as it did a few months ago. The demand increase for 2022, is still less than what we have in excess capacity.

IS THERE A STRONG CASE FOR THE US FED TO ACCELERATE ITS TAPERING PROCESS?
The inflation is real and being driven by the wall of money, not supply chain constraints. However, there's a long history whereby the Fed and the ECB tend to be asymmetrical and to err on the side of caution. So, every time the question comes to put up interest rates and to stop buying paper in the market, they are much more worried about the equity market reaction than when it comes to giving support to the market. And I'm afraid this is likely to continue so we'll see a few more hiccups and then maybe a slight accelerating of the tapering in the US. But Europe will be even slower in admitting to the inflation problem and to announcing interest rate increases. That will increase the exchange rate differentials and the US dollar will become stronger. The question now is whether inflation will start to accelerate. That's the point at which expectation changes and we go into price increases and wage increases, which feed off each other. We are not too far away from that point in Europe, especially given the supply constraints, lower exchange rates and full employment which we see everywhere.

HOW'S CHINA LOOKING AS WE COME TO THE END OF THE YEAR?
It's always a bit of a black box. But what we have is a market which is slowing down because of structural changes from industrial investment into consumption and services. It's a market which has had too much liquidity and was overleveraged, and the government is trying to tackle that. But it's hard to contain a market which needs a liberal environment, free trade and interaction. Sooner or later, there will be a financial crisis erupting from somewhere. So, on top of the structural slowdown from 8.5% to 4% or 5%, we will have substantial financial instability. That is not a picture that bodes well for oil demand increases on a par with the last five years.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Omar Najia
Global Head, Derivatives
BB Energy

I'M NO LONGER A FAN OF CRUDE.

We saw the dramatic price drop two weeks ago on the sentiment of fear because of Omicron and then prices recovered on a sentiment of relief. As a result, there's been damage to the crude structure and the curve has certainly flattened a lot. I'm not convinced that the oil market is going to set new highs. At some point, there's going to be another sell off. People are a bit complacent about the prospect of higher prices and the power OPEC has on that. We may edge a little higher in the short-term but then we come off for a long period of time.

WONT CONTINUED LIQUIDITY PROP UP THE OIL MARKET, AS IT HAS IN 2021?

From where we were at $40 earlier this year to where we are today, is a massive move. The idea that more liquidity from the Fed will help oil is flawed. You need to get into the market when everybody's telling you it's going down. We need to have a flush of all this length in the market and for it to become really cheap, before we see real money coming in again, and then when that happens, the market will fly. But short term, my gut tells me people are being suckered in and they're going to be smashed hard.

WHAT WOULD YOU BE WATCHING OUT FOR 2022?

We will probably see Iran doing a deal, but I don't think that affects the market that much because they're already selling so much oil. It will however be significant politically, making the US and the EU look weak. On oil demand, everyone keeps saying how its coming back but most of the heavy lifting has been done. I think 2022 is going to surprise people to the downside.

Ahmed Mehdi
Research Associate
The Oxford Institute for Energy Studies

WHAT DOES A 2022 SAUDI $24B BUDGET SURPLUS FORECAST TELL US ABOUT OPEC PLANS?

The budget won't be based on expectations of demand. Some aspects of it are to do with trying to moderate spending on the public civil service and also with enhancing reserves, so there's an aspect of long-term planning. On where OPEC strategy goes more generally, some speculative froth has now been removed from the market and so the forward curve has flattened. In terms of demand, I think it could be a 'winter of discontent' with gas to liquids switching and refinery margins coming under pressure. Q4 demand will remain strong with the Chinese also probably using up some of their quotas, but as we go into the first quarter of next year, that will soften significantly.

WHERE DOES OPEC PLUS STAND TODAY ON SPARE CAPACITY?

I see this issue as becoming more serious next year. Russia has reached its max, Iraq has some swing fields, but also export infrastructure limits. Kuwait is having upstream challenges and obviously we've got Libya with the elections and volatility there. The spare capacity issue, geopolitics and climate related outages could put prices much higher in the first half of the year, but as we go into Q3 and Q4, it's all going to be dependent on Iran. OPECs three-month flexibility in their supply program has been so important, but they may lose control of that if there's a surprise on the demand side and if Iran doesn't come back. However, even if there isn't a deal, we could see more Iranian oil leakage – they still have the issue of the stress on storage. Meanwhile, estimates for US oil growth for 2022 are around 800,000 to one million bd.

YOUR VIEW ON HOW IRAQ'S OIL SECTOR HAS FARED IN 2021?

The big takeaway this year has been about the power sector and the lower than expected Iranian gas flows and electricity exports to Iraq. And that has not necessarily just been driven by disputes over debt payments, but also by what's happening in the Iranian energy sector itself, with more liquid switching, with their own water stress and issues relating to power demand.

ARE THE BIG OIL PRODUCERS REALLY LOOKING TO EXIT IRAQ?

The big takeaway this year has been about the power sector and the lower than expected Iranian gas flows and If we look at the Exxon case, it's not just about Iraq. There's been a corporate repositioning of its assets since 2020. Right now, international players are being extremely quiet because of the government formation process but I don't buy the idea that we are going to see a huge exodus. It's more about repositioning and restructuring business lines and more importantly, to do with financing and making the capex intensity more manageable.

Fujariah Weekly Oil Inventory Data

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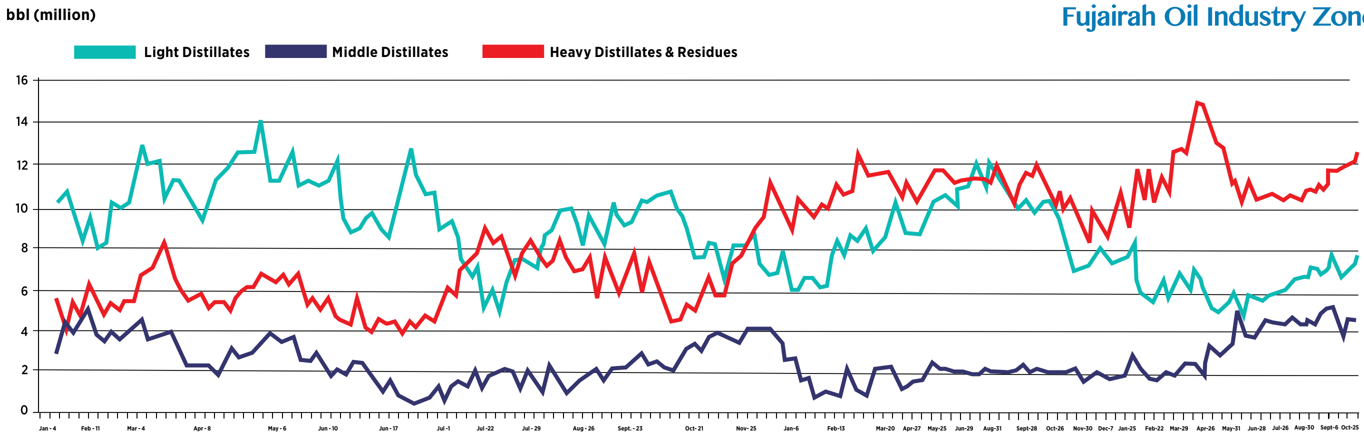

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 15.312mn barrels. Total stocks fell 458,000 barrels with overall stocks down 2.9% week-on-week. This is a continuation of last week's draw when total stocks were reported at 15.770mn. The total stock draw was driven by decreasing stocks of light distillates, middle distillates and heavy residues.

- Stocks of light distillates, including gasoline and naphtha, fell 192,000 barrels or 4.4% on the week to 4.205mn barrels. This is a reversal of last week's rise of 90,000 barrels. Market participants in Fujairah said the continued gasoline supply from China to Pakistan, resulting from an FTA agreement between a number of Chinese refiners and Pakistan, was softening Middle East gasoline premiums. "Chinese exports are coming to Pakistan, now China is able to sell directly to the end supplier it's better for it than selling to Singapore and other middlemen," a Middle East gasoline trader said. Meanwhile, all units at Kuwait's Mina al-Ahmadi are up and running following a fire in October, according to market sources Dec. 14. The refinery had to reduce throughput after an atmospheric residue desulfurization (ARDS) unit was affected by a fire Oct. 18. A 180,000 b/d crude distillation unit had also been halted in addition to the ARDS. The repairs were expected to last around 45 days. Both units were restarted earlier in December, sources said.

- Stocks of middle distillates, including diesel and jet fuel, fell by 51,000 barrels or 2.2% on the week to 2.297mn barrels. This is a reversal of last week's gain of 471,000 barrels. Demand concerns over omicron coronavirus variant reemerged Dec. 14, following the news of higher levels of precaution in the West, but gasoil traders said markets in the East of Suez were still holding up. "It's [omicron] basically still a concern," a trader said Dec. 14, with some other sources citing the wider crude complex's ripple effect on the gasoil market. Traders said good regional demand was still helping the gasoil complex, while the arbitrage economics to the West were unworkable and supply tightness had eased. India's Mangalore Refinery and Petrochemicals Ltd. issued a tender offering 65,000 mt or 80,000 mt of 10 ppm sulfur high speed diesel for loading from New Mangalore over Jan. 14-16 via a tender that closes Dec. 16, with same day validity, market sources said.

- Stocks of heavy residues fell by 215,000 barrels or 2.4% on the week to 8.81mn barrels. This is a continuation of last week's fall of 2.887mn barrels. Robust spot trading activity at bunker hub Fujairah was heard on the second trading day of the week Dec. 14 as buyers met requirements amid a softening flat price, according to traders. "The delivered market should slow to a lull for the rest of December while activity in the freight market quietens, though some demand for prompt bunker requirements should be expected as buyers have been holding off for the longest time possible amid strong deliver premiums," a bunker supplier said Dec. 14. The price in Fujairah was assessed at a $6/mt discount to Singapore which saw its delivered bunkers on the same basis assessed at $595/mt.

Source: S&P Global Platts

OIL COMMENTARY

BY MATT STANLEY
SENIOR BROKER
STAR FUELS

Brent is trading this morning at $74.66/bl up 0.78 and WTI is trading up 0.84 at $71.71/bl. 9 sleeps until the big day and I am going to do my best to sound positive and full of Christmas cheer. Shall we start with a cracker? Oh, go on then - What do you call a child who doesn't believe in Santa? A rebel without a Claus. Right! Enough of that, let's talk about oil. Well, it seems to be doing nicely actually. I am really trying my best today to not get bogged down with what I think is consuming everyone's minds this morning and that, of course, is news about Covid. So let me just get it out of the way. Dr David Nabarro, special envoy on Covid-19 for the WHO, said, "I've been watching this pandemic and working on it since January 2020, and I have never been more concerned than I am tonight, not just about the UK but about the world." Of course, there were various press conferences going on around the globe last night and all of them conveyed the same message, one of extreme concern about the Omicron variant of Covid-19, but Dr Nabarro's sentence is about as grim as it gets. If I selfishly talk about my home country of the UK, then yesterday 78,610 people tested positive, a record, and Dr Chris Whitty warned of worse to come. I understand, and completely agree with, that we have to learn with Covid, that variants will emerge, and we will be in situations like we are in. What I cannot just get on with is that variants are ignored by market participants. Statements emanating from various news outlets regarding Omicron took everyone back, but at the same time we had EIA release data on weekly oil stocks on the US. Which surprised to up the upside and of course we traded up. Brent traded down to a low of $72.50/bl yesterday and this was understandable bearing in mind various headwinds oil markets face themselves with come Q1-2022. However, everything was ignored once stats came out as the market celebrated that demand for oil products in the US hit a record high. Brent ended the day at $73.88/bl, up 0.43. So, what does tell us about what market participants in the oil market right now? Is data coming out of the US the only driving force that the market needs to consider? These are rhetorical questions, of course, but I guarantee (sadly) that the Covid situation will be a lot worse this time next week than now. Yes, we are learning to live with Covid, but if that means that the situation needs to be ignored and dismissed then Santa may jolly well leave you nothing but coal in your sack. Actually, not coal, because Greta would go mad. Just a stick. Yes, a socially responsibly, well cared for, stick. Commentary returns Monday.

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ENERGY MARKETS COMMENTARY WEEK IN REVIEW

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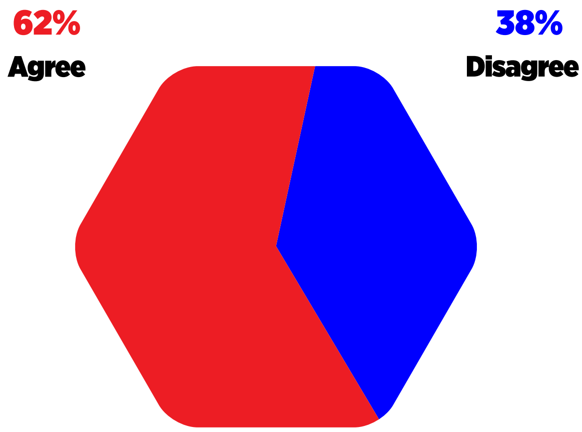
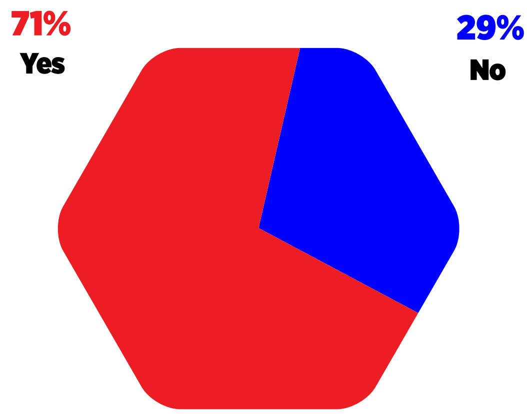
GIQ Weekly Surveys

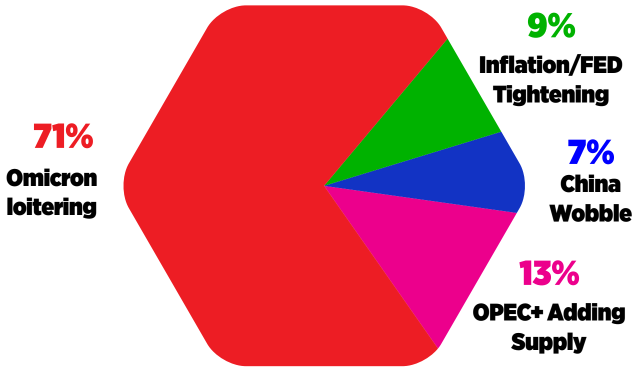
There is nothing now going to stop the Christmas Rally -- record equities & $80 Brent?



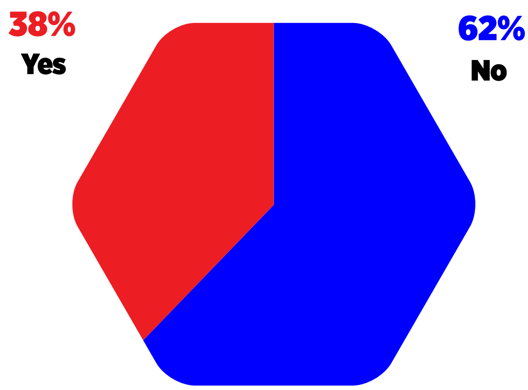
China's leaders have said "housing is for living in, not for speculation" -- Do you expect the Chinese government to bail out real-estate sector?



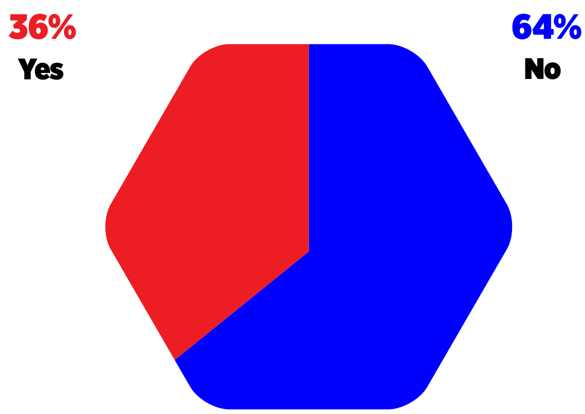
What has most impact on keeping Brent from regaining its $80 Mojo?

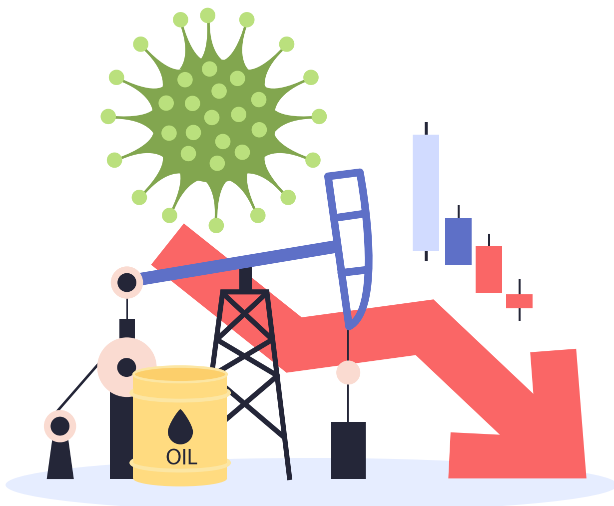


Will the US do a deal with Iran by end of Q1, 2022?



Can FED slow inflation without derailing growth in 2022?





Source: GIQ

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Amena Bakr
Deputy Bureau Chief & Chief OPEC Correspondent
Energy Intelligence

THE OIL PRICE DROP THAT WE'RE SEEING IS TEMPORARY.

According to the latest OPEC report, the new variant of the virus did not factor into their demand forecasts. I think it's more of a psychological effect that's impacting markets and prices are still around the $72 mark. The real thing to watch is how OPEC+ members are going to struggle to deliver incremental supply to the market over the coming months. They're already not delivering the 400,000 bd that they're promising, and when we hit next summer, that's when we might see an increased tightness in the market and perhaps a spark in consumer concern. We will wait to see if they decide to release other reserves.

AT WHAT POINT DOES THE CHALLENGE OF SUPPLY PUT A STRESS ON THE ORGANIZATION?

There is a need to review the baselines, but it will cause conflict and open up another can of worms that the group is not ready for. Even if some of the members are not being to deliver their quotas, they want to maintain a guarantee of their share in the market and so don't want to change any of the official records.

MAIN TAKEAWAY FROM 2021 FOR OPEC AND HOW THAT CARRIES THROUGH INTO 2022?

The cohesion that we saw in the group this year was in stark contrast to what happened in 2020. Everyone agrees that this alliance is benefiting all in the group and they want to stick together despite the disagreements on baselines earlier in the year, that were resolved. Saudi Arabia's officials went into the last meeting without a set proposal in their mind. They waited to hear from other producers such as Russia, the UAE, Kuwait and Iran and they all agreed to stay the course. There was no other proposal.

Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

IS THE OIL PRICE COMEBACK A RECOVERY OR REBOUND?

Everything at the moment is testament to the fact that we still have this $20 trillion of extra central bank quantitative easing around. We have a lot of the paper money involved in commodity markets being the tail that wags the dog and creating enormous volatility. The fall in the oil price was exaggerated and so was the bounce back. There's not much going on with actual flow of physical trade so it's mostly the speculative element that's moving the market today. We will probably see some sort of stabilization and we will eventually come out the other side of Omicron.

HOW WILL FED TIGHTENING IMPACT OIL MARKET DIRECTION?

All the central bank meetings will take place this week, but the Fed is obviously the most important. They're likely to double the pace of the taper and thereafter they can start to think about tightening. For the markets, money is still getting pumped in to a 'buy the dip' mentality and today, you could get some very large dips as the market is thin, which then leads to very violent moves upwards simply because there isn't a lot of liquidity.

Central banks' acceptance of inflation is something the markets really haven't taken on board. The real danger is that at some stage, some of them go down the route of what we're seeing in emerging markets – getting 100 or 125 basis point rate hikes. That suddenly starts to offset the risk sentiment and it is this risk appetite which is so crucial.

WHICH OF THE MAJOR CENTRAL BANKS WILL BE THE FIRST TO MOVE?

Probably the Bank of England, in February, but it's going to be a very slow trajectory.

The key point in terms of interest rates is the markets are pricing the endpoint for the US at 0.5 %, so safe assets are still going to be unattractive. My concern is that as we roll back the fiscal support, we will suddenly get to a situation where some of the things which we felt weren't a problem, like credit defaults, are going to come and hit us quite hard. We are also going to realize that the world economy isn't in such great shape, particularly as it transitions to a post-Covid state, and that's not going to look like the pre-Covid economy.

BIG THEMES TO BE WATCHING FOR IN 2022?

How do governments normalize economies along with the fiscal withdrawal. This year, that's been mostly in emerging markets. Next year, we are going to see most central banks step back. We also have structural supply chain bottlenecks which will continue - in Europe, South America, Asia. And we will be watching how China manages its property debacle.

OPEC Review of 2021 and Outlook for 2022

"While the expected recovery in 2021 was surrounded with challenges, some of these are expected to continue into the next year. The expected market balance continues to be determined by the evolution of the Covid-19 pandemic, as a key factor of uncertainty, but the successful joint efforts of the DoC continue to closely monitor all developments in a timely and vigilant manner, to be able to react to rapidly changing market circumstances."

Source: OPEC Monthly Oil Market Report - December 2021

ENERGY MARKET NEWS

RECOMMENDED READING

1. OIL PRICES RISE AS FUEL DEMAND SURGES IN TOP CONSUMER US
2. FOMC MONTHLY TAPER PACE $30BN VS $15BN PRIOR
3. BRENT TO FALL TO $70 IN 2022 AS SUPPLY OVERTAKES DEMAND
4. EIA: RECORD US DIESEL DEMAND SURGE CUTS STOCKS
5. EU SUPERMARKETS STOP SELLING BRAZIL BEEF OVER DEFORESTATION LINKS
6. RUSSIA PUTS THE BLAME ON EU AS ENERGY CRISIS WORSENS
7. OMICRON SPREADING SO FAST IT THREATENS BRITAIN'S HOSPITALS
8. UN WATCHDOG SAYS IRAN WILL ALLOW NEW CAMERAS AT NUCLEAR SITE
9. ADNOC STUDYING LNG BUNKERING START-UP IN UAE'S FUJAIRAH OR JEBEL ALI
10. EU'S REJECTION OF LONG-TERM GAS CONTRACTS COULD LEAD TO HIGHER PRICES

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Fujairah Spotlight

ADNOC Studying LNG Bunkering Start-Up in UAE's Fujairah or Jebel Ali

Abu Dhabi National Oil Co.'s shipping arm is studying whether to back an LNG bunkering operation in the UAE to serve as a fueling station for its new LNG-fueled ships on order. Fujairah on the UAE's east coast and Jebel Ali in Dubai are being considered for the LNG bunkering operation, Samuel Lazar, manager, technical (gas), ship management, at ADNOC Logistics & Services, told S&P Global Platts Dec. 15. ADNOC L&S's fleet currently includes dual fuel capacity, while the new orders will use only LNG, he said. But there are no options in the region for LNG bunkering.

Source: S&P Global Platts

Fujairah CP Inaugurates Covid-19 Screening Centre

Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, affirmed the country's efforts to address the repercussions of the COVID-19 pandemic and provide the necessary support to raise the efficiency of the health sector. He also highlighted the directives of His Highness Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, to provide the best medical services in local health facilities. The centre aims to support the emirate's medical sector and includes two main sections, with the first offering examination and vaccination services while the second offers other treatment services.

Source: Sharjah24

Fujairah Crown Prince Attends Ceremony Marking 40th Anniversary of Fujairah Chamber

Under the patronage of H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, attended a ceremony organised by the Fujairah Chamber of Commerce and Industry (FCCI), marking the 40th anniversary of its establishment. H.H. Sheikh Mohammed bin Hamad highlighted the chamber's key role in developing the emirate's business sector and supporting economic growth, as well as the directives of H.H. Sheikh Hamad bin Mohammed to improve the competitiveness of the emirate's business sector and attract international investment. The ceremony was attended by Sheikh Abdullah bin Hamad bin Saif Al Sharqi, President of the Emirates Federation for Body Building and Physical Strength, Sheikh Ahmed bin Hamad bin Saif Al Sharqi, and Sheikh Saeed bin Suroor Al Sharqi, Chairman of the FCCI.

Source: Emirates News Agency

Ras Al Khaimah and Fujairah Adopt UAE's New Weekend

The governments of Ras Al Khaimah and Fujairah will adopt the UAE's new working week. Public sector employees in both emirates will move to a Monday to Thursday working week, with a half-day on Friday, from January 1. The weekend will be on Saturday and Sunday. Abu Dhabi and Dubai's governments already confirmed they would follow the new working week arrangements announced by the UAE for the federal government on Tuesday.

Source: The National

GIQ EXCLUSIVE SOUNDINGS

Oil Markets Split on Forecasts for the Year Ahead as OPEC Brushes off Omicron Fears

Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the Middle East, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.

- Albert Stromquist, Principal, Lanstrom Advisors
- Reem Shamseddine, Senior Correspondent, ZAWYA Arabic
- Henning Gloystein, Director - Energy, Climate & Resources, Eurasia Group
- Victor Yang, Senior Editor, JLC Network Technology
- Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies
- Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency (IEA)
- Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy

"Looking forward to the year ahead, I think we can count on 4%-5% annual GDP growth for China. However, I don't think that China will have the impact in 2022 – 2023 that it has had over the last decade on moving oil markets."

Albert Stromquist, Principal
Lanstrom Advisors

"This year has been very volatile with supply and demand. I believe the OPEC+ decision to maintain production plans was the right one to make."

Reem Shamseddine, Senior Correspondent, ZAWYA Arabic

"We expect a slight oversupply going into 2022 because Omicron has triggered tight restrictions around the world. However, heading into mid-2022 it looks like the demand situation for oil markets will improve."

Henning Gloystein, Director - Energy, Climate & Resources, Eurasia Group

"One issue with China this year was that its supply, including oil, grew much faster than its demand. That's an issue and we expect this to continue next year. The government will have to focus on how to stimulate domestic demand."

Victor Yang, Senior Editor
JLC Network Technology

"Every country in the region is under a sense of uncertainty with the US withdrawing from the Middle East in terms of active interventionism. The GCC countries are looking to forge alliances and partnerships in order to maintain their security. That's why we are seeing this shuttle diplomacy."

Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies

"The interest rate increases that we will see in 2022 will be very gradual. We aren't going to head back to the double digit interest rates that we saw in the early 1980s. The US Fed is trying to understand how much of the inflation we see right now is structural."

Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency (IEA)

"We are in a different situation today because we are learning how to live with Covid-19. The extensive lockdowns and restrictions that we saw when the pandemic first hit is unlikely to be repeated."

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy

ENERGY MARKETS FORUM NEW SILK ROAD LIVE

Consultancy Intelligence Publishing

TOP 10

DEC 12th - DEC 16th

MARKET OBSERVATIONS FOR THE WEEK

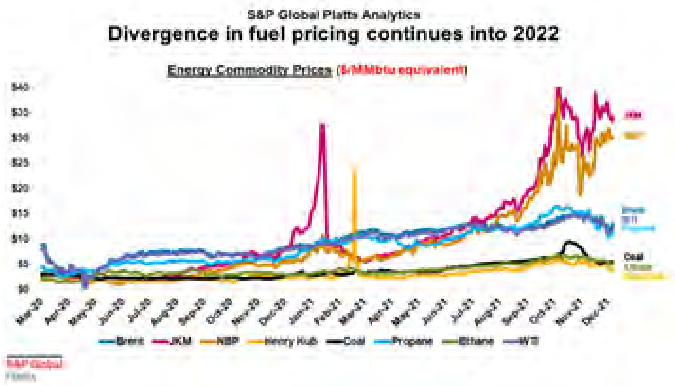
1. US FED is playing with fire and the belief that the world views the US dollar as too big to fail -- let's hope the new Chinese digital remimbi shares that view.
2. OPEC+ will have to join the rest of us with a wait and see where all the current uncertainties play out -- Omicron / China Growth/ Geopolitical stress etc -- meanwhile happy holidays.
3. All financial markets are on a Christmas tear with Omicron no longer a concern for spoiling the party -- expect new records on equities and $80 on Brent.
4. Omicron may not be as deadly as Delta but it would appear to be as contagious as common cold, which could quickly overwhelm hospital capacities.
5. OPEC+ likely to stay the course with current agreement of adding 400k b/d per month into the New Year, but what happens at the end of that is going to be interesting i.e. no more idle supply capacity for emergencies.
6. Iran Nuclear Talks are a tale of two cities - Vienna and all the chatter in the capitals across the Gulf. . .which should one follow for white smoke?
7. The IOCs withdrawing their capital from the upstream oil & gas sector is going to create a gap that will attract other players.
8. The FED are far too little too late to be able to slow inflation without derailing growth in 2022.
9. The fundamental data has been showing there's a recovery in oil supply from US and other places like Brazil, Norway and Canada -- pointing to a surplus over demand.
10. Every country in the Gulf is facing uncertainty and compelled to seek new alliances in the shadow of a slowly but surely US withdrawal from the Middle East.

S&P Global Platts Analytics Releases its 2022 Energy Outlook

Analysts at S&P Global Platts, the leading independent provider of information, analysis and benchmark prices for the commodities and energy markets, today released their 2022 energy outlook.

Jennifer Van Dinter, head of integrated analytics, S&P Global Platts, said: "Energy markets have been on perhaps the biggest rollercoaster ride in history over the past two years, seeing both negative prices and record prices. As we enter 2022, most commodity markets remain tight, as supply has struggled to match the rebound in demand during 2021, resulting in a drawdown of inventories and much stronger pricing."

2022 Integrated Energy Outlook: When will the bubble burst?
In 2022, S&P Global Platts Analytics expects supply to catch up and even exceed demand growth highlighted by an increase in LNG exports, a rebound in US shale oil, gas and NGLs and the return of investment in non-OPEC production. Fears about the impact of new coronavirus variants, like omicron, on demand will add to volatility but are likely overblown. As an increasing amount of the world's population with the highest GDP/capita become vaccinated, the potential magnitude of the impact on economic activity and demand will shrink. Aviation sector demand will likely be the most sensitive if infections become more severe but impacting a smaller number of flights as outbreaks become increasingly localized. Prices will begin to normalize as inventories recover. Amid this process, we expect to see a greater divergence between oil and gas prices as oil starts to rebalance in the first quarter, while gas markets will remain tighter longer. Natural gas markets are vulnerable to price shocks if we experience the below-average temperatures we experienced last winter, particularly outside of North America. The divergence between oil and gas prices will see increased oil light-end products into traditional gas markets, tightening LPG supply, and by extension gasoline. At the same time, we expect strong demand growth for diesel to fuel commercial transport as supply chains debottleneck, as well as the gradual ramp up of aviation activity. While we expect stocks to recover during the year, the lack of spare capacity both in gas and oil, will leave the market vulnerable to disruption. This will be all the more difficult in light of a handful of geopolitical risks looming in key areas of supply: Iran, Libya, and Nord Stream 2. Any disruption in global supply chains will also have outsized influence on prices. While oil prices have recently corrected downward, the key test will come in the third quarter as summer demand challenges supply resilience – the absence of an Iran deal could leave the market vulnerable to breaking $100 per barrel ($/b) if combined with any other disruptive event.
Despite the increased rhetoric and focus on energy transition demand for all fossil fuels will increase in 2022, requiring more fossil fuel supply. Even though some companies and investors are looking to divest from fossil fuels, we see healthy levels of investment in 2022 and beyond prompting an easing of energy prices. Expect a ripple effect into other commodity sectors, including metals and agriculture, impacting the current commodity bubble. Even after the bubble pops, energy markets will only become more intertwined. Fundamentals and data will matter more than ever, requiring a steady, holistic perspective across the breadth of the energy market. Platts Analytics will continue to strive to bring clarity to the energy markets, enabling our customers to act with conviction in 2022.



TOP TEN KEY THEMES TO THE 2022 ENERGY OUTLOOK: S&P GLOBAL PLATTS ANALYTICS:

1) As the first quarter goes, so goes the year. Prices across all commodity markets will by and large end 2021 at elevated levels, even if some will have slipped from peaks achieved earlier in the year. Generally, low inventories and fears of supply inadequacy over the Northern Hemisphere winter expose prices to extensive upside risk in the first quarter, particularly natural gas prices. If winter weather proves to be colder than normal in key markets (China, Japan, Europe), inventories will draw further, and prices will spike even higher. La Niña conditions make cold weather more likely in these markets. Conversely, a mild winter will ease pressure, allowing prices to normalise faster. Key geopolitical risks, such as the Iran Deal and Nord Stream 2, will have notable signposts in the first quarter, and even if they are not fully resolved in by the end of March, their status will have a large bearing on how balances and prices shaover the rest of the year.
2) After 2021 focused on energy demand recovery, 2022 will focus on whether supply can catch up. In virtually all energy commodity markets, demand rebounded more than supply in 2021, resulting in a drawdown of inventories and much higher pricing. In 2022, energy supply will grow faster, not only to catch up to 2021 demand, but also to cover additional demand growth in 2022 and to rebuild depleted inventories. While this will be a difficult lift for the supply side under normal circumstances, several key commodities and markets face considerable geopolitical risks to supply growth. While the demand side is certainly not without risk, particularly with the new COVID variant, any disruption in global supply chains will have outsized influences on prices.
3) Deal or no deal: Iran is the key Iran will significantly influence oil balances in 2022, and by extension, oil prices. We assume a framework US-Iran nuclear deal will be reached in Q1, with full sanctions relief by April, facilitating 1.4 million barrels per day (b/d) of Iranian oil supply growth by the end-2022. But risks that no deal can be reached are high. Even with Iranian barrels coming back, oil markets will need more supply from the rest of OPEC by mid-year. If Iranian oil does not come back to the market, OPEC capacity will be pushed to the limit. Tensions in the Middle East will only worsen with a defiant Iran. The lack of an Iran deal, if coupled with supply interruptions elsewhere, could see oil prices test $100/b.
4)New COVID variants will continue to impact oil demand but vaccinations will blunt the impact and release some pent-up demand. The rise of the omicron variant in November has raised fears that the recovery in oil demand will be derailed by renewed

restrictions to mobility. While S&P Global Platts Analytics expects that new variants and localized outbreaks will occur in 2022, we do not expect the same magnitude of restrictions on mobility, particularly international air travel, that occurred in 2020 and early 2021. We project that oil demand will increase by over 4 million b/d in 2022. Even in a case where COVID proves to be more disruptive than expected, oil demand will still increase by almost 3 million b/d at a minimum, as vaccinations continue to build globally, and importantly, in countries with high GDP per capita. Oil demand growth could exceed 6 million b/d if we revert to normal more quickly. The strength in demand will push refinery runs and utilization rates (even including increased refining capacity) close to their historical ranges, improving margins.

5) Global natural gas prices will hinge on the Nord Stream 2 pipeline and Russia's gas strategy. Currently, Russia is the primary source of the world's spare capacity and delivering that supply to markets eager to meet demand and rebuild storage will dominate balances and prices in 2022. The delayed Nord Stream 2 pipeline is essential to boosting Russian gas supply into Europe as Russia is shifting away from Ukraine transit and Electronic Sales Platform (ESP) sales. Despite the fact that Europe is desperate for gas supply, regulators appear to be in no rush to sign off on Nord Stream 2. While S&P Global Platts Analytics expects the pipeline will begin operations in June, further delays would cause European buyers to scramble for alternative gas supply, boosting not only European gas prices, but global LNG prices. Even US prices would get an uplift from this, as US LNG exports will ramp up further in 2022.

6) Three to five North American LNG liquefaction projects will make final investment decisions after a two-year hiatus. Strength in global gas prices have bolstered the value proposition of incremental LNG liquefaction projects in North America, particularly in Western Canada and the US Gulf Coast, breathing new life into the prospect of an additional wave of North American LNG. Despite the prospect of slower LNG demand growth in Asia over the next few years, developers have been able to line up buyers and equity investors for potential capacity, which increases the likelihood these projects will come to fruition.

7)India to surpass China as world's largest importer of thermal coal as China drives for self-sufficiency. Global coal demand is expected to increase again in 2022 as developing markets, China and India in particular, will need additional energy supply from coal to meet incremental energy demand growth. Despite higher domestic consumption, China's thermal coal imports are expected to decline in 2022, as domestic production will increase by an even larger extent, as policymakers press for more self-sufficiency. At the same time, the import constraints India encountered in 2021, such as record high coal prices and freight rates, will be less severe in 2022, allowing imports to increase strongly to meet higher domestic demand and rebuild depleted stockpiles.

8) New planting seasons offer new beginnings for agricultural commodities, but tight fertilizer supply and La Niña skew risks to the upside. Demand for food and renewable fuels will continue to increase, which will keep prices well supported and challenge biofuels and renewable fuels economics. Tight fertilizer supply, in the wake of turndowns of production facilities due to high natural gas prices in 2021, coupled with the rise of potentially dry conditions in Brazil from La Niña, are key supply constraints for agriculture and biofuels markets. The fate of Brazil's second season (safrinha) corn crop will have direct and large implications on prices and demand for US exports. Renewable diesel demand for US soy oil will gain again in 2022, while Brazilian production will cover most of China's small increase in demand.

9) CO2 emissions to hit record high in 2022 despite greater focus on climate putting emissions policy on the ballot in key markets. Despite the focus on emissions reductions and a lengthening list of countries that have made net zero targets, we expect that CO2 emissions from energy combustion will increase by 2.5% in 2022 to new record levels, as some economies fully recover while others push for growth. While leaders at COP26 pledged to strengthen 2030 emissions targets by the end of 2022 rather than waiting for the formal "stock taking" process, there are significant risks to domestic environmental policy agendas from elections in 2022. Midterm elections in the US could derail the Biden Administration's environmental agenda, while Australia's opposition party is looking to oust the more conservative government by making stronger environmental targets a priority. These elections are reminders that "all politics are local" and the fates of global agreements are often determined by domestic elections, public sentiment, and policy shifts.

10) Strong power prices boost renewables installations, but can they deliver with rising input costs and policy risks looming? Strong power prices have pushed renewable power margins to historically high levels and boosted prospects for faster installation growth in 2022. This is ironic since the underperformance of renewables was a key factor behind the surge in global power prices in the first place. Despite a ~10% increase in commissioning costs due to historically high raw materials prices and labor issues, S&P Global Platts Analytics expects solar PV additions will increase by 4% in 2022, while onshore wind installations increase by 1%. Capacity growth is predicted to decline for offshore wind, which will contract by 25% in 2022 after a strong 2021 due to the phase out of subsidies in China. The world will need to develop policies that balance the need to add zero carbon electricity supply with the cost of the dispatchability/availability of oftentimes intermittent renewable power with storage options.

Dan Klein, Head of Energy Pathways, Analytics, S&P Global Platts, said: "2021 was a clear example that recalibrating from such disruptive events like COVID-19 are often multi-year exercises. While recalibration will continue in 2022, it is likely that not all energy markets will be back to normal by the end of the year, particularly as the needs of the energy transition will require further disruption to business as usual."

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UAE Minister of Energy & Infrastructure

Jan. 12th, 2022 | New York University Abu Dhabi

YEAR AHEAD ENERGY OUTLOOK

"How can Oil & Gas Industry Earn its Seat at Climate-Solution Table while Sustaining its Market Share in Net Zero Era?"

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