Fujairah New Silk Road WEEKLY NEWSLETTER

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FOIZ منطقة الفجيرة للصناعة البترولية Fujairah Oil Industry Zone

Port of Fujairah ميناء الفجيرة Port of Fujairah United Arab Emirates

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

"Absence of Supply Growth is Biggest Concern for the Energy Industry!"

Arjun Murti, Partner, Veriten

My core view is that we're going to have what I prefer to call a super-volatility market, rather than a super-cycle. We've been in this environment where there hasn't been much CapEx growth amongst non-OPEC producers, and we also have generally low levels of spare capacity amongst OPEC countries. We're in an environment where, any time the global economy tries to grow or you have a disruption like the Russia Ukraine situation, prices spike. So, the biggest concern over the next five years is the absence of adequate supply growth. Without that CapEx cycle, we won't have economic growth. It's a very different environment from the 2000s, where we had non-OECD booming China joining the WTO, and Saudi and Western producers all trying to grow supply. I would expect a much more volatile oil price environment this time around, capped by about $100 on the upside because of eventual demand contraction at that level. Historically, you would call the trough for prices at around $50 rather than the current $70-75 range, but that will also depend to an extent on how and where OPEC cuts off that risk. We need to look at where the new supply growth will come from. As an example, if US shale was 70% of global oil supply growth over the last 5 to 10 years, it's going to be a smaller percentage going forward. We will need supply from offshore Gulf of Mexico, Alaska, other non-OPEC areas and we'll need the OPEC countries to grow their supply also. Saudi and the UAE have announced some plans, but a lot of others haven't. And because of the past decade of poor profitability and some concerns about how the Energy Transition will impact demand, traditional IOC investors might be hesitant. All these factors are setting up for a big supply crunch in the years ahead if they are not addressed.

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Fujairah Weekly Oil Inventory Data

7,664,000 bbl	3,217,000 bbl	9,354,000 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

$3.52 - 4.40/m³

↑ Highest: $4.52/m³

↓ Lowest: $3.38/m³

Weekly Average Oil Prices

Brent Crude:	$79.19/bl
WTI Crude:	$74.67/bl
DME Oman:	$79.19/bl
Murban:	$79.20/bl

*Time Period: Week 2, July 2023
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $575.00/mt
Low = $567.00/mt
Average = $572.50/mt
Spread = $8.00/mt

MGO

High = $831.50/mt
Low = $809.00/mt
Average = $818.50/mt
Spread = $22.50/mt

IFO380

High = $459.00/mt
Low = $430.50/mt
Average = $446.50/mt
Spread = $28.50/mt

*Source: Ship and Bunker, *Time Period: June 28 – July 5, 2023*

Fujairah Bunker Sales Volume (m^3)

170 180cst Low Sulfur Fuel Oil	**468,635** 380cst Low Sulfur Fuel Oil	**126,586** 380cst Marine Fuel Oil
2,021 Marine Gasoil	**22,976** Low Sulfur Marine Gasoil	**4,723** Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Arjun Murti, Partner, Veriten

Have the OPEC cuts given the market more stability?

I feel like OPEC has had a good run since COVID by taking the worst of that down cycle out of the market. I'm not sure however about the basis for the latest preemptive cuts - it's a dynamic that's in contrast to what has been a forward and thoughtful strategy in the previous two years. Are they saying the economy is weaker than the underlying statistics? In any case, OPEC is not the big issue today - there are other things to focus on that are going to drive the outlook to be bullish or bearish. One is that we've had some countries that have had disrupted production, come back online. There was an expectation Russian output would fall and it didn't; US shale numbers have surprised to the upside; and we've also had other production from Guyana and Brazil. This one-year surge in other supply areas has created a bearish downdraft, despite adequate demand. Still, the outlook going forward should be for a tighter market over the next year or so.

What's your view on when we will see peak oil demand?

I have oil demand growing at least to the 2030s. The biggest miss on the peak demand forecast for this decade is in disappointment on fuel economy gains. In the US, if the government mandates 3% fuel economy gains, the actual number that is achieved is more like 0.3%. We've missed it by 75-90% because we increasingly drive SUVs. But will that be repeated in in India, Africa, and other parts of the world? There is such a European mindset to this discussion of peak oil demand. What about the people of the Global South? They will need to use oil and gas and probably their domestic coal, for continued energy security

Has the war in Europe dislodged the Energy Transition agenda?

We all know that everyone will take energy availability over any other metric. Energy has to be there, no matter the cost. And then hopefully it's also affordable and secure and comes with better environmental attributes. When we solve for CO2, we need to think about the people who still need oil and gas and probably also coal. We will need a lot of Energy Transition technologies to be able to meet those energy needs.

Should energy companies be spending windfall gains on E&P or the Transition?

This is a sector that through 2020 and over the previous decade had a 0% return on capital. It had 8% in 2021 and admittedly a very good 27% in 2022, but the rolling 10-year average has produced a 4% return on capital. These are long term businesses so the idea that after one year of very high profits, it should all go back into the ground, belies what was a very challenging ten years. Politicians need to accept the fact that this sector is needed, and these companies need to earn a minimal level of profit over a cycle to warrant investment. We need profitable oil and gas companies to produce however much oil and gas the world is going to continue to use, and then we should look for venture capital, private equity and other tech companies to go after the new energy technologies.

Expectations from COP 28 this year in the UAE?

We need more COPs hosted by the developing world because that is where our future economic opportunity and future population growth will be. The UAE has been a role model in the Energy Transition, developing renewables, a nuclear fleet, improved efficiencies, and growing oil and gas production which the world needs.

MARK YOUR CALENDAR
October 10th & 11th, 2023

#EMFWEEK23 ITINERARY

Port of Fujairah
United Arab Emirates

ENERGY MARKETS FORUM

October 10th - 11th, 2023 | Novotel, Fujairah

aramco trading · Vitol · ADNOC · enoc · S&P Global Commodity Insights · MERCURIA

OCT. 10th

Time: 11:00AM
What: Open Registration

Time: 1:00PM
What: Port of Fujairah EMFWEEK23 Welcome Lunch

Time: 2:00PM - 4:00PM
What: FOIZ Onshore Terminal Tours

Time: 2:00PM - 5:00PM
What: ENOC Oil Markets Workshop

Time: 7:00PM - 9:00PM
What: Aramco Trading Gala Awards Dinner

Time: 9:30PM - 10:30PM
What: GI Networking Social Hour

OCT. 11th

ENERGY MARKETS FORUM 2023

Time: 8:00AM - 9:00AM
What: Breakfast Briefings

Time: 9:00AM - 11:00AM
What: Plenary Session

Time: 11:30AM - 1:00PM
What: Industry Roundtables

Time: 1:00PM - 2:00PM
What: International Energy Journalism Awards Lunch

Time: 2:30PM - 3:30PM
What: Professional Learning Seminars & Industry Roundtables

Time: 2:30PM - 4:30PM
What: Port of Fujairah BOAT TOUR

5:00PM - END OF EMFWEEK23

KPLER · nbf National Bank of Fujairah · SNOC · Vopak Horizon Fujairah Limited · GPSCHEMOIL · FOIZ · GI Consultancy Intelligence Publishing

Fujairah Spotlight

Salam Air launches first direct flights to Fujairah

SalamAir, Oman's first low-cost airline, has achieved a significant milestone by launching its first-ever direct flight to Fujairah International Airport in the United Arab Emirates, with four weekly flights on Mondays and Wednesdays.

In a statement, Salam Air's CEO said the introduction of SalamAir's services to Fujairah International Airport strengthens travel and trade ties between Oman and the UAE, while meeting the growing demand for air travel in the region.

Source: zawya

Thyssenkrupp Industries India lands Fujairah clinker project work

Leading industrial machinery manufacturing group thyssenkrupp Industries India (tkII) said it has secured a major contract from UAE-based Pure Cement for a clinker project in Fujairah.

As per the deal, tkII will provide a comprehensive range of services, including the design, engineering, and supply of state-of-the-art equipment for raw material grinding and pyro processing, for the project.

Source: zawya

Oil product stockpiles climb for first time in three weeks

Stockpiles of oil products at the UAE's Port of Fujairah climbed for the first time in three weeks as of July 10 after a 23% jump in gasoline and other light distillates, according to July 12 data from the Fujairah Oil Industry Zone.

Total inventories rose 0.2% on the week to 20.235 million barrels as of July 10, after hitting a three-week low a week earlier on July 3, the FOIZ data provided exclusively to S&P Global Commodity Insights showed. Total inventories are little changed since the end of 2022.

Source: S&P Global Commodity Insights

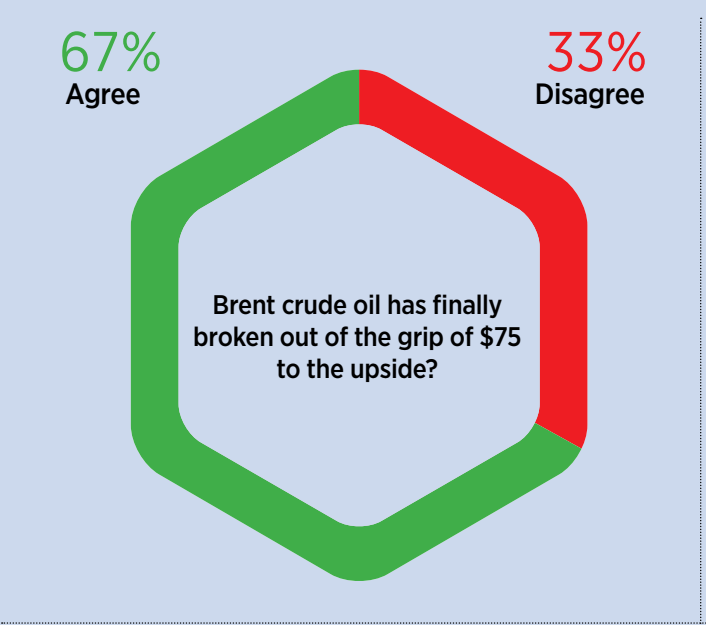
Fujairah's fuel oil inventories decline 11% in June

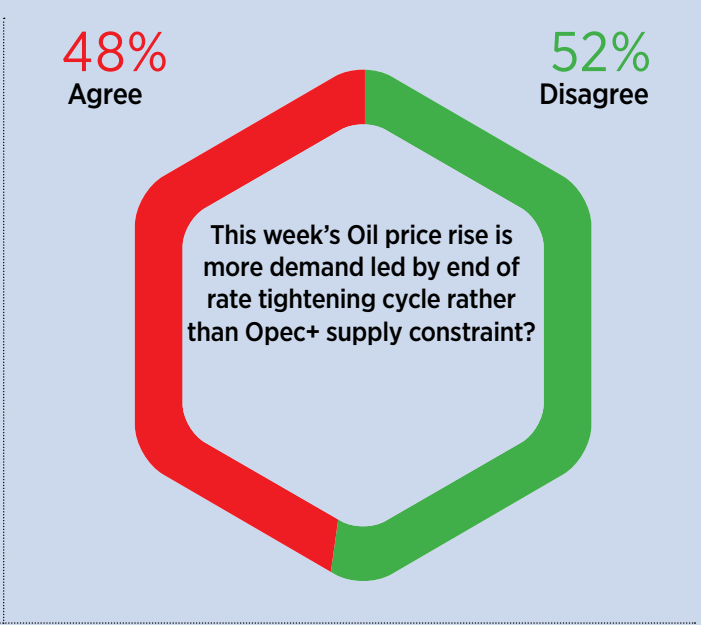
The bulk of Fujairah's fuel oil imports came from Iran (29%) in June, followed by Iraq (27%) and Russia (17%). Meanwhile, more than half of its fuel oil exports departed for Singapore (54%), followed by China and Greece (7%). eanwhile, Fujairah's middle distillate stocks remained steady at May levels.

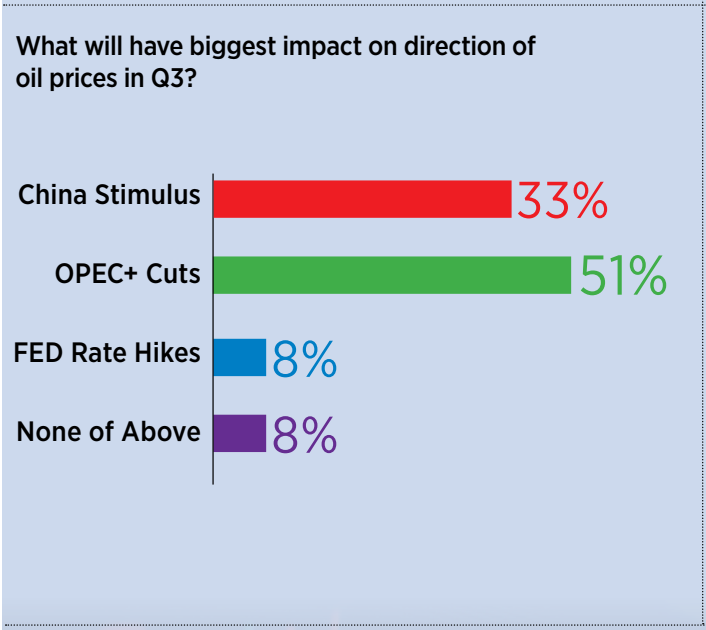
Availability of bunker fuel grades remains tight in Fujairah amid good demand. Recommended lead times remain unchanged from last week at 5-7 days in the port. But some suppliers can offer all bunker fuel grades for prompt delivery dates depending on stem sizes, a source says.

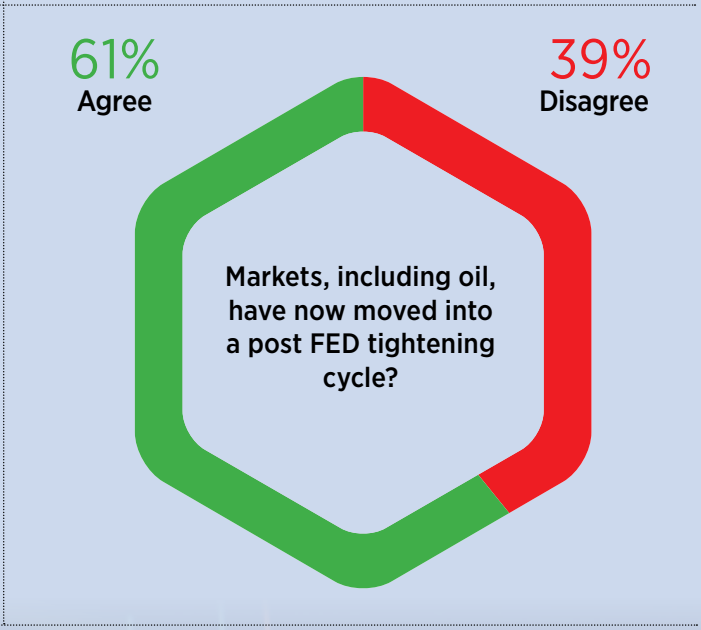
Source: Hellenic News Shipping

Weekly Surveys









Source: GI Research March 2023

Consultancy Intelligence Publishing

Fujairah Weekly Oil Inventory Data

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 20.235 million barrels with a rise of 46,000 or 0.2% week-on-week rising to just above the 20-million-barrel level. The stocks movement saw a rise for light distillates and a drop for middle distillates and heavy residues.
- Stocks of light distillates, including gasoline and naphtha, increased by 1.433 million barrels or 23% on the week to 7.664 million barrels. The East of Suez gasoline complex was balanced in early trade July 11 amid expectations of a fall in Indian gasoline demand during the ongoing monsoon season and firm import demand from Egypt, sources said. Schools in New Delhi were closed July 10 following heavy flooding over the weekend, local media reported. Furthermore, Egypt's gasoline demand was heard rising amid the summer driving season, sources said. India's June gasoline demand fell 5.85% month on month but rose 6.2% year on year to 3.152 million mt in June amid the ongoing monsoon season, market sources said. The fall in India's June gasoline demand came despite Eid al-Adha festivities in June.
- Stocks of middle distillates, including diesel and jet fuel, fell by 342,000 barrels or 9.6% on the week to 3.217 million barrels. The outlook for the Asian low sulfur gasoil market is expected to remain mixed July 10 with pockets of regional demand growth countered by weak global macroeconomic fundamentals, industry sources said. In refinery news, Kuwait Integrated Petroleum Industries Co., a unit of state-owned Kuwait Petroleum Corp. has received a ship that will load about 117,000 barrels of low-sulfur diesel for export from its 615,000 b/d Al-Zour refinery, the company said July 8. The refinery began exporting jet fuel, naphtha, and low-sulfur fuel oil in November after commissioning the first of its CDUs. India's gasoil consumption fell 3.74% on the month but rose 3.03% on the year to 7.91 million mt in June.
- Stocks of heavy residues fell by 1.045 million barrels, down 10% on the week as they stood at 9.354 million barrels. Spot trading activity at the key bunker hubs of Singapore and Fujairah started the new week on a weak note, sources said July 10, as poor global macroeconomic environment continued to weigh on shipping volumes. "Demand is just so-so," one supplier said. Fuel oil cargoes traders noted that peak summer power generation demand from the Middle East has capped inflows from the region, while seasonal refinery turnarounds in Russia have also put a lid on Russian supplies in recent weeks. In Fujairah, offers for the delivered marine fuel 0.5%S grade were heard at $560-$576/mt. Platts assessed the grade at $559/mt July 10, $4/mt higher on the day, while premiums against the Singapore benchmark were up 44 cents/mt over the same period at $2.59/mt. Supply of both the low and high sulfur fuel oil bunker grade in Fujairah were heard ample, with some suppliers able to supply product as prompt as July 11-12.

Source: S&P Global Commodity Insights

Energy Markets COMMENTARY WEEK IN REVIEW

CLICK HERE TO LISTEN

Energy Markets Views You can Use

Adi Imsirovic
Director
Surrey Clean Energy

The market is going to go way above $80.

On the macro front, the general opinion seems to be that we will see a couple more rate increases from the Fed, but that's it. The market is seeing the light at the end of the tunnel and that's psychologically very important for the oil markets. Add to that some reasonably tight balances, increases in jet demand, and the OPEC cuts for what they're worth, and the overall picture look positive.

How technical is the recent price surge forward?

I don't buy this market being short or long. What the market considers to be speculative demand and supply is not always the case - we have to look at the data in a lot of detail. The driver of the flat price in oil is the financial situation. Whether the Saudis are cutting in August or not is totally irrelevant unless they're going to roll it six months forward. The people who are buying and selling flat price are those who are looking at the macro situation. There's still a lot of pent-up demand in terms of travel and there are geopolitical risks, such as Libya, that could trigger a large supply loss into Europe. Chinese demand is still a concern, but they will continue to buy cheap oil and put it in stock, even though their economy has not been doing very well.

What will guide price sentiment over the summer?

In the absence of any geopolitical issues, I would expect the market to hover between $75 and $80 a barrel. We're going into the earnings season and there will be ancillary economic indicators, PMIs etc., but we expect demand to pick up in H2 2023, coupled with good supply. US production is 12.5mn b/d right now and the EIA has it reaching 12.85mn b/d next year. Add that on top of Canada, Guyana, Brazil, and everything else, and most of this incremental demand is covered by non-OPEC supplies. So, unless we see a big pickup in demand, OPEC is going to struggle.

Can Saudi depend on Russia committing to its cuts?

OPEC and the Saudis can only look at Russia's export figures, but it could cut exports of crude and increase substantially its exports of product. Does that count? There's also a large number of players in the Russian market so coordinating a coherent cut is not going to be easy. It's not like Saudi Arabia cutting half a million barrels that they can just put into storage - Russia doesn't have that.

Energy Markets Views You can Use

Omar Najia
Global Head, Derivatives
BB Energy

Have we finally broken the grip of $75 Brent and are we now in an upward move?

I think so. We've been in a downtrend since March 2022. Back then, the price was over $135. If you draw a line straight down, you can see it's tested it three times and on Friday was the fourth, and then it broke it with volume to the upside. So, if we continue to hold and move sideways to up, there'll be a lot of pressure for people to start covering. And even if there are still economic growth concerns, we have to remember that markets aren't rational; they work on fear and greed, so I'm looking for a breakout to the upside for whatever reason - rational or not.

What gives it momentum to break through $80 and test new highs?

It's the fact that it's unexpected. People may still be holding since Friday and might wait a little bit longer but if prices don't start dipping or falling heavily this week, traders will start buying no matter what. The big question is – is the Brent low that we saw at $70 going to be the low for a long, long, time or are we going to challenge that at some point in the future? I don't know, but for now, I think the market will move higher and WTI gets to around $83-85.

Top signals to watch for this summer?

I will be asking how we can have that low on crude and at the same time, an equity market which is looks increasingly toppy and how we can have a risk asset like Bitcoin start trending strongly to the upside. How do all these things join up while also expecting a recession? I think we will see the US dollar not collapse but weaken substantially relative to other currencies and also by the end of September, Bitcoin could be close to $50k and WTI will get to $85 as there's a lot of liquidity in the market, despite the action on interest rates.

ENERGY MARKET NEWS

1. BRENT OIL PRICE RISES ABOVE $80 PER BARREL AS SUPPLY TIGHTENS
2. KUWAIT'S KPC CEO CONFIRMS COMMITMENT AS SECURE SUPPLIER FOR CHINA'S ENERGY NEEDS
3. OPEC SAYS WORLD'S PROVEN OIL RESERVES ROSE TO 1.56 TRILLION BARRELS
4. SAUDI OUTPUT CUTS HELP DRIVE UP ONE CORNER OF GLOBAL OIL MARKET
5. PAKISTAN-RUSSIA OIL DEAL HITS ROADBLOCK
6. SHAKY STEEL MARKET COULD BE A SPEED BUMP FOR RISING AUTO SALES
7. IRAN AND IRAQ SIDESTEP U.S. SANCTIONS WITH NEW OIL-FOR-GAS DEAL
8. SOUR CRUDE OIL PRICES SKYROCKET AS SAUDI ARABIA TIGHTENS SUPPLY
9. GERMAN CABINET TO PASS CHINA STRATEGY ON THURSDAY - GOVT SOURCES
10. SAUDI ARABIA'S OIL PRODUCTION CUTS ARE QUIETLY STARTING TO BITE

RECOMMENDED VIDEOS AND REPORTS

- THE JUNE CONSUMER PRICE INDEX: DISINFLATION, DEFLATION, & BUYING POWER IN THE U.S. ECONOMY
- PDO, SHELL SEAL CONTRACT FOR SEISMIC DATA ACQUISITION IN OMAN
- HIGH PRICES KEEP LID ON EUROPE'S INDUSTRIAL GAS USE: KEMP
- UBS COMPLETES CREDIT SUISSE TAKEOVER TO BECOME WEALTH MANAGEMENT BEHEMOTH
- CHINA LASHES BACK AT NATO CRITICISM, WARNS IT WILL PROTECT ITS RIGHTS
- GAS STORAGE LEVY HIKE HITS EASTBOUND GERMAN EXPORTS

GI Soundings Week in Review

"Oil Market Pins Hopes on H2 Demand & Tempered Inflation!"

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.

- **Richard Redoglia, Chief Executive Officer, Matrix Global Holdings**
- **Walter Simpson, Managing Director, CCED**
- **Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency**
- **Victor Yang, Senior Analyst, JLC Network Technology**
- **Laury Haytayan, MENA Director, Natural Resource Governance Institute**
- **Abhi Rajendran, Head of Global Oil/Downstream Markets, North America Energy Research, Energy Intelligence**
- **Vandana Hari, Founder & CEO, Vanda Insights**
- **Ole Hansen, Head, Commodity Strategy, Saxo Bank**
- **Andrew Critchlow, Head of News, EMEA, S&P Global Commodity Insights**
- **Sara Akbar, Chairperson & CEO, OiLSERV, Kuwait & Non-Executive Director, Petrofac**

Richard Redoglia, Chief Executive Officer, Matrix Global Holdings US INTEREST RATES "I find it remarkable that it hasn't had an effect yet. We are starting to have wage pull inflation so that will be the next factor in this equation and maybe it puts a damper on earnings. We are going to have to see the Fed continue to raise rates or keep rates high, until we see some slowing in either wages or prices or until we see job losses."

Walter Simpson, Managing Director, CCED SUPPLY CHAIN "We're still seeing issues with this and delays in getting equipment because of the demand, but people are working their way through that; particularly here in the Gulf region, investment in new production is going full steam ahead and people are working around the supply chain issues that are injuring that."

Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency H2 DEMAND "There is still a great deal of uncertainty on demand. It will be impacted to some extent by interest rate rises, not just by the US Fed, but also the ECB, Bank of England, and other countries. And if interest rate rises materialize, it will impact industrial activity and financing, and consumers in terms of things like transport fuel sales."

Victor Yang, Senior Analyst, JLC Network Technology CHINA DEMAND "Crude imports in June were around 12mn b/d, close to the record high and consumption was around 14-15mn b/d. Crude runs grew in June also because refinery maintenance has dropped since May. We expect crude imports and consumption to remain at similar levels to June on the average for the reminder of the year, but not grow much further than that."

Laury Haytayan, MENA Director, Natural Resource Governance Institute IRAN OIL SANCTIONS "The US has more important issues than Iran to deal with. For now, it seems ok to turn a blind eye and let Iran sell its oil and gas because it could lower prices. But at the same time, we should remember that it can play the sanctions card anytime if market and other conditions warrant it."

GI Soundings Week in Review

continuation

Abhi Rajendran, Head of Global Oil/Downstream Markets, North America Energy Research, Energy Intelligence OIL PRICE DIRECTION "We're going to get a thrust into the $80s - there's still more of a run to come and it will be more supply-driven over the short term. I do think there will be limits as to how high oil prices can go. If they get to the $85-$90 range, then I would be cautious as the macro still has more to act up in the second half of the year."

Vandana Hari, Founder & CEO, Vanda Insights RUSSIAN CRUDE "I can see at least three hurdles for Indian refiners in raising their intake further and possibly reducing it. If the discount shrinks, Urals loses its competitive advantage on a delivered basis to India. Urals also has a high yield of fuel oil, so if it can't be upgraded into the lighter products that are in demand, refiners will step back. And finally, Indian banks are being extra careful of US sanctions in terms of facilitating payments."

Ole Hansen, Head, Commodity Strategy, Saxo Bank Q3 "This coming quarter could be make or break for the oil markets, because we have so much of the anticipation on demand growth priced into the curve. If we get a more robust demand outlook, then we will move into a supply deficit and that will underpin prices and at some stage leave room for Saudi Arabia to put the barrels back into the market."

Andrew Critchlow, Head of News, EMEA, S&P Global Commodity Insights OPEC+ UNITY "Historically, OPEC has seen Russian Urals as a major competitor for its market share, so this will become more pertinent once we see an end to what's happening in Ukraine, and once we get some form of global economic normalization. By then, Gulf OPEC producers will have built up significant excess capacity, having been constrained from producing by the current policy framework."

Sara Akbar, Chairperson & CEO, OiLSERV, Kuwait & Non-Executive Director, Petrofac IRAN-SAUDI "I think both countries eventually realised that the best thing for the region is to work together and that they cannot afford to go into conflict anymore. Everyone is seeing the beneficial impact for the whole region, so the basis for the relationship is strong and I think it will continue to go in that direction."

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