Fujairah
New Silk Road
WEEKLY NEWSLETTER

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AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

CHINA'S BIGGEST CHALLENGE IS ITS SOCIAL STRUCTURE, NOT ECONOMIC GROWTH!

Dr. Qiang Liu, Secretary General, Global Forum on Energy Security (Beijing)

GDP growth is not China's biggest concern today. The biggest question rather, is around social structure, peoples' incomes and a need to improve quality of life. There is immense pressure today from high taxation and the price of real estate – the average citizen spends half of their income on rent. Traffic is another big issue – commuters working in Beijing can spend two hours getting to work and another two getting home. It's terrible. All of this needs to change. As far as GDP is concerned, if you think about the scale of the whole economy, the slowdown this year has been reasonable, and we should expect 4-5% growth to be the new normal for the coming decade. We need to focus more on macroeconomic and industrial policy. We need to encourage manufacturing sectors and innovation and not always copy technology from other countries. That, combined with a better social policy, will be the real potential for economic and domestic consumption growth in the future.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

5,068,000 bbl	2,935,000 bbl	7,707,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.61 - 4.38/m³

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

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DAILY ENERGY MARKETS FORUM
LIVE WEBINAR
REGISTER TO JOIN HERE
SUNDAY-THURSDAY @ 10:30AM (UAE TIME)

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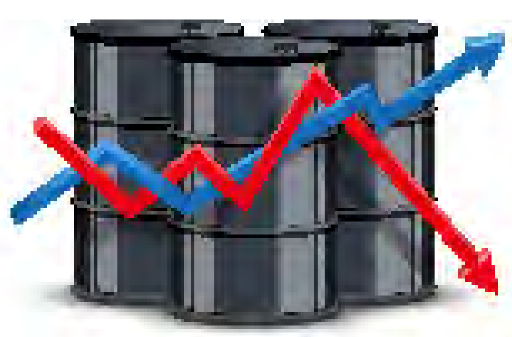

Weekly Average Oil Prices

Brent Crude:	$84.62/bl
WTI Crude:	$83.32/bl
DME Oman:	$83.70/bl
Murban:	$84.02/bl

Time Period: Week 4, October 2021
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $637.50/mt

Low = $624.00/mt

Average = $631.00/mt

Spread = $13.50/mt

MGO

High = $781.50/mt

Low = $767.50/mt

Average = $776.00/mt

Spread = $14.00/mt

IFO380

High = =$512.50/mt

Low = $508.00/mt

Average = $509.50/mt

Spread = $4.50/mt

*Source: Ship and Bunker, *Time Period: October 20 - October 27*

Fujairah Bunker Sales Volume (m^3)

294 180cst Low Sulfur Fuel Oil	**487,612** 380cst Low Sulfur Fuel Oil	**118,791** 380cst Marine Fuel Oil
2,038 Marine Gasoil	**27,312** Low Sulfur Marine Gasoil	**4,274** Lubricants

Source: FEDCom & S&P Global Platts

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Dr. Qiang Liu

Secretary General
Global Forum on Energy Security (Beijing)

CONTINUED FROM PAGE 1

How will China resolve its power generation issues ahead of winter?

Dr. Qiang Liu: The price of coal, natural gas and oil has reached a very high level because of massive liquidity and stimulus measures by countries like China, the US, and others, to save their economies during the pandemic. The biggest element affecting the oil price has been macroeconomic liquidity. At the same time, China has been limiting its coal production capacity since 2013 and particularly since last year because of stricter environmental standards, as well as due to its ambitious plan to reach carbon neutrality by 2060. Still, despite all this, we will have enough power generation capacity and coal inside China this winter. I am confident the government will have the capability to prevent a power crisis. September was an exception, caused by an imbalance between the coal price and electricity price.

But won't the recent decision to burn more coal impact environmental goals?

Dr. Qiang Liu: We need to transition to a cleaner economy gradually. More than 60% of China's power generation is from coal, so you can understand why we had a shortage of electricity in September. Cutting emissions and asking people to get accustomed to a new system of power and energy will not be an easy task.

"We will have enough power generation capacity and coal inside China this winter."

Do you expect that China will continue to import a lot of oil over winter?

Dr. Qiang Liu: Crude oil is not so relevant to the seasons. We import crude oil mostly for domestic demand and our summer demand comes in for exporting refined products to other countries. We don't see the crude oil price as too high. We have the capability to deal with it.

What plans does China have for building gas storage?

Dr. Qiang Liu: We should focus on increasing the efficiencies of pipelines and the logistics of getting gas to consumers and if we can do that, we won't need a big increase in storage.

Won't that make you more reliant on higher spot market prices?

Dr. Qiang Liu: Spot prices do fluctuate a lot, so we need more long-term contracts. We concluded one with the US last week and already have contracts with Russia, Turkmenistan and others. We might conclude one with Australia in the near future, and I hope we can have one with Iran. We also have big potential for internal Chinese natural gas production.

WATCH FULL INTERVIEW HERE

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ENERGY MARKETS VIEWS YOU CAN USE

Ali Al Riyami
Consultant &Former Director General of Marketing
Ministry of Energy & Minerals, Oman

ANY CONCERN ABOUT THE DECLINE IN OMANI CRUDE EXPORTS TO CHINA THIS YEAR?

We don't focus so much on where Omani oil goes – whether it's to China, Thailand, Korea or Japan – as long as we don't see any overall change in market demand. China's crude inventories are quite stable so this could be one reason why we have seen the drop. As far as Omani production goes, we are complying with the OPEC + agreement, which is to increase 400,000 bd every month. Recently, because of the Sohar refinery and summer in Oman, the direction of supply has been more to the local market but from now on, we will start seeing exports going up slowly, but still within the parameters of OPEC+.

DO YOU AGREE WITH SAUDI ARABIA'S CAUTIOUS SUPPLY APPROACH?

The majority of suppliers in OPEC want to add more oil but Saudi Arabia has taken a more careful ad hoc approach. That is what is causing some uncertainties in the market. We know that there is a shortage of supply and space for more crude. I thought that at the last OPEC meeting, there would be a decision to increase production. Still, the price is good, and Oman is doing fine in terms of revenues. But we also need to be realistic when it comes to reviewing the market. We don't want to be seen as irresponsible. We're already seeing the pressure from the US, and we don't want to be driven by pressure from others.

DO PRODUCERS HAVE THE EXTRA BARRELS TO RELEASE?

We do have a problem with capacities within OPEC+. Not everybody can produce more, whether for technical reasons or due to the lack of upstream investment in the last three or four years. Oman is actually doing well in this regard because we haven't stopped investing, even during the hard times, unlike some others.

WHAT DOES COP 26 MEAN FOR GULF OIL PRODUCERS?

The whole world has to be realistic about green energy. Clean energy alone is not going to meet demand for the coming 25 years. The problem is that we have been forced to think green while the reality is the opposite. I hope that the COP gathering and others like it will not focus on something that is unrealistic. Green energy is a long-term goal. It's still too expensive and we don't have all the technologies we need yet.

Vandana Hari
Founder & CEO
Vanda Insights

PROLONGED ENERGY CRISIS MAY SUSTAIN CRUDE OIL'S BULLISH JUGGERNAUT!

The relentless surge in crude prices for more than a month on the back of an "energy crisis" stemming from severe natural gas shortages in Europe and a coal crunch in China has so far seen a cumulative 20% spike in Brent and in WTI approximately. The rally has paused a few times and given way to marginal pullbacks, only to regain strength in short order.

Crude's runaway bullish bandwagon initially sparked growing incredulity, but not anymore. Was the pause last week a mere speed-breaker or is crude finally topping out? In the very short term, we would err on the side of saying it is the former, although we expect prices to grind higher hereafter rather than continue a steep upward slope, with perhaps more frequent interruptions, setting the stage for big knee-jerk swings and high volatility.

Looking out beyond the next week or two, the northern hemisphere winter could become a major influence, with cold snaps or forecasts of a colder weather sending more funds flowing into crude. On the other side of the coin, warmer weather or forecasts thereof may interrupt the upward momentum of prices, but we don't envisage crude bulls rushing to unwind length as long as the winter is still stretching ahead.

Weather forecasts, as we all know, are far from perfect. To assess the downside risks to crude, one needs to look at the major props that have supported the rally and their staying power. Though it remains uncertain how many hundreds of thousands of barrels per day of incremental oil demand will be generated by the gas and coal shortages in the coming months, there is now a fair degree of certainty that the crunch is unlikely to abate any time soon.

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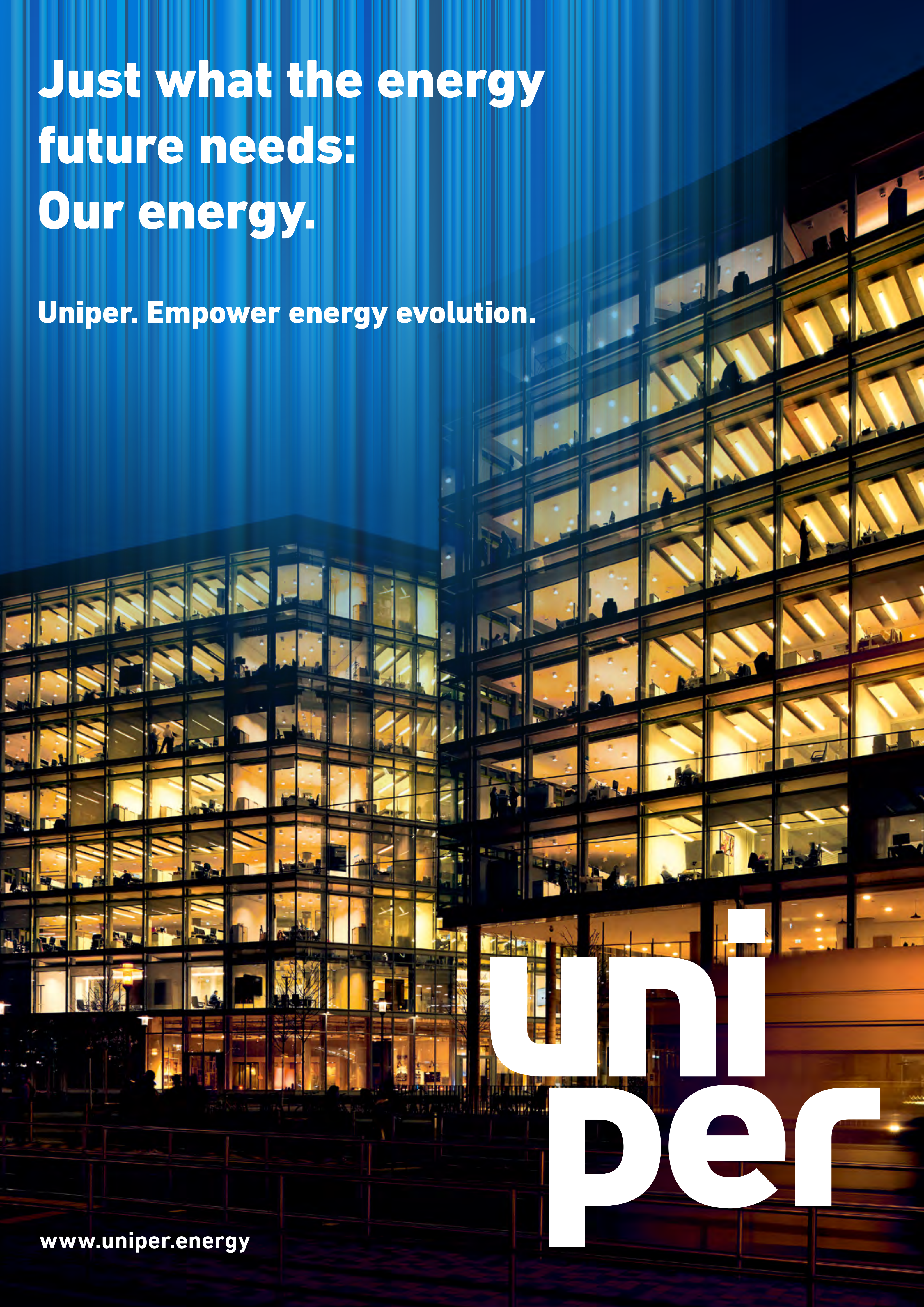
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www.uniper.energy

ENERGY MARKETS VIEWS YOU CAN USE

Edward Bell
Senior Director, Market Economics
Emirates NBD

BUSINESS CONFIDENCE IN GERMANY SINKS TO SIX-MONTH LOW

Germany's IFO index of business confidence fell to 97.7 for October, its weakest level in six months and fourth consecutive monthly decline. Disrupted supply chains and higher input costs are contributing to sagging confidence while the expectations index also fell, hitting 95.4 in October from 97.4 a month earlier and representing the weakest level since February. The general slowdown in the global recovery, worsened by shortages of both goods and labour, will likely drag on Germany output in the final months of the year.

US ECONOMIC PERFORMANCE IS DIVERGING BY REGION

Measures of regional activity in the US showed a diverging trend for recent prints. The Chicago Fed national activity index slipped to -0.13 in September from just about flat a month earlier while the Dallas Fed manufacturing gauge improved to 14.6 in October, up from 4.6 a month earlier. Input prices in the Fed's measure remain high but did fall slightly from September levels while wages moved higher.

TARGETS FOR THE PARIS CLIMATE AGREEMENT ARE GOING UP IN SMOKE. . .?

A UN agency highlighted that global concentration of carbon emissions and other greenhouse gasses in 2020 remained far in excess of levels that would be consistent with hitting the Paris Agreement's goals of limiting global warming to 1.5 – 2 degrees Celsius above pre-industrial levels. The warning comes just ahead of the start of the COP 26 summit where international leaders will try and strengthen their climate commitments. In the run up to the climate summit, Saudi Arabia has announced it will establish an investment fund of USD 10bn to finance carbon capture and storage as well as cleaner cooking fuels.

Bill Spindle
Council on Foreign Relations
International Affairs Fellow in India

COP26: THE DIVIDE BETWEEN DEVELOPED AND DEVELOPING NATIONS?

Days before delegates gather for the most important global climate conference ever, countries are cleaving along familiar lines: the developed world versus the developing.

We've seen this before. As discussed in a earlier post, the rich-poor divide has been a bugbear of climate conferences from the beginning. It has torpedoed multiple agreements. Transcending it was key the successful Paris conference of 2015.

Indian officials thrust the divide onto center stage last week by highlighting, yet again and quite correctly, that the developed world has failed to make good on promises to deliver $100 billion in climate funds for developing countries annually by last year. A senior official in the environmental ministry went as far as calling the funds, aimed at transferring clean energy technology and adapting to climate change, reparations for damage caused by past emissions. African officials have said allocations from developed countries will need to reach $1.3 trillion by 2030.

Fair enough. The United States, which indeed is responsible for more of greenhouse gas emissions currently in the atmosphere than any other country, has made things worse by offering only meagre funds, despite the shortfall and the past promises. And the Biden administration has watched what was supposed to be its signature climate offering at the conference unravel on the eve of the conference. Developed countries admitted this week that they won't crack the $100 billion threshold until 2023, but vowed to spend enough beyond that amount through 2025 that the average between 2020-2025 will exceed $100 billion. More promises.

All this is a shame, since the logic underlying this long-running dispute has been turned on its head in the time countries have been arguing about it. One change has been well noted: the rise of China and, to a lesser extent India, into the ranks of massive emitters themselves. China is now the biggest emitter by far (28% of the global total), with India coming in third (7%), although both post far-lower levels per person due to their large populations. As a country, the U.S., the biggest emitter at the first conference, now falls between the two at 15%, with just over double India's share and half China's. America's per capita emissions still beat both.

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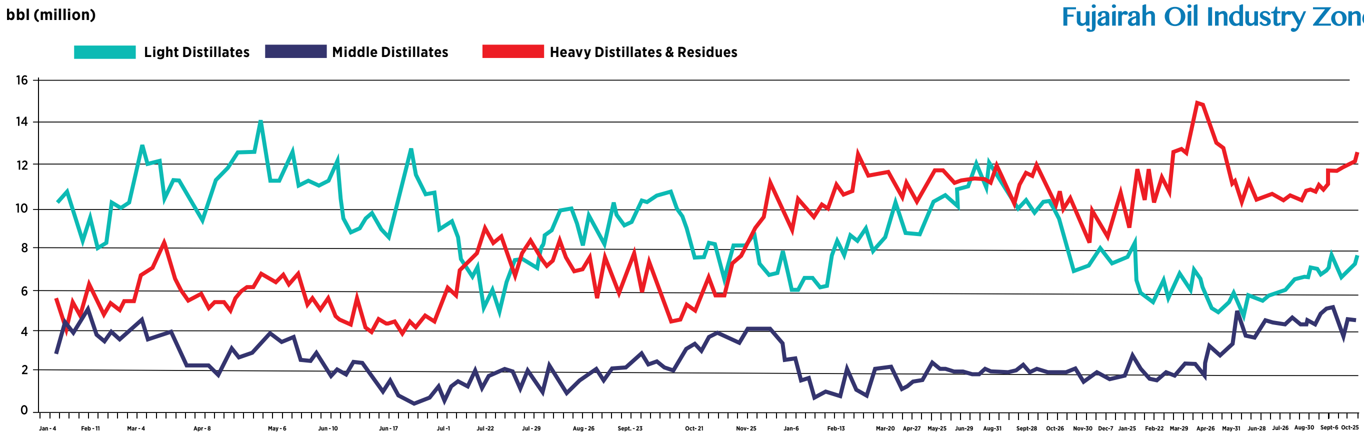
Fujariah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 15.710mn barrels. Total stocks fell 608,000 barrels with overall stocks down 3.7% week-on-week. This is a reversal of last week's build. The total stock draw was driven by decreasing stocks of middle distillates and heavy residues while light distillates posted a build.

- Stocks of light distillates, including gasoline and naphtha, rose 30,000 barrels or 0.6% on the week to 5.068mn barrels. Despite strong gasoline demand in Malaysia, Indonesia and India market sources cautioned that Covid-19 cases could rise following the easing of Covid-19 movement restrictions. Saudi Arabia's gasoline inventories rose 5.77% month on month to a five-month high of 3.661mn mt in August, data from the Joint Organization Data Initiative showed Oct. 25, as both domestic demand and refinery outputs fell in the month. The stock build was due mainly to weaker domestic demand as Covid-19 restrictions tightened, as well as an increase in exports to meet increasing regional demand, market sources said. Despite the stock build, the country remained a net exporter of gasoline in August, as regional demand in the Middle East also prompted Saudi Arabia to raise exports in the month. Saudi Arabia's net gasoline exports stood at 551,000 mt in August, up 38.44% from the 398,000 mt recorded in July.

- Stocks of middle distillates, including diesel and jet fuel, fell by 594,000 barrels or 16.8% on the week to 2.935mn barrels. This is a reversal of last week's rise of 941,000 barrels. Asian traders reported limited availability and the Singapore physical 10 ppm sulfur gasoil crack spread to front month cash Dubai — a measure of the product's relative strength to the crude it is refined from —slipped from its 21-month high, traders said sentiment for ULSD was still robust. "I think 10 ppm [sulfur gasoil] is going to be strong for a while, because there hasn't been much [Middle East] and India inflow to Singapore," a Singapore-based trader said, in reference to lean resupply volumes into the city-state. This is due to a deeply negative Exchange of Futures for Swaps, or EFS, spread, which has been incentivizing Arabian Gulf and India-origin gasoil barrels to move West instead, given better arbitrage economics.

- Stocks of heavy residues fell by 44,000 barrels or 0.6% on the week to 7.707mn barrels. Spot trading activity at the major bunkering hubs of Singapore and Fujairah were above-average for the second consecutive day Oct. 26, according to traders. Demand was reported particularly robust at Fujairah, with most Fujairah-delivered marine fuel 0.5%S bunker offers heard at $625-$630/mt, while a few were also heard offering the same grade at $620/mt during the MOC. While no trades were heard concluded during the MOC, fixtures were heard at low-to-mid $620/mt levels after the MOC. Fujairah-delivered marine fuel maximum 0.5% sulfur was assessed $624/mt on Oct. 26. The price in Fujairah is a $6/mt premium to Singapore which saw its delivered bunkers on Oct. 26 on the same basis assessed at $618/mt.

Source: S&P Global Platts

OIL COMMENTARY

BY MATT STANLEY
SENIOR BROKER
STAR FUELS

Brent is trading this morning at $83.80/bl down 0.78 and WTI is trading down 0.82 at $81.84/bl. I don't want to sound like a grumpy old man, but when did Halloween become a thing? I mean of course I remember it as a kid, but back then you'd be lucky if you saw three or four escorted kids on the streets holding out a Bejam's carrier bag full of mini packs of Haribo. Look at it now! People are decorating their houses and this morning I saw a very sweet little girl at my daughter's school dressed as a scary Unicorn. Now please tell how we have got to a point in civilisation that not even a bloomin' Unicorn can escape the works of Halloween? Oh, I know the same kind of world where the oil market refuses to dip below $85/bl for too long. The last day or so really has been a pretty brutal one for any in the oil market when reading the headlines. Fears the US economy recorded weak growth during Q3, rising oil stockpiles in the US and Covid-19 outbreaks in Western Europe, Russia and China are hardly conducive to a market that seemingly was going to do nothing apart from break through $90/bl earlier this week. The thing is though, is that the issues the market is reading about this morning have always been there. Oil stockpiles have been rising for some time, especially in the US Gulf Coast. Weaker than forecasts GDP numbers in the USA were always in danger of failing as those forecasts were somewhat, ummm? over exuberant? Yes, let's use that. And of course, the news story that most of the world seems to have firmly in the rear-view mirror now and that is of course COVID-19. Look, I don't want to talk about it as much as you don't want to read about it, but it is still with us, yes, we are learning to live with it but that isn't a free pass to ignore it all together. Over the coming weeks demand for end user goods picks up as we approach the holiday season. And nowhere more will this inconvenience of lack of convenience be more felt than in the shops. All eyes on those supply chain bottle necks. Good day.

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ENERGY MARKETS COMMENTARY WEEK IN REVIEW

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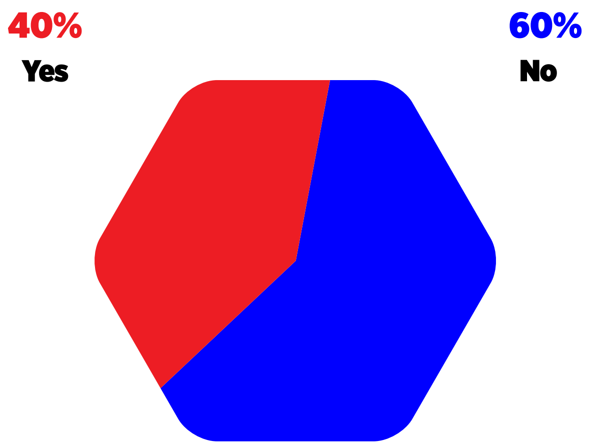
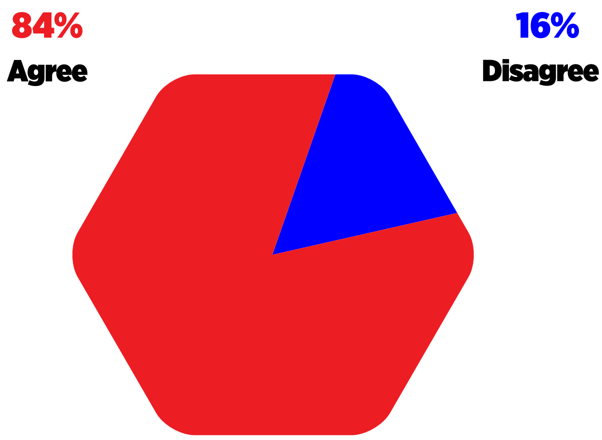
GIQ Weekly Surveys

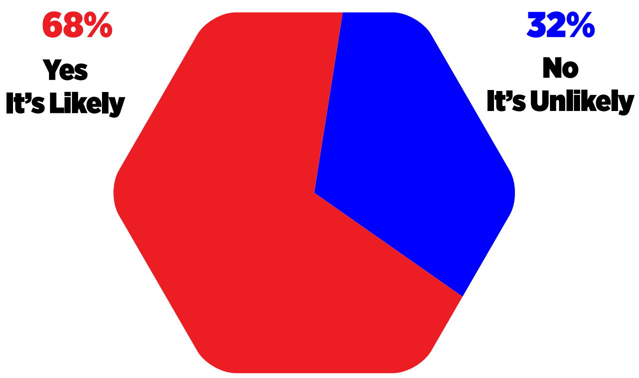
Will COP26 derail post-covid recovery in oil demand and soaring prices?



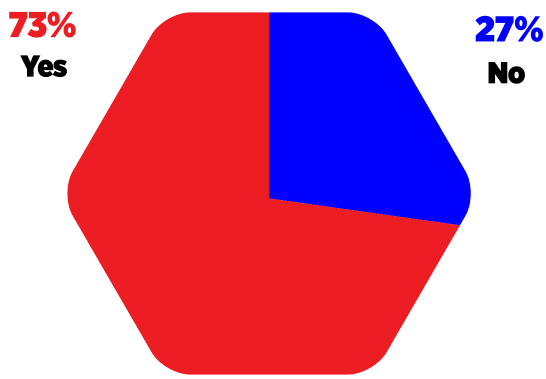
Disrupted supply chains and higher input costs (inflation) are contributing to sagging confidence in continued GDP growth -- will soaring financial markets continue to rise regardless?



Stagflation debate is splitting Wall Street - where do you stand on the likelihood of stagflation emerging in 2022?



Will Covid-19 still be a factor in curtailing global economic growth in 2022?



Source: GIQ

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ICE Futures Abu Dhabi & Murban Update

MURBAN ABU DHABI

October 29th

ICE Murban Futures contract expiry

80

Market participants have traded on IFAD

▲ 881,000

Futures contracts have traded since launch

- On September 30th, a total of 8,250 Murban futures went to expiry for delivery in November, equivalent to 8.25mn barrels.
- Since IFAD launched on March 29th, 881,163 contracts have traded, equivalent to over 0.88bn barrels of Murban crude.

Source: Intercontinental Exchange (ICE)

ENERGY MARKET NEWS

RECOMMENDED READING

1. EIA WEEKLY US OIL INVENTORIES +4267K VS +1914K EXPECTED
2. IRAQ ADDS UP TO $16BN OF OIL REVENUE TO BUDGET
3. IRAN SAYS NUCLEAR TALKS BEFORE DEC BUT WANTS $10BN RELEASED
4. UK'S SUNAK CUTS AIR AND FUEL TAXES DAYS BEFORE COP26
5. INDIA'S SEPT GASOLINE, JET FUEL EXPORTS FALL
6. UAE EARNS BIG AS IRAN SELLS OIL TO CHINA
7. JAPAN UTILITIES ASK REFINERS FOR EXTRA OIL AMID SURGING LNG PRICES
8. FUJAIRAH OIL PRODUCT STOCKS DIP AMID PLUNGE IN MIDDLE DISTILLATES
9. PUTIN ORDERS GAZPROM TO UP EU GAS SUPPLIES IN NOV
10. BANK OF CANADA SIGNALS RATE HIKES COULD COME SOONER

RECOMMENDED VIDEOS & REPORTS

- CHINA'S HYPERSONIC MISSILE TEST "VERY CLOSE" TO A "SPUTNIK MOMENT"
- BEIJING SAYS IT'S TIME FOR COMPANIES TO PAY THEIR OVERSEAS DEBTS
- 2MN BRITS GET A RAISE AS MINIMUM WAGE JUMPS TO $13 AN HOUR
- RUSSIA THREATENS GAS SUPPLY IN EU'S POOREST STATE
- ACTIVIST FUND THIRD POINT CALLS FOR BREAK-UP OF SHELL

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Fujairah Spotlight

National Bank of Fujairah Reports 36.4% Increase in Net Profit for First Nine Months of 2021

National Bank of Fujairah reported a net profit of Dhs90.4m for the nine month period ended September 30, 2021, an increase of 36.4 per cent over the corresponding period of 2020. The net profit was higher by 1,063.3 per cent for the three months ending September 30, 2021 compared to a year-earlier period. Meanwhile, the lender posted an operating profit of Dhs745.4m for the nine month period, an annual increase of 5.4 per cent. Its operating profit for the third quarter of 2021 equalled Dhs243.4m, marking a rise of 30.9 per cent quarter-on-quarter. Operating income totaled Dhs1.08bn for Q1-Q3 of this year, recording a growth of 2.1 per cent over last year's corresponding period. Meanwhile, net interest income and net income from Islamic financing and investment activities stood at Dhs709.3m for the first nine months, compared to Dhs722.1m during Q1-Q3 2020.

Source: GulfBusiness

Fujairah Crown Prince Receives Ambassadors of Jordan and Mauritania

H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, has held separate meetings with Nassar Habashneh Ambassador of the Hashemite Kingdom of Jordan to the UAE, and Mohamed Mohamed Rara, Ambassador of Mauritania to the UAE. The Crown Prince welcomed the ambassadors and wished them success in performing their duties. The meetings, which took place at the Crown Prince's office at the Emiri Court, discussed the strong relations and friendship between the UAE and the two countries and ways to enhance them. The meetings were attended by Salem Al Zahmi, Director of the Fujairah Crown Prince's Office.

Source: Emirates News Agency

PIA Starts Flights to Fujairah, UAE

Pakistan International Airlines (PIA) has initiated flights from Pakistan to Fujairah in the United Arab Emirates (UAE). The first flight PK-243 carrying 296 passengers took off from Allama Iqbal International Airport in Lahore on Monday, said a PIA spokesperson. The National Flag Carrier will operate Boeing 777 aircraft for Fujairah flight operations, he added. A simple ceremony was held at the airport wherein the passengers were seen off by PIA District Manager Lahore Dr Abdul Muqaddam Khan and Station Manager Ali Abbas Shah along with other officials of the airline. PIA will operate three flights a week to Fujairah with one flight each from Lahore, Islamabad and Peshawar, he noted, maintaining that PIA is the first airline to launch air service to Fujairah.

Source: Tribune

Fujairah Chess and Culture Club to Host 45th World Chess Solving Championship in 2022

Gaining worldwide recognition, the Fujairah Chess and Culture Club was declared as hosts for 45th World Chess Solving Championship, scheduled to take place next year. World Chess Solving Championship (WCSC) is an annual competition in the solving of chess problems organised by the World Federation for Chess Composition (WFCC). Besides the World Chess Solving Championship, the Fujairah Chess and Culture Club will also host 64th World Congress of Chess Composition, and the fourth Fujairah Endurance International Blitz Championship. The Fujairah Chess and Culture Club was selected after winning the required votes at the 63rd World Congress of Chess Composition held in Rhodes, Greece.

Source: Gulf Today

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ENERGY MARKETS VIEWS YOU CAN USE

Albert Stromquist
Principal
Lanstrom Advisors

HOW SERIOUS IS THE CHINA SLOWDOWN AND TO WHAT EXTENT IS IT MANAGED?

The government has been fairly transparent about the fact that they're not afraid to move off of double-digit GDP growth in transforming their economy, from one that has been export driven to more of a domestic consumption economy. That's not going to be an easy transition. The crunch that its economy is experiencing today is coming from two sectors – property and energy – and both are own goals. These are planning errors resulting from a dynamic created two years ago, that has played out during the pandemic in 2020. And it has carried on into 2021 with China unable to find the right path forward. The country has been left with energy blackouts and changes to the electricity tariffs structure both in the the residential and commercial sector.

WHERE IS CHINA AT IN TERMS OF ITS AGENDA FOR RENEWABLES?

There's been inadequate planning for power capacity in China, based on the model that was moving the country away from coal fired generation, towards more of a renewable contribution. The renewables sector is growing very fast, but demand recovery post COVID has put a stress on power generators and has led to shortages of critical fuels. China is now planning to step up production at 100 coal mines, with a target of 35 million tons in the fourth quarter, as well as raising imports.

WHAT'S THE LEGACY FOR A GREENER ECONOMY OF THIS EXTRA COAL?

China has a sincere desire to move the country towards a green goal. However, they are not going to do that in any way that compromises their economic security, the social welfare of the people in particular, and more important matters such as defense and R&D. China is now moving again to more tolerance towards carbon emissions, and I don't see that changing quickly. We could be looking at maybe one or two years before it can begin to plan aggressively toward carbon reduction.

Ole Hansen
Head, Commodity Strategy
Saxo Bank

IS THE MARKET FINALLY RUNNING OUT OF STEAM AFTER HITTING $85?

It certainly looks like that despite the bullish backdrop of tightening supply. We've seen some selling into the futures market from speculators. That could indicate that we have reached a plateau for now, with a possible correction of $3-4 to come, but from where we could move higher again as we move towards the end of the year. If we look at other commodity markets, China has intervened to curb coal prices, which are down 50% within the last two weeks. That shows us how volatile this commodity bull run is going to be and let's not forget the virus which continues to create nervousness.

HOW SERIOUS IS THE LACK OF INVESTMENT IN NEW OIL AND GAS CAPACITY?

The whole movement towards green transformation has led to dramatic divestment in the sector. But we must accept the fact that we are not going to go green anytime soon. We need fossil fuels for many years to come and if we don't invest, we will experience a very prolonged period of punitively high prices, which will make the green transformation even more expensive. It will be interesting to see how the five majors - which could reap close to $30 billion in free cash flow in their results this week - choose to allocate those funds between fossil fuels and renewables.

SHOULD OPEC + INCREASE CAPEX WHEN THEY ALREADY HAVE SPARE CAPACITY?

On paper, the group has capacity, but certain members are struggling to meet quotas. The market is getting somewhat nervous about this. Some estimates have the gas to oil switch we're seeing causing between half a million and one million barrels in additional daily demand. If we only get a monthly 400,000 bd increase from OPEC +, we will obviously have a tight market.

HOW WILL CHINESE GROWTH END THE YEAR?

One factor that could potentially alleviate some of the pressure on commodities is China unless it gets an unseasonably cold winter. The measures taken by the government over the past months clearly indicate that they are worried about the availability of fuel supply. We expect a general slowdown in the economy until at least January and we also have the Olympics coming up, so China will want to curb industrial activity and emissions. But even if we do see a drop in Chinese oil demand, it only accounts for 10% of global consumption, so that won't impact the overall tightness in the market.

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GIQ EXCLUSIVE SOUNDINGS

Oil Takes a Breather but Could Still be One Headline Away from $90/bl

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.

- Richard Redoglia, Chief Executive Officer, Matrix Global Holdings
- Omar Najia, Global Head of Derivatives, BB Energy
- Rustin Edwards, Head, Fuel Oil Procurement, Euronav NV
- Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency (IEA)
- Kate Dourian, FEI, MEES Contributing Editor & Non-Resident Fellow
  The Arab Gulf States Institute in Washington
- Andrei Belyi, PhD, Professor, Founder & CEO, Balesene OÜ

Richard Redoglia, Chief Executive Officer
Matrix Global Holdings

"The bigger story is that we have seen massive macro trends develop that we have not seen before. The best way for markets to go up is to go down. I think this market will continue to move higher. We are in the 2nd or 3rd inning of what could be a significant increase in oil prices."

Omar Najia, Global Head of Derivatives, BB Energy

"We are currently ending the rise we have seen since 2020. I don't think this market is going to keep extending higher. I expect the rise to stop and then lead to a multi-month correction. Right now, everyone is bullish. When everyone is bullish then there will be nobody left to buy."

Rustin Edwards, Head, Fuel Oil Procurement
Euronav NV

"The interesting thing about the shale industry right now is the amount of hiring currently going on in the Permian basin. It's been on a tear over the last five months. There have been an additional 3,000 employees added to the shale patch. Shale will be coming back."

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

"Covid-19 is absolutely still with us. It's still a big factor in many parts of the world and it is a huge uncertainty. I'm not surprised that some of the expectations for growth as we recover from Covid-19 are being dialed back as we actually see the reality."

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

"It all boils down to what OPEC decides to do. At the moment, I don't see them revising their plans. Historically, when OPEC decided to open the taps, it was due to political pressure or demand destruction."

Andrei Belyi, PhD, Professor, Founder & CEO
Balesene OÜ

"If you look at the gas production data released by Gazprom in September, Russia does have the capacity, but the priority has been given to domestic storage versus supplying Europe."

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ENERGY MARKETS FORUM NEW SILK ROAD LIVE

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TOP 10

OCT 25th - OCT 28th

MARKET OBSERVATIONS FOR THE WEEK

1. OPEC+ appears to be laughing all the way to the bank at present, but for how long as inflation threatens to derail global demand.
2. Oil may be getting close to the top of the market cycle as new buyers themselves become a scarce commodity.
3. Financial markets can continue to soar despite inflation and flattening world economy -- we are still in the 'don't bet against the FED' era!
4. China is responsible for a few own-goals when it comes to the current double crises of real-estate and energy -- question is whether there are more shoes to drop?
5. OPEC+ still see an oil market where the tail is wagging the dog i.e. there is no shortage of oil and hence the thinking goes that prices are being driven by temporary factors.
6. The last time we saw massive stagflation in the 1970s OPEC was central to the headlines of the time, and the question for today will be whether OPEC+ will once again be caught in the same vortex?
7. The best way for markets to go up is to first go down - the oil markets may correct a few dollars before the final and inevitable ascent to $100/bl.
8. The scale of fuel mix switching has now reached close to 1mn b/d and could grow further as natural gas prices continue to break records.
9. Covid-19 continues to restrain economic growth and suppress oil demand and will likely continue to do so into 2022.
10. OPEC+ still has ample spare capacity and are choosing not to deploy it as fast as many would like because they remain skeptical of demand recovery.


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