

Fujairah

New Silk Road

WEEKLY NEWSLETTER

OCTOBER 9th 2019

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

ADNOC Chief Wins Aramco Trading New Silk Road CEO of the Year Award

THE NATIONAL

Abu Dhabi National Oil Company group chief executive and UAE Minister of State Dr Sultan Al Jaber was presented with the New Silk Road CEO of the Year Award for his role in helping transform the company into a major player in East Asia.

The award recognises industry leaders spearheading the transformation of energy trading across Asia, particularly along the new arteries of trade known as the New Silk Route. The route includes 60 countries along the ancient trade pathways connecting China with Europe and Africa.

"The New Silk Road is reshaping the flow of global trade. By 2040, countries east of the United Arab Emirates will account for over two thirds

"Working Together with our partners here in Fujairah, and throughout the world, we will build an energy bridge to the future"

H.E. Dr. Sultan Al Jaber
Minister of State & Group CEO, ADNOC

of global GDP, becoming the world's most significant drivers of energy demand," Dr Al Jaber said while accepting his award at the Gulf Intelligence Energy Markets Forum in Fujairah.

The world's second-largest bunkering hub, Fujairah is at the centre of Adnoc's plans to ensure better supply of crude to markets in the East and West.

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[WATCH VIDEO HERE](#)

Fujairah Weekly Oil Inventory Data

5,683,000 bbl
Light
Distillates



2,229,000 bbl
Middle
Distillates



12,580,000 bbl
Heavy Distillates
& Residues



Source: FEDCom & S&P Global Platts



Gulf Intelligence
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10 YEARS

ANNIVERSARY

THE WEEK In Numbers



Fujairah Monthly Average Oil Tank Storage Leasing Rates

BLACK OIL PRODUCTS

**Average Range
\$3.57 - \$4.06/m³**



↑ Highest: \$4.50/m³

↓ Lowest: \$3.20/m³

Source: GI Research

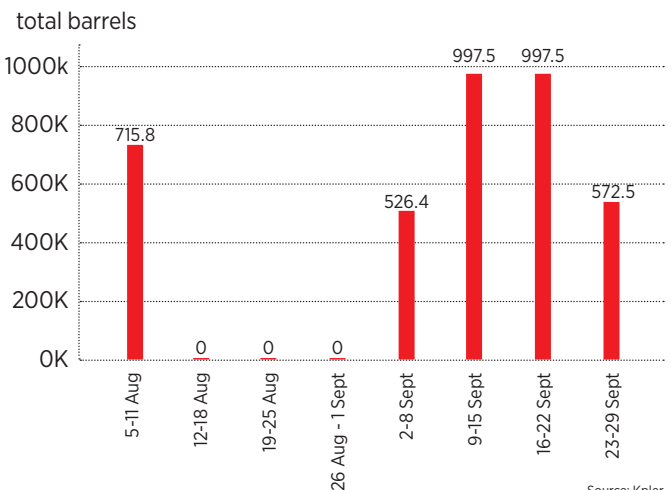
IMO 2020: Are you Ready?

The International Maritime Organization's (IMO) ruling to reduce the sulfur cap for bunker fuel from 3.5% to 0.5% from January 2020 will have huge implications along the oil value chain. High sulfur fuel oil (HSFO) was used for approximately 70% of the world's bunker fuel in 2016. Unsurprisingly, a rise in low sulfur fuel oil (LSFO) volumes is anticipated, as is the growth of LNG bunkering and scrubbers. Yet, the search for a united and affordable game plan to post-2020 bunkering keeps coming up short. The market appears rudderless as the tick-tock of the clock gets louder. Amid the vacuum of clarity, many stakeholders are betting against governments' commitment or ability to police and penalize those falling foul of the ruling. Many more are standing on the sidelines with their hands in their pockets, waiting for strong signals before they spend billions of US dollars updating their infrastructure to meet compliance.

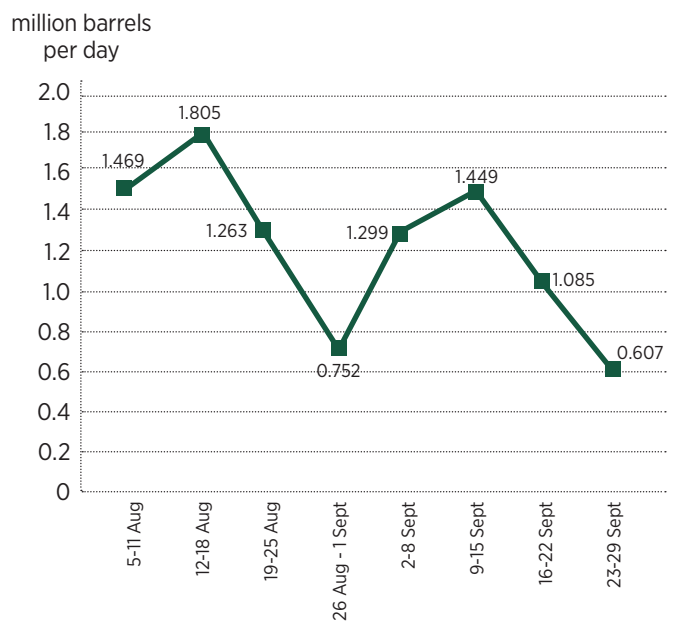
When one considers that the marine sector accounted for half of global fuel oil demand in 2017 (3.8 million b/d) and that more than half of this had a sulfur content of between 1% - 3.5%, one can see how dramatic an impact full compliance to IMO 2020 might have across the industry.



Weekly Imports of heavy sweet crude into Fujairah



Total refined product exports from the GCC to Asia-Pacific



Outlook for Establishment of Middle East Oil Products Benchmark?

“Oil products stored and traded out of Fujairah are currently priced via the Singapore swap; an arguably weak reflection of regional dynamics.”

Ibrahim Al-Buainain, President & CEO, Saudi Aramco Trading

Source: GI Energy Markets Forum 2019



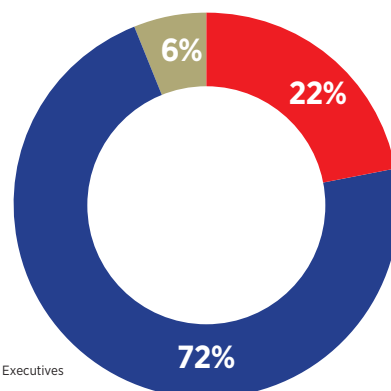
In recent years, the Gulf has seen the growth of an array of key features of a world-class oil trading hub.

It has become a major logistics hub, with pipelines, vast storage and several deep-water ports. It is supported by growing financial centers and now the majority of banks, oil companies, multinationals, national oil companies (NOCs) and trading houses are represented there. The region is also in the midst of a refining construction boom, with more than a million barrels a day of capacity added in the last few years. There is plenty more to come. Yet, the physical spot markets are still somewhat old-fashioned. In essence, they revolve around benchmarks based in other regions and are not supported by deep and localized derivative markets. Physical trades tend to be point-to-point, without chains of traders and position-taking – both key generators of liquidity. Plus, transparency around pricing and fundamentals data is sporadic. There is a growing desire to see the market develop, as the domestic downstream markets in the region post some of the strongest growth figures of any in the world and the refining construction boom looks set to continue.

As the Gulf ramps up its refining capacity and energy consumption, independent oil products benchmarks would be...

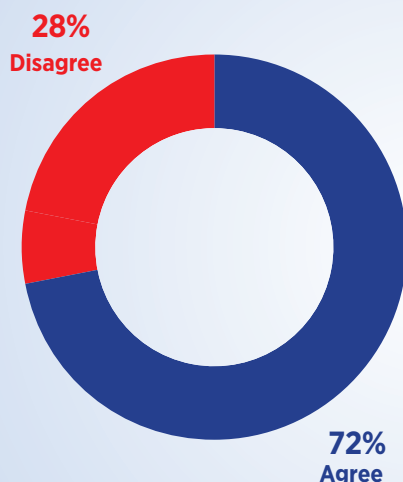
- A. Nice to have, but not critical**
- B. Urgently required – it is imperative for price accuracy**
- C. Forget it – there are enough global pricing benchmarks**

Source: GIQ Survey 2018 of 100 Oil Industry Executives



CLICK HERE TO LEARN MORE ABOUT THE ESTABLISHMENT OF A MIDDLE EAST OIL PRODUCTS BENCHMARK

The pricing of Middle East crude oil is poised for another shake-up, with Abu Dhabi seeking to establish a futures contract for its Murban grade that flows at 1.6 million barrels per day – the major challenge will be to convince market participants that a new crude benchmark is actually needed?



Source: GI Research Q4, 2019

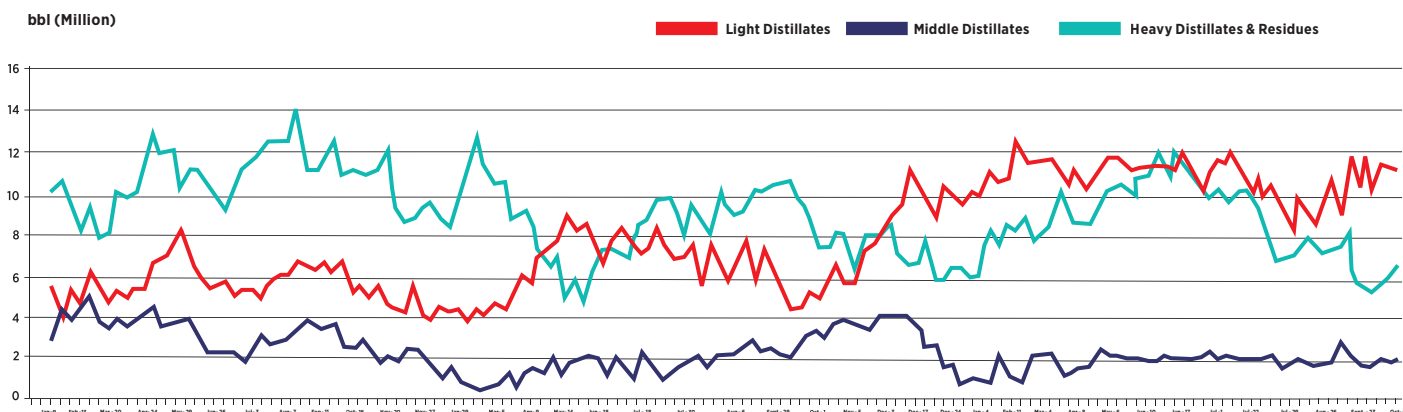
“This has legs. I know that the local ruling establishment is very much behind this and I’m sure there will be more headlines over the coming months.”

Mike Muller
Director, Oil Business Development & Head of Trading, Vitol Asia

Source: GI Energy Markets Forum 2019



Fujariah Weekly Oil Inventory Data



As of Monday, October 7 total oil product stocks in Fujairah stood at 20.492 million barrels - up by 382,000 barrels week on week. Overall product stocks rose by 1.9% with a sizable build in heavy distillates, and a draw in light distillates. Total combined inventories stand at an eight-week high.

Stocks of light distillates fell by 905,000 barrels reflecting a drop of 13.7% week on week. Total volumes stood at 5.683 million barrels. The East of Suez gasoline market continued its recent bullish momentum. The physical the FOB Singapore 92 RON gasoline crack

against front-month ICE Brent crude futures was pegged at \$11/b on Wednesday compared to around \$8/b a week ago. Gasoline is benefitting from robust demand and extensive refinery maintenance in Asia and the Middle East in October, particularly for FCC units.

Stocks of middle distillates rose by 3.2%, adding 69,000 barrels to stand at 2.229 million barrels at the start of the week. The gasoil market East of Suez remained bullish despite a drop-off in Saudi buying for gasoil, which had seen a surge in the aftermath of last month's attacks on Aramco crude facilities. The arbitrage for gasoil

to move to Europe from the East of Suez remains wide open. The East-West gasoil exchange of futures for swaps (EFS) fell to a low for the year of minus \$24.74/mt. In addition, strong demand in Singapore means Indian and Middle Eastern gasoil cargoes are also being drawn eastwards. "The arbitrage is coming East, because Singapore premiums are so strong," a Singapore-based trader said.

Stocks of heavy distillates rose by 10.7%, adding 1.218 million barrels on the week to stand at 12.580 million barrels - the highest total since July 17, 2017. Fuel oil markets are seeing much-reduced

backwardation as IMO 2020 draws closer. The first/second month timespread for 180 CST FOB Arab Gulf swaps was down to \$9.45/mt on Tuesday compared to a high of \$78/mt in mid-September. The collapse in the HSFO market structure reflected expectations that demand will soon begin to transition to IMO-compliant low sulfur fuels, market sources said. More selling than buying interest was seen in the Asian HSFO market Wednesday, with traders that had been holding on to volumes now trying to dispose of them, participants said.

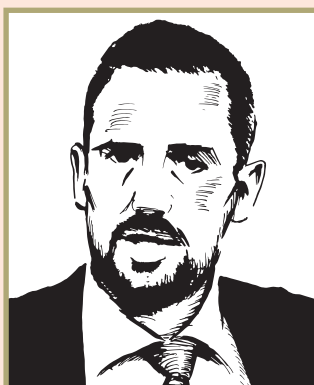
Source: S&P Global Platts

Oil Commentary

Much like Hugo Lloris' elbow, this market is what we call "fragile"

Brent is trading this morning at \$58.82 up 0.47 from Fridays close and WTI is at \$53.16 up 0.41. Much like Hugo Lloris' elbow, this market is what we call "fragile". We nearly traded up to \$60 on Brent last night before the powers that be said "only joking" about a possible speedy positive resolution to the US-China trade war. Look, if I go to the pub and turn up home wayyy later than I had originally forecast and then I don't talk to my wife for a few days in the hope she has forgotten about my timing

ineptitude, it's not going to happen, is it? It's more likely to manifest itself into the mother of all dog houses and that's what's happened/happening in the US-China trade spat. Neither party now wants to back down. Hell hath more fury and all that. So, I don't expect the trade spat to come to any form of an agreement, any time soon. The problem is though that these talks are starting to dominate everything in all markets. It doesn't matter if you sell oil, lawnmowers or mars bars - it has an effect on everyone. And this is the issue - the trader



BY MATT STANLEY
SENIOR BROKER
STAR FUELS

whoeth is not happy with the economyeth shall not taketh positioneth. That's what Shakespeare would have said, I reckon at least. At the moment it is either risk on, or risk off, like stepping in to a hot bath -

shall I? ooohh ah ah ahh, actually no I won't. I have been saying for a while that fundamentally with the issues this year we have had regarding supply that we should be trading, at least at the same levels we were trading at this time last year (\$83.91 for the uninitiated) but owing to so many doubts regarding demand because of this ongoing trade spat we aren't even close to rallying past \$65 on Brent. What else is going on? Brexit!! Oh, wait hang on, I must go back to watching "Fences: The story of a Thousand boundaries". That's how bored I am of talking about Brexit. Good day.

New Silk Road Monitor

The Middle East's Unique Moment to Shape World Trade



ASIA TIMES

Throughout much of modern history, the Middle East has largely been on the receiving end of decisions made by major powers. Beyond the sphere of oil, it has been receivers of the macro order, rather than a shaper of it.

But a unique confluence of events is taking place this year and next that could change all of that. Consider the following: Egypt ascended the chairmanship of the African Union this year at a critical time in the continent's history, as virtually every African state has endorsed the new African Continental Free Trade Agreement, one of the most ambitious trade deals ever. Meanwhile, Saudi Arabia will host the Group of Twenty conference of major economies in November 2020, and the United Arab Emirates will soon take over the rotating two-year chairmanship of the Indian Ocean Rim Association, a grouping that includes more than a third of the world's population and some of the fastest growing economies. Between them, Cairo, Riyadh and Abu Dhabi can play an outsized role in

shaping a new global trade architecture.

It is rare for three states in the Middle East and North Africa region to be in such a position of power to shape the world order, particularly at such an uncertain moment in the fate of our globalized economy. It will come as no secret that many Western nations and their citizens have become skeptical of free trade and globalization – despite the fact that the rules of the game were largely written by Western nations.

Where you stand on an issue, the old adage goes, depends on where you sit. Globalization is a good example. If you “sit” in a major global city – New York, Dubai or Shanghai for instance – and hold a university degree, chances are globalization has been good to you. You are a member of the global professional set or, to borrow a term from author David Goodhart, an “Anywhere” person: Your skills and education offer you the mobility to live almost anywhere, and you are less attached to the “somewhere” you grew up in.

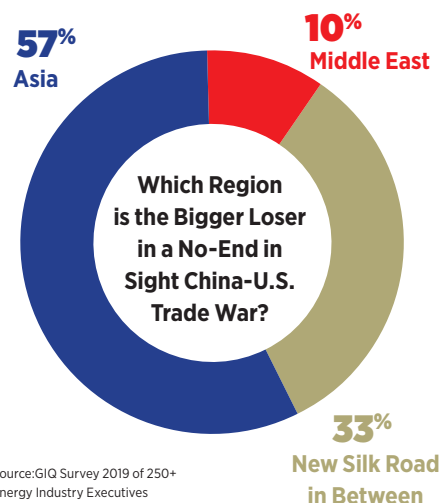
Source: Afshin Molavi, Asia Times



READ FULL ARTICLE HERE

GIQ TOP 3 TAKES

US-CHINA TRADE WAR Caught in the Middle



Source: GIQ Survey 2019 of 250+ Energy Industry Executives

How is the US-China trade battle impacting global oil prices?

Global markets felt US President Trump's early August threats to impose another \$300bn worth of tariffs on Chinese imports and the energy industry perhaps took the main brunt - WTI crude oil prices suffered their largest drop in four years falling 7.9% to sit at \$53.95 a barrel on the New York Mercantile Exchange.

How are tariffs affecting the oil industry in Asia?

US crude has been added to the list of tariffs by China. The 5% duty, which has been active since the 1st of September, is estimated to increase the cost of a barrel of U.S. crude by \$3, according to Euronews.

Is the Trade War fueling or dampening China's New Silk Road initiative?

US tariffs have started to impact China's trade with certain nations, some having a negative effect while others like those in the emerging markets of Africa and Latin America for example, seen as winners of the trade war and witnessing a large increase of Chinese imports. Closer to home is the example of \$280 billion Chinese investment into Iran's petrochemicals sector.

NSR ENERGY NEWS Highlights



Saudi Aramco Restores Oil Output to Pre-Attack Level

Saudi Aramco has restored full oil production and capacity to the levels they were at before attacks on its facilities on Sept. 14. Oil output capacity was restored on Sept. 25 to its pre-attack level of about 9.7 million barrels per day.

Source: Gulf Today

First Stem of IMO 2020-Compliant Fuel Delivered in Fujairah

GP Global has marked a milestone with the successful delivery of the first International Maritime Organization (IMO) 2020 compliant bunker load of low sulphur fuel oil (LSFO). The global conglomerate made its maiden delivery via its 6,000-tonne bunker barge at Fujairah, which will serve the Port of Fujairah and adjoining ports, enabling the UAE to meet the IMO directive.

Source: riviera



Russia's Largest Oil Company Ditches Dollar in New Oil Deals

Russia's largest oil company Rosneft has set the euro as the default currency for all new exports of crude oil and refined products, as the state-controlled giant looks to switch as many sales as possible from U.S. dollars to euros in order to avoid further U.S. sanctions against it.

Source: Oilprice.com

Occidental Pays Record Rate to Ship Oil as Supertanker Rates Soar

Occidental Petroleum has chartered the Very Large Crude Carrier Maran Andromeda to carry oil to South Korea for a record-setting price of \$13.25 million. Freight rates to Asia have climbed to new heights after the United States sanctioned several Chinese tanker owners.

Source: Oilprice.com



Chinese State Oil Firm Withdraws From \$5bn Deal in Iran

South Pars field agreement, struck after Iran's 2015 nuclear pact, appears to be latest business casualty of US pressure campaign on Tehran. French oil company Total SA pulled out of project earlier due to US sanctions on Iran.

Source: Associated Press

China Grants Rare Crude Import Licenses to Glencore's JV

The rare crude oil licenses are part of an experiment initiated by the local authorities in Zhoushan, a coastal city picked by Beijing as a pilot zone to build a northeast Asian marine fuel center as well as a physical trading hub for oil and gas that rivals Singapore.

Source: Reuters



India Helps Mongolia Develop its First Petrochemical Refinery

The Mongol refinery project is the largest project undertaken by India under Lines of Credit (LoC) programme. Once ready, the capacity of the refinery will be 1.5 million metric tons per annum.

Source: Livemint



Malaysia's PETRONAS Sets up \$350mn Venture Capital Fund

The newly launched Petronas Corporate Venture Capital will look to invest in startups in advanced materials, specialty chemicals as well as those involved in the future of energy.

Source: Reuters