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Fujairah New Silk Road WEEKLY NEWSLETTER

Supported By:

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

AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

FUJAIRAH CONTINUES ITS TRANSITION INTO A GLOBAL ENERGY HUB...

Capt. Salem Al Hmoudi, Director, Fujairah Oil Industry Zone

Fujairah continues its transition into a global energy hub. Despite the challenges of 2020, Fujairah retained its efficiency and attractiveness by providing superior infrastructure and services, enabling partners to adapt to the volatile and uncertain market. Last year, we saw the commissioning of the Ecomar terminal with a 20,000 b/d refinery and 100,000 cubic meter storage capacity, and an additional 50,000 cubic meters of storage capacity will be commissioned this year. At the same time, we're finalizing our Phase 3 expansion plan. This includes adding 40,000 b/d of refining capacity and 800,000 cubic meters of storage for Ecomar. Meanwhile, Brooge Petroleum is well underway to commission a Phase 2 expansion, adding 600,000 cubic meters of tanks. These can handle black and white oil to enhance the flexibility of the available infrastructure. Meanwhile, Phase 3 for Brooge Petroleum is reaching an advanced stage and may start in the second half of this year. The project will contain a topping unit for marine fuels, with provisions to soon add a fully-fledged refinery and storage capacity of more than 2mn cubic meters. Other developments include the announcement of the Murban oil futures contract agreement, plus the agreement between Fujairah and Abu Dhabi Ports to enhance the container trade of Emirates and Etihad Rail. I consider these all to be very healthy indicators of the area's organic growth.

CONTINUED ON PAGE 3

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

Source: GI Research – Weekly Phone Survey of Terminal Operators

Fujairah Weekly Oil Inventory Data

8,095,000 bbl	4,067,000 bbl	11,018,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

THE WEEK In Numbers

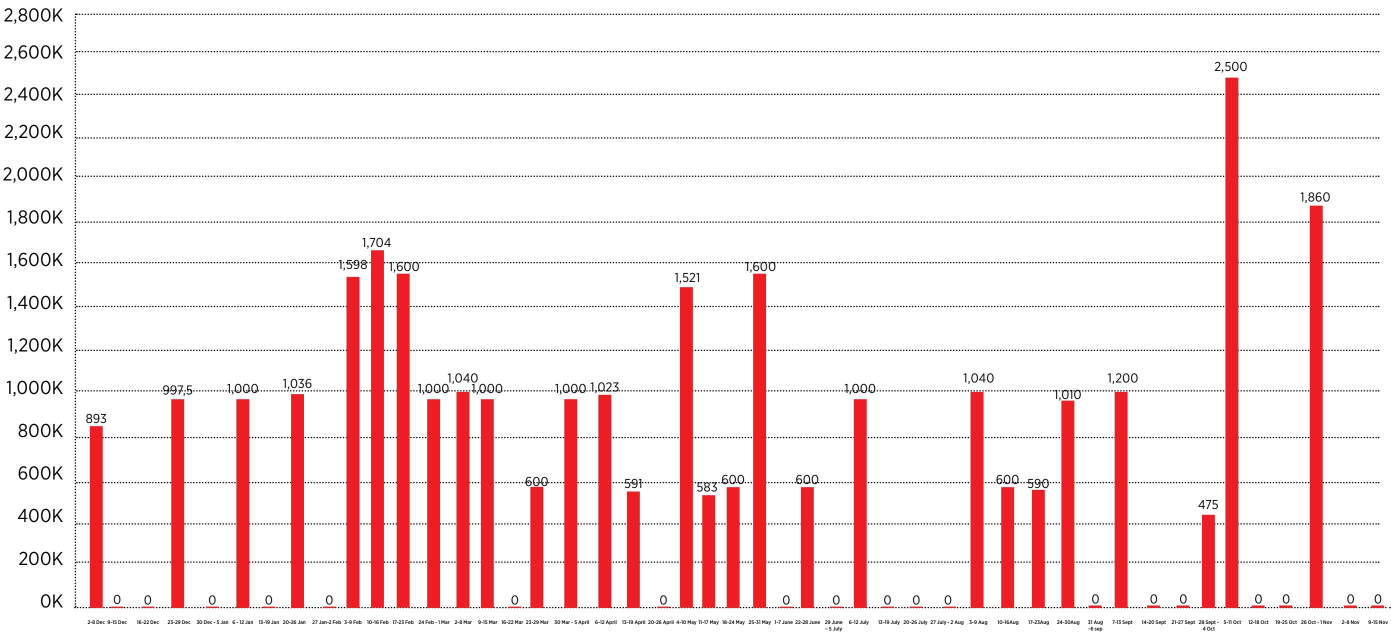
Weekly Average Oil Prices

Brent Crude:	**$64.40/bl**
WTI Crude:	**$61.333/bl**
DME Oman:	**$62.04/bl**
Murban:	**$62.16/bl**

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

Weekly Imports of Heavy Sweet Crude into Fujairah

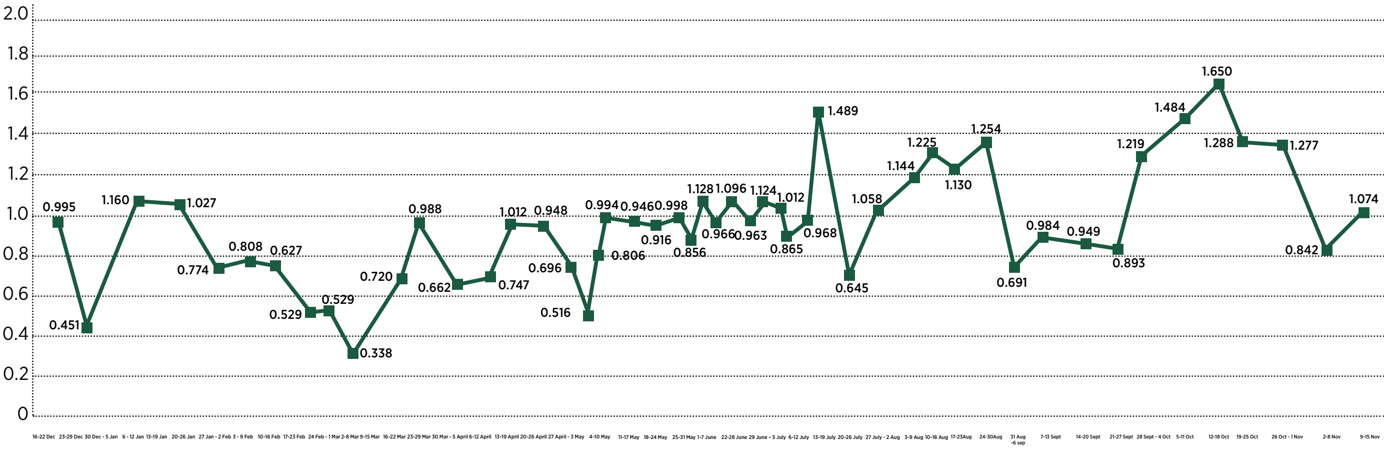
Total barrels



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific

Million barrels per day



Source: Kpler

Capt. Salem Al Hmoudi, Director

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

CONTINUED FROM PAGE 1

Fujairah is known to be a bunkering hub – and that is 100% correct. But bunkering constitutes a very small amount of the overall volume handled in Fujairah, at around 10%. A trading hub requires some volume to be traded, with crude being one and derivatives being another. If we look at the bigger picture, we handled approximately 120mn tons in 2020. A trading or energy hub also requires storage and there's an abundance of storage in Fujairah. In 2020, there was a big rush for our storage, so we had very high utilization rates. And with our stakeholders, we are expanding storage capacity. In the next few years, we'll be talking about adding 6mn-7mn cubic meters of storage capacity. Refining has also been rising steadily, with plans to increase capacity. Vitol has been running a refinery for many years, joined by Uniper and now Ecomar.

DATA EVOLUTION

In 2015, we talked a lot about the transparency road that Fujairah needs to take in order to facilitate data to the market. In partnership with our stakeholders, we've been doing a very good job. We've been publishing weekly, credible, and accessible data sets for the community on a public platform, which is gaining traction every year. As a government, we are in discussions with S&P Global Platts and the Port of Fujairah on how we can further improve these data sets, as well as maybe adding new data. Hopefully, that will materialize soon.

Source: The 3rd Fujairah IPWEEK Virtual London Workshop 2021

"Technology and soft infrastructure have been advocated for a while now. The Port of Fujairah and Fujairah Oil Industry Zone (FOIZ) are utilizing the latest technologies. We run a very efficient operation and we benchmark ourselves with the other trading and energy hubs of the world."

JANUARY 2017

Fujairah Oil Industry Zone (FOIZ), which hosts the Middle East's largest commercial storage capacity for refined products, published its inaugural weekly inventory data via S&P Global Platts. The move aimed to advance the emirate's push to become one of the world's leading energy trading hubs.

FEBRUARY 2018

S&P Global Platts, the leading independent provider of information and benchmark prices for the commodities and energy markets, announces that it is deploying a proprietary, secure blockchain network. This will allow market participants to submit weekly inventory oil storage data to FOIZ and the regulator, FEDCom.

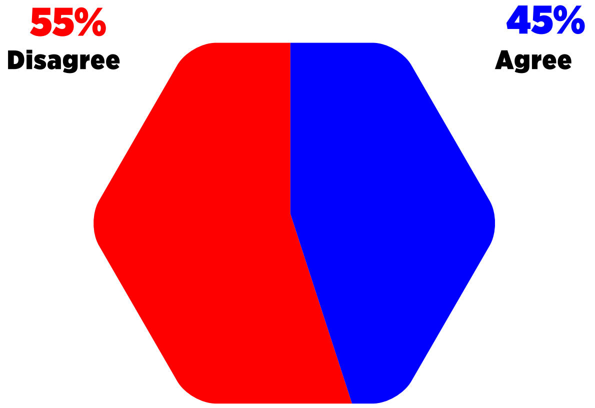
MARCH 2021

The Intercontinental Exchange (ICE) plans to launch Murban crude futures next month. The contract allows users to trade Abu Dhabi's benchmark crude grade and will be priced for delivery from Fujairah. ADNOC and ICE have partnered with BP, GS Caltex, Inpex, JXTG, PetroChina, PTT, Shell, Total, and Vitol to launch the ICE Futures Abu Dhabi Exchange (IFAD).

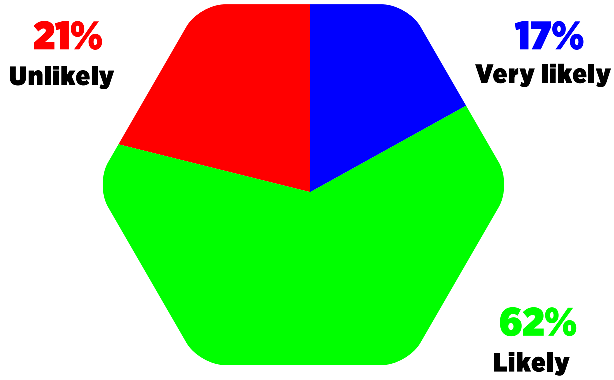
Sources: S&P Global Platts, Fujairah Oil Industry Zone (FOIZ), Intercontinental Exchange (ICE)

GIQ Weekly Surveys

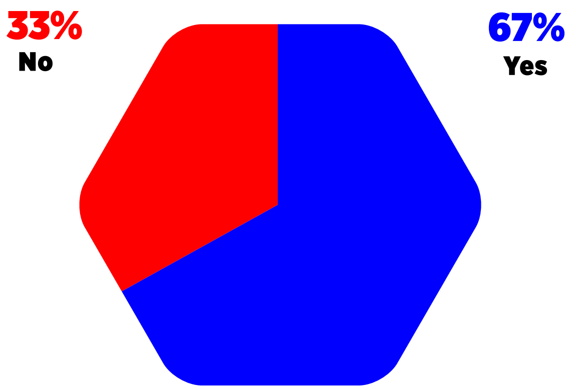
Goldman Sachs has raised its forecast for Brent by $10/bl, with expectations now for Brent to reach $70/bl by Q2 and $75/bl in Q3?



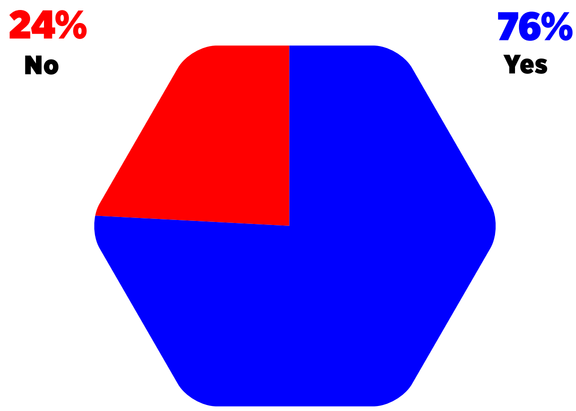
What are the chances of oil export sanctions being eased on Iran within the next 6 months?



Commodities rose to their highest yesterday in almost 8 years amid investor appetite for everything from oil to corn - are we now in a Commodity Super Cycle?



Should OPEC+ be concerned about oil prices climbing too fast?



Source: GIQ

GIQ EXCLUSIVE INTERVIEW

"Texas Power System Heading to Legal Meltdown with Lawsuits"

Martin Houston, Chairman at EnQuest PLC, Vice Chairman at Tellurian Inc., Non-Executive Director at CC Energy & Bupa Arabia, Chairman at Moelis Energy Group

GIQ: What happened in Texas that led to the collapse of its energy system?

Martin Houston: The answer increasingly depends on who you ask. There's a huge amount of finger pointing going on and an enormous amount of looking backwards, with conversations occurring in the Texas legislature. Texas' system is not winterized. Temperatures got down to 9 F (-13 C). For the continent's north east, such as Canada and Alaska, that is a warm day. So, Texas freezing really wasn't a drama in the context of the US as a whole. The problem is our system in Texas, as it's not set up to deal with very cold weather. We've all seen snow in Texas, but we've not seen a deep freeze that goes with it. We've not seen snow on the ground lasting for almost a week. This was by some measure a serious event. An enormous number of Texans lost power: some for long periods of time, some on rolling blackouts, some not at all. A lot of people lost water, because pumping stations had no electricity. But the bigger problem was frozen pipes.

GIQ: What can we expect next?

Martin Houston: What happens next is that the insurance industry has a massive set of claims ahead of it. Hundreds of thousands of people will be making claims for frozen pipes and the destruction to their property that it causes. It's a tragedy, because the human impact was enormous. It's clear that this was a hurricane type event due to the water damage to property, as opposed to wind damage. But, of course, there's been loss of life. That's not the end of the lawsuits – it's just the beginning. The lawsuits will now be looking at the mismatch between the retail power purchases and the distributors. The power system will be going into a legal meltdown in the next few days as the lawsuits catch up, because power was capped out at $9k/MWh. If there was a fixed price to sell at $0.10/MWh, then you can imagine that many companies are going to go bankrupt because of this.

GIQ: Texas' power grid is not connected to other states. Is this now a key issue?

Martin Houston: It's become a headline issue, but it's one of many. The Electric Reliability Council of Texas (ERCOT) is entirely independent from the east and west sectors in the US. Now, whether we could have wielded power were we connected to neighboring states is another matter. The deep freeze was occurring well across the southern states. The key point is that following the freeze in 2011, there were recommendations made to winterize facilities that were not adhered to because they were voluntary. As a result, part of the problem was winterization and part of the problem was not being connected to the east and west grids.

GIQ: Many have blamed the crisis on the renewable energy component in the grid. Is that spin or is there some truth?

Martin Houston: There's a bit of truth in all the accusations. There's truth in the fact that wind power in the North Sea has de-icing capabilities. Wind power in Texas doesn't and it's a fact that they were iced up. But there's also the fact that they can be designed not to ice up. That's one of the aspects. Lack of winterization of gas facilities and other energy facilities are also to blame. Everybody is doing this right now and there's going to be a lot it. Finding your way through this miasma of rhetoric is going to be extraordinarily difficult. Six months from now, there will be people who believe it's one or the other to blame. It's a combination of many things.

GIQ: What's the physical legacy at the moment, in terms of actual energy production that's still offline?

Martin Houston: The short answer is: it's coming back and it's coming back quickly. Everything thawed out. This is Texas, where we went from freezing weather to sunny and balmy days. This really speaks to one point. These are no longer 100-year or 30-year storms. These are much more frequent events. We all understand that, and we know that's what's driving the need for the energy transition. But as we look at the energy transition, it does speak to the need for gas to be central to the arguments and not marginalized. Some people are trying to use this event to push gas onto the sidelines.

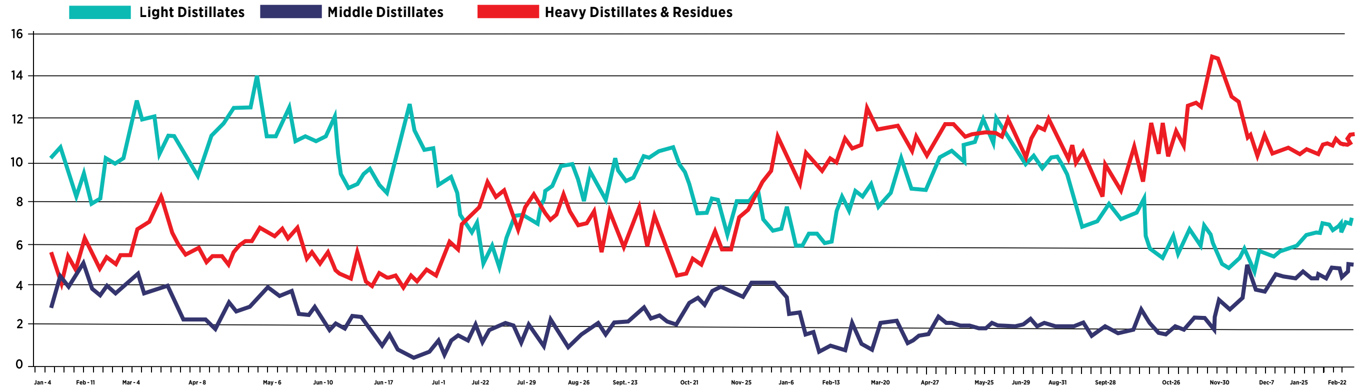
ENERGY MARKETS COMMENTARY WEEK IN REVIEW

CLICK HERE TO LISTEN

Fujariah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

bbl (million)



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 23.180mn barrels. Total stocks rose by 2.326mn barrels, as they posted a large build. Overall stocks rose 11.2% week on week. There were builds seen across light distillates and heavy residues while middle distillates posted a marginal draw.
- Stocks of light distillates saw a build of 894,000 barrels reflecting a rise of 12.4% week on week to stand at 8.095mn barrels. This is their highest level since June 22 last year when they stood at 8.244mn barrels. The East of Suez gasoline market was steady to supported with bullish sentiment being led mainly by support from the West as well as hopes of a pickup in regional demand. Industry participants noted that the fallout from a winter storm last week will likely keep US gasoline supported, which will have a knock-on effect on the global gasoline complex.
- Stocks of middle distillates fell by 99,000 barrels falling to 4.067mn barrels – down by 2.4% on the week. The gasoil market was stable as participants weighed regional demand and supply balances. One factor that could impact the market in the coming weeks were a rise in freight rates and accompanying discussions about newbuild vessels that are used to move large flows of middle distillates between different regions. In spot news, BAPCO has sold a 40,000-60,000 mt cargo of 10 ppm sulfur gasoil for loading from Sitra over March 10-13 at a premium of around 80 cents/bl to the Mean of Platts Arab Gulf Gasoil assessments, FOB, trade sources said Feb. 23.
- Stocks of heavy residues rose by 1.531mn barrels or up 16.1% on the week to 11.018mn barrels. In the port of Fujairah there was a flurry of activity as a fair number of buyers had held off from buying on expectations that flat price was likely to soften, but the sharp day on day rise on Feb. 23 had caught these buyers on the wrong foot, said traders. "Many of them are panicking now," a trader said. Fujairah-delivered marine fuel 0.5%S bunker was assessed on Feb. 23 at $518/mt reflecting a rise of $21/mt day on day. The price level on Feb. 23 in Fujairah reflects a $2.00/mt discount to Singapore delivered Marine Fuel 0.5% bunker prices.

Source: S&P Global Platts

BY MATT STANLEY
SENIOR BROKER
STAR FUELS

Morning all. Brent is trading this morning at $67.47/bl, up 0.43/bl. WTI is up 0.36/bl, at $63.58/bl.
I'll keep it quick today.
EIA data out last night was as expected, a 1mn build on crude, flat on gasoline, and a healthy 5mn draw on distillates. This was received very nicely by the market and we closed up $1.67/bl on the day. At one stage yesterday, I have to say that I nearly threw the towel in. I was looking at my screen and I just said nah, I'm off to become a zookeeper. Because who doesn't want to work in a zoo? No? Just for a day? Anyway, that thought quickly escaped me and I sat down and thought about why is crude on this relentless path to $70/bl? Well, I wanted to keep today short so we'll delve into that more in future episodes. The one thing that struck me yesterday was the latest IATA report and how it wasn't really even mentioned. I'll sum it up quickly. They say the most optimistic scenario is that demand would be 38% of 2019 levels. The most pessimistic would be 33%. Now someone else told me that 6mn b/d of demand was going to return this year, half of which was comprised of jet fuel demand. Now the industry body hopes at best for 38% of that demand to return? I mean, I don't know what exact percentage of that jet demand was supposed to come back, but they close with this: "Our best-case scenario sees airlines burning through $75bn in cash this year. And it could be as bad as $95bn. More emergency relief from governments will be needed." I think I'll close with that too. Good day.

February 25, 2021

GIQ EXCLUSIVE SOUNDINGS

Oil Prices Climb as Global Crude Supplies Shrink

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.

- **Paul Young, Head, Energy Products, Dubai Mercantile Exchange**
- **Laury Haytayan, MENA Director, Natural Resources Governance Institute**
- **Frank Kane, Senior Business Columnist, Arab News**
- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Andrei Belyi PhD, Professor; Founder & CEO Balense OU**
- **Matt Stanley, Director, Star Fuels**
- **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**
- **Ahmed Mehdi, Research Associate, Oxford Institute for Energy Studies**

Paul Young, Head, Energy Products, Dubai Mercantile Exchange
"The most bullish story I've seen this year was from the BP results. BP has less than 100 people working in E&P. I had no idea. If you'd asked me before they probably had a couple of thousand. Less than 100 people finding oil says a lot. That means the majors are getting out of oil."

Laury Haytayan, MENA Director, Natural Resources Governance Institute
"India is in all the analysis that we see as it's the growing economy. This is where oil and gas demand will be. They're playing the role of 'we are the consumers' and now they have a say in market dynamics."

Frank Kane, Senior Business Columnist, Arab News
"I wonder if these levels are where OPEC wants to be ahead of the March 4th meeting, because this encourages all sorts of delinquent behaviour by other members. And of course, it also encourages the return of shale oil."

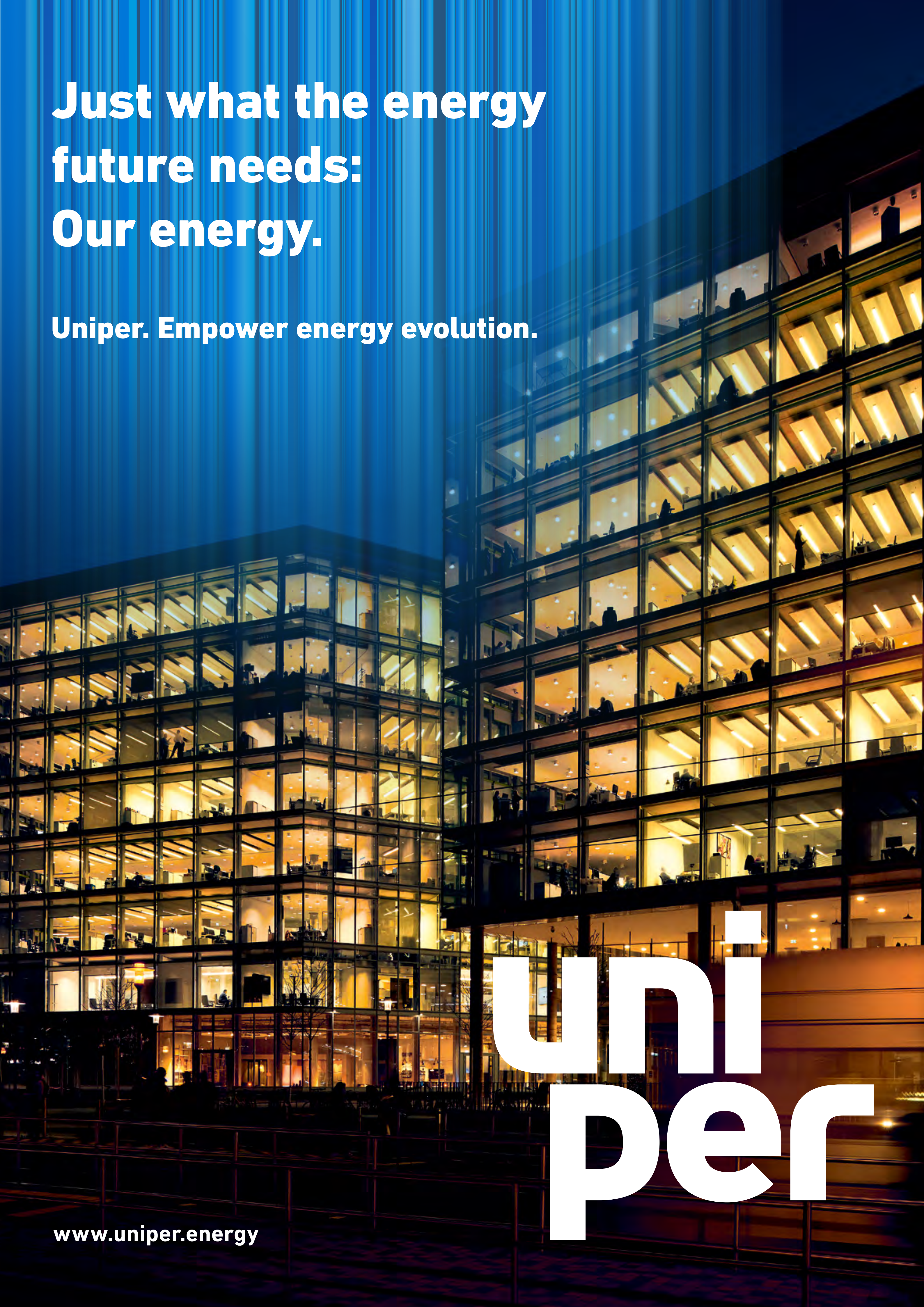
Peter McGuire, Chief Executive Officer, XM Australia
"We're getting squeezed a little bit. With crude prices back above $60/bl, it really puts a handbrake on the wallet and purse of ordinary people for their daily consumption."

Andrei Belyi PhD, Professor; Founder & CEO Balense OU
"My bet is that Russia is interested in keeping the cuts. Many are unhappy so this provokes an internal intra-Russian debate, particularly with smaller players, who are suffering more. But overall, we need higher oil prices. Then, the state will support the idea of further cuts or at least maintain the current level of cuts."

Matt Stanley, Director, Star Fuels
"Borrowing at negative interest rates is really the global thing at the moment. Money is cheap and this is the flow that we're seeing in commodity markets."

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
"Demand is recovering, but it's not like a stellar roaring back recovery. This means there is an additional factor contributing to it. In my opinion, this is coming from fear of inflation. People are increasingly concerned and are putting their money into assets where it can be protected."

Ahmed Mehdi, Research Associate, Oxford Institute for Energy Studies
"It's the ability to respond and have that flexibility later because of demand uncertainty. Saudi was slightly vindicated if you saw demand in January and then afterwards. Now we're in a position where there's a 1mn b/d time bomb that they're sitting on. How will that be released?"


Just what the energy
future needs:
Our energy.
Uniper. Empower energy evolution.
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per
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GIQ EXCLUSIVE SOUNDINGS

Mike Muller, Head of Vitol Asia

What is the outlook for the Market Structure?

We have a very strong backwardation structure in the market, with the price of Brent at the end of 2023 sitting at about $5/bl lower, but still just above $60/bl. The shape of the curve for oil is one where you normally expect inventories to be low because there is a perceived scarcity or tightness of supply at the front of the market compared to the back end of the market. What we are actually seeing of course is something where inventories are still high, but as we all know, OPEC+ have done a successful job at managing supply to the market to create an environment where we are drawing stocks. And as such, we have a built into the market view that inventories will be at a point where this backwardation is indeed justified.

What other influences could impact the Oil Market?

There are other influences also impacting the oil markets, a very large one which is right across the water from Fujairah, and that is the prospect of the return of Iranian oil, which will be a function of the negotiations around the JCPOA. We also must bear in mind that there's been an administration change in the US, but there is also going to be a presidential election in Iran later this summer. This may or may not hinder progress. The market saw many headlines around that at the end of last week, and some say that this served to arrest the further increase in the price of oil. We know that there are many advisory investment banks out there who put out notices to their clientele calling for prices in the mid-$70s/bl.

Have we entered a Commodity Supercycle?

Many people have said the markets are simply a reflection of a euphoric bull run known by some as a "super cycle," which is transcending all commodities. Oil in a comparative sense is not moving as fast as other commodities in a world that is growing. But we need a sanity check around the whole thing, because we still have a virus problem. The vaccine rollout could be the boost in the arm for what the travel industry needs, because jet fuel is the big missing demand ingredient in the oil complex, is still a big question mark.

ENERGY MARKETS VIEWS YOU CAN USE

Walter Simpson
Managing Director, CCED

What's your expectation for the OPEC plus meeting in March?
Markets have recovered much quicker than anticipated. We are already at a point where we thought we wouldn't be until mid-year. The only area that hasn't recovered is jet fuel. I expect a relaxation in production from OPEC but the challenge is going to be cohesion within the group and how controlled the return of that output is. With prices where they are and with economies hurting, there will be a desire by members to get more production back. It will need to be a cautious approach without oversupply - it's a fine balance at the moment. A stable price around $60/bl is probably good for all. At the same time, we would not want the market to be short of supply; inventory levels are back to where they were pre-Covid - it wouldn't take much to see a need for all the withheld production to return.

Will we see shale recover as with previous cycles?
It will be much harder for shale to come back to pre-Covid levels and I suspect that's what OPEC is thinking too. Shale is very capital intensive and there is less available access to capital today. There is also the fact that majors are looking to invest in oil and gas production which offers better returns.

What's the opportunity for new production in the region given price trajectories?
We've had almost a year of very little investment. Oil is going to remain a significant part of the energy mix, so we must keep that supply going. We will probably see a move away from the international majors investing, to smaller independents and national companies. Demand is going to stay at reasonably high levels, certainly in the short and medium term, so that drop in investment will need to be bolstered.

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

Will OPEC align on output for the second quarter?
Russia will as usual, argue for protecting market share from the advent of US shale while the Saudis will advocate for whatever it takes to keep prices supported. Still, we have seen the reported discussions between the two countries in the past week and we expect cooperation. OPEC will want to cash in on additional output and I expect they will announce an increase. That is what has prevented oil prices from continuing to surge this week. We also have the situation in Texas starting to normalize. OPEC may even surprise us with more cuts than expected with a return to the original production schedule, on the grounds that it will stabilize prices long term and not let shale back in.

Is US stimulus-triggered inflation becoming a concern?
This Tuesday's scheduled speech by the US Federal Reserve Chairman will be watched closely. It's likely to attempt to dispense of these inflation worries - there's a nervousness in the markets around the increase in long term U.S. interest rates. The stimulus will have an inflationary boost - the productive capacity of the economy has not improved over the last year but the wave of demand and money hitting a smaller capacity will bring inflation short term. More importantly though, it's bondholders that will determine the extent of this. They have started selling long term U.S. government securities, triggering an increase in rates.

What are the ramifications for oil markets?
A period of high inflation or growth is not necessarily a risk for commodities. If combined with real economic growth, demand for oil increases. The main problem with inflation is if rates are not contained, it causes long-term instability and impedes planning horizons. However, today I see a scenario of a slow uptick in inflation, with some financial instability, but not a disaster yet.

ENERGY MARKETS FORUM 2021

NEW SILK ROAD LIVE

GI Consultancy Intelligence Publishing

TOP 10

FEBRUARY 20th - 25th

MARKET OBSERVATIONS FOR THE WEEK

1. OPEC+ faces a tough choice going into Q2 between recapturing market share vs sustaining upward trend in oil prices.

2. Oil demand recovery is likely to support the return of Saudi Arabia's 1mn b/d unilateral supply cut in April.

3. Brent crude oil is more likely to keep falling over the coming week towards $60/bl.

4. Oil markets rising above $60/bl should be assessed in relativity to all other financial assets that are reaching records every week, and in that context, perhaps oil should be considered as cheap.

5. Goldman Sachs forecast for Brent to reach $70/bl by Q2 and $75/bl in Q3 seems like an outlier.

6. OPEC+ decision may be more complicated by Texas ice storm that has shut-in 2mn b/d of shale oil production and pushed prices above $65/bl and towards $70/bl.

7. Russia fiscal breakeven point this year is $43/bl so they would likely be comfortable with OPEC+ increasing supply and allowing prices to fall a bit.

8. Polling suggests oil export sanctions on Iran are likely to be eased within the next 6 months.

9. China's oil demand is set to recover in Q2 in time to absorb more supply from OPEC+.

10. Inflation may not be a worry for the Fed, but it could bring protesters out onto the streets of Rio and Mumbai as diesel prices reach records.

ENERGY MARKETS VIEWS YOU CAN USE

Jose Chalhoub
Political Risk & Oil Analyst

Do you envisage any recovery in Venezuela's oil industry in 2021?
Unless there's a political change in Venezuela, the situation at PDVSA will not change much. At the end of January, oil production was 500,000 barrels per day. That pales in comparison to 2004, when it was around 3.3mn b/d. President Maduro's aspirations for PDVSA to target 1.5mn b/d will not be possible without massive investment in the decayed infrastructure - it probably requires $100bn. Venezuela used to be one of the largest refinery power houses in the world and we're not even reaching 200,000 b/d of processing capacity today. We are having to import products from Iran.

Do you expect the imports from Iran to grow?
It is not ideal from an efficiency point of view and the gasoline quality is also causing serious damage to vehicles. But it seems to be our only option in avoiding sanctions from the U.S. As long as the refining circuit is down, it will continue.

What's the status of Chinese and Russian investment?
These relationships were stronger during the Chavez era. The Chinese are very pragmatic - they want a return on their investment. They still have a presence in the Venezuelan oil industry but it's not at the same level of intensity as before. Turkey and Iran today have a more solid connection with Maduro.

How will the new Biden administration impact the US-Venezuela relationship?
We are not expecting any real changes in the coming months. Biden is very busy with his domestic agenda and Washington also wants a political transition here. The outlook is not positive. There is no real opposition to Maduro - he has a total grip on power, on strategic sectors and on PDVSA

Omar Najia
Global Head, Derivatives, BB Energy

When might we see a correction to this upward trend in oil markets?
We always need to look at markets relative to each other. Yes - Brent did hit $65/bl, but the S&P is also at all-time new highs and Bitcoin at $57,000. As the backwardation grows in the oil market, more money will continue to pour in.

Will we see demand recover this year to pre-Covid levels?
We have two levels of demand - actual and notional. Usually, actual demand gradually catches up to meet notional demand. But if it happens too suddenly, we will find ourselves in a situation where supplies simply won't be there – and this applies to everything from cinema seats to airplane tickets and oil. We will then see a spike in prices until products are restocked.

Does OPEC need to increase supply to prevent the return of shale?
Shale does not have sufficient funds to grow because investors have realized the business model simply does not reap rewards. Shale production will continue but growth will be a difficult proposition.

Where are we headed with the dollar?
The low of 89.2 on the dollar index in early January should hold but even if it sets a new low, that will be an opportunity for a massive buy. The next resistance target is around 103. Everybody is short dollars, so the risk is to the upside. As for inverse correlations of the dollar index with commodities, these only work at a very fixed time frame of a week or a month. Look at what happened to gold – it tanked along with the dollar's weakening.

ENERGY MARKET NEWS

RECOMMENDED READING

1. OIL PRICES HIT 13-MONTH HIGHS ON TIGHTER SUPPLIES
2. OIL PRICES COULD SPIKE TO $100/BL
3. CHINA BANKS & MACQUARIE TIPTOE INTO ASIAN OIL FINANCE VOID
4. PLATTS TO REFLECT WTI MIDLAND IN DATED BRENT
5. BILLION-TONNE OIL & GAS DISCOVERY IN CHINA'S BOHAI OILFIELD
6. SOUTH KOREA AGREES TO UNFREEZE $1BN IN IRANIAN ASSETS
7. THESE ARE THE KEY LESSONS OF THE TEXAS SNOWSTORM
8. SAUDI BORROWS AT NEGATIVE RATES FOR FIRST TIME AS OIL RECOVERS
9. FED TO KEEP POLICY EASY, STAY PATIENT AS US ECONOMY REVIVES
10. OPEC+ TO WEIGH MODEST OIL OUTPUT BOOST

RECOMMENDED VIDEOS & REPORT

- FUTURE OF FUJAIRAH AS GLOBAL ENERGY TRADING HUB
- WEEKLY PETROLEUM STATUS REPORT
- TEXAS POWER SYSTEM HEADING TO LEGAL MELTDOWN WITH LAWSUITS
- LOW CARBON: MORE INNOVATIVE MATERIALS NEEDED

OPEC Mourns Long-Serving Oil Minister Yamani

Yamani played a central role in elevating OPEC's perspectives to the global stage during a critical period in its history. He was the Kingdom's Minister of Petroleum and Mineral Resources from 1962-1986 and President of OPEC's 4th, 5th, 14th, 27th, 28th, 29th & 30th Conferences.

"He was an active listener who when he spoke, everyone paid attention with what I call pin drop silence. He was charismatic and eloquent, and humble and deeply religious. May his gentle soul rest in Jannat Al-Firdaus."

– H.E. Mohammad Sanusi Barkindo, Secretary General, OPEC

Source: OPEC

ENERGY MARKETS VIEWS YOU CAN USE

Vitaly Yermakov
Senior Research Fellow, Oxford Institute for Energy Studies

What's the thinking today in Moscow on the forward strategy of OPEC Plus?
Russia would be satisfied with a strategy that secures a price range of $50 to $70 as its fiscal breakeven price for 2021 is $43/bl. Saudi Arabia on the other hand needs a price at just above $80 this year, according to the IMF. Obviously, the Saudis made the voluntarily cut of one million bd for February and March so they can return to their original quota at any time and I think it would be easier for them to do so now given recent tightening in global supply.

Are Russian independent companies pushing for more production?
Many Russian companies are insisting on this because they have had to introduce very difficult trade-offs in containing their output. They would be very relieved to be able to produce more because the fear is that if the oil wells are idle for much longer, a lot of reserves could be lost forever. That's the main rationale behind their insistence.

Could we see $80/bl oil this year as some analysts are now forecasting?
We could if you look at the combination of factors such as a successful global vaccine program by summer and the $2bn US stimulus. This needs to find its way somewhere and many investors are going to have to make the hard choice between Bitcoin and oil.

What's your outlook for price direction in the week ahead?
We may see a slight correction if there are signs that OPEC is moving forward with relaxing its production restrictions - I think this price correction could be well justified. Longer term however the trend is still upwards, coupled with a lot of market volatility.

Victor Yang
Senior Editor, JLC Network Technology

Is it back to business as usual in China after the Lunar New Year?
People are generally not so concerned about the virus now. Retail sales jumped about 20% from 2020 during the holidays but were still modestly below the 2019 level. We are expecting consumer demand to recover further. Refiners are also stepping out of the sidelines, optimistic about demand for May following maintenance during March and April. The recent weeks' surge in prices had depressed demand to some degree but it's now picking up again.

Will an increase in OPEC supply in Q2 be good timing for Chinese consumption?
Most state refineries made losses through to June last year and some for the whole of 2020. But last month, they reported good profits so that has incentivized them to process crude. Many provinces are also upgrading and improving feedstock and product slate facilities at refineries as part of their 5-year plans. Some refineries are relocating to larger bases and industrial parks, particularly in coastal areas.

Has the backlog of cargoes at Chinese ports eased?
Congestion remains and has dampened buying interest to some degree but it's not as severe as last year. Refiners are now looking for cargoes to be delivered further in the future to avoid further congestion.

How is China positioning itself for a return of global economic growth?
China has taken the view that it's too risky to rely on the rest of world for growth, so it is focusing more on domestic consumption while at the same time continuing to boost external trade. Most analysts expect the country's GDP to grow by 6.9% this year. Some are forecasting it as high as 9%.

Fujairah Spotlight

Partial Works in Middle East Boost Gasoline Values

FOB Arab Gulf 95 RON gasoline has strengthened as the market digested news of partial works at Saudi Aramco Total Refining and Petrochemical Co., or Satorp. However, turnarounds remain relatively scarce in the region this spring amid good products demand.Oil products stockpiles at the Port of Fujairah dropped to the lowest level of 2021, with exports of fuel oil setting a record high. Total inventory was at 20.854mn barrels Feb. 15, down 1.6% from a week earlier and the lowest since Nov. 30, 2020, according to Fujairah Oil Industry Zone, or FOIZ, data.

Source: S&P Global Platts

Fujairah Ruler Greets Kuwaiti Emir on National, Liberation Days

H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, has sent a congratulatory message to Sheikh Nawaf Al Ahmad Al Jaber Al Sabah, Emir of Kuwait, on the occasion of his country's National Day and Liberation Day, observed on the 25th and 26th of February. Sheikh Hamad also sent a similar message to the Kuwaiti Crown Prince, Sheikh Mishaal Al Ahmad Al Jaber Al Sabah. H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, also sent congratulatory messages to both Sheikh Nawaf and Sheikh Mishaal, on the occasion.

Source: Emirates News Agency

East of Suez Fuel Bunker Fuel Availability Outlook

Bunker availability continues to be tight for residual fuels in Singapore, while fuels are available at shorter notice in Zhoushan and Fujairah this week. Singapore's fuel oil stocks fell by 8% in the week, when they measured 19.38mn barrels, according to Enterprise Singapore data. That was the lowest levels since December of 2019. Fujairah's lead times for VLSFO and LSMGO have shortened by another day, to six days now. HSFO380 however continues to be tight in the UAE bunkering hub, with lead times steady on the week at 10 days. Fujairah's heavy distillate and residual fuel oil stocks have dropped to a multi-month lows, and contribute to keep HSFO380 supply tight.

Source: Hellenic Shipping

The Oldest Mosque in the UAE Keeps Traditions Alive for 600 Years

The Al Bidya Mosque is located in the village of Al Bidya in Fujairah. The village is a coastal one, which lies by the Gulf of Oman. Its people rely on fishing and farming for a living. The village gained prominence in the UAE through the mosque, which lies off a highway that was built after the federation was established in 1971. The highway connected the village to the rest of the UAE.

"The east coast of the UAE was a very important destination for travellers back then. When Ibn Batutta was exploring the world in 1140, there was evidence that he visited the towns on the eastern coasts, he wrote about this area of the UAE quite a bit, but he never mentions Dubai, Sharjah or Abu Dhabi."

Source: Gulf News

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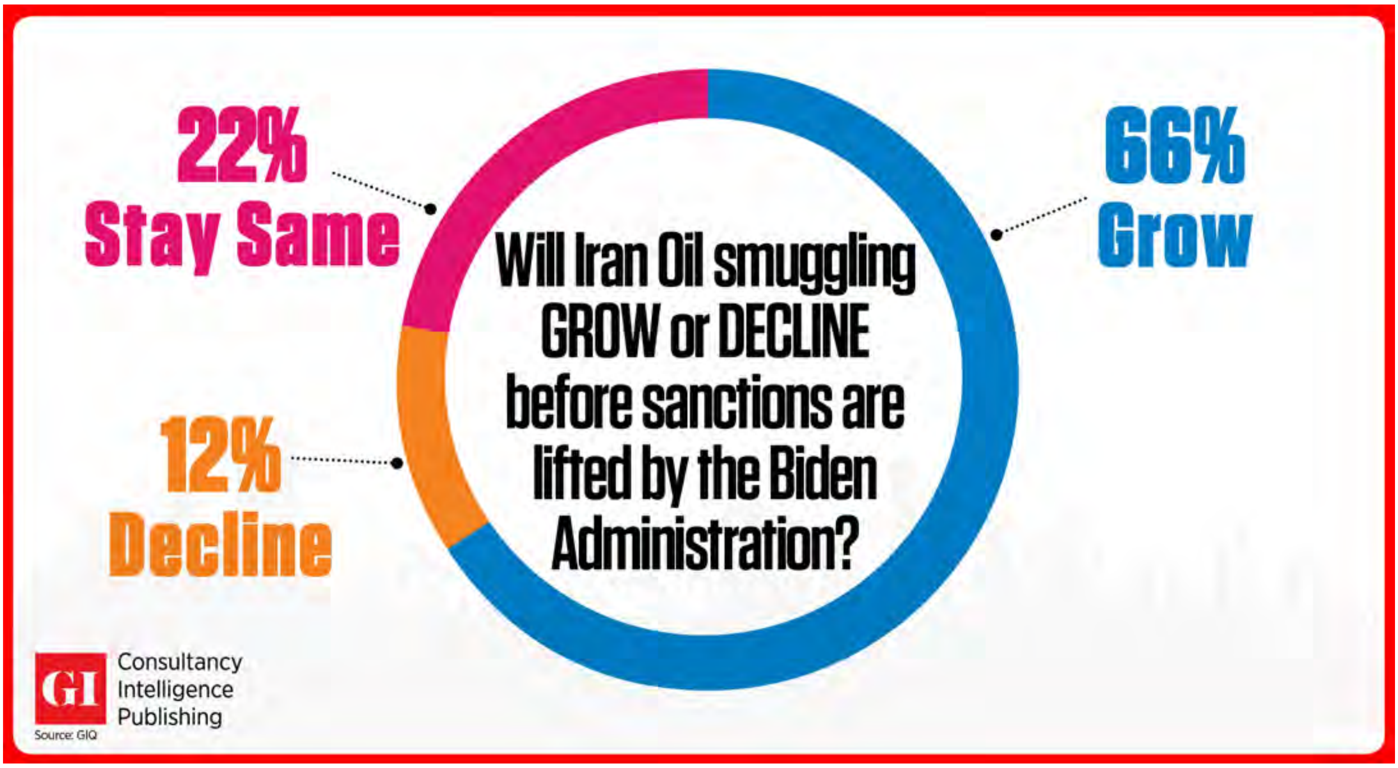
OIL MARKETS BRIEFING NOTE

What is the Outlook for Crude Oil Smuggling from Iran before Sanctions are Lifted by the Biden Administration?

What is the Outlook for Crude Oil Smuggling from Iran before Sanctions are Lifted by the Biden Administration?

In a poll conducted by Gulf Intelligence with 100 Middle East oil industry executives during the week of Feb. 15th, two-thirds of respondents said they expected oil smuggling from Iran to grow before sanctions were lifted by the new US Administration.



One month on from the inauguration of President Biden, there appears to be the emergence of a good-cop bad-cop routine, where the US is stepping-up its policing of sanction-busting, while at the same time actively bringing the old JPCOA band back together again. Tehran and Washington are testing each other to explore where the new red lines may rest, and one of the tools of choice for this game is oil exports.

"The problem is the US is addicted to sanctions. The US is addicted to pressure. The US is addicted to bullying. There has been a dismal failure on the part of the Europeans and the Americans to implement their obligations," Mohammad Javad Zarif, Iran's foreign Minister, told Press TV on Feb. 21st. These comments were made a day after TankerTrackers.com had reported that an Iranian shipment of around 44mn litres of gasoline had secretly arrived at El Palito, Venezuela aboard handysize tanker *Forest*.

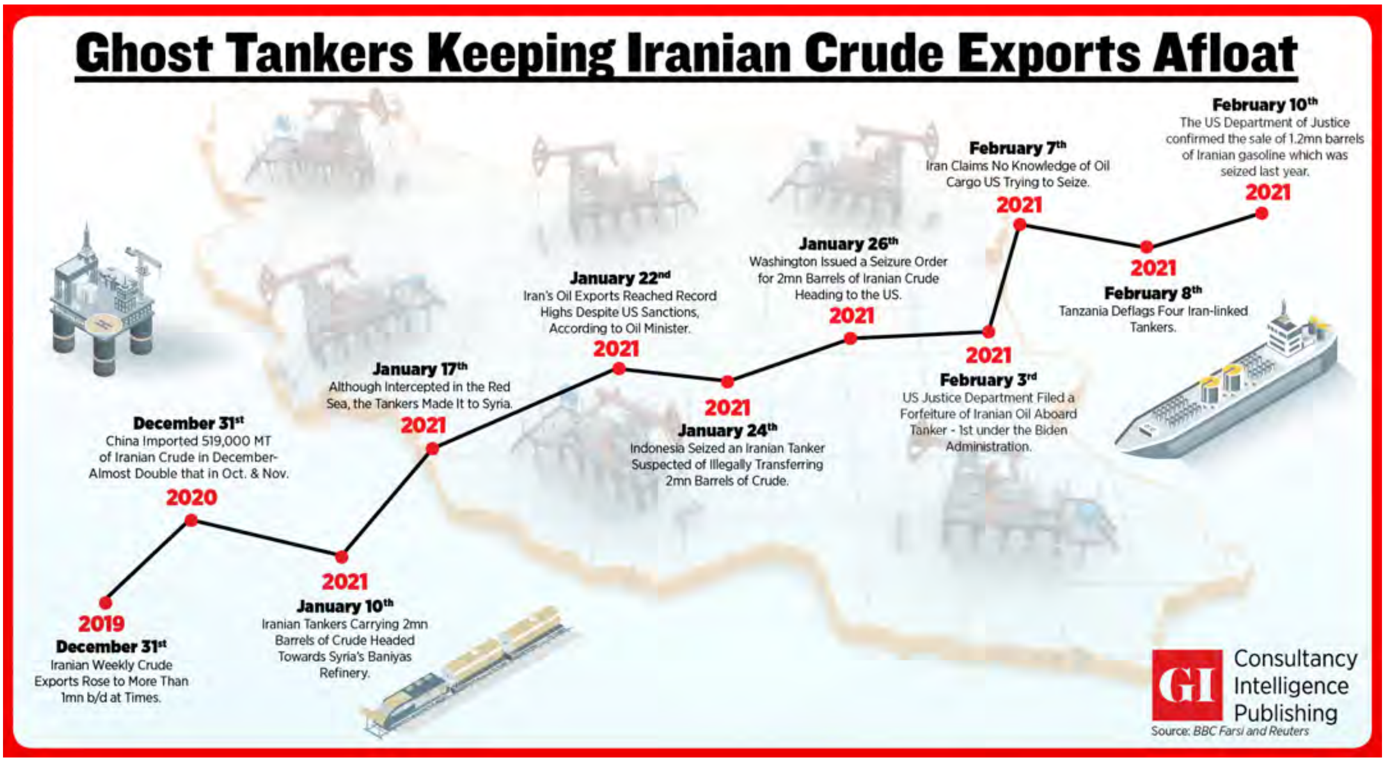
This shipment of gasoline appears to be one that got through the sanctions net, whereas last month the U.S. went to court within a week of the Biden administration taking power to seize 2mn b/l of crude oil that it claims came from Iran, in a clear move to show that they did not intend to adopt a softer line on Tehran. The Department of Justice filed a case seeking to seize the cargo on the Greek-owned *Achilleas* tanker, which the U.S. alleges that Iran's Islamic Revolutionary Guard Corps and the IRGC-Qods Force covertly shipped the oil abroad.

Still, emboldened by the change in US presidency, Iran is clearly pushing more oil onto the market, even as sanctions remain in place, as it looks ahead to a full return to the global oil market as demand recovers from the pandemic. Preliminary estimates suggest that Iran may have shipped somewhere between 800,000 b/d to 1mn b/d of crude and condensate last month, largely to China. That is a sharp rise from last year when tough US sanctions enforcement pushed volumes as low as 500,000 b/d in some months, according to industry and shipping sources from Kpler, TankerTrackers and others.

"Iran is pushing the envelope and trying to see how much they can get away with by increasing oil exports bit by bit - they're using it as a proxy to check how far they can go before sitting on the table for negotiations," said Laury Haytayan, MENA Director, Natural Resource Governance Institute. "I think the US administration has to think how much they want to influence the outcome of the Iranian Presidential elections, because whoever wins the next election – conservative or reformists – will be in the prime spot to take over as the next Supreme Leader."

Under the Trump administration, sanctions on Iran were imposed in 2018, targeting the shipping industry, national airlines and many banks, in conjunction with withdrawal from the JCPOA. Consequently, Iranian crude exports plummeted by 70%, from 1,850,444 b/d to 573,261 b/d from 2018 to 2019. Prior to the 2018 sanctions, it was agreed under the JCPOA that previous Iranian sanctions would be lifted and allow oil exports to flow.

In August 2019, Mike Pompeo took something of a victory lap. Speaking to MSNBC, he declared that the Trump administration had "managed to take almost 2.7mn barrels of [Iranian] crude oil off of the market." A few months prior, the United States had reimposed secondary sanctions on Iran's oil sector, revoking eight waivers that allowed Iran's major oil customers to temporarily continue purchasing Iranian oil.



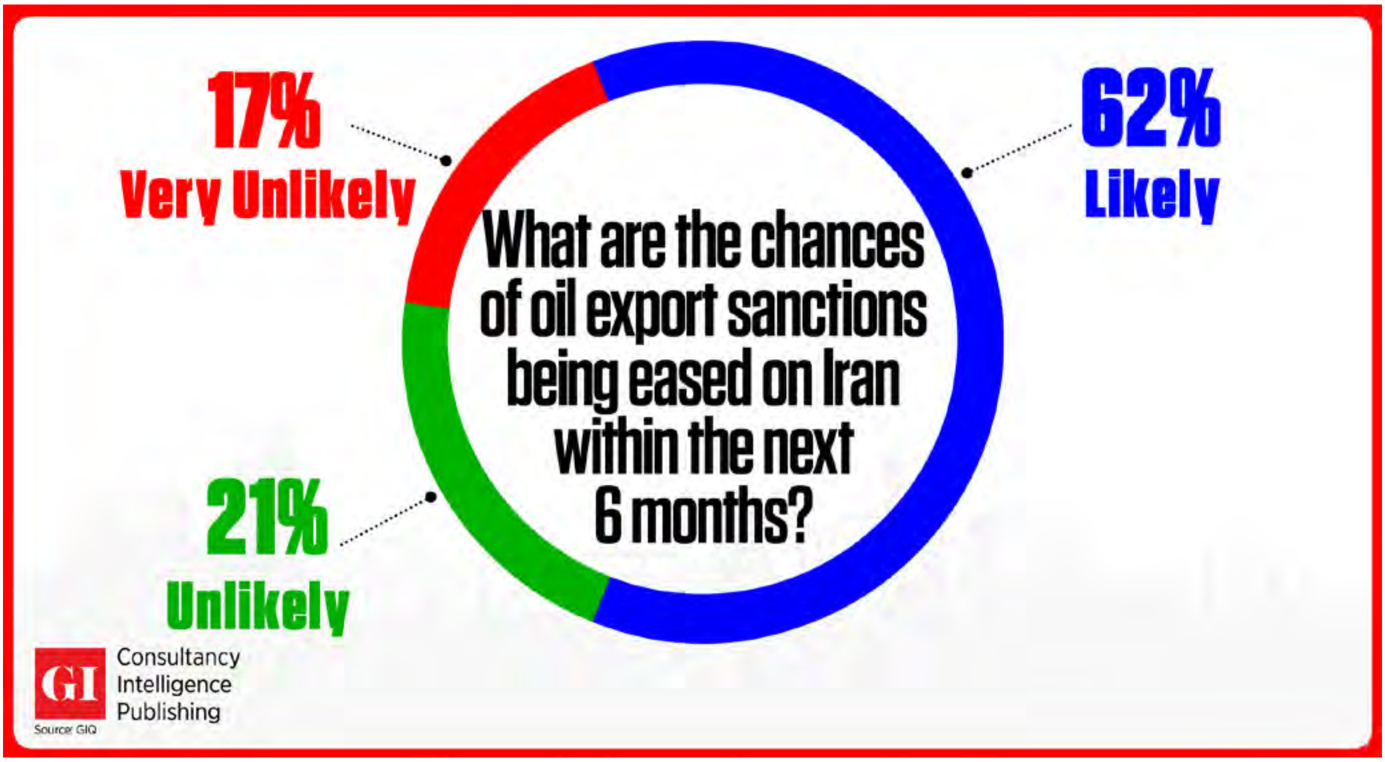
Without the waivers, just one major buyer remained -- China. At the time of Pompeo's boast, China was buying a negligible volume of Iranian oil in direct violation of US sanctions. Beijing protested loudly about the extraterritorial impact of US sanctions but proved unable or unwilling to instruct its major refiners, banks, and tanker companies to sustain the previous level of imports from Iran.

The new US administration is simultaneously playing the role of "good cop, bad cop" – content with retaining current sanctions, whilst signalling their intention to reverse the Trump Administration's approach to Iran.

"It's pretty clear that Iranian exports are increasing, and that they have been using these Asia routes through Malaysia and Indonesia to get their exports out," said Robin Mills, CEO, Qamar Energy. "I don't think I would link that to lower enforcement by the US. I think it is the Iranians pushing harder and perhaps some buyers are more willing to flout sanctions a bit more. I do not think the US has let-up on enforcement. I think when the US wants to relax its sanctions a bit, it will do so, and when it does it will make that move known publicly so that it is seen as a gesture of goodwill and moving forward, not just through laziness or inattention," said Mills.

On Feb. 18th, the US State Dept. released a statement essentially declaring that it was ready to talk to Tehran about returning to the JCPOA.

President Biden has said that he is committed to resuming an American multilateral diplomatic role in trying to resolve the issues that we have with Iran, and that among those goals was going to be to see whether we could get to a situation where Iran is back in compliance with the JCPOA and the U.S. is back in compliance with the JCPOA, and use that as a platform to then negotiate a longer, stronger deal, and also to deal with some of the regional security concerns that we have and that our partners in the region have.



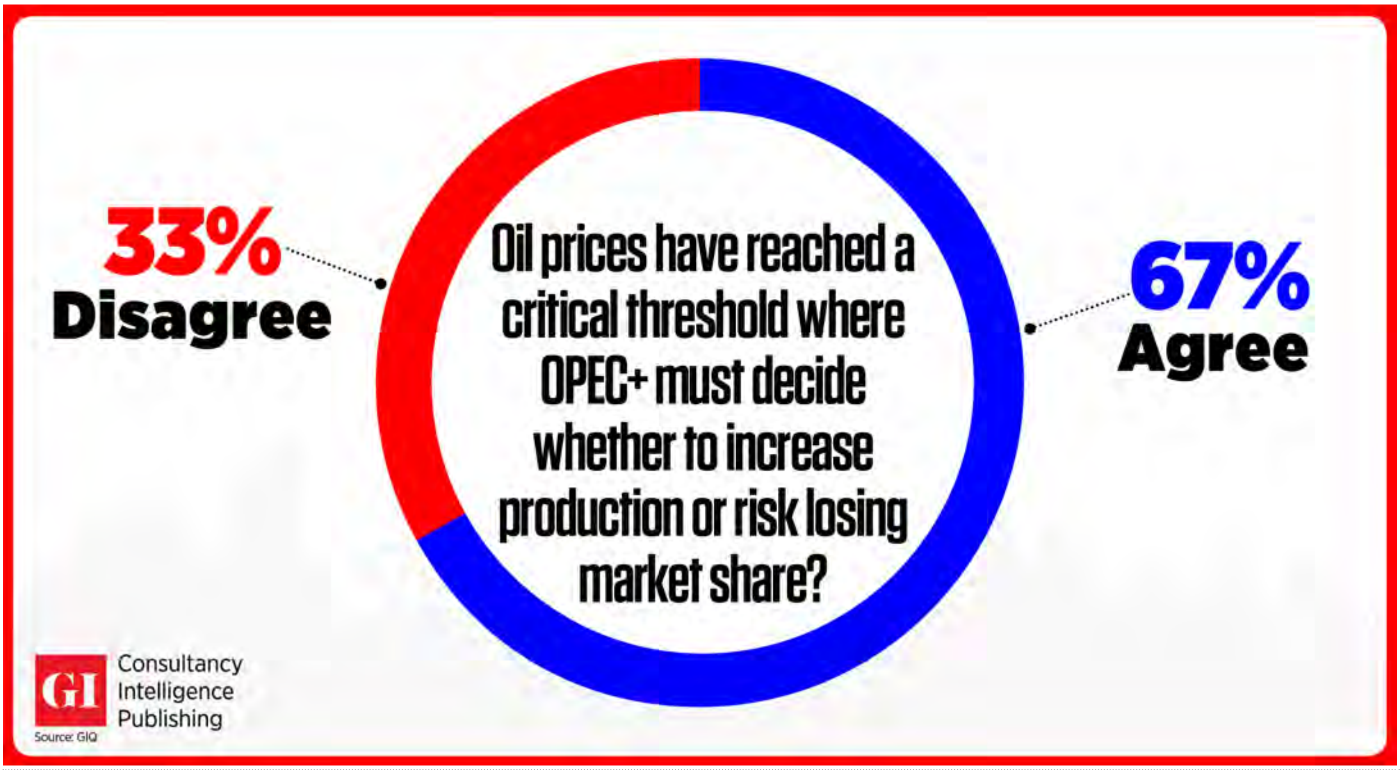
For the first time in several years the US and the E3 – UK, France and Germany – issued a joint statement last week that stated they were prepared to come back to talks, and to get back into compliance if Iran will get back into compliance.

In the past, South Korea, China and India have been major buyers of Iranian crude. Although Delhi and Seoul have halted purchases, Beijing has continued to purchase imports, according to industry sources. Two months prior to the forfeiture of Achilleas, in December 2020, the US blacklisted four companies based in China for facilitating exports of Iranian petrochemicals.

Indonesia reported on Jan. 25th that its coast guard seized the Iranian-flagged MT Horse and the Panamanian-flagged MT Freya vessels over suspected illegal oil transfer in the country's waters -- the ships were "caught red-handed" transferring oil from MT Horse to MT Freya when they were discovered by the authorities and there was an oil spill around the receiving tanker.
Iran has significantly increased exports of petroleum products in recent years although oil products, like crude, fell under US sanctions. Unlike crude oil, where the ultimate buyer is a refinery, other products can find their way to potentially thousands of small-scale industrial or residential buyers, making them difficult to trace.

Data from TankerTrackers.com, which observes the number of tankers leaving Iran's ports in order to estimate oil exports, suggests a steady uptick in sales. January 2021 will be the fifth month in a row that Iran has exported in excess of 1 million barrels per day of crude oil and condensates. The new monthly level marks a significant increase from the average of 695,000 barrels per day Iran managed in the 12 months following the Trump administration's revocation of the oil waivers.

India, which the IEA has forecast will experience the fastest energy demand growth globally over the next two decades, called upon OPEC+ last week to release more crude oil onto the market as record petrol and diesel prices are threatening to derail the fragile economic recovery in the sub-continent. Delhi, through government leaks, is letting it be known that it may be willing to turn to Iran for cheaper crude oil supplies if international oil prices are not brought under control -- India's oil demand is expected to increase by close to 500,000 b/d in 2021.



President Joe Biden's team has offered a consistent line since coming into office a month ago: For the US to re-join the agreement, Iran needs to first come back into compliance with the pact's limitations on its nuclear development. Simply put, Tehran would have to reduce its levels of uranium enrichment to the limits specified in the Iran deal before America would lift any sanctions on the country.

But on Thursday last week, that position softened — though only a little bit. First, the Biden administration formally rescinded a failed effort by former President Donald Trump to reimpose United Nations sanctions on Iran. Then it eased restrictions on domestic travel for Iranian officials working at the UN. And then, after a senior European Union diplomat suggested he host an "informal meeting" with Washington, Tehran, and the other signatories to the nuclear pact, the US said it would be willing to join.

Iran, well known for their skills at adding leverage onto the table before sitting down, immediately countered that they will be demanding compensation from the US -- "when we meet, we will raise compensation," Foreign Affairs Minister Zarif said on Sunday. According to Zarif, the Trump administration sanctions on Iran has cost the country nearly $1trillion worth of damage and it will want to negotiate the damage it has suffered.

Given the complexities, perhaps analysts are right when they say it is unlikely any meaningful negotiations will begin until after Iran's own's presidential election in June 2021, leaving a good six months for oil exports to grow in defiance of existing sanctions.

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