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Fujairah New Silk Road WEEKLY NEWSLETTER

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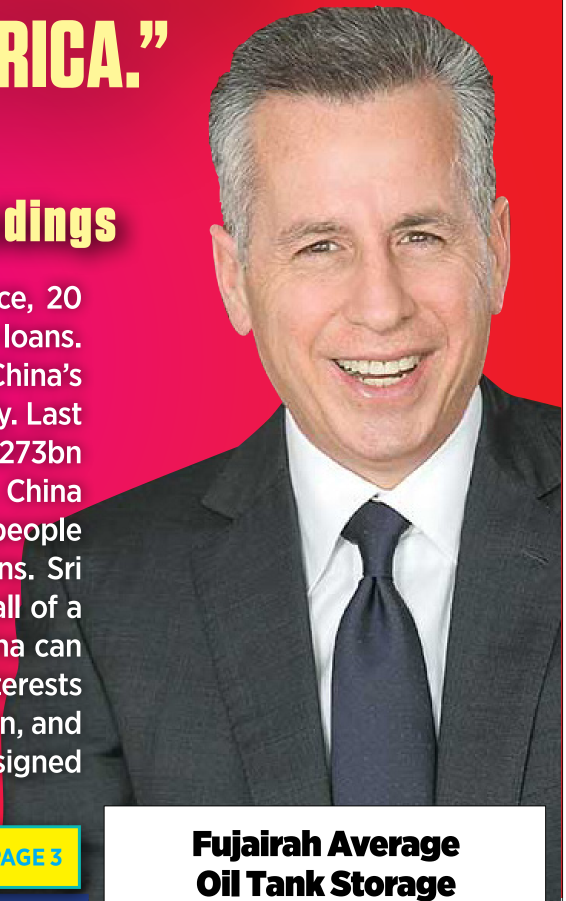
AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

"CHINA'S EXPORT CREDIT AGENCIES ARE EXTREMELY AGGRESSIVE IN AFRICA."

Marc Holtzman
Chairman of the Bank of Kigali & CBZ Holdings



China has been aggressively investing in Africa. For instance, 20 years ago, the export-import bank of the US made $20bn in loans. Last year, they made $20bn dollars in loans. 20 years ago, China's one export credit finance agency made $3bn in loans globally. Last year, China's now five export credit finance agencies, made $273bn in loans. So, they're extremely aggressive and very present. China is offering debt forgiveness in some parts of Africa, but people were quite traumatized by the experience of the Sri Lankans. Sri Lanka took an $8bn loan from China to create a port. Now, all of a sudden, they no longer own their port. The approach of China can be a mixed blessing. They always have their own strategic interests as a first priority. But if you are looking at American, European, and Western investment, it's often more of a partnership. It's designed to advance the interests of both parties.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

6,267,000 bbl	4,314,000 bbl	16,305,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

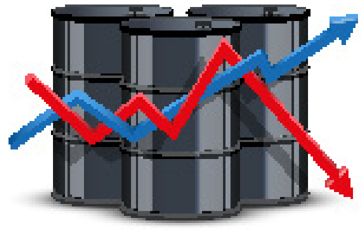
Average Range
$3.61 – $4.38/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.50/m³

Source: GI Research – Weekly Phone Survey of Terminal Operators

Insights brought to you by: 2010 GI 2019 Publishing
Thegulfintelligence.com

THE WEEK In Numbers

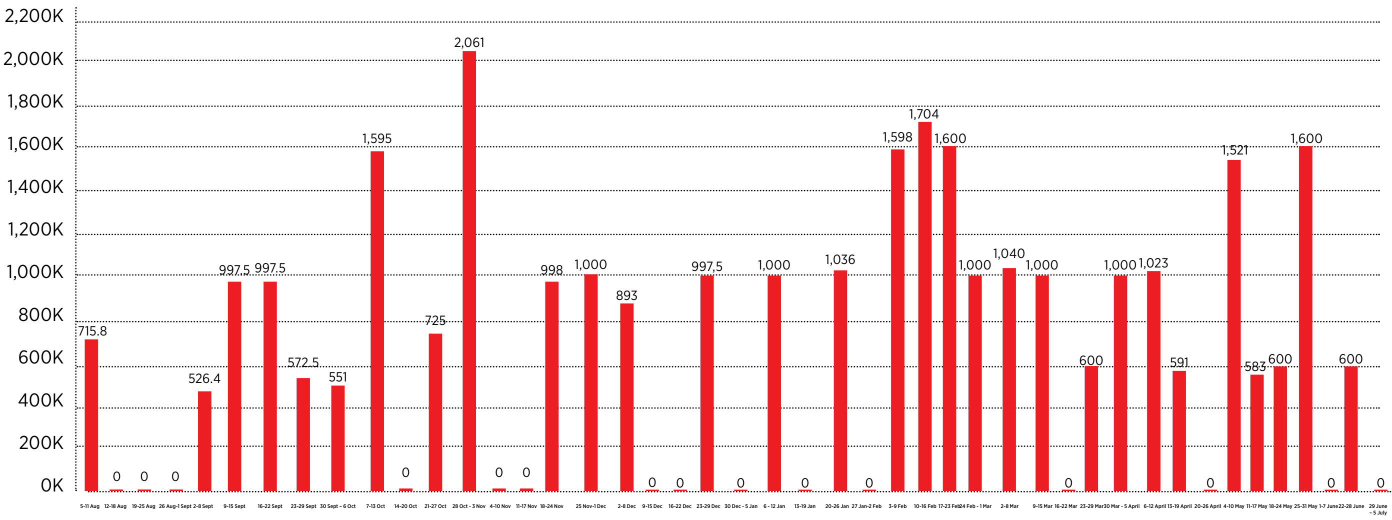


Weekly Average Oil Prices

Brent Crude:	$43.21/bl
WTI Crude:	$40.62/bl
DME Oman:	$43.35/bl
Murban:	$43.63/bl

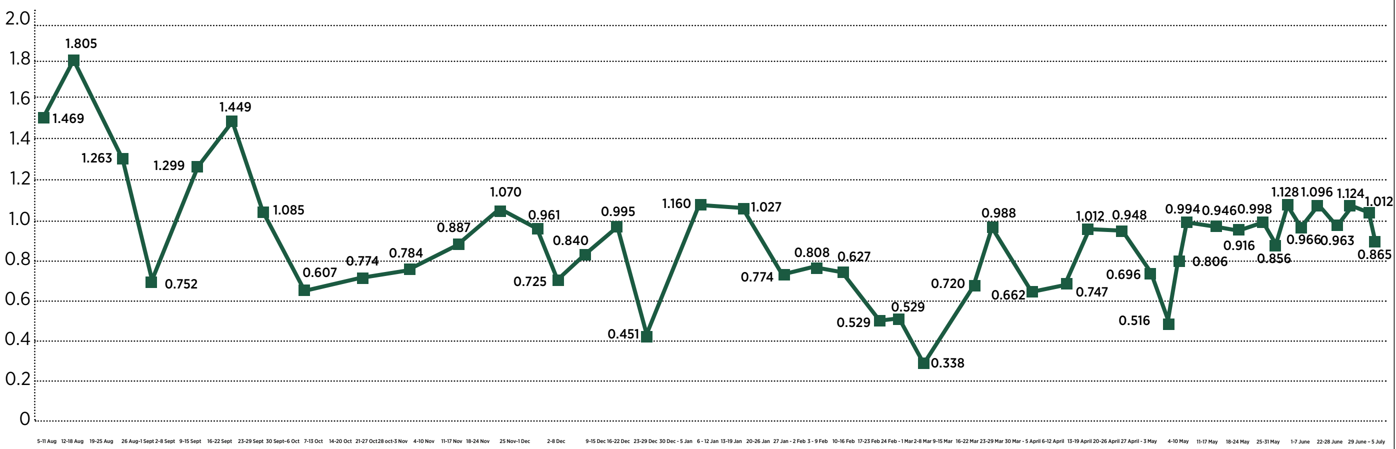
Time Period: Week 2, July 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

CONTINUED FROM PAGE 1

GIQ: How robust is the US' current role in Africa?

Marc Holtzman: Nothing would please me more than to see the US play a much bigger and impactful role in Africa. But the point is, and this is not just only President Trump, the US has been very slow to realize the opportunity for American businesses in Africa. Right now, there are more than a billion people on the continent with a middle class of more than 100 million people. That middle class in the next five to seven years is going to be around 250 million people. You'll have as big of a middle class in Africa as you do in the US and Europe. It's very short sighted for companies, businesses, and countries not to focus on Africa. For example, the western policy towards countries like Zimbabwe is to insist that they become like Canada in one step, before they'll even be considered to be a trading and investment partner. It's so unrealistic.

GIQ: How has the Covid-19 pandemic impacted East Africa?

Marc Holtzman: It's been difficult for every country in the world, and truly for countries in Africa as well. But having said that, countries like Rwanda didn't miss a beat. They were ahead of the problem and were dealing with it. The banking system is strong and secure. I believe when the dust settles, countries like Rwanda, Zimbabwe and others in Africa will be even stronger. There is no question that there will be a rationalization of supply chains in East Africa. There will be recognition that it is a national security imperative for supply chains to be regionalized and brought back to certain areas throughout the continent.

GIQ: As international companies reconsider their supply chains coming out of Coivd-19, will many of these organizations look to establish new centers in East Africa?

Marc Holtzman: There is no doubt that international companies will look to establish new centers in East Africa. Rwanda will be at the top of the list of beneficiaries. It has already been happening pre-Covid-19. For example, Volkswagen set up a huge assembly facility in East Africa an they're producing three models for the entire continent. This is just the beginning.

GIQ: What is your outlook for Middle East energy investment in East Africa?

Marc Holtzman: We see a lot of groups form the Middle East pursuing projects in East Africa, even in alternative energy sources like solar. There is a lot of oil and gas exploration in Uganda, Kenya, and elsewhere in the region. Most people think this is just the start of Middle East energy investment in East Africa.

GIQ: What is your economic outlook for Zimbabwe?

Marc Holtzman: It was one time considered to be the breadbasket of Africa. Now it's a net importer of vital food commodities. Zimbabwe should be the richest country in Africa. It is abundantly blessed with natural resources. It's said to be the richest nation in the world as measured by mineralization per square kilometer. One of the challenges is to convert that wealth in the ground to the benefit of the population. There's no doubt that the country's gone through great hardship after 38 years of virtual dictatorship. The new president, Emmerson Mnangagwa, is incredibly impressive and very committed to democratic and social reforms.

GIQ: Are you seeing a first mover advantage for investors in Zimbabwe?

Yes, there's no question. Two countries that really realize this are Turkey and India. There is currently a big presence from both of those countries in construction, mining and technology.

GIQ: What is your outlook for Rwanda's energy sector?

Marc Holtzman: Rwanda has done something completely unique. Controvert Global, a US company, has invested over $400 million to create a methane-to-electricity system in the country. They're currently producing about 125MW and they expect to go up to 500MW of production. Lake Kivu is one of the world's largest methane reserves. Rwanda is taking this methane and using completely new experimental technology. In fact, when they started about 15 years ago, no one was even sure that this could be done scientifically. But it is working and proving to be very cost-effective.

WATCH FULL INTERVIEW HERE

Fujariah Weekly Oil Inventory Data

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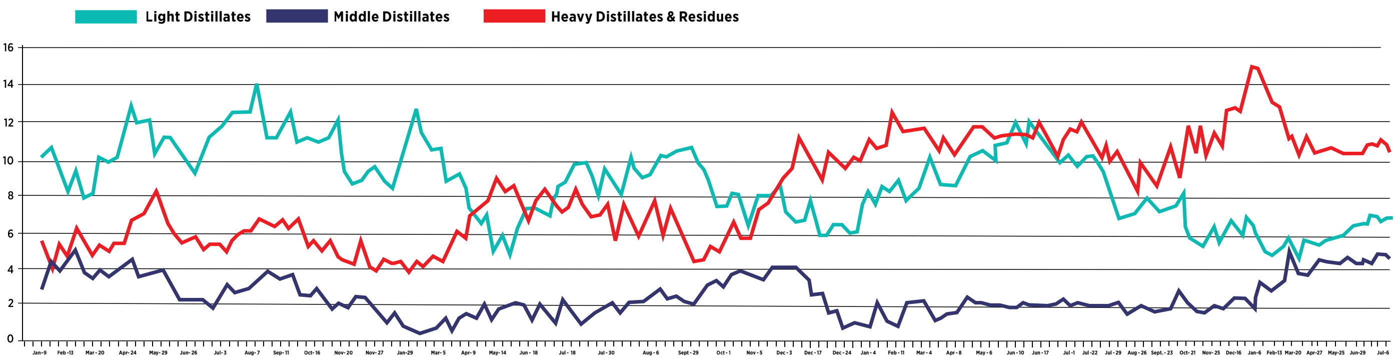
Fujairah Oil Industry Zone

bbl (million)



TOP TAKEAWAYS

- **Total oil product stocks in Fujairah were reported at 26.886mn barrels, falling for the third consecutive week. Stocks fell by 475,000 barrels drawing down 1.7% week on week, with a draw in light distillates offsetting builds in middle distillates and heavy residues.**
- **Stocks of light distillates fell by 972,000 barrels or 13.4% week on week. Total volumes stood at 6.267mn barrels, their lowest level since April 20, when they stood at 6.037mn barrels.**
- **The gasoline market East of Suez was seeing some pressure due to an uptick in spot supply, with increased outflows from refiners weighing on sentiment. An uptick in Chinese gasoline cargoes amid an influx of arbitrage barrels from Europe and the Middle East was leading to an uptick in inventory levels in the city-state. Regionally there was some demand seen from Egypt's EGPC, which issued a tender seeking one 33,000 mt to 35,000 mt cargo of 95 RON gasoline cargo for July 25-27 delivery to Suez, and one 95 RON gasoline cargo of 30,000 mt to 33,000 mt for August 22-24 delivery to Alexandria.**
- **Stocks of middle distillates rose to 4.314mn barrels as they rose by 11.8% or 457,000 barrels. Overall the middle distillate complex was finding support as an extended lack of supply from sellers was propping up the market, sources noted. "There's still a lack of supply from what we see [and the] July tightness will be carried on into August," a trader said. A continuation of slender margins meant the market was likely to see refiners opting to continue to run at low rates, capping production volumes in the short term.**
- **Stocks of heavy residues increased marginally by 0.2%, adding 40,000 barrels on the week to stand at 16.305mn barrels. The delivered bunker market was seeing some standoff between buyers and sellers with bid levels were not incentivizing movement as a contango structure led to sellers holding back and preferring to roll positions, sources noted. In the cargo market in Fujairah for 0.5% maximum sulfur marine fuel cargo for early August delivery was heard to have traded at Mean of Platts Singapore 10 ppm gasoil assessments minus $52/mt. Delivered bunker prices for Marine Fuel maximum 0.5% sulfur in Fujairah were largely stable remaining under Singapore on Tuesday, with the grade assessed at $320/mt, reflecting a discount of $5/mt to Singapore.**

Source: S&P Global Platts

Edward Scissorhands Should Really Chair Those JMMC Meetings...

Brent is trading at $43.58/bl, down 0.21/bl. WTI is trading at $40.87/bl, down 0.33/bl. You remember when you were at school and you used to say, "My team beat the champion, so that means we're champions really"? Well, I'm still a child, so Arsenal beating Liverpool means that Arsenal are the champions really. I look forward to the parade down Upper Street, via Zoom, of course. Anyway, this oil market. I said yesterday that OPEC easing cuts and US crude stocks being drawn would most likely mean the market ended flat. And that's what happened. For those of you confused about the OPEC cuts by the way, let me explain. So the cuts that everyone thought would be cut were cut. However, those who said they would cut but didn't cut must cut going forward, so that the cuts originally cut are actually cut, but the cuts going forward won't be cut as much as people thought. So, the cuts have been cut by a new agreed cut level and OPEC will continue to cut for as long as

BY MATT STANLEY
DIRECTOR
STAR FUELS

is necessary. Got it? Honestly, Edward Scissorhands should really chair those JMMC meetings. Across the pond, crude stocks showed a healthy 7mn barrel draw last night, as well as draws on gasoline and distillates. So, that's good. Crude production remains steady at 11mn b/d and WTI above $40/bl. Niceeee. You have to wonder when though, with OPEC easing the cuts, the US oil production will start to return. The rest of the market is waiting for this as well. Fundamentally, the world is still drowning in oil. It's not as bad as it was, but there is still a lot of crude and products to be drawn down yet before we can really start looking at Brent climbing above $50/bl. Good day.

16th July 2020

ENERGY MARKET NEWS

RECOMMENDED READING & VIEWING

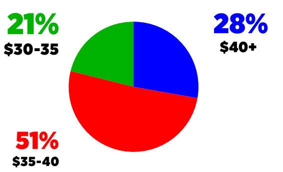
1. EIA: US CRUDE, REFINED PRODUCTS STOCKS DROP SHARPLY
2. CHINA: REFINERY OUTPUT HITS RECORD IN JUNE ON STRONG MARGINS
3. WORK-FROM-HOME CULTURE WILL CUT BILLIONS OF MILES OF DRIVING
4. US THREATENS TO EXPAND SANCTIONS ON NORD STREAM 2
5. CHINESE PORTS SEE CARGO VOLUMES PICK UP AS TRADE RECOVERS
6. SHELL'S BIG BET ON FLOATING LNG MAY BE A FLOP
7. FUJAIRAH: OIL PRODUCT STOCKPILES DROP FOR THIRD STRAIGHT WEEK
8. JOHN BOLTON: US-CHINA DECOUPLING IS ALREADY HAPPENING
9. COVID-19: EARLY-STAGE TRIAL DATA ON ASTRAZENECA VACCINE DUE MONDAY
10. OPEC+ EASES RECORD OIL CUTS AS ECONOMY RECOVERS FROM PANDEMIC

DAILY RECOMMENDED VIDEOS

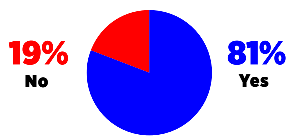
- MARC HOLTZMAN: "CHINA'S EXPORT CREDIT AGENCIES ARE EXTREMELY AGGRESSIVE IN AFRICA."
- COVID-19: WHY OIL COMPANIES ARE SCRAMBLING TO SURVIVE
- CHINA RETURNS TO GROWTH IN Q2

Weekly Surveys

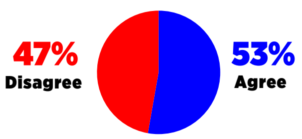
What price will Brent crude oil be at end of July if OPEC decide to proceed with raising output by 2mn b/d from August?



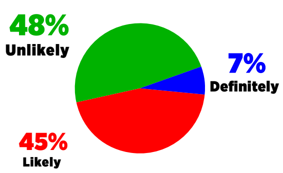
IEA has revised it's 2020 demand forecast upwards in each of last 3 reports – Do You expect that Trend to continue?

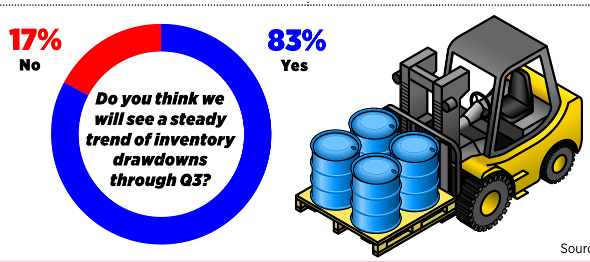


China - US relations are accelerating towards a Cold War on a scale similar to the West vs Soviet Union?



What is your expectation for a second wave COVID global lockdown by Q4?





Source: GIQ

Fujairah Spotlight

Financial Closure on 2.4GW Gas-fired Fujairah F3 Power Project in UAE Reached

TAQA has completed financial closure on the 2.4GW gas-fired Fujairah F3 power project to be built in the UAE. The financial closing follows the signature of the power purchase agreement and shareholder's agreement between Abu Dhabi Power Corporation (ADPower), Emirates Water and Electricity Company (EWEC), Mubadala Investment Company and Japan-based Marubeni.

Source: Construction Review Online

Brooge Energy to Increase Oil Storage Capacity in UAE

Brooge Energy Ltd. expects new tanks at its oil-storage terminal in the United Arab Emirates to be fully operational by the end of the year, with a single customer booked to lease all the additional capacity. Phase II expansion will include the construction of 8 additional oil storage tanks with an aggregate geometric oil storage capacity of approximately 0.601 million cubic meters, which will increase BPGIC's aggregate geometric oil storage capacity to approximately 1 million cubic meters, or 6.3 million barrels. After operations of Phase II in Q4 2020, Brooge expects to be the second largest non-captive storage provider in Fujairah.

Source: Steel Guru – Gasoil News

BP-Sinopec Bunker Venture to Start Fuel Oil Deliveries to Fujairah

The BP and Sinopec marine fuel bunkering joint venture will start deliveries of high sulfur and low sulfur fuel oils to Fujairah next month, a source close to the matter told S&P Global Platts. The 50:50 venture, BP Sinopec Marine Fuels Pte., was started five years ago and focused on Asia in the early years, and now has rented storage space for the fuels at the UAE port, the source said. BP and Sinopec declined to comment.

Source: S&P Global Platts

Fujairah Oil Product Stockpiles Drop for Third Straight Week

The stockpiles of refined oil products at the oil trading and bunkering hub of Fujairah dropped for a third consecutive week, the longest stretch in a year, dragged by a 13% slump in gasoline and other light distillates amid signs that product was moving to Singapore. Total stockpiles stood at 26.886 million barrels on July 13, down 1.7% on the week, the Fujairah Oil Industry Zone said July 15 in a report. The total was the lowest since May 4, according to inventory data compiled by S&P Global Platts since January 2017. The last time stockpiles fell three or more weeks in a row was the five-week drop in 2019 from May 27 to July 1.

Source: S&P Global Platts Market Insights

GIQ EXCLUSIVE SOUNDINGS

Will Second Wave Covid-19 and US-China Tensions Bring Oil Markets Back Down to Reality?

Over the last week, Gulf Intelligence has Interviewed energy market experts in Asia, the Middle East, Europe and the US – the intelligence below is harvested from these exclusive briefings:

- Walter Simpson, Managing Director, CC Energy Development (Oman)
- Anthony Harris, Former British Ambassador to the UAE
- Kevin Wright, Lead Analyst APAC, Kpler
- Paul Young, Head, Energy Products, Dubai Mercantile Exchange
- Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International and Energy Studies (DERASAT)
- Andy Laven, Chief Operating Officer, Sahara Energy Resources
- Peter McGuire, CEO, XM Australia
- Rustin Edwards, Head, Fuel Oil Procurement, Euronav NV
- James McCallum, Executive Chairman, Xergy
- Matt Stanley, Director, Star Fuels
- Omar Najia, Global Head - Derivatives, BB Energy
- Edmund O'Sullivan, Author, The New Gulf

Walter Simpson, Managing Director, CC Energy Development (Oman)
"China has kept its demand up by filling its storage. All of the reports have indicated that their storage is now filled to the brim and overflowing. Growth figures for China are going to continue to be important to understand if current buying levels will remain."

Anthony Harris, Former British Ambassador to the UAE
"Franky, I'm concerned that there is no concerted UK policy towards China at the moment. It is a bit risky to take on China without a policy already worked out with like-minded countries. The US has put a lot of pressure on Britain, which is worried that its companies will also be sanctioned for working with China."

Kevin Wright, Lead Analyst APAC, Kpler
"The inventory drawdown trend is very volatile, and it is not the first indicator that your can really use. You can look at it on a very short-term basis, but after that do you take direction from it on how the market is going to trade in three weeks? I don't think you can."

Paul Young, Head, Energy Products, Dubai Mercantile Exchange
"We have heard final confirmation that China's June imports were 13mn b/d equivalent. The big question is, where is all that oil going?"

Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International and Energy Studies (DERASAT)
"There is one key difference between now and any other point in the history of OPEC. This is the first time where they are actually working under the G20 umbrella. There is now an international legitimacy to the actions that OPEC countries are taking."

Andy Laven, Chief Operating Officer, Sahara Energy Resources
"The reality is the oil market has been the 'grown-up' in the room with regard to the overall global economic situation. It's very much steady as it goes. Where things don't' make sense, people are cutting back."

Peter McGuire, CEO, XM Australia
"It is going to be quite interesting over the next 30-45 days considering we are only about 114 days away from the US election. There is a lot uncertainty in the markets brought on by Covid-19 and China-US tensions."

Rustin Edwards, Head, Fuel Oil Procurement, Euronav NV
"Libya is the teapot that is about to explode. It is the number one risk factor that I see in the world today outside of Covid-19. There are too many players rattling sabers and something foolish is going to happen to light it off."

James McCallum, Executive Chairman, Xergy
"The outlook for Iranian production has always been vast if it could enter into a wider level of global political acceptance. The single biggest problem that Iran continues to face with oil production is access to the right equipment and knowledge. US sanctions have been very effective in shutting that down."

Matt Stanley, Director, Star Fuels
"The market appears to be delicate and people are happy to consolidate just above $40/bl. The US rig count is also consolidating with production levels at 11mn b/d. Is that because the system is becoming more efficient and the marginal players have now fallen off?"

Omar Najia, Global Head - Derivatives, BB Energy
"We need to see this oil market move to the low $30s/bl before things start to really ramp up again. On another note, the S&P and the real economy are as divergent as they want to be. We are going to see this start to re-align over the next quarter."

Edmund O'Sullivan, Author, The New Gulf
"The China-US story has been building up and Britain was put on the spot very publicly. It is the only advanced country that has been told by the US to take action against a trading partner, which the UK has gone out of its way to develop close relationships with."

ENERGY MARKETS COMMENTARY WEEK IN REVIEW

CLICK HERE TO LISTEN

DAILY ENERGY MARKETS WEBINAR NEW SILK ROAD "LIVE"

July 12th - July 16th

GIQ EXCLUSIVE

TOP 10 MARKET OBSERVATIONS FOR THE WEEK

1. China economic recovery indicates there's probably a lot of business as usual going on below the surface of the headline-grabbing shouting match.

2. Inventory drawdown likely to continue through the third quarter as most people will get back to regular activities with a mask on.

3. OPEC+ will be happy that oil markets are shrugging their shoulders on the announcement of August supply increase.

4. Oil markets are bouncing around a narrow range trying to find a direction from within all the conflicting indicators; Covid-19 vs Nasdaq!

5. No-Deal Brexit Boris, you don't punch a dragon in the nose if you don't have a plan for next steps.

6. Q2 isn't delivering the economic recovery all had hoped for and hence we should see oil prices trending below $40/bl.

7. US is drifting towards Covid-19 indifference and a likely second lockdown.

8. Equity markets likely to hold on to Q2 gains this week despite terrible earnings announcements.

9. Gasoline will continue to be the fuel of choice through H2 as travelers choose driving their car over getting on a plane.

10. There is a chasm the size of the Grand Canyon between the equity markets and the oil markets – the former will crash and the latter will slowly correct.

ENERGY MARKETS VIEWS YOU CAN USE

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

ExxonMobil's resistance to correct their valuations on their assets

One point-of-view is the question of impairment of oil and gas assets, which some, if not all peers, have already undertaken. The other is the pressure from groups concerned about climate change who want oil companies to publish their price assumptions and long-term scenarios. These scenarios are the assessment of expected costs of climate change in order to then push them into making impairments on the assets along the lines of stranded assets to account for the cost of climate change.

Shell's HQ move to the UK – structural shift?

Shell is under severe pressure to cut costs and so they're playing the tax game between the UK and the Netherlands. But the industry overall is under a lot more pressure – more so than usual. Oil companies have not recovered to the extent that the oil price has. And that means that quite independent of climate change, the market is currently staying away from that sector because they've been scorched in the past. They see the oil price recovery, but they have not yet translated it into a share price recovery. So, if you think the oil price is going to recover and improve over time, then now is the day to buy some big oil companies.

Outlook

Three points: the first one, continue to focus on the US because they won't go into complete lockdown, but there is going to be a tipping point because we already know that the infection rates have gone up so fast that now the fatality rates will fall.

The second one is from the energy side. Now is the time to start looking at the fate of natural gas, coal, renewables and power generation in the European energy mix – especially from the point-of-view of how people's daily behavior is changing.

The third one is closer to home. To my desperation, the non-oil sector in the GCC strictly follows the oil price. It seems that the oil prices have gone up a bit and have stabilized. The non-oil sector has followed suit, and this discredits the notion that non-oil sector is independent of oil prices.

Robin Mills
CEO
Qamar Energy

OPEC's compliance with the supply cuts has been impressively high.

What's interesting is the diplomatic pressure that has been put on some of the members that haven't been fully compliant, specifically Iraq, Nigeria and Angola. There is also the consensus that countries that weren't fully compliant in May and June should make it up with further cuts in July. We also have Saudi Arabia heavily over-complying while the UAE and Kuwait are a little over full compliance. So, the group as a whole, has close to 100% or even slightly higher than 100% compliance with supply cuts.

US posture towards China will have unexpected consequences on the markets.

China has been aggressive on several fronts, from its big military exercise in the South China Sea, to confrontation in India in the Himalayas and the change in the status of Hong Kong. Furthermore, China sees the US as weak and ununified at the moment. This would certainly constrain the global economic recovery. On the oil side, we've seen China taking a big part of Saudi's supply cuts, with exports cut in half last month. The Chinese may be close to reaching storage limits, which would ease of a lot of demand anyway but the Chinese residual still needs to be filled. This might partially be the reason why there are more US oil exports into China, which could be a bright spot for the trade deal. But if you look at the impact of these oil shipments on the overall trade deal, China is nowhere near hitting any of the trade deal targets, and these latest oil shipments will only make up a small part of that gap, which is just completely unbridgeable.

Surge in Covid-19 cases and its impact on demand is the key issue to watch.

We are in for tough times as Covid-19 cases in the US continue to surge. Now, even if full lockdowns are not imposed again, some states might continue to have restrictions that will delay the return to some form of normalcy. There's also an effect on sentiment as well, which is why we are seeing stalls in recovery levels and fuel demand. Without substantial control over the virus, it would be difficult to see economic activity returning to 2019 levels even in counties that have been more successful in controlling infection rates.

ENERGY MARKETS VIEWS YOU CAN USE

Dr. Aldo Flores-Quiroga
Former Deputy Secretary of Energy for Hydrocarbons
Mexico's Ministry of Energy

The first wave never left

It doesn't feel like a second wave. It feels like the first wave never left. It was a premature opening. I'm not pessimistic or saying there is nothing in the third quarter that suggests a significant return on the fourth quarter of this year. What I do see is that we're going to be in this form of exceptional situation at least until the beginning of 2022. And that means ongoing uncertainty.

There are millions of people that don't have that luxury

This is a very difficult decision-making moment because it's not just about the pandemic. It's also about people that have to make a living. And it's much easier in some countries to just say, you know, let's just stop, use our savings and we'll come back to work eventually. There are millions of people that don't have that luxury. So, politicians have therefore been very uneasy about providing the right kind of guidance, which should be much more conservative. So, these mixed signals have not helped. It's not so simple when you're making the decision as we move into the US elections.

We won't be going back to 'normal'

We won't be going back to normal. It's going to an adjustment to how we were doing things. But it's not going to be the same thing. We don't know what it is, but we do now. And then it's going to be, in my view, these types of short-term management strategies to figure out what's going on but I'm not sure that this is going to be a pattern that will hold. We're also going to see a lot of short termism in terms of policy announcements than before. Let me just throw out there the China-US interaction in South China Sea. Who knows how that will evolve. But it's a type of event or factor that can create a new geopolitical risk and affect short-term prices.

Platts Proposes to Amend MOPAG Methodology to Reflect Spot Physical Prices

S&P Global Platts invites feedback on a proposal to amend the methodology for its FOB Arab Gulf benchmarks for gasoline, gasoil, jet fuel/kerosene and fuel oil to reflect independent, spot physical market values from January 4, 2021.

Platts FOB Arab Gulf assessments have provided consistent, stable values for over 40 years. During this time, they have been established as freight netbacks from FOB Singapore benchmarks.

Over the last several years, the Middle East physical markets have evolved considerably, and spot market values are now consistently and transparently visible. Logistics have evolved to ensure broad market access and flexibility, including through the growth of independent storage at Fujairah, while refinery infrastructure has grown, providing ample supply.

In 2016, Platts launched independent, spot market assessments reflecting oil products loading basis FOB Fujairah. Platts has received significant feedback that the FOB Arab Gulf products assessments should evolve to reflect these same spot market values.

Under the proposal, Platts would assess the MOPAG gasoline, gasoil, jet fuel/kerosene and fuel oil benchmarks based on its Market on Close assessment methodology reflecting bids, offers and trades in the spot market.

The proposal follows extensive discussions with market participants after Platts opened a formal review of its FOB Arab Gulf assessments in April amid concerns that the recent sharp declines in refined oil product prices and a surge in freight rates could result in the netback calculations producing a value at or below zero In a subsequent subscriber note published on May 18, 2020, Platts announced it will only publish a zero or negative value for these benchmarks if prevailing market information demonstrates such values. This means that if a freight netback calculation would produce a value at or below zero, then Platts would consider relevant spot market information instead and use this in its assessment of FOB Arab Gulf values.

Under the new proposal, effective January 4, 2021, Platts MOPAG assessments for gasoline, gasoil, jet fuel/kerosene and fuel oil would reflect trade on a free-on-board basis at good ports across the Gulf, fully normalized to FOB Fujairah basis. The proposal does not initially affect Platts MOPAG naphtha assessments, which will continue to be published as a netback from its C+F Japan naphtha benchmark.

Platts already assesses spot market values for 95 RON gasoline, 10 ppm sulfur gasoil, jet fuel and 380 CST high sulfur fuel oil in the Middle East on a FOB Fujairah basis, reflecting bids, offers and trades heard in the broader market and reported in the MOC process.

Following the change effective Jan. 4, 2021, the MOPAG assessments would mirror the 'FOB Fujairah' independent price assessments and continue to reflect 4:30 pm Singapore/12:30 pm Dubai timestamp.

The MOPAG outright assessment would reflect the existing spot differential (premium/discount) assessment of the product, plus the relevant MOPAG strip value. The MOPAG strip reflects the average of daily swap values over a 21-day period between 20-40 days from the day of publication. The MOPAG assessments would also reflect the same specifications and terms of the existing differentials, for cargo sizes of 200,000-300,000 barrels each, or 20,000-40,000 mt in the case of fuel oil.

The MOPAG derivatives assessments and values are based on trades seen in the Platts MOC process or on derivatives exchanges or heard in over-the-counter markets. Platts would also take into consideration physical bids, offers and trades on a FOB Arab Gulf basis in the MOC process. In the absence of any bids, offers or trades, Platts will take into consideration the respective Singapore derivatives coupled with freight netback and forward freight agreement values.

For MOPAG 0.005% sulfur, 0.05% sulfur and 0.25% sulfur gasoil assessments, these grades would be assessed by applying the spot differential for the respective grade to the MOPAG Gasoil strip. Currently, the MOPAG outright assessments for these grades are assessed by applying the spot differential assessed for the respective grade to the primary FOB AG Gasoil netback, minus the assessed spot AG differential for Gasoil itself.

Platts began publishing the FOB Fujairah assessments on Oct. 3, 2016 and these currently run alongside Platts MOPAG netback assessments.

Source: S&P Global Platts

The following FOB Arab Gulf netback assessments would be affected:

- **Assessment Code Monthly Average**
- **Gasoline 95 unleaded AAICY00 AAICZ00**
- **Gasoline 92 unleaded AAGJA00 AAGJA03**
- **Kerosene PJAAA00 PJAAA03**
- **Gasoil 10 ppm AAIDT00 AAIDT03**
- **Gasoil 0.005% sulfur AASGJ00 AASGJ03**
- **Gasoil 0.05% sulfur AAFEZ00 AAFFG00**
- **Gasoil 0.25% sulfur AACUA00 AACUB00**
- **Gasoil POAAT00 POAAT03**
- **HSFO 180 CST ($/mt) PUABE00 PUABE03**
- **HSFO 380 CST ($/mt) AAIDC00 AAIDD00**

Source: S&P Global Platts

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