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Fujairah Oil Industry Zone
Port of Fujairah
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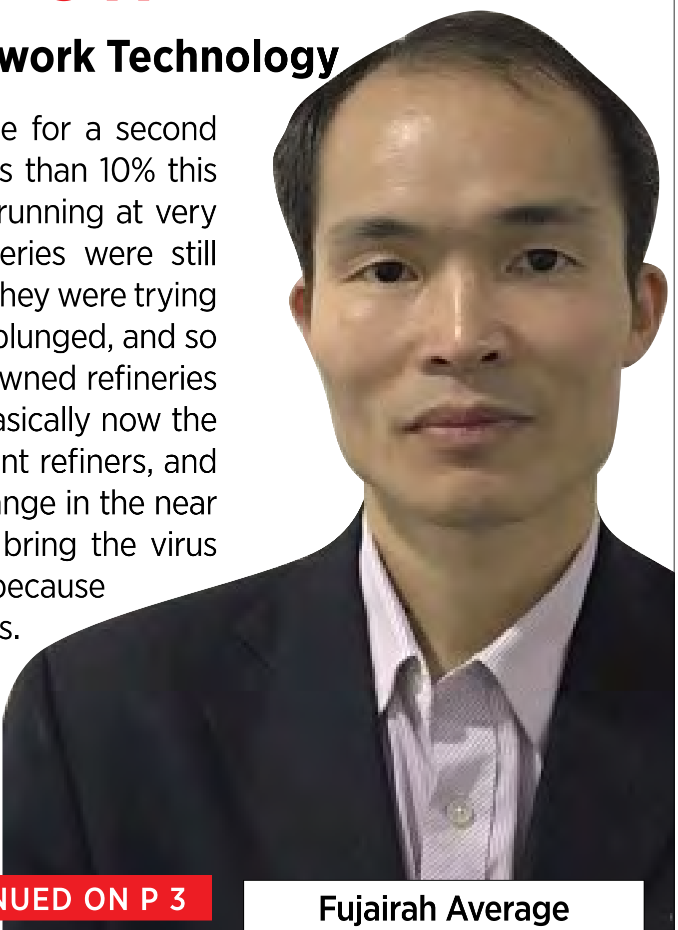
EXCLUSIVE INSIGHTS /// ACTIONABLE INTELLIGENCE /// DATA TRENDS /// LATEST NEWS

"China's Oil Imports Set to Fall for 2nd Year in a Row!"

Victor Yang, Senior Editor, JLC Network Technology



It is probable that China's oil imports will decline for a second year in a row. We could see imports drop by less than 10% this year. Chinese independent refiners are currently running at very low rates, at two-year lows. State-owned refineries were still producing at quite high rates in early March when they were trying to ensure domestic supply, but now demand has plunged, and so they are also reducing their run rates. The state-owned refineries are also now entering maintenance season. So, basically now the buying interest is quite weak amongst independent refiners, and we see this as a trend that we don't expect to change in the near term. It depends on how soon the country can bring the virus under control again, but this time it looks harder because we are talking about infections in many cities. In certain cities like Shanghai and Jilin province we are seeing 100s of infections every day, and this problem is compounded because there is also a shortage of medical workers. This is the most challenging moment since the COVID virus first hit the country in early 2020.

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Fujairah Weekly Oil Inventory Data

5,919,000 bbl	1,787,000 bbl	10,187,000 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
$3.54 - 4.38/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.20/m³

Weekly Average Oil Prices

Brent Crude:	$111.04/bl
WTI Crude:	$106.95/bl
DME Oman:	$109.27/bl
Murban:	$110.84/bl

*Time Period: Week 5, March 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $947.00/mt

Low = $903.00/mt

Average = $920.50/mt

Spread = $44.00/mt

MGO

High = $1,293.00/mt

Low = $1,206.50/mt

Average = $1,192.50/mt

Spread = $0.00/mt

IFO380

High = $731.00/mt

Low = $686.00/mt

Average = $704.50/mt

Spread = $45.00/mt

*Source: Ship and Bunker, *Time Period: March 23 - 30*

Fujairah Bunker Sales Volume (m^3)

150
180cst Low Sulfur Fuel Oil

462,035
380cst Low Sulfur Fuel Oil

125,389
380cst Marine Fuel Oil

1,395
Marine Gasoil

23,419
Low Sulfur Marine Gasoil

5,234
Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

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Victor Yang, Senior Editor, JLC Network Technology

What is the Impact of high oil prices on China?
There is a financial burden on the Chinese government when crude prices are high because the Chinese oil market is not a completely free market. The government partially regulates the oil market. If crude oil averages between $40 and $80, the government would assess oil product prices to be at a normal level, and they will include a normal refining margin into the calculation of oil product prices. But if crude is above $80 a barrel, the government will cut the margins in oil product prices. So, refiners will get lower and lower margins the more prices rise above $80, until the margin for refiners effectively falls to zero. If prices get to $130 and above, in principle, it means domestic oil product prices lag behind costs and margins for independent refiners will suffer. The government will have to subsidize state-owned refiners to ensure domestic supply, but the subsidies will not be enough to cover all the losses, so it's still a very heavy burden on the government.

How significant are the lockdowns in China and their impact on demand?
The country has been largely successful in containing the virus until March this year, but it looks like that will be more difficult this time around as we are talking about infections across many cities, including Shanghai, an economic hub with a population of 25 million. Shanghai is not only a big city, but it is also a financial hub for China, so its shutdown has also a psychological impact on the country.

Fuel demand in Shanghai has plunged by 60% to 80%. And we have similar restrictions all over the country. Travel has declined a lot, with sales of petrol down 30% to 60% since the middle of March. A month ago, China had been planning to suspend gasoline and diesel exports in April to ensure domestic supply because independent refinery runs had declined quite sharply. Now, as domestic demand has dropped sharply, they plan to continue with oil products exports in April. That's just one indication of how significant the impact on fuel demand has been.

> "Internal travel around China has declined a lot, with sales of petrol down 30% to 60% since the middle of March."

Are the lockdowns expected to impact manufacturing areas?
At the moment, some manufacturing has been impacted, but on the whole manufacturing won't be hit too much. If the Shanghai lockdown only lasts a few days altogether, manufacturing will be back to normal quite soon, unless the situation worsens. So, we are not expecting a lot of damage to manufacturing yet.

Will there be much appetite for buying Russian oil in China?
Independent refiners would hesitate to take more barrels from Russia because of the risks around payments and shipping etc., but for state-owned refiners they will find those Russian barrels more attractive. As long as they can fix the problems associated with sanctions, then there's no issue for them.

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Energy Markets Views You can Use

Dr. Carole Nakhle
Chief Executive Officer, Crystol Energy

Will the US intention to release SPR crude impact OPEC action?
The announcement to release one million barrels a day for 180 days would be another factor that would give OPEC Plus the strength to stick to their plan. Even before this announcement, OPEC Plus was not warming up to the idea of putting more than 400,000 barrels a day in the market. The signals have continued that they are unlikely to deviate from this, although we expect to see the planned changes to quotas by the end of April. We are also hearing that there could be other members' quotas adjusted but it won't change the aggregate amount of oil that they want to put in the market for the time being.

Is the Ukraine crisis becoming an existential one for European economies?
The possibility of Russia cutting its energy supplies to Europe cannot be entirely ruled out, even if it will hurt Russia more than its European customers. In terms of the gas rationing plans that we are seeing in Germany for example, the good news is that the winter season is over in Europe, though there will be some impact on industry. It will be interesting to see how Germany copes. This is an economy which has been quite aggressive in its push for climate change, asking households to have a certain percentage of their energy coming from renewable energy. Germany has also turned its back on nuclear energy. If the rationing does not work, what options will they be left with and will they prioritise energy security or climate security?

Outlook for the global economy in H2 given US Fed tightening plans?
There is no going back for the Fed. It is becoming more determined than ever but the US economy is doing much better than others. I am more concerned about the developing countries which have their debt denominated in US dollars, in addition to rising energy, wheat and corn prices - all important commodities that they need. As for Europe, there has been more talk of recession in the past month and we will have to wait and see what happens. The good news is that if we head into a period of slower economic growth, that would ease the pressure on energy prices.

Mike McGlone
Senior Commodity Strategist, Bloomberg Intelligence

The number one issue for most politicians in the US today is inflation.
The bigger picture shows very significant signs of recession and of potential oil demand destruction, which always happens when you have these price spikes. Elasticity of supply and demand are very negative for oil prices. By contrast, for grains, and some metals like copper, there's no supply elasticity and so prices are going to go up over time. Every day that the Fed Chairman Jerome Powell gets up and sees crude oil and stock markets higher, he's got to be more aggressive. We will get 50 basis points in the next Fed meeting unless the stock market starts going down. This is the great reset – the highest inflation for 40 years. By the end of the year, I expect we will have a lower stock market and lower oil prices, and the Fed will not have to tighten as much as they're threatening right now.

The economic outlook for China looks quite precarious?
China's economic growth is clearly already in decline and with the rest of the world going into recession, China will suffer most. The oil demand pull from China will also drop. Today, $90 oil looks high. The market is overpriced. Russian oil is not gone - it will find its way to China. I expect oil will head to $50 by the end of the year. The key issue for crude oil for the last ten years has been pressure from incremental North American supply, and that's accelerating.

GI Soundings Week in Review

All Things Considered Oil at $110 Seems Like a Tame Response to Turmoil Everywhere

Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the MiddleEast, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.

- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**
- **Edward Bell, Senior Director, Market Economics, Emirates NBD**
- **Laury Haytayan, MENA Director, Natural Resource Governance Institute**
- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Andy Laven, Chief Operating Officer, Sahara Energy Resources**
- **Randall Mohammed, Managing Director, PetroIndustrial USA**
- **Christof Rühl, Senior Research Scholar - Center on Global Energy Policy, Columbia University**
- **Adi Imsirovic, Senior Research Fellow, The Oxford Institute for Energy Studies**

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence:

"The number one issue for almost all politicians in the US right now is inflation. The bigger picture shows very significant signs of recession and of potential oil demand destruction, which always happens when you have these price spikes. Elasticity of supply and demand are very negative for oil prices."

Edward Bell, Senior Director, Market Economics, Emirates NBD:

"We're not going to see a wholesale move away from pegging against the dollar in this part of the world. The appeal of sticking to the dollar link will remain strong for net exporters of capital, which this region historically has been and looks like it's going to be again this year because of where oil prices are."

Laury Haytayan, MENA Director, Natural Resource Governance Institute:

"Most of the relevant countries in the region are very upset with the US position - that it's ready to do whatever it takes for the Iran deal to come true – especially in contemplating the removal of the IRGC from the terrorist list. That is a red line for countries like Saudi Arabia, the UAE and Israel."

Omar Najia, Global Head, Derivatives, BB Energy:

"The predominant view is that dollars and euros are not going to do well going forward, and that commodities are. And if Russia forces the world to buy its commodities in roubles, the US and its allies are going to have to prop up the currency or do without these commodities."

Andy Laven, Chief Operating Officer, Sahara Energy Resources:

"None of the options that are being created, to diversify from Russian supply, will be cheaper. They will all be more expensive and so somebody is going to have to pay for those. US floating LNG vessels may be a good short-term fix, but in the long term, it's going to be very difficult to use them."

Randall Mohammed, Managing Director, PetroIndustrial USA:

"The US has committed an additional 15 bcm of LNG to Europe, but it was anyway poised to become the leader in LNG by the end of 2022, at around 100 million tons. Obviously, the US can't replace all of the gas coming from Russia, but it can subsidize what could be lost on the Russian side."

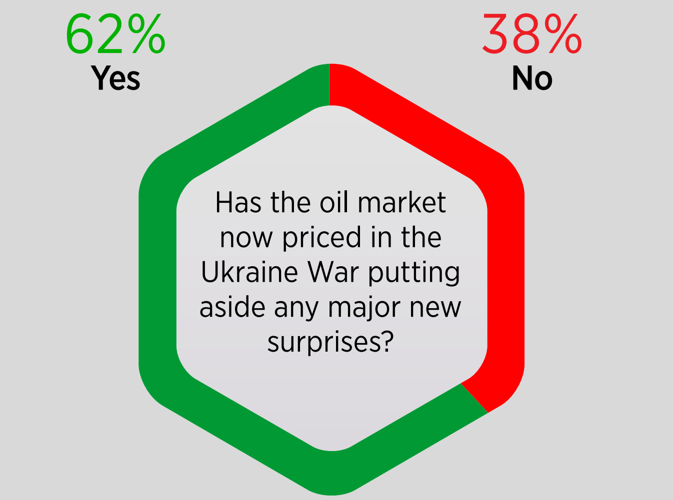
Christof Rühl, Senior Research Scholar - Center on Global Energy Policy, Columbia University:

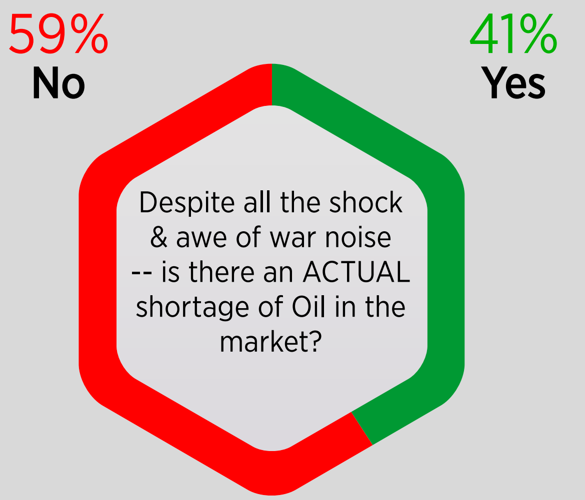
"I think what the FED has done is that they have decided to concentrate on their day job, which is inflation fighting, and not to worry to much about the implications of Ukraine. Russia's economy is the size of Italy's economy and shrinking fast. The connections to the US are marginal now that the US is essentially energy independent. The FED sees the inflation rates going up. It sees them going up driven by a strong economy outside of energy and food prices."

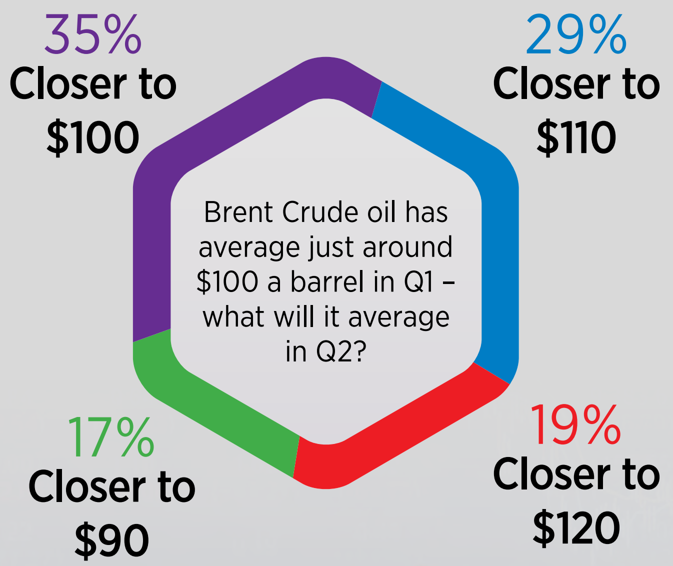
Adi Imsirovic, Senior Research Fellow, The Oxford Institute for Energy Studies:

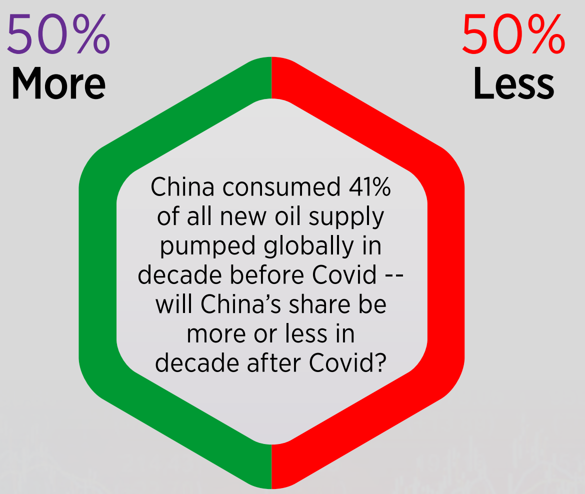
"Margin calls have been absolutely ridiculous. I can just imagine that oil and gas traders are really really suffering. They need banks, they need banks' help. My answer would be that maybe they can return some of those massive bonuses they gave out last year and that would go a long way to help them. So I am a little bit cynical about it because some of them have been talking with their respective governments asking for help. It is very very serious and some of those guys who have poorer credit will be in real trouble."

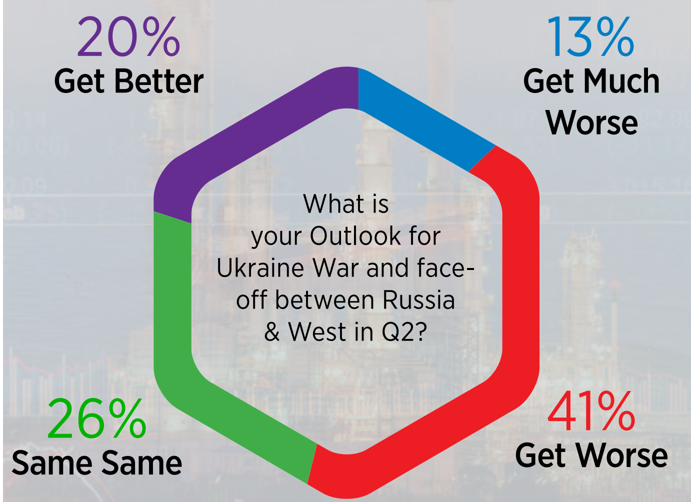
Weekly Surveys











Source: GI Research March 2022

GI Consultancy Intelligence Publishing

A CARBON BRIEF REPORT

China Quietly Releases Energy Roadmap for Next 5 Years

On March 22nd, Beijing quietly dropped its 14th five-year plan (FYP) for the energy sector, a much-anticipated document that sets the tone for the industry's development from 2021 to 2025. The plan came on the same day as China's vice premier stressed the importance of the "clean and efficient" use of coal.

WHAT: China's central government published the long-awaited 14FYP for the energy sector on 22 March, laying out a general direction – as well as specific tasks and goals – for the energy system for the next five years. The overarching objective of the plan is to "accelerate" the development of a "modern energy system" – which, according to a government spokesperson, stands for a "clean, low-carbon, secure and highly efficient" energy system. The plan was jointly published by the National Development and Reform Commission (NDRC), the state economic planner, and the National Energy Administration (NEA), the state energy regulator.

KEY POINTS: The document doubles down on recent government instructions of enhancing energy efficiency by setting quantitative targets on energy production (especially for oil and gas) and reasserting the role of coal and coal power. It also underscores the urgency of speeding up the "low-carbon" transition to adapt to the "large-scale" development of renewable energy. A few key targets are missing, including caps for total energy consumption and coal consumption, as well as projected total electricity consumption. However, Carbon Brief understands there are two new targets: one requires the ratio of non-fossil power generation to reach "about" 39% in the total power generation by 2025; the other stipulates that electric power account for "about" 30% of final energy consumption by 2025. (According to China Electricity Council, a state-approved trade association, non-fossil power generation made up for 34.6% of the total power generation by the end of 2021.)

MAIN GOALS: The document lists five main goals. To summarise, it stipulates that the country should strive towards "more safe and solid" energy security, achieve "remarkably effective" energy transition, "significantly" raise energy efficiency, "obviously" enhance innovation capabilities and "continuously" improve general energy service levels.

TARGETS: The plan commands that by 2025, China should have the "comprehensive energy production capacity" of "above" 4.6bn tonnes of standard coal equivalent (tce) annually as well as producing 200m tonnes of oil and more than 230bn cubic metres of gas a year. (These figures are not new. This government document from last December explained how they were calculated. It also said that the "comprehensive energy production capacity" means the production capacity of primary energy including coal, oil, gas and non-fossil energy. The document also projected China's total energy consumption to reach 5.45-5.5bn tce in 2025. It estimated the "domestic self-sufficiency" rate to be at 84% in 2025 and the domestic energy production to be "above" 4.6bn tce. Production of "raw coal" and energy were expected to be "about" 4.2bn tonnes and 4.7bn tce, respectively, in 2025. None of those figures appears in the final 14FYP for energy.) The new energy plan also notes that the total installed capacity for power generation should reach "about" 3,000 gigawatts (GW), which Bloomberg described as "a huge increase".

MORE TARGETS: The plan repeats several key objectives from the overall 14FYP and China's updated nationally determined contribution (NDC): an 18% reduction target for CO_2 intensity (the CO_2 emissions per unit of GDP), a 13.5% reduction target for energy intensity (the energy consumption per unit of GDP) and an increase to "about" 20% for the share of non-fossil energy in total energy consumption, all from 2021 to 2025.

NAME: One of the biggest differences between this five-year energy plan and its previous incarnations is in the name. Instead of being called the "plan for energy development", the latest document is titled the 14FYP for a "modern energy system". A spokesperson at the state energy regulator said the name change indicates that the government has recognised the necessity of accelerating the development of a "low carbon, intelligent, diversified and multi-polarised" energy system to follow the global trend and adapt to a modern economic system. In explaining the definition of a "modern energy system", the spokesperson pointed to previous instructions from China's president Xi Jinping, who had urged for a "clean, low-carbon, secure and highly efficient" energy system. Xi issued the orders in two high-level meetings, one in January and one in mid-March.

13FYP VS 14FYP: A blog post penned by Yin Ming, a Chinese energy market analyst, has compared the new plan with the 13FYP energy plan. The piece said that the new plan has not set a target for the "domestic self-sufficiency" rate for energy – a move it said would enable the country to stock up on international energy commodities amid "uncertain" global market conditions. It also noted that the plan has set a target for the production capacity – instead of the production – of primary energy to ensure that energy supply could be boosted quickly in case of global shortages. Calculations by researchers from China-based Guosheng Securities showed that China's total

energy consumption is projected to grow to 5.92bn tce during the 14FYP period – a much higher projection than the government's previous estimation, see above – compared to 4.98bn tce in 2020 (a 19% increase). (The 13FYP for energy capped the total energy consumption at "within 5bn tce".) Guosheng also estimated China's non-fossil energy consumption to increase from 0.79bn tce in 2020 to 1.18bn tce by 2025 (a 49% rise but still only sufficient to cover 41% of demand growth overall).

ENERGY SECURITY: The plan calls for an enhancement in the "stability and security" of energy supply chains. Specifically, it demands an increase in the "supply capabilities" of oil and gas (China largely relies on imports for both). It stresses coal's role in "ensuring the basic energy needs" and highlights coal power's importance in supporting the power system and providing flexible peaking services to help raise the share of renewables in the power grid. It also instructs the nation to increase its capabilities in storing gas.

ON COAL: On Tuesday – the same day as the publication of the 14FYP energy plan – China's vice premier, Han Zheng, convened a high-level meeting in Beijing to emphasise the "clean and efficient" use of coal, reported Xinhua. According to the state news agency, Han – who also leads China's leaders group on hitting the "dual-carbon" targets – stressed the "extreme importance" of ensuring national energy security under "new circumstances". The newswire said that Han urged the country to "give full play to coal's role" in meeting the nation's "basic energy needs". He said "clean and efficient" use of coal was "an important means" to achieve the carbon peaking and carbon neutrality goals. (Carbon Brief has explained Han's role in China's climate efforts.) But TransitionZero – a London-based "climate analytics firm" – said on Twitter that China's "major ramp-up of coal mining... will deal a blow to its near-term climate performance" and "is not a sustainable solution for energy security". Read its thread.

MEDIA REACTION: According to Bloomberg, the energy plan intends to increase China's power generating capacity by 800GW – or "about twice the size of India's entire power fleet" – between 2021 and 2025. Reuters reported that China aims to "increase renewable power, maintain crude oil output and boost natural gas production". Han Xiaoping – chief information officer of China Energy Net, an "energy information and consulting service provider" – told the Chinese financial outlet

National Business Daily that the plan is "very important" and will "impact [China's] future energy development profoundly" as the next five years represent a key window for energy restructuring ahead of China's targeted timeline for carbon peaking. The Hong Kong-based South China Morning Post focused on the plan's wording that China is in a "critical stage" of ensuring energy security when new and old risks become "intertwined". Shanghai-based Sixth Tone reported that China "seeks to minimise its reliance on fossil fuels and adopt more forms of renewable energy".

TWITTER REACTION: Yan Qin – a carbon analyst at Refinitiv Carbon – said the headline figures were "largely in line" with previous announcements, stressing a gradual transition towards China's climate goals as well as an emphasis on energy security, following power cuts last year. While there are no specific targets for how many gigawatts (GW) of wind, solar or coal will feature within the 800GW power generation growth goal, independent journalist Liu Hongqiao (formerly of Carbon Brief) calculated that there is 442GW unaccounted for after previous nuclear, hydropower, wind and solar announcements.

(Earlier this year, China Briefing reported that major state-owned power firms planned to build 600GW of wind and solar during the 14FYP period.) Liu also noted that "for the first time" in a domestic policy document, the new plan features Xi's announcement about not building new overseas coal power. According to Lauri Myllyvirta – lead analyst at the Centre for Research on Energy and Clean Air – "whether these clean energy additions are sufficient to peak emissions will depend entirely on energy demand growth, which in turn depends above all on economic policy".

Q&A

China Briefing asks: *What is the significance of China's 14FYP energy plan?*

DR YANG MUYI – senior electricity policy analyst of Asia at Ember – said: "The plan has set a very clear direction: China's energy transition has moved from its initial stage to a breakthrough phase. Its further progress requires not only clean energy uptake. More importantly, the whole energy system also needs to be reconfigured to accommodate the changing energy mix. Against such a background, the role of coal power has also become clear: it will not simply be abandoned, but to be used as a connecting link between the old and new systems. In my view, the government's focus for the next five years is to adjust the energy system – in addition to the energy mix – which in itself is a more complex and unpredictable process. It is, therefore, understandable why the government has not further scaled up its policy targets for energy decarbonisation. This would give some leeway for the country to configure its energy system, especially in the backdrop of substantial external uncertainties."

JIN BOYANG – senior analyst for energy transition at Refinitiv – said: "[The plan] is significant since it is the master plan for energy development during the 14FYP. In the plan, there's a special column about achievements in the energy sector during the 13FYP. If you take a closer look, you will notice that most of the achievements are in line with the targets proposed in the same plan for 13FYP five years ago. Judging from that, we can tell that China is quite serious about its plan on energy and the Chinese government will spare no effort to materialise the desired targets. In the plan, the NDRC (China's state economic planner) reaffirmed China's resolution to abide by The UN Framework Convention on Climate Change and the Paris Agreement and promoted cooperation with the US, the EU and countries in the Global South on climate agenda. Considering the importance of the plan, the significance to China's commitment to climate change is self-explanatory."

LI SHUO – senior global policy advisor at Greenpeace East Asia – said: "I think the time of being too literal about these five-year plans and pretending that they offer us much insight that we did not know before is over. In some cases, China has realised that much in its macro economy and energy system cannot be planned. In others, huge political divergence exists. Therefore, it is not possible to land anything on paper (they did not have a coal capacity target in this plan because they are never going to agree on a number). All of these is to say the five-year plans have become an instrument of backloading consensus that is already there, not a forward-looking document that will fortune-tell the future. This, by default, makes the plans the ultimate killer of news. This is just another way of saying text analysis of these plans are useful, [although it] is probably two years behind China's climate and energy trends."

YUAN JIAHAI – professor at the North China Electric Power University in Beijing – said: "Considering China's basic system of planning its social and economic development on a five-year basis, this document is a master plan, laying out how the energy system will implement the 'dual carbon' goals in the next five years. General-secretary Xi Jinping has given important instructions regarding carbon peaking and carbon neutrality works at two recent meetings. The first task he stressed was to develop a clean, low-carbon, secure and highly efficient energy system. From a global perspective, energy transition is deepening and China needs to conform to this international trend. From the perspective of China's development stage, energy plays a critical role in promoting social and economic development, which calls for a new energy system that can adapt to China's new economic system."

Energy Markets Views You can Use

Laury Haytayan
MENA Director, Natural Resource Governance Institute

Most of the relevant countries in the Middle East are very upset with the US.
That it's ready to do whatever it takes for the Iran deal to come true and especially in contemplating the removal of Iran's Revolutionary Guard from the terrorist list. That is a red line for countries like Saudi Arabia, the UAE and Israel. That's also why it was easy for the former two to be neutral on the Ukraine issue, and why they have reiterated that they want Russia to continue as a partner in OPEC Plus.

Why do China and Russia get less criticism from the GCC on dealing with Iran?
The US was the policeman of the region and now it's effectively telling these countries they need to fend for themselves. There's a new security architecture being built in the region. Iran will be emboldened by the new deal, and the IRGC, as the economic superpower in the country, for example controls the illegal oil sales and benefits from that hard currency.

What will be the outcome of Russia's return and influence on the region?
Everybody understands Russia's importance for the stabilization of the region but now, depending on how weak it ends up with this war against Ukraine, Russia may decide to have proxy wars in Syria or Libya to destabilise and fire back at these western sanctions for example. But more important than the Russia Ukraine war, is the US attitude vis-a-vis the JCPOA and Iran - that matters most. In recent negotiations, the US thought that Iran could replace Russia's three million barrels of oil and Iran knew that and so added more conditions. The US is not showing any moral or ethical leadership. They have shown that when their interests are in danger, they're ready to do whatever it takes. That's why this region is coming more together. I think the UAE and Israel will be the center of this new security architecture that will be put in place in the region, so that it can face the new challenges that will come.

Where is Turkey in this realignment of the Middle East?
Turkey has offered to be a mediator on the negotiations between Ukraine and Russia. It doesn't want to anger Russia or the US. It's also trying to establish good relations again with Israel as a future pipeline export route for its gas. Turkey also has elections next year and so Erdogan is playing all the necessary cards to secure at least a smooth transition until 2023.

Peter McGuire
Chief Executive Officer, XM Australia

China's Manufacturing Growth May Disappoint Through 2022
After dropping to 49.1 in January, the Caixin Manufacturing PMI unexpectedly rose to 50.4 in February, exceeding the market consensus of 49.3 points, the lowest number in 23 months. Production increased for the third month in a row, new orders increased by the most since June, and buying activity continued to rise, all of which contributed to the improvement. Backlogs of work grew as demand for workers outstripped supply for a seventh straight month as employment continued to plummet. The forecast for March's release is to tick down to 50.0.

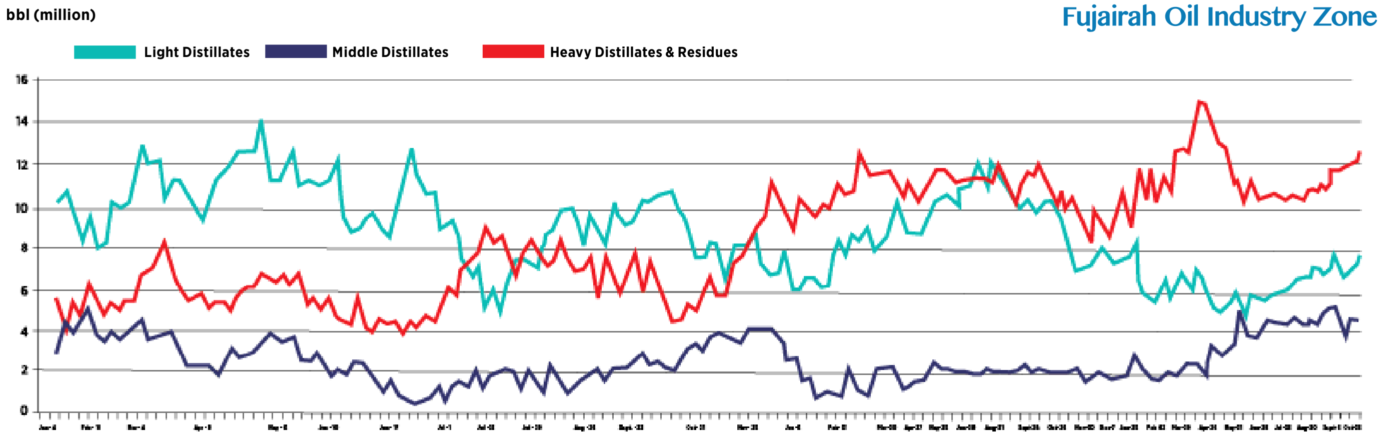
From a five-month low of 51.1 in January 2022, the official NBS Non-Manufacturing PMI for China rose to 51.6 in February. COVID-19 cases were down, and this helped. The official NBS Manufacturing PMI soared to 50.2 in February 2022, compared to market expectations of 49.9, and January's figure of 50.1, while the expectation for March's figure is a decrease to 49.9.

China has imposed its largest city-wide shutdown in the more than two years since the Covid outbreak began. Shanghai was placed under lockdown in two parts over the course of nine days on Monday while police conducted Covid-19 testing. For nearly a month, the vital financial center has been battling a new wave of illnesses, although the case count is low by certain worldwide standards. Authorities had previously refrained from closing down the city of over 25 million inhabitants in order to avoid destabilizing the economy.

However, when Shanghai recorded its highest daily case count since the pandemic's early days on Saturday, authorities appear to have reversed tactics. The lockdown is taking place in two parts, with limitations in place on the eastern half of the city from Monday to 1 April and on the western side from 1 to 5 April. Public transportation will be banned, while businesses and factories would be forced to shut down or operate remotely, police said.

Fujairah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
FOIZ
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 17.893 million barrels. Total stocks fell by 304,000 barrels with overall stocks down 1.7% week-on-week. Light distillates posted a draw while middle distillates were down a sliver and heavy residues posted a marginal rise.
- Stocks of light distillates, including gasoline and naphtha, fell by 363,000 barrels or 5.8% on the week to 5.919 million barrels. The East of Suez gasoline market was coming under downward pressure as market participants expect China to export a significant amount of gasoline in April due to reduced domestic demand amid COVID-19 restrictions in the commercial hub of Shanghai, market sources said. On the demand side, Indonesia and Malaysia were heard to be continuing to stockpile gasoline ahead of Ramadan, which starts in April, market sources said.
- Stocks of middle distillates, including diesel and jet fuel, were largely unchanged falling by 2,000 barrels or 5% on the week to 1.787 million barrels. The gasoil market was finding support from European demand with East of Suez barrels seeing persistent demand from the West. East-West arbitrage of gasoil barrels continues as Russian export dependent buyers in Europe seek gasoil barrels from alternative origins, sources said. “Ever since the war broke out, there has been a flurry of gasoil shipments being covered with tankers,” a source said.
- Stocks of heavy residues rose by 61,000 barrels on the week to 10.187 million barrels. Bunkering activity at the Port of Fujairah had picked up with some suppliers said to not be able to offer product for prompt delivery as a result of being already heavily committed. This, coupled with healthy demand, led suppliers to resist offering down Fujairah-delivered marine fuel 0.5%S bunker in line with the drop in upstream marine fuel 0.5% cargo, sources said. Most offers for the grade were heard at $898-$905/mt on March 29, while trades were heard concluded around $900/mt levels. The grade was assessed at $900/mt, $10/mt lower on the day. The premium of Fujairah-delivered marine fuel 0.5%S against the same grade in Singapore was $25/mt with Singapore delivered bunkers assessed at $875/mt on the day.

Source: S&P Global Platts

The US administration is reportedly considering releasing as much as 180m bbl from its strategic petroleum reserve, the largest release of the stockpiles since the SPR was established during the 1970s energy price shock. The proposed release follows on from two other draws in the last six months; of 50m bbl in November 2021 and 30m bbl in March 2022, both in coordination with other major consuming nations.

Depending how quickly the stockpiles are released onto the market they could represent around 1m b/d of additional supply for several months to help compensate for the relative inaccessibly of Russian crude as bilateral, multilateral and self-imposed sanctions by firms prevent dealing in cargoes from the country. The proposal also comes just ahead of today’s OPEC+ meeting where the producers’ alliance is expected to proceed with its modest monthly production increase of slightly more than 400k b/d. That the US can consider adding such a sizeable amount to markets may affirm the view of OPEC+ ministers that oil market conditions do not warrant additional output from them at this point.

The US currently holds around 568m bbl of crude oil in its strategic reserves, distributed across caverns in Texas and Louisiana. At present levels of implied demand, the SPR would account for around 28 days’ worth. That is substantially lower than the blowout in inventories that resulted from the precipitous drop in demand during the Covid-19 pandemic but is also substantially lower than historic levels of around 35-40 days-worth of demand. When including commercial stockpiles, the inventory position of the US still appears relatively flush at around 50 days’ worth of demand.

An SPR release is not without its risks. In the first instance it may not be substantial enough to materially lower prices, particularly for gasoline prices in the US which have a closer link to international oil benchmarks than to domestic ones. Secondly, running down inventories when the oil market may be moving into a structural deficit with no certainty on how or when stockpiles can be replenished could add another supporting force to oil prices in the medium term. Even if extended over a six month period, which would mean around 1m b/d of additional ‘supply,’ the SPR release wouldn’t be enough to compensate for what is appearing to be a material disruption to Russian crude flows.

Emirates NBD

Energy Markets Views You can Use

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

Energy Sanctions on Russia are Unlike Predecessors as they are Still Optional
In the past when there were sanctions against oil producing countries, it was all or nothing. It was one size fits all, such as with Iran, Venezuela and Iraq. Nobody was permitted to touch their oil, and if they did, there were secondary sanctions. The US tried to infringe on sovereign countries and not to allow their banks help to finance trade with these states, and everybody would be slapped on the head if they did. With the Russian sanctions on energy, so far, they are completely voluntary. That means the US, for example, said it won't take Russian energy imports. But if India does, nobody is going to punish Indian banks for financing it. It is very different this time.

Last week there was a serious discussion on whether Europe should stop importing Russian gas, and in the background, there was another serious discussion on whether they could stop importing Russian oil. The two decisions which have been made is to gradually scale down gas imports, and to back away from enacting a European embargo of Russian oil because the disruptions would be too great.

If they are serious, we will see a very rapid curtailing of gas exports from Russia into Europe, which then will see Russian gas being stranded as there is no pipeline from Western Siberia, where this gas comes from, to Asia. So whatever Europe does not buy has to go in the Russian market, but the Russian market is already well supplied, and so it would be a loss to Russia. Germany has promised to wean themselves off Russian gas imports by 2024, which is quite something.

I think in oil there is way to go. If you do the appropriate calculations, current oil prices are not a reason to grab for the panic button. In present terms of oil prices, we lived with $150 for three years from 2011 to 2013 without a recession. Now the economic situation is a bit dicier, but I think $120 is doable and that's obviously also what OPEC+ things.

Daniel Richards
Senior MENA Economist, Emirates NBD

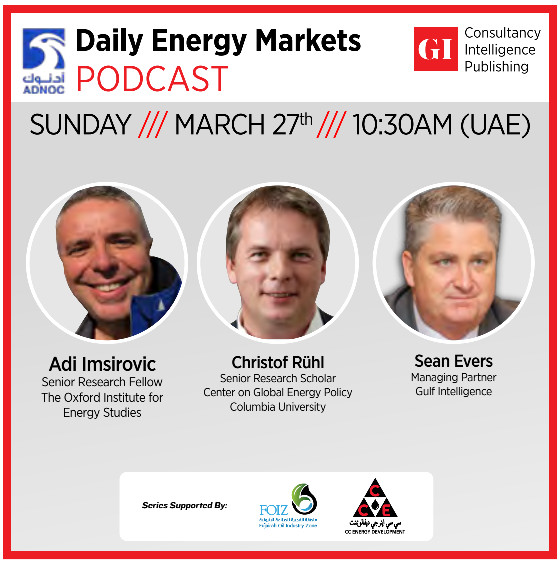
The Great Resignation in the US Continues in the Face of Soaring Inflation
Data released in the US yesterday showed that the level of job openings remains highly elevated as the JOLTS figure came in above expectations at 11.27mn, compared to consensus projections of 11.0. This is down just modestly from the previous month's 11.28mn, and so remains near record high levels. Meanwhile, the quits rate rose to 2.9%, reflecting workers' confidence in the labor market and finding new positions. Meanwhile, the Conference board consumer confidence index ticked up modestly, coming in at 107.2m from a downwardly revised 105.7 the previous month. This was broadly in line with expectations and appears to be bolstered by the strong labor market which is offsetting to some degree mounting concerns around accelerating inflation.

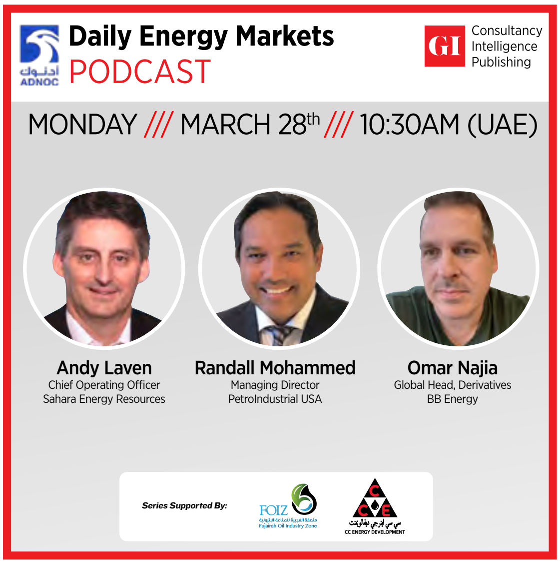
Germany's Confidence Index Drops to 14-Month Low
In the latest of a recent run of disappointing data releases from Germany, the GfK consumer confidence index dipper more than expected in April, coming in at -15.5 compared to projections of -14.5. This was a 14-month low and illustrated a significant deterioration from the March reading of -8.5 as respondents cited concerns about inflation and the war in Ukraine. Income expectations fell to -22.1 which was the lowest reading since the Global Financial Crisis.

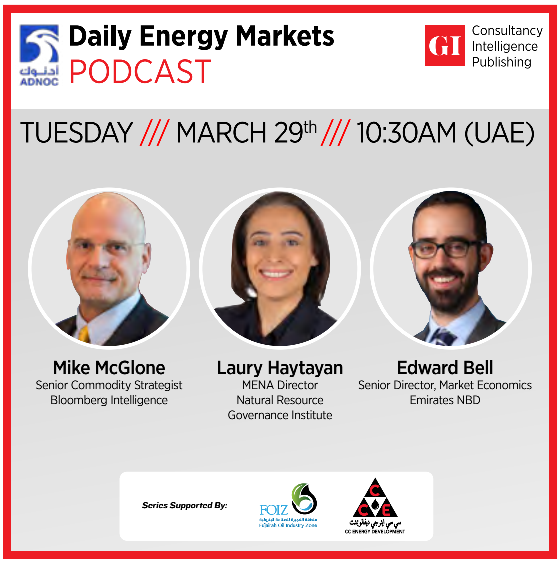
Egypt Attracts a New Wave of FDI
Qatar is set to invest USD 5bn in Egypt, according to a statement from the Egyptian government which followed meetings between officials from the two countries. This follows on from last week's announcements that Abu Dhabi investment fund ADQ was investing USD 2bn in Egypt, and that the IMF were holding discussions with the North African country. Egyptian finances have come under pressure from the conflict in Ukraine which has pushed up the cost of food imports and will constrain tourism receipts this year, on top of the pressures already posed by global monetary tightening. The 100bps out-of-schedule rate hike last week, and the depreciation of the pound following a period of prolonged stability, have been seen as a precursor to securing international support.

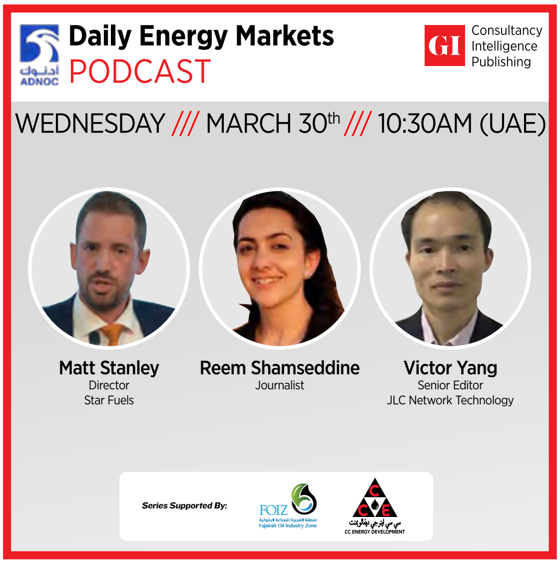
Energy Markets COMMENTARY

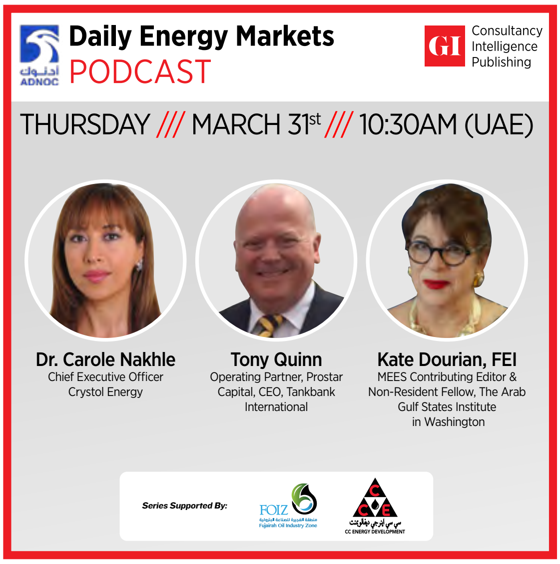
WEEK IN REVIEW











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Energy Markets Views You can Use

Adi Imsirovic
Senior Research Fellow
The Oxford Institute for Energy Studies

Europe Backed Away from Sanctions Because they Can't Live Without Russian Gas

I think the most important thing about the US President's visit to Europe last week was the fact that Biden went very, very close to the Ukrainian border to talk to his European allies. He is clearly building an alliance, and I think he is preparing Europe for the long run. I think Europe and NATO have never been more united. I think, just the fact that Europe was talking about sanctions in terms of banning oil imports from Russia is a very serious sign of how serious the situation is.

There has been a lot of talk about the EU considering sanctions on Russian oil and gas. Most of the talk has been built around the idea that Europe would struggle without Russian oil. I disagree with that analysis. I think the real reason why Europe backed off from sanctions -- of course it would be hard to replace three million barrels of oil a day, you do not substitute that with a snap of a finger -- but the real reason why Europe backed off from sanctions was because of natural Gas. The Russians have clearly said that if Europe sanction their oil or ban their oil imports, then Moscow would stop gas exports to Europe. Oil revenue is the cash-cow for the Russian economy, in normal times it was about 80% of their income, as opposed to 20% from gas. So, the real money is coming for oil and not gas. Now, it is somewhat different because of the relative price changes around gas. Europe realized that Europe cannot do without Russian gas. That is the problem. They Simply cannot. Lights would have to go off!

Sure, it will be tough for oil. It will be very, very hard for Europe. For oil refineries, especially inland refineries that have very little storage, they are actually feeding hand-to-mouth on Russian supplies, but some of them do have alternatives. I think the main problem will be coming to terms with the madness of logistics from the current situation. I can tell you one thing I am very glad I'm no longer on the trading floor because it must be absolutely mad at the moment. Not so much in terms of prices and fluctuations of $20 a barrel, it is tough, but traders can handle that. I think the real challenge is the physical rearrangements of oil supplies, particularly on the product side, because Europe is now losing about half of the products that's supposed to be coming from Russia. It is going to be absolute madness.

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5. SANCTIONS OR NOT, PUTIN'S OIL FUELED WAR CHEST CONTINUES TO GROW
6. GULF OIL PRODUCERS SEEK US MILITARY SUPPORT AGAINST YEMEN ATTACKS
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Fujairah Spotlight

Fujairah wadi added to Unesco World Heritage Site tentative list

The UAE's first mountain nature reserve, Fujairah's Wadi Wurayah National Park, has been added to the Unesco World Heritage Site tentative list, state news agency Wam reported on Thursday. Wadi Wurayah is an area of huge natural significance and is home to at least 860 different species of plants and animals, including the caracal, Arabian tahr, Blanford's fox and the UAE's only native orchid. The park, which spans 220 square kilometres and was first declared a nature reserve in 2009, is also famous for its scenic waterfall, streams and pools set amid the Hajar Mountains. It has also been recognised since 2010 as an important wetland under the Ramsar Convention.

Source: The National

HSFO Cash Premiums Climb

Asia's cash premiums for 180-cst high-sulphur fuel oil (HSFO) surged to a more than six-month high on Wednesday, buoyed by firmer feedstock demand from regional refiners and a gradual pickup in seasonal demand from South Asian utilities. Fujairah Oil Industry Zone (FOIZ) inventories for heavy distillates and residues rose 0.6%, or by 61,000 barrels, from the previous week to 10.2 million barrels (1.5 million tonnes) in the week ended March 28, data via S&P Global Platts showed. Compared with year-ago levels, the weekly fuel oil inventories at FOIZ were about 24% higher. The weekly fuel oil stocks at FOIZ have averaged 10.1 million barrels so far this year, compared with a weekly average of 10.3 million barrels in 2021, Reuters calculations showed.

Source: BRecorder

Fujairah Oil Industry Zone Sportsfest 2022

The Fujairah Oil Industry Zone organized the first ever sports festival and saw keen competition as the top teams in the terminals took part in. It was indeed a fun fair activity where everyone was able to showcase their skills in an outdoor physical activity. FOIZ aims to reach out to all hard-working men and women of all terminals to a whale of time to bring out their love in sports.

Source: FOIZ Twitter

Fujairah Bunker Sales Drop to Lowest Level Since 2020

Bunker sales at the Middle Eastern hub of Fujairah dropped to the lowest level since at least 2020 last month. Total sales excluding marine lubricants sank to 612,388 m3 in February, according to the latest data from the Fujairah Oil Industry Zone and price reporting agency S&P Global Commodity Insights. The total was down by 3% on the year, by 5.2% from January's level and the lowest monthly total since the official data started to be tracked in January 2021. Singapore's marine fuel sales dropped by 15% on the year in February, while Panama's lost 9.7%. 180 CST VLSFO sales in Fujairah lost 25% on the year to 150 m3, 380 CST fell by 6.5% to 462,035 m3, HSFO jumped by 9.7% to125,389 m3, MGO sank by 60.1 to 1,395 m3and LSMGO rose by 20.7% to 23,419 m3. HSFO took an 13.2% share of the total market last month, up from 18.1% a year earlier

Source: ShipandBunker

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
March 27th - 31st

1. Oil prices at $120 a barrel appears rather sober when one considers the scale of dislocation and challenge facing the oil markets, with two of the world's biggest oil exporters (Russia and Saudi Arabia) caught in regional conflicts.
2. Germany's recent commitment to completely overhaul its military posture and abandon their energy partnership with Russia represent some of the biggest geopolitical shifts in Europe since WW2.
3. Oil markets may be under stress, and volatility tells us that there are clearly concerns about the coming months, but still current prices indicate that there is no real shortage anywhere now.
4. Russia's President Putin has threatened to force his customers to pay for oil and gas in Rubles – will he follow through with this threat is one additional level of disruption to watch out for over coming weeks.
5. Middle East remain silent on Russia's invasion of Ukraine because they are wary of any blowback from Moscow at a time when Washington is signaling an intent to withdraw from the region.
6. China's economic challenges are stacking up like airplanes waiting to land – a Covid outbreak and lockdown coming on top of record high commodity prices, and at a time when the Chinese real estate sector is still processing the tremors from the near collapse of Evergrande.
7. China's oil imports will probably decline for a second year in a row as the world's biggest oil importer is suffering an unprecedented economic slowdown in the midst Covid lockdowns.
8. OPEC+ is unwilling to get drawn into the geopolitical fractures emerging over Ukraine, but they do remain very aware of the potential oil demand destruction that it could come trigger in H2 of 2022.
9. As things stand today, we could see oil supply deficit grow in Q2 to 2-2.5 mbpd, but if the Iran nuclear deal is done, and if China lockdowns spread nationwide, then all bets are off!
10. Oil Storage operators are getting squeezed across the Middle East and Asia as traders' appetite for longer tenancies are evaporating with all the market volatility – 3 to 6 months appears to be the limit.

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