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Fujairah New Silk Road WEEKLY NEWSLETTER

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

"G20 MUST SEND A STRONG SIGNAL TO RESTORE CONFIDENCE IN THE GLOBAL ECONOMY."

King Salman bin Abdulaziz Al Saud, Saudi Arabia

The impact of this COVID-19 pandemic has spread to reach the global economy, financial markets, trade, and global supply chains, hampering growth and development and reversing the gains accomplished in the previous years.

This human crisis requires a global response. The world counts on us to come together and cooperate in order to face this challenge. On the health front, the Saudi G20 Presidency took the lead and worked with partners and relevant organizations to take all necessary actions in order to contain the spread of COVID-19 and safeguard people's health. And, here, we value the effective measures adopted by different countries in this regard. We reaffirm our full support for the World Health Organization in coordinating the efforts to counter this pandemic. To complement these efforts, the G20 must assume the responsibility of reinforcing cooperation in financing research and development for therapeutics and a vaccine for COVID-19 and ensure the availability of the vital medical supplies and equipment. We must also strengthen the global preparedness to counter infectious diseases that may spread in the future.

On the economic front, amid the slowdown in global growth and the turmoil in financial markets, the G20 has a pivotal role in countering the economic and social impact of this pandemic. Therefore, we must have an effective and coordinated response to this pandemic and restore confidence in the global economy. The Presidency welcomes the policies and measures taken by countries to revive their respective economies, including stimulus packages, precautionary measures, sector targeted policies, and job protection measures. But despite the importance of any country's individual responses, it is our duty to strengthen cooperation and coordination in all aspects of the adopted economic policies.

Source: G20, 2020 Saudi Arabia

FULL SPEECH HERE

Fujairah Weekly Oil Inventory Data

6,007,000 bbl
Light Distillates

1,859,000 bbl
Middle Distillates

13,314,000 bbl
Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.54 – $4.20/m³

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

*Time period: Weekly

Source: GI Research

THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude: **$29.49/bbl**

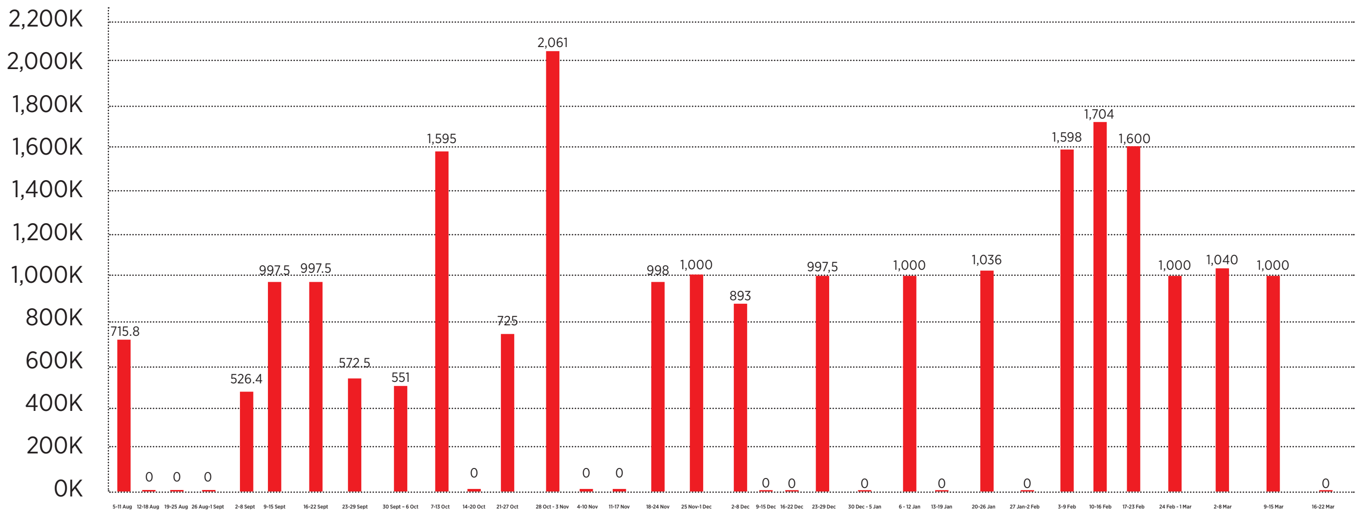
WTI Crude: **$23.69/bbl**

DME Oman: **$28.23/bbl**

Dubai: **$29.34/bbl**

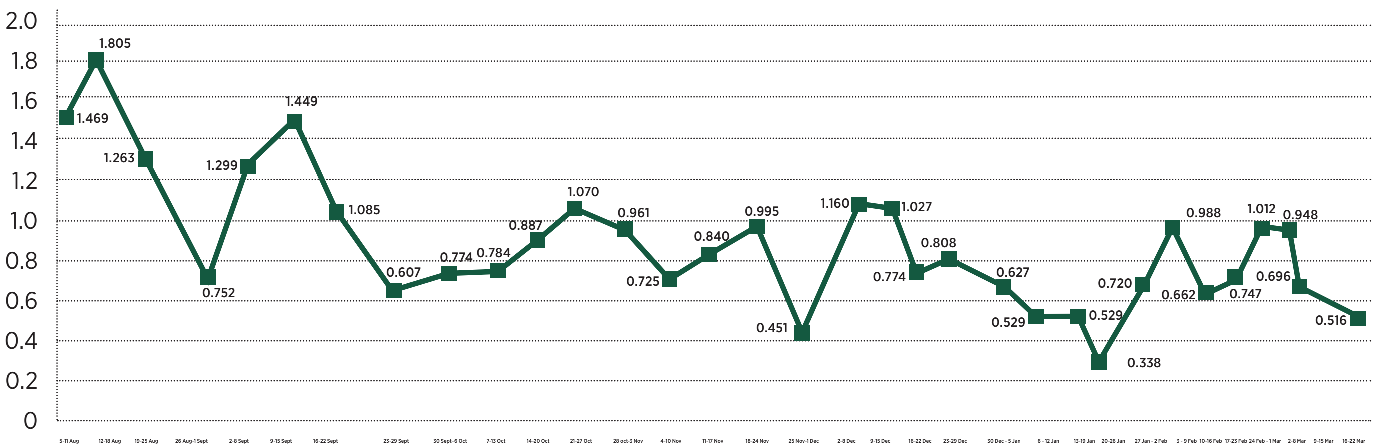
Time Period: Week 4, March 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

GIQ EXCLUSIVE SOUNDINGS

Global Oil Experts Share their Insights on Navigating the Current Unknowns of the Market

Over the past week, GIQ has engaged with oil market experts in Asia, the Middle East, and Europe. We have compiled this piece of intelligence based on the insights harvested from our exclusive conversations and briefings on current oil market dynamics.

Saudi Arabia's Oil Price Strategy

"Saudi Arabia's belief was that if the price fell suddenly it would be very painful and that would create the best conditions for a quick resolution. However, If Saudi Arabia expects the Russians to feel the pain and come back to the table, then that's not very likely. Russia has consistently said that they can cope with lower oil prices for a long period of time."
– Robin Mills, CEO, Qamar Energy

"I'm disappointed in the Saudis. The market is going through some petulance and it has been difficult to manage. It needs support. Saudi Arabia is doing a complete turnaround from 'whatever it takes to support the oil prices' to flooding the market with more oil than what has ever been known in a time where demand is the lowest it has been in a while."
– Matt Stanley, Director, Star Fuels

OPEC+ Break-up

"There have been tentative signs of OPEC+ coming back to the table. Alexander Novak has been meeting Russian oil companies to gather their views. From my perspective, there is no great hope for the return of the OPEC+ framework in the near future unless a significant change occurs. What could that change be? We have seen the Texas Railroad Commissioner speaking about coordinated production cuts with OPEC. This is a long shot though and extremely hard for domestic, political, and practical reasons."
– Robin Mills, CEO, Qamar Energy

"We are currently in a complete deadlock in the ability for both producers to have even mediation efforts work. The secretariat attempted to facilitate communication between both oil ministers but none of these efforts have been successful. We are far from seeing this issue being resolved. Saudi Arabia wants other producers in OPEC+ and Russia to take responsibility for market management."
– Amena Bakr, Deputy Bureau Chief, Energy Intelligence

Trading in a Volatile Market

"Volatility is excellent. When you have a market in contango you are actually being paid by the market to store oil. It is almost free money. Everybody loves contango as long as you have storage whether be tanks or vessels."
– Omar Najia, Global Head Derivatives, BB Energy

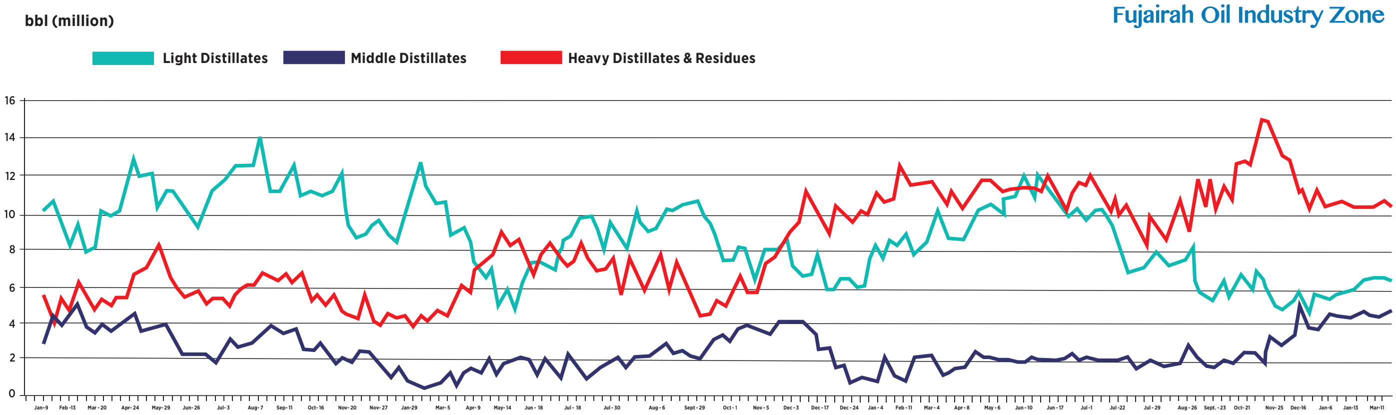
"It's very difficult to trade anything long-term which means you are looking at the short-term and what you can do in that short-term. There isn't any fundamental basis for the oil price we are at today. It is driven by market momentum and emotions. The market is very reluctant to go below $20/bbl because if it goes below this threshold then it means that we could also go back to single digits."
– Andy Laven, Chief Operating Officer, Sahara Energy Resources DMCC

"Pretty soon, every bit of storage in the world will be full. At that point, it doesn't matter what the price of oil is until demand rebounds."
– Paul Young, Head of Energy Products, Dubai Mercantile Exchange

"This is now a demand driven story. The next two weeks are going to be critical to see how that plays out and where we go into the second quarter."
– Andy Critchlow, Head of EMEA News, S&P Global Platts

Fujariah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS
Monday, March 23

- Total oil product stocks in Fujairah stood at 21.180mn barrels. Stocks fell by 9.1% or 2.122mn week on week led by draw downs in the light and middle distillate stock categories while residual stocks showed a small build.
- Stocks of light distillates saw a draw down of 1.058mn barrels or 15% week on week. Total volumes stood at 6.007mn barrels, their lowest level since mid-January. Sentiment in the East of Suez gasoline market remained bearish with gasoline continuing to struggle to find support with demand regionally remaining depressed. Travel restrictions regionally had ramped up in recent days, including in India, which will be on lockdown for 21 days as an effort to curtail the spread of the coronavirus.
- Stocks of middle distillates fell by 39.5% or 1.212mn barrels to stand at 1.859mn barrels at the start of the week, their lowest level since early September last year. The middle distillate market East of Suez was inline with gasoline under pressure from excess supplies amongst a slump in regional demand.
- Stocks of heavy distillates rose by 1.1%, adding 148,000 barrels on the week to stand at 13.314mn barrels. In Fujairah demand for bunkers was slower than usual, inline with less active global tradeflows. Delivered bunkers for Marine Fuel 0.5% in Fujairah were assessed at $270/mt and they were assessed at $274/mt in Singapore on Tuesday, March 24.

Source: S&P Global Platts

FACTBOX
Crude remains in the $20s/b as coronavirus spread reduces demand

CLICK HERE FOR FULL STORY

"Not in my worst fears did I think the market would react to such a drop in demand in the way that it has"

BY MATT STANLEY
DIRECTOR
STAR FUELS

Brent is trading this morning at $26.49 up 0.15 and WTi is trading up 0.45 at $23.05 from last night's close. Did you know that 5/4 of people admit that they're bad with fractions? OK, moving on quickly from that one - this oil market. One could argue that it has been a relatively stable week for Brent, but how many producers and oil exporting countries want a stable week when crude is trading in the $20's? Look, in order to mount any form of recovery, first there must be stability. Is this week the first path to a recovery? To be honest, no, I don't think so at all. I think the world in general has taken a breather and taken stock of what is happening owing to the outbreak of Corona virus. Sadly, I'm not even sure we are anywhere close still from the worst of the outbreak and even the gloomiest of forecasters are probably reluctant to offer any counsel on quite how much demand has or will be destroyed. Some say 10%, some say 20%. Whatever the figure, it is apocalyptic for all those involved in the field of oil production. There is a part of me that feels a little guilty though I have to say. As you know, I have always been "somewhat" of a bear when it comes to the oil market, however, not in my worst fears did I think the market would react to such a drop in demand in the way that it has. Does $30 per bbl seem a little toppy right now? One could argue that yes it does, has anything changed this week for oil to be marginally up? No, not at all. Well I suppose you could argue that $5 trillion of stimulus measures are somewhat supportive but in essence, and fundamentally, will these measures change what has been the catalyst for such a drastic drop in prices? I.E. demand? No, they won't. And this is the inconvenient truth I am afraid. Whilst stimulus measures are put in place to support currencies and equities in no way are they there to support the prices of commodities. Indeed, with a recovery the world will need access to cheap energy, food and other items so is this the turning point for the commodity markets to move away from other indices? Hmmm, I doubt it. But I certainly feel that perhaps this question has been asked by the board of most major banks this week than at any other time in history. Keep safe, stay home if possible and have a nice weekend.

March 27, 2020

US SHALE OIL RESPONDS

"SAUDI ARABIA HAS A REAL OPPORTUNITY TO RISE TO THE OCCASION AND REASSURE GLOBAL ENERGY AND FINANCIAL MARKETS"

Secretary Pompeo's Readout from Call with Saudi Crown Prince Mohammed bin Salman Al Saud.

Secretary Pompeo and the Crown Prince focused on the need to maintain stability in global energy markets amid the worldwide response.

The Secretary stressed that as a leader of the G20 and an important energy leader, Saudi Arabia has a real opportunity to rise to the occasion and reassure global energy and financial markets when the world faces serious economic uncertainty.

The Secretary thanked the Crown Prince for Saudi Arabia's continued partnership in the face of the Iranian regime's destabilizing regional behavior.

Source: US Department of State

Mike Sommers
President and CEO
American Petroleum Institute

"I don't think that we are going to see any new cartel that the US or Saudi would enter into. Taking one cartel like OPEC, which we have argued against for many years, and replacing it with a new cartel is not a solution.

"WHAT WE KNOW IS THAT NO ONE IS MAKING MONEY AT $23/BBL (WTI) NO MATTER WHAT BASIN YOU ARE OPERATING IN."

This is an industry that has relied very heavly on the free market. We think free market solutions are the best answer as this crisis continues. We are not in favor of new sanctions or new price control regimes as this would just prolong the crisis. The market should really be determining what the right prices should be in the industry.

What we know is that no one is making money at $23/bbl (WTI) no matter what basin you are operating in. One of the things that we ask of this administration is to get the markets moving again. The best way to do that is through diplomatic solutions. We must engage with our allies in Saudi Arabia, in particular, to help re-balance the market.

The American producers continue to be some of the most efficient producers in the world. We have incredible resources in many different basins in the United States. Once we get through this, American producers will continue to show their efficiency throughout this industry.

No one is making money at this price. Saudi Arabia is losing money. Russia is losing money. This is not a good long-term strategy for anyone in this industry. Saudi Arabia's and Russia's budgets are based on being petro-states and dependency on crude oil prices. We think the markets will balance themselves in the long-term and we know that the world will continue to demand this resource for many years to come."

Source: American Petroleum Institute (API), March 26, 2020

ENERGY NEWS Highlights

As OPEC pursues oil supply war, here's who has most firepower

With the shackles of OPEC's output limits thrown off and a price war under way, the group's biggest oil producers are preparing to churn out more barrels to protect market share.

Source: Yahoo Finance

US urges Saudi Arabia to 'rise to the occasion' and end its oil price war with Russia

Oil prices have more than halved since climbing to a peak in January, with analysts warning crude futures could soon plunge into the teens over the coming weeks.

Source: CNBC

Brooge Holdings provides update on operations during Covid-19 and commodity price volatility

Brooge Holdings Limited, a midstream oil storage and service provider strategically located outside the Strait of Hormuz, adjacent to the Port of Fujairah in the United Arab Emirates through its wholly-owned subsidiary Brooge Petroleum and Gas Investment Company FZE, announced today that the Company's business and operations are continuing largely uninterrupted by the coronavirus outbreak and commodity price volatility at this time.

Source: Yahoo Finance

Nigeria: $50m pledge to support oil and gas industry local content

The Nigerian Content Development and Monitoring Board (NCDMB) will establish a $50mn intervention fund to support local content in the oil and gas industry. This move is planned to change the narrative in research and development (R&D) activities in the industry.

Source: ESI Africa

Iraq limits production despite Saudi ramp-up

The Iraqi Oil Ministry has continued to throttle back production at state-run fields with spare capacity, even as Saudi Arabia and Russia prepare to open the taps for a price war.

Source: Iraq Oil Report

Coronavirus: Global oil storage infrastructure in trouble like never before

Global oil storage infrastructure is in trouble and will be unable to take more crude and products in just a few months, according to a latest analysis by Rystad Energy. It said the largest oil supply surplus the world has ever seen in a single quarter is about to hit the global market from April, creating an imbalance of around 10mn bpd.

Source: Energy World

China's $13tn bond market shines as Treasuries turn treacherous

Extreme market volatility in March 2020, stemming from the coronavirus pandemic, has shaken up traditional havens such as US government debt, gold and the Japanese yen. But Chinese government bonds, and debt issued by the country's key development banks, have remained stable by comparison.

Source: FT

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