

# Fujairah

## New Silk Road

### WEEKLY NEWSLETTER

OCT 7<sup>th</sup> 2021  
VOL. 92

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AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

## BANGLADESH WILL SHOW RESILIENCE AGAINST RECORD LNG PRICES!

**Mohammad Hossain, Ministry of Power, Energy & Mineral Resources, Bangladesh**

We are facing severe difficulties with energy pricing, which has led to us having to abandon some of our import plans. This is not something that could have been predicted when we started taking LNG in 2018, when prices were very competitive. We are adjusting our long-term purchase portfolio, and also spot purchases, so that at least we can blend this cost for the future. LNG supplier countries also have some sort of responsibility to sustain these LNG markets; otherwise, if importers don't feel comfortable, they will divert to other options. That said, Bangladesh is in a more comfortable situation than some other countries during winter because our demand for energy reduces then to about 10,000 MW. Our main need is for cooling in the summer months when demand for electricity goes up to 14000 MW. We have been trying to have a land LNG terminal for the last few years and if we had succeeded, we could have offset this recent price hike.



CONTINUED ON PAGE 3

### Fujairah Weekly Oil Inventory Data

4,682,000 bbl

Light Distillates



3,855,000 bbl

Middle Distillates



8,176,000 bbl

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/m<sup>3</sup>**



↑ **Highest: \$4.50/m<sup>3</sup>**

↓ **Lowest: \$3.40/m<sup>3</sup>**

**GI** Consultancy Intelligence Publishing

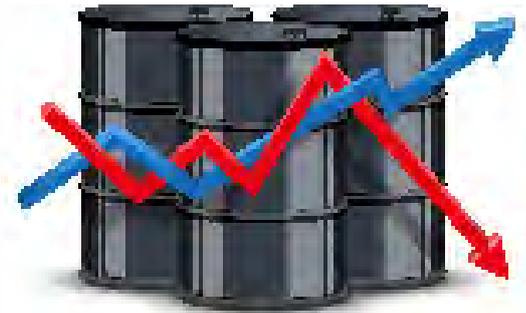
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# THE WEEK In Numbers



## Weekly Average Oil Prices

**Brent Crude:** **\$80.95/bl**

**WTI Crude:** **\$77.13/bl**

**DME Oman:** **\$78.82/bl**

**Murban:** **\$79.67/bl**

Time Period: Week 1, October 2021  
Source: IEA, OilPrice.com, GI Research

## Fujairah Weekly Bunker Prices

### VLSFO

**High = \$578.00/mt**

**Low = \$563.50/mt**

**Average = \$570.00/mt**

**Spread = \$14.50/mt**

### MGO

**High = \$713.50/mt**

**Low = \$677.50/mt**

**Average = \$691.50/mt**

**Spread = \$36.00/mt**

### IFO380

**High = \$507.50/mt**

**Low = \$489.00/mt**

**Average = \$496.00/mt**

**Spread = \$18.50/mt**

Source: Ship and Bunker, \*Time Period: September 29 - October 6

## Fujairah Bunker Sales Volume (m<sup>3</sup>)

**1,752**

180cst Low Sulfur Fuel Oil

**541,179**

380cst Low Sulfur Fuel Oil

**129,410**

380cst Marine Fuel Oil

**2,215**

Marine Gasoil

**28,662**

Low Sulfur Marine Gasoil

**4,345**

Lubricants

Source: FEDCom & S&P Global Platts

# Mohammad Hossain, Ministry of Power, Energy & Mineral Resources, Bangladesh

CONTINUED FROM PAGE 1

## **Will the Energy Transition derail FDI into Bangladesh Natural Gas projects?**

**Mohammad Hossain:** Bangladesh is on a mission to become a developed country by 2041, by which time it projects that demand for electricity will be 50,000 megawatts. We plan to meet this demand with a generation capacity of 60,000 MW. Since 2009, the country has increased its electricity generation fivefold from 5000 MW to 25,000 MW, at an investment value of \$25 billion. Our friendly investment policy and payment track record has made this possible and helped us retain our IPP partners.

## **Could access to capital derail Bangladesh plans?**

**Mohammad Hossain:** We are also exploring other finance through export credit agencies and joint ventures, and we envisage we will secure what is needed for scaling up generation. Along with the rest of the world, Bangladesh has a commitment to the energy transition. We have already abandoned all coal-based projects in a first step to shift from fossil fuels to renewable energy.

## **What is the role of Renewables in Bangladesh future energy mix?**

**Mohammad Hossain:** A country like ours cannot bank on renewable energy alone. In our case, this would be solar, which is variable and cannot provide grid stability and energy security. We will continue to use fossil fuels but offer greener options like LNG as our domestic gas.

## **Do you think a carbon price is necessary to achieve climate goals?**

**Mohammad Hossain:** It should be part of the market and we must work together to have a reasonable carbon pricing so that everybody is inspired to utilize their efficiency measures and reduce carbon emissions.

## **How does Bangladesh navigate today's tensions between China and the US?**

**Mohammad Hossain:** We have a unique foreign policy. The US is still the biggest investor in Bangladesh. US companies account for the majority of our domestic natural gas production and investment in the power sector. We also have investment from China, from Japan and India. Any geopolitical tensions between those countries have not affected our business.

## **Will you have to turn to China more if US investment drops because of its push away from fossil fuels?**

**Mohammad Hossain:** The US has not declared that it will stop investing in gas or LNG. This will continue for another 20 years. There is a global consensus that we should not have coal in energy or other generation and even China has declared it won't be investing in coal going forward. But we can't suddenly back out of fossil fuels. LNG is a clean energy and US investment in it will continue.



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# ENERGY MARKETS VIEWS YOU CAN USE

**Mike Muller**  
**Head**  
**Vitol Asia**



## WHAT IMPACT WILL CHINA'S POWER CRISIS HAVE ON GDP GROWTH AND ENERGY DEMAND?

China is a big country and it's the provinces in the very north that are the ones that tend to take the brunt of cold weather in winter. The country will continue with its clean air policy and government directives on reducing carbon footprints and at same time, want to reassure the public that they will have electricity in their homes all winter even if it means ramping up coal production. The scene is set for the months ahead with prospects of a ghoulish winter again, causing people to want to stockpile and with China exporting very little petroleum product as a result of their quotas setting. We are also seeing great caution in the business community on the back of the various interventionist headlines and the issues in the construction sector (which accounts for a large part of power demand). And with the potential chopping of discretionary consumption of power for energy intensive heavy industries, there's a consensus that GDP will be hit.

## ANY CHANCE OF LNG PRICES COOLING DOWN FROM THEIR RECENT HIGHS?

There's been a confluence of factors around the world pushing LNG prices up. Coal has been underinvested in and so there's no fresh capacity there. We have less hydro in some of the major hydroelectric projects in Brazil and also in China. The lack of those two sources has led to demand for the next most sensible fuel - LNG - and the pace at which the world has put FSUs in place to regasify means you have a very different picture to what you had a decade ago. LNG today is a highly fungible commercial product, and it is now properly linked between Europe and international Asian prices. We're already seeing prices on winter forward months peaking and unlike the spike that we saw at the very beginning of this year - when there was a temporary short squeeze caused by extreme cold weather in Japan and Korea - this time, the high prices are underpinned. And the LNG market has rattled on through into European power markets, where we see a mix of capacity problems, demand and overreliance on intermittent renewable fuels such as wind and solar. Power prices in places like Spain and Italy last week were above 210 Euros per megawatt hour, which is astonishing.

## HAVE THE MARKETS PUT ASIDE IRAN AND US SUPPLY FOR THE TIME BEING?

For this winter, there's none expected from either. In the US, the rig counts are simply not there for production to catch up in a way to provide any extra oil that might be needed. And with Iran, even if there were to be a surprising and swift agreement, it will be several months before that would be forthcoming because you have to work through cash payments to the banking system, free up shipping companies, insurance, etc. And I don't see much incremental Iranian oil over and above what is already going to markets where there's established players such as China.

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



## CENTRAL BANKS ARE DESPERATE FOR SOMEONE TO BLAME FOR THE INFLATION WE SEE TODAY.

But the reality is that the wall of money they have created has been the cause. And they were warned - many economists, very supportive of their policies initially, have said in the last six months that too much easing was going to create inflation. Rising energy prices and food prices have not been the root cause of inflation - it's been monetary policy. And usually, a one-off increase in prices such as energy is not inflationary anyway - it's just a shift in relative prices.

## IS IT TOO LATE TO TRY AND CONTROL IT?

It's not central banks primarily anymore that can change anything. It's the fiscal packages, and what's in the pipeline for example in the US with the infrastructure projects under way, that will be executed with social expenditure. What happens there will have more immediate impact on energy markets than whether the Fed tapers or not. And even when tapering starts, it won't work as it's just a misallocation of capital, despite being inflationary. Market participants today know that there's no way around taking monetary easing off the table at some point, unless the real economic situation deteriorates because of Covid or another similar crisis. Wall Street knows that this can't go on.

## HOW MUCH IS THE EUROPEAN ENERGY CRISIS WEIGHING ON ECONOMIC RECOVERY?

Not much yet because governments are stepping in with subsidies. However, what we are seeing is natural gas becoming a globally traded commodity, no longer subject to fixed price long term contracts, or to oil. It's become a cyclical and strongly volatile commodity. The other thing we are seeing is this link to the energy transition. It's very disturbing for consumers, especially in Europe, who are used to stable electricity prices, to see this volatility. That will become stronger when the energy substitution is under way and don't forget, government subsidies cannot be used with the energy transition. Add to this the fact that coal is coming back, it's clear that the transition is going to be much harder than people expected.

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# ENERGY MARKETS VIEWS YOU CAN USE

**Chris Bake**  
**Member of the Executive Committee**  
**Vitol**



## **OIL MARKET MOMENTUM BOOSTED BY PRICE SURGE IN NATURAL GAS**

Today's oil market is a very different picture from even a month ago. Despite talk of Covid overhang and demand destruction, tight gas inventories and the incremental draw on liquids and coal shows that the positive trajectory hasn't changed. Since the peak of oil storage in April and May of last year, we have seen an impressive 500+ million barrels draw in inventory. We're well below the five-year averages now. Demand is strong and liquid oil substitution - which we muted probably only four weeks ago - is happening a lot as natural gas spirals in price exponentially.

## **ALL EYES ON OPEC FOR POSSIBLE CHANGE OF COURSE AS OIL HITS \$80**

As JCPOA discussions with Iran continue to stall, the advent of Iranian oil on the market anytime soon has been put aside. The big question for markets this week is whether OPEC will react more aggressively than its current program of releasing oil supply that they have methodically planned monthly since April - 400,000 bpd p/m.

## **WILL ADNOC'S CONNECTION TO PORT OF FUJAIRAH MANIFOLD SYSTEM BE A GAME CHANGER?**

ADNOC's planned connectivity between its crude oil storage tanks and the Port of Fujairah manifold system, shared by all terminal users, could change the equation in Fujairah if ADNOC was to permit its crude oil to be stored as secondary or tertiary storage in Fujairah. Still, it wouldn't be a significant game changer currently if that happens, for today the available crude oil storage capacity in Fujairah is not massive. In either case, I don't believe ADNOC has indicated that they are keen to sell their oil FOB and leave it in Fujairah.

## **WHAT IMPACT HAS THE COVID PANDEMIC HAD ON FUJAIRAH?**

I think the Covid pandemic has strengthened the position of Fujairah as a strategic energy hub. It is clear by Abu Dhabi's actions - the connectivity to the Fujairah manifold; the construction of the strategic petroleum reserve caverns and connecting Fujairah to the rest of the UAE by rail - that there is a very strong drive to continue Fujairah's emergence as a logistics hub.

**Ahmed Mehdi**  
**Research Associate**  
**The Oxford Institute for Energy Studies**



## **WAS THERE ANY SURPRISE AT OPEC'S DECISION THIS WEEK?**

Sticking to their plan to add 400,000 bd in November had been priced into the market. There were discussions on increasing beyond this because of the gas to liquids issue and continued impact of hurricane IDA with 600,000 bls of refining capacity still offline. But what was missing while everyone was talking about high gas prices, was the consideration that from a physical and operational perspective, more supply is not necessarily good for refinery utilization in some cases. And with China's new power conservation mandates, and the country's decision to allocate new fresh import quotas for the final quarter, that could also impact refinery runs there. There's also the spare capacity question of OPEC, with only a handful of its members able to go beyond current quotas and we have the delay in Iranian barrels to market. So, all in all, the bullish factors suggesting that this is a tight market are not necessarily the case.

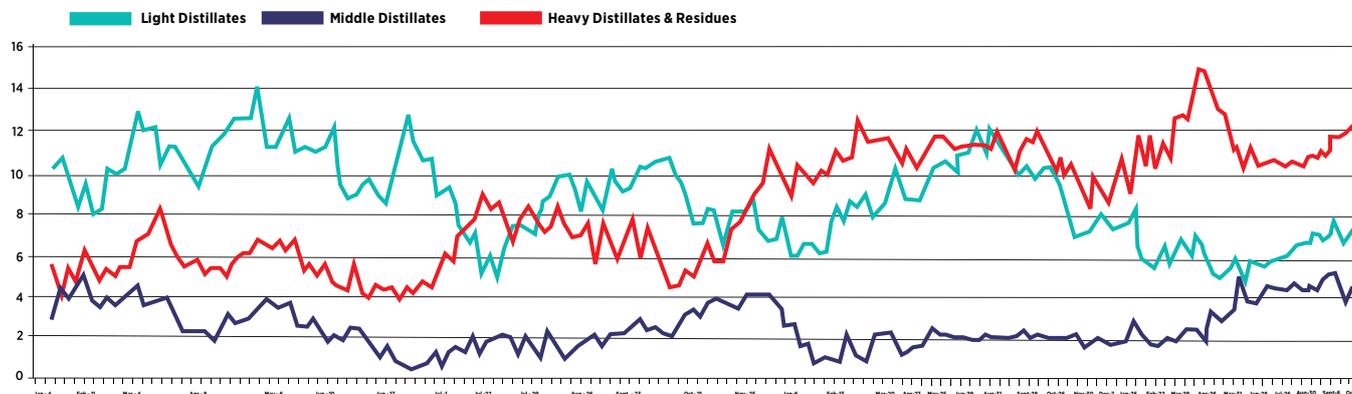
## **WHAT IMPACT MIGHT THE IRAQ ELECTION RESULTS HAVE ON OIL POLICY AND EXPORTS?**

There are capacity constraints on the export side despite the upstream dollars still flowing. There's an attempt to create this new Iraq National Oil Company (INOC) to transfer the duties of the Ministry to a new entity but that's still subject to legal disputes. In Kurdistan, negotiations are leading to a bit more of an alignment of interests between the Kurdish Democratic Party and the Sadrist, and that has implications for exports. But the reality is that exports from the South are at maximum capacity due to midstream storage constraints. They have more complex configurations of crude coming out and that is creating some quality issues. So, the maximum that can be exported is around 3.7 million barrels. The real problem is to do with the corrosion in subsea pipelines that go from onshore to export terminals. They're trying to replace those and the timeframe for that is really dependent on what happens with these EPC contractors. So, the idea that Iraq could sustainably export beyond 3.7 million bd is not true and that should also be configured into OPEC's spare capacity calculations.

# Fujariah Weekly Oil Inventory Data



bbl (million)



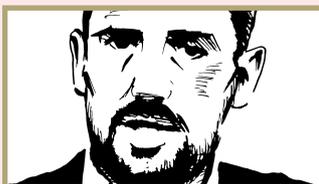
## TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 16.713mn barrels. Total stocks rose 1.180mn barrels with overall stocks up 7.6% week-on-week. This is a continuation of last week's rebound after stocks fell to a record low of 14.998mn on September 20. The total stock build was driven by increasing stocks of middle distillates and heavy residues while light distillates posted a draw.
- Stocks of light distillates, including gasoline and naphtha, fell by 429,000 barrels or 8.4% on the week to 4.682 million barrels. Market participants said China's tight export quotas were weighing on gasoline supply in Asia and China's Golden Week was also supporting gasoline demand, which is expected to peak during the week-long holiday. Meanwhile, US driving activity, a proxy for gasoline demand, also remained 33.88% above baseline levels Oct. 3, according to the latest Apple Mobility data.
- Stocks of middle distillates, including diesel and jet fuel, rose by 157,000 barrels or 4.2% on the week to 3.855mn barrels. This is a modest continuation of last week's rise of 637,000 barrels. The latest UN World Tourism Organization report, released on Oct. 4, showed a moderate rebound in international arrivals for most destinations compared with 2020. According to the report, 2021 continues to be a challenge for global tourism as volumes in July were still 67% lower from pre-pandemic levels in 2019. Looking ahead, the UNWTO said prospects for the rest of the year remain mixed, with 53% of a panel of experts surveyed by the agency expecting a worse off period, while 31% are hoping to see better results towards the end of the year. In tender news, India's Mangalore Refinery and Petrochemicals Ltd. issued a tender to sell 65,000 mt of 10ppm sulfur high speed diesel for loading from New Mangalore over Nov. 1-3, market sources said Oct. 5. The tender closes Oct. 13 with same-day validity.
- Stocks of heavy residues rose by 1.452mn barrels or 21.6% on the week to 8.176mn barrels. This is a reversal of last week's fall of 256,000 barrels. The fuel oil market has been seeing demand weakness since the second half of September as HSFO demand from South Asia declined after peak summer season, market sources said. Buying interest from Pakistan and Bangladesh weakened as electricity demand tapered off and Bangladesh projected its HSFO imports for October would fall 10-15% on the month to total around 340,000-360,000 mt, Platts reported previously. Chinese demand for Singapore marine fuel 0.5%S was seen weak on Oct. 5 as traders said China is buying less bunker fuel, even though it is producing less. Fujairah-delivered marine fuel maximum 0.5% sulfur was assessed \$570/mt on Oct. 5. The price in Fujairah is a \$4/mt discount to Singapore which saw its delivered bunkers on Oct. 5 on the same basis assessed at \$574/mt.

Source: S&amp;P Global Platts

## OIL COMMENTARY

Brent is trading this morning at \$80.71/bbl, down 0.37/bbl. WTI is trading down 0.74/bbl, at \$76.69/bbl. "Here he comes to save the dayyyy, Mighty Vlad is on the way." Probably riding in bare chested on a bear, "bear chested". Gas crisis? What gas crisis? "Only joking lads, here have some more gas." For the uninitiated, the song is from "Mighty Mouse", a popular cartoon from my childhood and I am referring to Vladimir Putin who suddenly decided that most of Europe can have some more gas. I mean talk about leverage, wowwww. Or to put it politically, something I'm not very good at, "Let's think through the potential



**BY MATT STANLEY**  
SENIOR BROKER  
STAR FUELS

increase of supply on the market, only we need to do it carefully," Putin said. God. Why do I find that scary? You remember when you were a teenager? You'd just finished watching Mighty Mouse and you wanted to ask your Mum if you could go out to the

park. At night. Gulp. "Let's sit down and talk about that, shall we son?" That'll be a no then. Look, joking aside, something needed to happen, and we cannot kid ourselves that it was going to take intervention from someone like a Gazprom in order to bring things under some form of control. We aren't there yet but the panic may have waned from the market, and this certainly reflected in prices on ICE NBP gas last night, falling 10%. Of course, this dragged down the oil complex because with gas prices surging even Greta was scrambling around for some fuel oil so that she could plot her next UN

meeting and accuse everyone of blah blah blah blahhing. Actually, there's a bar on Jumeirah Beach called Blah Blah - maybe the next venue for Greta to get involved in? Anywayyyy, back to other nonsense. Yes, energy has been front and centre of most news agencies front pages recently and is this a good thing? I'd argue no. Oil stocks in the USA increased for a second week last week and, as I mention above, with a potential mitigant on the EU gas supply crisis on the horizon we could see a correction in prices across the oily board over the coming days. Good day.



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# ENERGY MARKETS COMMENTARY WEEK IN REVIEW



**DAILY ENERGY MARKETS FORUM** Consultancy Intelligence Publishing  
**NEW SILK ROAD LIVE PODCAST**

**SUNDAY /// OCT 3<sup>rd</sup> /// 2021**

**Mike Muller**  
 Head  
 Vitol Asia

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

**Dyala Sabbagh**  
 Partner  
 Gulf Intelligence

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**MONDAY /// OCT 4<sup>th</sup> /// 2021**

**Andy Laven**  
 Chief Operating Officer  
 Sahara Energy Resources

**Peter McGuire**  
 Chief Executive Officer  
 XM Australia

**Omar Najia**  
 Global Head, Derivatives  
 BG Energy

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**TUESDAY /// OCT 5<sup>th</sup> /// 2021**

**Matt Stanley**  
 Director  
 Star Fuels

**Mike McGlone**  
 Senior Commodity Strategist  
 Bloomberg Intelligence

**Ahmed Mehdi**  
 Research Associate  
 The Oxford Institute for Energy Studies

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**WEDNESDAY /// OCT 6<sup>th</sup> /// 2021**

**Rustin Edwards**  
 Head, Fuel Oil Procurement  
 Euronav NV

**Robin Mills**  
 Chief Executive Officer  
 Oamar Energy

**Omar Al-Ubaydli**  
 Director of Research  
 Bahrain Center for Strategic  
 International & Energy Studies  
 (DERASAT)

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**NEW SILK ROAD LIVE PODCAST**

**THURSDAY /// OCT 7<sup>th</sup> /// 2021**

**Vandana Hari**  
 Founder & CEO  
 Vanda Insights

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

**Dyala Sabbagh**  
 Partner  
 Gulf Intelligence

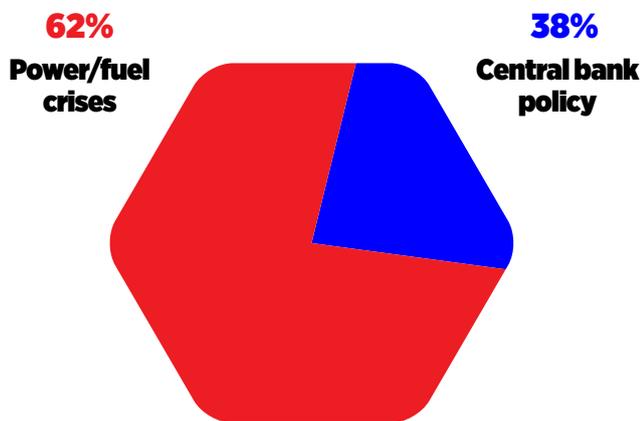
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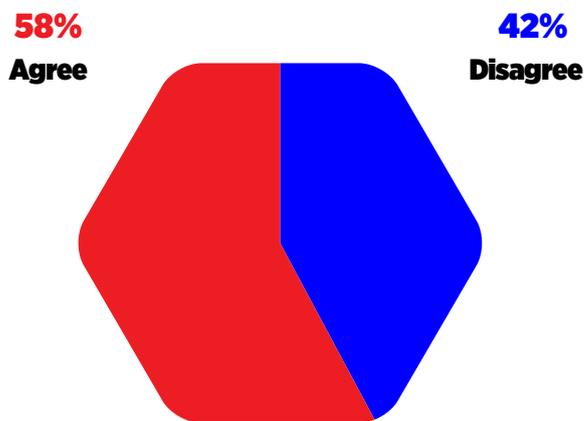


# Weekly Surveys

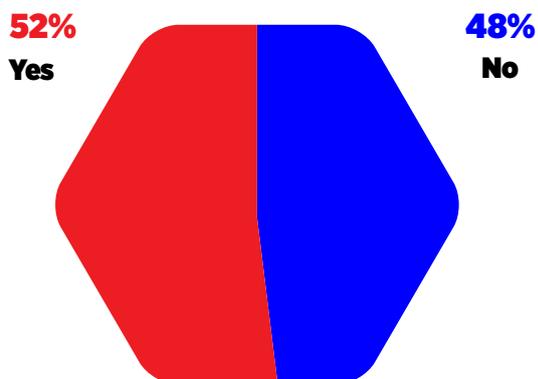
**What will have a stronger impact on global economic recovery?**



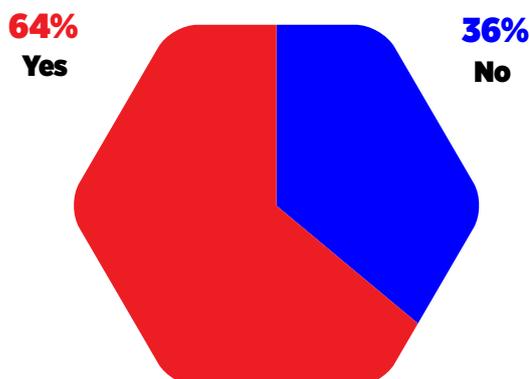
**Should OPEC+ consider oil price impact on boosting inflation when deciding today on future supply plans?**



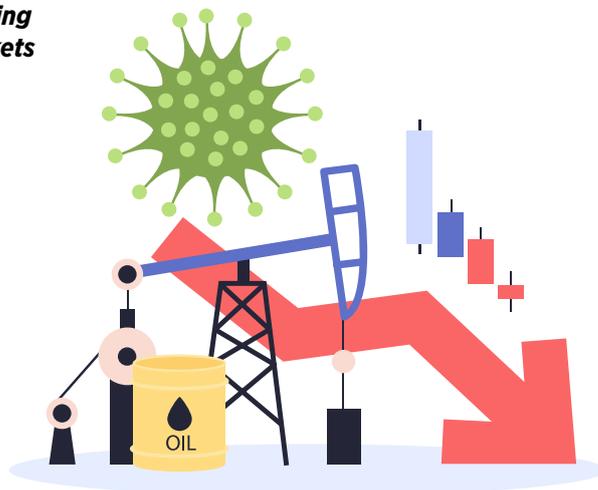
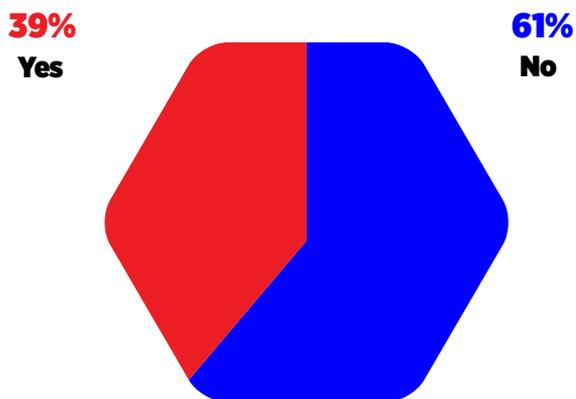
**Would you be willing to bet \$100 that Brent crude oil won't reach \$100/bl in Q4?**



**Can GCC economies bet on USD 80/bl average for Brent in 2022?**



**There are reports that the US Administration is looking at releasing oil stocks from the Strategic Petroleum Reserve to calm oil markets -- will that strategy succeed?**



Source: GIQ

# ENERGY MARKETS VIEWS YOU CAN USE

**Rania Tadros**  
**Managing Partner - Dubai**  
**Ince**



## HOW IS SHIPPING POSITIONED TO MEET THE ENERGY TRANSITION?

The IMO is working towards a 50% reduction of carbon emissions by 2030, and then perhaps something closer to 100% by 2050. Shipping certainly has a role to play in reducing carbon emissions and one example has been with the introduction of lower sulfur fuel oil. IMO's first step into that was in January of 2020. Obviously, the increased price of LNG at the moment probably isn't helping, with people being slightly more uncertain as to whether clean energy is going to be affordable and what sorts of clean energy they should opt for. The situation is very dynamic.

## HAVE SHIPPING LOGISTICS BEEN ADDRESSED ADEQUATELY AROUND COVID?

Contingencies have been well organized but what has not been addressed properly is the welfare of seafarers. They have undertaken a lot of uncertainty not knowing what will happen to them as they go from port to port. We need a global protocol for seafarers rather than having a system dependent on individual port state control. We need a commitment by the industry, by governments and by countries for mariners' wellbeing – that's really important at this stage.

## HOW IMPORTANT IS IT FOR A BUNKERING HUB LIKE FUJAIRAH TO BE READY FOR CLEANER FUELS?

When you look at the order books, there are a number of ships under construction at the moment which will operate on cleaner fuels and so ports such as Fujairah are going to have to modernize and be able to meet more carbon efficient fuels. The key question is when this is likely to happen - I think we're talking beyond ten years' time so they will have time to build their infrastructure to meet the demand that's going to be set up by these ships that are still being built.

**Capt. Mayed Alameiry**  
**Harbour Master**  
**Port of Fujairah**



## HOW HAVE FUJAIRAH OPERATIONS FAIRED DURING COVID?

We had 13,147 vessels calling at the Fujairah port offshore anchorage area last year. This compares to a peak of 15,000 in 2016, and this year we expect a similar number to 2020. We've seen an increase in vessel movements inside the port itself, up 6% compared to last year. The pandemic did hit our crew changes. We would usually have an average of around 4000 crew change activities in a month, but we had to reduce those during Covid because of restrictions on some nationalities. The good news is that these restrictions were lifted in September, and we are expecting to get back to normal soon.

## WHAT IS FUJAIRAH'S OUTLOOK TO ACCOMMODATE ALTERNATIVE FUELS?

We welcome any new alternative fuel that wants to come into Fujairah and be part of the fuel mix. So far, we have received a lot of interest for LNG. The majority of world tonnage is still burning either heavy fuel oil or shifting towards LNG. As for other clean fuels like methanol and ammonia, the infrastructure is not there yet and also carries its own risk and safety issues. I don't see that developing in the next few years.

# ENERGY MARKET NEWS

## RECOMMENDED READING

- 1. OIL RETREATS FROM MULTI-YEAR HIGHS AFTER US STOCK BUILD**
- 2. US EIA: GLOBAL ENERGY DEMAND TO GROW 47% BY 2050**
- 3. USA SHALE COS TO SEE MINIMAL EXPANSION DESPITE RALLY**
- 4. HOW WILL ASIA REACT TO RECORD BREAKING ENERGY PRICES?**
- 5. NATURAL GAS PRICES PLUNGE AS PUTIN PROMISES MORE SUPPLY**
- 6. SAUDI OIL GIANT BREATHES DOWN APPLE'S NECK AS WORLD'S MOST VALUABLE COMPANY**
- 7. EU COMMISSION TO DISCUSS COMMON ENERGY PROCUREMENT FOR ALL MEMBERS**
- 8. A MADE-IN-CHINA FINANCIAL CRISIS?**
- 9. PROSPECTS FOR MAGHREB MEDIATION APPEAR POOR**
- 10. PENTAGON WARNS OF NATIONAL SECURITY FALLOUT FROM DEBT CEILING CRISIS**

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### RECOMMENDED VIDEOS & REPORTS

- **JEN PSAKI ON HIGHEST GAS PRICES SINCE 2014**
- **IS IT DIFFERENT THIS TIME FOR CRUDE OIL?**
- **THE GHOST IN THE MACHINE - Q3 EDITION 2021**
- **ENERGY TRANSITION WON'T DERAIL FDI INTO DEVELOPMENT OF BANGLADESH NAT GAS!**

“Russia has always been and is a reliable supplier of gas to its consumers all over the world - both to Asia and to Europe, and always fulfills all its obligations in full. All of them, I want to emphasize this.”

- Vladimir Putin  
President, Russia



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# Fujairah Spotlight

## Bunker Deliveries Resume at UAE Fujairah Port

Cargo loading and bunker delivery operations have restarted in the UAE port of Fujairah, the Middle East's main storage and bunkering centre. They were suspended on 2 October ahead of tropical storm Shaheen. "Some barges resumed deliveries of bunker fuel to vessels earlier in the afternoon," a bunker supplier said. "It was initially done on an 'all going well, weather permitting' (AGW WP) basis." Other suppliers and traders later reported more deliveries taking place, although the seas remain rough. The port was not closed completely as Shaheen largely bypassed Fujairah, making landfall in Oman. It is now moving inland through Saudi Arabia, according to weather reports. Vessel movements at Oman's Sohar port have been suspended since 2 October. The US Navy's Joint Typhoon Warning Center said Shaheen made landfall close to Sohar, which is the site of a 198,000 b/d capacity refinery.

Source: Argus Media

## Fujairah Congested after Bunker Suspensions, Supplies Tight

Bunker operations have mostly resumed in Fujairah after #CycloneShaheen suspended bunkering from 2-4 October, but barge loadings and delivery delays have mounted. Fujairah is also short of bunker supplies. Barges are queued up waiting to load products at terminals following refinery production halts and delayed import cargoes, sources say. Some bunker deliveries have been cancelled because of late laycans. The earliest delivery dates for VLSFO have been pushed back to 12-13 October for the majority of suppliers. LSMGO is particularly tight. Only 2-3 of the 10-11 suppliers that normally offer the grade can supply. The suppliers' lead times can differ greatly, and prices can vary \$30/mt between them. Some suppliers have 0.50% MGO, but not LSMGO, which is typically imported.

Source: Engie News



## Fujairah Bunkering Resumes After Tropical Storm Disruptions HSF0380 Tightens in Singapore

Lead times for VLSFO remain unchanged in Singapore on the week, while HSF0380 now requires up to 10 days of lead time, up from eight days last week. LSMGO is more readily available in the bunkering hub at four days. Singapore's residual fuel oil stocks dropped by close to 3 million bbls last week, to their lowest levels since September 2019, according to Enterprise Singapore data. Inventories fell to a low of 18.73 million bbls on 29 September. Singapore's fuel oil imports grew by 5.49 million bbls over the same period, after slumping to their lowest levels since January 2020 last week. Exports inched up by 48,000 bbls on the week. The Port of Fujairah is experiencing severe bunker backlogs after #tropicalstormShaheen lashed the area with winds of 60-70km/h on Sunday. Cargo operations and bunker deliveries started resuming on Monday afternoon, and the majority of bunker suppliers had resumed deliveries by Tuesday. But their earliest delivery dates have been pushed back to 12-13 October as they try to clear the congestion. HSF0380 continues to be particularly tight in Fujairah, with lead times standing at 12 days, which is two days more than Singapore's lead time for the high sulphur fuel oil, and among the longest across East of Suez ports.

Source: Engie News

## Vedanta Set for \$20bn Expansion, Plans Regional HQ in UAE

Vedanta Group, a global leader in oil & gas and metals industries, is stepping up Gulf operations by establishing a regional base in the UAE as part of its \$20 billion expansion drive across key markets. Agarwal said his group's Fujairah subsidiary is getting very favourable deals in the UAE from those who are into drilling and creating surface facilities. "The region has huge experience, and we would like to take that experience in energy to India." "India only produces 15 per cent of its energy needs. The government is focused on increasing oil & gas exploration and production. We will play an important role from here by working with the Indian government and partners such as the UAE," he said. On Vedanta's plans to boost production capacity across all its core operating sectors, he said there are two sides to the group's operations: One is the natural resources, and two, technology. Both sectors are growing. "We are expanding our production capacity in core operational areas such as oil and gas, zinc, silver, copper, steel and iron ore. In fact, we have just acquired two companies in the ferro-alloys sector, because stainless steel is a strong market. We are also interested in the nickel business."

Source: Khaleej Times

# GI EXCLUSIVE SOUNDINGS

## Oil Prices Rise on High Demand and Rebound of Global Economy

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

- Dr. Aldo Flores-Quiroga, Former Deputy Secretary of Energy for Hydrocarbons, Mexico's Ministry of Energy
- Andy Laven, Chief Operating Officer, Sahara Energy Resources
- Omar Najja, Global Head of Derivatives, BB Energy
- Peter McGuire, Chief Executive Officer, XM Australia
- Rustin Edwards, Head, Fuel Oil Procurement, Euronav
- Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
- Robin Mills, Chief Executive Officer, Qamar Energy
- Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies (DERASAT)
- Vandana Hari, Founder & CEO, Vanda Insights

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

"You can not judge what is going on right now as a trend and that we are out of the woods. Yes, it is a very extreme moment and drier situation for energy consumers in Europe and Asia. However, it is not the case that we are completely certain that demand will remain where it is right now."

### **Andy Laven, Chief Operating Officer Sahara Energy Resources**

"We have moved from a period of demand issues into a period of supply issues. The world is coming back quicker than people thought it would."

### **Omar Najja, Global Head of Derivatives, BB Energy**

"As always, OPEC wants oil prices higher. I don't think there is a limit to the upside where they will say 'now prices are too high.' They need prices up. The market is trending higher, and demand is good."

### **Peter McGuire, Chief Executive Officer, XM Australia**

"Things are ratcheting up very quickly globally. Food, energy, you name it, everything seems to be galloping ahead. This is also being demonstrated with high prices for crude oil, natural gas, and base metals."

### **Rustin Edwards, Head, Fuel Oil Procurement, Euronav**

"I'm not too surprised about the builds on crude or products inventories. The inventory numbers are reflective of the fact that for the better part of September the US had 500k bbls refining capacity offline. Crude capacity was coming back faster than refining capacity, so you end up building stocks."

### **Mike McGlone, Senior Commodity Strategist Bloomberg Intelligence**

"What's going to happen a year from now? How much more stimulus are we going to have? We should have a more organic economy. I'm looking at it as if we are kicking into a new cycle unless we expect the old cycles that have really been in place since the peak of 2018 to end, which I don't think so."

### **Robin Mills, Chief Executive Officer, Qamar Energy**

"It's been a huge shock for gas markets. In the space of a year, we have seen record low LNG prices at \$2/MMBtu and they are now at record highs of \$35/MMBtu. It's been an incredible turnaround. We are seeing real competition between Europe and Asia to attract LNG."

### **Omar Al-Ubaydli, Director of Research Bahrain Center for Strategic International & Energy Studies (DERASAT)**

"Throughout the Covid-19 period through to today, there has not been any supply chain disruption in Bahrain. However, Bahrain's needs are much more modest than some of the other GCC countries."

### **Vandana Hari, Founder & CEO, Vanda Insights**

"We have had a bit of a surprising build in US crude and gasoline inventories. We also saw a very marginal dip in US distillate inventories. Altogether, it was definitely a bearish EIA report."

# ENERGY MARKETS FORUM NEW SILK ROAD LIVE



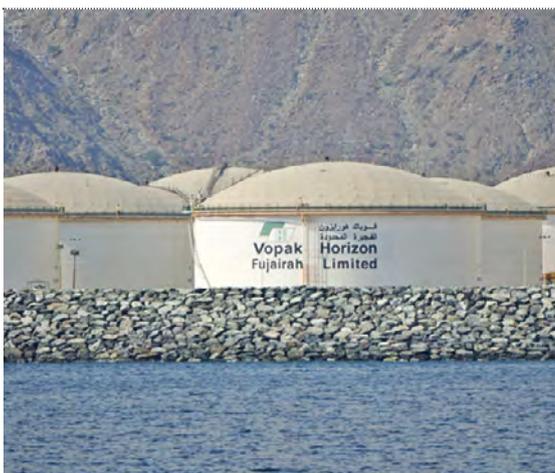
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# TOP 10

OCT 3<sup>rd</sup> - OCT 7<sup>th</sup>

## MARKET OBSERVATIONS FOR THE WEEK

1. OPEC appears comfortable with current price momentum and with advantage to make money while Permian and Iran remain largely offline.
2. Historically high LNG prices not temporary - fueled by underinvestment in coal and hydropower, undercapacity in the power sector and strong demand.
3. China set for winter of oil stockpiling, less product exports and closure of discretionary power consumption - hitting energy intensive industries and GDP.
4. Higher oil prices due to sector underinvestment and governments speedy push for zero carbon - all coming home to roost after decades of misallocation of funds and planning.
5. Too late to reverse monetary policy - only tools left are further asset inflation and more debt until we hit a wall. Volatility and Inflation key words for next 3-4 months.
6. Increasing energy, food & commodities costs and power crisis creating perfect storm in China and Asia as a whole, with no sign of abating. Judgement day will be when we see rates starting to creep up.
7. Real surprise of 2021 continues to be absence of US oil, but profit trajectory means it's on the way, along with US natural gas. That key factor keeping crude down for years is now starting to kick back in.
8. Oil market likely to be in surplus again by Q2 2022 on OPEC balances, with global inventories build possibly back to levels of three or four years ago.
9. Balance of OPEC production as it relaxes cuts, will become harder to deliver. The extra 400,000 b/d each month is theoretical with Nigeria, Angola and others already hitting a ceiling.
10. Maritime sector stuck pursuing multiple paths to achieve IMO 2030 and 2050 transition goals. Need to focus investment and technology more, to determine fuels of the future efficiently and with minimal disruption.



### Independent Oil Storage Services

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