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Fujairah New Silk Road WEEKLY NEWSLETTER

EXCLUSIVE INSIDE
GLOBAL OIL EXPERTS SHARE
THEIR INSIGHTS PAGE 4

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

AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

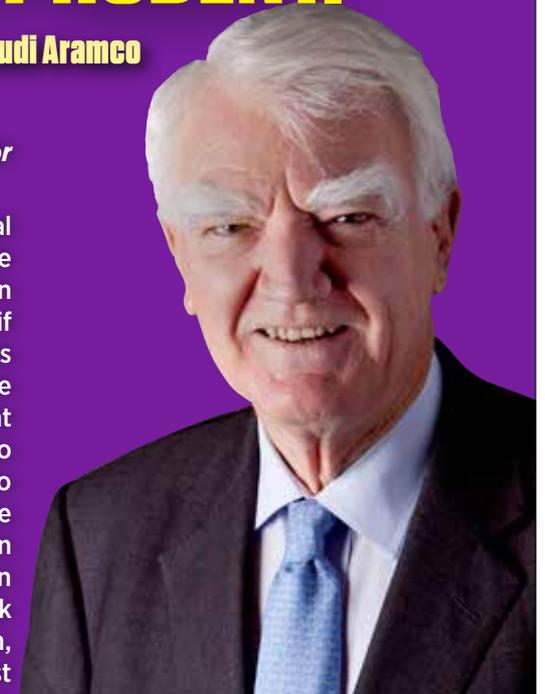
“SHELL’S DIVIDEND CUT WAS A BIT OUT OF WHACK! BUT, IT WAS PRUDENT.”

Sir Mark Moody-Stuart, Longest Serving Member of the Board of Saudi Aramco & Former Chairman of Shell, Chairman of UN Global Compact

The world is going through a cataclysmic moment. What does this mean for the oil industry? Is this a defining change moment?

Sir Mark Moody-Stuart: It’s a tipping point for the industry. Oil is an unusual commodity. It’s the only commodity where the lowest cost producers have restrained production for 45 years and allowed higher cost production to grow. This has been going on since the 70s. That system has worked if demand was growing. However, a point is approaching where demand is flattening. Low-cost producers would have been previously happy because their production could grow, and prices were up. If you come to a point where demand is flat, then the game changes. They cannot continue to restrain production to keep oil prices up. Otherwise, it would wither away to nothing and the high cost producers would take over. This is a point where oil transforms into a normal commodity. Low cost producers dominate in market share and the higher cost producers fill in the land. This has been coming for some time, but Covid-19 accelerated it. I personally don’t think the market will decline very much, but demand will be flat. In this situation, you cannot keep cutting production to hold oil prices up. The high-cost producers must realize that the game has changed. It will take them the rest of the year to get the situation under control.

CONTINUED ON PAGE 3



Fujairah Weekly Oil Inventory Data

6,716,000 bbl
Light
Distillates



4,855,000 bbl
Middle
Distillates



14,621,000 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/m³



↑ Highest: \$4.50/m³

↓ Lowest: \$3.50/m³

*Time period: Weekly

Source: GI Research

Insights brought to you by:



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THE WEEK In Numbers

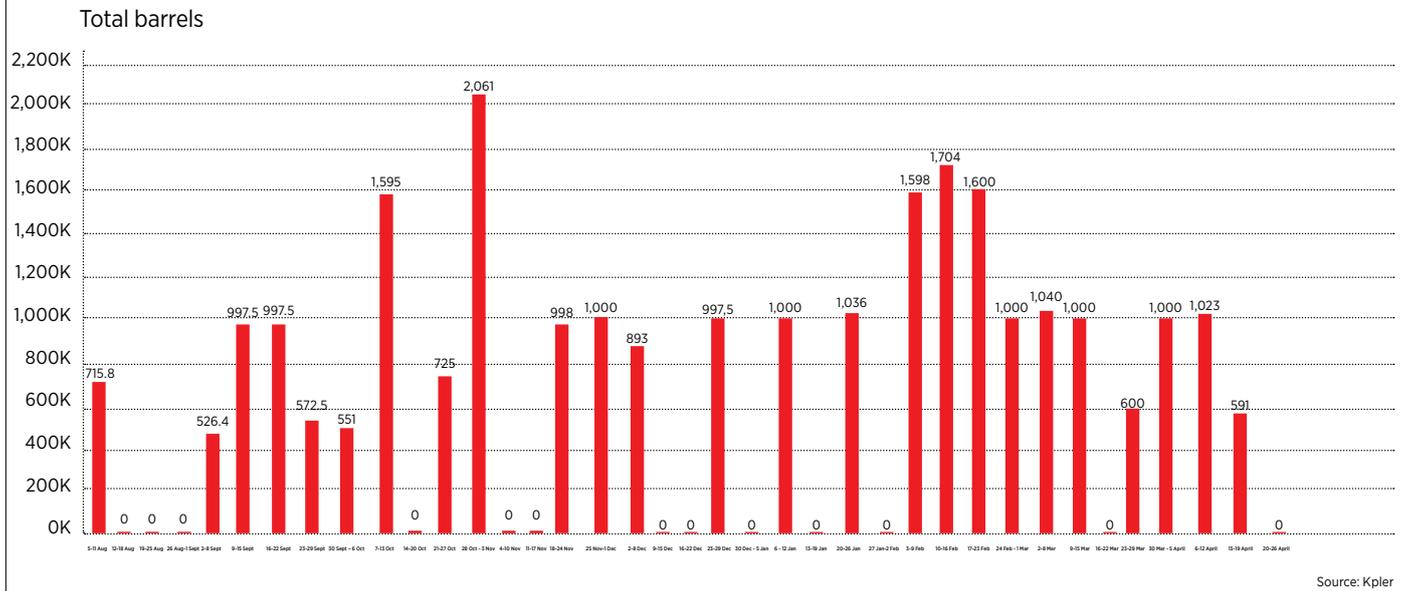


Weekly Average Oil Prices

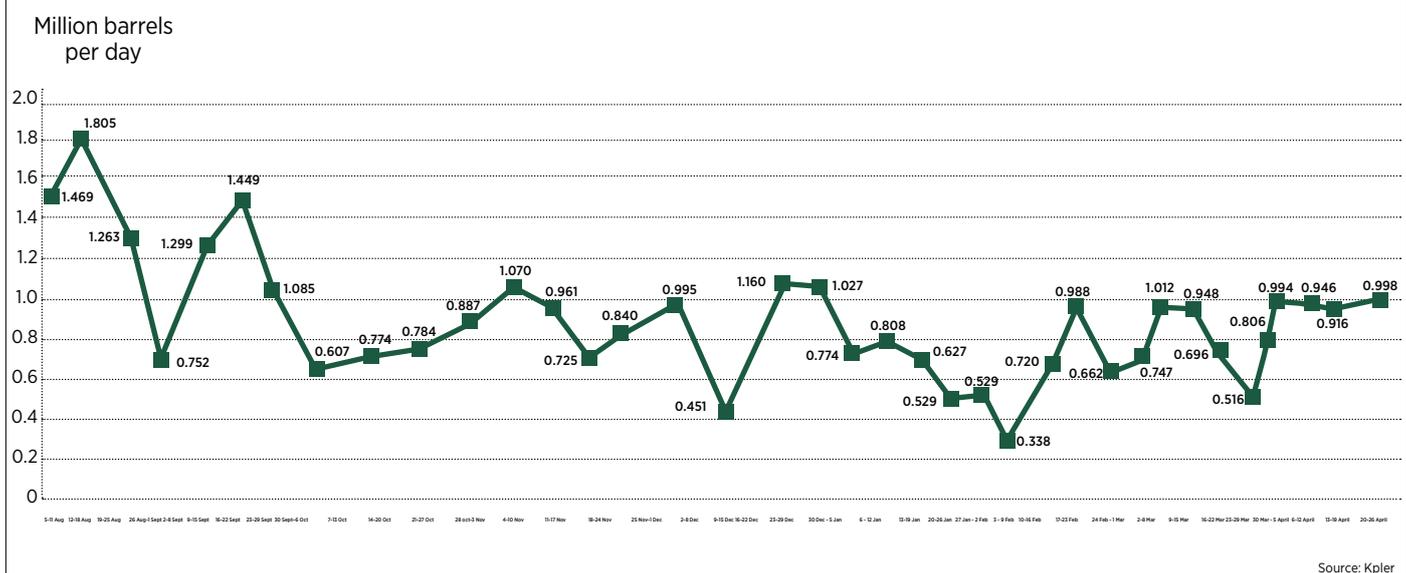
Brent Crude:	\$23.36/bbl
WTI Crude:	\$23.66/bbl
DME Oman:	\$20.02/bbl
Murban:	\$23.65/bbl

Time Period: Week 1, May 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Total Refined Product Exports from the GCC to Asia-Pacific



CONTINUED FROM PAGE 1

How would you interpret the recent standoff between Saudi Arabia and Russia?

Sir Mark Moody-Stuart: The Russians concluded that you can't keep cutting. Then, there was the argument as to who cuts what. There is only one rationale for an equitable way of distributing production, and that's cost of production. The low-cost producers should have the biggest market share. This will be possible by the end of the year, when high-cost production has been seriously squeezed. There is of course a huge overhang of supply at the moment between 20mn b/d - 25mn b/d. No amount of cutting is going to fix that. It will reduce higher cost production because they will have to cut. It may take a couple of years before supply and demand become balanced. We will come out of this situation with the lower cost producers, including Saudi Arabia, having upped their market share.

Coming out of the 2008 crisis, a lot of fiscal stimulus measures benefitted high-cost oil producers. Could we see the same thing happen again, even though the price point doesn't make sense?

Sir Mark Moody-Stuart: When supply and demand come back into balance, we will probably fetch up prices a bit to above \$50/bl. Normally, people would the low-cost Gulf producers, Saudi Arabia in particular, need more than that. Well, there's another way of getting it. We pump more. So, you do an extra couple of million barrels a day. It's more or less the same assembly of dollars. If you go back immediately to high costs, then the high cost producers will begin to stir again. If the situation is to be managed, we will probably need ongoing lower oil prices.

What does this mean for the international oil companies (IOCs)?

Sir Mark Moody-Stuart: You would be a foolish oil major if your project screening assumption on price was above \$30/bl.

What did you think of Shell's decision last week to cut dividends?

Sir Mark Moody-Stuart: I am still a shareholder in Shell with the shares basically in the hands of my children. Personally, I think it's prudent. It's a useful signal. Now, whether they overdid it, two-thirds is a big whack. That's really kitchen sink stuff. But, I think it will be followed by other oil majors. It's inevitable. The interesting part is it will enable one or more of the energy majors to really begin to switch to low carbon growth. However, there's nothing like a good oil field to give you a decent return. Renewables are profitable, but on a discounted cash flow basis it always looks miserable. The analogy I've drawn is with liquefied natural gas (LNG). In the 90s, we struggled to get a conventional DCF return for LNG into double digits compared to much higher returns on upstream.

How do you think investors are going to perceive this change? How will it change the perception of the industry and how should the industry adapt for that?

Sir Mark Moody-Stuart: It requires a degree of understanding between long term investors. If you look at the long term investors, the big pension funds, they've been saying to the majors "we want you to demonstrate that you're really into this transition and that you're going ahead with it." But on

the other hand, they were highly dependent on the dividend. Again, something had to give and it now has begun to do so. Whether Shell overdid it or not, I don't know. But, it's certainly an important signal. They will get some support from long term investors, but that support will be conditional on what they do with it. It is going to be very interesting how it turns out. My gut feeling as an interested shareholder, from a purely personal point of view, would be not to cut the dividend. However, I think it was a wise move. Whether it was too much or not, remains to be seen.

Saudi Arabia recently announced austerity measures including up to 40% salary cuts in the private sector. How do you assess the challenge currently facing Saudi Arabia?

Sir Mark Moody-Stuart: That's always been the challenge in Saudi Arabia. It's an important step in trying to ween in a population with a feeling of entitlement. This is important to make sure that Saudi Arabia has the lowest costs and remains the largest producer with a long-term position in oil. This is what we have to do we are going to have to do it for the rest of the year. That means everybody joining in. However, we know the Saudi government is always sensitive to popular opinion. I remember when oil prices were very low. Down to nearly \$10/bl. Shell was doing quite a lot of stuff on social responsibility. I was very concerned that if we if we got ourselves into financial trouble, people would blame it incorrectly on our efforts on the social side. It is a big challenge.

Will Saudi Aramco deliver on its first dividend? They made a very big commitment before they went public.

Sir Mark Moody-Stuart: Yes, they will. When a company looks at its forecasts, it looks ahead for a year. However, what's going to happen to oil prices next year is anyone's guess. Certainly, for this year they will be fine.

How do you see the growing tensions between the US and China progressing? How should global energy CEOs navigate the situation?

Sir Mark Moody-Stuart: It's a very faulty approach to China. Now is not the time to start throwing bricks. It works in all directions. Business across fractured political borders can be successful if we maintain solid commercial and mutually beneficial contracts. Then we have business people realizing that the other side is not a bunch of devils. When Nixon went to China with Kissinger, they could have said "its an awful regime and we're not going to have anything to do with it." But, they actually had the wisdom to talk to them. That was one of the strokes of good fortune. They took a mutual approach rather than an isolationist approach. It would be a huge tragedy if that would change.

Could we end up in a Cold War situation between the US and China?

Sir Mark Moody-Stuart: I would hope the US president listens to businesses. They would persuade him that this is not a good idea. The US President is hot and cold though. You can never tell what he is going to say on his next tweet.



[WATCH FULL INTERVIEW HERE](#)

GIQ EXCLUSIVE SOUNDINGS

Oil Snaps 5 Day Rally with Supply Glut Overshadowing Demand Hopes

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

- Christof Rühl, Senior Research Scholar Center on Global Energy Policy, Columbia University
- Rustin Edwards, Head, Fuel Oil Procurement, Euronav NV
- Edward Bell, Senior Director, Market Economics, Emirates NBD
- James McCallum, Executive Chairman, Xergy and Professor of Energy, Strathclyde University
- Capt. Tarun Arora, General Manager, GPS CHEMOIL
- Omar Najia, Global Head of Derivatives, BB Energy
- Vandana Hari, Founder & CEO, Vanda Insights
- Dr. Kamel Ben-Naceur, CEO, Nomadia Energy Consulting
- Edmund O'Sullivan, Author of The New Gulf
- Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International and Energy Studies
- Andy Critchlow, Head of EMEA News, S&P Global Platts

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

"There is a widening gap between stock market performance and economic forecasts or earning announcements, which we have seen. A correction at some point has to come."

Rustin Edwards, Head, Fuel Oil Procurement, Euronav NV

"Optimism appears to be remaining supreme across equities and the oil segment. Everyone is looking at the OPEC+ cuts and the net impact it is going to have on the crude oil overhang. But it needs to be taken with a grain of salt because the market is still over supplied."

Edward Bell, Senior Director, Market Economics, Emirates NBD

When we look at the rally in futures last week, it was very excessive and narrowly focused on micro factors in the oil market. The broader macro-picture, when we look at any economic data, is still awful."

James McCallum, Executive Chairman, Xergy and Professor of Energy, Strathclyde University

"Public opinion and sentiment is driving past the science around Covid-19. It's quite remarkable that we now live in a world where thousands of people are dying, and the markets are just blowing past that."

Capt. Tarun Arora, General Manager, GPS CHEMOIL

"The tanks are all booked. Inventories are still at high levels. In Fujairah, if the physical inventory is above 70% capacity, then storage is considered full."

Omar Najia, Global Head of Derivatives, BB Energy

"You have seen a relief rally around lockdowns easing with the hope that demand will increase. The issue is the policies that have been taken and the very real effect that they will have on global economies. Does this rally have legs?"

Vandana Hari, Founder & CEO, Vanda Insights

"The direction for oil prices is up. The real question is, what will the trajectory look like? Certainly, it is not going to smooth. It is going to be quite jagged with plenty of volatility."

Dr. Kamel Ben-Naceur, CEO, Nomadia Energy Consulting

"The cycles that we have recently seen, are not comparable to any other one in the past. I have never seen such a fast drop in the US rig count. It is currently one-third of what it was this time last year."

Edmund O'Sullivan, Author of The New Gulf

"The Saudi Arabians have made the decision that they are going to focus their attention on the global financial community. They are very concerned about bolstering confidence amongst lenders."

Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International and Energy Studies

"Saudi Arabia is acknowledging the difficult decisions that need to be made and they are signaling that they are willing to make them. It would have been more disruptive economically for the region if Saudi Arabia buried alluded to some silver bullet of economic policies that would solve the situation without structural reforms."

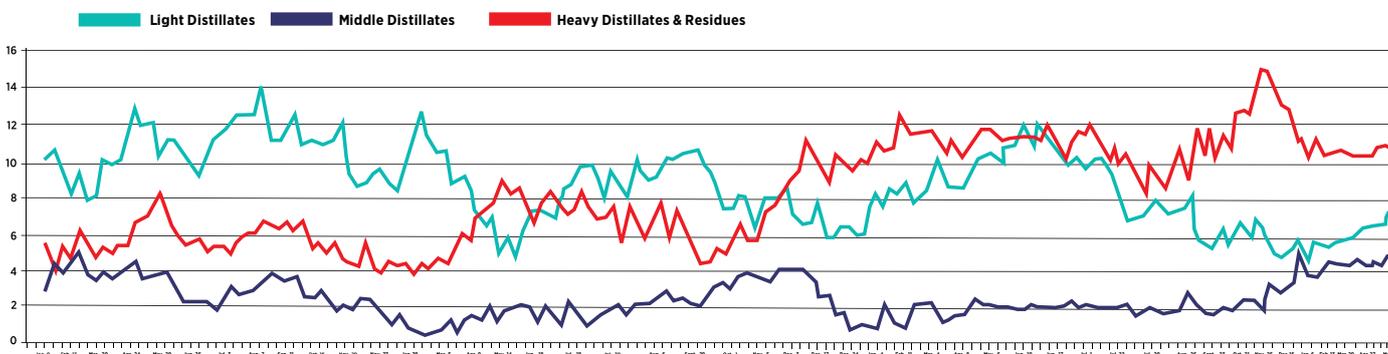
Andy Critchlow, Head of EMEA News, S&P Global Platts

"There is a high probability that Saudi Arabi and the Gulf states are more willing to adhere to the agreed cuts out of financial necessity. However, the situation in Russia is more interesting."

Fujairah Weekly Oil Inventory Data



bbl (million)



TOP TAKEAWAYS

- Total oil product stocks in Fujairah hit a fresh record high of 26.192mn barrels, breaching 26mn barrels for the first time since stock reporting began at the start of 2017. The previous record high was 25.980mn barrels seen week of February 24 this year. Overall stocks rose by 6.3% or 1.542mn barrels week on week, led builds in middle distillates and heavy residues while light distillates showed a draw.
- Stocks of light distillates saw a draw of 750,000 barrels or 10%

week on week. Total volumes stood at 6.716mn barrels. The East of Suez gasoline market remained under pressure from bearish fundamentals. Looking at India, its exports rose due to a drop in domestic consumption with the country's gasoline exports jumping to a year-to-date high in March, up 11.1% month on month to total 1.141mn mt, as refiners sought overseas outlets, latest data from the Petroleum Planning and Analysis Cell showed.

- Stocks of middle distillates rose by 17.8% or 734,000 barrels to stand at 4.855mn barrels

at the start of the week, their highest level since December 23 last year when they stood at 4.926mn barrels. The East of Suez gasoil market was finding some support, buoyed by tightening supply balances. In addition, some spot demand was seen emerging from Southeast Asia with a recently emerging buy tender from Vietnam's Saigon Petro for 10,000 mt of gasoil.

- Stocks of heavy distillates rose by 11.9%, adding 1.558mn barrels on the week to stand at 14.621mn barrels. The recent uptick in crude prices

was having a knock-on effect on fuel oil prices and this was leading to an increase in demand as ship owners looked to cover requirements in anticipation of potentially even higher prices. "Demand has been going well in Fujairah but today buyers saw that prices are increasing, so we did receive more inquiries," said a trader. Delivered Marine Fuel 0.5% bunkers were assessed in Fujairah at \$227/mt on Tuesday, representing a rise of \$47/mt week on week.

Source: S&P Global Platts

"But I don't want to go among mad people," said Alice...

"Oh, you can't help that. We're all mad here," said the cat. Lewis Carroll wrote that. And he woke up most mornings thinking he was an onion. The thing is though, Alice my dear, I'm pretty sure you'd fit in nicely alongside the bulls in the oil market at the moment. I know the question you're all asking, because 79,823 people asked me the same thing yesterday [Monday]. If you heat up a bowl of cereal, should it then be called soup? No, not that. But it's a good question. The question everyone was asking me (including my 4-year-old when she heard me shout "WHYYYYYYYYY,") is why is oil at \$30/bl on Brent? Look, it's a very good question, but I think we should just let it go. Remember when you were a kid

and you used to be afraid to go to the dentist? I certainly did. But as soon as we finished, I knew the first place my mum would take me following a perilous morning in the chair was Woolworths to get some Pic 'n' Mix. That's where the oil market is right now. Filling up on flying saucers and Kola cubes. Just let it have its moment. Fundamentally, nothing has changed in the oil market from this time last week. OK, OPEC+ is starting to cut, but remember that April production levels were at an 18-month high. In fact, even though restrictions are slowly being lifted, storage is edging ever closer to being full. The "full" point needs clarifying by the way. Storage globally can never be at 100%. Operationally, it cannot happen. Around 70% full is what I would say the market classes



BY MATT STANLEY
DIRECTOR
STAR FUELS

as tank tops. And globally, we are close to those levels. Freight is taking a bit of a breather, as is the contango structure. This is on the back of hopes for renewed demand, but I imagine we will see the market shift if data from the Energy Information Administration (EIA) confirms another build in crude stocks.

But then again, who knows? "Only" 8mn barrels of crude is expected this week. However, I don't think crude builds are what people are going to be looking at. If this monumental rally we have seen over the last week (it is monumental seeing as WTI prices have DOUBLED in the last week) is to be sustained, then the merest hint that gasoline stocks are being drawn will really ignite the fire under the "demand is back" motif that the bulls would have you believe. What else is going on? Well, that's a good question. Can anyone remember any other headline that didn't relate to Covid-19? I can't. Not really. But things keep ticking along. Brexit? US-China trade war? We couldn't shut up about these subjects last year and perhaps the news at the moment does really put things into perspective. Good day.

May 4, 2020

Fujairah Spotlight

UAE's BPGIC leases oil storage tanks to France's Total in Fujairah

Brooge Petroleum and Gas Investment Co (BPGIC) has leased oil storage facilities in the United Arab Emirates to France's Total, industry sources familiar with the matter said, as global crude storage rapidly fills up. The company is leasing six storage tanks in the UAE emirate of Fujairah for six months and this could be renewed for another six months

Source: Hellenic Shipping News

Dubai Investments sustainable initiatives foster community and knowledge development

Dubai Investments is engaging and investing in initiatives aimed at enhancing the overall wellbeing of the communities it operates in, by helping overcome social, environmental, economic and health challenges. Partnership with the Fujairah Charity to enhance access to education by providing laptops to the needy children, in addition to 'Adopt a Class' initiative in partnership with Al Noor, Dubai form other initiatives the company is partnering towards enhancing and enriching knowledge development initiatives.

Source: Emirates News Agency

Coronavirus: Fujairah Ruler unveils fee and tax waivers in response to COVID-19

HH Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah has issued a resolution outlining exemptions for certain businesses from local licensing fees and taxes for the year. The move is in response to current conditions and preventive measures designed to curb the spread of COVID-19, which have had an impact on certain commercial activities.

Source: ME Construction News



Middle East refined products pricing under the microscope as freight rates soar

The imbalance in the oil market, in the most extreme example, caused US WTI NYMEX crude futures to plunge as low as \$37.63/b on April 20, highlighting the key role of storage – or lack thereof – in today's crude market. In refined products markets, the slump in prices has led traders to store products on ships as land-based storage fills up. This includes storage in Singapore and Fujairah. Platts launched FOB Fujairah prices for fuel oil, diesel, jet fuel and gasoline in late 2016. These are prices representing not a netback from Singapore, but the outright spot value of a cargo loading in Fujairah.

Source: S&P Global Platts

Port of Fujairah
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United Arab Emirates

Cruise Vessel Calls
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United Arab Emirates

Container Operations
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United Arab Emirates

ACCF Platform
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United Arab Emirates

Grain Terminal
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Tank Storage
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Fujairah Anchorage
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United Arab Emirates

Dry Bulk Cargo
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Bunkering & Trading
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United Arab Emirates

Fujairah Oil Tanker Services (FOTTS)
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United Arab Emirates

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ENERGY MARKETS COMMENTARY WEEK IN REVIEW



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Capt. Tarun Arora
General Manager
GPS CHEMOIL

Vandana Hari
Founder & CEO
Vanda Insights, Singapore

Dr. Kamel Ben-Naceur
CEO
Nomadia Energy Consulting

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NEW SILK ROAD

Edward Bell
Senior Director, Market Economics
Emirates NBD

Omar Najja
Global Head, Derivatives
BB Energy

James McCallum
Executive Chairman, Xergy
Professor of Energy, *Strathclyde University*

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Wednesday May 6th, 2020

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Omar Al-Ubaydli
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Edmund O'Sullivan
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Rustin Edwards
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Andy Critchlow
Head of EMEA News
S&P Global Platts

Omar Najja
Global Head Derivatives
BB Energy

Frank Kane
Senior Business Columnist
Arab News

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Monday May 4th, 2020

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DAILY ENERGY MARKETS COMMENTARY
NEW SILK ROAD

Christof Rühl
Columbia University

Sean Evers
Gulf Intelligence

PODCAST
Sunday May 3rd, 2020

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ENERGY MARKET NEWS

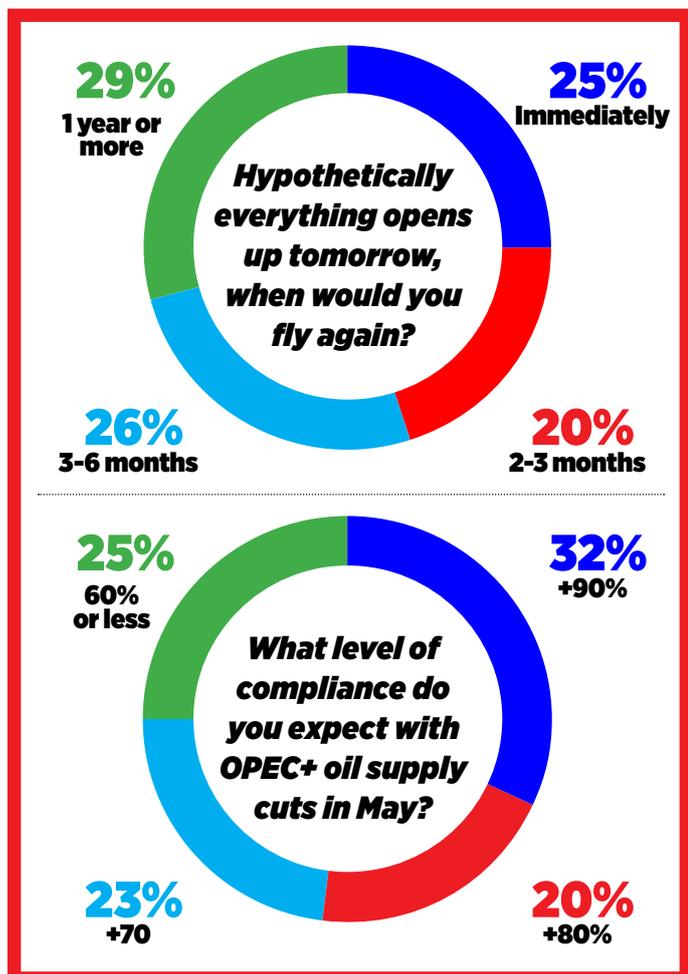
RECOMMENDED READING & VIEWING

- 1. US OIL PRODUCTION LOOKS TO BE HEADED FOR 10MN B/D**
- 2. CRUDE INCHES UP EARLY THURSDAY AS SENTIMENT YO-YOS**
- 3. ASIA OIL: DEMAND HOPES HIGH BUT SIGNIFICANT SUPPLY SURPLUS REMAINS**
- 4. ARAMCO CLOSE TO INKING \$10BN DEAL WITH 10 BANKS**
- 5. CHINA TO RECEIVE ITS FIRST US CRUDE CARGO IN SIX MONTHS**
- 6. EIA POSTS LOWER THAN EXPECTED CRUDE BUILD**
- 7. IRAQ IS OPEC'S MAIN LAGGARD IN MAKING RECORD OUTPUT CUT**
- 8. CHINA DAILY NEWSPAPER CENSORS OPINION ARTICLE BY EUROPEAN UNION AMBASSADORS**
- 9. CHINA'S COVID-19 SOFT-POWER PUSH WILL FAIL IF IT CANNOT DEFEND FREEDOMS**
- 10. CRUDE OIL PRICES: 70 YEAR HISTORICAL CHART**



DAILY RECOMMENDED VIDEOS:

- **“SAUDI ARAMCO WILL STICK TO 2020 DIVIDEND COMMITMENT.” - SIR MARK MOODY-STUART**
- **OIL PRICES COULD HIT \$100/BL IN NEXT 18 MONTHS: EGYPTIAN BILLIONAIRE NAGUIB SAWIRIS**
- **OIL TANKERS CROWD OUTSIDE OF LARGEST US PORT WITH NOWHERE TO UNLOAD: “THERE’S NO MORE SPACE”**





Gulf Intelligence
— Presents —

THE ARAMCO TRADING
NEW SILK ROAD

CEO

— OF THE YEAR —
AWARDS 2020

FUJAIRAH

SEPT. 28th 2020

aramco



trading

International Selection Committee 2020



Capt. Mousa Morad
Managing Director
Port of Fujairah



CHAIRMAN
Ibrahim Al-Buainain
President & CEO
Aramco Trading



Mike Muller
Director – Oil Business Development
& Head of Trading
Vitol Asia



Datuk Md Arif Mahmood
Executive Vice President &
CEO of Downstream
PETRONAS



Martin Fraenkel
President
S&P Global Platts



Thomas Waymel
President Trading & Shipping
Total Oil Trading SA



Roger Chia Kim Piow
Chairman & Managing Director
Rotary Group of Companies



Consultancy
Intelligence
Publishing