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Fujairah New Silk Road WEEKLY NEWSLETTER

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

AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

"IT'S EXTREMELY DIFFICULT TO SEE WHERE WE'RE GOING."

Ibrahim Al-Buainain, President & CEO, Aramco Trading

I wish I had clarity on the way forward; there are many uncertainties and different issues. On the supply side, we see Libyan production coming back. OPEC didn't make up their minds on a cut to maintain current production, and shale gas is another issue. On the demand side, there's the second wave of Covid-19 in Europe, so countries are back to locking down their economies. And we've seen stress on refining margins. A lot of refineries have either cut their production or refining capacity to 50%-60%. We've also seen a lot of refineries close. Of course, if you look at the geopolitics of the US election and the stimulus package that the US is looking to implement, that will put pressure on how oil markets will react. And it remains to be seen whether the magic will come from a vaccine or a medicine which will [encourage] people to go out. So, it's extremely difficult to see where we're going. We thought that in mid-June to July we'd be coming back with a vaccine. Now we're talking about the end of December, with commercial production of a vaccine in H1 2021. We've been hearing news that the economy could be in an emergency situation until April or May next year.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

4,198,000 bbl	4,320,000 bbl	9,947,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

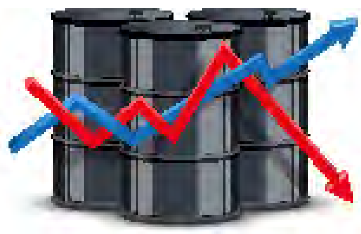
BLACK OIL PRODUCTS

Average Range $3.54 - 4.38/m³

↑ Highest: $4.50/m³

↓ Lowest: $3.40/m³

Source: GI Research – Weekly Phone Survey of Terminal Operators

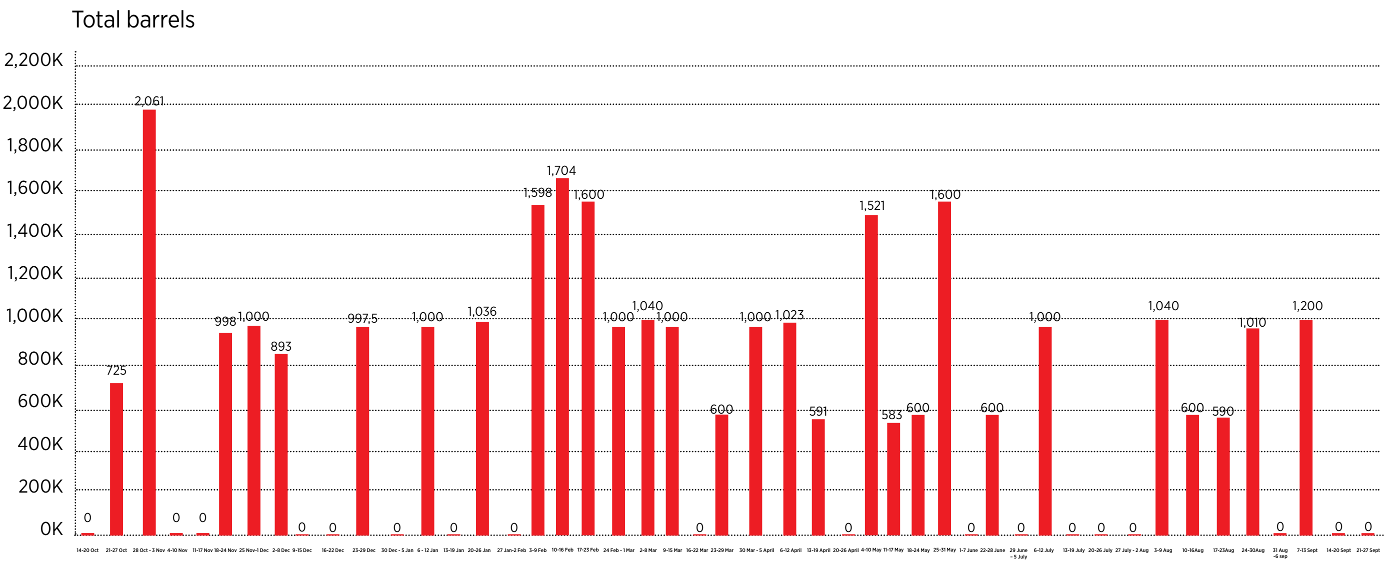


Weekly Average Oil Prices

Brent Crude: **$41.14/bl**
WTI Crude: **$39.05/bl**
DME Oman: **$41.03/bl**
Murban: **$41.15/bl**

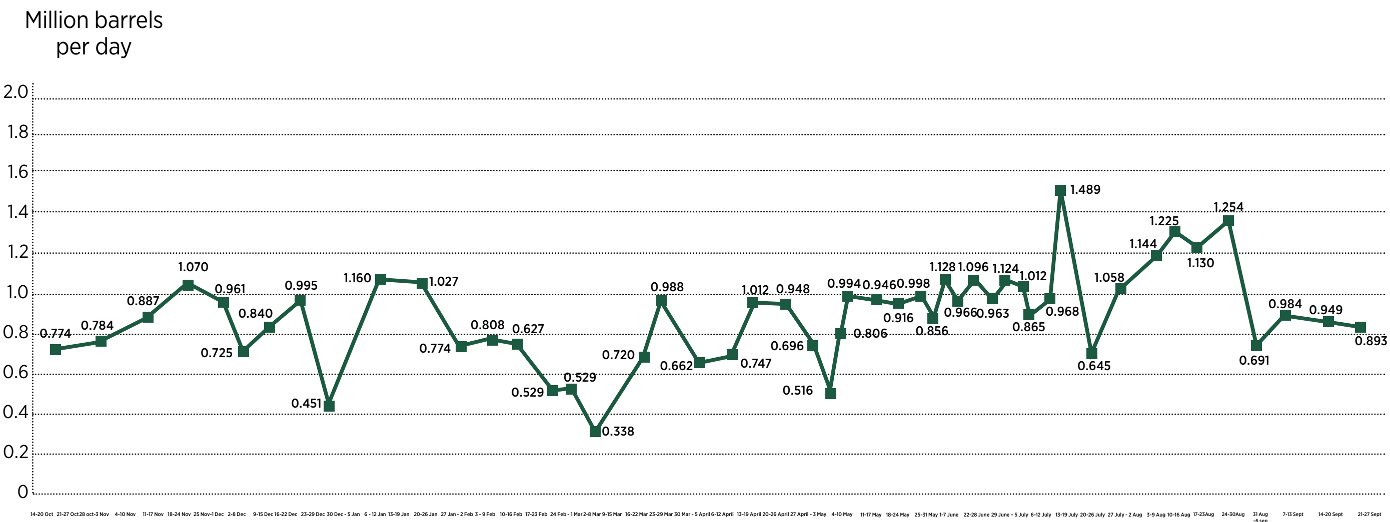
Time Period: Week 4, October 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

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"WHAT WILL SWING THE SITUATION IS WHETHER THERE'S A CURE OR VACCINE FOR COVID-19."

GIQ: Can the market absorb OPEC's plan to add 2mn b/d of production in January 2021?
Ibrahim Al-Buainain: It all hinges on how the global economy will open back up. There's a lot of demand issues that I believe OPEC will take into consideration. You see that refiners are cutting their throughput. That's a good indication that the market is not there. Any increase won't help prices, or what they call diminishing returns. Any further push will decrease prices. They have to look at supply and demand. Inventories are another factor they'll have to consider. We've seen there's been drawing of a lot of inventory, but it's driven by other factors, like hurricanes. But again, if we see refining runs reduced, then we have an issue with demand.

GIQ: With all this uncertainty, why have oil prices remained stable?
Ibrahim Al-Buainain: Investors and traders aren't taking a lot of bold positions because of the uncertainty. They're probably staying on the sidelines. That's why it's stagnated between $38-$43/bl; we've seen a reduction from the supply side and shale gas has been down. Also, companies are looking at cutting costs from production. Of course, the hurricanes in the US help a little bit because they've led to cutting production in the US Gulf. So, there's a lot of abnormality in the market that's kept it at that limit. But what we've seen from Q2-Q3 is a reduction in inventory. The contango isn't steep; it's very marginal. This will keep the market within its current range, unless we see big news move it.

GIQ: What's your perspective on demand recovery?
Ibrahim Al-Buainain: With the initial lockdown period, people had no idea how to manage or react to the pandemic. They know more now. As time passes, people have a better understanding of Covid-19 and how to keep themselves safe. Social distancing precautions have been put into place, for example. As precautions are taken, people will start to move around. Now, the question is what will happen today, next week, or the following week, as we see the scary numbers coming from Europe? The numbers are coming back to the levels that we saw in March and April.

GIQ: What's your outlook for recovery in Asia?
Ibrahim Al-Buainain: People are more disciplined in Asia in terms of obeying and sticking to the rules. In countries like Japan, Korea, and Singapore the numbers are very controlled. The numbers in China seem to show that life is getting back to normal. Connectivity is back to normal. I don't know how the public's behavior will be in Europe with this second wave of Covid-19. If we see the same behavior as we did, it'll take maybe two months to see a slower rate of infection. If this continues in Europe, then the travel and aviation businesses will be hit. Consequently, jet fuel demand will be very weak. Mobility of people will be less, so diesel and gasoline will be impacted. On the other hand, because people are staying at home, they will consume more energy, more electricity, and more LNG. So that's another balancing factor. But at any rate, what will swing the situation is whether there's a cure or vaccine for Covid-19.

GIQ: What's your outlook for the refining sector?
Ibrahim Al-Buainain: Refining is a cyclical business. When the margins are good, everybody goes and builds refineries. Then there'll be a cycle of overcapacity. It'll take time to correct that overcapacity, which occurs mainly by shutting down the less efficient refineries and then the more efficient ones will stay. In Q4 2019, it was very bad for low conversion refineries because fuel oil was under extreme pressure due to IMO 2020. That hit the less efficient refineries a quarter or two quarters ahead of what is being done now. Furthermore, the most sophisticated refineries are integrated with some part of the chemical integration. That chemical integration is countercyclical to refining. So, if the refining business is down, then the chemical side of that integration will hedge and improve the profitability of the asset.

What happened during Covid-19? You had a double whammy of lower margins driven by jet fuel and diesel. The middle distillates were extremely low. Normally, a refinery will see double digit margins and now you see jet fuel is cheaper than the crude itself. It's in negative territory. The same thing applies to diesel. Also, the aromatics complexes that use naphtha to produce triazoline or benzene are at record low margins. The combination of all of this shows very negative margins where the refineries can't run at full capacity. In Q2 of this year, the low oil prices helped refineries generate some money. The refining business is going through a low cycle. The market needs to correct with either a discount on crude to make the refining margins higher, or a pull from the demand side with accelerated utilization of refineries. This includes catching up with the demand surge, which will help refineries going into profitable territories. But for the time being, there's a lot of pressure. The correction we're talking about is about capacity and the less efficient refineries will cut down and forced out.

IN FOCUS: CHINA'S NEXT MOVE?

GIQ: How do you interpret the scale of China's imports and their refineries' activity?
Ibrahim Al-Buainain: In China, the government regulates domestic prices. With low oil prices, the domestic price of gasoline and diesel in China are very attractive for local refineries to produce high throughputs. But at a higher oil price, they'll lose in the domestic market. China has a different economy. They're probably making money out of the domestic system, which nobody can get into that market except for Chinese companies. They're actually exporting because of the capacity they've built. That'll put pressure on the business. We saw a lot of gasoline cargos coming from China in Q2 2019, but it's dipped now. It's at lower levels compared with the same period last year.

GIQ: Will China continue to import crude at the current levels we are seeing?
Ibrahim Al-Buainain: Of course. They've built up their storage capacity, but also China's economy and GDP is growing. The rest of the world is in negative territory. They're growing their economy and that's how they fuel their economy.

GIQ: Will China's current oil demand hold through Q4 and into 2021?
Ibrahim Al-Buainain: I would say yes.

"CHINA'S ECONOMY AND GDP IS GROWING – THE REST OF THE WORLD IS IN NEGATIVE TERRITORY."

aramco trading

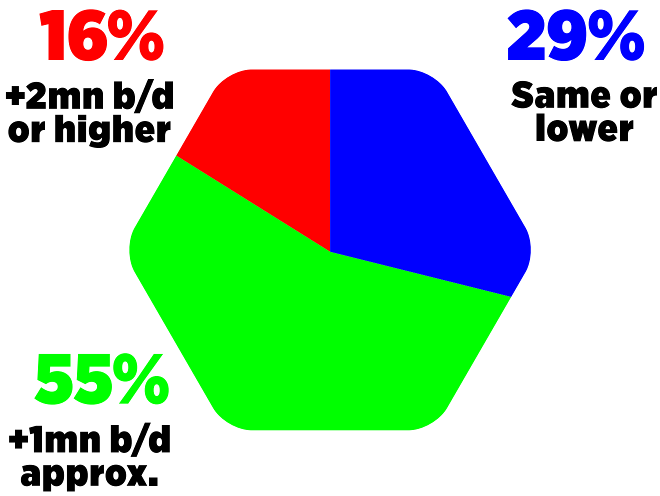
WATCH FULL INTERVIEW HERE

ENERGY MARKETS COMMENTARY WEEK IN REVIEW

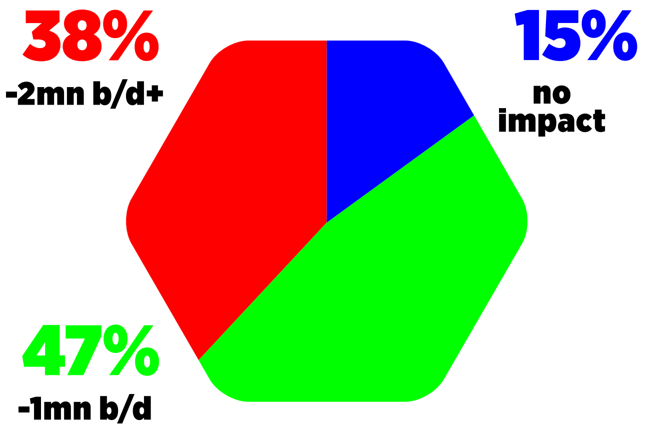
CLICK HERE TO LISTEN

GIQ Weekly Surveys

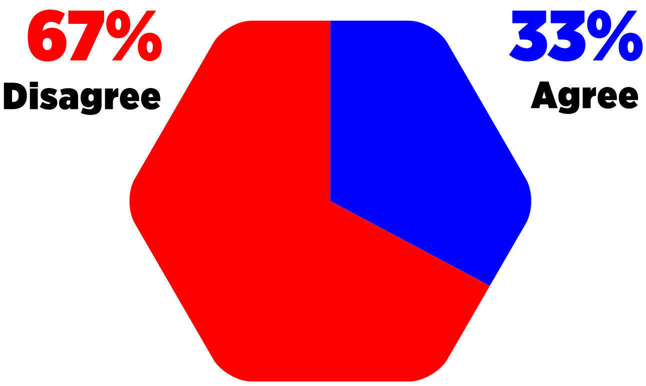
US oil production is down about 3mn b/d from its all-time high above 13mn b/d reached earlier this year – what will US oil production be in a year from now?



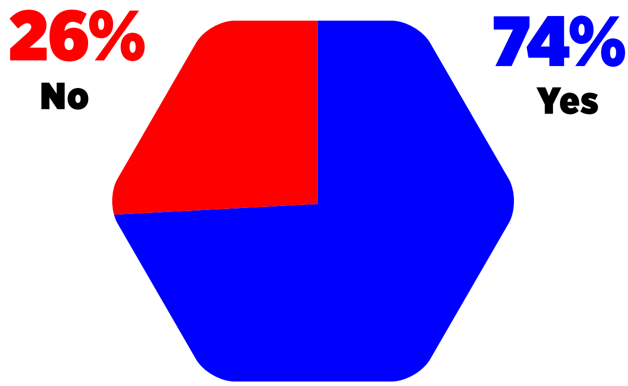
US, Russia, France and other countries have registered record numbers of infections in recent days. What impact will this disruption to economic recovery have on oil demand through Q4 2020 & Q1 2021?

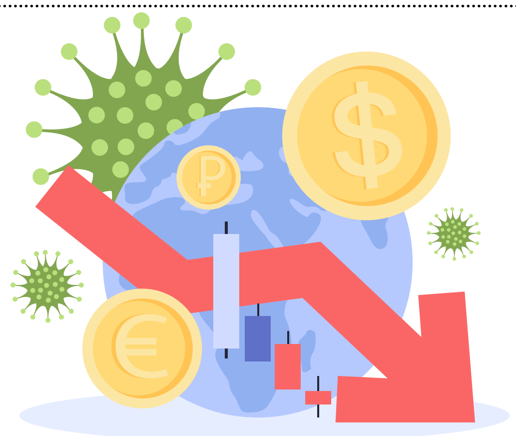


Saudi Arabia says the 'worst is over' with oil market shock?



Will Libya's return to oil markets force OPEC+ to delay oil supply increase?





Source: GIQ

QUARTERLY OIL MARKET UPDATE

- Q3 2020 oil demand rose by 8.4mn b/d, or 10%, quarter-on-quarter, but was 9.5mn b/d or 9% lower than the same period last year. Looking ahead, whilst OPEC expects to see four out of five quarter-on-quarter rises in oil demand for now until Q4 2021, demand is still expected to be 3% lower than pre-Covid-19 levels by the end of 2021.

- On the supply side, OPEC and partners (OPEC+) continued to exhibit high levels of compliance in Q3. Average output over the quarter shows that OPEC+ compliance averaged 100%, albeit with varying degrees of compliance amongst participating countries.

- Looking ahead, OPEC+ is expected to add an additional 1.9m,n b/d to total output in January 2021, in-line with May's agreement, but the final decision to go ahead with the planned rise will likely be taken when the alliance next meets later this year in December.

- Meanwhile in the US, the upcoming presidential election pits two candidates with very different domestic oil policy agendas. Whilst a victory for the Republican incumbent would, in many ways, be 'business as usual' for shale oil producers, a victory for the Democratic party could be more bearish, with a roll-out of a number of regulations potentially restricting supply.

- Brent oil is currently trading around $40/bl with the year-to-date average at $41/bl. We expect Brent oil to trade around current levels during the remainder of Q4, with little upside to oil prices as many countries around the world continue to grapple with a second wave in Covid-19 cases.

- Looking further ahead into 2021, current OPEC forecasts suggest a progressive pick-up in oil demand during the year, and a deficit in daily oil balance, all of which should help lower record high commercial oil inventories and provide support to prices.

- The recovery in oil demand in the next year or so will not be smooth or easy bearing this in mind, whilst our full year 2021 forecast is currently at $55/bl, the risks, on balance, are skewed to the downside.

Source: Jadwa Investment

ENERGY MARKETS FORUM 2020
NEW SILK ROAD LIVE

GI Consultancy Intelligence Publishing

TOP 10

OCTOBER 25th - 28nd

MARKET OBSERVATIONS FOR THE WEEK

1. More and more economic forecasters, including the IMF, are lowering their expectations for long term growth rates, which is important for the outlook of oil markets and peak oil demand.
2. China's Q4 oil buying hasn't transitioned into aggressive mode just yet, as fundamentals haven't changed with margins still not great and so no incentive to ramp up.
3. Consensus is pointing at a Biden Win! Not so fast says the historical analysis of the equity markets – the incumbent always wins when the S&P 500 is higher on election day than at the start of the year.
4. Libya's faster than expected return to the oil markets will compel OPEC+ to abandon plans to raise output by 2mn b/d in January.
5. Aramco Trading demonstrated Resilience, Readiness and Flexibility in facing the extreme crisis of Covid-19 with four offices running their business from Home.
6. Covid-19 presented many challenges, but it also delivered a lot of opportunity with the market structure – the deep contango was good, and we were able to capture some of the value in this crisis.
7. The Covid-19 pandemic allowed Aramco Trading to demonstrate to customers the value of flexibility by accommodating cancelations through leveraging an extensive asset infrastructure, which most traders don't have.
8. Oil Refiners are cutting their throughput which is a good indication that the market demand is not there for OPEC+ to increase supply in January 2021.
9. It is extremely difficult to see where we are going – inventories are going down and the Contango market structure is marginal, but at the same time we are now seeing scary Covid-19 numbers coming out of Europe.
10. China oil demand is likely to remain solid through Q4 2020/Q1 2021 as their economy is growing while the rest of the world is in negative territory.

ENERGY MARKETS VIEWS YOU CAN USE

Rustin Edwards
Head of Fuel Oil procurement, Euronav NV

Do you expect the consolidation trend in US shale to continue?

Consolidation for companies in the Permian Basin signals that we are at the bottom in the market. Refinancing is cheap at half a percentage basis point so acquisitions can happen at much lower financing rates and companies can now have fairly leveraged books but not the cost structure associated with that. This is making E&P mergers more attractive with better deals on equipment, personnel etc. - everything is being discounted and we will probably see more of this. Oil services companies are also starting to reevaluate their contracts to match the lower for longer crude price structure.

What is the outlook for the shipping industry?

Freight is still relatively cheap and will probably continue to be into the fourth quarter and first half of next year. The good news is that the amount of available product on the market is increasing which lends some support. Libya is now pushing 500,000 barrels a day for example and Norway has recovered most of its production outage from the strike and almost back up to full rates again. However, against this incremental crude are OPEC production cuts, which will likely keep freight rates depressed. ■

Robin Mills
Chief Executive Officer, Qamar Energy

What's the outlook for Asian demand in the fourth quarter?

Unlike India, Chinese demand is bouncing back quite strongly. The country has been stocking up while prices remain attractive, but it's also indicative of real economic strength. Changes from month to month or year to year show that the recovery is fairly robust and certainly outpaces that of any other big economy. China is continuing to expand its strategic and commercial crude inventories very actively but as we get into winter weather, imports may moderate if refiners decide to start using up their glut of stocks. If they do, that will be pretty important to market balance and bad news for the global market overall.

Is OPEC indicating what it may do with production come January?

There is still nothing decided within OPEC. With a weak economic outlook, Saudi Arabia is probably pushing the thought of delaying the increase in output, possibly to the second quarter. The Russians are probably accepting that may be necessary but not willing to commit just yet. Factors to watch out for on the supply side are Libya where production is already returning strongly and serious civil unrest in Nigeria.

Will we continue to see consolidation in US shale?

Consolidation within the US shale industry is active and necessary for some companies to survive. We have seen the stronger companies with decent balance sheets merging with others at low premiums and taking out costs. If we continue to see this, it will mean slower production growth within the shale sector but more capital discipline and ultimately more solid companies. Operators may be able to survive at $25 a barrel, but the difference now is that they won't pour money into uneconomic drilling as they did previously. ■

ENERGY MARKETS VIEWS YOU CAN USE

Mike Muller
Head of Vitol Asia

China's Oil Buying Spree is Warm but not Hot!

Earlier in October the private-sector Chinese refiner Rongsheng announced their presence in the market with a bang, taking something like 14 million barrels or 7 VLCCs in one day, and that was mostly for November oil. But then they double dipped and had a go at the December market as well. And the big question was whether they would create a domino effect and panic others into buying also because there was a perceived cheap entry point in oil prices, and that did not really happen. So, whilst the market is warmer than what it was, it's certainly not boiling hot. I would not say that China has transitioned into aggressive buying mode just because a few independent buyers got their buying boots on. It does not mean that there is any sort of wild panic, and there is a good reason for that. Nothing has really changed in the fundamentals driving buyer behavior and refining behavior in China. The margins are not great domestically and the export margins are mediocre, and therefore there is no incentive to ramp up. The outlook is that there will be disciplined runs in China, as is the case for the whole of Asia, which is running at way lower run rates that one might have predicted a few weeks back.

Libyan Oil Production is Enroute to 1mbpd by Year End:

Libya is putting oil back on the market at a faster pace than people had predicted. We had been saying just a few weeks back that Libya would reach 700,000 bpd by the end of the year, and now everyone is expecting Libya to reach one million barrels per day by the end of the year. But it is not an avalanche, and despite all the virus talk and cases hitting new highs, the Eastern Hemisphere continues to pull on the oil complex in a healthy fashion and a lot of that Libyan excess is going to find a home in the Asian markets.■

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

How Sustainable is the Economic Recovery?

What we are seeing is Economic growth has returned in most places. The IMF was actually quite positive on its 2021 forecast, it sees a bounce back which almost matches the decline in 2020 in most regions. We see demand is creeping up very slowly, but even in oil markets it is not enough to really work through the inventories, and China is not going to be the locomotive pulling out the global economy. In general, the demand recovery, which translates into oil demand, is too slow to really solve OPEC's decision problem before January. So, the markets will become increasingly fixated on that question of what will they do next?

The IMF forecast for global GDP growth in 2020 is -4.4% for the world, but with very large disparities. You have Asia almost overcoming the COVID crisis, versus Europe which is seeing economies contract by more than 8%. There is a mindset in Europe where the economy is hostage to the pandemic and to the lockdowns, and the oil markets are hostage to the economy. I think what we are really seeing is that there is quite some diversification and independent movements going on in several countries – some are increasingly divorced from the pandemic, and some countries are struggling to avoid to impose a lockdown.

Germany is a case in point – from Germany's perspective they are surrounded by what they consider are high risk countries in terms of the COVID pandemic. Everybody who comes from a neighboring country must go into quarantine until they have a positive test, but it does not seem to deter people so much from traveling. They all just accept that they must stay at home for two days until they get their test results back. And cross-border traffic is not really declining anywhere close to the extent to which we have seen in March and April. So even if a lockdown comes back by name, de facto, it will not be as bad as it used to be from an economic perspective.■

ENERGY MARKET NEWS

RECOMMENDED READING

1. OIL FALLS ON OVERSUPPLY FEARS AFTER BUILD IN US CRUDE STOCKS
2. ASIAN SHARES SEEN LOWER ON COVID-19, ELECTION UNCERTAINTY
3. US CORE CAPITAL GOODS ORDERS INCREASE SOLIDLY IN SEPT
4. EQT ANNOUNCES THE ACQUISITION OF CHEVRON'S APPALACHIA ASSETS
5. US CRUDE, GASOLINE STOCKS UP, DISTILLATE INVENTORIES FALL
6. NORWAY'S OIL AND GAS EXPLORATION DROPS SHARPLY
7. CHINA'S ECONOMIC GROWTH SEEN HITTING 44-YR LOW IN 2020, BOUNCE 8.4% IN 2021
8. GERMANY IS DISCUSSING A TWO-WEEK COVID-19 SHUT DOWN
9. CALLS FOR UK NATIONAL LOCKDOWN GROW AS COVID-19 DEATH TOLL PASSES 60,000
10. KIDS ARE NAGGING THEIR PARENTS TO BUY ELECTRIC CARS, RESEARCH REVEALS

RECOMMENDED VIDEOS & REPORTS

- COVID 19 - SUCCESSFULLY MANAGED 5MN B/D FROM HOME!
- BEST LESSON FROM NORWAY? POLICIES!
- CHINA'S NEXT "5-YR PLAN" LIKELY TO INCREASE ANIMOSITY BETWEEN WASHINGTON & BEIJING
- GI SPECIAL REPORT: THE GLOBAL ENERGY TRANSITION ACCELERATED BY COVID-19?

Aviation Outlook 2021

Total industry revenues in 2021 are expected to be down 46% compared to the 2019 figure of $838bn.

The previous analysis was for 2021 revenues to be down around 29% compared to 2019. This was based on expectations for a demand recovery commencing in the fourth quarter of 2020.

Recovery has been delayed however, owing to new Covid-19 outbreaks, and government mandated travel restrictions including border closings and quarantine measures.

IATA expects full year 2020 traffic to be down 66% compared to 2019, with December demand down 68%.

Source: The International Air Transport Association (IATA) , October 27, 2020

ENERGY MARKETS VIEWS YOU CAN USE

Omar Najia
Global Head, Derivatives, BB Energy

Where are crude prices headed for the remainder of Q4?
Since May, crude prices have been coming off their lows with OPEC protecting and trying to lift the market higher. But short term, we expect WTI will drop to the low $30s. While OPEC can manage crude, it can't deal with the other issue facing the market - low demand and a lot of product - you can see that in the crack spread. Still, the futures market has remained in a sideways range with players reluctant to sell it down hard because of the perceived support from OPEC.

Do you expect further USD weakness?
The dollar is weak right now with the index trading at about 93% and heading to a floor of 91.7%. But once it touches that, we expect it to rally. 99% of market are currently dollar short and if anything happens to frighten them, they're all going to head one way and see the dollar as a safe haven. They'll dump gold. They'll dump equities. They'll do everything except sell the dollar, so we're likely to see a massive short covering on a fundamental level.

Will a stronger dollar weaken crude prices?
It's the economy, demand and China that will have the main impact on crude prices – not the dollar. Whether Trump or Biden wins the election, the US is going to have an anti-China stance. What people perhaps don't realise is that a China under duress will also mean a collapse in oil and equity markets. This idea of decoupling from China and assuming markets can still hold up, is flawed. ■

Bora Bariman
Managing Partner, Hormuz Straits Partnership

Should we expect the strong interest in M&A activity to continue into 2021?
Banks have been doubling their efforts on advisory services for oil assets this year. This has been particularly evident in North America where just last week we witnessed multibillion-dollar deals announced. The continent is not only a major global economic center; it is where liquidity is concentrated these days in a spectacular fashion. The current policy of central banks and governments, via fiscal stimulus, is to systemically keep important companies afloat, extending the period over which loss provisions are realized. Governments and oil majors are being enabled to issue debt at a pace never seen before. The bad news however is that they are doing this because of low demand in the real economy. At the end of the day, that debt will need to be paid with a return on Investment generated by real assets.

Is there similar interest in trade finance?
Commodity finance is not as liquid a market these days. Current conditions are limiting access for the smaller players to the large diversity of banks that were investing in this sector previously. But there is a silver lining – some banks are showing a willingness to lend to parties that they know and trust. We could also start to see consolidation in trading communities such as those in Fujairah. Crude players, refineries, global traders and government backed firms in the region like ADNOC Trading and Aramco Trading, are all building up their capabilities.■

ENERGY MARKETS VIEWS YOU CAN USE

Chris Wood
Chief Executive Officer, AAG Global Investments

Is OPEC likely to hike production in January?
OPEC has continued to balance a very turbulent market. In addition to continued demand uncertainty, they are now having to factor in how incremental Libyan crude will fit into the picture, as well as the impact of US election and Iranian presidential election results. So, it's a bit of a waiting game for the next few weeks, after which they will be able to clarify what their production position will be for the first quarter of next year.

How are refiners fairing as we approach the end of the year?
Refineries globally are having a very difficult time, with utilization down significantly. Europe is hovering around 7% and it's not much better in the US with the stockpiles there. Many refineries are rethinking their strategies and investment plans for the next few years. We're also seeing a lot of M&A activity on downstream assets. One consideration refineries are having to make in optimizing production is what part of the barrel to focus on. There is no demand for fuels in the middle of the barrel right now for example and only limited interest for the top of the barrel. When the reduced sulfur IMO 2020 regulation kicked in at the beginning of this year, we saw VLSFO trading up to $800 a ton in the region. That is now down to $300 a ton, so margins are a lot less than what was expected. The bottom of the barrel seems to have some demand in Asia but that also does not necessarily mean it will be a long-term play. If and when the pandemic gets under control elsewhere, that will start to drive people's behavior and demand and impact refiners' margins and the choices that they make. ■

أدنـوك
ADNOC

ADNOC CEO Seeks Opportunities to Strengthen UAE-India Energy Relationship

"India's remarkable growth as an economic power has cemented its place as one of the world's largest energy consumers. In fact, it represents the second biggest market for ADNOC. This is a position we hope to build on, in line with the huge expansion of India's ambitions for growth. ADNOC is ready to meet India's growing demand across the full portfolio of our products."

H.E. Dr. Sultan Ahmed Al Jaber
UAE Minister of Industry and Advanced Technology and
Group CEO of the Abu Dhabi National Oil Company (ADNOC)

Source: Abu Dhabi National Oil Company (ADNOC)

GIQ EXCLUSIVE SOUNDINGS

WEEK IN REVIEW:
Oil Waivers on Covid-19 Resurgence, Extra Libyan Crude, and the US' Pending Elections

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.

- **Peter McGuire, CEO, XM Australia**
- **Dr. Carole Nakhle, CEO, Crystol Energy**
- **Adi Imsirovic, Senior Research Fellow, Oxford Institute for Energy Studies**
- **Laury Haytayan, MENA Director, Natural Resource Governance Institute**
- **Ahmed Mehdi, Research Associate, Oxford Institute for Energy Studies**
- **Tony Quinn, Operating Partner, Prostar Capital CEO, Tankbank International**

Peter McGuire, CEO, XM Australia
"The increase in the number of Covid-19 cases across the US and France was a body shot and it has buckled the market. The market's going to be very weary leading into the US elections. It's the minute-to-minute stuff and opinion polls driving sentiment. It could be a wild week."

Dr. Carole Nakhle, CEO, Crystol Energy
"Things are not looking great across Europe, but what else did we expect during the winter season? I still struggle to see a severe national lockdown being applied. There is no appetite among the population and officials to do so."

Adi Imsirovic, Senior Research Fellow, Oxford Institute for Energy Studies
"OPEC+ is caught between a rock and a hard place. We have to focus on Covid-19 and the demand shock it's causing. OPEC+ can only do so much as they try to adjust to all of this. They are doing a great job so far, but they're in a pretty delicate position."

Laury Haytayan, MENA Director, Natural Resource Governance Institute
"This is the nightmare that nobody wanted. Libya's oil production is coming back and its's coming back really fast. Now they are talking about reaching 1mn b/d, not next year but even before that. Maybe this is good news for OPEC+ though, so they have a clearer vision of where 2021 is going."

Ahmed Mehdi, Research Associate, Oxford Institute for Energy Studies
"OPEC has been and still continues to do a good job on trying to balance a very turbulent market. They have to clear the position of where Libyan oil is going to fit into the picture when it comes on stream. From that point of view, they also have to consider what the US elections will mean for historic positions around Iran if there is a change in presidents. It is a waiting game for them at the moment."

Tony Quinn, Operating Partner, Prostar Capital CEO, Tankbank International
"We are not seeing any real demand deterioration at all in Asia. If anything, we are predicting growth. The only thing we don't have a really good level on is jet fuel. If you're in a jet fuel position, it's really difficult to predict if that comes back in 2021 or 2022."

Fujairah Spotlight

Preconstruction Works Begin on Phase 3 of Fujairah Oil Facility

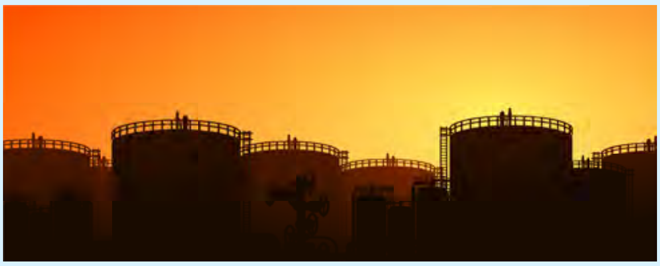
Brooge Energy Ltd, which is a midstream oil storage and service provider, has begun preconstruction work for its Phase 3 oil storage terminals and refinery, which will be strategically located outside the Strait of Hormuz, adjacent to the Port of Fujairah in the UAE. These are major milestones that pave the way for construction to start on Phase 3 of the oil storage facility in Fujairah, UAE, which is expected to be operational in late 2022.

Source: Bunkerspot

NBF Partners up with Ministry of Finance to Launch e-Dirham Instant

National Bank of Fujairah PJSC (NBF) announced today that it launched e-Dirham Instant , the latest digital payment method that allows customers to pay for governmental fees and services using online banking. Led by the Ministry of Finance, this payment scheme is a result of a collaborative partnership between UAE governmental entities and key national banks across the UAE. Available at their fingertips, users will be able to conduct instant and secure payments at any given time and in any given location using online banking app.

Source: NBF



More Diesel in Bunker Fuel Raising Risk it Could Turn into Sludge

The shipping sector is providing an outlet for surplus oil products such as diesel that have swelled due to a virus-driven demand hit, but questions about changing ship fuel quality are starting to raise concerns. Supplies in Fujairah were above 100, while in Singapore, it's been below that level for most of the year. Fuel quality issues following IMO 2020 may have already cost shippers more than $1 billion, according to Intertanko, a tanker association.

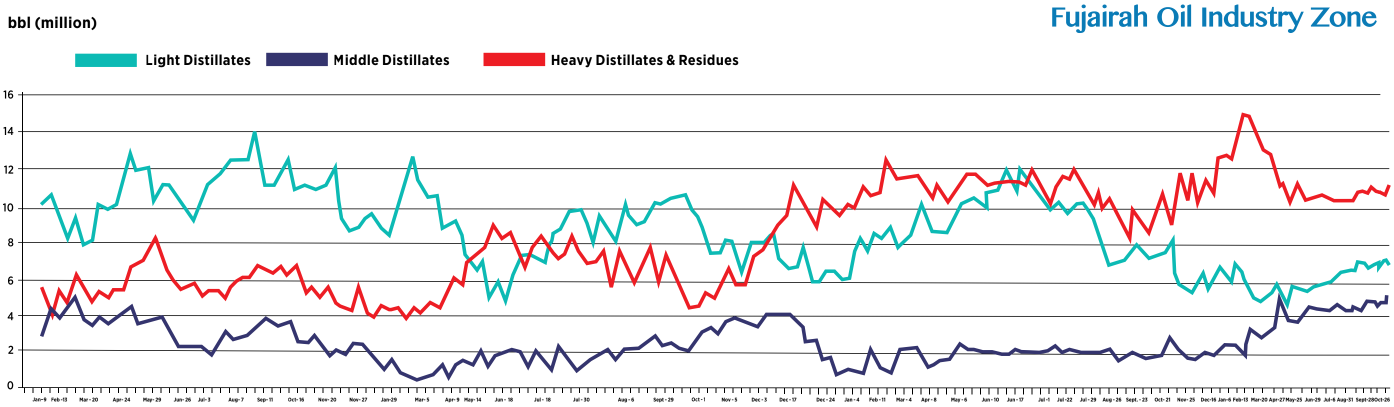
Source: Shipping Watch

UAE's ADNOC Awards $324mn of Contracts for Onshore Oil fields & Fujairah Terminals

Abu Dhabi National Oil Co., the UAE's biggest energy producer, announced Oct. 26 the award of three contracts worth $324mn for work on some of its onshore oil fields and terminals at Fujairah and Jebel Dhanna. The three contracts include the procurement and construction of flowlines and wellhead installations across several onshore Abu Dhabi oil fields and the engineering, procurement, and construction of a new bypass system to provide critical backup for the existing crude receiving stations at the Jebel Dhanna and Fujairah export terminals, ADNOC said.

Source: S&P Global Platts

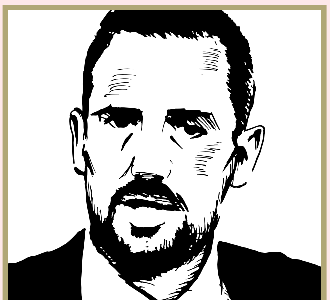
Fujariah Weekly Oil Inventory Data



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 18.465mn barrels. Total stocks plunged by 1.874mn barrels or 9.2% week on week, with light product stocks seeing a large draw to a record low. Total stocks fell below 20mn barrels for only the second time this year and to the lowest since September 9, 2019.
- Stocks of light distillates saw a fall of 1.847mn barrels or 30.6% week on week to stand at 4.198mn barrels. This is the lowest total recorded for the category since the start of weekly stocks reporting on Fujairah in January 2017. Gasoline balances have been tighter across all regions in recent weeks. In particular, the Middle East has seen tightening regional inventories and a strong recovery for gasoline demand, with the Covid-19 situation relatively stable compared to other regions. Lower refinery runs in Europe and India have limited supply from usual outlets. Cash differentials for gasoline cargoes have seen healthy premiums against the Mean of Platts Arab Gulf 92 RON gasoline assessments averaging $3.65/bl month-to-date since the start of Q3 2020, Platts data showed.
- Stocks of middle distillates rose by 387,000 barrels to 4.32mn barrels – up by 9.8% on the week. Market participants said headwinds were looming on the horizon for the East of Suez gasoil complex, with the Asian market bracing for potentially more inflows being sent across from the Middle East and India. "Currently November arbs still closed so it's likely that [Arab] Gulf/West Coast India barrels will move to the Straits, adding to the pressure in the east," a senior Singapore-based gasoil trader said. At current levels, East-West pricing differentials are generally seen as too narrow for arbitrage to send surplus gasoil volumes from India and the Arab Gulf to the West. Meanwhile, gasoil demand from East Africa has slowed as well, with requirements from the Arab Gulf having been mostly fulfilled earlier in October.
- Stocks of heavy residues fell by 414,000 barrels or 4% on the week to stand at 9.947mn barrels. In Fujairah, bunker prices showed moderate signs of tightness despite maintenance at the Uniper refinery. "These numbers are for early to mid-November. Suppliers are only tight till early November because of the Uniper maintenance," said a Fujairah-based supplier. The Fujairah-based refinery is still undergoing maintenance, according to a source close to Uniper and with direct knowledge of the matter. "Maintenance works on one of the units took several days longer than planned, but it is back up since October 21, and is now fully operational. The second unit's maintenance is going as per plan so far," said the source. Fujairah-delivered Marine Fuel 0.5%S bunker was assessed at $327/mt Oct. 27.

Source: S&P Global Platts



BY MATT STANLEY
SENIOR BROKER
STAR FUELS

Brent is trading this morning at $40.46/bl, down 0.74/bl. WTI is trading at $38.68/bl, down 0.89/bl. You know, the older you get, the more you start to worry about odd stuff. Slipping over for example. Running out of teabags. Whether you are using the right kind of toothpaste. Odd stuff. Stuff that in your twenties weren't even the merest of considerations. Actually, every 20-year-old seems to have blindingly white teeth these days so forget that. But I have to say, I am worried about this oil market. Very worried. Like out of PG Tips worried. Like if I was a premiership footballer and Invisalign went bust worried. Why?

Well, I think we have reached a point in the year, in what has been an absolute Barry Crocker of a year, that the market should acknowledge that those forecasts should really be coming to fruition now. Sadly, they just aren't. I'll tell you what tipped me into my grim outlook this morning. It was the latest report from the International Air Transport Association (IATA). They said "… total airline industry revenues in 2021 are expected to be down -46% compared to 2019." The boss of IATA said, "for each day that the crisis continues, the potential for job losses and economic devastation grows." Now, getting on a plane and flying off to some far-flung destination is something the vast majority of us all enjoy, but the airline industry has been absolutely decimated by Covid-19. The fact that I would say nigh on everyone reading this commentary has been on a plane before is evidence of the effect this has had on jet fuel demand and, what seems like, long lasting effects too. The reason I am so worried though is that from an end user point of view, things seem to be getting worse with cases of Covid-19 increasing by the day. Countries are looking to limit movement of people which will obviously have a detrimental effect on the demand outlook. Let's also not forget what John Snow says, winter is coming. Still, at least we can all get the popcorn out next week eh? 7 days until election and counting. Stats later, crude and gasoline builds apparently, hellloooo $35/bl Brent. Good day. 28 October, 2020

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