Fujairah
New Silk Road
WEEKLY NEWSLETTER

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FOIZ منطقة الفجيرة للصناعة البترولية Fujairah Oil Industry Zone

Port of Fujairah ميناء الفجيرة Port of Fujairah United Arab Emirates

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

"It's a Tighter Oil Market Than People Are Aware Of!"

Sarah A. Emerson, President, ESAI Energy, LLC

The oil market's response to the conflict in the region makes a lot of sense. The only thing you could connect to a disruption in the oil flows would be if there was an escalation beyond Gaza and we're just not seeing that yet. But even if you did and had some sort of conflict that allowed for the dropping of missiles between Israel and Iran, it doesn't make sense for the flow of oil to be shut down in the Gulf because Iran and all the other producers export through the Gulf. It's not like 1973 – you have a lot of other things happening too. Still, supply capacity is not that ample. You have the volumes that the Arab Gulf producers have cut, and that capacity is sitting on the sidelines, but there's also a reduction of Russian exports by over a million barrels a day and European refiners are out there still looking for additional oil to replace that. So, it's a little bit of a tighter market than people are aware of. But we also have many economists and market watchers who believe there will be a recession in one or more countries or that we are at the beginning of a recession already. These are the two different forces pushing the market. We follow oil demand by product and by country, and while it is decelerating, we have no indication that it's going to drop dramatically. Oil demand grew to about 2.6 million barrels this year because Chinese growth was about 1.8 million, so a big pickup. Obviously, Chinese growth will not be that high next year because a lot of what happened in 2023 has been a bounce back from the lockdowns. I think everyone thought 2023 was an extraordinary year for China, so now we have demand decelerating quite a bit, but there's still consumption that has to happen. It's going to go down to about 1.5 million b/d, which is still a healthy growth of 1% to 1.2%.

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Fujairah Weekly Oil Inventory Data

4,234,000 bbl	1,791,000 bbl	11,023,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.54 - 4.38/m³

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

THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	$86.19/bl
WTI Crude:	$82.20/bl
DME:	$88.33/bl
Murban:	$87.31/bl

*Time Period: Week 1, November 2023
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

	VLSFO	MGO	IFO380
High	$688.00/mt	$970.00/mt	$475.50/mt
Low	$651.50/mt	$947.00/mt	$464.00/mt
Average	$663.50/mt	$958.50/mt	$471.00/mt
Spread	$36.50/mt	$23.00/mt	$11.50/mt

*Source: Ship and Bunker, *Time Period: Oct. 23 – Nov. 1, 2023*

Fujairah Bunker Sales Volume (m^3)

0	180cst Low Sulfur Fuel Oil
425,942	380cst Low Sulfur Fuel Oil
172,945	380cst Marine Fuel Oil
1,688	Marine Gasoil
28,064	Low Sulfur Marine Gasoil
3,944	Lubricants

Source: FEDCom & S&P Global Platts

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Sarah A. Emerson, President, ESAI Energy, LLC

How do you interpret the divergence on peak oil demand by major agencies?

Both the IEA and OPEC have slightly different perspectives on what's coming over the next 5-10 years as the Energy Transition gains speed - and that's fair. When the IEA says demand is going to peak very soon and start falling, not everyone believes that and when OPEC offers an alternative view, not everyone believes that also. I think it's a healthy thing because if you have multiple points of view, there can be more debate on how we get to the next step of the transition.

What does the recent M&A activity mean for US oil production?

The US shale patch has always been more of a manufacturing industry than a 20-year outlook on production kind of industry. We've had M&A since shale began. Now, we have a period where costs are up because of supply chain issues and inflation, so it's a continuation of a trend, but just with much bigger numbers. The top ten producers in the Permian basin only produce about 60% of the total, so there's still probably a lot more consolidation coming and with that, continued growth in production.

Why is the Biden administration turning a blind eye on sanctioned Iranian oil?

They're more concerned about capacity constraints than declining demand so I think they will do what they can to allow more oil to get to the market under these sanctioned companies. The general license that the Treasury Department has given to allow production exports, sales and investment in Venezuela is kind of the same idea. Also, almost every additional barrel that Iran has exported this year has gone to China. It's not easy for the US to impose secondary sanctions on China; it's just not a country that we have that kind of power over, and we don't know if we want to fight that battle as we've got so many other issues with our rivalry. Also, by feeding China, it maybe frees up some other barrels from the Middle East to go to Europe. So, it's an easy one for them to look the other way.

WATCH FULL INTERVIEW HERE

ACCELERATING TOWARDS NET ZERO

Marking a new chapter in ADNOC's transformational journey to a lower carbon future, we have brought forward our Net Zero ambition to 2045 and aim to achieve zero methane emissions by 2030.

Energy Markets Views You can Use

Dr. Iman Nasseri
Managing Director - Middle East
FGE Dubai

The risk premium in prices has subsided but it's not totally gone.

The market is still on its toes and following the news and that's what brings the volatility that we've been witnessing, of a couple of dollars up and down. In our opinion, there has been a $5 to $10 risk premium added to prices in October. The original forecast and fundamentals would have put prices back to the $85-90 range. We are now getting closer to where they should have been and if we see prices dropping further down towards $85, that's where it should be. But with every headline, we could also see that risk premium of $3 to $5 popping back. We tend to believe the situation in the Mideast conflict will remain contained, particularly if you look at the commentaries of both the US and Iran, largely aimed at their own domestic audiences. It was very clear in Khamenei's comments, that they blame Israel, that they support Hamas, but that they would not be involved. That is very clear positioning that they don't want a radical escalation.

Any consequences expected on Iran sanctions as a result of the Mideast conflict?

There's never been an official change in the US sanctions ban on importing Iranian crude oil and products, but production and exports volumes have risen from the 2019-2021 average. There have been very few, if any, additional names added to the list of those evading sanctions, which suggests an unofficial deal between the two nations that the US will freeze the list, and not enforce sanctions on the additional trade done by Iran, as long as they are talking about getting back into an official conversation on nuclear enrichment. Also, cutting supply out of the market goes against the US interest at the moment, and against removing sanctions on Venezuela and all the other efforts to keeping prices down.

Fujairah Spotlight

Etihad Rail shares stunning footage of 40-metre-high viaduct in Fujairah mountains

The UAE's national rail mega project is reaching new heights – with a supersized viaduct helping to drive efforts to connect the country. Etihad Rail shared the footage on social media of Fujairah's Al Bithnah Rail Bridge, which stretches more than 600 metres and stands 40 metres above the ground. It is the tallest structure on the rapidly developing rail network and is set to play a crucial role in improving trade links between Fujairah and the rest of the Emirates.

Source: The National UAE

Fujairah Natural Resources Corporation: Dedicated efforts to drive sustainability

The Fujairah Natural Resources Corporation (FNCR) is among the leading contributors to the sustainable development drive in the Emirate of Fujairah, making exceptional efforts to boost sustainability through various initiatives and programmes launched in the lead-up to the UAE's hosting of the UNFCCC's 28th Conference of the Parties (COP28). Such initiatives include the FNCR's Fujairah International Award for Best Sustainable Mining Practices, the first-of-its-kind annual award in the Middle East launched to recognise individuals and institutions from around the world for their excellence in adopting sustainable mining practices.

Source: Emirates News Agency-WAM

Oil product stocks reverse three-week decline

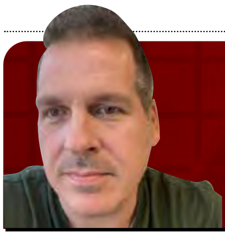
Stockpiles of oil products at the UAE's Port of Fujairah rose 1.4% in the week ended Oct. 30, ending a three-week fall as a rise in residues offset declines higher up the barrel, according to data from the Fujairah Oil Industry Zone.

Source: S&P Global Commodity Insights

National Bank of Fujairah participates in new Aani payments platform

The National Bank of Fujairah (NBF) has confirmed its participation in Aani, a cutting-edge instant payments platform launched this week by Al Etihad Payments, a subsidiary of the Central Bank of the UAE (CBUAE).

Energy Markets Views You can Use



Omar Najia
Global Head, Derivatives, BB Energy

The trend for oil is going to be a large upside to come.

The way you should view this market is not to do with an economic slowdown. People have been saying that they expect a recession in the US, and they continue to be wrong. Interest rates of 5% are not that high when you see that the US budget deficit this year is going to be close to $2 trillion, and US debt is massive. So, prices are not going to come off. We're going to go completely the other way. The lows that we had in May and June of around $63.50 for WTI and $5 higher for Brent, will stay with us for a very long time to come. The whole picture on oil has to do with whether you expect an inflationary or deflationary environment and I think it's going to be very much inflationary. The oil price today, adjusted for inflation, looks extremely cheap. And if you look at geopolitics, the risk is also to the upside. Whichever way you want to turn this market, we're going to go higher. The question is, from what level? I doubt that it's from where we are now. I think whatever length is in the market has to maybe flush out a bit first - maybe we move sideways to lower - and only then do we start going up, with Brent getting to something like $110, and then I think it will go even higher than that.

Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

Business as usual in markets and economies despite the Mideast conflict?

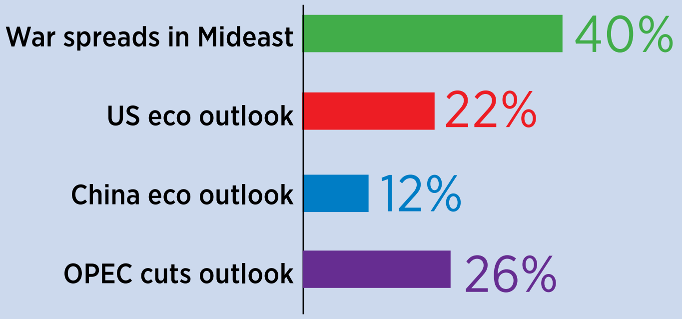
It's one of those typical high wire balancing acts. On the one hand, there is a complex array of threats, mainly geopolitical. On the other hand, we've got a world in transition. So, for now, it is a business as usual attitude, even though everyone's aware that visibility is close to zero. There is still a lot of momentum in the global economy, even if it is very patchy. Compared to that very stable period during the 2010 to 2020 years, things are much less predictable now, but companies are learning to deal with that. As for the US debt ceiling problem, that has not really materialized in the way that people thought it might for markets - but when something comes along which is significant, we'll press the button.

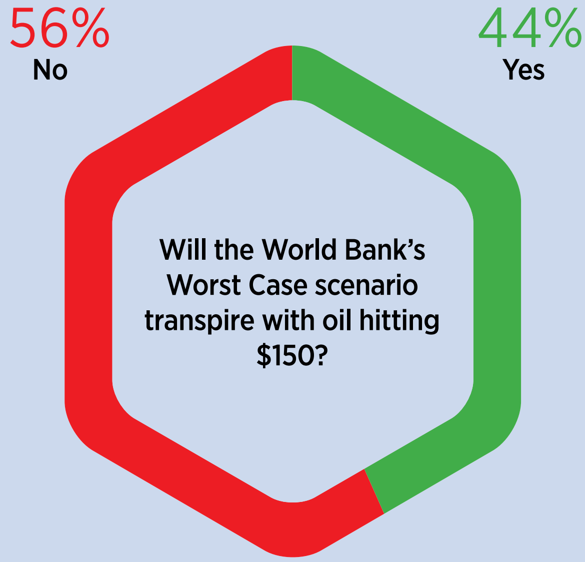
How much is Fed interest rate policy factoring into market sentiment?

Markets have moved on from inflation, perhaps even more so given that we haven't seen the spike in energy prices that many had feared as a result of the Israel Hamas war. The interest rate story still matters, but more in terms of what would be the trigger for rates to come down. As the Q3 earnings season kicks off, a lot of companies are now not so optimistic about the outlook as they struggle with higher financing costs. People are concerned that at the micro level, things are starting to deteriorate. Hence why the S&P is sitting on what are potentially very significant levels if we were to break them on the downside. The market's primary concern at the moment is definitely geopolitics, not interest rates. And what people are also worried about is whether the defensive qualities of things like T-bills and very short-dated assets, now are so overwhelming, that risk appetite is going out the window.

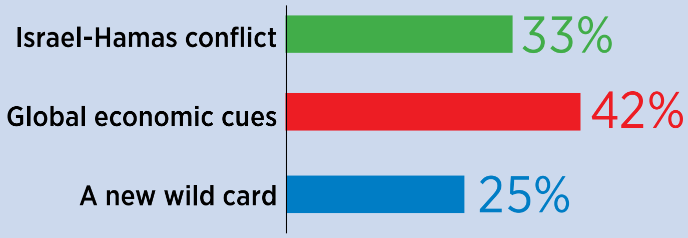
Weekly Surveys

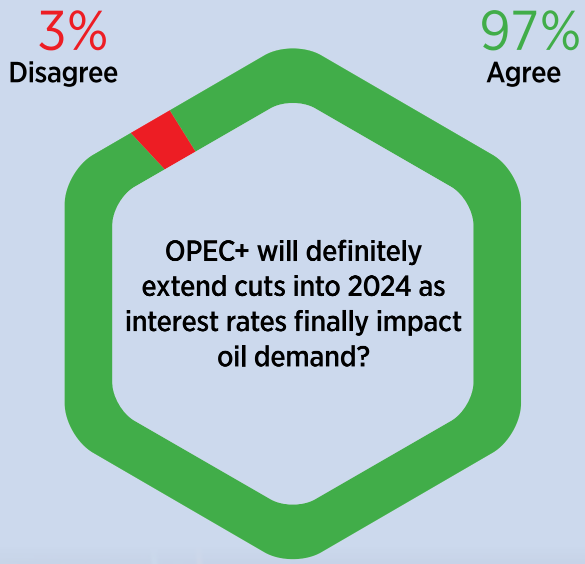
What will have a greater influence on direction of travel for oil prices over coming weeks/months:





What will be the biggest influence on oil prices in November?





Source: GI Research March 2023

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Fujairah Weekly Oil Inventory Data

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Fujairah Oil Industry Zone

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 17.048 million barrels with a rise of 238,000 barrels or 1.4% week-on-week staying below the 20-million-barrel level. The stocks movement saw a drop for light distillates, middle distillates and a rise for heavy residues.
- Stocks of light distillates, including gasoline and naphtha, decreased by 1.592 million barrels or 27.3% on the week to 4.234 million barrels. The East of Suez gasoline complex strengthened Oct. 30 on continued expectations of lower China gasoline exports towards the end of the year, market sources said. Taiwan's Formosa Petrochemical halted the 84,000 b/d RFCC unit at its Mailiao refinery in the week of Oct. 23 due to boiler piping issues, market sources said. The affected unit will be shut for repairs and expected to restart by Nov. 7. Industry sources said the issue will cause a delay of 5-7 days in gasoline cargo exports, while gasoil shipments remain unaffected. Refinery operations are likely to increase to 68% of capacity following the expected restart of its No. 2 CDU from maintenance, with overall operations rising further once the VDU and delayed coker units are fully back from the turnaround, the official said.
- Stocks of middle distillates, including diesel and jet fuel, fell by 348,000 barrels or 16.3% on the week to 1.791 million barrels. The East of Suez ultra low sulfur diesel market was rangebound Oct. 31, as traders mull supply-side fundamentals after China's official purchasing managers' index numbers fell below expectations, suggesting that the world's second-largest economy is still struggling. By industry type, most manufacturing sectors [in China] experienced a slowdown in growth in October, though for companies that are heavy consumers of energy, activity actually declined slightly, perhaps affected by recent increases in the prices of crude," said Robert Carnell, ING's regional head of research, Asia-Pacific. Market participants are anticipating gasoil outflows from China to fall to around 700,000 mt in November from around 1.1 million-1.2 million mt for October. The decline comes as almost 80% of the three export quotas have been utilized, with the possibility of insufficient export quotas in the fourth quarter, industry sources said. "There is speculation that China could increase its gasoil exports to 900,000 mt in November but this seems unlikely because domestic demand is quite stable," a regional gasoil trader said.

Source: S&P Global Commodity Insights

ENERGY MARKET NEWS

1. OIL PRICES EDGE HIGHER MIDDLE EAST CONFLICT STOKES SUPPLY CONCERNS
2. SAUDI ARABIA POSTS BUDGET DEFICIT OF $9.5 BILLION IN THIRD QUARTER
3. HEAVY OIL DISCOUNT WIDENS AS NEW TRADE CYCLE BEGINS
4. HAMAS SAYS ISRAEL'S STRIKES ON REFUGEE CAMP KILL MORE THAN 195 PEOPLE
5. STANDARD CHARTERED: $98 OIL IS WELL SUPPORTED BY FUNDAMENTALS
6. CHINA TO INVEST $2.8 BILLION IN ZIMBABWE IN LITHIUM, ENERGY
7. US OIL OUTPUT HITS RECORD AS PRODUCERS BOOST DRILLING EFFICIENCY: KEMP
8. FEDERAL RESERVE HOLDS INTEREST RATES AT HIGHEST LEVEL SINCE 2001
9. INDIA SWAPS RUSSIAN CRUDE FOR SAUDI OIL AS DISCOUNT DWINDLES
10. LULA MILITARIZES BRAZIL'S MAIN PORTS, AIRPORTS AMID RISING CRIME

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Energy Markets COMMENTARY WEEK IN REVIEW

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GI Soundings Week in Review

"Oil Market Holds Steady Despite Escalating Mideast Conflict!"

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

- **Narendra Taneja, India's Leading Energy Expert**
- **Laury Haytayan, MENA Director, Natural Resource Governance Institute**
- **Mehmet Öğütçü, Group CEO, Global Resources Partnership, Chairman, London Energy Club**
- **Bill Spindle, Senior Global Correspondent, Cipher News**
- **Matthew Wright, Senior Freight Analyst, Kpler**
- **Yiyong He, Founder & CEO, LNG Easy**
- **Salih Yilmaz, Senior Energy Equity Analyst, Bloomberg Intelligence**

Narendra Taneja, India's Leading Energy Expert SUPPLY SECURITY "We're not too worried about oil supplies, unless we see a fully-fledged war involving Iran which would cause supply disruptions in the Hormuz area and so forth. The market response has been very measured so far, so India is not ready to press the panic button yet. Our main worry is on prices being above $80/bbl."

Laury Haytayan, MENA Director, Natural Resource Governance Institute MIDEAST CONFLICT "The Saudis and other Gulf states have called for a ceasefire; they have not called for an oil embargo, or to use oil in the way that they did in 1973. This is where we are seeing it today and I don't see any kind of action that would be like the 1973."

Mehmet Öğütçü, Group CEO, Global Resources Partnership, Chairman, London Energy Club CHINA OIL SUPPLY "Any conflict that would spread to Iran, and then perhaps lead to the closure of the Hormuz Straits, would be fatal for the Chinese economy. So, China will want to play a moderating role and could do so because they are on talking terms with Israel, Saudi, and Iran. They would likely do that behind closed doors, rather than publicly. China does have clout in the region."

Bill Spindle, Senior Global Correspondent, Cipher News MIDEAST CONFLICT "Everyone in the region – from Israel, to Hamas, to the Gulf states - is realizing that this is not a structurally sustainable situation and that we can't just return to the way it was before. So, something new is going to have to follow."

Matthew Wright, Senior Freight Analyst, Kpler RUSSIAN CRUDE "Part of the strength in tanker markets over the last 18 months has come down to dislocations in crude and refined products flows from Russia to countries like China and India. We're now past the peak of that Russian effect, in the sense that we're not seeing any more ton-mile being generated on those routes."

Yiyong He, Founder & CEO, LNG Easy LNG SUPPLY "Based on confirmed projects and FID taken, we will have a compound annual growth rate for LNG of 5.2% through to 2030. That's a lot higher than crude, so a lot more LNG to come, relative to other liquid cargoes. I'm not worried about lack of supply; I think the focus should be on LNG demand generation."

Salih Yilmaz, Senior Energy Equity Analyst, Bloomberg Intelligence REFINING MARGINS "Crack spreads across the barrel, especially for middle distillates, have been pretty strong in Q3 - a greater than expected recovery in refining margins from Q2. And companies seem to be expecting a good fourth quarter, maybe not as strong as Q3, but still very healthy levels that could potentially continue into early 2024."

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