Fujairah New Silk Road
WEEKLY NEWSLETTER

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"AFTER ALMOST A DECADE OF UNDERINVESTMENT IN OUR INDUSTRY, THE WORLD HAS SLEEPWALKED INTO A SUPPLY CRUNCH."

H.E. Dr. Sultan Ahmed Al Jaber

Minister of Industry & Advanced Technology, UAE
Managing Director Group CEO, ADNOC

We meet at a historic moment. The global community has just concluded COP26. On balance, it was indeed a success. Yet current energy dynamics have revealed a basic dilemma. While the world has agreed to accelerate the energy transition, it is still heavily reliant on oil and gas. As economies bounce back from the Covid-19 pandemic, at the fastest rate in 50 years, demand has outpaced supply. After almost a decade of underinvestment in our industry, the world has sleepwalked into a supply crunch. It is time to wake up. The oil and gas industry will have to invest over $600bn every year until 2030 just to keep up with the expected demand. And yes, renewable energy is the fastest growing segment of the energy mix, but oil and gas is still the biggest and will be for decades to come. In short, the future is coming, but it is not here yet. We must make progress with pragmatism, and if we are to successfully transition to the energy system of tomorrow, we cannot simply unplug from the energy system of today. We cannot just flip a switch.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

5,838,000 bbl	3,577,000 bbl	10,881,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

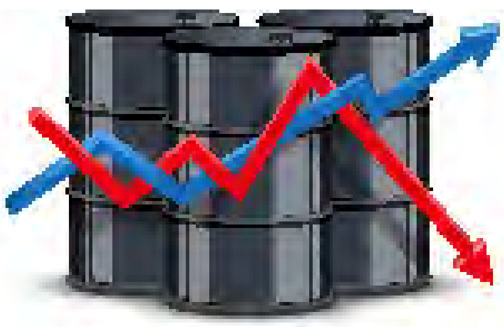
Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.54 - 4.38/m³

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

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude:	$81.36/bl
WTI Crude:	$79.70/bl
DME Oman:	$80.94/bl
Murban:	$82.45/bl

*Time Period: Week 3, November 2021
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $642.50/mt

Low = $620.50/mt

Average = $629.50/mt

Spread = $22.00/mt

MGO

High = $800.00/mt

Low = $782.00/mt

Average = $791.00/mt

Spread = $18.00/mt

IFO380

High = $516.00/mt

Low = $490.00/mt

Average = $501.00/mt

Spread = $26.00/mt

*Source: Ship and Bunker, *Time Period: November 10 - November 17*

Fujairah Bunker Sales Volume (m^3)

573 180cst Low Sulfur Fuel Oil	**606,093** 380cst Low Sulfur Fuel Oil	**135,150** 380cst Marine Fuel Oil
1,964 Marine Gasoil	**32,402** Low Sulfur Marine Gasoil	**5,878** Lubricants

Source: FEDCom & S&P Global Platts

H.E. Dr. Sultan Ahmed Al Jaber

Minister of Industry & Advanced Technology, UAE
Managing Director Group CEO, ADNOC

CONTINUED FROM PAGE 1

We must, of course, prioritize investments toward the most cost and carbon efficient barrels. Following the wise guidance of our leadership in the UAE, this is exactly the approach we are taking at ADNOC. By virtue of geology and design, we offer some of the least carbon intensive barrels in the world. We have made no secret of the fact that we intend to increase our production capacity to 5mn b/d by 2030. At the same time, we are constantly innovating to further reduce our carbon intensity. We were the first company to bring carbon capture and storage to the region, and we are expanding our capacity from 800k tonnes to 5mn tonnes per year. We are applying artificial intelligence enabled technology to deliver efficiencies in every part of our business and the innovation doesn't stop there. We will soon deliver another first for our industry. From January, up to 100% of our grid power will come from clean sources, namely nuclear and solar. In one move, this will significantly reduce ADNOC's operational emissions. It brings us more than one-third of the way towards our 2030 carbon intensity target. Importantly, it will make a practical contribution to the UAE's net-zero by 2050 Strategic Initiative. Not years from now, but in a matter of weeks and only 45 days from now.

As we lower our carbon, we are also optimizing our costs and driving value across our upstream and downstream businesses. We launched the IPO of the world's biggest shareholder-owned exporter of fertilizer, Fertiglobe, which was more than 20x oversubscribed. We also launched the largest IPO in the history of Abu Dhabi's Stock Exchange, ADNOC Drilling, which was more than 30x oversubscribed. This week, we will pass a major milestone with the Murban Futures contract that we launched in March, trading over 1bn barrels of Abu Dhabi's flagship low-carbon crude. These achievements were all completed despite the complications of the global pandemic. They are powerful proof of one thing - that the investment case for our industry is strong, dynamic, and in fact vibrant.

As the world demands more energy with fewer emissions, the UAE is open for business and ready to partner across the energy ecosystem. We continue to attract new concession partners to our operational exploration blocks and to unlock our conventional and unconventional reserves. We are liberating significant supplies of natural gas, moving closer to self-sufficiency, allowing us to grow our LNG business and to fuel our downstream expansion. TA'ZIZ, ADNOC's joint venture with ADQ, is accelerating its expansion in Ruwais, generating multiple partnership opportunities. We have already welcomed Reliance Industries as a strategic anchor partner in Ruwais, and we

"If the world is to resolve the dilemma of the energy transition, the solutions will be found where the energy expertise exists."

invite all of you to participate in the opportunities of our growing industrial hub. Our aim is to more than double our chemicals portfolio by 2025 and enhance the UAE's industrial competitiveness. In addition, we are continuing to deliver our plans with hydrogen. After four successful shipments to Japan and South Korea, we are well-positioned to become a major producer and exporter of blue hydrogen. In the days and weeks ahead, you will hear much more from us on our strategy to future-proof our business and enhance our capabilities in the clean energy space.

If the world is to resolve the dilemma of the energy transition, the solutions will be found where the energy expertise exists. That means that we in our industry have a phenomenal and huge opportunity in front of us. Re-wiring the energy system is a multi-trillion-dollar business opportunity that is good for the climate, good for humanity, and good for sustainable economic growth. These are fundamental reasons why we in the UAE are excited about hosting Cop 28 in 2023. We will make this forum a catalyst for practical, commercial, sustainable energy solutions, solutions that are both pro-climate and pro-growth. Solutions that come from our industry and beyond.

As the UAE prepares to celebrate its golden jubilee, our leadership has issued a blueprint for sustainable growth, called the 'Principles of the 50.' This vision for our future economic development is based on the spirit of true partnership. I see possibilities for partnerships at every turn. For those of you who are already our partners, I believe there is much more we can do together. For those who are not yet working with us, come and explore those opportunities. And let us remember that the energy transition is exactly that, a transition and transitions take time. We must invest in the energy that the world needs today while we create the energy system of tomorrow. Because what the world really needs is to hold back emissions, not to hold back progress and development. Let us together, drive that progress and ensure that sustainable development. Let us always keep in mind, our industry must play a pivotal role in the energy transition. We have the knowledge, we have the skills, and the people to make the difference in our world.

I say this to all of you, accept the invitation I extend to you, come and join us. Join ADNOC, join the UAE and be our partners on the energy transition journey. And like my boss always says, let's get to work and let's make it happen.

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ENERGY MARKETS VIEWS YOU CAN USE

Neil Atkinson
Former Head of Oil Markets Division
International Energy Agency

WILL COVID RESURGENCE IN EUROPE AFFECT OIL DEMAND RECOVERY?

I've always considered that to be a significant risk as we go into winter. And with increases in oil supply expected in 2022, oil prices are likely to stabilize and if anything, go slightly lower. Covid is going to factor into our balances for rather longer than we would like.

ARE US GASOLINE PRICES, AT ABOVE $5, PROBLEMATIC TO THAT ECONOMY?

We have been here before and the world didn't come to an end, which is not to say that it won't be painful for many people in the US who are totally reliant on personal transport to get around. In Europe by contrast, we've been used to significantly higher pump prices, partly because of taxes and we also have viable alternatives to getting around.

EXPECTATIONS FOR OPEC OUTPUT POLICY FOR NEXT YEAR?

The producers are walking a tightrope, meeting every month to try and keep this balance between bringing more supply back - while simultaneously reducing the spare capacity cushion that we've got - and keeping prices which meet their revenue needs while not adversely impacting consumers. But I would be very surprised if they were to amend the deal in any way when they meet in December.

HOW IS THE LACK OF CAPEX IN OIL AND GAS BEING VIEWED AS WE END COP 26?

Oil demand will continue to grow during the 2020s, albeit at a slower pace, and we are going to need supply and therefore investment to maintain production at current levels, let alone expand it. If we don't, we will be running up against a supply crunch by the middle of the decade and we could see oil rise way beyond $80. It's a simple supply demand analysis - the numbers are all there.

Omar Najia
Global Head, Derivatives
BB Energy

ARE WE ENTERING A DOWNWARD TREND OR WILL OIL HOLD ABOVE $80 AGAIN?

The important point will be the $78.25 level and we should be able to hold that and then the market should reverse and head upwards to $92. People may be talking about an increase in oil production and lower demand next year, but the fact is that US inflation numbers are massive and our view is that oil has another substantial leg higher.

WILL OIL BE IMPACTED IF WE HAVE NEW LOCKDOWNS?

The level of Covid and lockdowns has never had any correlation to oil prices. The US and Europe have big bills coming because of Covid, green energy and debt. Their solution has been to print money. The US CPI, excluding many metrics including oil, is now at 6.2%. Meanwhile, India and China are growing massively compared to the West and they need energy.

DOES OIL BECOME A HEDGE AGAINST INFLATION?

Inflation is a money printing problem and commodities are a great hedge because they are consumed. Every commodity is trading at such large numbers today. Let's remember all markets are all related. So, if you're bullish equities, bullish inflation, bullish bitcoin, it's very difficult to be bearish oil.

ENERGY MARKETS VIEWS YOU CAN USE

Narendra Taneja
India's Leading Energy Expert

YOUR VIEW ON INDIA REDUCING THE COAL LANGUAGE TO 'PHASE DOWN' AT COP 26?

India made this in deep consultation with the US and UK which means they were also partly on board. But we had no alternative as 70% of the electricity that we consume across the country, the backbone of our economic growth, comes from coal. Of our total requirements, we import 86% of oil, 56% of gas and 90% of solar equipment. So, when it comes to our energy security, the only thing that we can bank on, without vulnerability to imports, is coal. Still, India remains very concerned about the climate and is at the forefront of pushing renewables and other sources of energy and in another 20 years, we will be more comfortable with these. We won't be supporting coal forever; it's a bridge energy. But if we stop using oil, natural gas and coal, how are we going to bring three billion people across the world out of energy poverty? Wealthy countries have pushed these prices up and it's countries like India, China, Indonesia and many others who are feel the brunt. Western countries control the climate narrative and are now demonizing oil, gas and coal. But they must also 'walk the talk' if they expect countries like India to listen. They could for example bring down the cost of technology for renewables and live up to funding pledges made to developing countries on climate change control.

INDIAN CONSUMPTION LOOKS CONTENT WITH THESE OIL PRICE LEVELS?

India is not happy with these prices and we've been working behind the scenes and wherever possible, together with China, to try and bring them down. Russia seems to be on board with having a lower price but not Saudi Arabia. Gasoline demand in India has recovered to pre-Covid levels and diesel, which we were expecting would not be back to normal until January, has also. But what's made this possible is the Federal government and state governments cutting taxes. Excise duties have been cut by more than 32% and so petrol and diesel prices at the pump have gone down significantly. India could not afford to compromise on its growth. Anything above $60 a barrel is bad news for the Indian consumer. We need oil at maximum $74.

Chris Wood
Chief Executive Officer
Savanara DMCC

PEOPLE ARE STARTING TO REALIZE THAT THERE'S A WAY FORWARD TO THE ENERGY TRANSITION WHICH STILL NEEDS HYDROCARBONS.

I'm very glad to see that the rhetoric has evolved to a point of not everything has to be renewable, to how do we get there. We can have net zero targets for 2050, but we have to get there somehow, and we have to keep investing. One of the big areas that oil development should be going into, to support the low carbon economy, is petrochemicals. And while we do need to invest in alternative fuels, we need current fuels in the meantime. Today, the share of EVs and hydrogen fuel cells in the marketplace is tiny. If we shut the door on traditional fuels by 2025, no one's going to be able to get around.

RUSSIA'S NOT DOING ANYTHING TO MAKE IT EASIER FOR EUROPEAN GAS CONSUMERS?

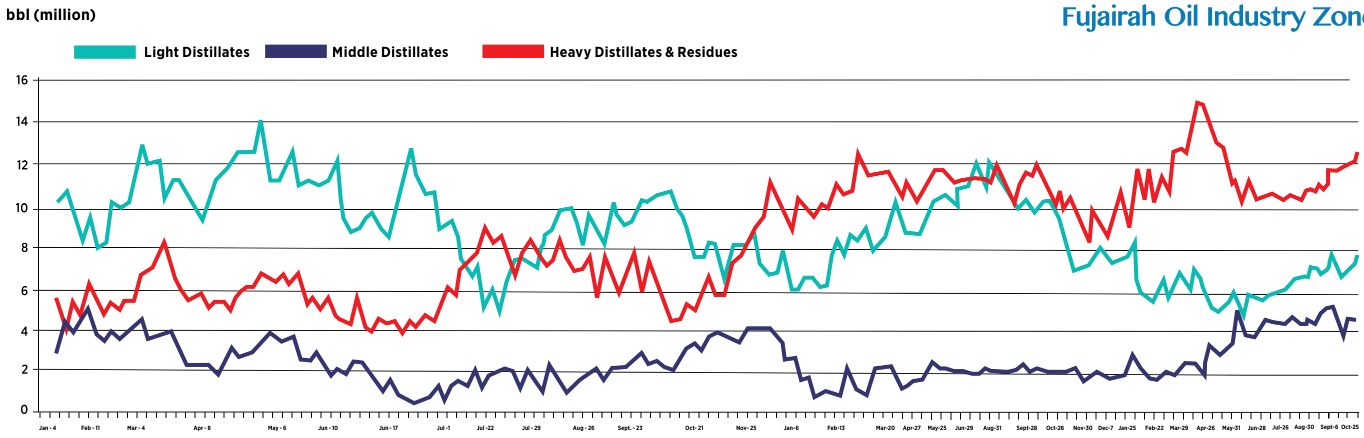
It is meeting its standard contractual obligations but for now, gas prices are still unusually high and that's being driven by European perceived shorts and Asia's desperate need to bring in gas, including that huge demand from China. We expect more volatility on gas markets, and it will be mostly weather dependent.

ANY END IN SIGHT FOR SUPPLY CHAIN DISRUPTIONS?

We're going to see these well into the first quarter of next year and that will continue to cause inflationary concerns and inflationary pressures, which will get central banks thinking about what they need to do. Inflation rates have gone above forecasted levels.

Fujariah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 20.296mn barrels. This is the first time total stocks were reported above 20mn since July 26 when they were reported at 20,947mn barrels. Total stocks rose 446,000 barrels with overall stocks up 2.2% week-on-week. This is a modest continuation of last week's build. The total stock build was driven by increasing stocks of light distillates and heavy residues while middle distillates reported a net draw.

- Stocks of light distillates, including gasoline and naphtha, rose 168,000 barrels or 3.0% on the week to 5.838mn barrels. Traders said they expect demand for prompt Asian gasoline to stay supported until the first half of December as economic activity is expected to pick up from Southeast Asia's heavy gasoline importing countries, after several months of waning demand due to Covid-19 movement controls. "I think we can expect to see incremental demand from importing countries," a trader said. Meanwhile, China's gasoline exports are expected to increase as domestic refineries obtain additional quotas to export the motor transport fuel in the coming months after domestic demand waned due to a spike in Covid-19 cases

- Stocks of middle distillates, including diesel and jet fuel, fell by 102,000 barrels or 2.8% on the week to 3.577mn barrels. This is a reversal of last week's rise of 399,000 barrels. Market participants said despite Covid-19 cases in China, planned partial lockdowns in Europe and Brent price coming off, gasoil fundamentals remain supported by strong demand in the Southeast Asian region and South Asia. According to traders, Chinese export volumes for November are holding at nil for now due to strong requirements from the domestic market. Furthermore, Pakistan's domestic sales of petroleum products grew 17% from a year earlier to 1.98mn mt in October, its fastest pace since May 2018, driven by higher consumption of transportation fuels such as gasoline and diesel as on-road and farming activities picked up during the month. The sharp growth in sales of transportation fuels came on the back of rising auto sales in October as well as the complete removal of operating restrictions for business activities after a significant decline in Covid-19 infection rates across the country. The rebound in economic activity in Pakistan led to higher sales of diesel. In tender news, Indian Oil Corp. offered 35,000 mt of 10 ppm sulfur high-speed diesel via a tender that closes Nov. 17 with same-day validity, trade sources said. The cargo is for loading from Paradip over Nov. 28-29.

- Stocks of heavy residues rose by 380,000 barrels or 3.6% on the week to 10.881mn barrels. This is a modest continuation of last week's rise of 3.115mn barrels. Spot trading activity at the major bunkering hubs of Fujairah and Singapore cooled slightly Nov. 16, compared with hectic demand that marked the start of the week, traders said. A rise in flat price, led by a firming crude complex, had promoted buyers to drift to the sidelines, traders said. Signs of weakening crude -- front month ICE Brent futures fell 52 cents/b, or $3.87/mt, during the Platts bunker Market on Close assessment process -- further dampened demand, as some buyers pulled inquiries on hopes that the flat price would correct lower, according to traders. Fujairah-delivered marine fuel maximum 0.5% sulfur was assessed $618/mt on Nov. 16. The price in Fujairah was assessed at a $2/mt premium to Singapore which saw its delivered bunkers on the same basis assessed at $616/mt.

Source: S&P Global Platts

OIL COMMENTARY

FX

Currency markets showed little substantial movement on the close with the DXY index falling less than 0.1% and EURUSD settling unchanged. USDJPY fell by 0.6% in one of the outsized moves for the day, closing at 114.08. GBPUSD rallied strongly though on the back of the high inflation print for October firming up rate hike expectations. In the commodity currency space, USDCAD rose by 0.4% to 1.2610 while AUD fell almost 0.5% to 0.7267 amid broader weakness in raw material prices.

Equities

The inflation print in the UK weighed on the FTSE 100 yesterday as it dropped -0.5% on the day. The stronger pound (driven by greater rate hike expectations) dragged down multinationals on the index. On the continent, however, equity indices continued to hit new record highs, albeit on minor moves. The DAX closed almost flat, up 0.02%, while the CAC added 0.1%. In the US, all three major indices closed lower. The Dow Jones lost -0.6%, while the NASDAQ and the S&P 500 both dropped -0.3%. The DFM continued to give back some of its recent gains yesterday, falling a further -0.8% - but the index remains up 16.4% m/m. The ADX also dropped, by -0.2%, while the Tadawul added 0.1%.

Commodities

Oil prices slumped sharply, by recent standards, falling 2.6% in Brent futures to USD 80.28/bl and by almost 3% to USD 78.36/bl in WTI. Oil markets continue to price in the potential of a release of strategic reserves with the topic apparently under discussion when the US and Chinese leadership met earlier in the week. EIA data showed a sizeable drop in US crude inventories last week, falling by 2.1m bbl along with drops in gasoline and distillate stocks. Production fell by 100k b/d to 11.4m b/d while product supplied jumped sharply by 2.3m b/d to nearly 22m b/d.

Source: ENBD

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ENERGY MARKETS COMMENTARY WEEK IN REVIEW

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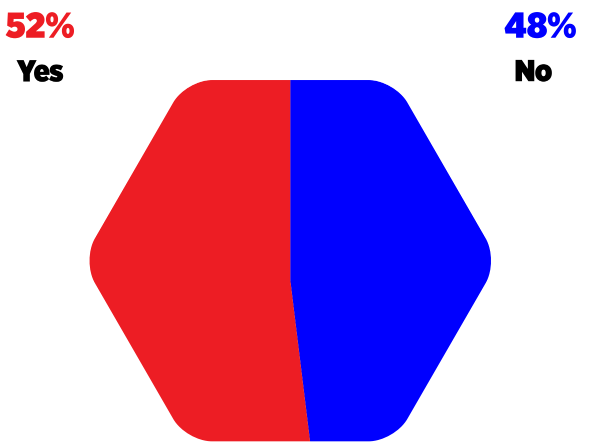
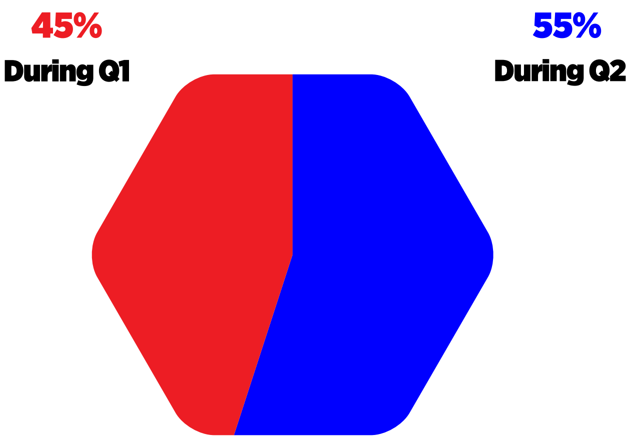
GIQ Weekly Surveys

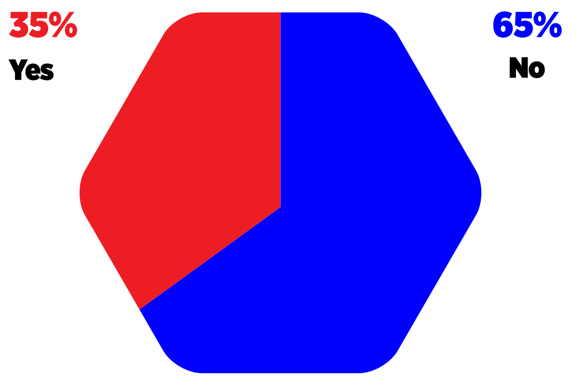
Could 4th wave of Covid and subsequent lockdowns reverse demand recovery of oil over the winter months?



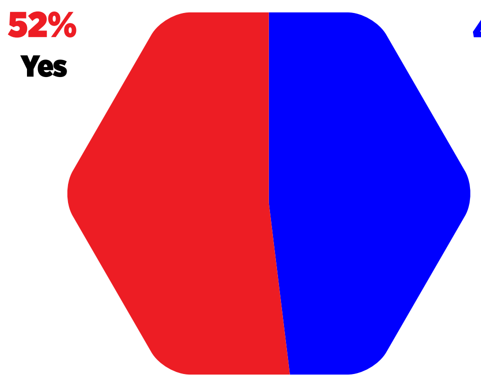
When will the global oil supply start to cast consistent bearish pressure on prices in 2022?

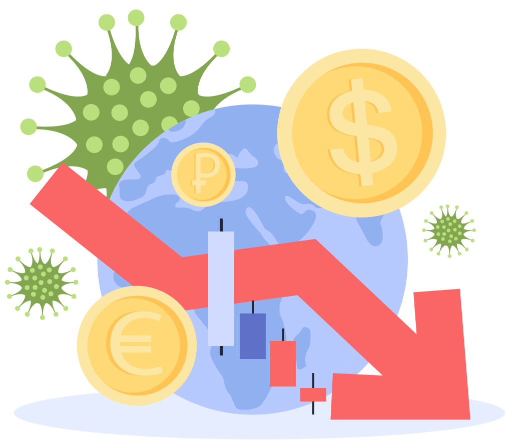


Will US-China talks lead to a 'recoupling' of trade relations in 2022?



Will OPEC mis-interpret the outlook for US Shale oil production again?





Source: GIQ

GI Consultancy Intelligence Publishing

ENERGY MARKETS VIEWS YOU CAN USE

Kate Dourian, FEI
MEES Contributing Editor &
Non-Resident Fellow, The Arab Gulf States Institute in Washington

US PRODUCTION WILL GROW AT THESE PRICES BUT WON'T RETURN TO PRE-COVID LEVELS.
Certain OPEC members aren't keeping up with current quotas so that's prompting more US oil for a period at least, until the market stabilizes. And that's a concern for Russia – the issue was on the back burner in 2020 because US shale was dropping but it has now raised its head and may impact dynamics between those producers who need higher prices, and those like Russia who can sustain their economy on a slightly lower price than current levels.

WHAT DO YOU MAKE OF PRESIDENT BIDENS CALLS FOR MORE OPEC OIL?
Biden has come under attack from all sides of congress for asking OPEC for more production when he could sanction more output at home. There's a lot of anger in the US because of high gasoline prices, which are hitting the poorer sections of society.
Moreover, releasing crude from the SPR won't really make an impact as it ultimately has to be replenished.

ANY PROGRESS EXPECTED ON US-IRAN NEGOTIATIONS?
They're talking about an interim deal, but Iran wants sanctions lifted first and that's not going to happen. So, we're getting to a point where the negotiations are going to drag on. And even if sanctions are lifted, it could be only a staged removal as a show of goodwill. But what the market needs more urgently is oil today.

HOW CAN IOCS NAVIGATE ESG PRESSURES WHILE ALSO INVESTING IN CONVENTIONALS?
They have to comply with ESG requirements if they want to access finance. But national oil companies are also going to come under similar pressure. If you're going to be supplying a region which has higher taxes on high carbon content, you will find some producers like Saudi Arabia and the UAE have low carbon content, but the net zero drive is about what you do with the carbon. Things like carbon capture and sequestration and so you have to convince consumers that somebody has to pay for it and ESG is going to make it more expensive.

Rustin Edwards
Head, Fuel Oil Procurement
Euronav NV

DRY BULK RATES ARE OFF THEIR HIGHS AS RAW MATERIALS DEMAND HAS SLOWED INTO CHINA.
Conversely, tanker freight rates have been moving up higher, which is in line with Q4 and Q1 seasonal trade flows, with distillate rich crudes moving to the right locations. Container freight rates meanwhile have retreated a little but will remain elevated as supply bottlenecks have not eased much and probably won't until Q3 of next year. Until we can incentivize people in the support logistics streams of driving trucks to move the containers out of ports, it's hard to alleviate the problem. We almost need a shutdown on the demand side to let the supply chain readjust to the new demand profile.

WILL THE RECENT US CHINA TALKS HAVE ANY TANGIBLE IMPACT ON TRADE RELATIONS?
It depends on how much of the Trump tariffs Biden is able to roll back. Any détente is good, especially rhetoric around Taiwan, and that seems to be the big sticking point. Will it get resolved or will we just go back to the status quo pre-Trump, where Taiwan lives in this realm of a bubble that you can't really talk about.

OUTLOOK FOR THE US ECONOMY IN 2022?
There are worries about the Chinese property crisis with a lot of moving parts to that as it unfolds. I think that issue is going to rear its ugly head in December or in January when some of these huge billion-dollar bond payments come due. If these real estate companies have trouble meeting those, there will be a knock on impact into the world economy.

ADNOC Announces Record $6bn Investments to Enable Drilling Growth

ADNOC announced record investments worth up to almost $6bn to enable drilling growth as it boosts its crude oil production capacity to 5mn b/s by 2030 and drives gas self-sufficiency for the UAE.

• Procurement awards to top-tier contractors include the world's largest for Downhole Completion Equipment and Wellheads and related components.

• Potential for almost 60% of the value to flow back into the UAE's economy under ADNOC's successful In-Country Value program.

• Over $1.8bn worth of drilling-related equipment to be made in the UAE.

• Record investments support the UAE's 'Principles of the 50' and lay the groundwork for ADNOC's planned production capacity growth.

ENERGY MARKET NEWS

RECOMMENDED READING

1. OIL PRICES SLIDE AS CHINA READIES RELEASE OF CRUDE FROM STRATEGIC RESERVES
2. OPEC MEMBER CALLS FOR CALM AFTER US PRESSURE TO PUMP MORE OIL
3. US ASKS BIG COUNTRIES TO COORDINATE RELEASES FROM OIL RESERVES
4. GULF OIL SALE DRAWS BIG BIDS
5. US & CHINA AGREE TO EASE RESTRICTIONS ON JOURNALISTS
6. US FLOATS INTERIM IRAN NUCLEAR DEAL
7. UAE SPEEDS UP $20BN NATURAL GAS PROJECTS
8. AGGRESSIVE MIDDLE EAST OIL PRICE HIKES HINT AT STRONG DEMAND IN ASIA
9. STORM OF THE CENTURY CUTS OFF TRAFFIC TO CANADA'S BIGGEST PORT
10. OPEC+ MAY FIND ITSELF BETWEEN A ROCK AND A HARD PLACE AS US SHALE RISES

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- DOLLAR TAKES BREATHER FROM RALLY, HOVERS JUST OFF 16-MONTH TOP

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Fujairah Spotlight

Crown Prince of Fujairah Receives the Organizing Committee of the Fujairah Body Building Challenge and Praises its international Success

His Highness Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, received Sheikh Abdullah bin Hamad bin Saif Al-Sharqi, President of the Emirates Federation of Body Building and Fitness, and members of the organizing committee of the Fujairah International Body Building Challenge Championship, which was held under his Highness's auspices last September in Fujairah, with wide international participation. His Highness crown prince Fujairah praised the honorable results achieved by the international championship by organizing the Department of Industry and Economy in Fujairah, and supervising the UAE Federation and the International Federation of Body Building, as well as praising his Highness on the organizational, technical, and administrative level of the work of the committees, which contributed to the success of hosting and achieving its objectives, and enhancing the presence of the Emirate of Fujairah and the UAE in the field of sports globally.

Source: Fujairah.AE

Fuel Price Gap Leaps to Highs not Seen Since the Introduction of the Global Sulphur Cap

The price gap between high and low sulphur fuel oil has widened to extremes not seen since around the introduction of the global sulphur cap in January 2020. While the difference in price between the two dominant fuels has averaged around $110 per ton in the first 22 months of the sulphur cap era, in the last week it has shot up to more than $150 in Asia providing some financial gain for those owners who decided to invest in scrubbers. In Singapore, the world's largest bunkering hub, the price differential now stands at $164 per ton of fuel. The widening price gap is being felt most acutely in Southeast and East Asia. In Fujairah, by comparison, the delta stands at $131 per ton while in Rotterdam the difference is $138. "The high spread in Asia comes as a continued surge by power utilities to prefer low-sulfur heavy fuel oil, rather than heavy fuel oil, as a substitute for natural gas," analysts at Lorentzen & Stemoco stated today.

Source: Splash247

VLSFO Cash Premium Bid Higher, Crack Dips

The front-month VLSFO crack, however, slipped to a more than one-week low of $13.08 a barrel above Dubai crude, Refinitiv data showed, despite weaker crude oil prices. Oil prices fell on Wednesday after the International Energy Agency (IEA) and OPEC warned of impending oversupply and as COVID-19 cases in Europe increased the downside risks to demand recovery, though a fall in US gasoline stocks curbed losses. Meanwhile, fuel oil inventories in the Fujairah bunkering and storage hub climbed 4% to a near four-month high in the week ended Nov. 15, data released on Wednesday showed. The higher inventories, which extended a 42% stock build in the previous week, came amid lower exports and easing bunker demand at the Fujairah hub, trade sources said. Fujairah Oil Industry Zone inventories for heavy distillates and residues rose by 380,000 barrels, or about 60,000 tonnes, to 10.88 million barrels, or 1.71 million tonnes, data via S&P Global Platts showed. Fujairah's fuel oil inventories were 33% higher than year-ago levels, the highest year-on-year gap since August 2020.

Source: Brecorder

Double Delight for Debutant Danial at Sixth Edition of West Asia Fujairah Cup

Making his first appearance at the ITF's West Asia Fujairah Cup Kazakhstan's Danial Rakhmatullayev was unsure of what destiny had in store for him. On Saturday, the Kazakh's joy knew no bounds as Danial scripted history by becoming the first ever boys player to win singles and doubles titles at the sixth edition of West Asia Fujairah Cup. The tournament took place at the Mohammed Bin Rashid Complex in the Fujairah Tennis and Country Club (FTCC). Reaching the singles final on the back of some flawless performances, the fourth seed Danial dispatched his Russian rival Makar Elesin in straight sets 6-3, 6-4 to lay hands on his second trophy. Eighth seed Elesin tried to stage a comeback in the second set but it was too late.

Source: Gulf Today

GI Consultancy Intelligence Publishing

GIQ EXCLUSIVE SOUNDINGS

Oil Markets Struggle to Interpret Mixed Signals Amongst Stock Draws and Covid-19 Resurgence

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.

- Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
- Ahmed Mehdi, Research Associate, The Oxford Institute for Energy Studies
- Peter McGuire, Chief Executive Officer, XM Australia
- Vladimir Langhamer, Managing Director, Supply & Trading, OMV
- Kate Dourian, FEI MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington
- James McCallum, Executive Chairman of Xergy, Professor of Energy at Strathclyde University
- Andy Laven, Chief Operating Officer, Sahara Energy Resources

Mike McGlone, Senior Commodity Strategist
Bloomberg Intelligence
"Shale producers will respond on pure economics, and their cost of production today, at $37/bl, is near the lowest ever, half of what it was five or six years ago. There are 100s of independent oil producers in Texas that cannot wait to produce oil."

Ahmed Mehdi, Research Associate
The Oxford Institute for Energy Studies
"Even if OPEC+ were to increase supply, would it actually lead to any easing of the pressure on petroleum product prices? The current decision making in the US around SPR release and a potential ban on exports is not going to be an effective way forward."

Peter McGuire, Chief Executive Officer, XM Australia
"It's hard to know where 2022 plays when we've gone between $40/bl and $85/bl in the last year. Year-on-year inflation for October was at 6.2%, but in real terms, the hurt to the consumer wallet is enormous. We see price appreciation everywhere – on food, on energy, on utilities."

Vladimir Langhamer, Managing Director, Supply & Trading
OMV
"Demand is quite healthy. Yes, you have the resurgence of Covid-19 restrictions, but in terms of what we saw in 2020 it is much less."

Kate Dourian, FEI MEES Contributing Editor &
Non-Resident Fellow
The Arab Gulf States Institute in Washington
"Biden has come under attack from all sides of congress for asking OPEC for more production when he could sanction more output at home. There's a lot of anger in the US because of high gasoline prices, which are hitting the poorer sections of society."

James McCallum, Executive Chairman of Xergy, Professor of Energy at Strathclyde University
"Oil demand is back to 100mn b/d and that's not going anywhere in the next 5-10 years other than up. Clearly, the industry needs to supply into that market and who will produce that hydrocarbon?"

Andy Laven, Chief Operating Officer
Sahara Energy Resources
"We are still in this area of uncertainty as to whether we are going to be seeing a supply issue or a demand issue. That's the challenge. Realistically, for the market to move something has to happen. Something has to challenge the markets view in terms of where we are."

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ENERGY MARKETS FORUM
NEW SILK ROAD LIVE

Consultancy Intelligence Publishing

TOP 10

NOV 15th - NOV 18th

MARKET OBSERVATIONS FOR THE WEEK

1. Oil markets likely to take one substantial leap higher in current cycle.

2. Covid-19 is not over, and the possibility grows every week we go deeper into the winter that further lockdowns may be necessary to counter a resurgence in the virus.

3. India is defiant in its defense of coal in the aftermath of COP26 because ultimately, when you are supporting 1.4bn people who don't have any choice but to utilize every available energy source to keep fighting economic and energy poverty.

4. Managing OPEC+ consensus if price risk continues to upside could be challenging, with reallocation of quotas amidst spare capacity issues already proving delicate.

5. Recent softening in prices result of exhaustion to upside. No big breakouts expected in either direction in short-term. More volatility expected on price ranges in 2022 amid inflation worries and USD index swings.

6. Russia meeting gas contractual obligations to Europe but no more than that for now, while prices remain high, driven by European perceived shorts and strong Asian demand.

7. US oil supply coming back stronger and sooner than expected, possibly hitting 12mbd by year end and becoming net exporter again in 2022. Long haul crude tanker rates already up on incremental US crude exports.

8. Oil demand remaining steady and strong across all regions into 1H 2022, with Covid restrictions in Europe and Asia not seen having same impact as in 2020.

9. Gas prices still significantly above $82/bl crude equivalent, so will continue as supportive factor on demand for oil and oil products.

10. IEA, EIA, OPEC - all expect oil surplus to emerge in early 2022 unless demand forecasts change. In interim, price will drift in current range amid uncertainty and divergence between countries, on vaccination rates, Covid-19 restrictions, travel directives.

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