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Fujairah New Silk Road WEEKLY NEWSLETTER

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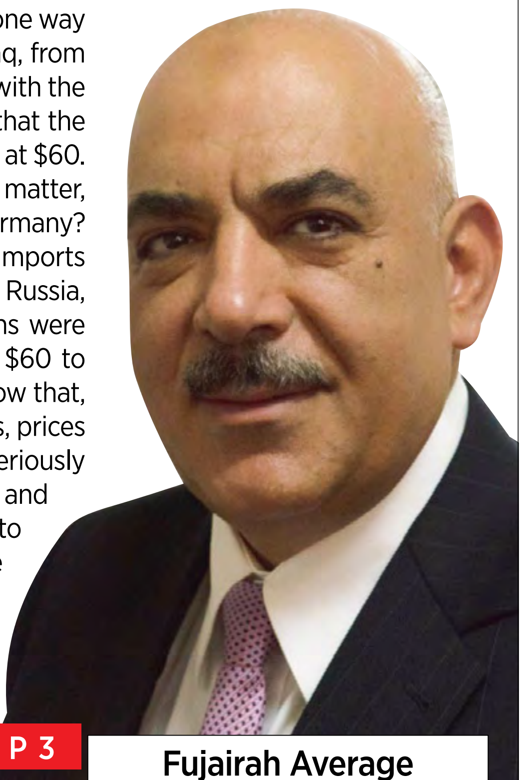
EXCLUSIVE INSIGHTS /// ACTIONABLE INTELLIGENCE /// DATA TRENDS /// LATEST NEWS

"Russian Oil Will Reach Europe and the US Regardless of Price Caps!"

Dr. Anas Al-Hajji, Managing Partner, Energy Outlook Advisors



Russian oil is going to reach Europe and the United States no matter what, one way or the other. We already learned our lessons throughout the years from Iraq, from Iran, from Venezuela. They worked on their system and their infrastructure with the help of China, with the help of Iran. The price cap is a joke. Imagine this - that the Germans are telling India that they cannot buy Russian oil unless they buy it at $60. How they are going to police that and why would India or China for that matter, subject their ships to inspections to prove themselves to the US or to Germany? This is not going to happen. And as the EU is going to officially cut Russian imports through sanctions, and the US has already officially cut its imports from Russia, who is the price cap for? Also, if you look at the price cap, the Europeans were extremely careful not to corner Putin. People are talking about a cap of $60 to $65 because the break even for Russian oil with taxes is $55. If they go below that, they are giving an incentive to companies to shut down and if that happens, prices will go through the roof, and they don't want that. As for sanctions, I seriously think that some European countries will turn a blind eye to some violations and to the exemptions that are being given and the smuggling that is going to take place. They have given exemptions to five countries - three via pipeline and two because they need certain products. What we are going to see is exactly what we have seen around the world - trucks and cars basically crossing the borders, smuggling that oil to neighboring countries. The impact of sanctions is going to be very limited on the supply side.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,503,000 bbl	3,214,000 bbl	14,426,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues



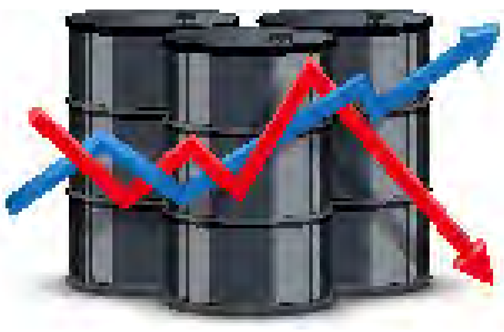
Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.61 - 4.10/m³

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



Weekly Average Oil Prices

Brent Crude:	$86.40/bl
WTI Crude:	$79.31/bl
DME Oman:	$82.06/bl
Murban:	$86.60/bl

*Time Period: Week 4, Nov.2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $668.00/mt

Low = $628.00/mt

Average = $647.00/mt

Spread = $40.00/mt

MGO

High = $1,264.00/mt

Low = $1,213.00/mt

Average = $1,230.00/mt

Spread = $0.00/mt

IFO380

High = $402.00/mt

Low = $379.50/mt

Average = $388.00/mt

Spread = $22.50/mt

*Source: Ship and Bunker, *Time Period: Nov. 16 – Nov. 23, 2022*

Fujairah Bunker Sales Volume (m³)

984 180cst Low Sulfur Fuel Oil	481,052 380cst Low Sulfur Fuel Oil	141,780 380cst Marine Fuel Oil
1,164 Marine Gasoil	30,146 Low Sulfur Marine Gasoil	4,269 Lubricants

Source: FEDCom & S&P Global Platts

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CONTINUED FROM PAGE 1

Dr. Anas Al-Hajji, Managing Partner, Energy Outlook Advisors

Should we expect oil prices to return to $100?

We have a group of people in the market who are always ultra-bullish and who think prices will go to $150 or $250. The only reason we ended up with $100 oil this year was because of the Russian invasion of Ukraine. Without that, fundamentals do not support $100, and we've seen this in recent months. If we look back at 2021, there were two major events that distinguished that year. The first was a change in OPEC+ behavior, which lifted prices from $40 to $75. For the first time in OPEC history, we saw major oil producers with extra capacity, sticking to their quotas and not infringing on the market share of others. That has given OPEC+ more credibility than ever, despite the fact that from Day 1 in April 2020, we knew that some countries were not going to be able to deliver on quotas and that the compensation mechanism would kick in for them. The second factor in 2021 was China's policy of using its Strategic Petroleum Reserves in a massive way to prevent oil prices from going to $100, and it has continued to do the same this year.

Do we expect OPEC+ to defend a $90 price with further cuts?

It is clear that in private, they will want to defend $90, although we should note that the Saudis look at pricing based on the monthly average, not on daily levels. But every time we go below $90, we have seen Saudi storage going up, which means that they are willing to store oil in a sense to defend prices. The only time they may not be able to defend $90 is if we end up with a major global recession. At the same time however, the Biden administration could release 50 million barrels from the Strategic Petroleum Reserve, which means that the possibility of another OPEC+ cut is very high. People think that this is the last of the 180 million US SPR barrels and therefore prices will go up. The point they are missing is that the US still has 400 million barrels of Congress mandated volumes that Biden can choose to release tranches of at the beginning of next year.

Outlook for Chinese oil imports and GDP growth in 2023?

China has been getting cheap Russian oil during the lockdown and so has been able to rebuild its storage significantly. The other point is that total oil inventories in China, strategic and commercial, are even higher than that of the US, which means they are going to use that. In fact, in recent days, we have seen diesel shortages in Europe and the US, and Chinese refiners have been coming to the rescue, exporting more diesel than ever. In terms of its economy, China's problems go deeper than its lockdowns. The drought earlier this year wreaked havoc on some parts of China and higher LNG prices in particular, have been very detrimental to certain industries. Even if China open ups, we are going to see a weaker economy.

Has global demand destruction begun?

The decline in demand is going to be in terms of growth of demand, not actual demand. The major problem worldwide is the high dollar. This 'wrecking ball' is wreaking havoc on the developing world. The data that we see in the media is ignoring Africa, ignoring Latin America – where inflation is still going through the roof. And just look at the devaluation of the Turkish lira or the Egyptian pound. The pain is just unbelievable in these countries and the situation is going to get worse. Let's also remember that the next crop season in Ukraine and Russia may not end up being there and therefore fertilizer prices and everything else will continue going up, even if oil prices drop.

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Energy Markets Views You can Use

Sara Akbar
Chairperson & CEO, OiLSERV, Kuwait
& Non-Executive Director, Petrofac

I don't think OPEC+ will cut deeper even if prices are a bit below $90.
The have been saying that they are trying to stabilise the market by cutting, to create a surplus. Otherwise, there will be volatility which is not good for their business. But going forward, it will be very difficult to make deeper cuts because we all know that even with this 2 million bd, it is not a real number because many countries cannot meet their quotas. Also, any announcement of a further cut would just stress the relationship between the US and Saudi, so I think they will continue with this decision until next year.

What impact will the new Al-Zour refinery have on Kuwait and the market?
This refinery was built to supply domestic power plants with fuel oil, but things have changed completely since then because all the new power plants are gas fired. So, there is plenty of surplus products that will be generated by this refinery which will supply the region and be a big relief to the product market. Not all the units at the refinery have been fully commissioned yet, but towards the end of the year or beginning of Q1, it will achieve the capacity of 600,000 barrels a day.

How do we reconcile declining OPEC+ quotas with rising capacity plans?
What is clear is that all Gulf countries, plus Iraq, will continue to add production, add rigs to drill more wells and maintain more wells. They will continue to increase capacity regardless of where prices go. Countries like Iraq and the UAE will want higher quotas because they will have surplus. The UAE is building capacity to achieve 5mbd and so they will need to be able to put that into the market.

Bill Spindle
Climate and Energy Editor
SEMAFOR

Two main takeaways emerged out of COP 27.
One was how the energy transition will be financed and especially how countries that are suffering from climate change will be compensated. That was a huge step and probably necessary, to hold this whole process together because so many countries were demanding something be done or they were going to walk out. The second issue which crept up on the meeting was what the role of fossil fuels is going to be in the energy transition and whether they should be phased out completely. That never got across the finish line. The EU tried very hard, getting a coalition of almost 100 countries together that said they will establish this loss and damage fund in exchange for language that would indicate a phase out of all fossil fuels. But that messaging was adamantly opposed by countries like Russia and Saudi Arabia, and even the US which came in with a final offer to phase out 'unabated' fossil fuels. It will be an interesting year now for Europe to show that it can walk the walk and go into the next COP meeting showing that it has managed to get through the crisis period of this year and keep its energy transition, including phasing out gas, on track. If they can start to show that is beginning to happen, they would come in to COP 28 with a lot of clout.

India seems to be defying the outlook for a global economic downturn?
We're starting to see significant growth driven by domestic demand. India has probably gotten over the worst of the shocks from the different crises of the past two years – energy, food and COVID – though it still has a huge amount of underlying structural issues that need to be addressed over the longer term.

Will OPEC+ continue to defend a $90 price and clash with the US point of view?
Their ability to enforce some of the existing or even possible new cuts and bring supply off the market is limited. But in any case, my guess is that the US and Saudi will work to avoid a public collision again, especially since the Biden administration made the decision last week on granting immunity in court to MBS. That was a big sign that the US does not want to see a giant rupture in this relationship, and Saudi Arabia would probably take the same view.

Fujairah Spotlight

Oil product stocks climb to 2-week high led by 22% gain in middle distillates

Oil product stockpiles at the UAE's Port of Fujairah climbed 5.4% to a two-week high in the week ended Nov. 21, led by gains in light and middle distillates stocks, according to Fujairah Oil Industry Zone data published Nov. 23. Total inventories were 25.143 million barrels as of Nov. 21, the highest since Nov. 7 when stockpiles were at a two-year high, the data provided exclusively to S&P Global Commodities Insights showed. The rise comes after a 5.2% drop a week earlier.

Source: S&P Global Commodity Insights

Fujairah October Bunker Sales Drop to Four-Month Low

Bunker fuel sales at the Middle Eastern hub of Fujairah, the world's third-largest marine fuels location after Singapore and Rotterdam, dropped to the lowest level in four months in October

Source: Ship & Bunker

Rawasi Real Estate unveils high-end sustainable community in Fujairah

Fujairah developer Rawasi Real Estate has unveiled what's billed as a high-end sustainable community project in the emirate. Naseem Al Bahar Villas is said to be the first sustainable development targeting a 2-pearl rating by Estidama. It aims to offer a modern, world-class, and eco-friendly residential community for UAE homeseekers, and is expected to offer 'exquisite architecture and high-end finishes'.

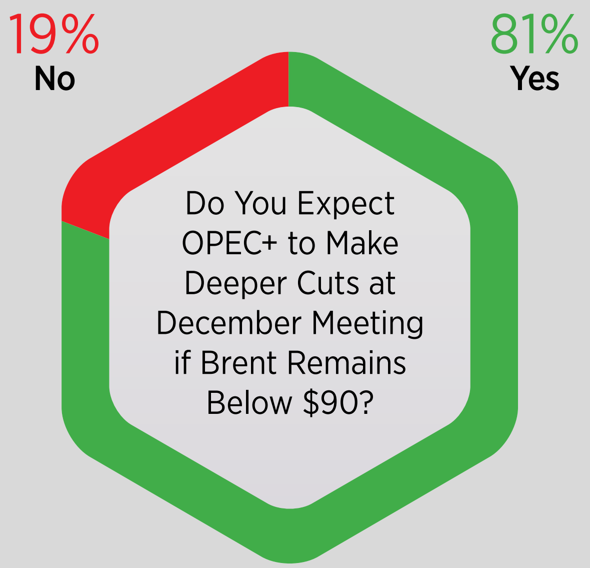
Source: ME Construction News

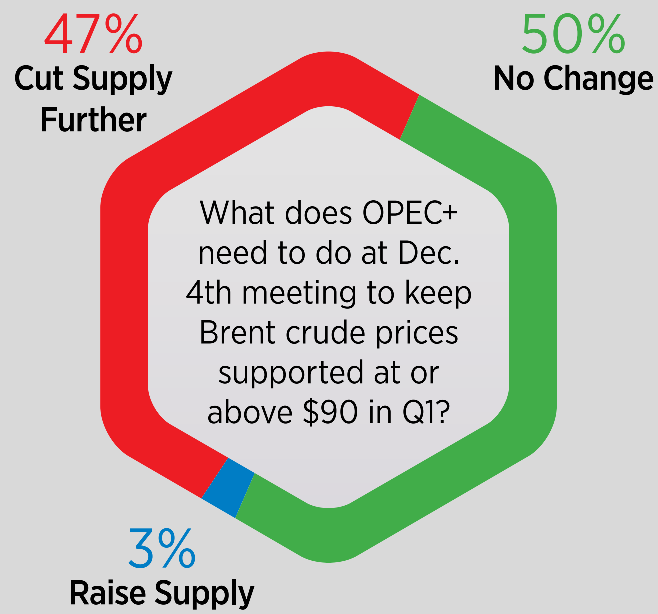
Mammoet delivers largest gas turbines for Fujairah F3 project

Mammoet, a global market leader in heavy lifting and transport, is accomplishing the full transport and lifting involved in the Fujairah F3 power project, the largest independent combined cycle power plant in the UAE. Located 300 km northeast of Abu Dhabi, the 2.4GW plant is being developed as an Independent Power Plant (IPP) project, incorporating an efficient combined cycle technology, and it will make a crucial contribution to the country's power generation sector.

Source: Zawya

Weekly Surveys





What will have greatest impact on direction of travel for oil prices into the end of the year?

Source: GI Research March 2022


The story of
progress
110 years in the making, this is the story of next generation price assessments and benchmarks.

Energy Markets Views You can Use

Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

Was COP 27 a disappointment to the EU?
A recent report by Goldman Sachs said that in the last ten years, we've invested about $3 trillion globally to try and reduce carbon emissions and the drop in power supply generated by hydrocarbons is only 1%. That's a stark reminder of the numbers that we really need to talk about when we're going to be investing. The EU also needs to look at its own backyard; it's failed to agree on coordinated gas buying this year because of such divergent interests.

The Loss and Damage Fund agreed to at COP was progress?
It was a signal that the developed world has to help but it needs to go well beyond just the damage from emissions. We need to look at how to help developing countries transition and that's a much taller order, particularly with so many of the oil producing countries also resistant to this idea of completely phasing out hydrocarbons.

China seems to still be closed for business?
There are two sides to the coin with China's property sector. There's the debt which needs to be resolved, but they also need demand to resurface, and this is really where the problem lies, because 70% of China's savings are already locked up in the property sector. So, without something much more forceful, people are not rushing back in. The underlying profile of China's economy remains rather weak.

Can the US FED manage to engineer a soft landing?
The Fed discussion is going to go on. It really boils down to when the financial market conditions become so adverse that they take their foot off the pedal. The bigger problem is that there are structural issues in the system – we are still trying to understand what the post-pandemic world looks like and that's probably the biggest challenge for the central banks, because they seem to be trying to control something using indicators which are probably the wrong ones for the moment. Also, we're only three months into the Fed withdrawal of liquidity, following that enormous injection of cash during COVID. I think the FED tightening will start to hit home much more in Q1, than it has at the end of this year.

Jamie Ingram
Senior Editor
Middle East Economic Survey

People have been underestimating the long-term outlook for gas in Europe.
We are finally talking about winter 2023 and frankly, it's going to also hit hard in winter 2024 as well. When you look at Europe increasingly turning to LNG imports, nobody's brought any more LNG onto the market, so the buying is from the same pool as was there before. In terms of new supplies for next year, there are some repaired plants in the US coming on, but that's about it. And in 2024, Qatar and ExxonMobil are bringing on the Golden Pass facility in the US and that is it until the North Field expansion in Qatar. Those are what Europe is looking at to replace Russian volumes.

Are LNG floating tankers off the coast of Europe finally being processed?
Storage facilities in Europe are not massive, so those are going to start emptying. Then we'll start seeing those floating LNG tankers that have been marooned off the coast of Europe, being unloaded. Some of them might be diverted over to Asia as buying there starts to pick up, but I suspect most of it is going to slowly get drawn down in Europe.

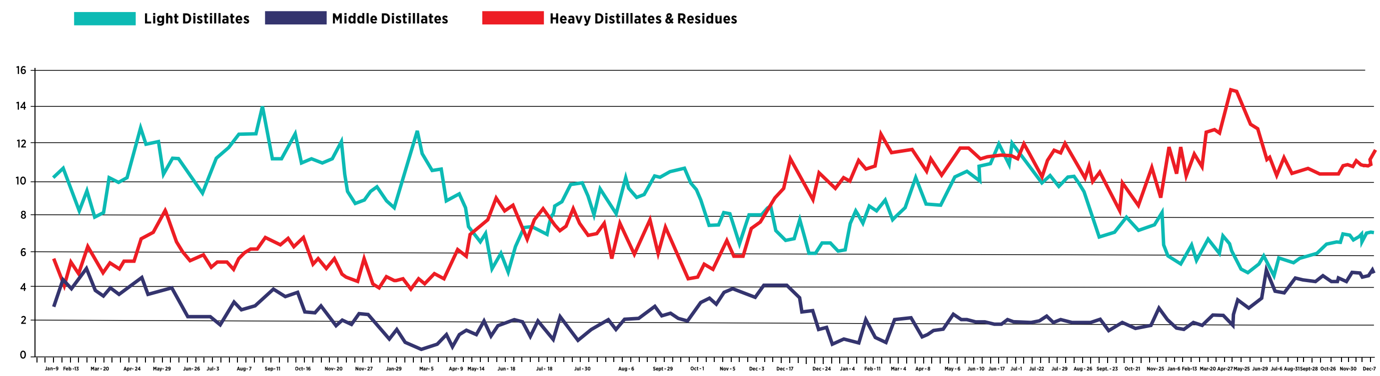
Can OPEC+ defend $90 a barrel as a floor through the first quarter?
I suspect that prices may well soften a little bit further towards the end of this year and then China effectively is going to be the big variable. Coming into 2023, the demand picture will improve somewhat despite the global recession, and if OPEC+ sticks to the path that they're on, $90 is defendable.

Any impact expected from the oil price cap?
I think the US got spooked frankly by the firm line that Europe was taking, so the price cap is an attempt to undermine the impact of the European embargo, just to enable some volumes to continue flowing. It's probably going to achieve that, especially if the cap comes in at $60 to $70, which is effectively what Russia is selling its oil at. But it has still made an almighty ruckus – it certainly did not go down well in OPEC+ capitals because they do not like the idea of having prices being dictated to them by buyers.

Fujairah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

bbl (million)



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 25.143 million barrels with a build of 1.285 million barrels, or 5.4% week-on-week as they rebounded back above the 25-million-barrel level. The stocks movement saw builds across all three stock categories. Light distillates posted the greatest overall build rising 693,000 barrels week on week.
- Stocks of light distillates, including gasoline and naphtha, rose by 693,000 barrels or 10.2% on the week to 7.503 million barrels. The East of Suez gasoline complex was in the prompt coming under some pressure from the upcoming winter season, sources said. However, some market participants said that demand may receive some support further ahead in light of the upcoming year-end holidays. In tender news, Kuwait's KPC was heard seeking up to 35,000 mt of 92 RON non-oxy gasoline or 35,000 mt of 91 RON non oxy gasoline or 91 RON oxy gasoline for delivery over Dec. 1-2.
- Stocks of middle distillates, including diesel and jet fuel, rose by 585,000 barrels or 22.3% on the week to 3.214 million barrels. The East of Suez gasoil complex was stable to weaker with robust outflow levels from exporting regions, particularly China, which are set to raise exports over the last two months of the year, contributing to the slightly bearish sentiment in the market, sources said. While arbitrage flows to the West from the Arab Gulf remained viable, rising freight rates and softer demand from the West have eroded the profitability of arbitrage moves to some extent, sources noted.
- Stocks of heavy residues rose by 7,000 barrels, unchanged in percentage terms on the week as they stood at 14.426 million barrels as they held above the 14-million-barrel level for the third consecutive week. At the bunkering hub of Fujairah, a rise in flat price led by a firming crude had led buyers to drift to the sidelines, which was exacerbated because most prompt buying requirements had already been likely covered, said traders. In Fujairah, most offers for marine fuel 0.5%S bunker were heard between \$630/mt and \$635/mt on Nov 22, with lower range of offers for product deliverable from Nov. 28 onward. The grade was assessed at \$630/mt, up \$20/mt on the day. In Singapore, the same grade was assessed at \$648/mt up \$22/mt day on day. With the price in Singapore reflecting a \$18/mt premium to bunkers in Fujairah.

Source: S&P Global Platts

Commodities

Oil markets are waiting for more clarity on the oil price cap level as the EU is reportedly looking at a level between USD 65-70/b. That has been rejected by some as too favourable for Russia and is being pushed for by others that rely on shipping as a vital part of their economy. A high price cap would likely be more beneficial in keeping oil supplies uninterrupted as it would mean prices close to what Russia is already receiving. Brent futures sank on the news, down 3.3% to USD 85.41/b while WTI dropped by 3.7% to USD 77.94/b.

FX

Commodity currencies also pushed higher, led by the antipodeans. AUDUSD added 1.3% to 0.6733 while NZDUSD added 1.5% to close at 0.6243. USDCAD was more modest by comparison, with a drop of just 0.15% to 1.3354.

Equities

The day started positively in equity markets, with all the major Asian markets closing higher. The Hang Seng and the Nikkei both gained 0.6% and the Shanghai Composite closed up 0.3%. In Europe, the DAX closed almost flat, up less than half a percentage point, while the FTSE 100 added 0.2% and the CAC 0.3%.

Source: Emirates NBD Report

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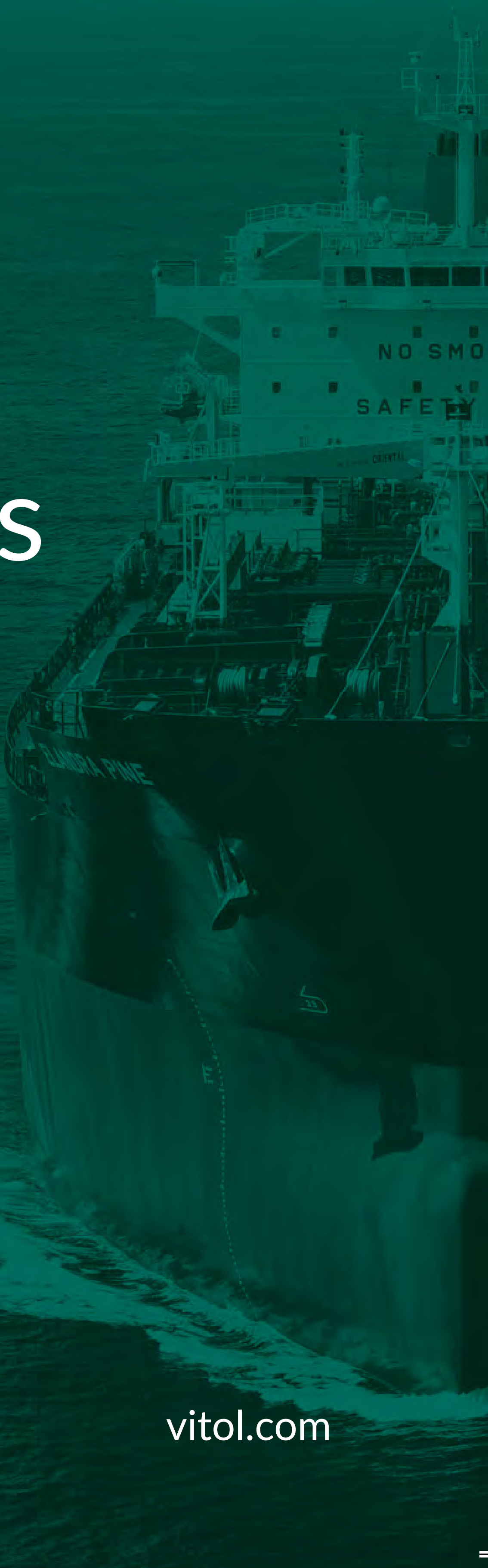

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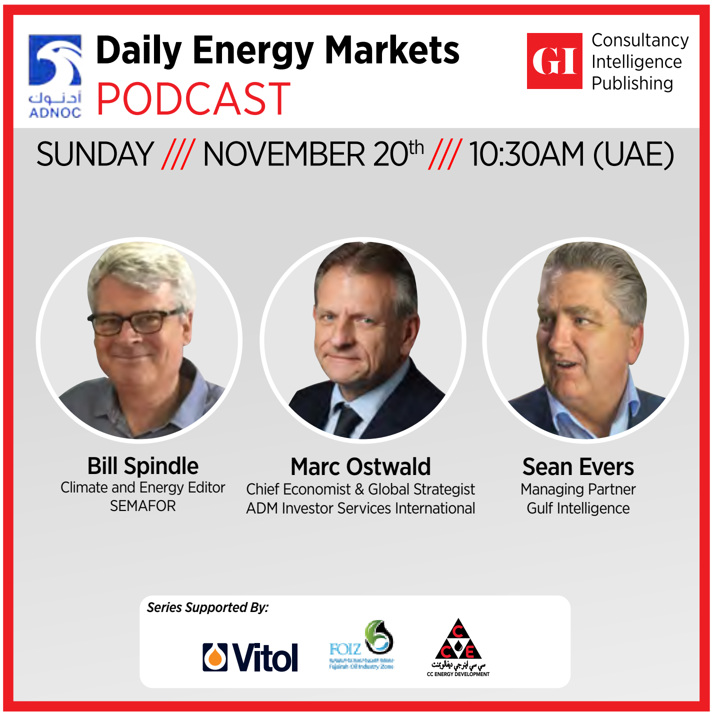
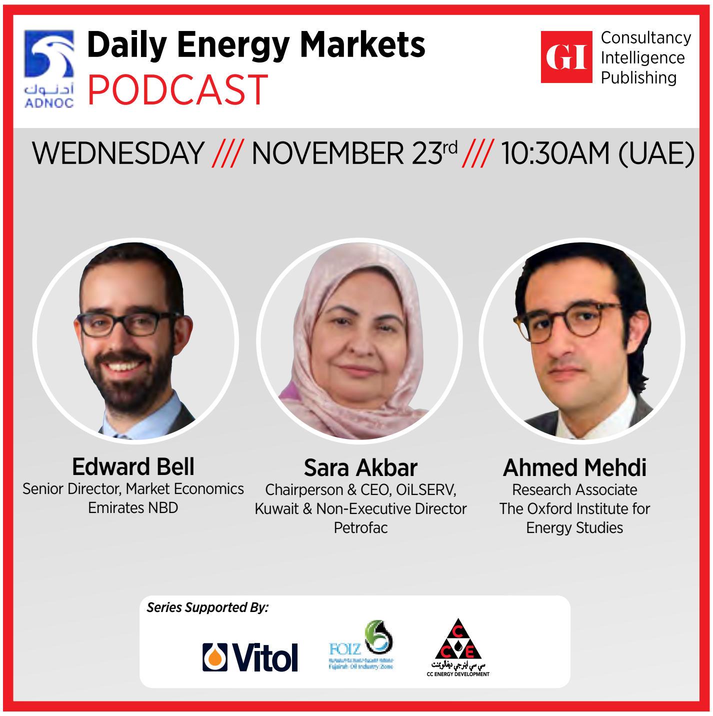
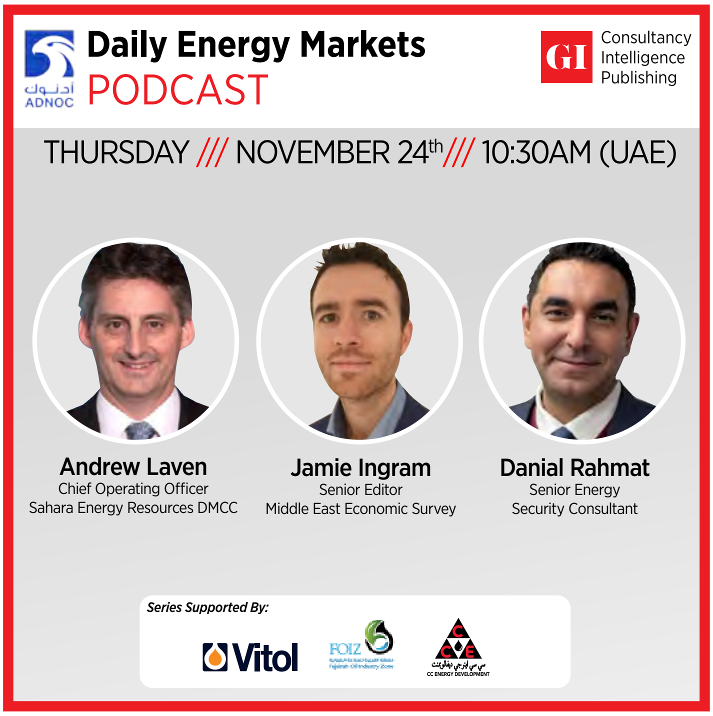
Energy Markets COMMENTARY

WEEK IN REVIEW







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Energy Markets Views You can Use

Edward Bell
Senior Director, Market Economics
Emirates NBD

GCC governments are still behaving like it's a $70 oil price environment.
There's certainly the appetite for $90 and above in terms of the benefit that it accrues to the overall economy and fiscal health of the governments, but we still have 15% VAT in Saudi Arabia and haven't seen any kind of easing in terms of the tightening of fiscal policy that has been enacted in the last couple of years. We had a little bit of loosening earlier this year in both Saudi and the UAE related to cost-of-living adjustments but the scope for who is eligible was quite narrow. Overall, the headline fiscal position of the GCC is very strong as we end the year. Kuwait, Bahrain and Oman are running big fiscal surpluses after being accustomed to very wide deficits, which is really quite astonishing.

Any downside?
Going down the route of raising capital via debt markets has become much more expensive. So even if you have good credit, as do Abu Dhabi, Qatar or Saudi Arabia at the sovereign level, they now have 50 to 100 basis points added onto spreads compared with the start of the year, simply on the back of US rates going higher.

Outlook for the Chinese economy into 2023?
We are certainly transitioning into a structurally lower China growth story. Industry, industry, industry exports, export exports - is not what's going to drive China going forward. It's also worth bearing in mind that China is not necessarily a quiet geopolitical risk going forward. An example is the suspension of exports of microchips to China by the US; that effort to build an alliance of not sharing technology with the China could be a prolonged risk. China might end up with a capped level of development and growth and it might have to work harder, or other countries are going to have to adjust their own policies in order to have a meaningful and long lasting trade relationship with China.

ENERGY MARKET NEWS

1. OPEC-PLUS NAVIGATES MURKY MARKET OUTLOOK
2. DECEMBER COULD OFFER 'THE MOTHER OF ALL BUYING OPPORTUNITIES' FOR OIL
3. ASIAN SHARES CLIMB ON SIGNS OF US FED SLOWDOWN, CHINA STIMULUS
4. MOST FED OFFICIALS AT LAST MEETING BACKED SLOWER RATE HIKES
5. EU GAS MARKET TO REMAIN TIGHT UNTIL AT LEAST 2024
6. QATAR SIGNS DEAL TO SUPPLY GAS TO CHINA FOR 27 YEARS
7. CHINA'S CNOOC STEPS UP WESTERN RETREAT WITH LAUNCH OF US SHALE SALE
8. THREE NUCLEAR POWER PLANTS SWITCHED OFF AFTER RUSSIAN STRIKES
9. US POISED TO GRANT CHEVRON LICENSE TO PUMP OIL IN VENEZUELA
10. IS THE US SHALE OIL REVOLUTION OVER?

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- RUSSIA'S TANKER FLEET TOO SMALL TO BYPASS OIL PRICE CAP

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
November 20th - 24th

1. COP27 muddled together an agreement in the end that had a little bit for everybody, but that was only possible because it contained no details of commitment by anyone.
2. OPEC+ may seek to cut oil quotas further at their December meeting if Brent crude oil remains below $90 a barrel over the coming weeks.
3. China continues to disappoint as the engine to turn the global economy around, as it has many challenges beyond COVID.
4. OPEC+ is unlikely to find a consensus for deeper cuts when it meets in December as few want to antagonize customers further as they go into a difficult winter.
5. China faces a structural adjustment towards a slower growth economy and oil producers need to adapt to that reality.
6. Kuwait has appointed female CEOs to lead two of its national energy companies for the first time, in what is also a first for the region.
7. OPEC+ trial balloon to test market appetite for more oil supply landed like a lead balloon!
8. China abandoning its strict Covid protocols would probably be the only action sufficient enough to turn around the downward momentum on oil prices.
9. Europe's energy crisis is still yet to be tested by severe artic winter blast.

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