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NEW SILK ROAD Fujairah WEEKLY NEWSLETTER

Feb 15th 2024

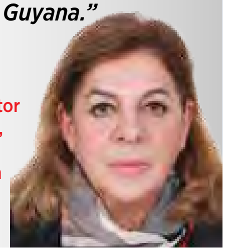
Vol. 182

SOUNDING

OPEC+ CUTS

"They have been proven right in their policy to cut production and going by their own data. I would expect OPEC+ will also look to extend the voluntary cuts, particularly bearing in mind the additional supply expected from the likes of the US and Guyana."

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



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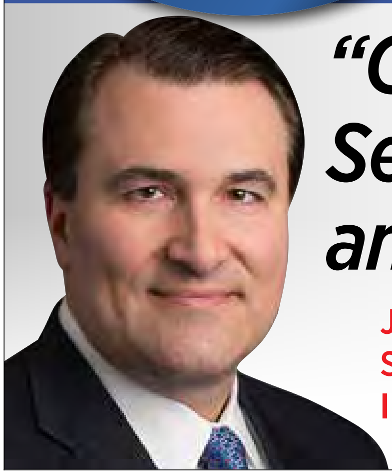
FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

Port of Fujairah
ميناء الفجيرة
Port of Fujairah
United Arab Emirates

TOP SURVEY

Would pause/end of Israeli war on Gaza be Bullish or Bearish for oil prices?

Bullish	5%
Bearish	95%



"Global Energy Security Risk is at an All-time High!"

Joseph McMonigle
Secretary General
International Energy Forum

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS
Average Range
$3.57 - 4.09/m^3

Highest: $4.50/m^3
Lowest: $3.30/m^3

PODCAST OF THE WEEK

FUJAIRAH WEEKLY OIL INVENTORY DATA

6,932,000 bbl
Light Distillates

2,868,000 bbl
Middle Distillates

9,352,000 bbl
Heavy Distillates & Residues

THE WEEK IN NUMBERS

WEEKLY AVERAGE OIL PRICES

BRENT CRUDE	WTI CRUDE	DME	MURBAN
$82/bl	$76.86/bl	$81.33/bl	$81.57/bl

*Time Period: Week 2, February 2024
Source: IEA, OilPrice.com, GI Research

FUJAIRAH WEEKLY BUNKER PRICES

VLSFO	MGO	IFO380
High = $631.00/mt	High = $888.50/mt	High = $436.00/mt
Low = $611.00/mt	Low = $882.00/mt	Low = $425.50/mt
Average = $621.50/mt	Average = $886.00/mt	Average = $432.00/mt
Spread = $20.00/mt	Spread = $6.50/mt	Spread = $10.50/mt

*Source: Ship and Bunker, *Time Period: Feb. 7 – Feb. 14, 2024*

FUJAIRAH BUNKER SALES VOLUME (M^3)

2,409 180cst Low Sulfur Fuel Oil	457,756 380cst Low Sulfur Fuel Oil	167,321 380cst Marine Fuel Oil
685 Marine Gasoil	30,467 Low Sulfur Marine Gasoil	4,414 Lubricants

Source: FEDCom & S&P Global Platts

Joseph McMonigle, Secretary General, International Energy Forum

The situation in the Middle East and the Gulf region is very fragile. I think it could really trigger an energy crisis that we haven't seen since the first Gulf War 30 years ago. Currently, we've seen some impact on shipping premiums, but it hasn't really impacted physical supplies. But if you're looking to cause havoc in the global economy, energy infrastructure is a very attractive target, and I'm very worried that we could be sleepwalking into a big geopolitical crisis here with regards to energy assets and energy infrastructure. I know the countries in this region are quite concerned about it and obviously these are key assets for them, and they're deploying a lot of resources to make sure that everything is safe, but the market is too comfortable with the current situation, which seems to be escalating, with regards to energy risk and energy security, rather than de-escalating. Meanwhile, we have global inventories below the five-year average in the US, and the macroeconomic outlook is probably the strongest it's ever been in the last two years, so you could argue that prices today are too low even for those conditions. Throw in geopolitical risk, and there's clearly no premium built into the current price.

Might we see forecasts for oil demand converge more this year?

Uncertainty on the macroeconomic narrative and how different parts of the world economy are going to perform, is creating a headwind for demand expectations. Physical markets were quite tight for most of 2023, with the exception of the fourth quarter, when we had unexpected growth in non-OPEC supply, mainly from the US and also Iran, so the shortfall that was forecast for Q4 didn't come to fruition. Also, a lot of the divergence in medium and longer-term forecasts for demand from agencies like the IEA and OPEC, comes down to uncertainty over the Energy Transition. At the Energy Markets Outlooks Symposium that the IEF hosts with the IEA and OPEC, in the last three years, we've seen the difference between the highest and lowest demand scenarios for oil in 2050, at about 100 million barrels a day. That's the size of today's oil market, give or take, so that creates tremendous uncertainty If you're a policy maker that needs to make decisions about roadmaps, or if you're a company CEO that needs to make investment decisions.

Is expanding non-OPEC supply complicating planning for OPEC+?

OPEC has been making decisions to accommodate for this extra non-OPEC supply that's hitting the market, and as a result, we could see them extend the policy for cuts beyond June. Some people think OPEC is going to do certain things based on where they want prices to be, but what I've learned is they really want to see the data. They're going to look at data closer to the June meeting, both current and what that would mean for forecasted data for the rest of the year. From our standpoint, for 2024, we're probably going to see adequately supplied markets with probably more supply coming on board this year from the US, Guyana and Brazil. I'm more worried about 2025 though, because I think that's when we can start to see oil supply growth be reduced and I see demand continuing to be robust. So, 2024 will be a bit of a transition year.

Have energy markets now settled into a new normal for Russian supply?

The Ukraine-Russia situation is more Europe and natural gas specific. The continent depended on US LNG to get them through last winter and they've been able to build inventories because the weather has cooperated, but I don't think we're out of the woods for this winter, or for several years to come for Europe in terms of natural gas. And this situation had started before the war when we were seeing sky-high natural gas prices for Europe and Asia. That was due to a lack of investment. We have to keep an eye on upstream investment while also managing the transition. The world is looking at natural gas, not just to be a bridge fuel, but to be a critical part of the Energy Transition, so the demand for natural gas is going to increase. If the public starts to equate high prices and volatility with climate policies, then we're in big trouble because it will be counterproductive.

WATCH FULL INTERVIEW HERE

Will China continue to give the oil market security of demand?

It's like a tale of two markets in China because you have these negative headwinds and sentiment about manufacturing data and the real estate sector, but oil demand growth in 2023 was around 1.5mn b/d. Energy demand in China will continue regardless, and especially if we see an accelerated economic stimulus program.

Is China's aggressive push on renewables and EVs a concern for conventional energy demand?

It has become a leader in renewables and growing nuclear capacity, and a lot of the technologies and raw materials for the transition come from China, so it has a key role to play. But its energy demand is just so huge that I'm not worried at all about oil and gas for the next several years.

Should we expect an improvement in CapEx investment this year?

NOCs like Aramco and ADNOC and others, have really come back after COVID on CapEx, in a big way. IOCs are still playing catch up. Within the companies that have done very well in some parts of the world, particularly the US, there's still a push to reward investors, but I think now they also have additional funds available. The signal that firms are looking for however, and that policymakers must realise, is if we want to avoid high oil and gas prices, we need to send a message that it's okay to invest in upstream.

Did the COP28 meeting clarify this message at all?

It was probably the most consequential meeting we've had since Paris, because for the first time, you had energy companies at the table, making key commitments on methane abatement, decarbonization, renewables, efficiencies and even on nuclear. The other thing we need to focus on is the commitment to clean energy technology. Renewables will get us to about halfway to meet our climate goals, according to a recent IEA report. The other half will have to come from new technologies, some of which are not yet commercialized or even invented. That is where we should be investing in the Energy Transition, and we need governments to carry that risk to achieve the scale required.

FUJAIRAH SPOTLIGHT

National Bank of Fujairah PJSC Proposes Cash Dividend

National Bank of Fujairah PJSC announced that at the Annual General Assembly Meeting to be held on 7 March 2024, proposed to consider and approve the recommendation of the Board of Directors to distribute profit by way of cash dividends of 10% (AED 212.0 million) of paid-up capital. Dividends shall be paid to shareholders recorded in the Shareholders' Register on 18 March 2024.

Source: © S&P Capital IQ – 2024

Fujairah Crown Prince attends WGS 2024 opening; meets several ministers

H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, attended the opening of the World Governments Summit (WGS) 2024, being held in Dubai under the theme of "Shaping Future Governments".

Source: Emirates News Agency – WAM

FUJAIRAH DATA: OIL PRODUCT STOCKPILES CLIMB TO SIX-WEEK HIGH ON THIN EXPORTS

Stockpiles of oil products at the UAE's Port of Fujairah climbed 2.1% in the week ended Feb. 12 as exports have slowed, according to the Fujairah Oil Industry Zone and shipping data. The total rose to 19.149 million barrels as of Feb. 12, the second consecutive weekly gain and the highest in six weeks, the FOIZ data published Feb. 14 showed. Stockpiles have climbed 11% since the end of 2023.

Source: S&P Global Commodity Insights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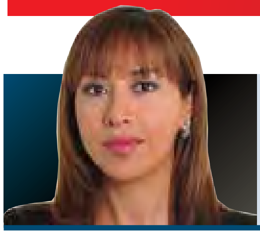


Dr. Carole Nakhle
CEO, Crystol Energy

Plentiful supply and muted demand growth are keeping oil prices in check.

And that is despite the OPEC+ cuts and instability we are seeing in the Middle East. I can't imagine such a scenario happening maybe ten years ago without seeing panic across markets, particularly oil. But today, this is not happening as it would have in a tighter market. The macroeconomic outlook is still weighing on oil – we do see some positive signs, but we can't change the whole outlook based on, for example, one month of good data. I'm also still very cautious about the outlook for China because these structural problems are not going to dissipate overnight.

Impact of higher for longer interest rates on oil markets?

Oil markets have already factored in the current scenario of rates. Many are betting on seeing several cuts this year in the US, but also in other important economic regions, such as the EU. But the Federal Reserve has also said that people should not make early bets on rate cuts. Of course, if and when rates do start to decline, that should provide a boost to economic activity and be supportive of oil demand. It won't be a boom overnight, but rather a gradual increase. And interest rates are just one of many factors impacting oil markets.

How should the market read Saudi Arabia's new oil capacity plans?

It's not just the volume of production that gives Saudi Arabia its power on the market - it's primarily its spare capacity – so, losing that will take away from that influence. I would say the kingdom's spare capacity will continue to play an important role – that's what makes it a swing producer. Another point that is sometimes overlooked is that Saudi does not only have a low cost of production and massive reserves, but also their oil has one of the lowest carbon intensities. So, when other producers leave the market in a greener future, Saudi oil will continue to have an advantage on many fronts, including from a climate change perspective.

Walter Simpson
Managing Director
CCED

How should the market respond to Saudi's future capacity plans?

Saudi Arabia has so far been very successful in its role of swing producer and the oil price has clearly done pretty much what they wanted it to do, but it can't continue to do that indefinitely. However, I'm not sure they're quite ready to drop away from that role just yet. I see their decision on capacity plans as just reminding everybody that they're in control of the supply at present and that if they choose not to be, then things could change dramatically - rather than things are going to change tomorrow. And any adjustment in investment for future supply would only reflect a few years down the line anyway.

Does their decision encourage or discourage other producers to follow suit?

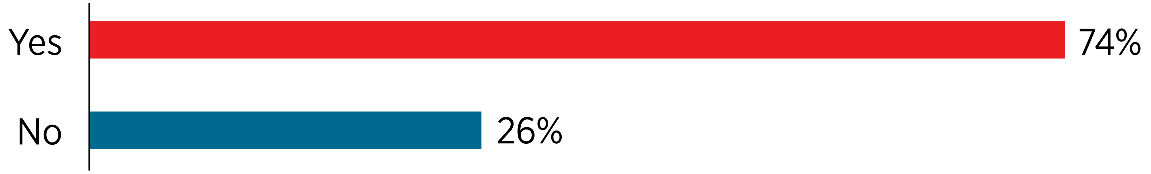
My sense is that it will encourage investment. Global energy demand growth as a whole continues. The economies of the Middle East and India have very strong outlooks and although China's is slowing, it's still growing.

Does OPEC+ need to continue its cuts beyond the first quarter?

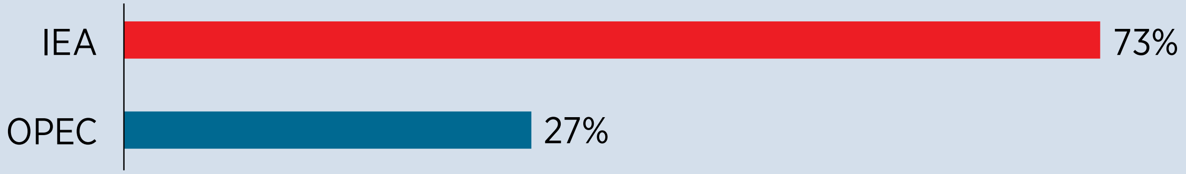
It depends on what the geopolitical situation is and particularly what happens in this region, but if I was to give you a gut feel, I'd say they will need to continue the cuts certainly through the middle of the year.

WEEKLY SURVEYS

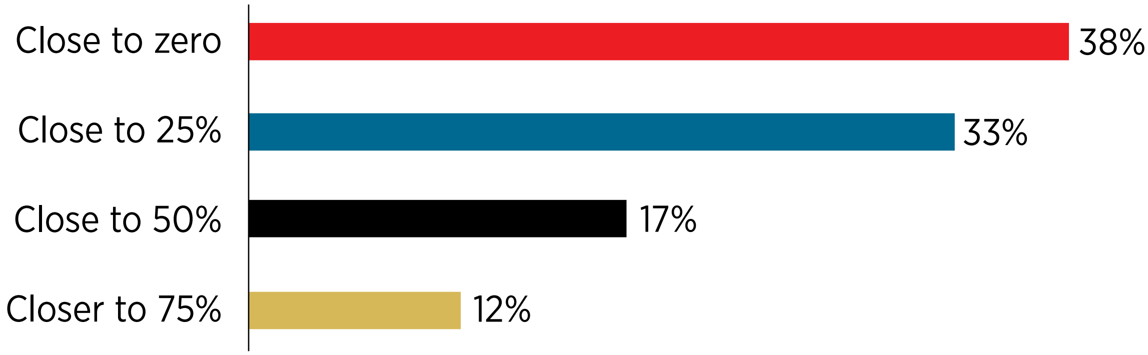
Saudi energy minister asked on Monday "Why should we be the last country to hold emergency oil capacities when it is not recognized?" -- should global markets start preparing for a world with no swing producer?



IEA (1.2) & OPEC (2.2) are 1mbpd apart in 2024 oil demand growth forecast - who is most accurate?



What are the chances that Israel's War on Gaza could still spillover into a regional conflict threatening energy supplies from Mideast?



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

I would say that there is a small, but not trivial, geopolitical risk.
The way things are going in the Bab Al Mandeb area and in Gaza, makes people feel cautiously optimistic that things are piping down, but they are also wary that things could kick off at any moment. Add to that Iran, which is making it clear that its intentions, via its proxies at the very least, is to continue to destabilise as a bargaining tactic. But oil markets have become well accustomed to the region being unstable, and an important factor that has helped quell concerns is that China has told Iran to tone down the Houthi activity in the Red Sea. China has significant influence over Iran and carries a lot more weight than any counter insurgency or security maintenance efforts by the US and its allies.

Can the region return to the pre-October geopolitical status quo?
I think that the rapprochements by Saudi Arabia and others were better than not having them at all, but they didn't mean that the situation was better than it was before the events of 9/11. And the basic reason is that as the US has surrendered its role as a policeman in the region, medium sized powers who feel that they can get a bigger slice of the pie, are going to try and get it. And we can't yet rely on China, with its inexperienced foreign policy, to be the source of stability. And the US's inability or lack of desire to intervene to maintain peace in the region or defend its partners such as Saudi or Israel, has become even more exposed.

Is the election result in Pakistan a big deal for the Gulf?
The difference is that in the previous model of statecraft, Gulf countries would try, and fail, to influence what's going on in Pakistan. In the newer version, they have resigned to their inability to have influence, partially because they don't have actors on the ground and secondly, the state capacity in Pakistan has deteriorated so much, that even when they do things like fund various entities, getting that to translate to be effective within any policy, is very difficult.

Clyde Russell
Asia Commodities & Energy Columnist,Thomson Reuters

Overall, oil demand numbers have been quite strong out of China.
Crude imports in January and February were bought in October and November. China imported 11.4mn b/d in December and it looks like January will be around 11.3mn b/d. That's still quite high. There may be a better pull forward for January numbers also because the whole Lunar New Year falls in February, and that might trim February numbers a bit. But if crude prices start to go up consistently above $80, then imports will drop off again. On the products front, Chinese refiners got their export quotas for 2024 all up front, so that gives them a lot of flexibility and they don't have to buy crude within certain calendar periods. They can buy more when they see prices are cheap and little when prices rise. At the moment, product markets are still quite strong in Asia, especially for diesel, so China will be incentivized to import crude, and I expect that trade will continue for a while.

What are other parts of the commodity complex telling us about China's economic outlook?
There's still plenty of LNG around so Asian prices have remained weak over the winter, without the usual seasonal spike, even though volumes have been strong. What's happening is we have record exports from the US, Australia and almost record exports from Qatar. Supply has grown more than demand, keeping spot prices muted. And if we look at other commodities like copper, iron or coal, they indicate that things are bubbling along but not really giving much direction.

Fujairah Weekly Oil Inventory Data

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 19.149 million barrels with a rise of 394,000 barrels or 2.1% week-on-week staying just below the 20-million-barrel level. The stocks movement saw a rise for light distillates and middle distillates, while a decrease in heavy residues.

- Stocks of light distillates, including gasoline and naphtha, increased by 303,000 barrels or 4.6% on the week to 6.929 million barrels. The East of Suez gasoline complex strengthened on the day Feb. 13, tracking gains in the US-RBOB Brent crack, ahead of refinery turnarounds and the summer driving season. Phillips 66 filed with local regulator, the South Coast Air Quality Management District, a notice of planned flaring at the plant to take place between Feb. 8 and Feb. 10. Some market participants said that Asian gasoline prices could also be supported amid the Indonesian election season in February. Singapore's gasoline inflows from China fell 62.7% on the week to 38,072 mt in the week ended Feb. 7, Enterprise Singapore data showed Feb. 8. Some market participants expect Chinese gasoline exports to rebound in March following the end of the Lunar New Year festivities. In tenders, Egypt's EGPC sought up to 103,000 mt of 95 RON gasoline for delivery in March via a tender that closes Feb. 13, market sources said.

- Stocks of middle distillates, including diesel and jet fuel, rose by 329,000 barrels or 13.0% on the week to 2.868 million barrels. Fundamentals in the East of Suez gasoil complex held steady Feb. 13 as some trade participants were absent amid the Lunar New Year holiday, while recovery in East-West arbitrage economics is expected to lend support. Diesel and gasoil stocks in the Amsterdam-Rotterdam-Antwerp refining hub fell 3.6% on the week to 1.887 million mt in the week to Feb. 8, from a three-month high reached the previous week, S&P Global reported earlier, citing Insights Global data. Stocks levels were down 24% on the year, which market participants continued to attribute to complications surrounding the flow of diesel imports into Europe. "You have Singapore pulling, the US in maintenance, disruptions in the Red Sea [and] European refineries being out, it adds up and makes it more difficult to find product," a market source said. Echoing a similar sentiment, S&P Global analysts said in a Feb. 9 note that, "Europe is vulnerable to a spike in diesel prices because of low inventories and imports that transit the Red Sea. Russia could be the biggest loser if large-scale rerouting is required."

- Stocks of heavy residues decreased by 238,000 barrels, down 2.5% on the week as they stood at 9.352 million barrels. Spot demand around the key bunker hubs of Singapore and Fujairah were seen rather lean on the first trading day of the week started Feb. 13, as a stronger flat price environment further slowed buyers' appetite, according to market sources. In addition, the tighter-than-usual barge availabilities in Singapore's low sulfur fuel oil market over the past few weeks meant that most of the shipowners secured most of their forward requirements in advance of the Lunar New Year period, as buyers would have to otherwise cough up steep premiums for any prompt refueling stems, traders said. "Market is seeing a slow start after the Lunar New Year holidays, not much is happening today," a Singapore-based ship-owner said Feb. 13. Buyers sought to also avoid any potential congestions during the festive season, while suppliers draw down operations during the holidays, according to local traders. Thus, a slower pickup in spot trading activity around Singapore hub is expected for the rest of this week, with most buyers having covered spot and term contract nominations for near refueling dates, bunker suppliers said Feb. 13.

Source: S&P Global Commodity Insights

ENERGY MARKETS NEWS

1. Oil slips after large US crude stock build
2. India Narrows Gap With China in Key MSCI Index With Weight Hitting New High
3. Adnoc and BP form joint venture for gas development in Egypt
4. Israel Gaza: Netanyahu vows to press ahead with Rafah offensive
5. Russian landing ship Caesar Kunikov sunk off Crimea, says Ukraine
6. German investment in China rises to record high
7. Gold near two-month low as traders wary of US rate cut prospects
8. Persistent US services inflation threatens soft landing: Kemp
9. Nigeria's new Dangote refinery to export first fuel cargoes
10. Japan's Nikkei pushes to fresh 34-year peak as chip shares climb

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- India's Natural Gas Consumption Set To Triple by 2050
- Shell Expects Global LNG Demand To Jump by 50% by 2040
- Singapore January bunker fuel sales rise 12.1% y/y on Red Sea diversions
- Saudi Arabia's budget deficit jumps to $22bn on higher spending
- Transition key to IEA energy security role: ministers

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Fujairah Oil Industry Zone

The Gateway to the World's Fastest Growing Energy Consumers!

As the UAE's only emirate on the Arabian Sea coast, Fujairah is at the heart of the new energy corridor opening up East of Suez to Asia. The emirate is already established as a world-scale storage and bunkering center alongside Rotterdam and Singapore and is set to benefit in the next few years from companies' plans to expand crude and petroleum product facilities to avail of the state-of-the-art physical infrastructure on offer.

STRATEGY

Developing the petroleum strategy for investment in the region

REGULATORY AUTHORITY

Regulating all aspects associated with the Oil and Gas industry

ADMINISTRATIVE SERVICES

Providing administrative services to stakeholders for smooth operation of the business

INFRASTRUCTURE

Infrastructure enablement & provisioning for companies investing in the region.

Energy Markets Commentary
Week in Review

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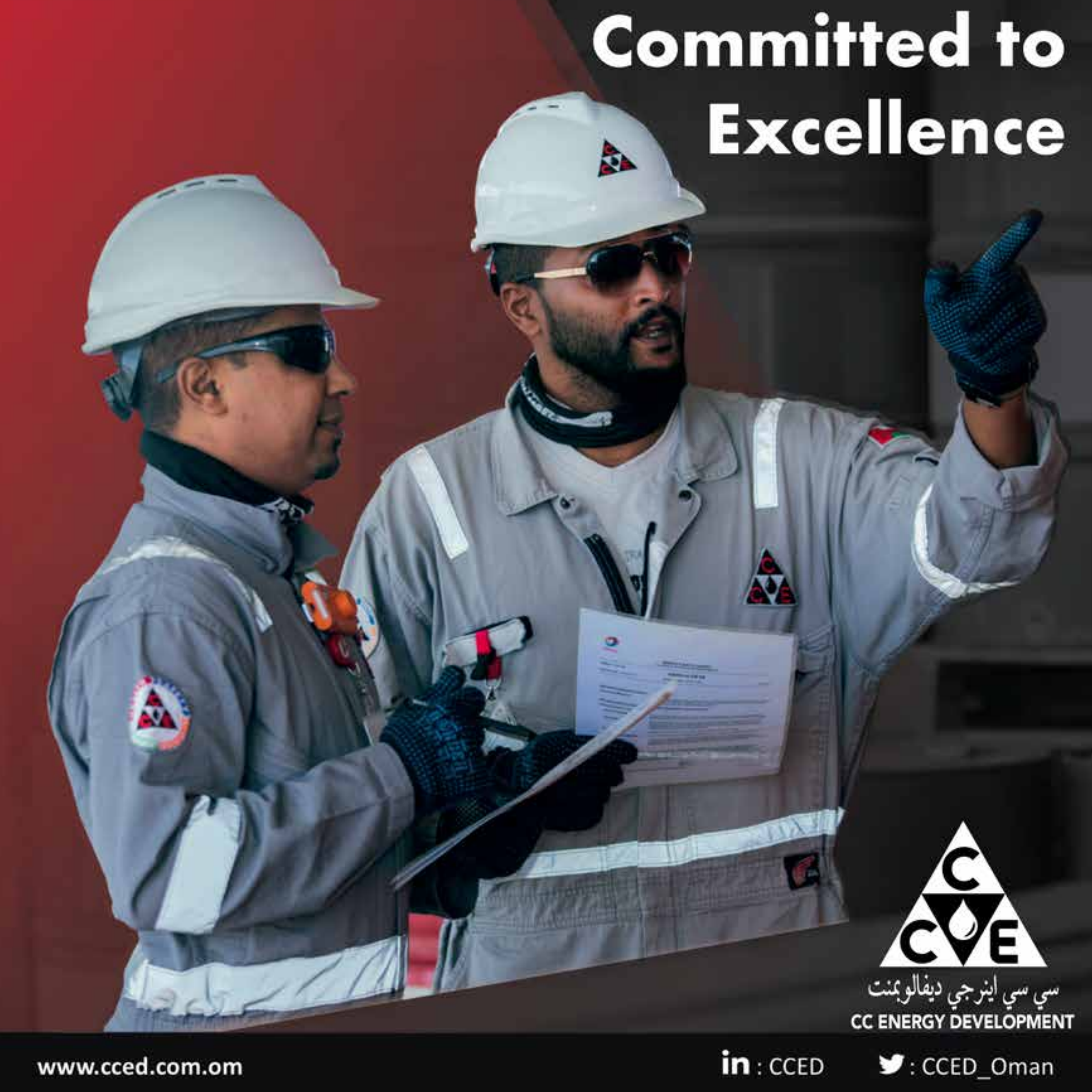


SOUNDINGS WEEK IN REVIEW

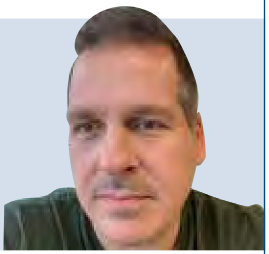
"Weaker Demand Outlook and Oversupply Continue to Weigh on Oil Market!"

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.

PRICE DIRECTION

"I think we're going to take out $79.26 on WTI, and probably go a little bit higher than that. I like most markets - the world is inflationary, whichever way you want to look at it. I don't think you get a recession when the US has a budget deficit of $2 trillion a year and growing."

Omar Najia , Global Head, Derivatives, BB Energy



INFLATION AND OIL

"Since 2008, there's been this continual expansion of money printing, but if you take crude oil prices today versus ten years ago, they are virtually the same, while the cost of other goods and services are maybe 5 to 10 times that level. So, crude oil prices are aligned for an upside."

Brian Pieri Founding Member, Energy Rogue

BULLISH MOMENTUM

"Last week was a strong one and certainly a good sign if you're bullish crude. Equities are on fire. We saw the S&P break through 5000, the Dow hit an all-time high overnight, and we've seen the Nasdaq crunching down on 16,000. And we're at 2.5% plus up for the Nikkei 225 at 38,000 points."

Peter McGuire, CEO, XM Australia

US OIL

"As we move through 2024, if the market were to tighten and the price signals flashing bright red as far as the US gasoline consumer is concerned, then I would not be surprised if there were more Strategic Petroleum Reserves drawdowns."

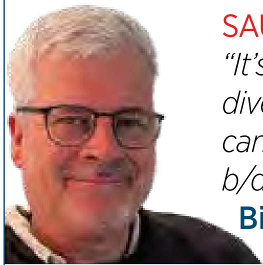
Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency

GI SOUNDINGS WEEK IN REVIEW

OIL PRICE

"Oil did rally last week but the same old issues continue. We're not seeing any positive signs out of China. We also have uncertainty over the supply chain mainly because of what's happening in the Middle East, so the market is still very volatile. I think there's limited upside for oil prices now unless there's a supply chain issue."

Ram Narayanan, Director/ VP - Strategic Market & Business Development, Vedanta



SAUDI PRODUCTION CAPACITY

"It's a significant decision by Saudi to dial things back over the longer haul, so that they can divert money towards diversifying the economy. Also, as they build more renewable energy, they can bring more of that into the power system, where they're currently burning about 600,000 b/d, so they can potentially replace some of that reduced crude capacity that's in use there."

Bill Spindle, Senior Global Correspondent, Cipher News

TURKEY MIDEAST RELATIONS

"The visit of Turkey's President Erdogan to Egypt was an icebreaker. The high-level strategic agreement signed by the two countries is important in terms of increasing trade, taking a joint strategic approach vis-a-vis what Israel is doing in Gaza, and collaboration in energy, especially LNG and renewables."

Mehmet Öğütçü,Group CEO - Global Resources Partnership, Chairman - London Energy Club

"If emergency stocks were utilized for commercial purposes, if they were not used for attending to shortages of supply, then why should we be the last country to hold energy capacity or emergency capacities when it is not appreciated and when it is not recognized?"
"We are transitioning and transitioning means that our oil company, which is a hydrocarbons company, now is becoming an energy company, with investments that go into all areas like oil, gas and petrochemicals and others."
"Energy security in the 70s, and 80s and 90s was more dependent on oil. Now, you get what happened last year ... It was gas. The future problem on energy security, it will not be oil. It will be renewables. And the materials, and the mines."

HRH Prince Abdulaziz bin Salman Al-Saud, Minister of Energy, Saudi Arabia

SOURCE: Speech at IPTC 2024, Dhahran 12-2-24

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