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Fujairah New Silk Road WEEKLY NEWSLETTER

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AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

"BOTTLENECKS RIGHT THROUGH SHIPPING VALUE CHAIN – FROM CONTAINERS TO VACCINES TO TRUCK DRIVERS!"

Dr. Anil Sharma, President & CEO, GMS

Today, we're witnessing bottlenecks right through the shipping value chain, especially with container ships – which carry cars and other consumer related goods – which are booming. A 40-foot container moving from Asia to the West Coast of the US, that used to cost $2000, is now at $9000. That type of 4x inflation is unprecedented. It is going to have a very real impact on the average consumer. I haven't seen such a shortage of container ships in my 25 years in the business, to the point where dry-bulk vessels are now being converted to carry containers, so that they can make it from China to North America and Europe ahead of the Christmas rush. The shortage we are seeing with container ships is also due to the resurgence of Covid in China. Chinese ports have been very restrictive. There is a huge backlog as the 40-foot containers are being moved around China from one port to another by land, so the whole logistics chain is being messed up. I see that this will definitely carry on all through 2021, and what happens in the first half of next year is the big question. Unlike many other industries, we are fortunate in the shipping sector that we don't yet have crew shortages, but what we are struggling with is getting crews off ships when their term expires, sending them home and getting replacements, because there are just too many Covid related restrictions in ports everywhere. India and the Philippines are the two major providers of crews to global shipping – and in India the vaccination drive has improved, but it is still struggling. It would be hard to have a policy to allow only vaccinated crews, while that is our preference, it is just not realistic.

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Fujairah Weekly Oil Inventory Data

5,755,000 bbl	3,984,000 bbl	8,723,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

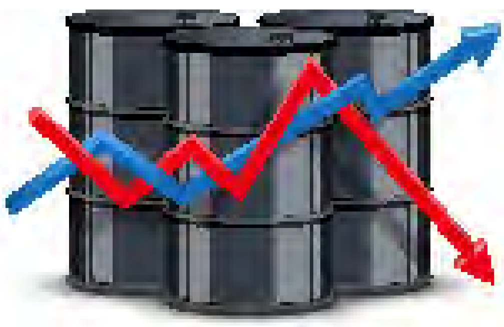
BLACK OIL PRODUCTS

Average Range
$3.54 - 4.38/m³

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

Source: GI Research – Weekly Phone Survey of Terminal Operators

GI Consultancy Intelligence Publishing



Weekly Average Oil Prices

Brent Crude:	$72.39/bl
WTI Crude:	$69.11/bl
DME Oman:	$70.54/bl
Murban:	$70.92/bl

*Time Period: Week 1, August 2021
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $540.00/mt

Low = $532.50/mt

Average = $536.50/mt

Spread = $7.50/mt

MGO

High = $665.50/mt

Low = $637.50/mt

Average = $651.00/mt

Spread = $28.00/mt

IFO380

High = $449.50/mt

Low = $444.50/mt

Average = $446.00/mt

Spread = $5.00/mt

*Source: Ship and Bunker, *Time Period: September 1 - September 8*

Fujairah Bunker Sales Volume (m³)

1,746
180cst Low Sulfur Fuel Oil

534,357
380cst Low Sulfur Fuel Oil

119,732
380cst Marine Fuel Oil

1,422
Marine Gasoil

28,153
Low Sulfur Marine Gasoil

4,929
Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

Dr. Anil Sharma, President & CEO, GMS

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What impact is the massive cut in Capex having on offshore assets?

Dr. Anil Sharma: The offshore oil-field sector -- jack-up rigs, floaters and drill ships etc. -- has taken a sharp beating. We're seeing abandoned orders and uncompleted drilling ships being sold for scrap. I've never decommissioned so many young offshore vessels. There are drill ships that are only five to eight years old being recycled – built for about $200 million and today being sold at their residual value of $10 million.

And it's not coming to an end. One of the biggest challenges with recycling these offshore assets is in logistics -- getting them from point A to B. For example, it's not easy to bring units from the North Sea to the Indian subcontinent. We have three rigs in that area, and we are now in discussions with scrap yards in Europe to see if they can handle them, because the logistics of moving them to Asia just doesn't make sense. Turkey is one of the big winners in this opportunity.

How can the Shipping industry achieve its net zero carbon goal by 2030?

Dr. Anil Sharma: We need to start looking at alternative fuels because the renewable energy component of solar and wind doesn't really work well in shipping. For a while, there was a strong focus on LNG and now there's still a real debate between LNG versus methanol, for example. Ammonia is also being talked about, as well as hydrogen, but methanol seems to be getting more traction.

However, the shipping industry hasn't yet made much progress on alternate fuels. One reason is cost of course but if you look at where the ship building industry exists, it's in Asia - Japan, Korea and China - and I don't know what kind of subsidies governments there are giving to these industries and the technology also hasn't really taken off.

With so many ships soon be scrapped, what plans are there for replacements?

Dr. Anil Sharma: I see a storm coming. Owners who want to put orders in for new ships are now facing a problem because steel prices have gone through the roof. At the same time, there's not enough breakthrough technology so there's a hesitancy to invest in newer and more expensive ships which have technology that might be obsolete in five years. It's a tough call and people are not going to rush and place orders in shipyards. It may be that in 2030, we again have all these ships to be recycled and that will again lead to another upswing in freight rates.

What progress are we seeing in Ship recycling?

Dr. Anil Sharma: In the last 10 years, 3000 ships have been recycled in India alone. That equates to a carbon footprint savings of nearly 20 million tonnes of CO_2 equivalent greenhouse emissions. Sustainable shipping – recycling, reducing and reusing – is quite advanced in Asia because of cheap labor and environmental conditions, but 99% of the world doesn't think that way.

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ENERGY MARKETS VIEWS YOU CAN USE

Jorge Montepeque
President & Founder
Global Markets

CURRENT STATUS OF OIL SUPPLY AND DEMAND FUNDAMENTALS?

Demand is growing despite Covid. At the same time, OPEC is keeping global supply restrained and so inventory destruction continues. We need to be ready for price surprises to the upside. The first of these we have seen already in the past couple of weeks in natural gas, which has jumped over $20 per million BTUs.

COST IMPLICATIONS FOR OIL MARKETS IF THESE HIGH GAS PRICES REMAIN?

Globally, LNG demand has been rising strongly as people move away from sulfur and carbon emissions. Policy makers have not been paying attention to the supply side. Both the general public and governments are in a way too bullish about green policies; they want the supply of hydrocarbons to be reduced over the long term and at the same time want oil prices to remain low. We already see the signs of a disjointed policy with, for example, the Biden administration issuing a statement for lower gasoline prices and for OPEC to increase supply. But increasing supply is a 3 to 5 year journey at least so we will get price surprises next year and the year after. There is too much demand today on gas to produce electricity and wind driven electricity is not reliable. All these forces and imbalances can only be resolved through price.

ANY CONCERNS ON THE OUTLOOK FOR CHINA'S ORGANIC ECONOMIC GROWTH?

China is one of the main drivers of energy demand, not just oil and gas. Growth in China will be lower than before because the government is intervening and preventing market forces to prevail. Too much taxation, too much regulation, too much 'Big Brother' and your growth incline decreases. We have seen that in Europe in the past and the US when government intervention grew too much. I still expect China to grow and oil demand is now coming back but all these measures are going to take away confidence – they're already affecting the Chinese stock market. We need to be ready for a lower incline in growth – it's part of the overall reset.

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

LAST WEEK'S US JOBS REPORT WAS FAR BELOW MARKET EXPECTATIONS – SURPRISED?

Yes but I'm not sure it's all that significant - people nowadays immediately jump to the conclusion that tapering is somehow on hold but that's not necessarily true. Jobs data is also notoriously volatile and at the end of the day, we still have an improvement in the rate of employment and average earnings have gone up. Yet, the labor market is still in short supply, which signifies people are voluntarily not joining the labor force. Having said that, the Fed has historically backed off every time a signal points to a strong economy, and vice versa, but given the asymmetric response that we are seeing the last few months, it does put a question mark on the willingness to taper. People need to position themselves on one of two fault lines. For a symmetric response, as inflation picks up, you start tapering. Or you follow the asymmetric route of lower rates and bigger monetary purchases, which is what we've seen over the last 10 years, and which now also includes a theory that we can do much more for unemployment without inflationary consequences. I think they will come out having done too much for employment and having created more inflation than intended.

HOW WOULD STAGFLATION IMPACT NEW CAPACITY AND INVESTMENT IN THE INDUSTRY?

In general, it would be bad news because it denotes a situation of low economic growth, while inflationary expectations set in. That has usually led investors to go into value stocks and inflation protection, which could include commodities. However, that has already been done today so you might expect to see them invest in precious metals, but not oil and gas.

IS THE TRAJECTORY FOR THE OIL PRICE STILL A POSITIVE ONE GOING FORWARD?

Prices have not jumped despite the disruption to production in the US Gulf coast - that indicates a very well supplied market. OPEC has plenty of spare capacity. The global economy today is back at levels reached at the end of 2019 and yet oil demand is 5.3 million bd lower. So, we have slow growth in the system despite the huge transfer payments and injections of money. Air travel is still 30% below what it was in 2019. We are steering through Covid while sliding into hyperinflation. It's a difficult journey and that's why OPEC has remained cautious in its output adjustments. The current price range around $70 is one OPEC can live with. They may consider tightening supply in the new year if the Fed starts tapering.

GIQ Oil Market Outlook for 2022

What will be the Average Price of Brent Crude Oil in 2022 = Little Changed

The average annual price of Brent crude oil in 2021 year-to-date is $67 a barrel -- this is approximately $25 higher than the average in 2020, when a collapse in demand during the coronavirus pandemic resulted in an unprecedented challenge to oil producers.

However unique recent circumstances have been, this year still marks the 7th year in row when the average price of Brent has changed by big double-digit percentages. Indeed, in only 4 years in the last twenty have we seen a single digit change to the average annual price -- the only consistent reality in the oil markets over the last two decades has been volatility.

The good news is that 2022 -- all things being equal with no black swans -- will most likely be one of those leap years when we witness only a single digit change in prices. The bad news is it could be up or down.

There are many reasons to expect that oil prices will hold onto their 2021 gains as every month that goes by more supply and demand floorboards are nailed-in under the managed market recovery – inventories are down below five-year averages and falling; demand is returning towards 2019 levels; collapse in new supply Capex; shale still warming up on the sidelines as reluctant bankers study balance sheets.

But ultimately there are two main pillars to build your $65 scenario house on that are going to be equally entrenched on Jan. 1st as they were this year.

Firstly, OPEC+ have expended a massive amount of political capital and economic muscle to lift the oil price back up into the zone of balanced-budgets, and they are going to keep both their feet on the proverbial gas to ensure that their hard-fought gains stick around for a while to allow their economies and societies to stabilize. They hate volatility! There are only five countries out of the 20 in OPEC+ which have been awarded increased quotas from May 2022, and they have demonstrated a disciplined approach to managing supply.

Secondly, we are more than a decade into an era of ultra-accommodative monetary policy, which over the last 18 months has moved onto a next-level scale of asset inflation that more resembles a rave in a swimming pool of Powell Mojitos than the sweet innocence of a simple Greenspan punchbowl. Indeed, there may be talk about tapering in the coming months, but it will take years, if ever, to normalize policy, and it will certainly not be tackled aggressively in a year of mid-term elections. Bon Voyage! ■

Cautious Optimism Gains Pace

Rallying oil markets in the first half of this year have hit a roadblock. Oil prices fell to lows in mid-August, reaching a point not seen since May,[1] raising the eyebrows of the energy stakeholders who thought the worst Covid-19 pandemic-driven volatility had passed. Oil and gas companies cut their capex by 34% in 2020, slightly more than the initial 28% reduction following plummeting oil prices in 2014.[2] Today, the shifting dynamics of OPEC+ and the sweeping Delta variant have many oil stakeholders treading carefully – but bright spots lie ahead.

Tighter oil supply-demand balances next year could push oil prices briefly to $100/bl, according to the Bank of America. Robust global oil demand recovery could outpace supply growth over the next 18 months, further draining inventories and setting the stage for higher oil prices. The bank also raised its Brent crude oil price forecast to $68/bl from $63/bl and in 2022, it expects Brent to average $75/bl – up on its earlier estimate of $60/bl.[3] Meanwhile, Goldman Sachs said the OPEC+ deal to boost oil supply means it expects Brent to reach $80/bl this summer.

But the US investment bank also flagged that oil prices could "gyrate in the coming weeks" amid risk from the Delta variant and the slower velocity of supply developments relative to recent mobility gains.[4] Others are not as bullish. For one, the Energy Information Administration (EIA) expects Brent prices to average $72/bl from August-November this year, before excess supply depresses prices to an average of $66/bl in 2022 – 12% lower than the Bank of America's forecast.

$100/bl
could be reached in 2022, according to the Bank of America, spiking from the anticipated annual average of $75/bl.

97mn b/d
consumption in Q1 next year is expected by OPEC as part of a short-lived relapse in demand. But the organization added that overall demand will recover by 3.4% in 2022, surpassing 100mn b/d in Q3.

OPEC+'s Gameplan

In 2020, OPEC+ cut production by a record 10mn b/d as the Covid-19 pandemic significantly dimmed demand. Since then, reinstated supply means the current cut stands at approximately 5.8mn b/d. From August-December 2021, OPEC+ will increase supply by a further 2mn b/d, with the goal of phasing out cuts entirely by September 2022. Adding to the current melting pot of agendas is that the US' increased drilling activity means the world's biggest oil producer wishes to boost supply – but received a muted response from OPEC+. There is also the longer-term risk of a market share battle – some emerging producers are keen to exploit their natural reserves before the value dwindles – as talk of peak oil evolves into a near-term certainty and decarbonization gains regulatory momentum.

SUPPLY-DEMAND DYNAMICS?

Global oil demand will climb by 3.3mn b/d in 2022 – about 3.4% – and surpass 100mn b/d in the third quarter for the first time since the Covid-19 pandemic emerged, according to OPEC. But first, consumption will suffer a relapse in the first quarter of 2022, slipping back to 97mn b/d[5] (approximately today's levels).

Meanwhile, the International Energy Agency (IEA) is hedging its bets. It expects a lag until global oil demand catches up with the pre-Covid trajectory, with the timeline dependant on no more Delta-like strains of Covid-19 emerging. In 2020, oil demand was nearly 9mn b/d below the 100mn b/d level seen in 2019 – and will not return to that before 2023. Assuming no rapid policy interventions and behavioural changes, then the longer-term growth drivers will push oil demand to 104.1mn b/d by 2026 – a 14.2% climb.

This uncertainty is clearly playing out in oil companies' boardrooms, with many taking proactive steps to adjust their asset portfolios. In the Gulf Cooperation Council (GCC), for example, Saudi Aramco sold 49% of its pipeline network to a US-led consortium in a $12.4bn deal in April, while ADNOC raised $10bn by selling gas pipeline leasing rights. Such moves will be increasingly echoed over the coming year as national oil companies (NOCs) and international oil companies (IOCs) work to avoid generating additional debt bundles amid the energy transition – especially in a lower-for-longer oil price environment. Attention is also increasingly focused on the risk of stranded assets, with one-third of the current value of big oil and gas companies ($900bn) potentially evaporating if governments more aggressively attempted to meet climate targets. This includes restricting the rise in temperatures to 1.5C above pre-industrial levels for the rest of this century.[6]

2040
is when OPEC believes the world's demand for crude oil will peak – a meaningful statement from the global voice of black gold producers. But several industry leaders expect it to be within a decade.

1st
Ministerial Roundtable on Energy, Climate, and Sustainable Development for oil-producing countries is being hosted by the OPEC Secretariat on the September 6th.

2050
is when Unicef expects the population in the Middle East and North Africa (MENA) to double. The UN said the global population will expand by nearly 25% to 9.8bn people by 2050.

Financial Outlook: A Strong but Uneven Recovery

The good news is that the global economy is set to expand by 5.6% in 2021 – its strongest post-recession pace in 80 years, according to the World Bank. But while the global outlook is vastly improved on 2020 – what the International Monetary Fund (IMF) called the worst economic squeeze since the 1930s – there are still potential downsides that could impact oil supply-demand dynamics and prices in 2022. A notable hurdle is that delayed vaccination rollouts, and subsequent stalled economic recovery, are impacting many emerging market and developing economies (EMDEs). By 2022, last year's per capita income losses will not be fully unwound in about 75% of EMDEs.

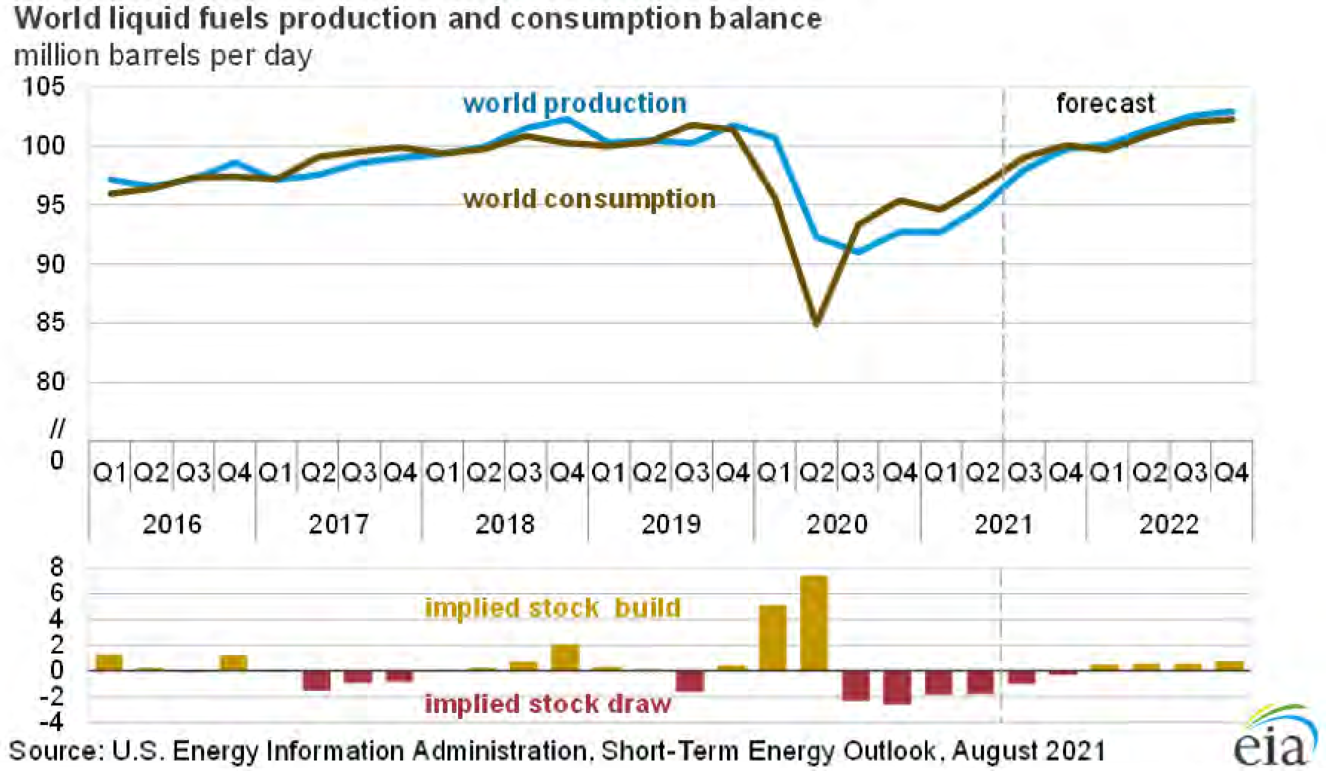
THE GREEN FACTOR

The release of two landmark reports in recent months – from the IEA and the Intergovernmental Panel on Climate Change (IPCC) – exemplify the deep influence environmental agendas will have on oil markets going forward. This pro-environment message was reinforced by what OPEC's Secretary General, H.E. Mohammad Sanusi Barkindo, called a "dramatic and far-reaching" decision by a court in the Netherlands in May to order Royal Dutch Shell to cut its global carbon emissions 45% by the end of 2030 compared to 2019 levels. And of course, the decarbonization efforts of oil markets will be under the spotlight at the COP26 climate conference in Glasgow, Scotland, this November.

While such momentum is urgently needed, maintaining a balance across the energy portfolio is equally critical – oil currently lies at the core of the world's energy security. The consensus among all leading forecasters is that oil, together with natural gas, will continue to provide at least 50% of the world's energy needs for the foreseeable future. Also consider that no energy market is a silver bullet – including renewables. Government and industry stakeholders must consider the full environmental impact and social footprint of fuel sources, other than oil, including the raw materials used in components for renewable

1bn

people still lack access to reliable electricity supplies worldwide. This highlights how talk of rapidly diversifying energy portfolios as part of a greener future cannot further jeopardize global energy security.



energy. OPEC stresses that such impacts should be weighed against the ongoing advances in productivity across the petroleum value chain, as well as the oil industry's century-plus experience in driving innovation and efficiency.

In short, talk of "sunrise" industries like renewables replacing "sunset" industries like oil is premature – and potentially dangerous. The global economy will double in size, the world's population will expand by more than 20%, and energy demand will rise by 25% over the next 25 years,[7] yet 1bn people worldwide still lack reliable access to power. Clearly, all hands-on deck are needed – especially the hard-won expertise of black gold.

1 Reuters; 2 Boston Consulting Group; 3 Bank of America, Reuters; 4 Reuters; 5 OPEC, World Oil; 6 Financial Times, Lex; 7 OPEC, World Oil Outlook

Middle East's Crossroads

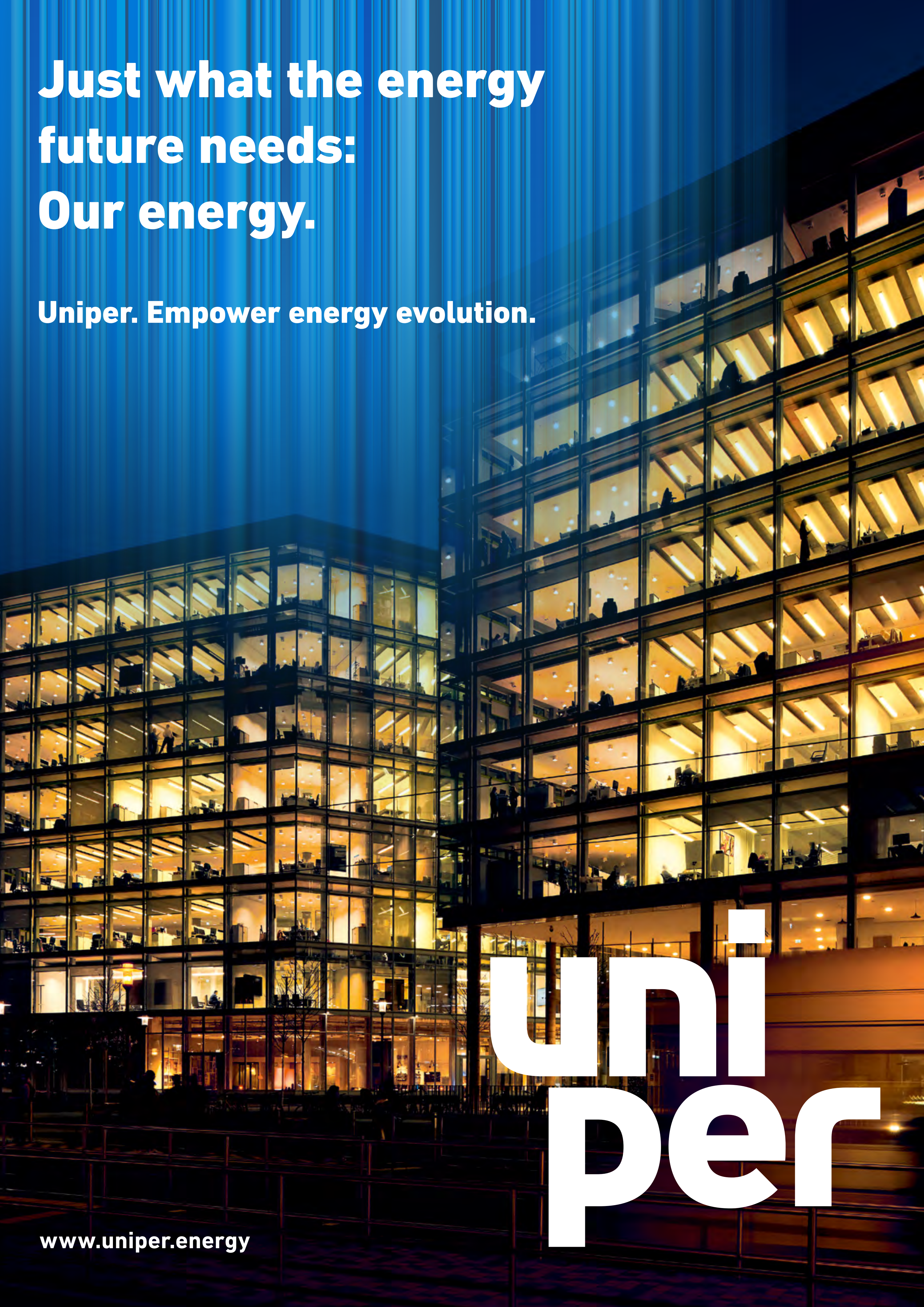
Oman and the IEA are hosting a Ministerial Dialogue on clean energy transitions and economic resilience in oil and gas producing countries on September 9th, co-hosted by Oman's Minister of Energy and Minerals, H.E. Mohammed bin Hamad Al-Rumhy. The pressure is undoubtedly on. The Middle East and North Africa (MENA) region is warming at a significantly faster rate than the global average, plus the region's oil and gas exports that lie at their economic success are especially vulnerable to the fast-moving environmental agenda. If oil and gas demand were to decline as much as implied in the IEA's Global Roadmap to Net Zero Emissions by 2050, then producer economies' net incomes from oil and gas could fall to just 20% of their current levels by 2050. Undiversified economies would risk substantial economic strife. On the upside, there is time for the region to increasingly leverage its potential as home to some of the best solar and wind resources in the world, as well as explore hydropower, carbon sinks, and establish globally relevant hydrogen producing and exporting economies.

SUMMARY: The 19th OPEC and non-OPEC Ministerial Meeting (ONOMM), held via videoconference, concluded on Sunday July 18th, 2021.

- **Extend the decision of the 10th OPEC and non-OPEC Ministerial Meeting (April 2020) until the 31st of December 2022.**
- **Adjust upward their overall production by 0.4mn b/d on a monthly basis starting August 2021 until phasing out the 5.8mn b/d production adjustment. In December 2021, assess market developments and Participating Countries' performance.**
- **Adjust, effective 1st of May 2022, the baseline for the calculations of the production adjustments according to the table below.**

	Reference Production up to end of April 2022	Reference Production effective May 2022
Algeria	1057	1057
Angola	1528	1528
Congo	325	325
Eq.Guinea	127	127
Gabon	187	187
Iraq	4653	4803
Kuwait	2809	2959
Nigeria	1829	1829
Saudi Arabia	11000	11500
UAE	3168	3500
Azerbaijan	718	718
Bahrain	205	205
Brunei	102	102
Kazakhstan	1709	1709
Malaysia	595	595
Mexico*	1753	1753
Oman	883	883
Russia	11000	11500
Sudan	75	75
South Sudan	130	130
OPEC 10	26683	27815
Non-OPEC	17170	17670
OPEC+	43853	45485

Source: OPEC
www.opec.org/opec_web/en/press_room/6512.htm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ENERGY MARKETS VIEWS YOU CAN USE

David Rundell
Author
Vision or Mirage, Saudi Arabia at the Crossroads

MARKET DIRECTION GIVEN THE DISRUPTION OF PRODUCTION IN THE US GULF COAST?

There's still a great deal of production that's been shut in – 80% as of this morning – but it will come back. This happens quite frequently and usually someone like the Saudis will step in and make up the shortfall in the short run. In terms of pricing, the more important issues are what's going to happen to interest rates with the central banks. I don't see them being pushed up dramatically in the short term. Many banks are reconsidering whether inflation is a serious problem. In terms of the impact of Covid on oil markets, I think we are going to learn to live with it and we won't see another collapse in prices like before. We should stay steady somewhere in the $70s where we are now.

IS THERE AN EMERGING ECONOMIC RIVALRY BETWEEN THE UAE AND SAUDI ARABIA?

There are always tensions between allies, but these are manageable when the underlying reasons for the relationship remain strong. Saudi Arabia and the UAE remain partners and remain committed to stability in the Gulf region. The Saudis are trying to become more of a regional center, which puts them in competition with Dubai. They want to have more goods produced in their own country, which puts them at conflict with some import free zones in the UAE. They are both increasing their oil production as they see demand growing in the long term, and so both are expanding. It's not more dramatic than that.

WHAT ARE THE RAMIFICATIONS FROM THE FALLOUT IN AFGHANISTAN FOR THE GULF REGION?

I think the real problem for the Gulf today is not Afghanistan, but rather the Iran Israeli conflict. I'm somewhat surprised that is not being read into oil pricing and insurance rates. Both Israel and the Iranians are committed to their policies, which they view as existential. The Iranians are committed to building a nuclear weapon. They have endured serious sanctions and economic hardship to continue that. They've built the delivery systems and view this as a defense mechanism. They see what happened to North Korea and they see it being treated with kid gloves and with great respect. And they see what happened to Saddam Hussein and Moammar Gadhafi and they say, we don't want that to happen to us. They believe that the West, and particularly the US, would like to see their regime changed. The Israelis believe that the Iranians are two months away from getting a nuclear weapon and they believe that to be a threat to them.

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

BRENT ISN'T MOVING ABOVE $72 DESPITE US GULF OUTAGES AND INVENTORY DRAWS?

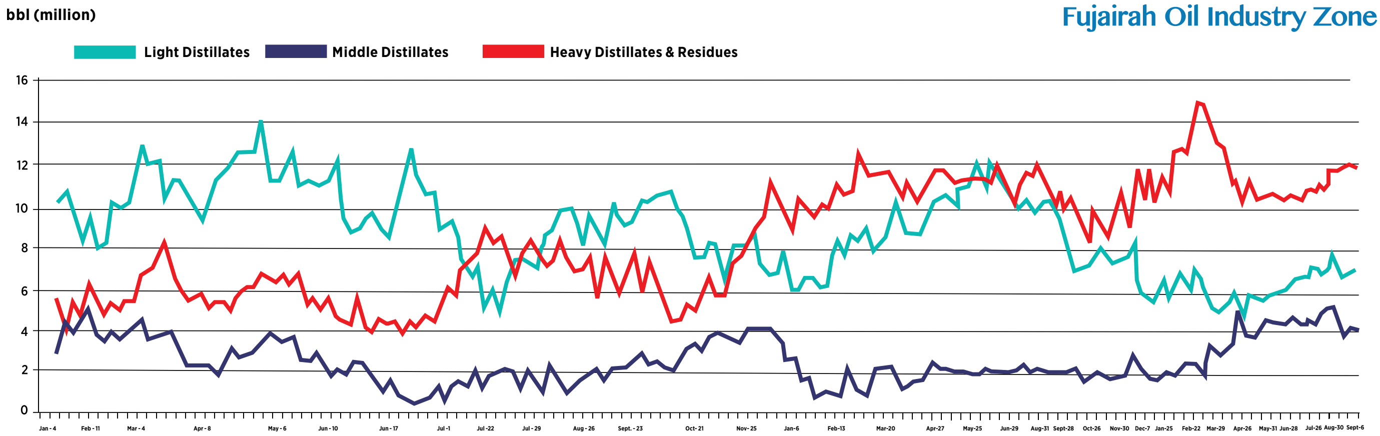
Yes but prices aren't going to decline very sharply because you still have a supply deficit of around 700,000 bd. And even though 2019 demand isn't really expected to come back, we do have a gradual increase into 2022, but people also expect an oil surplus by then so it's a sort of balancing act. The Delta variant is still with us and yes people are being vaccinated, but not in all parts of the world. The market is quite comfortable where it is today despite uncertainties around Libyan and Iranian production for example. Barring any unforeseen change, we will see continue to see it in balance.

ARE WE STILL IN A MANAGED SUPPLY SIDE OF THE MARKET?

The recovery is still uneven and that's why OPEC Plus want to maintain monthly meetings. What they have is a road map which they can tweak up or down. At the end of the day, it is about supply and demand. Don't forget that not all OPEC members can produce their new quotas. Saudi Arabia and UAE can but Algeria and Nigeria can't produce much higher and Iraq can't export more crude. We will get more supply, but not as much as expected. US oil production has been on the rise and it's expected to rise even more next year. OPEC plans to raise its demand forecast for next year from 3.8 million bd to 4.2 million bd. China is starting to import more crude after a period of dipping into its reserves. India not so much. Generally, commodity prices are holding up but there's still real uncertainty on the demand side.

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 18.462mn barrels. Total stocks rose by 780,000 barrels with overall stocks rising 4.4% week-on-week. This is a reversal of last week's decline when total stocks fell below 18mn barrels for the first time since March this year. The total stock rise was driven by increasing stocks of middle distillates and heavy residues, while light distillates recorded a slight fall.
- Stocks of light distillates, including gasoline and naphtha, fell by 7,000 barrels or 0.1% on the week to 5.755mn barrels. Gasoline demand was seen as rising in Asia. In Pakistan, a rebound in economic activity led to an increase in motor fuel sales. August data showed a 6% increase in gasoline sales, with demand rising in line with the rebound in economic activity. "Gasoline and diesel sales shot up owning to strong auto sales and surge in economic activity amid higher exports, imports and growth in large scale manufacturing," said Umair Naseer, oil research analyst at Karachi-based brokerage house Topline Securities. In cargo movements, the long range tanker Torm Venture was seen placed on subjects to load gasoline Sept. 8 in Singapore, with options to discharge either in the Arab Gulf or West Africa. In the Middle East, long range tanker Sunny Liger was heard placed on subjects to load gasoline Sept. 16 for a Ruwais to Pakistan voyage.
- Stocks of middle distillates, including diesel and jet fuel, rose by 309,000 barrels or 8.4% on the week to 3.984mn barrels. This is a reversal of last week's loss of 285,000 barrels. Ultra-low sulfur diesel saw support in Asia, where the market held up on tighter regional supplies and open arbitrage that allowed cargoes to move west. In Pakistan, domestic sales of petroleum products, including diesel, gasoline, fuel oil and jet fuel, among others, rose 26% on the year in August. On the demand side, South Africa's Engen Petroleum sought 40,000 mt of maximum 10ppm sulfur gasoil for loading at Singapore/ Malaysia over Sept. 28-30, or Arab Gulf over Oct. 2-4. The tender closed Sept. 7.
- Stocks of heavy residues rose by 478,000 barrels or 5.8% on the week to 8.723mn barrels. This is a reversal of last week's draw of 442,000 barrels. In the Port of Fujairah, bunker demand was heard subdued. A Fujairah-based trader said the lackluster demand for delivered marine fuel 0.5% has put premiums under pressure, while the market remained "quiet" on Sept. 7.
- On Sept. 7, offers for delivered marine fuel maximum 0.5% sulfur in Fujairah were heard between $535/mt and $540/mt, the fuel was assessed at $536/mt on the day. The price in Fujairah is a $6.50/mt discount to Singapore which saw its delivered bunkers on Sept. 7 on the same basis assessed at $542.50/mt.

Source: S&P Global Platts

FX
The dollar managed to eke out another day of gains with the DXY index up 0.15% to 92.653. Most of the gains came from EURUSD which fell 0.2% to 1.1816 as markets revaluate just how hawkish their expectations for the ECB may be. USDJPY held roughly flat at around 110.25. GBPUSD also gave up ground for a third day, falling by 0.11% to 1.3771. Commentary from Bank of England officials overnight gave no real indication if the bank is preparing to loosen or tighten policy in the immediate future. The loonie led commodity currencies lower after the Bank of Canada held policy unchanged and said that rates would not move until there was a full recovery from the pandemic. The BoC also did not change its pace of asset purchases with this month's policy choice likely being affected by the ongoing election in the country. USDCAD added 0.35% to settle at 1.2691. Elsewhere, the AUD slipped 0.28% to 0.7365 while NZD was flat.

Equities
Recovery concerns were to the fore yesterday, as markets in Europe and the US trended lower. The European composite STOXX 600 index lost -1.1%, with Germany's DAX dropping -1.4% while the CAC lost -0.9% and the FTSE 100 -0.8%. In the US the S&P 500, the Dow Jones and the NASDAQ all closed lower, by -0.1%, -0.2% and -0.6% respectively. Asian markets held up comparatively well yesterday, as the Shanghai Composite closed flat and the Nikkei gained 0.9%, still enjoying the resignation news boost. The general trend is lower this morning and while the Shanghai Composite is currently up 0.2%, most indices are down, with the Nikkei -0.5% off its close yesterday. Delayed plans by the Egyptian government to raise funds through selling stakes in more than 20 state-run enterprises will resume before the end of the year, according to planning minister Hala el-Saeed. The EGX 30 closed up 0.4% yesterday, while elsewhere in the region the DFM closed down -0.1%, the ADX gained 0.7% and the Tadawul rose 0.4%.

Commodities
Oil prices were higher overnight, snapping a few days of losses. Brent futures settled up 1.3% to $72.60/bl while WTI added 1.4% to $69.30/bl. The API reported a draw in US crude inventories of 2.9m bbl last week along with a strong draw in gasoline of more than 6.4mn bbl. Data around stocks may be volatile in the weeks following the impact of Hurricane Ida which made landfall along the Gulf coast of the US.

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ENERGY MARKETS COMMENTARY WEEK IN REVIEW

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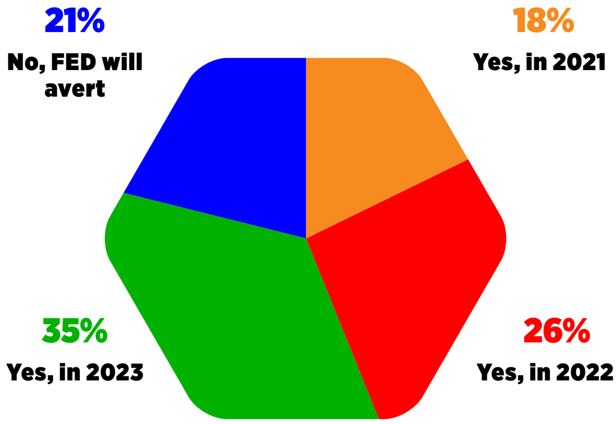
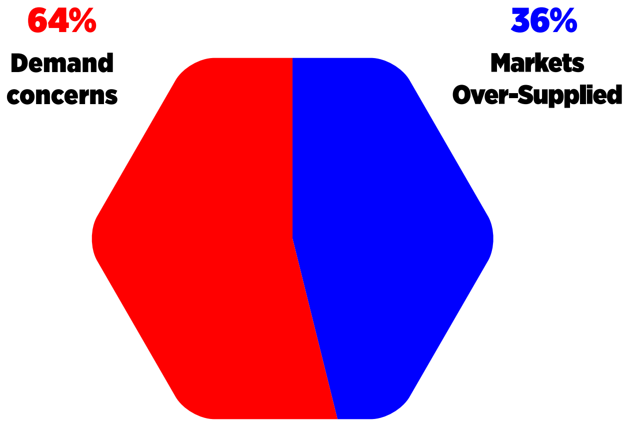
GIQ Weekly Surveys

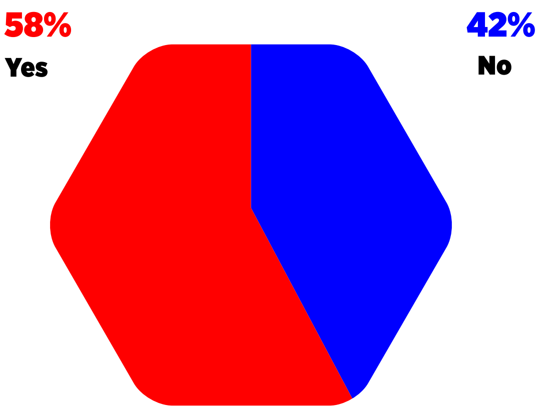
US stock market recorded a string of 53 closing highs in 2021, the 5th most in the past 100 years -- the previous four episodes were followed by heavy market declines:



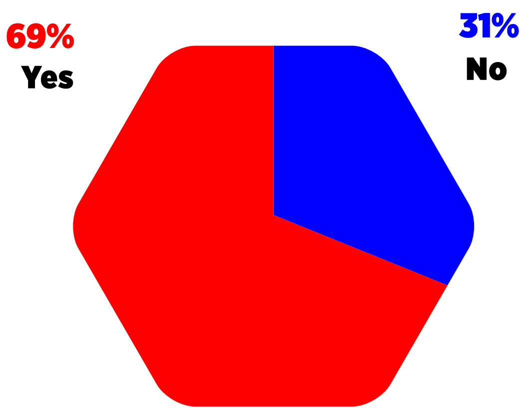
Saudi Arabia slashed crude prices for Asia over the weekend which signals:



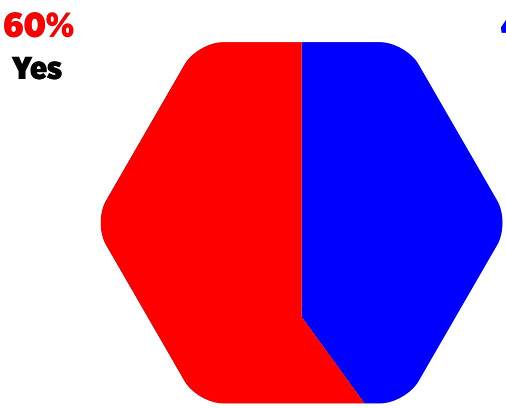
Do you expect China's oil imports to recover close to 2020 highs (11mn b/d avg) before end of this year?

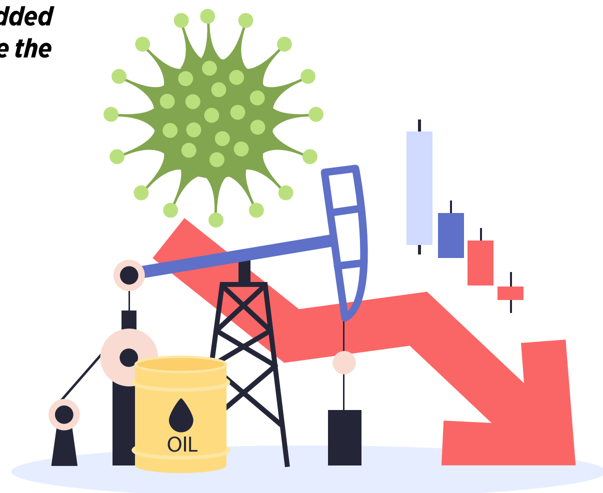


Have oil markets priced in the arrival of more fiscal stimulus - infrastructure bill etc.?



Hurricane IDA has already cut more oil supply than OPEC+ has added in Aug/Sept -- will the continuation of this trend through Sept be the catalyst to finally propel Brent to $80/bl?





Source: GIQ

GI Consultancy Intelligence Publishing

ENERGY MARKETS VIEWS YOU CAN USE

Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

DID THE US JOB NUMBERS LAST WEEK INDICATE THE RECOVERY COMING TO AN END?

It was just a one off. The rest of the payrolls were at the same level as the two previous months and labor demand is still strong; this week, we're looking at 10 million open positions in the market, which is unheard of. The unemployment rate came down but it's probably weak enough for the Fed to push back a little further. As far as most market participants are concerned, as long as there's no taper announcement in September, no one cares.

WHAT'S SHIFTED THE MOOD AGAINST TAPERING IN THESE FEW SHORT WEEKS?

The perception is that incoming data is disappointing but what people should realize is that it gives us an outlook for 2022 which is in fact better than expected. We will basically at some point be refocusing in on the inflation problem that everyone's going to have. Canada is a good example because most of the rise in inflation that it saw last month was all down to housing. It's also going to happen in the US, the UK and many parts of Europe.

ANY DATA POINTS TO WATCH OUT FOR IN THE WEEK AHEAD?

It's all about the central banks this week. The Bank of Canada on Wednesday will be interesting, simply because they've been hawkish, but they're going to have to pull back now because of rising infection rates and very disappointing GDP. The ECB on Thursday is effectively the big one. People are focusing on the short-term forecasts which they'll revise up, but they won't do that for long-term forecasts. They could do nothing, not even a faux taper, and that would definitely give markets quite a big boost. And even if they say they won't be buying bonds at a significantly higher pace, they'll basically make it clear they're going to be pouring in money for a very, very long time.

James McCallum
Executive Chairman of Xergy
Professor of Energy at Strathclyde University

HIGHER COST PRODUCTION ISN'T RETURNING DESPITE OIL PRICES IN THE EARLY $70S?

The stock prices of major oil and gas companies and service companies are on the whole trading sideways, just as oil prices have been. That's where the whole industry is. Service companies are still finding it very hard to find new activity; they're all looking for a steer. The industry is also waiting to see what comes out of COP 26, with the concern there being that sentiment is starting to harden, and China leading the way on that. Ultimately, that will also affect the oil and gas market.

HOW SERIOUS IS THE CHANGE IN NARRATIVE ON THE ENERGY TRANSITION?

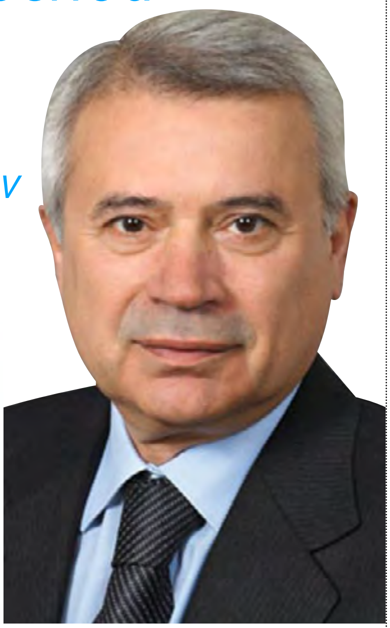
I don't think we will see the majors back away from it, but the reality is that their profits are still 33-50% where they were at their peak, so we are not back to normal. The major service companies are also not applying the technology needed to improve their own business case because we're entering a period of consolidation. Most companies in the industry are sitting on the fence waiting to see what happens and waiting to get a sense of the general economic sentiment, including what central banks end up doing on interest rates.

THE OFFSHORE VESSEL INDUSTRY IS AT A NADIR - IMPACT ON OIL PRODUCTION RECOVERY?

A huge amount of construction activity around deep-water drilling isn't going to happen – whether you're Russian, Chinese or a super major - because the kind of capex spending required just isn't there. We have entered an era of the low-cost producer and that favors the national oil company onshore rig marketplace. Much of the previous offshore infrastructure was built 20-30 years ago so if you keep that on your balance sheet, it's a massive problem for someone like a drilling contractor for example. Moreover, this is being accompanied by the wholesale erosion of the talent that used to work on that equipment. We've lost nearly a million people from the industry and most of them aren't coming back following the downturn of the last seven or eight years. The question now is, with a relatively static oil and gas demand curve over the next decade, who is going to make this happen and where will it take place?

"I think that the OPEC+ alliance was created to last forever, not for just some period of time."

Vagit Alekperov
President & CEO
Lukoil



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ENERGY MARKET NEWS

RECOMMENDED READING

Series Supported By:

1. OIL GAINS FOR 2ND SESSION AS LOWER US OUTPUT SUPPORTS
2. EIA SEES NOT MUCH IN THE WAY OF US OIL PRODUCTION GAINS
3. US JOB OPENINGS ROSE TO A RECORD 10.9MN IN JULY
4. NATURAL GAS PRICES ARE ON A TEAR BUT MAY GO EVEN HIGHER
5. NO HURRICANE HAS HIT US ENERGY MARKETS QUITE LIKE IDA HAS
6. UN WATCHDOG: IRAN DEFYING NUCLEAR DEAL WITH URANIUM ENRICHMENT
7. US NAVY LAUNCHES MIDEAST DRONE TASK FORCE AMID IRAN TENSIONS
8. ASIAN SHARES SLIP AS FED SIGNALS 'DOWNSHIFT' IN ECONOMY
9. US GULF OPERATORS STRUGGLE TO RESTORE OUTPUT
10. API DATA REPORTEDLY SHOW WEEKLY DECLINES IN US CRUDE & GASOLINE SUPPLIES

RECOMMENDED VIDEOS & REPORTS

- OIL DAILY: IDA RECOVERY MAKES SLOW PROGRESS
- SILICON VALLEY FINDS REMOTE WORK IS EASIER TO BEGIN THAN END
- US JOB OPENINGS HIT RECORD HIGH AS EMPLOYERS STRUGGLE TO FIND WORKERS
- MOST WANTED: SIRAJUDDIN HAQQANI
- "OFFSHORE OIL & GAS VESSELS ARE TAKING A SHARP BEATING!"

Fujairah Spotlight

Fujairah Joins Advanced Trade and Logistics Platform

Maqta Gateway, the digital arm of Abu Dhabi Ports, has announced the inclusion of the Fujairah's trade and logistics ecosystem within the Advanced Trade and Logistics Platform (ATLP). The announcement follows the recent completion of the Fujairah Terminals' expansion programme, which was officially unveiled by Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, and encompassed the introduction of several infrastructure and service enhancements. As part of a long-term AED1 billion ($270 million) investment programme, the expansion works have greatly improved the facility's capacity and capabilities in handling different types of cargo and larger vessels, while also strengthening its role as a major trade hub connecting Gulf Cooperation Council (GCC) countries, India, the Red Sea, and East Africa.

Source: Hellenicshipping

'Principles of the 50' Bodes well for UAE's Future: Rulers

Their Highnesses the Supreme Council Members and Rulers of the Emirates have welcomed the announcement of the 'Principles of the 50', saying that the document bodes well for the aspirations to make the UAE a beacon for progress and prosperity and a global role model for sustainable development. The 'Principles of the 50' was announced today as part of the 'Projects of the 50' campaign, to chart the strategic roadmap for the UAE's new era of economic, political and social growth. For his part, H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, said, "This rich land has much to say, with 'The Principles of the 50' constituting a roadmap for all the people who live in the UAE, and are founded on the values of tolerance and compassion. We will continue to utilise our strong economy that is powered by humans, who spearhead all our investments in the future, supported by a wide range of scientific and technological solutions, proving once again that our journey of knowledge and technological development will continue."

Source: Trade Arabia

Hamad Al Sharqi Visits Fujairah Natural Resources Corporation

H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, highlighted the importance of providing high-quality services to customers, accurately completing government services on time and supporting innovation. During his visit to the Fujairah Natural Resources Corporation and his tour of its various sections, Sheikh Hamad said the UAE has made many overall achievements since its establishment and is currently starting a new development journey for the next 50 years across all sectors, which will require everyone to address existing and future challenges and implement the UAE leadership's vision to drive the country's development. Sheikh Hamad's tour started with a visit to the customer happiness building in Al Hayl, where he explored the services provided to customers via smart applications. He was also briefed by Mohammed Saif Al Afham, Chairman of the Board of Directors of the Corporation, about the work the corporation's centres.

Source: Emirates News Agency

Fujairah Crown Prince Receives Winner of UAE President's Chess Cup

Sheikh Mohammed Bin Hamad Bin Mohammed Al Sharqi, Crown Prince of Fujairah, received, in his office in the Emiri Court, chess player Ammar Al Sadrani from the Fujairah chess and Culture Club. Sadrani emerged as the winner of the UAE President's Cup chess tournament for the 2021 season. Sheikh Mohammed received Sadrani in the presence of Dr Abdullah Al Barkat, Chairman of the Club's Board of Directors, as well as the club's board members. Sheikh Mohammed congratulated Sadrani and highlighted the directives of His Highness Sheikh Hamad Bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, to support all chess talents and enable them to accomplish further achievements while praising the efforts of the club's administration to advance mental sports, and urging its members to participate in local and international tournaments.

Source: Gulf Today

GIQ EXCLUSIVE SOUNDINGS

Growth Worries Hit Markets but Oil Prices Remain Steadfast

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.

- Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
- Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
- Omar Najia, Global Head, Derivatives, BB Energy
- Vandana Hari, Founder & CEO, Vanda Insights
- Daniel Richards, Senior MENA Economist, Emirates NBD
- Peter McGuire, Chief Executive Officer, XM Australia
- Frank Kane, Senior Business Columnist, Arab News
- Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies (DERASAT)

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
"There is a slowdown in recovery momentum around the world. China has already been there and it has slowed down before anyone else. There is dampening sentiment occurring across businesses in addition to dampening sentiment across consumers."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
"The majority of the bounce we've seen from this Covid-19 recovery is over. You're seeing that with all the estimates for GDP revisions and demand etc. Now, we're into this long slog and it's unlikely we can sustain at $75/bl WTI."

Omar Najia, Global Head, Derivatives, BB Energy
"I think the market is correcting. Hurricane Ida was very interesting, but I don't think news stories drive anything in markets except noise. They add a lot of fluff to what's going on and people just 'ooh' and 'ahh'."

Vandana Hari, Founder & CEO, Vanda Insights
"The picture still remains a little hazy on China. In the short-term, oil demand appetite is improving, though I don't expect it to go back to 2020 levels. If we see no further logjams at ports and with supply chains, I would expect Chinese exports to continue growing strongly in the coming months."

Daniel Richards, Senior MENA Economist, Emirates NBD
"The very fast growth that we have seen is definitely slowing and there remains major imbalances driven in part by what was a very speedy recovery. They remain in play and are weighing on output around the world."

Peter McGuire, Chief Executive Officer, XM Australia
"It gets to a point in time that the consumer's wallet gets impacted and we're certainly experiencing that now in Australia as far as inflation goes. We're hearing the same sort of numbers coming out of the Eurozone of 3%, and from what's happening across Asia generally and the US."

Frank Kane, Senior Business Columnist, Arab News
"Oil prices have been significantly higher for most of this year. We are seeing this coming through in government revenue streams in Saudi Arabia and the UAE. I also haven't seen any recent downgrades for regional economies. "

Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies (DERASAT)
"The problem with the Iran deal is that there has been a systematic miscalculation by the US regarding the extent to which Iran needs to re-enter the deal."

ENERGY MARKETS FORUM NEW SILK ROAD LIVE

GI Consultancy Intelligence Publishing

TOP 10

SEPT 5th - SEPT 9th

MARKET OBSERVATIONS FOR THE WEEK

1. We could expect to see moments where oil prices spike-up like we have seen recently in gas/LNG.
2. The US jobs report for August was significantly below expectation, but it did show that hourly wages are rising but still not a strong enough magnet to pull people back into the job market.
3. The indicators from China are showing the Covid-19 rebound is over and organic growth is struggling to pick up the slack, and we may see a similar path in the US.
4. OPEC+ set to continue to manage the oil markets like a Central Bank, with tight reins on new supply.
5. Saudi discounts to Asia recognizes that Asian oil demand is going through a weaker period as region tackles Covid-19 Delta variant.
6. Oil markets appear quite comfortable with current supply-demand balance as hurricanes and significant inventory draws have little bearing on the range-bound price.
7. China's oil imports are likely to rise in Q4 as economy ramps up after Q3 slowdown.
8. Monetary policy makers worldwide likely to back away from expected Taper strategies, extending market-rally right through 2022.
9. The container shipping market meltdown likely to continue as cargoes pile up, ports struggle with congestion and freight rates surge to record highs.
10. Markets are struggling with the shift from a posture of 'when' tapering would happen, to one now of 'if' it will happen at all?

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