MARCH 18th 2021
VOL. 67

Fujairah New Silk Road WEEKLY NEWSLETTER

Supported By:
FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone
Port of Fujairah
ميناء الفجيرة
Port of Fujairah
United Arab Emirates

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

AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

OIL MARKETS ARE PRICING A FORWARD VIEW THAT OPEC SUPPLY DISCIPLINE WILL REMAIN ROBUST

Chris Bake, Member of Executive Committee, Vitol

I think we are at an inflection point whether we are in a new commodity Supercycle or not. It is not only the fundamentals of oil supply and demand to consider, but there's also financial considerations and inflationary considerations. The commodities in general have done very well because the incremental demand is there. We will see over the next two months how things play out, and from our perspective, we think things look a lot better going forward. OPEC is going to continue to finely balance the market by their regular meetings, and it is just a question of how many barrels they release and when. You have to balance between incremental oil supply and when is it coming? Let us be clear it is needed, assuming that the demand recovers as we expect it to recover through the second half of the year. The markets have recovered incredibly well thus far, especially when you think where we were a year ago with record low prices and massive uncertainty. The recovery from there was backed by a huge amount of OPEC discipline. Oil prices are up 60% since the fourth quarter of last year. The oil market is now temporizing a little bit with some uncertainty on demand in Europe on the back of extended lockdowns. Still, Asia is doing quite well, and inventories have worked-off hard and markets are anticipating further drawdowns in the second half of the year.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

7,652,000 bbl	3,461,000 bbl	8,104,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues



Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

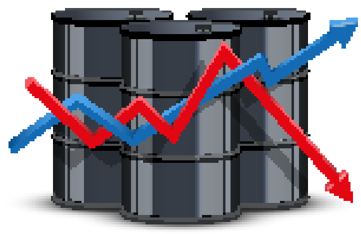
Average Range
$3.61 - 4.38/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.50/m³

Source: GI Research – Weekly Phone Survey of Terminal Operators

GI Consultancy Intelligence Publishing

THE WEEK In Numbers



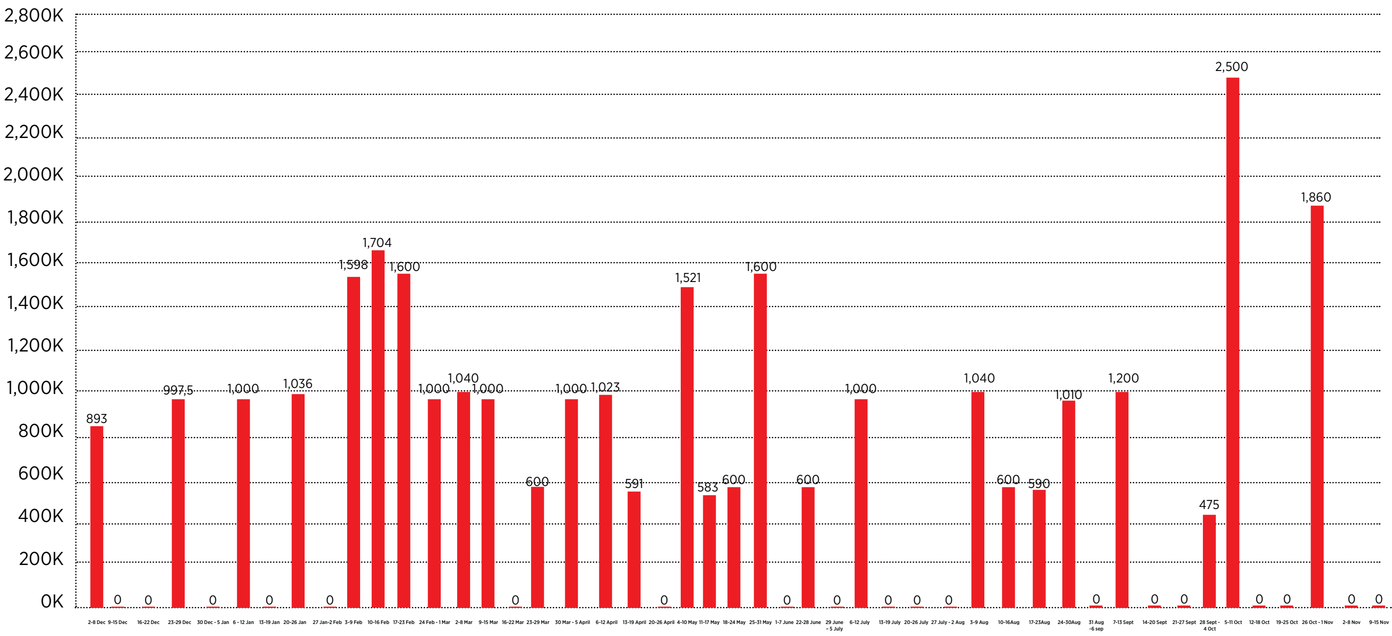
Weekly Average Oil Prices

Brent Crude: **$68.38/bl**
WTI Crude: **$64.97/bl**
DME Oman: **$66.70/bl**
Murban: **$67.99/bl**

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

Weekly Imports of Heavy Sweet Crude into Fujairah

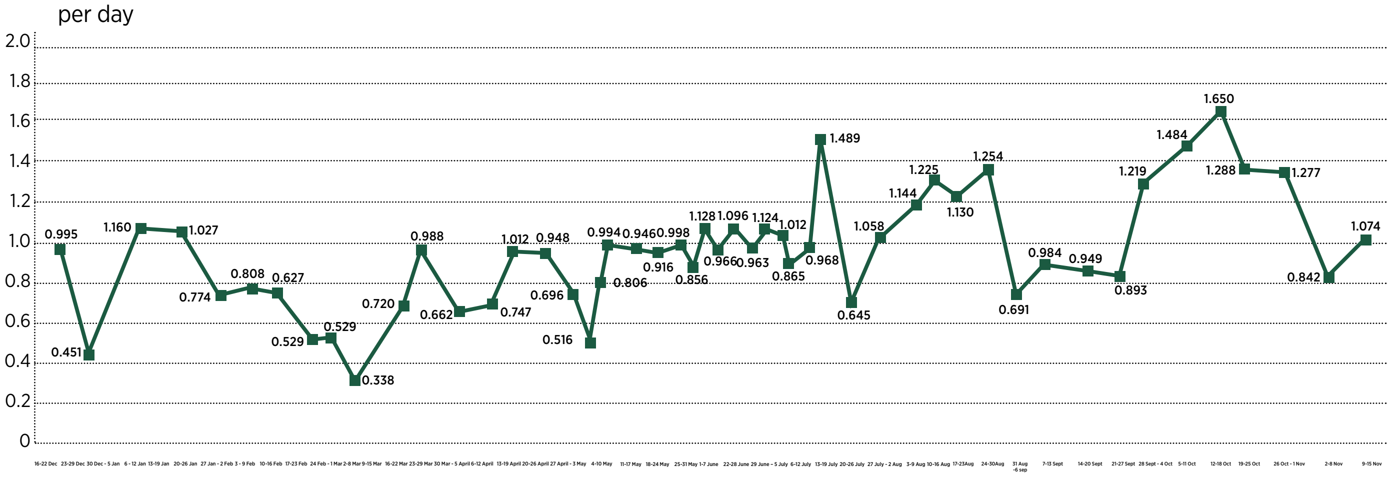
Total barrels



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific

Million barrels per day



Source: Kpler

GI Consultancy Intelligence Publishing

CHRIS BAKE
MEMBER OF EXECUTIVE COMMITTEE, Vitol

CONTINUED FROM PAGE 1

Q: Is this still a vulnerable market with 8 million barrels of idle capacity sitting on the sidelines?

Chris Bake: It is true, there is no physical shortage of supply around. The perception has been and what is driving the market is an incredible amount of OPEC discipline. They have told us to expect the unexpected and we have got it, from the incremental cuts that came out of OPEC, specifically Saudi, to where the current balances sit. The drawdown of inventory and the market structure has forced a lot of inventory to go. The demand equation is still fairly strong for the second half of this year with a return of robust numbers, which we are seeing in the East and also in the U.S. There is physical oil around today if you need it. But the market is pricing a forward view, and its pricing on what it believes will be continued OPEC discipline. Customers have tried to force OPEC's hand to release more oil, but so far, they did not, and that maybe surprised the market a little bit a few weeks ago.

Q: What is your outlook for the US Rapprochement with Iran?

Chris Bake: There is definitely an increase in oil flow out of Iran. The US is trying to deal with regulating the Chinese flow of Iranian oil. Obviously with Robert Malley's appointment back as the focal point on the Iran file, one of the architects of the JCPOA, there is clearly a desire to re-engage with Iran. But there is still a lot of debate even within the administration as to how that should get re-established -- should they reinstate the JCPOA and build off that? or should they try and reform the JCPOA before they reengage? and that is not clear at this point. The European powers, the U.K., Germany and France, have stood behind the JCPOA over the years and they would definitely like to use it as the starting point without having to renegotiate it.

I think that the difficult part of reengagement for the oil markets is that if those Iranian barrels continue to trade through murkier channels it will be very destabilizing to the market because no one really understands what is coming and where it is coming from. Obviously, it trades at a different price point than equivalent barrels from alternative sources, which creates massive dislocations. It would be better if both Libya and Iran were inside the very wide OPEC+ agreement from a from a pricing point of view and a stability point of view because at least then the market would understand where the flow comes from and what the balances really are.

Q: What is your outlook for Libyan oil production now that they have a new minister for the first time in many years?

Chris Bake: Libya has a new energy minister for the first time in the long time, which could be a stabilizing effect. Yet, there seems to be some conflicts between him and the chairman of the National Oil Company. Libya has managed to navigate troubled waters for the past 10 years, so does it escalate the level of political tension in-country, again, by having two authorities around the oil supply – something to watch.

Q: Has the oil market become more difficult to navigate for traders after a predictable year of one-way direction?

Chris Bake: I think the disappearance of the carry trade that was very much there through last year is a fair comment. I think, in terms of the opportunity set in the market continues to be there. The battle between the products -- be it the middle distillate pool; or the lack of emergence of some of the heavier barrels because of a curtailment in supply of some of the heavier crudes and what that means to the market; and figuring out how to handle the incremental distillate, specifically Jet fuel, in the market -- are going to continue to be challenges for the refiners and those of us who are trying to balance supply and demand around the world and trying to figure out how to move the incremental barrels. There's always opportunity, but there is always this balancing act that must continue as the demand slates change and the patterns of supply change.

Q: What is your outlook for the new Murban oil futures contract to be launched at the end of the month?

Chris Bake: I think the real crux of it is -- are we going to see the availability of the liquidity around the barrel to create a fungible platform to establish a pricing benchmark? And is there going to be a willingness to allow the barrel to trade freely? And that is not something that I have fully developed my view on, but I think that is critical to the whole equation.

Q: What do you think of IEA forecast that the Gulf states will have to increase their production significantly in the coming five years to avoid a supply crunch?

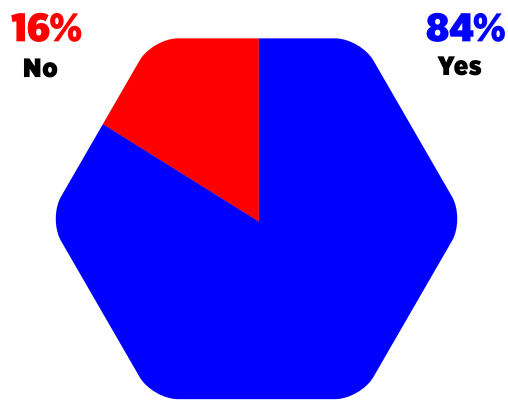
Chris Bake: I think that is probably true because we expect that at least by 2023 or 2024 to get back up over one hundred million barrels a day of demand, and alternative non-OPEC supply has been curtailed because of lack of investment. So, from a cyclical point of view, I think that the incremental 8+ million barrels of new demand will need to be met. Abu Dhabi is already talking about producing more than their OPEC quota or the ability to produce more than their quota, and Saudi Arabia already has the capacity to, and that oil will be called on in the medium term for sure.Q: What is the impact of the Vaccination rollouts?

I think we have a very different perspective here in the UK because the vaccination program has been working and people have a date-certain when they are told that things will return to normal. I think that is given a huge amount of confidence to the market in the UK. I think Europe's in a very different place because they are behind on the vaccine rollout and the rollout has been compromised politically, and therefore there is a lot more uncertainty.

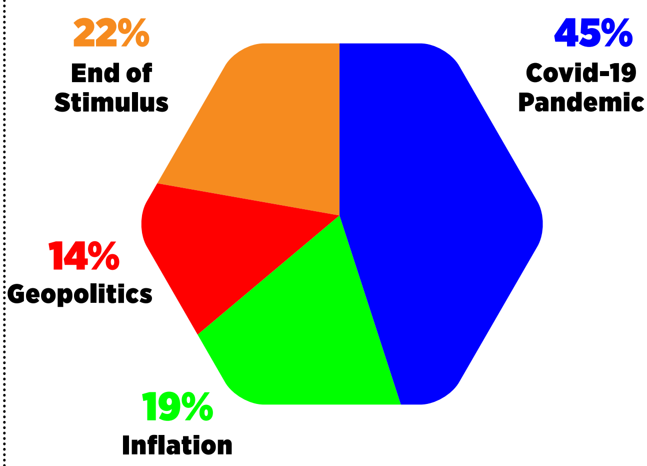
WATCH FULL INTERVIEW HERE

GIQ Weekly Surveys

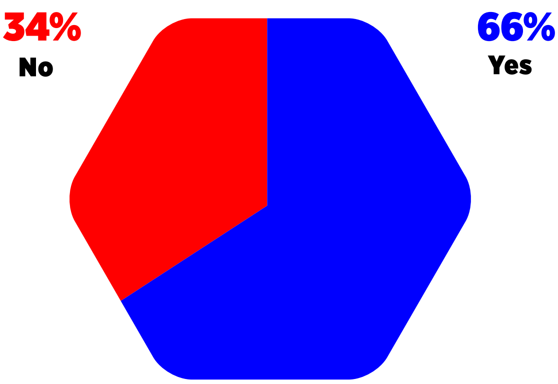
Thursday marked the third busiest day in US air travel since the pandemic began with the TSA screening nearly 1.3mn airline passengers. Do you expect US travel to get back close to the pre-covid 2.4mn by the end of this year?



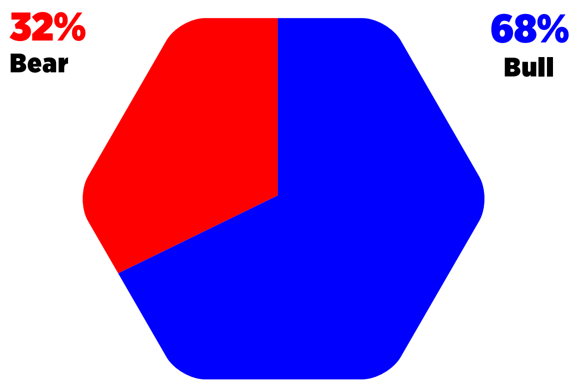
What is a bigger threat to global economic growth in the coming 12 months?



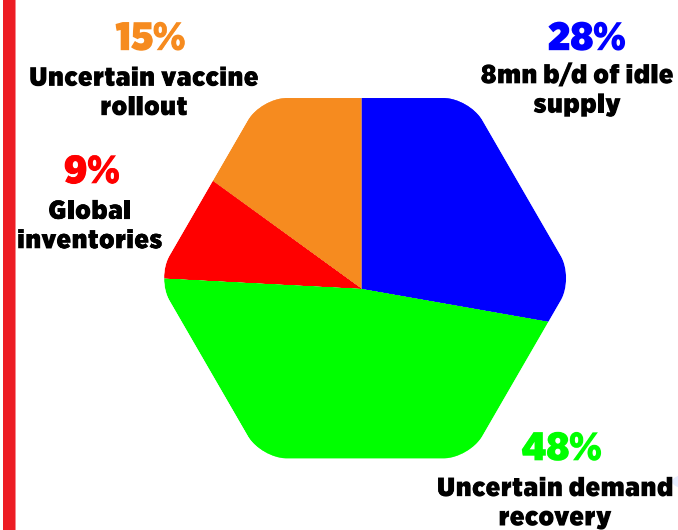
Germany, France and Italy plan to suspend AstraZeneca PLC Covid-19 injections after reports of possible serious side effects. Could vaccine setbacks derail expected H2 recovery?

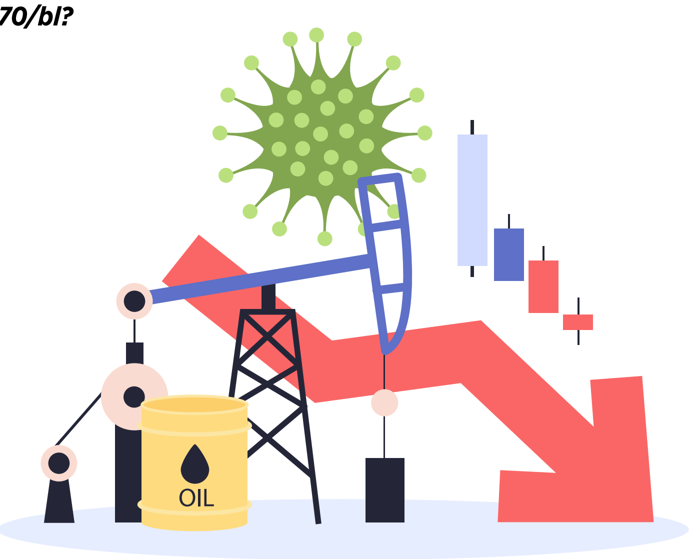


If OPEC+ continue to hold current production levels and don't increase supply at the next meeting on April 1st – would the oil markets consider that a bullish or bearish decision?



What is the biggest weight blocking prices from above $70/bl?





Source: GIQ

GIQ EXCLUSIVE INTERVIEW

"IN ORDER TO GO GREEN, YOU GOT TO GO PRETTY BLACK FIRST!"

Ole Hansen, Head of Commodity Strategy, Saxo Bank

GIQ: Are we in another commodity super cycle?

Ole Hansen: I think we are. Whether it's going to be super turbocharged as we've seen in the past – especially from the early parts of this millennium where China basically entered the world stage and hoovered up anything that resembled a commodity – obviously remains to be seen. But what we are noticing is a green transformation focus going on that's now being supported in Europe, Asia, and the US. We have to remember in order to go green, we have to go pretty black first because we need to get into the ground to get some metals out that support electrification. This also requires a lot of energy, which will continue to underpin oil demand for a number of years. At the same time, if you look at something completely unrelated, like the agricultural space, we have seen years of oversupply suddenly start to tighten. We are now faced with a tighter situation in some of the key crops such as wheat, soybeans and corn. That sector also adds to the whole picture. What we have right now is, as opposed to previous bouts of strength over the past half decade, is a more synchronized rally taking place.

GIQ: Is India the next big engine for commodity demand?

Ole Hansen: Absolutely. In addition to that, if we are looking at this rollout of electrification, just imagine the almost hundreds of thousands of kilometers of additional wires that need to be dug in the ground just to ensure that we have enough electricity to reach around the world. That basically means that India is going to be at the forefront of this, but if you look at the Western world, which has been less commodity intensive in recent years, there's going to be a revival there in terms of demand for something like copper. That could also mean the next growth phase is not necessarily going to be Chinese. They helped us through the pandemic last year by adding a lot of stimulus to the economy, but that seems to be fading a little bit now. Other countries will take over. On another note, we have to be a bit concerned about the rally we've seen in bond yields in the US since the early start of January. It has strengthened the dollar by curbing the upside. We have seen USD sensitive metals like gold that have been struggling. That's probably also part of the story as to why we are seeing oil floating around the $70/bl level because part of the story is not just the underlying fundamentals but also an investment story. The investment case right now has been somewhat muted by the uncertainty about how far these bond yields can rally.

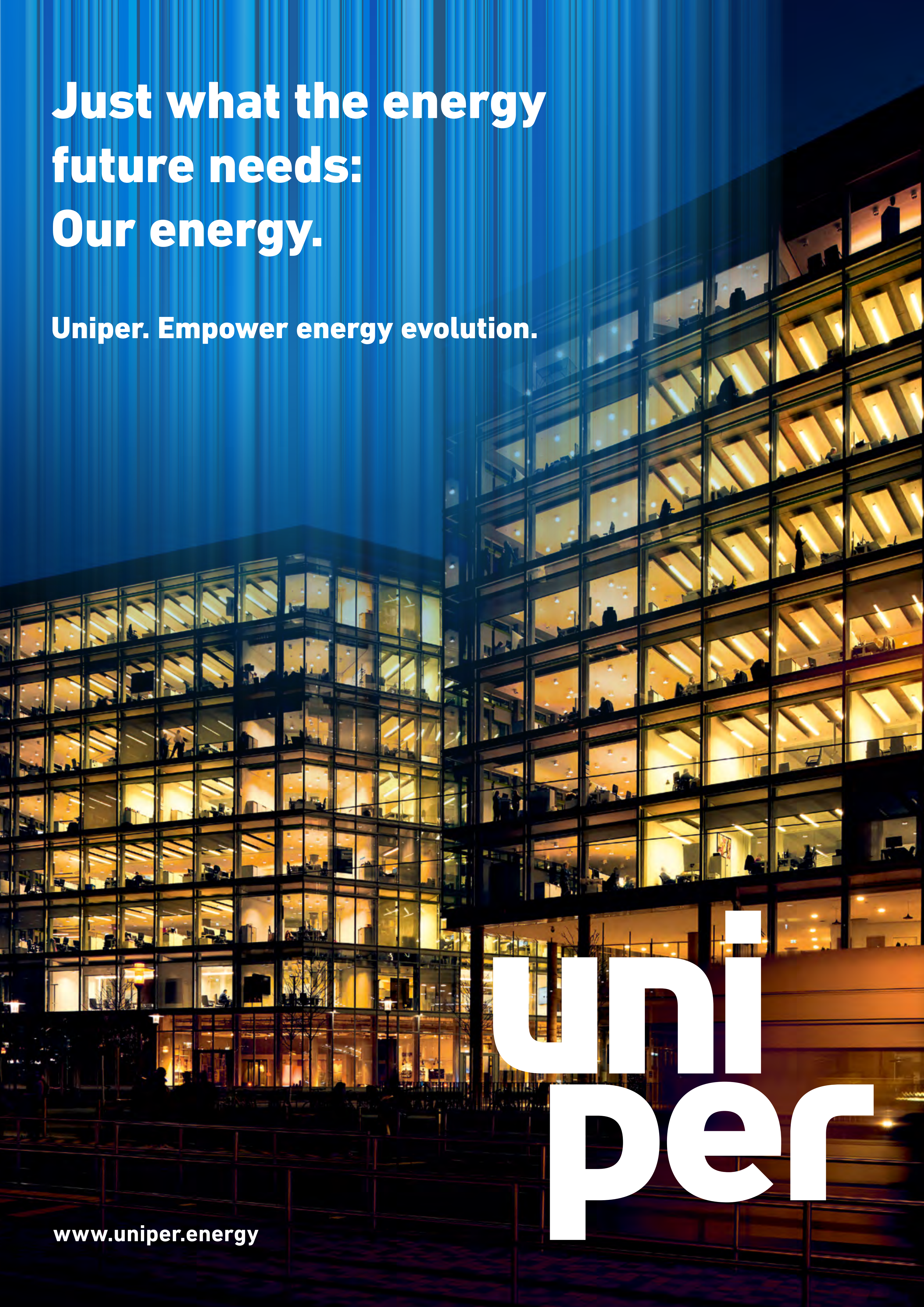
GIQ: What are the consequences of a strengthening US dollar as the global economy begins to emerge from the current global pandemic?

Ole Hansen: A stronger US dollar is not something that the world needs right now. The world is loaded up on debt with a lot of that in US dollars. Emerging market economies, which obviously would benefit from a revival in the commodity space, would be dragged down by the strength of the US dollar. The goldilocks scenario going forward would be a stable or weaker US dollar. We will probably see that. Where we are a little hesitant right now in terms of how the market has been behaving over the last couple of months with rising yields, is the fact that these yield increases have happened without a corresponding rise in expectations for inflation. That's potentially where the market is right now, not pricing in the incoming inflation at a high enough level. If we are going to be right on that assumption, then from an investment perspective the commodities base will continue to attract demand from funds seeking to hedge against rising inflation.

TOP 3 TAKEAWAYS

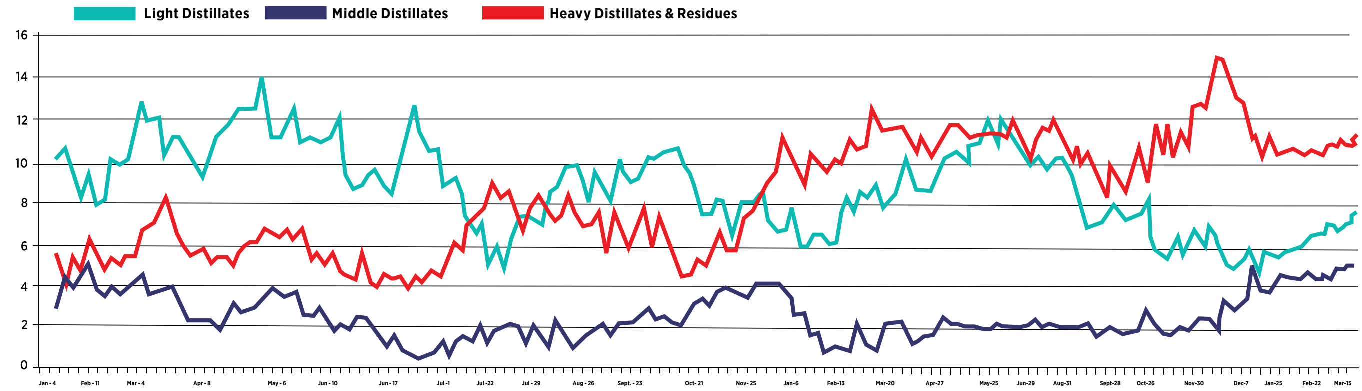
1. **The stronger US dollar we are seeing is not what the world needs right now – a world that is loaded up on US dollar debt.**
2. **Calling US shale dead is way too premature. We are on the cusp of a great equity rally switch from momentum to value stocks, and this could drive investment back into shale.**
3. **If OPEC+ don't raise production at the next meeting the market could read that as a sign of weakness and sell-off.**

WATCH FULL INTERVIEW HERE


Just what the energy future needs: Our energy.
Uniper. Empower energy evolution.
www.uniper.energy

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 19.217mn barrels. Total stocks rose by 1.251mn barrels, as they rebounded from multiyear lows seen last week. Overall stocks rose by 7% week on week. There were builds seen across light distillates and heavy residues while middle distillates posted a loss.
- Stocks of light distillates saw a rise of 1.032mn barrels reflecting a build of 15.6% week on week to stand at 7.652mn barrels. The East of Suez gasoline market was under some pressure on concerns of Covid-19 resurgence in the West where rising infection rates were seen in some US states. Sentiment also took a hit after several European countries suspended Oxford-AstraZeneca vaccinations due to concerns of potential side effects. In the spot market, Tanzania's Petroleum Bulk Procurement Agency has bought 180,785 mt of gasoline in a tender for product to be delivered into a number of ports across Tanzania.
- Stocks of middle distillates fell by 249,000 barrels dropping to 3.461mn barrels – down by 6.7% on the week, they were last lower on August 17 last year when they stood at 3,389mn barrels. The gasoil market was under pressure from a combination of higher exports from China and declining demand in India. In India, gasoil demand contracted for the second consecutive month in February, falling 3.79% from a month ago, as the coronavirus pandemic crippled demand and as higher global oil prices dampened middle distillate consumption.
- Stocks of heavy residues rose by 468,000 barrels rising by 6.1% on the week to 8.104mn barrels. In the port of Fujairah higher demand coupled with a tightness of supply was driving prices upwards. Fujairah delivered marine 0.5%S bunker was heard offered at $540 - $560/mt on Mar. 16. Fujairah-delivered marine fuel 0.5%S bunker was assessed at $549/mt, $4/mt higher on the day. The price level on March 16 in Fujairah reflects a $34.00/mt premium to Singapore delivered Marine Fuel 0.5% bunker prices which were assessed at $515/mt.

Source: S&P Global Platts

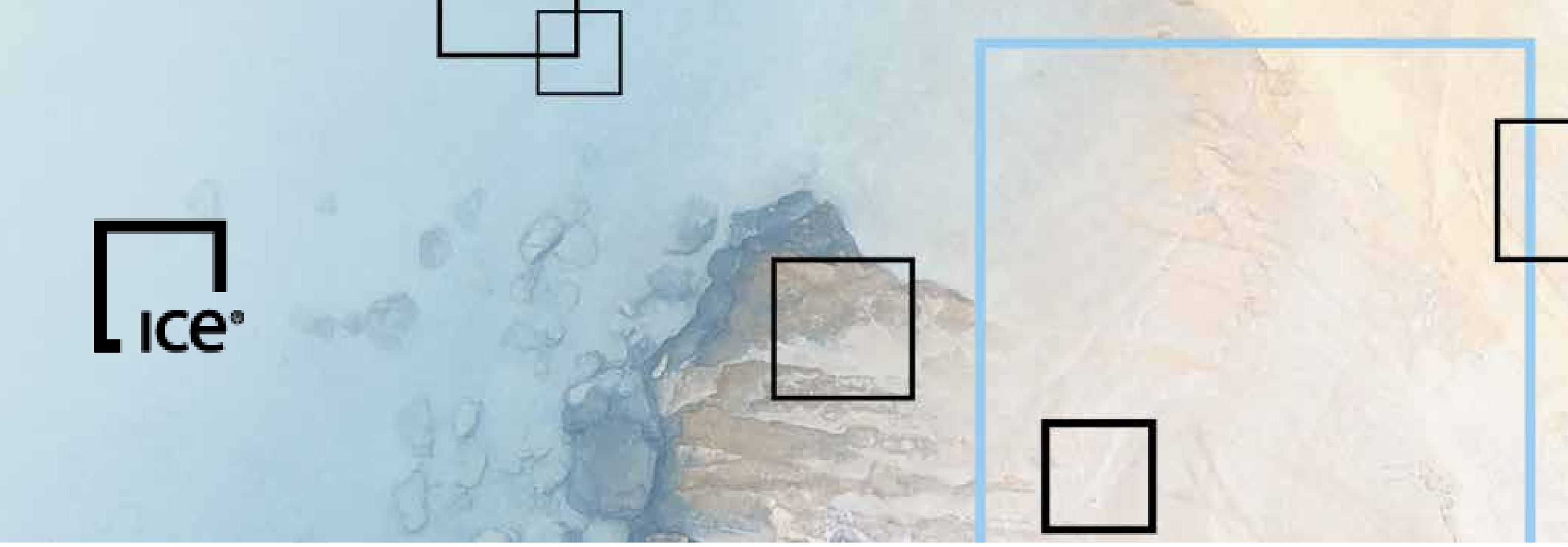
Morning all. Brent is trading this morning at $67.27/bl, down 0.73/bl. WTI is trading down 0.63/bl, at $63.97/bl. "Those who are able to see beyond the shadows and lies of their culture will never be understood, let alone believed, by the masses," said some famous old Greek bloke with a really good beard. Plato, I think. You may think that would be a dramatic quote to put on an oil commentary, and you'd be right, but to be honest this market makes absolutely zero sense to me. So, I'll use Beardy and his clever quote as today's introduction. Let's break things down right now based on yesterday's headlines. IEA: GLOBAL OIL DEMAND WILL ONLY RETURN TO 2019 LEVELS BY 2023. OK, that's not great.

BY MATT STANLEY
SENIOR BROKER
STAR FUELS

GLOBAL GASOLINE DEMAND MAY HAVE PEAKED DUE TO ENGINE EFFICIENCY, EV BOOM. Hmm, okkkk. IEA RAISES 2025 OIL DEMAND FORECAST ON VACCINE OPTIMISM, STIMULUS SPENDING. Hang on, 2025?? IEA SAYS OIL INVENTORIES STILL LOOK AMPLE AND A LARGE AMOUNT OF SPARE PRODUCTION CAPACITY HAS BUILT. OKOKOK I get it. Enough! There were a couple of mildly positive announcements as well regarding demand coming back in H2 2021, but in essence the report was concerning. Then, about six hours later we had EIA data. Draws largely expected. Yeah, nah off that, builds on crude and products. Now, to me and my feeble little brain I would have digested this information and thought "Hmmm, not great really, perhaps I'd sell this market." And Brent did come off, for a moment. But there seems to be so much support in this market that it refused to stay below $68/bl. Am I being overly pessimistic? Or should I ignore prompt fundamentals like everyone else? i.e., Countries suspending the AstraZeneca vaccine, Germany seeing a sharp rise in Covid-19 cases, Italy planning an Easter lockdown and France prepared to do the same. And this is the thing, global demand is returning, but not to pre Covid-19 levels yet and that demand recovery is patchy and fractured. None of this ties in with $70/bl oil in my opinion. But who cares about that? Negative news is positive, remember? MORE FREE MONEY!!! YIPPEE!! Good day.

March 18, 2021


أدنـوك
ADNOC
WE BRING
ENERGY TO LIFE
For over fifty years, we've helped drive the prosperity of our world, our nation, our partners and our customers. But this is just the start of our story. We are determined to constantly improve our products, optimize our costs, drive greater efficiencies and deliver more value. All while innovating to protect our environment and to empower the communities we serve. That's not simply our purpose, it's our promise to future generations.
adnoc.ae
@adnocgroup
Abu Dhabi National Oil Company



ICE Murban Futures: Launching March 29

In November 2019, Abu Dhabi's Supreme Petroleum Council (SPC) announced that Abu Dhabi National Oil Company's (ADNOC's) flagship onshore crude oil, Murban, would move to market-driven, forward-based pricing, using a new futures contract as its price marker. The SPC also authorized ADNOC to remove destination restrictions on Murban crude sales. This was followed by an announcement from Intercontinental Exchange Inc. (ICE) that it will launch a new exchange, ICE Futures Abu Dhabi (IFAD), to host the world's first futures contract based on ADNOC's Murban crude oil. ICE Futures Abu Dhabi and trading in Murban Futures plans to launch on March 29, 2021, subject to the completion of regulatory approvals.* Nine of the world's largest energy traders will join ICE and ADNOC as founding partners in ICE Futures Abu Dhabi (IFAD). Those partners are BP, GS Caltex, INPEX, ENEOS (formally known as JXTG), PetroChina, PTT, Shell, Total and Vitol.

Murban

ADNOC's onshore concessions, which produce Murban quality crude grade have the capacity to produce approximately 2 million barrels of oil per day, representing more than half the UAE total oil production. Murban is a highly fungible light sweet crude oil that is widely used by refineries in Asia because of its intrinsic and consistent chemical qualities. It has an API of 39.9° and Sulphur content of 0.78%. Murban has a diverse user base and is imported into almost every country in North, Far East, South East, and South Asia. Murban crude is internationally recognized for its consistent quality and high, stable production volumes, as well as its large number of global buyers. ADNOC Logistics support Murban supply with state of the art terminal and storage facilities.

ICE Futures Abu Dhabi

ICE Futures Abu Dhabi (IFAD) is established in Abu Dhabi Global Market (ADGM), an International Financial Centre that practices and applies English common law in its entirety to its legal and regulatory regime. IFAD will complement ICE Murban Futures with a series of tradable spread markets to other ICE crude oil benchmarks, alongside a series of related derivative contracts including 1st lines, crude swaps and differentials. Contracts traded at IFAD will, subject to regulatory approval, be cleared at ICE Clear Europe, one of the world's leading clearing houses, and will clear alongside ICE Brent, ICE WTI, ICE (Platts) Dubai and ICE Low Sulphur Gasoil allowing customers to benefit from associated margin offsets and delivering meaningful capital efficiencies. IFAD is regulated by the FSRA of ADGM and is a registered Foreign Board of Trade (FBOT) under the CFTC meaning that traders and clearers based in the United States can trade and clear IFAD markets.

ICE Murban Futures

ICE Murban Futures will bring transparent pricing to participants, giving them more options to manage risk and clear trades. The contract will complement ICE's global oil complex of over 600 related oil products including locational and refined spreads across 47 geographic markets. This means participants can access the products they need at the exact point of consumption or production. As a light sweet crude well-positioned to serve a global market, the introduction of ICE Murban Futures offers the market an exciting new oil price marker. ICE Murban Futures will be a physically delivered contract with delivery at Fujairah in the United Arab Emirates (UAE) on a free-on-board (FOB) basis.

For more information visit: **theice.com/murban**

ENERGY MARKETS COMMENTARY WEEK IN REVIEW

CLICK HERE TO LISTEN

GIQ EXCLUSIVE SOUNDINGS

Oil Markets Pull Back Slightly, Despite Improving Economic Outlook

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.

- **Andy Laven, Chief Operating Officer, Sahara Energy Resources**
- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**
- **Bora Bariman, Managing Partner, Hormuz Straits Partnership**
- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**
- **Paul Young, Head of Energy Products, Dubai Mercantile Exchange**

Andy Laven, Chief Operating Officer, Sahara Energy Resources
"We have an oversupply of significant proportions. There is absolutely no reason why prices should be where they are today. The only reason why they are where they are, is because oil is being kept off the market. Hope is what's keeping prices up where they are."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
"This is one of the most significant inflationary periods in history. It's accelerating now because of Covid-19. The average cost of shale is the lowest ever because of technology. In the short-term, these higher oil prices are going to incentivize more supply."

Bora Bariman, Managing Partner, Hormuz Straits Partnership
"It is an energy intensive economy; I think this will continue to support fundamentals of the market for oil as it stands today. But the biggest factor is OPEC's restraint. That is a political decision. If that is lifted, it's a different ball game."

Peter McGuire, Chief Executive Officer, XM Australia
"Crude prices are up 70% since September, inflation must affect consumption and all of those inputs. I think that Powell has to play it with a steady hand."

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
"There is another layer to this kind of noise, which is shifting some of the blame for domestic pricing to OPEC. By complaining that higher prices are not because of reforming subsidies but mainly because of OPEC, it's putting a softer package on policy changes that have been pursued recently."

Paul Young, Head of Energy Products, Dubai Mercantile Exchange
"The euphoria around the vaccine rollout is probably slowing down a bit now but there are real bullish factors behind the rise from $45 last September to $70 today. We have had OPEC production cuts, US stimulus and very strong industrial growth in China."

ENERGY MARKET NEWS

RECOMMENDED READING

Series Supported By:

1. OIL FALLS A FIFTH DAY LOWER AFTER US STOCKPILE BUILD
2. OIL BEARS & BULLS GRAPPLE AS MARKET PUZZLES OVER PANDEMIC EXIT
3. FED EXPECTS GROWTH SURGE, INFLATION JUMP IN 2021 BUT NO RATE HIKE
4. US WARNS CHINA IT WILL ENFORCE SANCTIONS ON IRAN OIL SHIPMENTS
5. AT LONG LAST, WALL STREET SEES PATH TO RETURN TO THE OFFICE
6. CHINA BUSTS $770MN REFINED OIL SMUGGLING RING IN MASSIVE SWOOP
7. ENBRIDGE WARNS OF OIL SHORTAGES IF MICHIGAN SHUTS KEY PIPELINE
8. WILL LIBYA CRUSH OPEC'S PLANS FOR A TIGHTER OIL MARKET?
9. INDIA TO CUT SAUDI ARABIAN OIL IMPORTS & BUY MORE FROM US
10. IEA DISMISS ANY CONCERNS OF OIL SUPPLY SHORTFALL IN MARCH MONTHLY REPORT

RECOMMENDED VIDEOS & REPORT

- IEA - OIL ANALYSIS & FORECAST TO 2026
- EIA - GLOBAL OIL DEMAND FAULTERS
- IAEA - IRAN ENRICHING URANIUM WITH NEW ADVANCED MACHINE TYPE AT UNDERGROUND PLANT
- IN ORDER TO GO GREEN, YOU GOT TO GO PRETTY BLACK FIRST

"The Covid-19 pandemic is causing tremendous human and economic hardship across the United States and around the world. Following a moderation in the pace of the recovery, indicators of economic activity and employment have turned up recently, although the sectors most adversely affected by the pandemic remain weak. Inflation continues to run below 2%. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses."

– US Federal Reserve FOMC Statement, March 17, 2021

ENERGY MARKETS VIEWS YOU CAN USE

Andy Critchlow
Head of News, EMEA
S&P Global Platts

Could outliers like Iran and Libya challenge OPEC discipline going forward?
Libya has the potential to reach two million barrels a day of production. It's producing about 1.2 million bd of crude today, predominantly flowing into European and Asian markets. This is happening in tandem with India and its refiners expressing real concern about the Saudi led OPEC policy of restraining output. India is arguing that its economy cannot support prices close to the $70 mark. We haven't seen this kind of pushback from consumers since 2010 when oil was above $100/bl. The other interesting challenge for OPEC is that US crude exports to India increased 29% in the past year.

How secure is the cohesion within OPEC likely to be going forward?
OPEC producers have suffered economically so many will now want to secure their customers at these higher prices. The other interesting development within the group is the launch of Abu Dhabi's new Murban crude contract at the end of March. Murban competes directly with Saudi Arab extra light crude, both in volume and market. Abu Dhabi wants to make its crude more attractive to a larger pool of potential buyers. It will be interesting to see if and how these two heavyweights maneuver for market share.

Key factors to watch for in Q2?
We're coming into peak summer season in the Gulf and that's when you get Saudi burning fuel for power generation at maximum capacity. That will have a knock-on effect on production and markets, even if it's just seasonal. The other indicator of real oil demand will be resumption of global travel. It's what consumers and producers want to see.

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

Can prices get any higher with 8 million bd of spare capacity?
It's very much push and pull at the moment. On the upside, we have nervousness around the attacks on Saudi installations, OPEC plus keeping supply tight, forecasts for a demand recovery in the second half of the year and continued strong buying from China. On the downside, we do have all this spare capacity which should be weighing on the market. So, it's a combination of all these factors.

What's the likely outcome from the OPEC meeting on April 1?
With prices at this level, it's going to be very hard to convince members to go along with keeping production in check. We are already seeing output creeping up in Nigeria, Iraq, and Iran – countries that simply can't manage without the revenue because their economies are so badly managed. It will be harder for OPEC plus to maintain cohesion going forward. Whether Saudi Arabia is ready to compromise again and again and look other way as others overproduce remains to be seen.

Is Saudi concerned about the impact of OPEC policy on the US consumer?
Not anymore. There are more attractive GDP growth estimates for India and China at 7% to 9%. Let's also not forget that the US shale industry has itself opted to pull back production despite these high prices – the rig count is still more than 50% lower than in 2019. The Gulf states are going to be focusing on their own fiscal balance because at the end of the day, they have to defend that dollar peg and they can't do that if they're tapping into their foreign reserves to balance the budget. It's every man for himself at the moment.

ENERGY MARKETS FORUM NEW SILK ROAD LIVE

GI Consultancy Intelligence Publishing

TOP 10

MARCH 14th - MARCH 18th

MARKET OBSERVATIONS FOR THE WEEK

1. TOil prices are now inextricably linked with Covid-19 vaccination roll-outs.
2. US air travel is likely to get back to normal of 2.4mn passengers per day by the end of 2021.
3. Oil markets are likely to move higher into the $70s/bl in the coming weeks as economies unlock and stimulus checks get people out to the shops.
4. US & EU demand for liquid fuels and crude oil has remained pretty constant for 20 years despite all the growth, so regardless of Covid-19 this trend rides on.
5. Policy makers may be the biggest threat to global economic recovery as they navigate the return to the new normal i.e. when to turn off stimulus and turn on austerity?
6. Oil markets are finally coming round to view of the Saudi energy minister that all may not be well in the outlook for demand recovery.
7. Markets are pricing in interest rate increases by late 2022, so all eyes will be on the FED 'dot plot' of rate projections to see if a hike in 2024 is still the central scenario for policymakers.
8. Geopolitical risk premium may find its way back into the markets after a week when we saw missiles landing near oil facilities in Saudi, Libya and Iraq.
9. Open interest on Brent is the highest it has been since last April, and we can certainly remember what happened then, but most market actors seem oblivious.
10. China appears to be less price sensitive when buying crude oil for strategic storage with buying levels still elevated over Jan-Feb as prices soared.

ENERGY MARKETS VIEWS YOU CAN USE

Vandana Hari
Founder & CEO, Vanda Insights

Has the heat started to fizzle out of the market?
There's been a slight pull back on overbought Brent as the market finally acknowledges the uncertainty around demand recovery. Still, we don't expect a major correction. At the same time, the optimism for a brighter second half of 2021 has been front loaded onto prices already. European demand is at around 15mn barrels a day and expected to possibly drop but the market is fixated on the US where oil demand is ranging 18 - 20mn bd with potential upside. How the two regions interplay will be something markets watch.

What impact is the upward momentum of Iranian oil barrels to Asia having?
Iran has been on the edge of their seat since Biden came in and getting progressively more and more impatient. They are sending more oil to China and it seems China has enabled a system of evading sanctions by not officially clearing the oil through customs. It's a good deal for both parties - Iran gets some revenue and China either brings the oil into its own refineries or sells it into the region. But overall, it is not impacting the global supply picture and other Asian refiners are not going to buy directly from Iran.

What's on the watchlist ahead of the OPEC meeting in two weeks?
Heightened tensions in the Middle East will continue and cause knee jerk premiums and spikes in oil prices. The US Fed will also be watched closely and move markets regardless of any tapering. We had EIA and OPEC reports out last week showing slight disagreement on their outlook for global oil demand growth. So, all in all, it's a volatile period ahead. Again, the market is focused very keenly on the US and especially gasoline demand with the 'driving season' starting in April. As for OPEC's decision, Saudi Arabia can't endlessly continue with its extra one million bd cut and I expect they will start to taper it back, cautiously. Other OPEC oil will also come back into the market in the second quarter.

Omar Najia
Global Head, Derivatives, BB Energy

What's the outlook for markets in the month ahead?
It's looking positive across the board. The S&P continues to rise and even Nasdaq, which took a bit of a hit last week, may have a second wind to the upside. On crude, we will probably get to the mid $70s range for WTI in the next five weeks.

Does Asia remain the main impetus behind strong oil prices?
Asian demand continues to deliver to the oil price. Incremental demand growth has come from the East for the last ten years and that's not going to change - US and European demand has been more or less static during the same period. As demand recovers, we will get a dislocation, with supply not keeping up – on everything from oil to travel tickets and restaurant seats. Companies will need to get their staff back in place following a period of massive layoffs. Everything has been destocked and firms won't restock until they see the whites of the eyes of real demand. This dislocation will probably be the last push to the upside. The oil market will be bullish into 2022 and then come off. In meantime, liquidity and risk appetites will continue to increase across the board.

What's the biggest threat today to global economic growth?
Stimulus, stimulus, stimulus. US central banks have been trying to inflate the economy since before 2008. But interestingly, this fear around pending inflation may end up as deflation simply because we have so much spare capacity. The U.S. and Europe have become 'financial economies' so to speak, making money off instruments like interest rates and more recently trades in Bitcoin.

Fujairah Spotlight

Fujairah Claims US seized Iraqi oil Headed to China

A company owned by the Emirate of Fujairah says a cargo of crude seized by the US under suspicion of being sanctioned Iranian oil was actually Iraqi crude that it had stored offshore at the height of the pandemic. Fujairah International Oil & Gas Corp. (FIOGC), wholly owned by Sheikh Hamad bin Mohammed Al Sharqi, the ruler of the emirate, claims it's an intermediary seller of the cargo and that it is Iraqi oil, according to a document filed in federal court in the District of Columbia. The US alleges that Iran's Islamic Revolutionary Guard Corps and the IRGC-Quds Force covertly shipped the oil abroad, relying on ship-to-ship transfers and falsified documents to disguise the crude's origin. Iran said the seizure of the cargo was an "act of piracy."

Source: Gulfbussiness

Fujairah Charity Association launches Ramadan Projects Campaign Worth AED56 Million

The Fujairah Charity Association launched its projects campaign for the Holy Month of Ramadan worth AED56 million, a 15 percent increase compared to last year. The association launched the campaign during a press conference held at the backyard of Fujairah Fort, which was attended by the campaign's sponsors. Mohammed Ali Al Mulla, Vice Chairman of the Board of Directors of the Association, said, "Upon the directives and with the monitoring of Saeed Al Raqbany, Chairman of the Board of Directors of the Association, the association completed its preparations for the Holy Month of Ramadan, including several charity programmes and projects aimed at making vulnerable families, whether citizens or residents, happy." The association spent AED49 million in the previous Ramadan, benefitting 431,000 people, he added while noting that its projects included Zakat donations, Iftar meals, Ramadan Mir and Zakat Al Fitr.

Source: Emirates News Agency

Fujairah Uniper Refinery Restarts Partially, Yet Marine Fuel Premiums Stay High

German energy trader Uniper's one of two crude processing units at Fujairah came back online on March 12 after an unexpected outage early in the week ended March 13, a company spokesman told S&P Global Platts. "We [have] informed our customers that the unit which went into shut down, ramped up again Friday last week," he said in an email reply March 17. The outage, which has crimped product availability at the port, has however led marine fuel premium at the port to reach multi-month highs in the recent days. The premium for Fujairah-delivered marine fuel 0.5%S bunker over FOB Singapore marine fuel 0.5%S cargo surged $17.84/mt on the day at $47.03/mt on March 16, a 13-month high. The premium was last higher on Feb. 11, 2020, when it was assessed at $53/mt, Platts data showed.

Source: S&P Global Platts

Fujairah Social and Cultural Association and KASHKHA Recognise Five Extraordinary Emirati Women

Following incredible achievements and unwavering devotion to social causes, five extraordinary Emirati women were recognised today by the Fujairah Social and Cultural Association & KASHKHA Excellence Award at a special ceremony held in Fujairah. The winners include Wafa Ahmed Rashid Khamis Ali Al-Khadim Al-Antli, Aisha Abdullah Saif al-Kaabi, Halima Muhammad Ali Abdullah Al-Yamahi, Ghada Mahmoud Abdul Ahlla Mohamed Alzaabi and Maryam Ali Abdullah Makhlouf. KASHKHA, a leading modest fashion brand, and the Fujairah Social and Cultural Association, have joined hands to recognise and honour women who are making a valuable contribution to the economy and the country. These are women who are playing a remarkable role in the UAE society be it in the field of culture, sports, environment, healthcare, human welfare, public life, art or literature.

Source: MENAFN

ENERGY MARKETS VIEWS YOU CAN USE

Dr. Aldo Flores-Quiroga
Former Deputy Secretary of Energy for Hydrocarbons
Mexico's Ministry of Energy

Is the global economic growth recovery fragile at these price levels?
OPEC, the US and Saudi Arabia clearly believe there is space for allowing prices to increase and that these can be tempered if they become problematic. However, it takes much more effort to bring inflation down and oil prices to stable equilibrium than is usually assumed. While we can be cautiously optimistic that economic growth is returning, many countries are yet to get their vaccination programs on track. There's still uncertainty on the demand picture for Q3 and we see that in the expected average price of $60 a barrel.

Is inflation a real concern for the US economy after the latest stimulus package?
Once the pandemic crisis is over, the US is likely to emerge faster and ahead of the rest of the West and Europe, reasserting its place after four difficult years. China will be somewhere in the middle. Also, as the US economy picks up, it will impact Asia's economic outlook.

What's the outlook for the return of US shale?
There are still uncompleted wells to be used so the capacity is there. A year ago, there were questions about the appetite to finance this sector and while those questions remain open, it seems financing can be accessed but the requirement will again return to around the $70 mark for production to be activated.

How detrimental is Mexico's energy policy to future investment?
Interest has dropped significantly on the government's less competitive model. The rules are being revised. It is prioritising support for its national power company which is proving challenging for many in the private sector that had committed long-term resources based on other assumptions. The government is renegotiating contracts in the power sector, including the structure of electricity dispatch. Initially, solar and wind and clean energy had been prioritized – coal and fuel oil are now back at the forefront.

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

What's the outlook for oil market direction in Q2?
Everything seems to have been priced in - stock markets are extremely high, and the US stimulus has been passed. The only question is how big the boost in demand will be. We have a big divergence between the EU where there is talk of a third wave of the pandemic, and other parts of the world like the US and some countries in Asia, which have witnessed good progress in their vaccine programs. Either way, the market has hit an apex and so we are probably in for a short-term correction. We are also on unstable ground, with financial markets and the US Federal Reserve disagreeing on pending inflation and similarly, differing opinions on whether OPEC should start releasing supply at these price levels.

Is an average $60 price and 5mn bls of extra demand achievable this year?
There are two misconceptions today. One is that shale is dead, but it is not - technologies and financial resources are not constrained. Secondly, there's still plenty of spare capacity available. We may have had remarkable discipline on supply and cheating so far but these can play out as the demand story shifts. OPEC will need to release oil onto the market at some point because driving prices higher will just result in short-term spikes.

Other key indicators to watch in the coming month?
Keep an eye on financial markets and when and if they start to take money off the table as the economic picture improves. On the political front, it will be interesting to see any fallout from Europe's disastrous vaccination program strategy - a whole new playbook of unlikely coalitions could emerge as a result. How countries which are more advanced on the road to vaccination will open and connect to others will also be one to watch.

Consultancy
Intelligence
Publishing