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NEW SILK ROAD Fujairah WEEKLY NEWSLETTER

Mar 28th 2024

Vol. 188

SOUNDING

MACRO OUTLOOK

"The overall picture is that interest rates are going down and if that materialises, it will be bullish for oil. I think that we've got several things macro related and seasonal Q3 tightening in the market which will certainly see some support for the oil price."

Adi Imsirovic, Director, Surrey Clean Energy & Senior Associate, CSIS

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Fujairah Oil Industry Zone

Port of Fujairah
ميناء الفجيرة
Port of Fujairah
United Arab Emirates

TOP SURVEY

How will US decision not to veto a UN Security Council resolution demanding an immediate cease-fire in Gaza impact oil prices?

Bullish	21%
Bearish	47%
No Impact	32%

"Murban Crude Contributing To Larger Ecosystem For Risk Management!"

Gary King
President
ICE Futures Abu Dhabi

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS
Average Range
$3.57 - 4.09/m³

Highest: $4.50/m³
Lowest: $3.30/m³

PODCAST OF THE WEEK

FUJAIRAH WEEKLY OIL INVENTORY DATA

7,733,000 bbl	2,081,000 bbl	9,971,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues



THE WEEK IN NUMBERS

WEEKLY AVERAGE OIL PRICES

BRENT CRUDE	WTI CRUDE	DME	MURBAN
$85.67/bl	$81.48/bl	$85.51/bl	$85.92/bl

*Time Period: Week 4, March 2024
Source: IEA, OilPrice.com, GI Research

FUJAIRAH WEEKLY BUNKER PRICES

VLSFO	MGO	IFO380
High = $651.50/mt	High = $900.00/mt	High = $464.50/mt
Low = $643.00/mt	Low = $888.50/mt	Low = $460.00/mt
Average = $647.00/mt	Average = $895.50/mt	Average = $462.00/mt
Spread = $8.50/mt	Spread = $11.50/mt	Spread = $4.50/mt

*Source: Ship and Bunker, *Time Period: March 20 – March 27, 2024*

FUJAIRAH BUNKER SALES VOLUME (M^3)

1,000 180cst Low Sulfur Fuel Oil	407,799 380cst Low Sulfur Fuel Oil	192,753 380cst Marine Fuel Oil
210 Marine Gasoil	31,674 Low Sulfur Marine Gasoil	4,420 Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

Gary King, President, ICE Futures Abu Dhabi

We're delighted by the metrics and growth that we're seeing in the IFAD Murban crude contract, with volumes up around 117% year on year so far. We had a record month in February in terms of volume, open interest, and physical deliveries, with average daily volumes at around 18,000 contracts a day, and we see that trend continuing through March. Since the launch of the contract, 5.5 million contracts have traded, which is equivalent to 5.5 billion barrels of oil - those are very large numbers. Over 150 participants globally have traded the exchange and that includes Asia, Middle East, Europe, and the US. So, it's all extremely encouraging, and we expect to see this go from strength to strength. I would like to see more depth in the curve and for the trades go further and further out. The move by Bloomberg to place a Murban Crude Oil Index alongside its prestigious Commodity Index is a testament to the contract's growing prominence in crude trading as a futures contract alongside Brent and WTI. We see this attracting more and more investor interest, because alongside Brent and WTI, it gives exposure to a Middle East crude with a different quality, geographic positioning, and transportation logistics.

Main impact of the WTI Midland contract delivered into the Brent basket?

We're seeing arbitrage opportunities for this sweet Midlands crude to flow into Asia and into Europe and we're also seeing people trade Murban crude against that WTI Houston Midland contract as well. All of this is becoming part of a larger ecosystem where customers can hedge and manage their risk exposures with different crude grades.

Your views on trading becoming a growing segment of regional NOC business?

I think it's a great development. It signifies that companies are looking at risk management and the use of derivatives in that, and it will also bring more liquidity into the market. Liquidity is everything - the greater it is, the greater the price discovery and transparency.

Do you see potential for growth in products-led indices in the region?

I think that's possible. We've seen new refineries added in Kuwait and Oman and following on from COP 28, the UAE is now a leader in the transition space, so there are opportunities also for developing new environmental and climate products and initiatives in future.

WATCH FULL INTERVIEW HERE

IFAD TRADING IN NUMBERS

5.5 million contracts
– Trade under ICE Futures Abu Dhabi since Launch

244 million barrels
– Total Murban Crude Oil delivered through IFAD

18,000 contracts
– Average Daily Volume of Trading

150
– Number of Traders from across the US, Europe, Asia, and Middle East

What's next for Fujairah as a hub amidst other ports in the region?

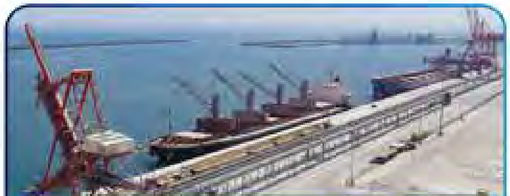
Fujairah has done a phenomenal job in creating the infrastructure that it has, and it commands a leading space in the industry in product storage, particularly around fuel oil, and I think it will continue to address some of these market developments.

GI Consultancy Intelligence Publishing

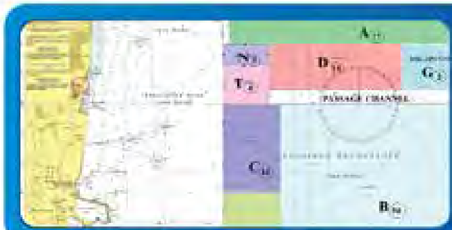
THE MULTI PURPOSE PORT

ONE OF THE WORLD'S LEADING ANCHORAGE AND BUNKERING LOCATIONS

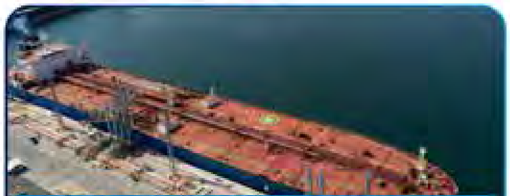
Port of Fujairah
ميناء الفجيرة
Port of Fujairah
United Arab Emirates



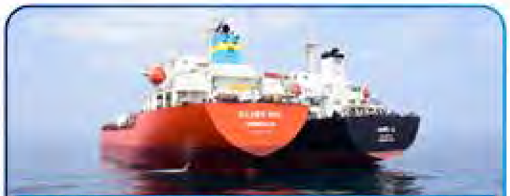
Dry Bulk Cargo - Key regional aggregate export hub.



Stategically situated on the East Coast of the UAE outside the Straits of Hormuz.

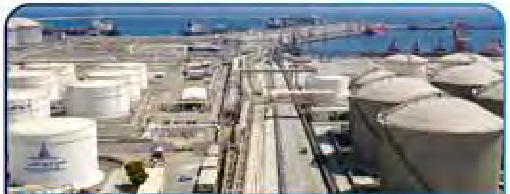


Fujairah Oil Tanker Terminals (FOTT) - The Middle East's premier hub location for oil trading activities.



Bunkering at Fujairah Offshore Anchorage Area - Fujairah is the world's third largest Bunkering Hub.

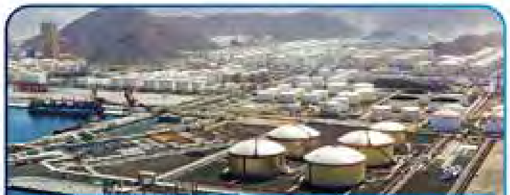
Fujairah Terminals "FT" - FT provides a full range of container, general and project cargo services.



Extensive pipeline infrastructure connecting the Tank Storage Terminals with FOTT

Liquid Bulk Tank Storage Terminals - The Middle East's largest oil storage hub.

Fujairah Grain Silos - Strategic & commercial grain storage and trading.



FOTT Matrix Manifold System - This unique system provides terminals access to all berths as well enable ITTs between Terminals.

VLCC Berth - The first VLCC Berth on the Indian Ocean, which accommodates oil tanker up to 330,000 DWT.

Service Harbour - A Key facility to support one the world's biggest maritime service hubs.

www.fujairahport.ae

FUJAIRAH SPOTLIGHT

FUJAIRAH DATA: Oil product stocks dip ahead of exports surge

Stockpiles of oil products at the UAE's Port of Fujairah fell 1.3% in the week ended March 25 from an eight-month high a week earlier with exports showing signs of a pickup this month, according to the Fujairah Oil Industry Zone and shipping data.

Source: S&P Global Commodity Insights

MONTFORT TO SCALE UP FUJAIRAH BUNKER BUSINESS

The Montfort Group is fully committed to its marine fuels business in Fujairah and is planning to increase its delivery capacity from 100,000 mt/month to 150,000 mt/month, Mikkel Jacobsen, the firm's head of bunkering, told Ship & Bunker.

Source: Ship & Bunker

NAPHTHA CRACK FALLS AS FUJAIRAH STOCKS RISE

Asia's naphtha refining profit margin declined on Wednesday after inventories at the key trading hub of Fujairah rose to a two-week high. The crack fell by about $2 to $76.65 per metric ton over Brent crude.

Source: Reuters

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ENERGY MARKETS VIEWS YOU CAN USE

James McCallum
CEO & Chairman, Xergy Group
Professor of Energy, Strathclyde University

Do you see upstream activity increasing in 2024?
The Baker Hughes rig count is kicking at around 624, more of less flat or up slightly on a year ago. From a historical perspective, that compares to a 1400 peak when major drilling activities in the Permian Basin were absolutely flat out for contractors. Onshore drilling contractors are not having a good time of it. Their share prices are off very significantly about 20-50% on five years ago, and a long way off the records of 2014. In the US, existing well re-completions are creeping up, with major service companies like Schlumberger, Halliburton, Baker Hughes, primarily active in the Permian Basin and where any increased production will come from over the next year. As for the Super Majors, share prices are back to pre-COVID levels and that tells us that IOCs will be focusing on dividend policy and giving value back to shareholders, and not particularly investing in significant CapEx, domestically or around the world. National oil companies will meanwhile simply respond to the OPEC call.

FIDs are set to increase in 2024 – will the focus be on deep water resources?
The super majors are going after elephant structures, like deepwater off Guyana, which is a very expensive activity, and also takes long In terms of coming through on delivery. But that's where they will spend their incremental CapEx if there are funds coming through from a steady oil price at around $85 a barrel.

How much are transport logistics disruptions impacting oil prices?
The diversion of ships from the Red Sea has had an initial impact, but they eventually arrive steadily one behind the other, so that impact on markets pulls away relatively quickly. And that's what we're seeing, particularly in terms of refined products. The greater focus today is what's happening in terms of Russian refinery capacity, but that is also being offset by increased Indian and Asian refining capacity coming onto the market. Looking ahead, other factors driving oil price direction will be Saudi production off the market which could come back, and a US election and marketplace there that doesn't want to see prices going much higher than where they are right now.

Jamal Qureshi
Managing Director, Analysis & Strategy
Petro-Logistics

Russia's participation in OPEC+ over the past year has been very vague. Their most recent announcement is that by June, they're going to be back to a clear crude production ceiling of 9mn b/d. According to our calculations, that would probably require a 400,000-500,000 actual production cut, which would be plausible. And if Russian refineries continue to be down in large volumes because of the attacks by Ukraine, there's going to be more oil available in theory, which might stretch infrastructure in specific places. So, tailing back some production at the wellhead might be something that could make short-term sense logistically.

Will we see Russian crude flowing to similar destinations as last year?
We saw India going from almost no Russian crude in 2022, to huge volumes in 2023. And now Indian refiners have said they're not going to take anything off the Russian fleet. So, we are continuing to see switches. We'll probably see more STS at sea transfers because of sanctions enforcement getting tighter. So, there will be extra work required by Russia if they want to place their barrels, but they're good at finding ways to do that.

More of the same in Q2, for Middle East and Asian oil products flows?
We have the Al Zour refinery in Kuwait that is causing significant structural change in the country's export profile, and we also see increased Iraqi refinery runs and in Duqm, Oman. Add to that the Dangote refinery in Nigeria, and that's a complete sea change in product markets. West Africa has traditionally been a final landing place for products that couldn't find a home anywhere else for decades. Now, all of a sudden, it is going to be self-sufficient and even exporting product. So, all of this extra product is competing for a market that doesn't exist anymore, along with US and European refiners. We are seeing increased regionalization as opposed to broader East-West flows. ■


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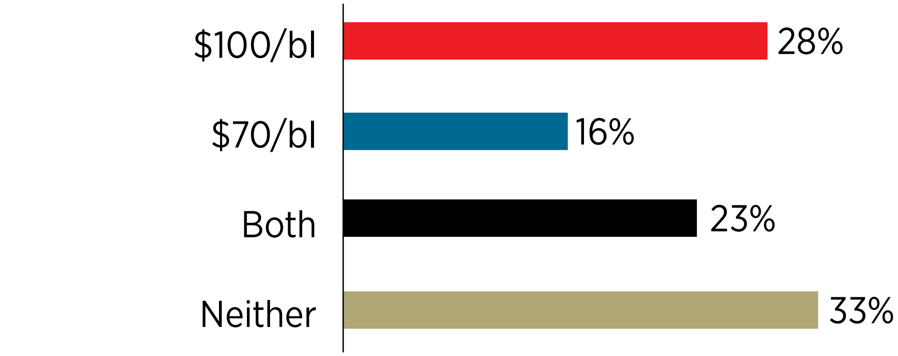
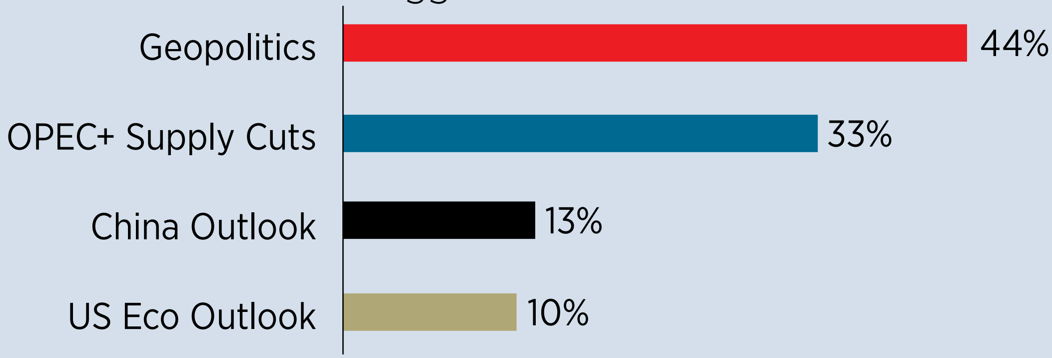
GI WEEKLY SURVEYS

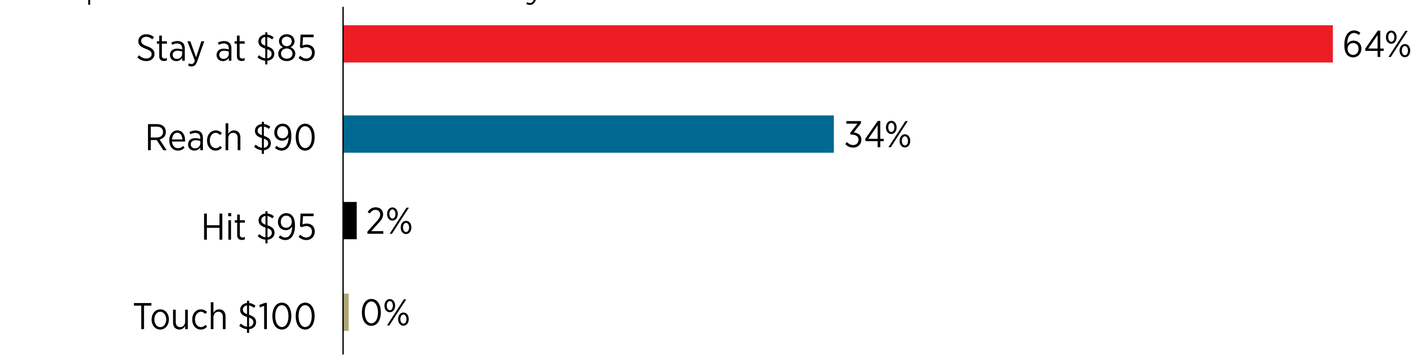
Will oil prices see a break out from current ranges this year and hit:



Which will have the biggest influence in oil markets in Q2?



Oil prices in Q2 will most likely:



ENERGY MARKETS VIEWS YOU CAN USE

Dr. Raad Alkadiri
Non-Resident Fellow
Center for Strategic & International Studies

How significant is Ukraine's targeting of Russian refineries and ports?
When you take 600,000 b/d out of refining capacity, that's a significant impact on supply, particularly in markets that are relatively tight. It's a step that Ukraine had not taken until now, mainly at the behest of its Western backers, as much as anything else. But what we are seeing now is more systematic and has a sense of Ukraine wanting to regain the initiative, hitting Russia at its crucial economic arteries. There is pressure from the West to stop this, particularly in an election period. The last thing that the US wants is a major spike in oil prices.

Prospects for more US funding for Ukraine?
The elections are getting in the way of a lot. The reality is that Ukraine has become a domestic political issue and certainly, Republican support and Trump support for aid to the country has diminished. So, a lot of the pressure is going to fall on Europe, and there are questions about what money is available and the amount of weapons Europeans are willing to share. So, it will be a tough set of negotiations as we go into spring and summer, with Ukraine increasingly seeking to put pressure, as much on its allies as it does on Russia, to get more support.

Will the US extend Venezuela's opportunity to export more oil?
On the face of it, the Maduro government has done nothing in terms of what was expected of it by the US vis a vis the opposition in their elections, when this temporary lifting of sanctions was put in place. At the same time, if the US restores those sanctions fully, it will push prices up, so they will have to think twice. A month ago, I would have said that those sanctions are going back into place, but gasoline prices today now put a different hue on things. There will still be pressure to show that the US is punishing the Venezuelan government, but the sanctions could be measured.

Jorge Montepeque
Managing Director, Benchmarks
Onyx Capital Group

What has driven Brent to break out beyond $85?
On the fundamentals, there's overall production and the impact OPEC+ is having on the market. On geopolitics, the question is whether supply will be disrupted further. The Houthi attacks on transit in the Red Sea has added weeks of sailing time to ships avoiding that area, and that has added significant consumption of fuel oil, which increases the overall consumption of hydrocarbons and affects the efficiency of oil markets.
If we were to see ceasefire in the Middle East and the frequency of ships return to normal, we could see an easy $5 taken off the market immediately, and up to a $10 downwards correction, but nothing more than that because the market is still constraining supply. Gasoline prices in the US are now on the cusp of around $4 a barrel. I see $85-90 oil as very likely in the second quarter and beyond June, it's likely that we will be around the $90-100 level.

Are interest rates expectations still relevant for oil markets?
Yes, they are. It is clear, that despite the creation of debt, economies in the Northern Hemisphere, perhaps with the exception of the US, are doing very badly - from Japan to Korea and to China in particular, and Western Europe. Inflation nominally has come down and that gives the various governments the implicit right to lower headline interest rates. At the same time, they have so much debt that they need to buy money from the market and that is costly, so the US Fed will try to reduce interest rates. But the US is borrowing close to $1 trillion every 100 days, which is unsustainable. The Fed in the last 12 months has lost $156 billion. Inflation will eventually kick in with a vengeance and that is why I think we are also on an upward trend in the price of oil.

Fujairah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 19.875 million barrels with a fall of 264,000 barrels or down 1.3% week-on-week, dipping back below the 20-million-barrel level. The stocks movement saw a build across light distillates and middle distillates while a greater draw on heavy residues led to the overall decline in stocks.

- Stocks of light distillates, including gasoline and naphtha, rose by 203,000 barrels or 2.7% on the week to 7.733 million barrels. The East of Suez gasoline complex was seeing a softening as the US RBOB-Brent crack spread narrowed coupled with slow regional demand from Indonesia due to healthy supplies in the country. Indonesia's April gasoline imports are expected to remain unchanged on the month and comparatively lower on the year at 11 million barrels, as healthy inventories from pre-elections stock-up will offset Eid al-Fitr demand. In tenders, QatarEnergy was heard offering around 25,000 mt of 95 RON gasoline for loading over April 10-13. Additionally, South Africa's Engen was heard seeking 37,000 mt of 95 RON gasoline for April loading.

- Stocks of middle distillates, including diesel and jet fuel, rose by 204,000 barrels or 10.9% on the week to 2.081 million barrels. The East of Suez gasoil complex was balanced to weaker with Spot outflows from South Korea continued to keep market sentiment weaker, while steady spot demand from around the region could limit any downside pressure in the prompt period. South Africa's Engen Petroleum is seeking 40,000 mt of 10 ppm sulfur gasoil winter specification for loading over Singapore/Malaysia/India/Arab Gulf and Duqm over end April/early May.

- Stocks of heavy residues fell by 671,000 barrels, down 6.3% on the week as they stood at 9.971 million barrels falling back slightly below the 10-million-barrel level. Spot trading activity Fujairah was seeing decent demand for parcels with traders noting that cargo availability was sufficient to meet current buying interest. Marine fuel 0.5% maximum sulfur delivered bunkers were assessed at $642/mt on March 26, up $2/mt day on day. The price in Fujairah reflects a $3/mt premium to Singapore delivered barges which were up $1/mt day on day and assessed at $639/mt.

Source: S&P Global Commodity Insights

ENERGY MARKETS NEWS

1. Oil prices fall on stronger dollar, weak US gasoline demand
2. OPEC+ unlikely to change output policy before June meeting
3. US to buy oil for SPR oil at above $79 target price in latest round
4. Exclusive: Russia struggles to collect oil payments as China, UAE, Turkey raise bank scrutiny
5. Adnoc starts oil production at Belbazem offshore block
6. Fed's Waller still sees 'no rush' to cut rates amid sticky inflation data
7. Gold slips as dollar, bond yields firm after Fed official comment
8. Israel has 'no choice' but Rafah offensive, Netanyahu tells US members of Congress
9. PetroChina Aims to Power All Its Output With Clean Energy by 2033
10. Baltimore bridge collapse to primarily impact flow of coal, cobalt

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- Argentina-Venezuela Tensions Escalate After Diplomatic Spat
- West Med LNG prices hit strongest level against TTF gas hub price since Oct
- HALF-TIME-TALK: "IFAD Murban Crude Contract Volumes Up 117% Year on Year So Far!"
- Hong Kong stocks rebound as Xi strikes upbeat tone on China's economy in meeting with US business leaders

ENERGY MARKETS VIEWS YOU CAN USE

Peter McGuire
Chief Executive Officer
XM Australia

It's been absolutely parabolic for commodities over the last two months.

Gold has been very, very strong and if you look at the price of cocoa for chocolate, it's more expensive now than copper. We've got many central banks looking at starting to cut rates sometime over the next three months but also uncertainty on when those might exactly materialise. How that will impact equity markets remains to be seen, but for now, we continue to see huge demand there, whether you're looking at Japanese or US equities certainly.

Any new action expected from OPEC+ during Q2?

I'm not expecting any surprises. I would say they won't change anything yet because prices have not reached where they would be absolutely happy, which would probably be closer to $90. I see oil stronger over the next three months than where we are today, with the usual seasonal second quarter demand lending support. Geopolitics will also play a significant part over the second quarter, with many hot spots starting to flare up, so I wouldn't be surprised if oil spikes.

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Fujairah Oil Industry Zone

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

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Regulating all aspects associated with the Oil and Gas industry

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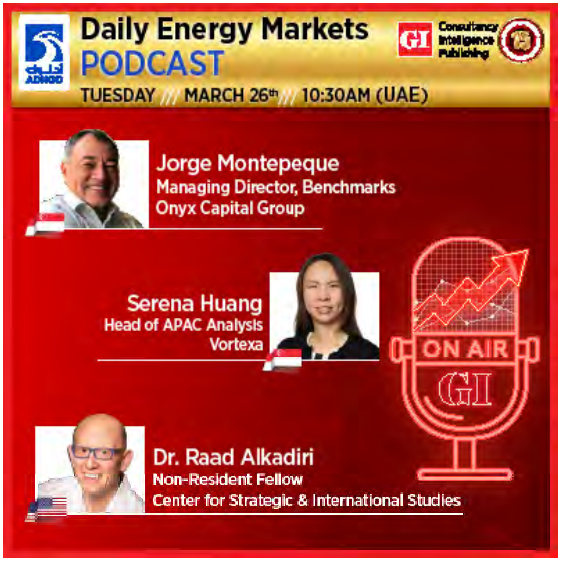
Energy Markets Commentary
Week in Review



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ENERGY MARKETS VIEWS YOU CAN USE

Serena Huang
Head of APAC Analysis
Vortexa

Is China becoming a more bullish economic story as we enter Q2?
China's industrial activity and consumer sentiment did beat market sentiment in the first two months of this year, but we all know that a lot of that was fueled by seasonal Spring Festival demand, and that has now evaporated. We also should not forget that the pessimism around the housing crisis is still there. The government has put in place a 5% growth target for this year, but it has also held back from going all out to stimulate the economy by adding more debt, so question marks remain on how GDP will perform.

What's the outlook for other Asian economies?
Inflation continues to remain a primary concern for countries like Thailand, the Philippines, and Vietnam, but what's unique for them is that there are heavy government subsidies for transportation fuels. So even as oil prices climb, subsidies on gasoline and diesel will continue, especially if it is an election year. So, we see relatively healthy imports of transportation fuels, especially in Southeast Asia.

Any respite in sight for Red Sea shipping disruptions?
Freight rates have been rising and tonnage supply tightening over the last couple of months, but that has now stabilised. What's interesting, is that we're starting to see those vessels that used to carry Russian Urals, move back into the mainstream fleet because of increased US sanctions and greater scrutiny on EU owned operators. So, Urals crude transportation is now under strain; it has not yet reduced exports to Asia, but it remains to be seen how Russia will deal with the tightening tonnage supply.

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GI SOUNDINGS WEEK IN REVIEW

"Geopolitical Risk Premium Still Failing to Ignite Oil Markets!"

Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the MiddleEast, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.

RUSSIAN SANCTIONS

"Concerning the secondary sanctions and the tightening around banks in the UAE, maybe the regulation needs to change again. It is something that's strengthened enormously here. Authorities have been very concerned about it and it's not something that they are not sitting back on at all."

Niamh McBurney, Associate Director, Control Risks

BULLISH OIL MARKET

"We think that a lot of money is going to come in and has already come into the oil market. If there is no investment in oil, if everybody's telling you go green, if OPEC+ is controlling the supply for the first time in history, why would you strategically sell oil? It makes no sense. So, I'm extremely bullish."

Omar Najia, Global Head, Derivatives, BB Energy

GI SOUNDINGS WEEK IN REVIEW

TURKISH-US RELATIONS

"We are now seeing some relaxation in these relations. Erdogan is being invited to the White House after a long absence as guest of honor as a head of state. This is another signal that the relations between Turkey and US might be easing up as part of the US' global response on how to react to Russia, Iran, and China's expanding outreach towards Turkey."

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

GCC ENERGY TRANSITION

"Gulf countries see climate change as both a threat and an opportunity. They realize that green economy could potentially offer more interesting jobs because oil and gas is a capital-intensive industry and doesn't create jobs. There's a lot of empty rhetoric after the Ukraine war, which is seen as noise in the short-term. In the long term, they're cognizant that this transition is happening, and they need to get on board."

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

US OIL SUPPLY

"I do subscribe to the theory that it's going to stay north of 13m b/d and that primarily has profound implications, with a lot of the light sour crude finding its way to Asia and East Asia. You might have a situation where you're oversupplied in light crude come the end of 2024 and undersupplied in heavy sour, depending on what OPEC does."

Gaurav Sharma, Journalist/ Energy Market Analyst

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