FEBRUARY 11th 2021
VOL. 62

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

NEW MURBAN FUTURES CONTRACT SHOULD PROMOTE MORE FUNGIBLE OIL MARKET IN FUJAIRAH

Chris Bake, Member of Executive Committee, Vitol

The existing infrastructure in Fujairah is well suited to facilitate the delivery of physical crude oil. In addition to that, there is the separate standalone infrastructure that has been constructed and is being used today by ADNOC directly. But in a more fungible oil market that should be promoted by the development of the new Murban Futures contract, one would anticipate that there would be more flexibility around the delivery mechanisms -- not only to the existing (Single Buoy Mooring) SBMs there, but there is also an existing very sophisticated VLCC jetty in the Port of Fujairah, and there is a very interconnected matrix manifold system in Fujairah today linking multiple terminals up close to the ADNOC infrastructure. So, assuming connectivity would happen between the rest of the Fujairah infrastructure and the current ADNOC infrastructure, I think it would give a lot of flexibility to the delivery mechanisms around that new Murban contract, which depending on market structure and market dynamics, may allow a lot more fungible movement of the crude oil, which ultimately, I think it would be a very good thing for the industry and for Fujairah.

WATCH FULL INTERVIEW HERE

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

Fujairah Weekly Oil Inventory Data

6,993,000 bbl	4,404,000 bbl	9,786,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

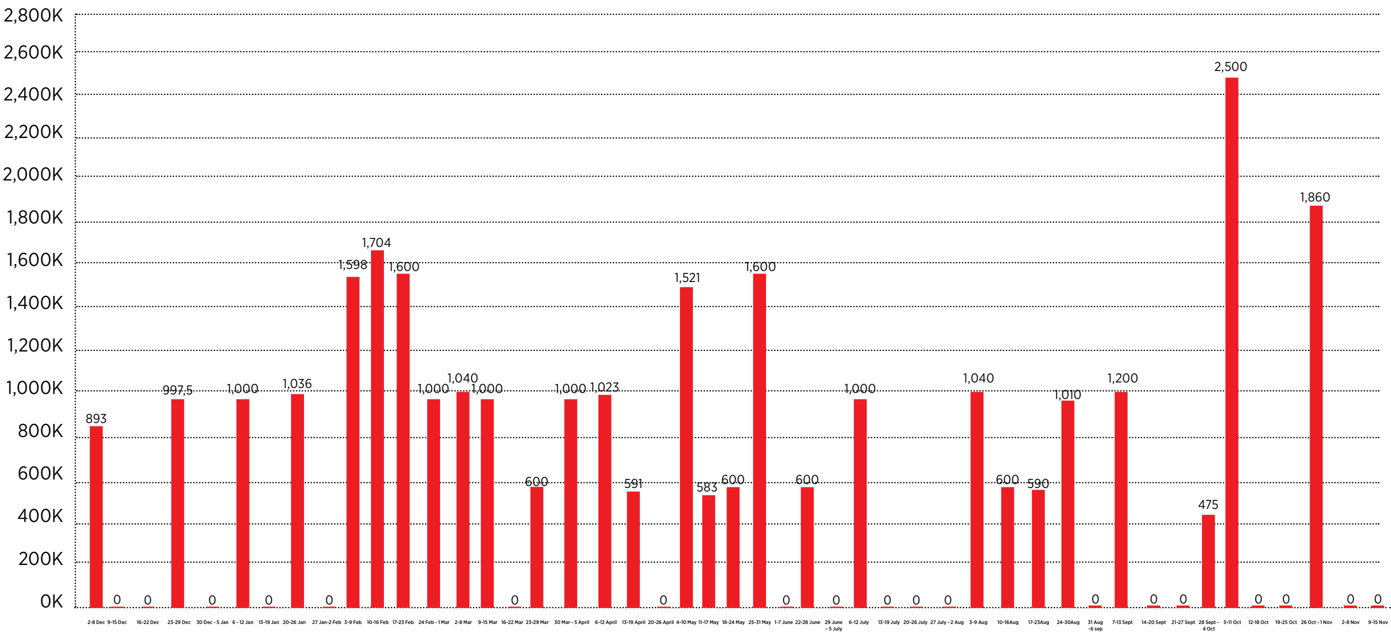
Weekly Average Oil Prices

Brent Crude:	**$60.70/bl**
WTI Crude:	**$58.03/bl**
DME Oman:	**$56.37/bl**
Murban:	**$60.19/bl**

Time Period: Week 2, February 2021
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah

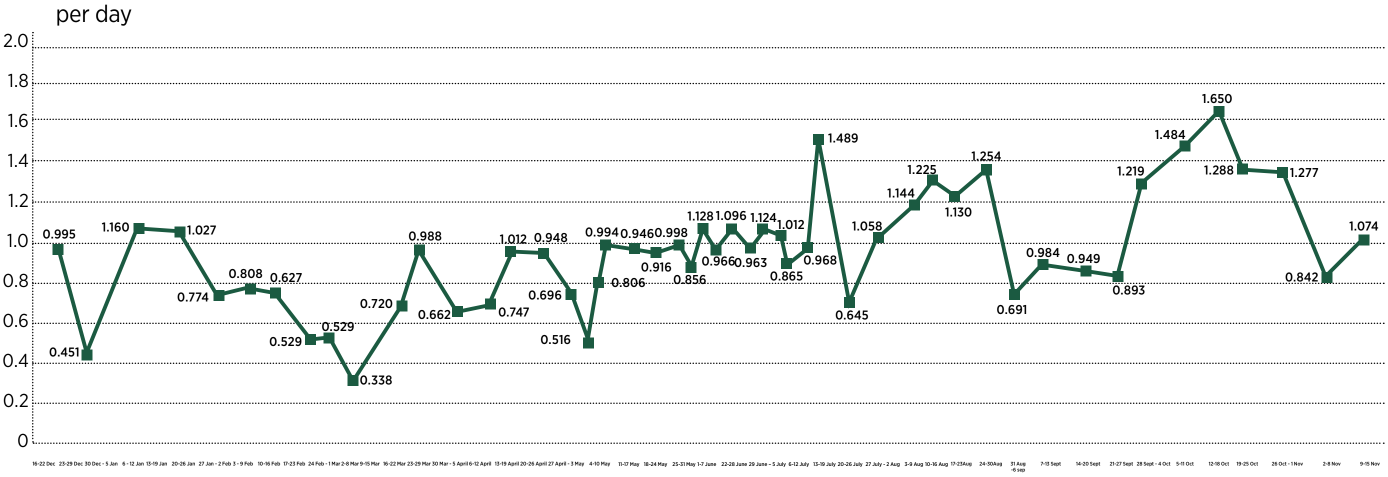
Total barrels



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific

Million barrels per day



Source: Kpler

Chris Bake,
Member of Executive Committee

Vitol

CONTINUED FROM PAGE 1

GIQ: What's your outlook for demand recovery in 2021?

Chris Bake: We have seen good demand recovery. The indications are that the crude draws at the end of H2 last year and well into this year continue. Our prognosis is at least a 500mn barrels draw by mid-year and a further draw beyond that. We have had a fairly strong recovery from the lows of 2020, as would be anticipated. Furthermore, as we move into the second and third waves of Covid-19, it seems that economies have become a lot more resilient. Transportation demand for light end products has recovered but obviously there are still a lot of issues with jet fuel. Overall, commodity prices are very strong. If anything, oil is a little bit of a laggard there.

GIQ: What is your forecast for jet fuel demand recovery?

Chris Bake: It will be more tempered. The 2mn b/d to 3mn b/d gap between 2019 demand levels and projections for this year will be mostly composed of jet fuel because short-haul flights may resume, but long-haul flights are still going to be challenged. There will be a jet fuel demand deficit in the distillate pool. For other ends of the barrel, such as naptha and LPGs, we continue to see a very strong recovery.

GIQ: Is the current trajectory in oil prices sustainable given the idle supply?

Chris Bake: We're back to January 2020 levels and that recovery has certainly been helped by a lot of discipline from OPEC+. Going forward into H2 2021, OPEC+ will need to release incremental barrels, given the demand recovery that we are foreseeing of 6mn b/d for this year. The price will also need to pull out other incremental barrels into the market and if there is a lack of inventory, other sources may need to be explored, whether that's in the US or elsewhere.

GIQ: Do you expect Saudi Arabia to abandon its 1mn b/d unilateral cut in Q2 2021?

Chris Bake: They have continued to actively monitor the situation and assess what price level is acceptable to them in order to release volumes. It continues to be observed by all of us, but the market will need it. My anticipation is that OPEC will slowly ramp up production to satisfy the supply gap and meet demand growth. We expect to be back to 2019 levels by the end of this year.

GIQ: Is the recent OPEC or Saudi strategy to micromanage the market one that works?

Chris Bake: It's a strategy that they've needed to implement. Mone of us expected the extent of the downturn that occurred and no one was 100 percent confident of the recovery. Their active engagement has enabled them to stabilize and support the market.

GIQ: What's your outlook for shale oil recovery under the new Biden administration?

Chris Bake: It will be tempered. Obviously, pricing will support. Production is down and the US rig count is around 50% at 400 rigs, versus close to 800 rigs at the peak. What we see the new administration doing is just hampering an otherwise very robust and flexible US upstream market. It's just temporizing that a little bit in terms of jumping back in and ramping up production. We do see an increase in US production, but it's going to be at a much slower pace than it would have been two to three years ago responding purely to price indicators. The financing available and the thought on capital deployment will be a lot more measured.

GIQ: Are you surprised the downturn didn't drive more consolidation or bankruptcies in the US?

Chris Bake: It's been fairly brutal. There has been a considerable amount of restructuring and capital flight. A lot of the easier capital dedicated to the sector has probably gone away. Everyone is being a lot more calculated in their approach. But the consolidation waves have started, and they will continue to happen in the various US basins that exist. You will continue to see consolidation and a lot of costs will be driven out of the sector, especially by some of the smaller producers.

GIQ: What will be the legacy of oil and gas capex reductions from last year?

Chris Bake: In the medium-term, it's been very supportive because you have had this massive restructuring. The amount of money going into upstream oil has dramatically diminished, in the hundreds of billions of dollars. We've seen a resurgence in everything that is green or alternative energy and this is very much supported by us and by many others in a world that continues to need energy, so we need to promote alternative and sustainable resources. However, the day-to-day demand for oil, which we see recovering to pre-2020 levels fairly quickly, will need to be sustained by oil. It's the only available stopgap as we go through this path of sustainability. The availability of incremental oil production is quite limited and that, in the medium term, is quite constructive for the oil price.

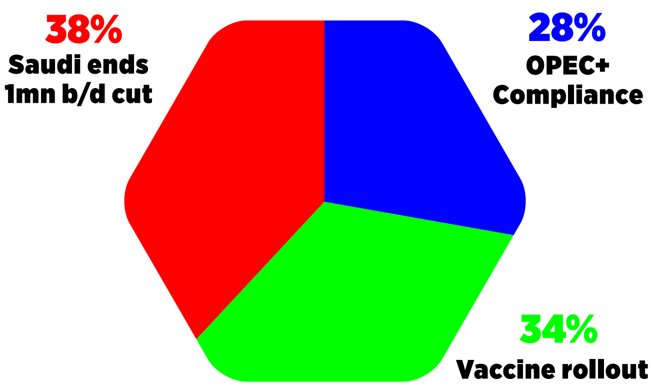
GIQ: Is there a ceiling for oil prices this year beyond where they are currently?

Chris Bake: The market has all the right elements in it to definitely go higher. Assuming current trajectories, we're going to need more oil to come to market. That is going to have to force the oil price higher. Eventually, it will get to a level where it starts to curtail demand. But as long as we maintain current draws, and supply-demand balances are where they are, we will need incremental oil to come to market.

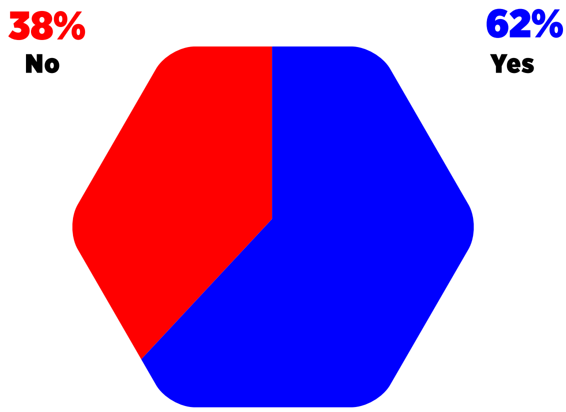
WATCH FULL INTERVIEW HERE

GIQ Weekly Surveys

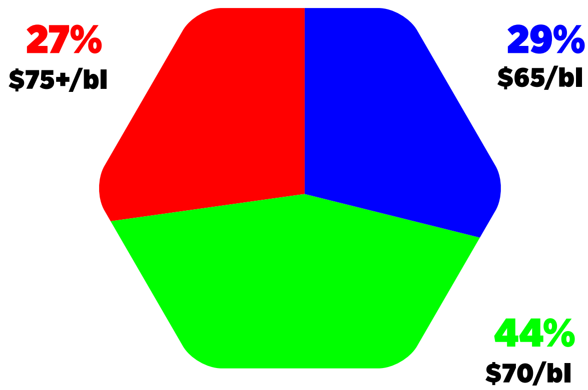
What is the biggest concern for continue rise in oil price?



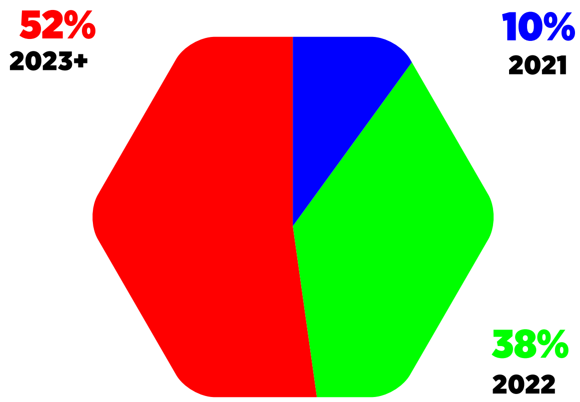
Do you plan to use Air Travel on your summer holidays in 2021?



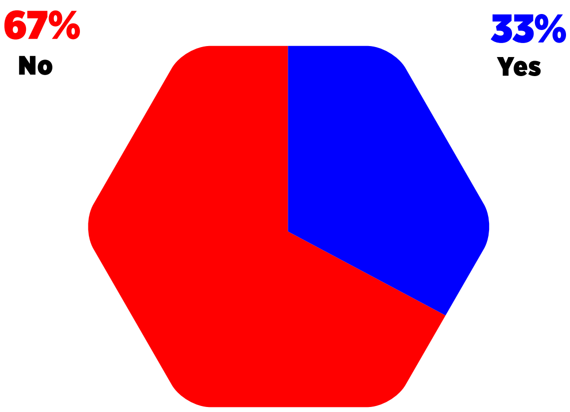
How high can Brent crude oil prices go in 2021, if only for 5 minutes?

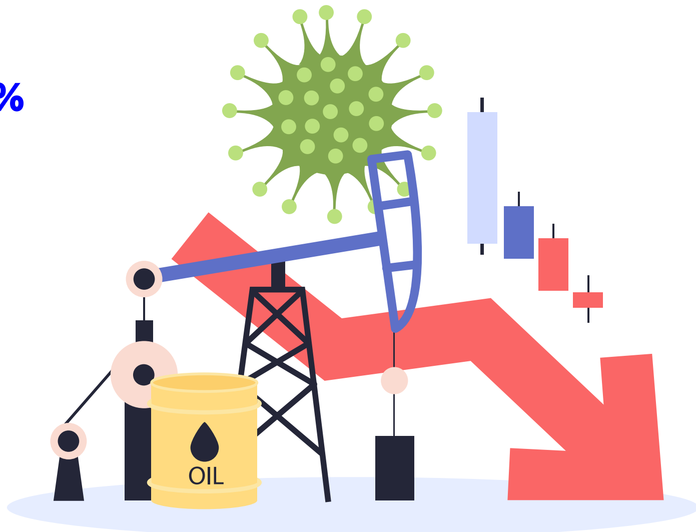


Total warns of 10mn b/d oil supply shortfall by 2025 due mainly to underinvestment -- when will this start to be felt in oil price:



Could oil markets absorb reversal of Saudi cut of 1mn b/d in Q2 without risk of prices dropping below $60/bl?as floor?





Source: GIQ

GI Consultancy Intelligence Publishing

GIQ FEATURED INTERVIEW

"ADNOC's flagship crude Murban reaches new markets as a Futures contract."

Extract from a panel discussion held at the Gulf Intelligence 11th UAE "Global" Energy Forum on Jan 13th 2021

Khaled Salmeen, Executive Director of Downstream Industry, Marketing and Trading Directorate (DM&T)

Murban has been at the heart of ADNOC since its inception in 1958, and continues to be our flagship crude, with many long-standing buyers across the world, especially in Asia. Murban also has an international group of concession partners who sell into the market, so with multiple ownership there will be physical liquidity coming into the market. From day one of trading, a Murban Futures contract is exciting because of these elements. The partnership approach ensures this major crude grade will enter the market strong, building on the existing excellent delivery infrastructure and its inherent chemical properties.

ADNOC Trading Boosts Customer Options

Over the last five years, under the leadership of His Excellency Dr Sultan Al Jaber, ADNOC has transformed the business to be more commercially driven and customer-centric. For us it was the right decision to start trading both crude and refined products in 2020, launching ADNOC Global Trading – the refined products trading book and ADNOC Trading – the crude book. ADNOC can now offer optionality on pricing, such as hedging, services, financing and so on - something we could not have done only months ago. Driving greater value continues to be our focus over the coming period and will no doubt further strengthen the relationships we enjoy with global customers. As a customer-centric business, with 50 years of experience and a legacy of trusted relationships, we can confidently move into this new era.

Murban contract gives market-driven transparency

Murban has long held an important position in the basket of crudes that every refiner in the world selects from, on a monthly or quarterly basis. So it is important to maintain its position, while becoming more competitive and comparative in the market. In 2020, we took the historic decision to shift to forward pricing and move away from a retroactive pricing mechanism. The launch of the Murban Futures contract on the independent ICE exchange, IFAD – ICE Futures Abu Dhabi - at the end of March this year, will determine market-driven prices for ADNOC's crude customers. Therefore, in 2021, the forward pricing mechanism, based on IFAD price markers, will set the Murban Official Selling Price enabling additional confidence and transparency. This additional flexibility and increased visibility will assist customers, partners and the market alike, to better manage Murban purchases.

WATCH FULL INTERVIEW HERE

ENERGY MARKETS COMMENTARY WEEK IN REVIEW

CLICK HERE TO LISTEN

Fujairah – A Fully Integrated Global Energy Hub

Capt. Salem Al Hmoudi, (UAE) Director

Fujairah has started the transition from a global logistics hub to a fully integrated energy hub that includes trading. Fujairah has multiple factors that are advancing the Emirates to be among the other trading hubs of the world, starting with location. It is strategically located 70 nautical miles outside the Strait of Hormuz. This contributes to trade in many different aspects, such as safety, efficiency, running cost, and time saved. The infrastructure of the port is maximized for oil handling. We have the only VLCC jetty on the coast of the Indian Ocean, which serves great value for the future of crude handling and trading. More VLCC jetties could be added in a relatively short time as all the preliminary infrastructure is in place. Fujairah has the largest commercial storage capacity for refined oil products in the Middle East.

One important element we've been focusing on is transparency. We are publishing weekly market information in partnership with S&P Global Platts, which helps stakeholders understand trends in Fujairah. On the technology front, we are using blockchain for sharing inventory data. This ensures accuracy, integrity, and credibility of the data. We also have a good mix of active trading companies such as Aramco Trading, Vitol, ADNOC, ENOC and other IOCs. In my opinion, 2021 is the year of continued growth for Fujairah and the market. The latest announcement of the Murban oil futures contract will further enhance the Emirates capabilities.

Source: The Gulf Intelligence 11th UAE "Global" Energy Forum on January 13, 2021

RECOMMENDED READING

1. OIL DROPS AFTER STRONG RALLY, DEMAND HOPES LIMIT LOSSES
2. EIA: US CRUDE STOCKPILES PLUNGE AS REFINING ACTIVITY PICKS UP
3. EUROPEAN INTEREST IN SAUDI CRUDE WANES
4. US SELLS ILLICIT IRANIAN FUEL
5. GERMANY EXTENDS COVID-19 LOCKDOWN MEASURES
6. IRAQ EXPECTS OPEC+ TO KEEP QUOTAS UNCHANGED IN APRIL
7. CHINA CENTRAL BANK WARNS OF RISKS OF SURGING HOUSEHOLD DEBT
8. IRAQ'S SOMO RAISES MARCH OSPS
9. JAPANESE ENERGY FIRM AWARDED AUH OFFSHORE EXPLORATION RIGHTS
10. ASIA STOCKS HOLD AT HIGHS

RECOMMENDED VIDEOS & REPORT

- FED'S POWELL, INVOKING WAR EFFORT, CALLS FOR NATIONAL JOBS DRIVE
- CHINA'S MIGRANT WORKERS STAY PUT FOR LUNAR NEW YEAR
- OIL MARKET FUNDAMENTALS POINT TO HIGHER PRICES
- SOLAR NEEDS MORE COMMERCIAL SCALE FUNDING

GIQ EXCLUSIVE SOUNDINGS

OIL MARKETS ACCELERATE AS BULLISH SENTIMENT TAKES OVER

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.

- **Laury Haytayan, MENA Director, Natural Resource Governance Institute**
- **Andrei Belyi, PhD (Estonia), Professor, Founder & CEO, Balesene OÜ**
- **Victor Yang, Senior Editor, JLC Network Technology**
- **Chris Wood, Chief Executive Officer, AAG Global Investments**
- **Matt Stanley, Director, Star Fuels**
- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Andy Laven, Chief Operating Officer, Sahara Energy Resources**
- **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**

Laury Haytayan, MENA Director, Natural Resource Governance Institute
"Iran is pushing the envelope, trying to see how far it can increase oil exports before they sit at any negotiating table. Iran wants all US sanctions lifted so it does beg the question of what is left for discussion and what concessions both need to make."

Andrei Belyi, PhD (Estonia), Professor, Founder & CEO, Balesene OÜ
"Once we have the Nord Stream 2 pipeline, no major changes will occur. The only change which may occur is when Germany will merge the two gas hubs. And that will become the biggest hub in continental Europe. That could occur in the next few years. "

Victor Yang, Senior Editor, JLC Network Technology
"These higher prices are starting to depress demand in China, and with the advent of the Chinese New Year, refiners are already slowing down their purchases for May delivery cargoes, having finished buying for April."

Chris Wood, Chief Executive Officer, AAG Global Investments
"I'm wondering where oil is going to go, because I think it can go either way right now. Saudi took a big hit for the benefit of the rest of OPEC. It was about a $1.3bn hit for them where that benefit is now $60/bl for OPEC."

Matt Stanley, Director, Star Fuels
"The market gave it a 10-15% boost on flat price and no one really saw that coming. That really took it from staying in the low $50s/bl up to $60/bl. It comes back to how much more prices need to get to before you incentivize other producers coming back."

Peter McGuire, Chief Executive Officer, XM Australia
"Over the last 110 days, we're up 50% for Brent. So that really tells me from a trade perspective, it's been a bull market."

Andy Laven, Chief Operating Officer, Sahara Energy Resources
"Oil drops after a strong rally. Yes, stockpiles plunge. So, things are moving left and right just because they can move. A lot of it is starting to flow through to the fundamentals. But there's not sufficient certainty in terms of the demand side for the fundamentals to really start winning out. That's where the uncertainty is."

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
"There is a lot of uncertainty. Yes, things will move up and down, but the overall direction is in the upside and OPEC+ takes most, if not all, of the credit for propping up prices."

The 3rd Fujairah IPWEEK

Virtual London Workshop 2021

STORAGE | TRADING | SHIPPING

Wed. Feb. 24th | 7.30am (GMT) | 11.30am (UAE)

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

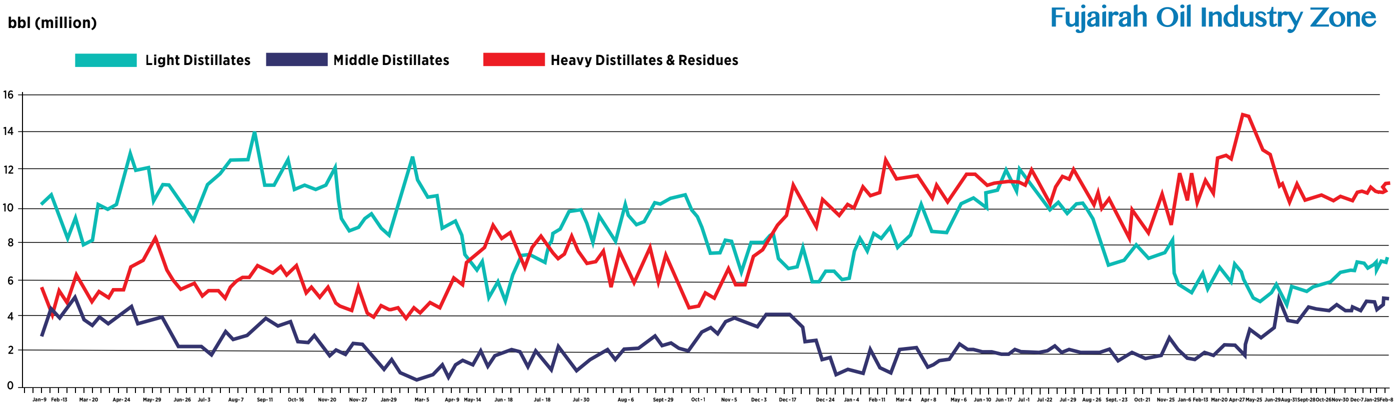
uniper

aramco
trading

GI Consultancy Intelligence Publishing

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 21.183mn barrels. Total stocks fell by 2.099mn barrels, this is their biggest week on week fall since late March 2020. Overall stocks declined 9% week on week. There were draws seen across all three stock categories with heavy residues posting the greatest outright draw week on week.

- Stocks of light distillates saw a draw of 338,000 barrels reflecting a fall of 4.6% week on week to stand at 6.993 million barrels. The East of Suez gasoline market was under downward pressure as supply-side concerns returned to weigh on regional fundamentals. Additional export volumes from India were seen, with Indian private refiner Nayara Energy Limited issuing a spot tender to offer up to 60,000 mt of 92 RON gasoline, for loading over March 5-9 from Vadinar.

- Stocks of middle distillates fell by 767,000 barrels falling to 4.404mn barrels – down by 14.8% on the week. The gasoil market East of Suez was seen as steady with thinning supply and steady demand providing support to the complex and keeping it in a backwardated structure. However, traders were quick to caution that although the physical gasoil crack is expected to emerge stronger this year, the product still faces an uphill climb to recovery with the product spread to crude still trending at sharply lower levels as compared to a year ago.

- Stocks of heavy residues fell by 994,000 barrels or down 9.2% on the week to 9.786mn barrels. In Fujairah the delivered bunker prices were trading higher on rising Brent, traders said. "We are up since yesterday because of rising Brent," said a trader. Fujairah-delivered marine 0.5% bunker was heard offered at around $494-$500/mt on Feb. 9, the grade was assessed at $494/mt, $9/mt higher on the day. The price level on Feb. 9 in Fujairah reflects a $8.00/mt discount to Singapore delivered Marine Fuel 0.5% bunker prices.

Source: S&P Global Platts

Commodities

Oil prices extended their gains overnight with Brent rising 0.6%, to close at $61.47/bl. WTI rose 0.6%, to settle at $58.68/bl. Both contracts have recorded their longest stretch of daily gains in the last two years. Prices are off a little in early trade today but markets will be fixated on reports out from the IEA and OPEC at the end of this week to get a clearer near-term direction. Crude inventories in the US fell by 6.6mn bbl last week, substantially more than the API estimated. Gasoline stocks did rise—up by 4.3mn bbl—but draws across much of the rest of the barrel helped to bring total petroleum stocks down by more than 11mn bbl. Production in the US rose modestly by 100k b/d to 11mn b/d, while product supplied added 1.7mn b/d to move above 20mn b/d in total.

FX

Despite some choppy movement throughout the day the DXY index is virtually unchanged from Tuesday's closing price this morning at 90.420. The same applies to the EUR and JPY. Sterling earned modest gains and currently trades at 1.3830, down from its daily high of 1.3866. Commodity currencies were among the biggest movers, both the AUD and NZD fell by 0.2% and 0.4% to reach 0.7225 and 0.7210 respectively.

Equities

The weaker than expected inflation figures from the US weighed on the equity indices later in the day, after all three benchmarks hit new record highs earlier in the session. At the close, the S&P 500 and the NASDAQ were both down marginally (-0.0% and -0.3% respectively) while the Dow Jones clung on to gains of 0.2%. In Europe, sterling's gains weighed on the FTSE 100 as it closed -0.1% lower. The CAC (-0.4%) and the DAX (-0.6%) also ended the day lower. Within the region the DFM lost -0.6%, while the Tadawul closed 0.1% higher and the EGX 30 gained 0.9%.

Source: Emirates NBD

ENERGY MARKETS VIEWS YOU CAN USE

Omar Najia
Global Head, Derivatives, BB Energy

Where do you see markets headed in the coming month?

The next target for WTI is $58.40/bl and we will head higher after that. However, let's remember that the upward trajectory started at about $33.60/bl, so at some point, the market has to correct. If it gets down to about $53.50/bl, that will be the start of the correction for three to four weeks until we reach the highs again. Looking further ahead, it wouldn't surprise me if we see $80 Brent this year. The US dollar will also continue to trend higher.

Can we have the dollar and oil price strengthening in tandem?

Absolutely – the correlation between the dollar and oil price is weaker than usually perceived and depends on many factors, such as timeframes. It's not true to say that if the dollar goes up, oil comes down; a case in point is a weakening dollar trend since 2019 and yet oil prices have not risen.

What needs to happen to ensure this march towards $80 a barrel?

The first factor is this push up and improved sentiment, which will take the backwardation out of the market. The second is when product stores get seriously depleted. For example, jet fuel can only be stored for a relatively short period of time - up to six months. Once those stores get released, if we have a demand spike, it will cause problems for refiners, possibly leading to a 'bidding war'. So, the physical risk is definitely to the upside and so is the geopolitical risk. I don't see the Iran-US situation resolving any time soon. Add to that possible inflation which is always positive for commodities. And we also have the expected improvement in the vaccine rollouts. The case for higher oil prices towards the end of the year is strong.

Vladimir Langhamer
Managing Director, Supply & Trading, OMV

Do you expect this oil price recovery to continue?

Oil prices have been buoyed by good compliance and good supply management by Saudi Arabia and OPEC. Floating storage has also depleted quickly over the last month despite relatively weak demand. We should hit five-year inventory averages in the second half of this year, even if OPEC starts to put the half million barrels back into the market as per its current agreement.

Is there any downside risk?

Potential supply from Iran – but that's a question about timing and depends on what track the US administration takes. The real elephant in the room is end-consumer product demand and that is not looking constructive. Asia demand may be very strong, but the rest of the world is still struggling. If January is any barometer, it will be tough to hit current demand recovery projections.

What's the outlook for jet?

Jet demand is approximately 50% of recovery barrels and I don't see that happening. We had glimpses of hope in December but that was before the reemergence of these virus variants, and now Europe and other countries are shutting down borders and long-haul flights. It will be months before that situation changes – not weeks – so the six million b/d recovery figure for this year is simply not possible.

Any reason to be concerned about Libyan oil flows?

The good news on the political front is that the factions are united on the way forward so the situation appears to be more stable than deteriorating. As for the port strikes, we've seen those in Libya before and NOCs have always been able to manage production. I wouldn't see that having a lasting impact.

ENERGY MARKETS FORUM 2021

NEW SILK ROAD LIVE

Consultancy Intelligence Publishing

TOP 10

FEBRUARY 7th - 11th

MARKET OBSERVATIONS FOR THE WEEK

1. Oil markets may be getting too ‘irrational exuberant’ over the expected return of jet fuel demand in the summer months.

2. US’ plans for another massive stimulus is causing divisions on both sides of the aisle as friendly and not so friendly economists are starting to warn about the dreaded word - Inflation.

3. Vaccine rollout is stalling and Saudi Arabia abandoning unilateral 1mn b/d supply cut could still disrupt the oil price rally though Q1.

4. Some traders are getting more bullish and forecasting oil is going to go up ‘big time’ with Brent possibly reaching $80/bl this year.

5. Iran and the US have started their dance of rapprochement but could be stuck in the ‘you move first’ shouting match for a few months.

6. China gasoline demand is growing ‘quite significantly’ month-on-month, triggering Chinese refiners to increase gasoline production and cut diesel.

7. Libya’s political outlook is moving towards a more stable situation, which underpins a stable outlook for oil exports.

8. Saudi oil minister has shown he is willing to do the unexpected to keep oil market speculators on their toes, and it’s likely this strategy will continue into Q2.

9. Oil traders may want to keep an eye on the equity bull market bubble which could pop all financial assets if it reaches a bursting moment.

10. The Covid-19 pandemic may still be killing 100,000+ each month and locking down economies, but oil markets appear to have moved on to the future beyond the dark winter.

ENERGY MARKETS VIEWS YOU CAN USE

Mike Muller
Head, Vitol Asia

Oil Market is Getting Ahead of Itself
We have not quite printed $60/bl for front month Brent, but $59.98/bl (5am GMT) is pretty close. It was up $5/bl last week, which is quite phenomenal. But the market is clearly getting ahead of itself in terms of post vaccine euphoria. There is continued belief in the ability for OPEC to manage supply and achieve their intended outcome, which is to see global inventories decline to the 5-year average level. We are indeed seeing stocks continue to fall, but it is not geographically balanced just yet, and it now really depends on the pace of vaccinations to drive demand recovery.

Chinese Demand is on Holiday
Chinese demand has not been as disappointing as some people have made out. It has just not been as rampant as perhaps it was before, when China stood out as the shining beacon in a world going through a demand slowdown. So really, the world is now looking to the Western Hemisphere, to Europe and America, to catch up with Chinese demand, and for China to get its buying boots back on after the Lunar New Year. But we will see another 10 days of inactivity because many parts of Asia will have 10 days off for the annual holiday.

A Summer Travel Boom may be a Mirage
Jet fuel is a huge part of the of the 6mn b/d year-on-year demand growth figures - roughly half of it. There are Wall Street investment banks who have been quite big on the theme that jet fuel demand will resume for the summer season. I would caution a little bit there because the vaccine rollout itself cannot give us the reassurance that travel, as we used to know it, will be safe and will be controlled. Let us not forget that most countries are still closed. So, I think the forecast for a summer travel boom is probably a little bit of an overestimate.

Christof Ruhl
Senior Research Scholar, Center on Global Energy Policy
Columbia University

Economic Recovery is K-shaped
The general perception is pretty clear that the vaccine rollout is working, but there were predictions that it would go much faster. For example, 1% vaccinated in Germany is incredibly low compared to what was promised. But financial markets are trading the future and it doesn't matter. The picture looks bright today with the stock market up, but the recent US employment report was underwhelming. As a result, we are now seeing a K-shaped recovery. This is where the upper echelon of people see their incomes rising and they recover quite nicely. Conversely, people on the other end of the spectrum will pay the bill and go into long-term unemployment.

Stimulus Poses Risk of Inflation
There is a high risk of the US Stimulus Program triggering inflation. That is dangerous for stability. It also means that the stimulus largely transfers over and there is no money left then for substantial investments in infrastructure, green energy, and all those promises of the new Administration. Biden is basically now throwing 15% of US GDP at the Covid-19 problem, of which some people say the damage caused by the pandemic was not anywhere close to this number.

COVID-19 Continues to Torment Europe
The numbers are coming down in some countries and exploding in others. Germany's infection rates are lowering, so the country should be able to open up pretty soon. However, in Portugal cases are rising to the extent that they now have asked for support from other European Union members. The UK is still in a severe lockdown, but it is supplemented with a very successful vaccine rollout. The picture is still not clear or uniform across Europe. This is worrying as it means the virus is always somewhere and coming back. The question now is whether Europeans can get their act together to prepare for demand recovery in the spring and summer?

ENERGY MARKETS VIEWS YOU CAN USE

Adi Imsirovic
Senior Research Fellow, Oxford Institute for Energy Studies

What is your outlook for the market in 2021?
It's looking quite positive. Iranian oil exports are quietly creeping up from half a million barrels to well over a million, mainly to China, so those extra volumes are being absorbed. Bigger picture, China is set to grow over 8% this year. India is looking at similar figures having shrunk by only 3% last year. The global vaccine program is gradually bringing the virus under control, which will release pent up demand for travel and other economic activity.

Are you as positive about refineries?
At the front end of the market, refinery margins are at 50% of pre-covid levels and in Europe, gasoline is barely reaching $8 for this summer. However, dated Brent and spreads are extremely strong. Add to this the continued macroeconomic wall of money, rising commodity prices and possible asset inflation and we could see a reasonably tight oil market as we move to the end of this year. This of course assumes we don't encounter new waves of the virus and that OPEC plus holds together reasonably well on the supply side. We will likely see a slight increase in US shale production with the price scenarios we are seeing.

What's on your radar more short-term?
There seems to be extremely good buying at the front end of the North Sea market. It will also be interesting to see whether we have continued arbitrage into Asia and Chinese buying, even though it will quieter for the next couple of weeks due to Chinese New Year. All in all, watch out for telltale signs at the front end of market to see how far the fundamentals are divorced from the actual flat price - they're probably not as far as is often admitted.

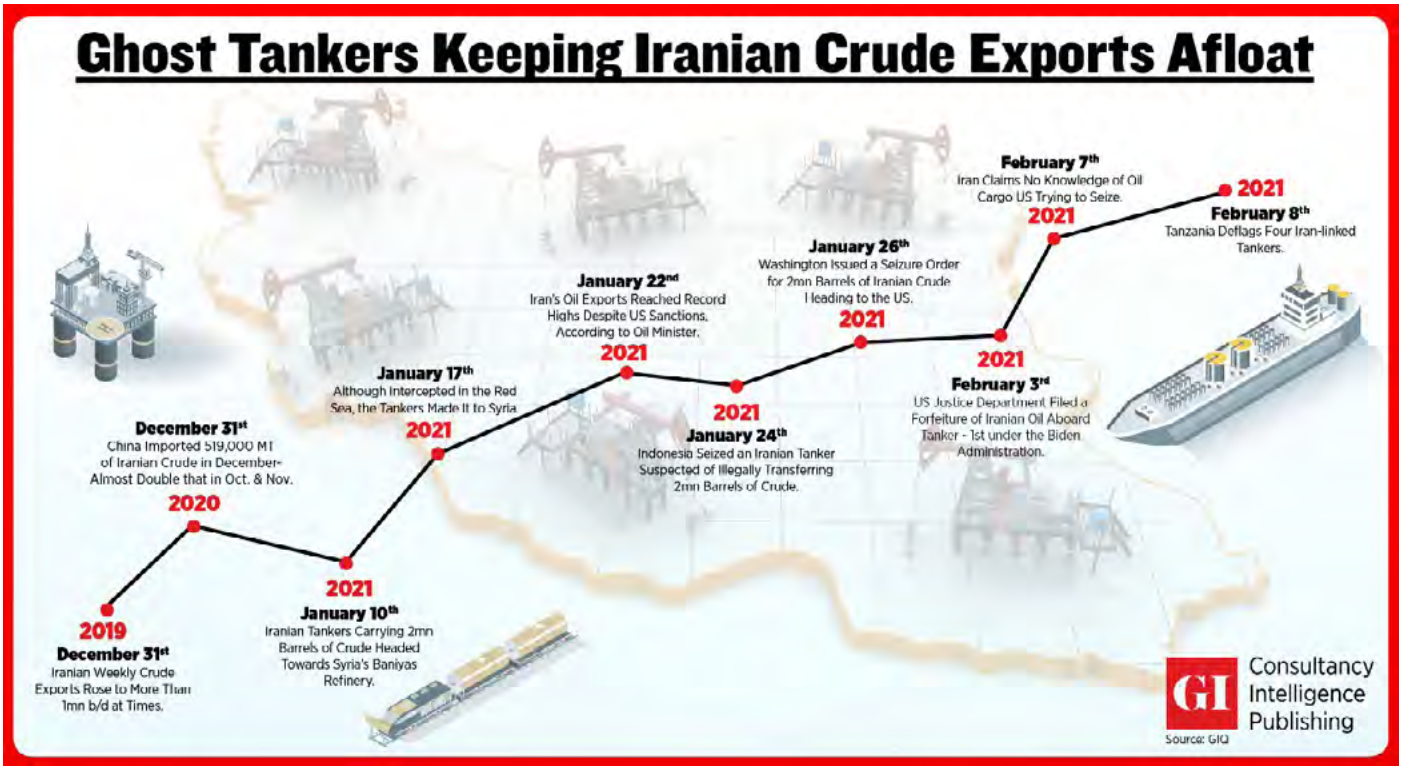
Robin Mills
Chief Executive Officer, Qamar Energy

When will demand trigger the return of 10mn barrels in idle supply?
The long-term demand picture ought to look better. Diesel is looking good, but gasoline is still struggling, and jet fuel is obviously still very weak. Demand recovery is coming but it will take longer for this $60 rally to have any real solid underpinnings. On the supply side, the restraint by OPEC and the Saudi unilateral cut have been key in taking us above $60 and it's also helped keep the OPEC plus deal together for the subsequent three months.

Does Saudi Arabia need to continue with its unilateral cut beyond March?
This is tricky because of cloudy demand numbers. A million barrels a day is a lot to bring back to the market in one move and if nobody else in the group can do anything, then there'll be resistance from Saudi Arabia to do so. The most likely scenario would be an agreement on an increase overall with the Saudis having the latitude to quietly start trimming their million barrels, coupled with a phased increase for everybody else. Saudi Arabia can't start giving away market share and still have such a substantial cut.

Where are we at with the US-Iran rapprochement?
It's hard to get a read on what the US administration's approach is so far but movements in recent weeks from both sides seem to be towards taking steps to restore compliance. This will be stage by stage - the US won't go back to the JCPOA all in one step. Both sides would also probably want to make progress ahead of the Iranian elections. For the Rouhani camp, it would show that their policy wasn't a complete failure and give momentum to the moderate reformist candidate. Either way, it will be quite a long road and we won't see substantial restoration of Iranian exports until late this year, at the earliest.

ENERGY MARKET NEWS



"The strong combinations of tightening supply led by Saudi Arabia's unilateral decision to cut production in February and March and the prospect for an improved demand outlook with the rollout of Covid-19 vaccines have triggered one of the strongest starts to a year on record."

– Saxo Bank

Fujairah Spotlight

Stocks of Oil Products hit 2-Month Low as all Categories Shrink

Oil products stockpiles at the Port of Fujairah outside of the Strait of Hormuz in the Persian Gulf dropped to a two-month low, with some traders forced to buy marine bunkers after holding off because of escalating prices. Traders have held off buying marine bunkers because of rising Brent prices but have been forced to take shipments to keep ocean going vessels fueled up, according to Apurva Mali, founder of bunker supplier Masc Co. DMCC in Dubai. "There is a hope prices will go down after oil has steadied after the longest run of gains in the last two years." Fujairah-delivered marine 0.5% bunker fuel was assessed at $494/mt on Feb. 9, up 7% from $461/mt a week earlier, according to Platts data.

Source: S&P Global Platts

Oil Tank Fire Put Out at Refining Firm in Fujairah

The Fujairah Civil Defence teams managed to put out a fire that broke out in a big tank of an oil waste processing and refining company at the Thawban area on Monday. Sources revealed on Tuesday that the central operations room of the Fujairah Police was alerted about the blaze at 6:06pm. "The civil defence teams rushed to the site, cordoned off the refinery and put out the fire using foam." Firefighters managed to contain the flames before spreading to other tanks, they added. "They also used big amounts of foam to cool down the burnt tank that it does not catch fire again."

Source: Khaleej Times

UAE Explores an Ultra-Futuristic Underwater Rail Tunnel Between Mumbai And Fujairah

The National Advisor Bureau (NAB) of United Arab Emirates (UAE) is exploring a 2,000-kilometre-long underwater rail tunnel to connect Mumbai and Fujairah — a distance that can be covered in two hours. Abdulla Alshehhi, director of NAB, speaking at a UAE-India conclave held in Abu-Dubai, said this line will not only facilitate movement of people across the Arabian sea, but will also feature pipelines for oil and water. UAE will export oil to India and India can export fresh water to UAE.

Source: Swarajya

ENGINE: East of Suez Bunker Fuel Availability Outlook

Bunker availability continues to be tight in East of Suez ports, as pre-Lunar New Year bookings have put pressure on delivery schedules across most ports, stretching lead times for bunker fuels. Availability continues to be tight in Fujairah as well, with lead times for VLSFO and LSMGO stems stable on the week at six days. HSFO380 is tighter in the UAE port, requiring up to 11 days in advance. Fujairah's fuel oil stocks rose last week, but are still lower than their weekly average for January.

Source: Hellenic Shipping

Fewa Changes into Private Company to up Efficiency

The Federal Electricity and Water Authority (Fewa) has announced it has changed into Al Etihad (Union) Electricity and Water Company as part of a forward-looking project aimed at improving efficiency. Fewa clarified on its website that changing the authority into a company is a step aimed at raising its efficiency and upgrading its services, noting that the company would continue to keep pace with the increasing demand with a view to providing the best services to customers. Earlier, Suhail Al Mazrouei, Minister of Energy and Infrastructure, confirmed that converting Fewa into a private company is a forward-looking outlook in the UAE aimed at raising efficiency.

Source: Gulf Today