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Fujairah New Silk Road WEEKLY NEWSLETTER

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"Central Asian States Bracing Themselves for a Belligerent Russian Bear!"

Rauf Mammadov, a former Managing Director with the State Oil Company of Azerbaijan

Any escalation of tensions between Russia and the West puts Central Asian nations under huge stress. Most of these countries have lived under the dominance of Russia for over 200 years. Russia is not just an ambitious state with goals of becoming a global player – it's also the largest competitor for countries in Central Asia. One challenge that is often underestimated is the logistics around supplying our resources to global markets, a situation further exacerbated by the fact that most Central Asian countries are landlocked. Most of Kazakhstan's oil and gas only has direct access to global markets through Russia. The war in Ukraine has not had any direct impact on those exports so far, with the exception of the effect on price, as Kazak oil is blended with Russian oil and so subject to some of the discount that we're seeing applied to Russian oil today. Azerbaijan has smartly always been prudent to diversify its export outlets away from Russia. Still, if you're sitting in the capitals of any of these countries, you should be worried about the unprecedented behavior of Russia. Right now, Russia is imposing its strength on neighboring Ukraine, but the threat is there for all of us. There are some mechanisms and policies in place to try and counterbalance these risks. In Kazakhstan's case, it has positioned itself with Russia and China and other superpowers. Azerbaijan regionally has a treaty with Turkey, which stipulates that in the case of intervention or invasion of its sovereignty, Turkey can intervene.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

6,282,000 bbl	1,789,000 bbl	10,126,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

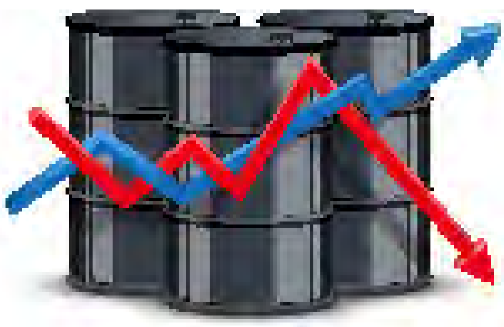
Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.54 - 4.38/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.20/m³

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude:	$113.84/bl
WTI Crude:	$110.49/bl
DME Oman:	$108.84/bl
Murban:	$115.26/bl

*Time Period: Week 4, March 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $1,049.50/mt

Low = $817.50/mt

Average = $923.50/mt

Spread = $0.00/mt

MGO

High = $1,293.00/mt

Low = $1,160.00/mt

Average = $1,192.50/mt

Spread = $0.00/mt

IFO380

High = $698.50/mt

Low = $604.00/mt

Average = $657.50/mt

Spread = $94.50/mt

*Source: Ship and Bunker, *Time Period: March 16 - 23*

Fujairah Bunker Sales Volume (m^3)

150
180cst Low Sulfur Fuel Oil

462,035
380cst Low Sulfur Fuel Oil

125,389
380cst Marine Fuel Oil

1,395
Marine Gasoil

23,419
Low Sulfur Marine Gasoil

5,234
Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Rauf Mammadov, a former Managing Director with the State Oil Company of Azerbaijan

How might this conflict impact energy markets as it enters its second month?

If the war continues, we will see another package of sanctions rolled out. The US and EU will have no choice but to choke the main source of income – oil and gas - for Russia, as much as possible, but not too abruptly. We expect that 3.5 million barrels a day of oil would be taken off the market. And so far, the pattern of OPEC's behavior has shown that they're not rushing to soothe the market in any way. The group wants to maximize its profits after the damage to its revenues in 2020. There has been a structural shift in the oil markets in recent years. One is the energy transition, and the other is that non-OPEC production has surpassed that of OPEC countries. The leadership of OPEC has understood that and so joined forces to create a bigger cartel. The Ukraine crisis has now brought all these issues to the center of the global agenda. We are living in very precarious times in terms of the energy markets, where the numbers are showing around one million barrels of Russian oil will be taken off the market because of sanctions next month.

How might China's stance on the war impact its ties with the US and this region?

China is implementing that golden rule of divide and rule. It's in the best interests of China to see the Gulf states clearly becoming more independent and diversifying their geopolitical hedge between the East and West. China is taking full advantage of this, and this is further supported with the inherent dependence of China as a buyer of oil and gas resources from the Gulf and likewise, with the dependence of the Gulf as an energy exporter, on China.

"We are living in very precarious times in terms of the energy markets, where the numbers are showing around one million barrels of Russian oil will be taken off the market because of sanctions next month."

Do you expect the Iran nuclear deal to be born again for the second time?

I think it will be a game changer, but also something that's been expected since the Biden administration came to power. It's a deja vu for the Gulf states, who have gone through this during the Obama administration. It was less expected back then because the US kept them in the dark throughout the process. But their involvement was inevitable this second time around. The first deal was an eye opener for the Gulf states, and they started to hedge their bets that the whole dynamic would change within the Middle East. There will be more alignment and reconfiguration trying to adjust to the new realities of the region, where Iran will become a bigger player. I almost think Russia and Iran might exchange places, with Russia more sanctioned and Iran less sanctioned and contributing more to energy markets.

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Energy Markets Views You can Use

Narendra Taneja
India's Leading Energy Expert

Weaponizing oil and gas is a very bad idea.
Most large economies today are energy independent, except many parts of Europe and of course India, the third largest oil market in the world. We are already paying billions of dollars every week because of the war in Ukraine. The world should focus on finding a solution, and not on teaching Russia a lesson with sanctions. We condemn the invasion of Ukraine and condemn democracy being invaded and we understand what the EU and US are trying to do under great constraint. But India is taking a long-term view. We are very worried that if Russia is pushed too hard, it will be pushed into China's lap, and the two countries will in a sense become one power that will destabilise Asia, and eventually the whole world. At the moment, there's a huge trust deficit between Russia and China and China is with the West. But once China doesn't need the west anymore, they will go their own way and challenge them. We know China better than many other countries in the world.

Can this geopolitical spaghetti junction that's emerging be untangled?
We have a region like the Middle East where geopolitical games are being played by developed nations and big powers like Russia, the US and China, and the entire world ends up paying for it. And then Russia invades Ukraine, oil prices go up and the result is that millions or billions of people are paying for Russia's misadventure. I think the United Nations, or some other global inter-governmental organization needs to step in and declare oil and gas and power transmission types of assets, central to the global economy, and any impact on these should be condemned by the entire world together. We should have a body like an Energy Security Council. We have a global organization for sports, for health – why not for energy? Because the IEA and OECD countries don't want global energy governance. It doesn't suit them.

Richard Redoglia
Chief Executive Officer, Matrix Global Holdings

There's been a massive $1 billion decline in open interest in the last month.
Since the beginning of the Ukraine war, we have also lost $180 million of length from large money managers and speculative traders and what that portends is extreme volatility and less market participation. Margins for a futures contract of WTI have gone up four times and while historically the market might have moved 50 cents a day, it's now moving five dollars a day. My view is that this market has been heading up for the past two years, given the green energy policies that have been in place, and we now have significant retrenchment on capex. And that was even before OPEC+ crude was removed from the market with the onslaught of the Covid pandemic. What we are experiencing now is a price band of probably $100-$130, and it's going to stay there until something dramatic happens.

Does Biden have US political cover to double down on his face off with Russia?
We're a split country. The Left doesn't want to hear what the Right has to say. Biden is now talking to Venezuela to increase production and asking the JCPOA for Iran's Revolutionary Guard to be recognized. He has called the Saudis a pariah and is now asking them to increase oil output. And he's blaming US oil producers for the rise in prices. He doesn't have any internal cover.

Does this market drive Biden's green agenda into the ditch?
I am just amazed that we're talking about policy, being run by people in our current State Department, which is not allowing oil leases on federal land. You cannot make this up. Energy and food are what bring a peaceful world together and the US believes we should be driving Teslas.

GI Soundings Week in Review

OIL PRICE WHIPLASH CONTINUES WITH UNCERTAIN OUTLOOK FOR UKRAINE CONFLICT

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.

- **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**
- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Osama Rizvi , Energy & Economic Analyst, Primary Vision Network**
- **Tim Treadgold, Mining Analyst**
- **Henning Gloystein, Director for Energy, Climate & Resources, Eurasia Group**
- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**
- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International**

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy

"A lot of people think that the EU has been hesitating to impose sanctions that would target Russian energy exports because of the dependence of the EU on Russian energy exports, particularly natural gas. However, it makes sense when you're going through this kind of process, you start with the minor sanctions and as the situation escalates further, then you start to unpack your tougher weapons if you want."

Peter McGuire, Chief Executive Officer, XM Australia

"Anyone that's got a relationship with China has to be careful of what they say and how they do things. China have got their hands full with the Evergrande situation, and the property market is starting to look very, very shaky. I think they've got their own internal issues that are going to manifest themselves over the next couple of weeks."

Osama Rizvi , Energy & Economic Analyst, Primary Vision Network

"Pakistan is facing energy crunch and inflation like everyone else. Due to our geopolitical configuration, we are facing defense issues as well involving Afghanistan. So, against this backdrop, there was quite a news when our Prime Minister visited Russia amidst the war. The meeting was scheduled months ago, there was nothing deliberate about the visit. And I would agree with what Imran Khan said regarding Pakistan's stance, we as a country cannot afford to take sides."

Tim Treadgold, Mining Analyst

"There's no question oil and gas has made a big return on investor radar screens…it's only the fourth or fifth time in history that oil has sold for more than $100 a barrel. It's all relating to the Ukraine war, it's related to sanctions on Russia and the process, according to the International Energy Agency has only just started."

Henning Gloystein, Director for Energy, Climate & Resources, Eurasia Group

"Russia has become de-facto uninvestable. Even companies from countries that have not imposed sanctions on Russia, like China or India, are reluctant to engage as they fear future secondary sanctions that would also impact them."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence

"Crude oil's price spike to $130 a barrel may be ample fuel for a reversion toward its persistent mean around $50. Forces for lower prices may be greater than in the aftermath of the 2008 peak due to unprecedented ability and motivation. Elevated crude funds Russian aggression. Reversion, recession, profits, predominant trends and starving the aggressor point downward."

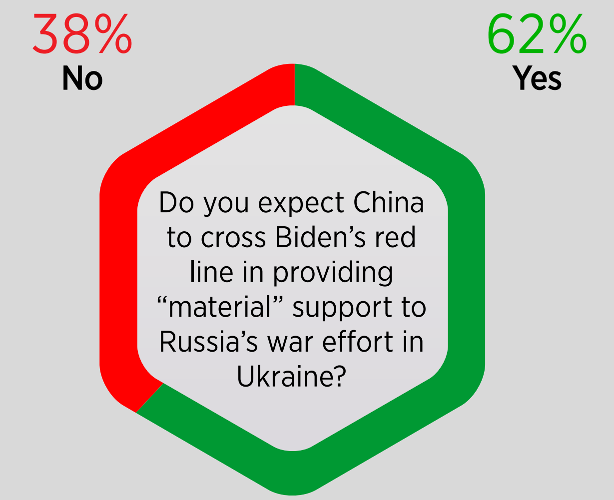
Omar Najia, Global Head, Derivatives, BB Energy

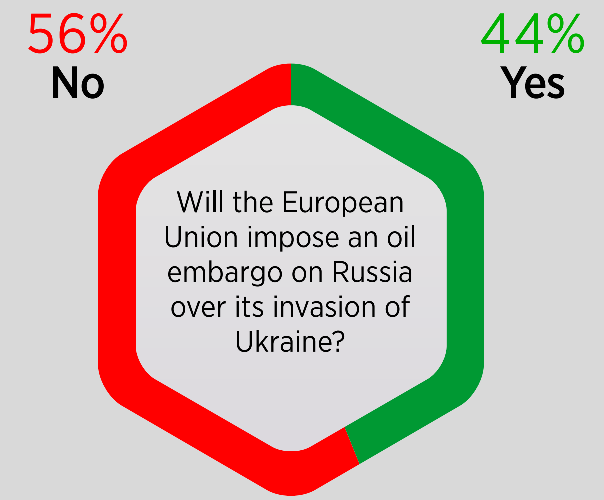
"Demand destruction is not something the market's looking at. When Brent traded for a while above $150 a few years ago, it didn't cause demand destruction. We're going to need something quite substantially higher than that to reduce demand."

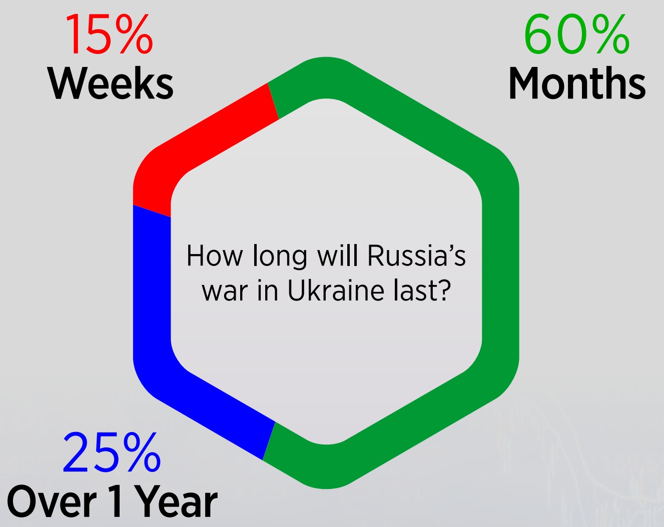
Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International

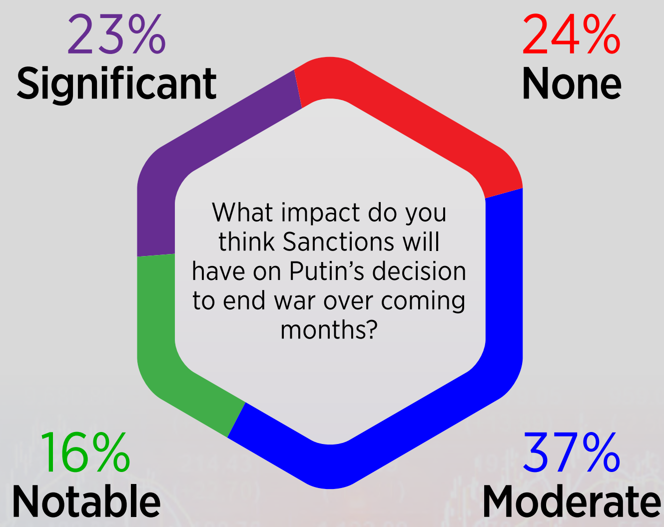
"China needs to rethink its zero Covid policy. It's not just about the disruption that will cause to imports and exports. It's about how that in itself, creates further commodities and energy price pressures. If the CCP is perceived to be losing control over inflation, there will be serious problems."

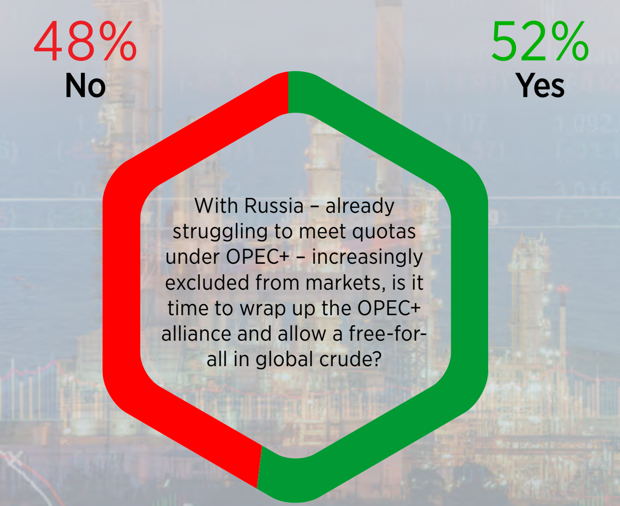
Weekly Surveys











Source: GI Research March 2022

Energy Markets Views You can Use

Rustin Edwards
Head, Fuel Oil Procurement, Euronav NV

We're in the midst of the start of a global recession.

Shipping rates and supply chains are getting decimated for two reasons. Russian export issues which are locking in freight and cargoes that go to the world, and China's continued Covid lockdown. The delayed exports from the east coast of Asia coupled with delays from west coast Europe, are going to grind logistic chains lower. Meanwhile, container freight rates continue to be strong, hampered by high fuel oil costs. A thousand dollars a ton for fuel to move a ship from point A to point B without the corresponding freight numbers to offset that, means we will lose the flow of raw materials around the world. It's going to impact us all and we should expect to see major price increases. This inflation is not transitory and it's going to hurt us all very hard in the next four to six months.

How much Russian oil is being picked up and impact on tanker rates?

Tanker rates have collapsed since the invasion. There are now more ships than there are cargoes. The issue now is to get the logistics around the different crudes and product flows rearranged, to compensate for the ready availability of Urals crude into the European marketplace, and for Urals crude to go to other places. There are also issues with the German landlocked refiners and Bulgarian refiners, who rely solely on pipeline flow in from Russia, as well as from Trieste. There's really no way that you can transship your way out of those landlocked refineries which feed the majority of inland Europe. So, Europe can't fully ban Urals crude. What we could see as a compromise position, coming into the EU meeting this week, is that Europe doesn't ban Russian oil per se, but does ban Russian ships and products from EU ports. So de facto, that would still allow the inland refineries to continue taking in Russian crude via pipeline. The bigger issue Europe faces down the road is on food. The continent imports a lot of grain from Ukraine and Russia, and those supplies aren't coming so far.

Andrei Belyi, PhD
Professor, Founder & CEO, Balesene OÜ

Will Europe take the next step and sanction Russian oil exports?

It's a possibility, but I doubt it as there are disagreements between member states on whether to do it. However, there are other ways that western countries might consider, such as access to technologies, which wouldn't harm western consumers as much. Big service companies have already started leaving Russia or have stopped investing. That would have a dramatic effect on the Russian oil industry which remains the biggest contributor to the state budget.

To what extent can Europe put values ahead of inflation and other concerns?

It's about the perception of insecurity. The higher that is, the more the willingness to bear a cost. What we are observing from EU member states and companies is that diversification from Russia is not as strong as the reaction coming from of its citizens. China has taken a softer stance on Russia so far but also been quite a hard negotiator because it understands it's a great opportunity to get cheaper resources and negotiate better supply deals.

How much worse could the war get on the ground in Ukraine?

We are moving towards a very dangerous situation from a global economic viewpoint because we don't see a clear winner. The West is weakening, Russia is weakening even more, and China is not gaining yet. Russia is locked within a very deep economic crisis with the possibility of a repeat of the crisis of 1998, but without the opportunity that gave to Russia to sell cheap oil. The West has a security dilemma with a complex nuclear power, and it has to think about the instability that would occur if Russia's economy collapses. China needs a strong Russia but also depends on western markets, so it will play an intermediary role of not backing either while needing both sides in the conflict to be relatively stable.

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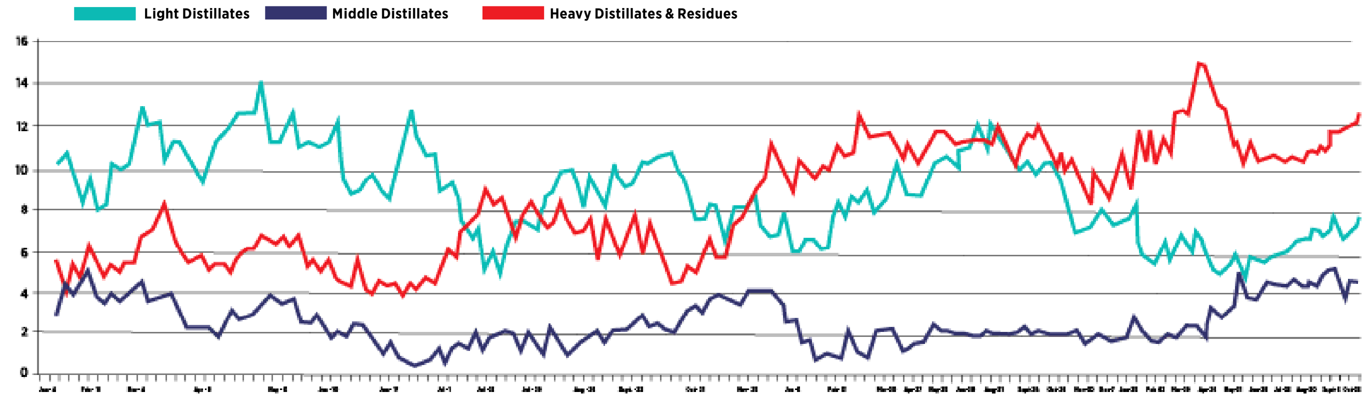
Fujariah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 18.197 million barrels. Total stocks fell by 342,000 barrels with overall stocks down 1.8% week-on-week. Light and middle distillates posted continued builds increase while heavy residues fell.
- Stocks of light distillates, including gasoline and naphtha, increased by 237,000 barrels or 3.9% on the week to 6.282 million barrels. The East of Suez gasoline market was finding support from a combination of refinery outages coupled with increased seasonal demand with Ramadan in the coming weeks. Indonesia was expected to import about 10 million of gasoline in April, and Malaysia was expected to import about 1 million barrels during the same period, according to sources.
- Stocks of middle distillates, including diesel and jet fuel, increased by 86,000 barrels or 5% on the week to 1.789 million barrels. The gasoil market was finding support from steady demand coupled with low stocks leading to the market structure becoming further backwardated. "Overall, demand is good and hearing firm inquiries for spot barrels...the current geopolitical situation is really giving an impetus to gasoil market. Stocks are low, so supply is limited while demand is good," said a trader. Tight supplies have supported the gasoil market in Asia since the beginning of the year, sources said, especially as slashed outflows from China amid tight oil product export quotas squeezed supply balances in the international market.
- Stocks of heavy residues fell by 665,000 barrels on the week to 10.126 million barrels. Continued volatility coupled with relatively high flat prices were impacting demand from shipowners for bunkers in Fujairah, sources said. "There are very few inquiries seen as buyers are likely holding back, demand is wafer thin," a Fujairah-based bunker supplier said. During and outside the Market On Close assessment process March 22, offers for delivered marine fuel 0.5%S fuel in Fujairah were heard at $903-$925/mt with offers around the lower end of the range for product deliverable from March 26 onwards. The same grade was assessed at $905/mt March 22, $1/mt higher on the day. The premium of Fujairah-delivered marine fuel 0.5%S against the same grade in Singapore was $20/mt with Singapore delivered bunkers assessed at $885/mt on the day.

Source: S&P Global Platts

BY MATT STANLEY
DIRECTOR
STAR FUELS

Brent is trading this morning up 0.20, no down 0.60 wait, up 38, huh? down 1.08. SSSSHHHHHHHH! BRENT IS TRADING THIS MORNING CLOSE TO $120 PER BARREL. ok? God knows where WTI is, but if I said close to $113/bl would you believe me? Hi, my name's Matt and I'm an oil addict. Seriously though, on the 24th March 2020 Brent was trading where? Go on. Have a guess. Just go on, humour me. Yes? Incorrect! Insert Family Fortunes buzzer. Brent was trading at $27.15/bl on the 24th March 2020. Here we are, two years later, and I'm having trouble forming an argument as to why Brent should be any lower. Yesterday was a case in point - we traded at a low of $114.45/bl before that was patted away with disdain and we traded up to a high of $122.34/bl. This morning, as you can tell, has been just as frivolous, with a low of $120.35/bl and a high of $123.74/bl. And breathe. Nope, no time for that breathing nonsense, back to the oil market. Not that it matters too much anymore but EIA data was what I would call what my youngest daughter does to most of my living rooms walls, draws on everything. The market didn't shoot up, but it certainly gave things a boost and Brent futures continues to stay supported above $120/bl. There is one discussion though that is starting to take shape and that is demand destruction. Now, there are many discussions to be had here and, of course, the higher flat price gets, the more the end user will have to meet those higher costs, I get that. But with so much supply being taken off the market with Russian energy becoming nigh on impossible to finance and ship, it is now taking hold of people's energy needs. Sure, there will be people who won't jump on a plane and visit the Costa Fortunes, or drive to go and see their Great Auntie Mable as often but I would argue that the latter is negligible (not Mable. I'm referring to the driving long distances etc, you get it. Bless her). Demand still needs to be supplied and, right now, there isn't enough oil to meet those demands. I say, "not enough oil". There is plenty of oil, one just can't buy it, and this is being reflected in Urals crude being offered at record low versus dated Brent yesterday (-31.35 per bbl CIF Rotterdam). Where do we go from here? Well, I think the market is looking for cues from Biden's visit and discussions with EU members today but one thing's for sure, prices are not going much further down for quite a while.

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ENERGY FOR LIFE

Abu Dhabi National Oil Company (ADNOC) is one of the world's leading energy producers and a reliable global energy supplier. With a production capacity of 4 million barrels of oil per day and around 11 billion standard cubic feet of natural gas per day, our work continues to enable our country and our people to realize their remarkable potential, acting as a catalyst for the growth and diversification of the UAE economy.

TOGETHER, WE BRING ENERGY TO LIFE.

أدنوك
ADNOC

Energy Markets Views You can Use

Christof Rühl

Senior Research Scholar - Center on Global Energy Policy
Columbia University

Financial sanctions have taken the ammunition away from Fortress Russia.
It has no choice now but to sell its energy. But the sanctions are also creating so much uncertainty that people are simply refusing to buy Russian oil – with no correspondent banks, no letters of credit, no cargo insurance - so this will lead to a general increase in the price. Eventually, energy sanctions will also have to be implemented because markets will find a way to work around this uncertainty. For now, we don't have a one size fits all energy sanctions strategy. We have the US banning imports of all Russian energy, the UK banning gas but not oil, and the EU saying it will cut gas imports to two thirds. The question is whether these commitments will have follow through and whether they will backfire in the form of price increases, damaging the economies of sanctioning countries.

Is this market more fragile to demand destruction or supply?
I don't share the view of a big supply disruption and ever rising oil prices. When the invasion started, oil prices were in a much better place than gas, with the price of European gas equivalent to $600 per barrel oil, three times the average of last year. Inflation and efficiencies also mean that $100 oil today is not what it was ten years ago. Every year, we can produce the same global GDP as the last year, with 2 million bd less. High prices from 2011 to 2013 didn't cause a recession, and oil was about $150 in today's prices. So, from a simplistic view, $100 is not as shocking as it looks, and that's also what OPEC+ is thinking. We also have safety valves from sanctioned oil in Iran and Venezuela, which could free up more supply and an SPR of an additional one million barrels per day for 1500 days. So, oil seems to be plentiful. However, the demand side is concerning because of China's Covid lockdown, US interest rate hikes, and Europe being subject to all sorts of bottlenecks and constraints, in addition to a refugee crisis that will add to potential unemployment problems.

Where does China's stance go from here on the Russian invasion?
It will stick with Russia officially, but keep its cards close to its chest, continuing to push the envelope, but keep the situation from boiling, and it's in a good position to do this. China will continue to focus inwardly on getting President Xi into his third term and be prepared to pay an economic price for it.

How long can Russia hold out economically?
Nobody should underestimate the capacity of Russia's economy and of its people to withstand pressures much higher than what they're facing already. There is a substantial core which will rally around their leadership, and so we should not expect an Orange revolution. The conflict in the Ukraine looks like it will be scaled down and literally frozen. I don't see an end game other than a demarcation line and some sort of buffer state in the middle, which would probably make Russia happy. It's not pretty but it's stable.

Rafiq Latta

Senior Correspondent, Energy Intelligence

Europe has completely underappreciated its energy vulnerabilities.
It's simply not possible to replace Russian supply. And we have other problems throughout the market today - Qatar has two LNG trains down, there's the CPC Kazakh interruption of possibly 1mbd for a few weeks, Libya's on and off, we have West Qurna 400kbd out in Iraq and limited spare capacity in OPEC. In its defense, Europe has surprisingly taken a tough response with sanctions but on an economic level, everyone's now talking about recession.

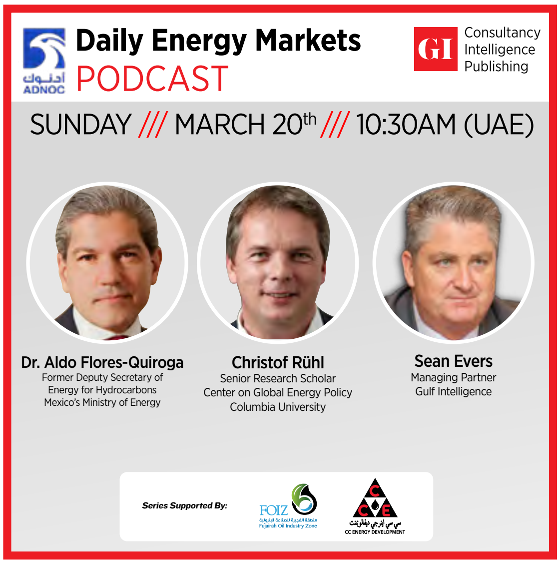
Is Saudi Arabia making decisions based on fundamentals or geopolitics?
Fundamentals are all over the place, so the Saudi policy is purely geopolitical and long term. This is all about the energy transition. When OPEC+ was created, Riyadh realized that to effectively manage the impact of the energy transition, it needed more market clout and Russia gave it that. Saudi will resist a lot of pressure to keep Russia in this alliance. Russia also sees the value of the alliance as it's very isolated.

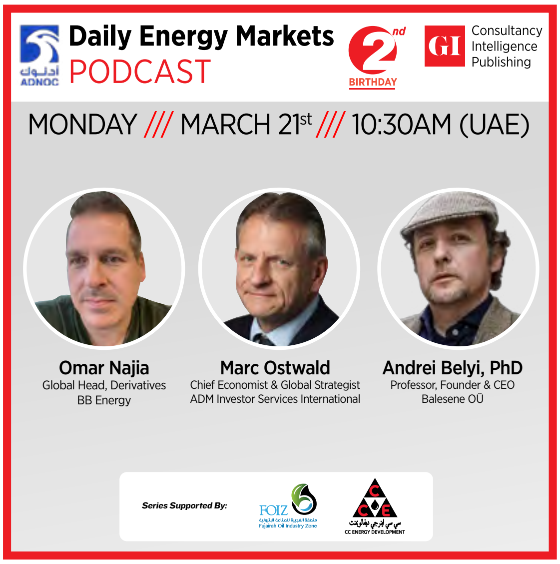
Will we see a significant upswing in US production in Q2?
We would have expected to already, but it's just not happening. The financial sector got spooked by poor returns before and by the energy transition. The only thing that's going to unlock investment is a clear commitment from the Biden administration and I think it's going to walk back some of its energy transition goals, at least temporarily. But there are also genuine bottlenecks in terms of rig mobilization and increasing production will require serious investment. One would think that for its own sake, the US would want to be a strong oil power as well as a geopolitical power, so it's shooting itself in the foot.

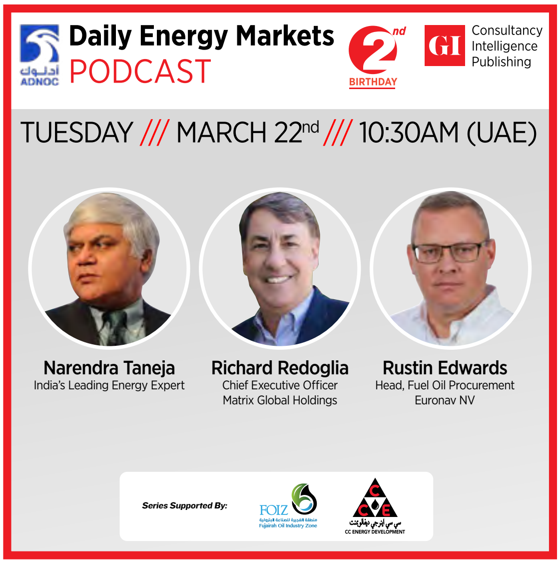
What's been the impact of IOCs withdrawing from Russia?
Psychologically, it's enormous. IOC investment in Russia was the big thing post fall of the Berlin Wall. It was the making of a lot of those companies really. How long these withdrawals last will depend on the war but our observation is that not much real action has been taken yet. I don't see any way we can have a solution to this crisis unless Putin gets reassurance that sanctions will be lifted and that there's a rollback of these investment withdrawals and that Russia can keep selling gas to Europe to a certain extent. But clearly, the trust and partnership has gone, and I don't know how you can get it back.r a few surprises in the next couple of months as those long term positions around power stations and large off takers.

Energy Markets COMMENTARY

WEEK IN REVIEW







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Energy Markets Views You can Use

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

The world is in an economic, political, geopolitical and energy transition.
The Ukraine invasion is a confirmation of the start of this new era. We are in for a very bumpy ride with many variables up for grabs. Two of these are commodity prices and geopolitics and they will remain uncertain because there won't be a geopolitical settlement of the kind that we saw after World War Two or during the Cold War, for a while. This transition will only conclude when there's a settlement of some kind between the US and China and that will take decades and many adjustments. In the meantime, in the next five years, we're going to see a huge transformation in energy policy in Europe and the US and a restrengthening of this Atlantic alliance.

Where do Latin American countries stand on the Russia invasion?
We are seeing some division in the approach to the conflict. A few of Russia's allies, such as Nicaragua and Venezuela, have already refrained from voicing strong opinions while Mexico has condemned the invasion but not joined the sanctions. So, there's a very broad set of positions, which is somewhat revealing. We're not seeing the unified reaction that Europe is displaying and at the same time, there's no enthusiasm for what Russia is doing.

Will we see US oil production grow significantly this year?
The rig count and behavior on the ground does not imply a huge increase. Shale cannot just increase by two million barrels the way it used to five or ten years ago. There's a wait and see approach and different mindset with respect to what the financial return should be. About nine years ago, the sweet spot for the oil price was judged to be $70 to $80, around where we would be today. It was seen as a price that would accommodate both Middle Eastern and North American output. We're now seeing that that's not enough for additional US production in sizable quantities. We have yet to see how the Ukraine conflict could impact supply, particularly for Asia. We know that India and China are purchasing Russian crude, but at some point, there might be a scramble to find additional oil elsewhere. It will be interesting to observe how American producers react and whether we will see more interest in the type of auctions that Brazil has been running very successfully.

Walter Simpson
Managing Director
CC Energy Development

Could OPEC+ increase supply given the limitations across the group?
It's a challenge. The majority of members have been working very hard to get that production up to maximum levels. There's a limited number of players which have the excess capacity to bring oil to the market, so an immediate increase is unlikely. Give it a few months.

Have oil markets settled down now with the outcome of sanctions on Russia?
There was panic in early March as the reactions came in from the major players. I think we're starting to see clarity and that's starting to stabilize things a little bit. Oil supply today is fine. It's what's going to happen in a month or two if the conflict continues, and people are looking for reassurance that there will still be supply available. At some point, there's going to have to be some increase. Otherwise, confidence will go and we'll see another spike in prices.

Given China's economic outlook, business as usual for suppliers like Oman?
I'm not seeing any changes in behavior but clearly the issues they have with Covid and the challenge that presents to the supply chain, is a concern. The question is do they come out at the other end of this with growth all guns blazing or is there a permanent hitch. We'll have to wait and see but it's not something that we're desperately concerned about yet.

Will oil companies and operators look to spend their windfall gains on E&P?
This income has come from bases where organizations have been struggling through the Covid period. At the same time, we're seeing massive inflation in all the countries using these hydrocarbons and pressures on governments for windfall taxes. Governments should look very carefully at this. There is a case to be made to ring fence some of this income and reinvest it in the transition and renewables, so that t it doesn't all go to E&P or to tax coffers. But it's also clear that energy security has now suddenly run up the priority list dramatically and people need to find a way of investing in that.

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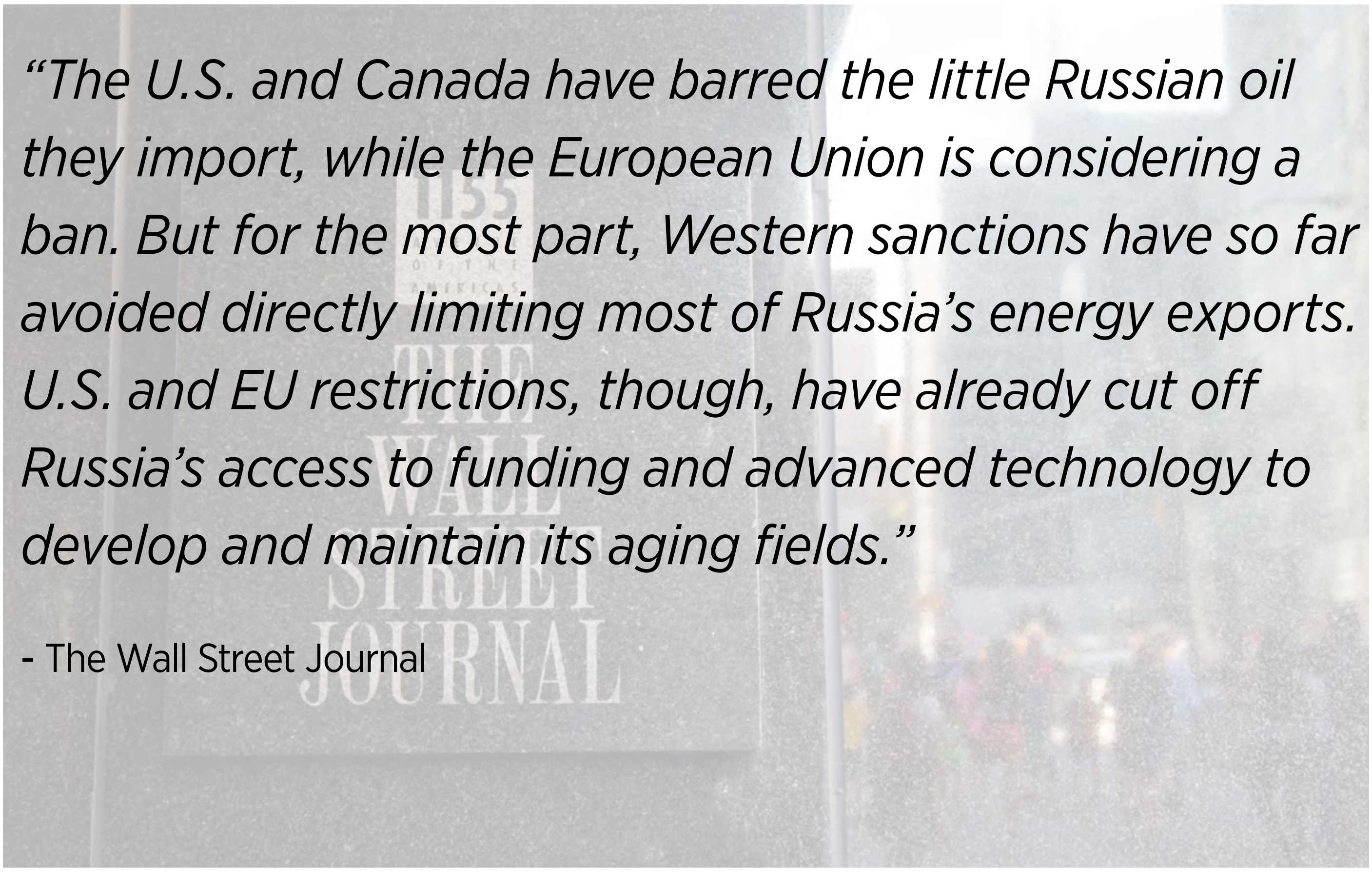

"The U.S. and Canada have barred the little Russian oil they import, while the European Union is considering a ban. But for the most part, Western sanctions have so far avoided directly limiting most of Russia's energy exports. U.S. and EU restrictions, though, have already cut off Russia's access to funding and advanced technology to develop and maintain its aging fields."

- The Wall Street Journal

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Fujairah Spotlight

UAE's Fujairah marine fuel sales plunge in Feb to lowest in a year

Sales of marine fuel in the United Arab Emirates' Fujairah marine refuelling and oil storage hub dropped 5% in February, official data showed, slumping to their lowest in the last year. February bunker sales volumes were about 612,000 cubic meters, according to the latest data from the Fujairah Oil Industry Zone (FOIZ), equivalent to about 586,000 tonnes, Reuters calculations showed. The February sales volume, which is a decline for a fourth consecutive month since a record high in October, is also the lowest on record since the data was made available at the start of 2021.

Source: Hellenic Shipping News

National Bank of Fujairah concludes its participation at Global Trade Facilitation Summit 2022

National Bank of Fujairah (NBF) PJSC announced its participation at the globally renowned trade facilitation conference, GTFS (Global Trade Facilitation Summit) Dubai 2022, that took place this week at the Dubai Chamber. The week-long summit had physical and virtual top tier attendees from around the globe including NBF's executive team. The ICC (International Chamber of Commerce) organised an event that served as a congregation for NBF and practitioners in the facilitation of international trade & finance to join in the conversation and provide insights into developments, legal and technical issues impacting global trade & finance.

Source: ZAWYA

Fujairah hosts International Theatre Institute meeting

Fujairah hosted the regular meeting of the International Theatre Institute (ITI) of UUNESCO under the chairmanship of its President Mohamed Saif Al-Afkham, to discuss a host of issues concerning the ITI. The first direct post-COVID-19 meeting discussed the state of affairs of the theatre across the world and ways to bring back the performing arts back to normal life after it had been affected by the pandemic. The meeting stressed the need for the gradual return of theatrical activities and workshops and urged national offices across the world to present studies in that respect.

Source: Emirates News Agency-WAM

Fujairah kicks off 'Spartan Trail and Tough Mudder' international sports event

The Emirate of Fujairah has kicked off the Spartan Trail and Tough Mudder international sports event, which is being held under the patronage of H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah. Located no more than an hour and a half outside of Dubai, UAE, Fujairah Adventure Parks' natural landscape stood out to attract the ultimate obstacle course challenge in the Emirate of Fujairah.

Source: Emirates News Agency-WAM

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Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
March 20th - 24th

- Global markets may need to adapt to the possibility that Russia's war in Ukraine could grind into a long-term frozen conflict as there will be great difficulty to reach agreement on Ukraine's territorial integrity.
- Russia can no longer threaten to cut energy exports now that the West has frozen its 'Fortress Russia' foreign reserves -- it has to continue to sell oil and gas to earn income.
- China's biggest motivation to see an end to Ukraine war is because it will struggle to combat the tsunami inflation triggered by Russia's invasion of Ukraine.
- The oil market remains subject to overwhelming supply concerns with OPEC+ 1mbpd below target, and Russia facing up to 3 mbpd shut in from de facto sanctions.
- Europe's dash for new energy supplies to replace Russia will face the harsh reality of competition from Asia and higher prices.
- India is quite critical of any plan to weaponize oil and gas in the global geopolitical face-off between the West and Russia over its invasion of Ukraine.
- Inflation piling on inflation, along with near record commodity prices, is likely to drive the global economy into a recession as monetary policy makers will have no choice but to accelerate rate rises faster and further than markets are pricing in.
- Europe completely underestimated energy vulnerabilities – it's not possible to replace Russian supply with a flick of a switch today, particularly with several other supply disruptions throughout the market.
- Expression of support seen between China and Russia at the Beijing Olympics hasn't manifested itself into action the way Russia would have expected, with China showing more attention to its trade ties with the West.
- Iran US nuclear talks may stall again, with Iran's demand to dismiss 2019 decree on its Revolutionary Guards a possible sticking point and one Biden will have trouble playing domestically.

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