JULY 21st 2022
VOL. 126

Fujairah New Silk Road WEEKLY NEWSLETTER

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

"BIDEN VISIT TO SAUDI ARABIA FAILED TO RELAUNCH STRATEGIC RELATIONSHIP!"

David Rundell, Longest Serving US Diplomat in Saudi Arabia & Author – *Vision or Mirage, Saudi Arabia at the Crossroads*

There shouldn't be any surprise following Biden's visit to Saudi Arabia. These things are very carefully choreographed, and the negotiations should all have been taken care of. They don't really expect the president and the crown prince of Saudi Arabia to negotiate a deal in an hour. I had said that it's unlikely that we were going to see major changes in any of the most prominent issues. I didn't expect any great breakthrough on the Arab Israeli agreement peace process, especially as Israel doesn't have a government now. I didn't really expect that there was going to be any kind of an Arab NATO, particularly in light of the fact that Saudi Arabia remains unpopular in the United States, and you could never get something like that passed in the Senate. I didn't think there would be any great breakthrough on Yemen because the Saudis, more than anybody else, want that war to end. What I did expect and hope for and what would have made the trip worthwhile, both for the Saudis and for the United States, and especially for Biden to take the political heat that he was inevitably going to have to do, was that it would be a first step in the rebuilding of an important strategic relationship for the United States. And that really didn't happen and that disappointed me.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

6,589,000 bbl	2,734,000 bbl	12,553, 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
$3.62 - 4.38/m³

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

Weekly Average Oil Prices

Brent Crude:	$103.23/bl
WTI Crude:	$99.00/bl
DME Oman:	$103.19/bl
Murban:	$106.21/bl

*Time Period: Week 3, July 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO
High = $1,050.00/mt
Low = $1,000.50/mt
Average = $1,014.50/mt
Spread = $0.00/mt

MGO
High = $1, 453.00/mt
Low = $1,388.00/mt
Average = $1,408.00/mt
Spread = $0.00/mt

IFO380
High = $530.00/mt
Low = $498.00/mt
Average = $508.50/mt
Spread = $32.50/mt

*Source: Ship and Bunker, *Time Period: July 13-July 20*

Fujairah Bunker Sales Volume (m^3)

372 180cst Low Sulfur Fuel Oil	482,926 380cst Low Sulfur Fuel Oil	132,690 380cst Marine Fuel Oil
1,287 Marine Gasoil	29,909 Low Sulfur Marine Gasoil	5,036 Lubricants

Source: FEDCom & S&P Global Platts

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CONTINUED FROM PAGE 1

David Rundell, Longest Serving US Diplomat in Saudi Arabia & Author – *Vision or Mirage, Saudi Arabia at the Crossroads*

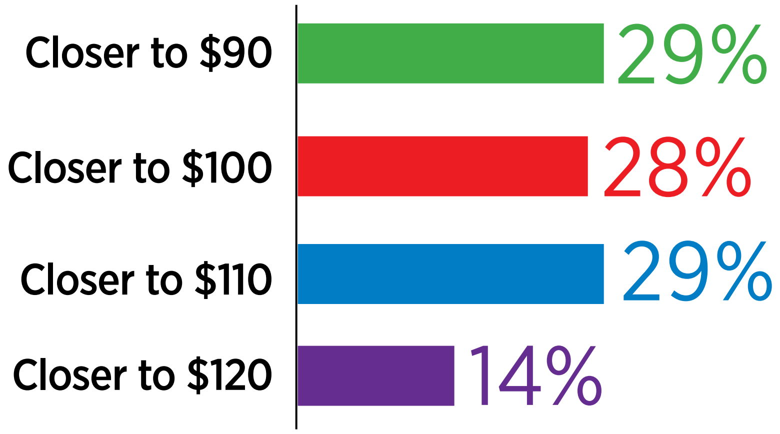
What should Biden have done?
He should have shaken hands with MBS but didn't and that was a sop to the human rights advocates in the United States. But there are lots of other people who in America, understand that we have moral values that we need to protect, but also that we have interests, and right now our interests are being able to buy gasoline and avoid inflation and that's something the Saudis can help us with and so it's important to rebuild the relationship. Biden could have also said that there are a lot of good things happening in Saudi Arabia, such as Vision 2030, which is a profound social and economic change and that the US ought to get behind that. Had he done all that, and taken no more heat than he has, then he would have begun to rebuild the relationship. All he managed to do was annoy everybody. He could have also addressed food and fuel security. Those are real problems for a lot of the world and they're going to get worse and that's going to cause instability. It's already doing so in Sri Lanka, it's going to cause instability in Pakistan and probably in Egypt too and even in Panama, and that's going to be a real headache. He could have stepped up to the plate and said America produces a lot of corn but is using 40% of it to put it into ethanol. The US could get that ethanol even cheaper from Brazil, but we don't because there are tariffs on imported ethanol. Instead, Biden has said he would spend $100 billion on green energy and only $1 billion on food security.

How will Russia and Iran becoming more friendly be viewed in Riyadh?
I don't think Saudi will welcome it, but it won't really affect their agreement in OPEC+. That is something they've worked hard to achieve, and they would not abandon that.

Do you expect US production will rise significantly in 2H 2022?
I'm not 100% sure what's going to happen with oil supply outside the US or within the US, regardless of all these investment banks that are being disincentivized. But I do know that the Permian is at record highs. There are plenty of people in America who would respond to high prices, so I'm not sure that America is going to completely walk away from increasing production. The government's going to try and make that hard but eventually the American people may wake up and realize that this green fantasy is precisely that.

WATCH FULL INTERVIEW HERE

What will brent crude oil price be at the end of summer holiday season Aug 31?



Energy Markets Views You can Use

Adi Imsirovic
Senior Research Fellow
The Oxford Institute for Energy Studies

We're seeing demand destruction in the market due to these high prices.
US gasoline is below $4 a gallon from well over five bucks just a month ago. Margins are probably at 12-week lows overall. Gasoline cracks have come down over 30% in just one week and it's a similar picture in Europe. So, it looks like developed economies are showing the same price sensitivity as some of those in Asia.

Impact from Biden's trip to Saudi on OPEC policy?
There is idle capacity and Saudi Arabia and the UAE could increase output very quickly by about 1.5 million barrels a day, at least for the short to medium term. That would have an impact on the market. The Gulf countries are aware that having recession in the West, particularly one caused by a shortage of energy, is not going to help anyone. Yes, it would mean losing excess capacity but that's there to be used when it's needed. So, there is enough oil out there in the market. The main worry is recession in the Western world. Europe is looking by far the weakest, which is one of the reasons why the euro is falling because the European Central Bank cannot increase interest rates in any way like the US.

Expected outcome from the Fed meeting at the end of the month?
It's going to be the key. I would not be surprised to see a 100 basis points increase simply based on the inflation numbers out there. And when US sneezes, there will be a knock-on effect on everyone else in terms of interest rates, and high rates are not good for commodities. The UK and Europe will eventually follow by at least a 50 basis point increase.

How tight are oil market fundamentals?
Front end balances are still very tight, but as you look forward, the picture doesn't look particularly good. The market is hovering between $100 and $110 a barrel and the cap on that is purely going to be interest rates. I think high inflation is more of a risk than higher energy prices, especially for developing economies, so this fight against inflation is going to make a big dent not just on oil prices but other commodities also.

Robin Mills
Chief Executive Officer
Qamar Energy

Likely action by OPEC+ come September?
The base case very much depends on what demand looks like and where prices are. If it's reasonably strong and prices are looking okay, Saudi and the UAE will continue creeping up output until the end of the year. If not, they will just freeze it at around current August levels. They're the only ones with any significant spare capacity but despite most of the other countries not hitting their current baselines, it would still be politically very sensitive to realign those quotas. The internal politics are also very tricky because they have Russia in OPEC+ and so we will have to also see where Russian production and exports are at.

Can the proposed US price cap on Russian oil get off the ground?
It would not work because there will always be an incentive for someone to pay a bit extra over the cap, and Putin will start handing out allocations to his allies and also play one off another. A price cap would also need critical mass to work, and not enough parties could be coordinated into that, including India and China. One idea being proposed by some academics, which would reduce Russia's oil earnings without reducing the amount of Russian oil on the market, would be to apply a tariff on Russian oil. If the tariff is around $50 or $60, then Russia would still get $40 which is enough to cover their production costs, but it still achieves the objective of Europe and the US to cut Russia's earnings. But unfortunately, this idea isn't getting any policy traction.

How would Russia respond?
The Russians are going to respond in some way, whatever measures are taken against them - whether it's price cap, tariffs or an outright ban, and the US and Europe should be ready for that. Russia has shown this in gas already - that it's very willing to cut production and inflict pain on their buyers and maybe on themselves too. Russia is thinking short term, about getting into winter and putting pressure on Europe. It's probably also hoping Biden and the Democrats lose in the midterms and that the political realities force a compromise. It's not thinking long term about retaining markets and buyer trust as that's all gone anyway.

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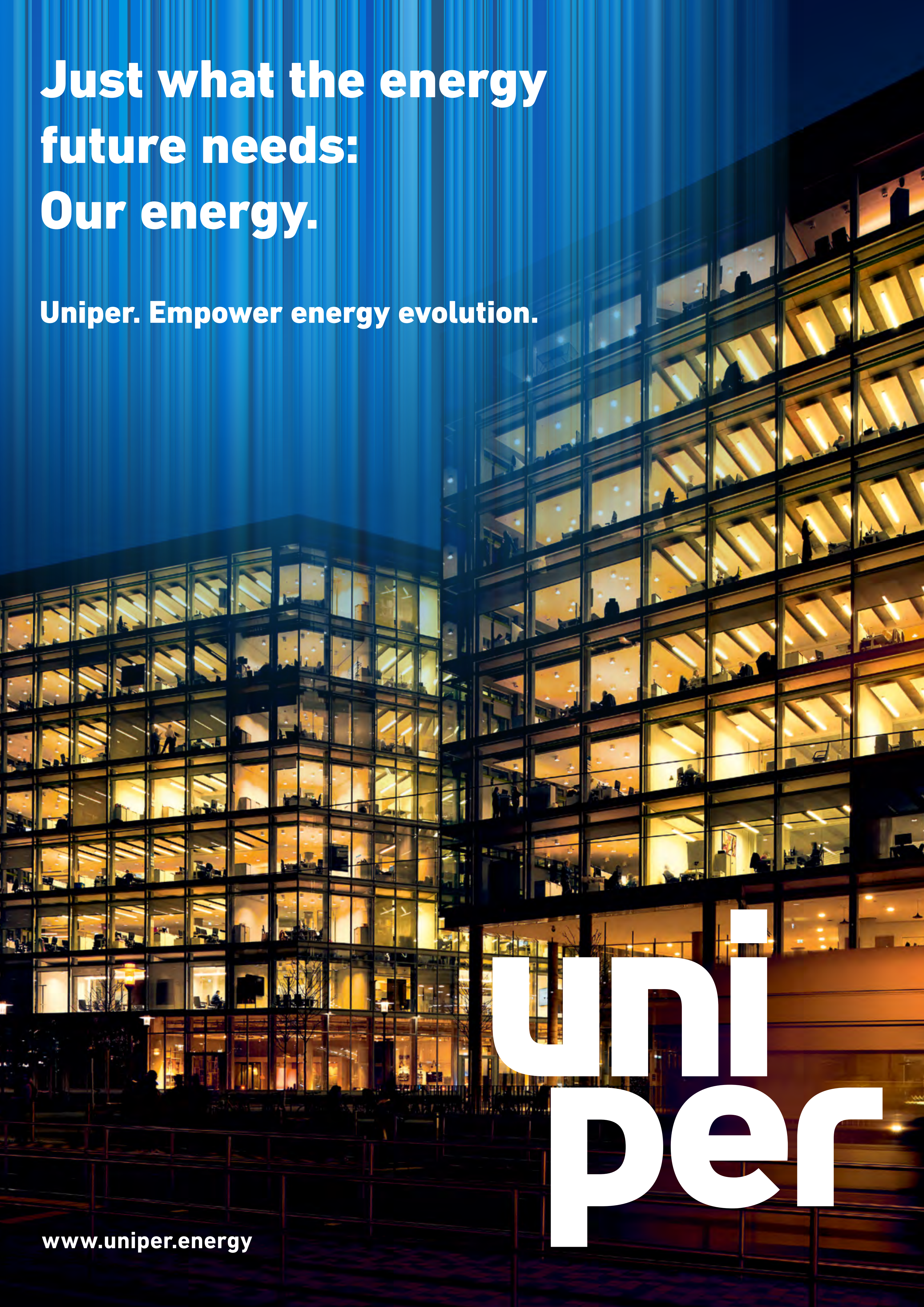
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Fujairah Spotlight

Oil product stocks fall for second week after 26% drop in middle distillates

Oil product inventories at the UAE's Port of Fujairah dropped for a second consecutive week in the seven days ended July 18, led by a 26% decline in jet fuel and other middle distillates stocks, according to Fujairah Oil Industry Zone, or FOIZ, data provided exclusively to S&P Global Commodity Insights. Total stockpiles stood at 21.876 million barrels as of July 18, down 0.8% from a week ago after hitting a one-year high July 4, according to the FOIZ data provided July 20. Middle distillates inventories dropped to a five-week low of 2.734 million barrels, while heavy distillates used for power generation and shipping rose 3.4% to a two-week high of 12.553 million barrels.

Source: S&P Global Commodity Insights

Palace Beach Resort Fujairah has opened its doors

Sister hotel to Address Beach Resort Fujairah, the two properties will work together to offer guests the ultimate break. Palace Beach Resort is slightly closer to Dubai, at a one-and-a-half hour drive as opposed to Address Beach Resort's two-hour journey.

Source: What's On

Fujairah Ruler offers condolences to King of Bahrain

His Highness Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, has sent a cable of condolences to King Hamad bin Isa Al Khalifa of Bahrain on the death of Shaikha Mathayel bint Ali bin Isa bin Salman Al Khalifa.

Source: Sharjah24

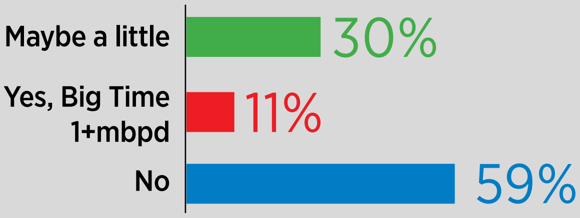
GP Global Sells Fujairah Bunkering Terminal for $124Million

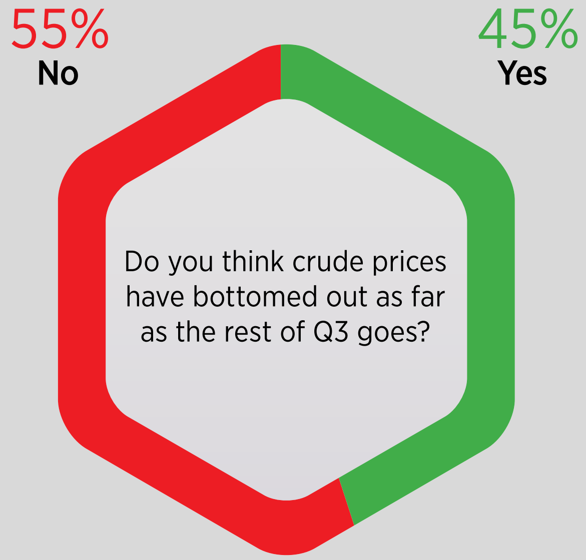
Oil trading firm GP Global, which is being restructured following a financial upheaval in 2020, has sold its Fujairah bunkering terminal for $124 million. Restructuring company FTI Consulting now running GP During its restructuring process, sold the terminal to Mount Row for $124Million at the end of May, a source familiar with the transaction told Ship & Bunker.

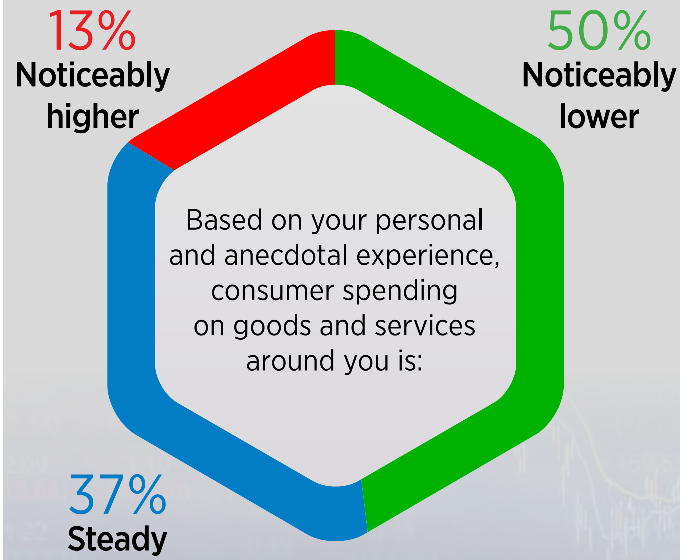
Source: Ship & Bunker

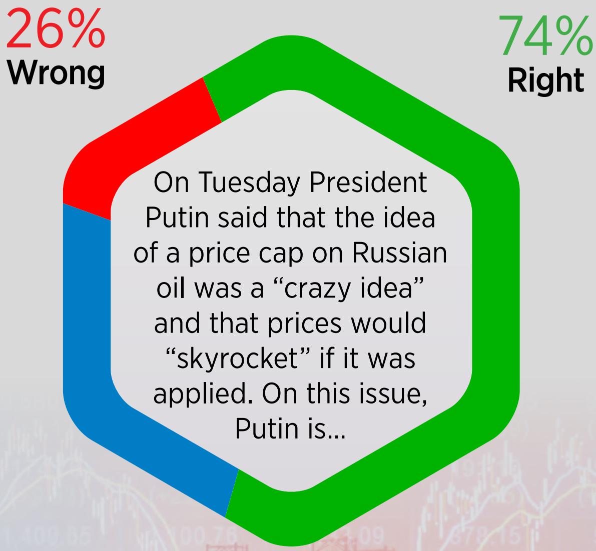
Weekly Surveys

Will JOE-MBS fist bump deliver more oil supply from gulf after OPEC+ agreement expires next month?









Source: GI Research March 2022

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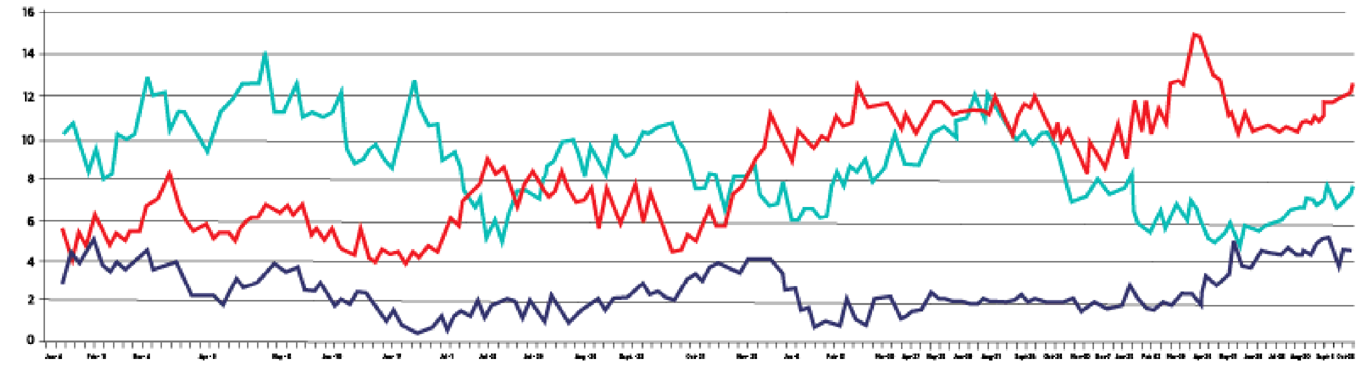
Fujairah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 21.876 million barrels, down by 167,000 b/d, or 0.8% week-on-week. The stocks movement saw a build in light distillates and heavy residues while middle distillates posted a draw.
- Stocks of light distillates, including gasoline and naphtha, rose by 365,000 barrels or 5.9% on the week to 6.589 million barrels. The East of Suez gasoline complex was under some downward pressure with concerns from traders that Indonesian gasoline demand may drop as the country's government may introduce new restrictions on the purchase of subsidized 90 RON gasoline, market sources said. In tender activity, Qatar energy was offering 25,000 mt of 95 RON gasoline for loading over Aug. 8-9 from Mesaieed, Qatar, in a tender that closed July 19.
- Stocks of middle distillates, including diesel and jet fuel, fell by 941,000 barrels or 25.6% on the week to 2.734 million barrels. The East of Suez gasoil complex was seeing an easing of tightness with increased outflows from South Korea and other major regional exporters, market sources noted. However there could be an uptick in demand in Europe for gasoil as the International Energy Agency July 18 called for gas-to-oil switching for power generation in Europe in order to save natural gas ahead of the winter. European leaders should "temporarily" boost coal- and oil-fired generation "where it is politically acceptable and technically feasible," the IEA said, as part of its five-point plan for the EU to cut regional gas demand as it faces a potential supply cutoff from Russia.
- Stocks of heavy residues rose by 409,000 barrels or 3.4% on the week to 12.553 million barrels, holding above 12 million barrels for the third consecutive week. In the Port of Fujairah delivered marine fuel 0.5%S bunker was assessed at $990/mt on July 19, reflecting a fall of $5/mt day on day. In contrast delivered marine fuel 0.5%S bunker in Singapore was assessed at $1007/mt on July 19, reflecting a rise of $7/mt day on day. The $17/mt spread between the two ports which saw Fujairah's recent premium to Singapore flip to a discount in recent days was reflective of underlying supply tightness in Singapore coupled with steady demand. In contrast the Middle Eastern port was seeing tepid demand and an easing of LSFO supply, sources said.

Source: S&P Global Platts

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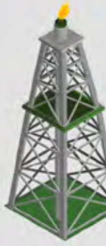
الشارقة الوطنية
SNOC

EXPLORATION
& PRODUCTION



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STORAGE
& LOADING

Today, we continue to look for new and innovative ways to maximize the value of our resources, pioneering those approaches and technologies that will ensure we are able to meet the demands of an ever-changing energy market, and continue to have a positive impact on the Sharjah economy for future generations.

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Energy Markets Views You can Use

Christof Rühl

Senior Research Scholar - Center on Global Energy Policy
Columbia University

Will the US visit to Saudi bring more oil onto the market?

As expected, Biden got a vague promise of future OPEC+ increases but that's not very meaningful given OPEC+ is so far behind schedule on current quotas. But it did accomplish two things. It has moved into the public consciousness that there is excess capacity, and it also freed the need for the US to pacify Iran to some extent for the time being in terms of needing more oil. What was more interesting was the statement by Saudi that it can increase its productive capacity to only 13 million bd. That flies in the face of previous statements when they had always argued that they would increase capacity to 15 million bd and probably beyond. So, it sounded much more belligerent and more in keeping with high prices than more oil flowing.

How vulnerable is Europe to being cut off further from Russian oil and gas?

Russia will continue with this pins and needles approach to switching gas off, but it will switch on gas deliveries to Europe again. Europe already knows Russia can't redirect its gas anywhere and I don't think that Russia will cut off the gas permanently. If Russia cuts gas or oil exports on their own account, they will play right into the hand of the sanctioning alliance. That would be the best thing that could happen to the G7 and NATO countries. This is economic warfare and the West needs to realize that in times of war, you have costs. It is the stamina of the West to incur these costs which will determine the outcome of the war, not any kind of Russian action. And as long as energy sanctions can be sustained or even hardened on Russia, you will see the situation in Russia deteriorating. The Russian economy does not look good.

Macro outlook for the global economy given recent Fed rate policy?

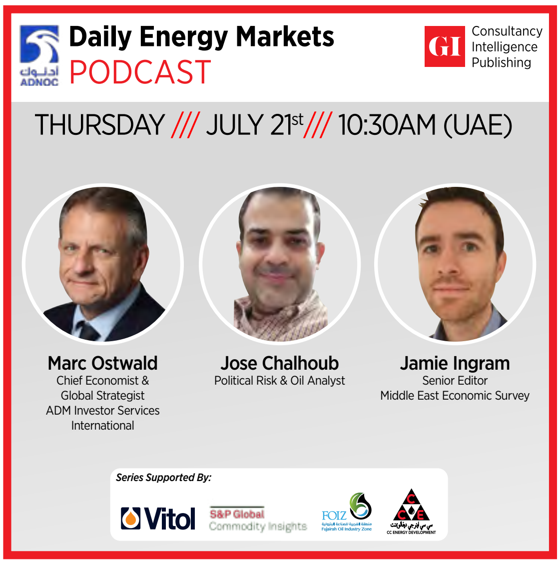
I think the Fed did something very right for once, which was to put this hundred basis point increase on the table. It is a deliberate attempt and message to the market that they want to get inflation under control more than avoiding a recession. We should never forget that it is much harder to dislodge persistent inflationary expectations than it is to cure a recession. If inflation gets entrenched, we are in it for two or three years and then people ask for higher wages etc. Let's also remember that unemployment is still at record lows and economic growth is still very high. If we did have a recession, there would be a period of a couple of quarters without growth, which would not be very meaningful in terms of economic suffering. A recession when unemployment is at 3% is very different from when it is at 10%.

Should we expect a recovery in Chinese or Asian demand in 2H 2022?

The Chinese economy is still performing very poorly. The lockdowns are becoming continuously extended and export bottlenecks are prevalent everywhere. I think that by the summer, we could see quite a significant Chinese stimulus for consumers. The question then will be whether that will have an impact on the rest of the world and whether it will boost exports into China of raw materials and oil. It is just a matter of size. If it's big enough, it will boost demand for commodities and oil, at least temporarily. And thereafter, it depends whether in the meantime, the US and Europe maintain growth. If they go into a recession while China conducts a boost to its economy, it's less likely to work.

Energy Markets COMMENTARY

WEEK IN REVIEW



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Energy Markets Views You can Use

Mike McGlone
Senior Commodity Strategist
Bloomberg Intelligence

The Fed is taking out a sledgehammer on markets.

I'm quite impressed that they're going to go 75 basis points two meetings in a row. Since the last meeting, copper has dropped about 20%, crude oil about 20% and the Bloomberg Commodity Index about 10%. The stock market is still unchanged, but I expect it to give back all the gains from the COVID rally. All risk assets, with the exception of bonds, will continue to decline and crude oil is the most vulnerable of all commodities. Even super elastic corn, which has a major reason to rally because of supply issues from Ukraine, is almost unchanged on the year. This is the beginning of the great reversion of 2022 and it's just getting started. It looks just like 2008 but is dropping from a higher level and at a higher pace. I expect that we will have severe deflation a year from now.

Have energy prices started to eat into demand?

We've had the highest unleaded gasoline and diesel prices ever in this country. Demand destruction is kicking in. The latest data from the Department of Energy for implied demand is that it plunged in July. That never happens. I haven't seen data that low since 2003. The level of demand for unleaded gas and diesel in this country is rolling over. The big picture in terms of commodities is that Biden needs energy prices lower to get elected and if he isn't, we're going back to drill will Republicans - that pendulum has swung completely.

GI Soundings Week in Review

"Oil Markets to Lock onto $100 like a Barnacle on a Rocky Beach!"

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.

- **Danial Rahmat, Senior Energy Security Consultant**
- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Rafiq Latta, Senior Correspondent, Energy Intelligence**
- **Ahmed Mehdi, Research Associate, Oxford Institute for Energy Studies**
- **Richard Redoglia, Chief Executive Officer, Matrix Global Holdings**
- **Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International**

Danial Rahmat, Senior Energy Security Consultant – IRAN: "The political structure of the Middle East has significantly changed since the JCPOA deal was signed in 2015. Iran is now signaling it could be part of a new assertive bloc against the West. Iran is comparing what it could gain from a JCPOA revival, with getting closer to Russia as a strategic ally. Even if the JCPOA is revived, it could be very temporary and so won't result in a strategic separation by Iran from Russia or even China."

Omar Najia, Global Head, Derivatives, BB Energy – OIL: "You have to have a good reason for crude to either set new highs or set new lows. Right now, people are still long, in the financial and oil markets and are thinking that if they just hold on, it's going to be okay, but it's not going to be. Oil got to $90 and then it bounced up again, but we still need to disgorge more of this length for the oil market to be 'healthy' again."

Rafiq Latta, Senior Correspondent, Energy Intelligence – RUSSIAN GAS: "You can clearly see a trend where Putin is using gas as a political lever to further this conflict. He clearly wants to send messages and he wants to make sure that Europe gets to winter in not a great state in terms of its gas storage, and that prices are very elevated."

Ahmed Mehdi, Research Associate, Oxford Institute for Energy Studies – SAUDI OIL: "Regardless of what Saudi's maximum sustainable production capacity is, whether 11mbd or 12 mbd, I think realistically the market is already buying the argument that in terms of Saudi messaging, that figure of 12mbd is what the sustainable capacity is."

Richard Redoglia, Chief Executive Officer, Matrix Global Holdings – US ENERGY: "Every major investment bank and private equity group has sworn off energy investment. We have a US policy that's looking to the rest of the world with its head in the sand, letting everyone else invest in oil. We're going to trade oil independence for mineral dependance, and if we have a dollar that has less value, and Russia with China and Iran and others putting huge amounts of money into commodities with energy demand rising, how's that going to work?"

Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International – INVESTMENT: "The lack of investment that we've had over a long period will keep oil supported. The bottom is probably a little bit below where we are today, but somewhere in that $90 to $95 area is a very firm floor, barring some seismic event that would make demand drop off a cliff in the short term. Oil prices are going to be relatively high to where they were pre-pandemic simply because this is a structural issue."

Energy Markets Views You can Use

Bora Bariman
Managing Partner
Hormuz Straits Partnership

The Fed has set autopilot in a general direction.

It is finally pushing back against inflation, and the economic data does make it appear to be a sustainable strategy given the relatively strong employment figures. The effective Fed funds rate is around 1.5% compared to a rate in 2019 of 2.5%. So, if they raised it 100 points, you would still have just been back to a normal situation at a point when we don't have normal inflation. If the Fed is going to step in front of the inflation cycle, they need to weigh on the aggressive end of the hikes, but they're also clearly concerned about a strong and deep recession. They want to create a soft, shallow recession. What they're trying to do is create the expectation that rates could get high and that they are committed to these 75-point hikes. They're giving themselves time to get there because there's that gap between the effective Fed funds rate and inflation at 9%. However, while the US can take a 0.75% hike, the European Central Bank is impeded, primarily because of the sovereign credit profile of countries like Italy and the geopolitical energy uncertainty for Europe. That's why the euro has been pulled down to parity with the dollar and these dynamics won't change for some time.

Have we seen demand destruction kick in yet?

The Consumer on the street is experiencing a real affective decline in purchasing power and they can't offset it with putting their money in the bank and earning interest and also can't be investing in any other real asset class right now – gold, silver and copper are all down year on year. It's proving difficult to avoid the pain of the erosion of the value of their assets.

ENERGY MARKET NEWS

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
July 17th - 21st

1. Joe Biden's visit to the Gulf is a game changer in rehabilitating US relationship with traditional Mideast allies, and puts a pause, if not reversal, on China and Russia's open door unobstructed access to the region.
2. The outlook for global economic growth continues to weaken and with it demand for all commodities subsides, but crude prices could remain above $100 as supply destruction could keep pace with demand destruction.
3. US oil producers, especially smaller independents, are very keen to add capacity but they can't get the supply chain materials they need to complete wells.
4. Iran appears to be comparing what it can get out of the renewal of the JCPOA vs what it can get from moving closer to Russia.
5. There are increasingly no safe havens to hide your money from the pain of Inflation as all assets are down down, down, from gold to equities!
6. Oil market investors are still predominantly long in the hope that all will be ok, but it won't be, and crude prices won't climb again until the long tail is diluted significantly.
7. The FED has finally taken up the Sledgehammer to fight inflation, which will accelerate the Great Market Reversion of 2022, with all markets giving up their COVID gains.
8. Saudi Arabia may not have overtly responded to Joe Biden's visit with a commitment to pump more oil, but that doesn't mean it won't happen in Q4 after the OPEC+ agreement expires.
9. Putin is clearly weaponising gas supplies to ensure Europe arrives at next winter with a shortage.
10. Saudi oil exports look set to grow over the summer as the Kingdom is receiving discounted fuel oil from Russia, and hence doesn't have to burn its own crude for power generation.

10th Anniversary EMF22 WEEK ITINERARY

ENERGY MARKETS FORUM

October 4th - 6th, 2022 | Novotel, Fujairah

DAY 1 - OCT. 4th

What: Port of Fujairah Executive Boat Tour
Where: Port of Fujairah
Time: 2:00pm

What: FOIZ Oil Storage Terminals Industry Tour
Where: Port of Fujairah
Time: 2:00pm

What: The Aramco Trading New Silk Road CEO of the Year Awards 2022
Where: Novotel, Fujairah
Time: 7:00pm

DAY 2 - OCT. 5th

What: Industry Forum - East of Suez Outlook
Where: Novotel, Fujairah
Time: 8:00am - 3:00pm

What: International Energy Journalism Awards Dinner
Where: Novotel, Fujairah
Time: 7:00pm

DAY 3 - OCT. 6th

What: Energy Markets Workshop - Benchmarks
Where: Novotel, Fujairah
Time: 8:00am - 2:00pm

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