Fujairah New Silk Road WEEKLY NEWSLETTER

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"There's an Expectation From COP28 to Get the Energy Transition Back on Track!"

Ian Jones, Head of Knowledge, Insights, and Research, Energy Institute

The world is not on track to meet its 2050 net zero targets, with greenhouse gas emissions growing nearly 1% in 2022, despite a record year of growth for renewables. Until we get to a point where the annual addition of clean energy starts to exceed the annual increases in energy demand growth, it's going to be very difficult to see fossil fuels losing their 80% plus grip on the world's energy mix. The Energy Institute's recently published UAE Energy Barometer survey, which was conducted on our membership and other professionals across the energy sector in the UAE, confirmed the expectation that the region will be adversely affected by climate change by 2050. At a global level, there's an expectation that the focus of COP28 must be to get the Energy Transition back on track, and ideally ahead of schedule. We must see a proactive push on multiple fronts; including strengthening existing country commitments, increasing the deployment of renewables, and reforming and reinforcing climate financing and agreements to phase out coal. Climate change is a universal problem and requires universal action. And while funding large capital investments is crucial, end users also have a significant role to play and need to be adjusting behaviors and attitudes to energy consumption, through simple actions such as lowering heating or raising cooling levels in homes, turning off lights, or installing effective insulation. And equally important are the choices that we all make in terms of the technologies that we buy, such as smart and efficient appliances, and hybrid and electric cars. There are very simple actions that we can all take to reduce our energy and carbon footprint.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

4,779,000 bbl	3,197,000 bbl	10,687,000 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
$3.57 - 4.09/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.30/m³

THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	$76.68/bl
WTI Crude:	$71.38/bl
DME:	$78.03/bl
Murban:	$78.15/bl

*Time Period: Week 1, December 2023
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $649.00/mt

Low = $616.00/mt

Average = $634.00/mt

Spread = $33.00/mt

MGO

High = $927.50/mt

Low = $889.50/mt

Average = $911.00/mt

Spread = $38.00/mt

IFO380

High = $454.00/mt

Low = $423.00/mt

Average = $437.50/mt

Spread = $31.00/mt

*Source: Ship and Bunker, *Time Period: Nov 29 – Dec. 6, 2023*

Fujairah Bunker Sales Volume (m^3)

792
180cst Low Sulfur Fuel Oil

449,652
380cst Low Sulfur Fuel Oil

164,107
380cst Marine Fuel Oil

1,699
Marine Gasoil

37,903
Low Sulfur Marine Gasoil

4,499
Lubricants

Source: FEDCom & S&P Global Platts

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CONTINUED FROM PAGE 1

Ian Jones, Head of Knowledge, Insights, and Research, Energy Institute

Has Energy Security dislodged the Energy Transition's momentum?

Just as the world was seeming to return to business as usual following the Covid pandemic, the conflict in Ukraine changed assumptions around energy supply and demand fundamentals. And whilst international markets worked to maintain secure supplies of energy, it was at the expense of significant price and cost of living stress across many economies, certainly as a scramble to source energy. Our UAE Energy Barometer survey indicated that greater action is needed on three fronts - investment in carbon capture and storage (CCS), reducing methane emissions and natural gas flaring and improvement in energy efficiency. Sustainability and affordability are still very much in the forefront of people's minds in the Gulf region.

How soon could Hydrogen become a viable clean alternative fuel?

I see strong parallels to the international LNG market. For many years, LNG trains were developed based on guaranteed offtake demand, with many oil majors investing in gas fired power plants. And then over time, spot markets began to develop. For hydrogen, a guaranteed off taker will be the initial stimulus and then, as people get confident about demand and security of supplies, we will start to move to more liberalized global spot markets. A lot of talk we hear around hydrogen today is whether it will truly become a globally traded commodity like oil and gas and coal or be limited to more local regional markets and use. One of the potential benefits of hydrogen also is that it gives the oil and gas industry an opportunity to repurpose some of its existing large infrastructure, which it has built at an immense cost.

Are oil and gas companies committing enough to renewables investment?

The oil and gas industry is fundamentally different from the power industry, particularly in terms of core competencies and skill sets required. Power utilities have decades of experience in building and operating power stations, and an understanding of grid networks and their customer base. Simply put, it will take time for oil and gas companies to move into that space and build up that same level of expertise.

Advantages to Gulf markets unifying their power grid systems?

The concept of shared facilities across the region is something that should possibly be pursued more strongly. We've seen this play out across the world – that if you start to connect power grids, then the sharing of assets and being able to optimize demand loads across regions, does bring synergies and benefits in the economies of scale, and particularly within the intermittent generation of renewables. Increased grid connectivity helps that process and helps maintain stability in grid operations.

WATCH FULL INTERVIEW HERE

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Marking a new chapter in ADNOC's transformational journey to a lower carbon future, we have brought forward our Net Zero ambition to 2045 and aim to achieve zero methane emissions by 2030.

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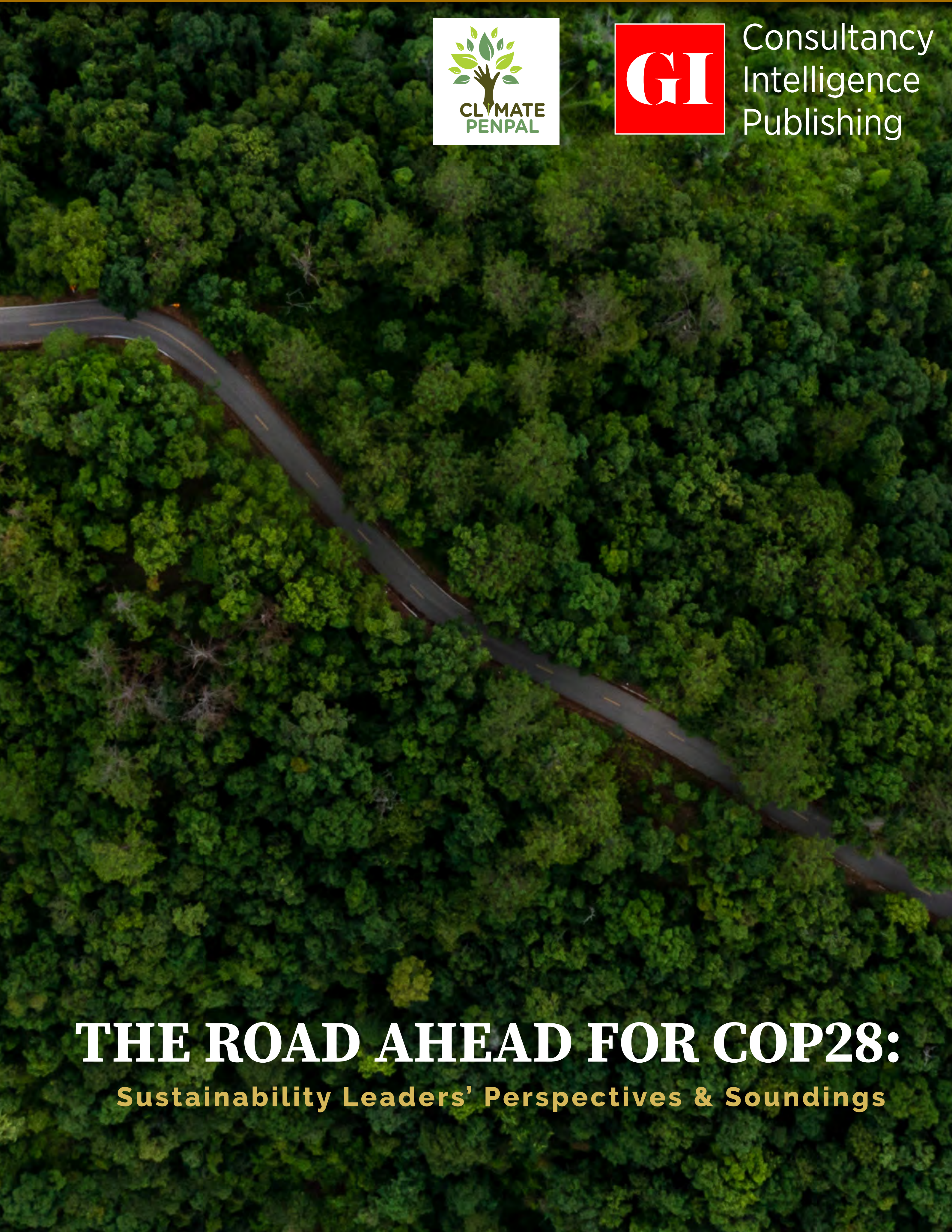

Fujairah Spotlight

Fujairah Ruler briefed on GAIAE's future projects

His Highness Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, received Omar Habtoor Al Darei, assigned Chairman of the General Authority for Islamic Affairs and Endowments (GAIAE) and his accompanying delegation.

Source: www.sharjah24.ae

Fujairah, Rotterdam explore climate action cooperation

Aseela Al Mualla, Director of Fujairah Environment Authority (FEA), met Ahmed Aboutaleb, Mayor of Rotterdam, to discuss ways to enhance joint cooperation and projects on various environmental issues.

Source: The Print

National Bank of Fujairah shares insights into sustainable finance and ESG strategies through its knowledge-sharing platform

The National Bank of Fujairah (NBF) has hosted the latest in its long-running series of knowledge-sharing events. The two autumn events, which were attended by over 200 participants, showcased NBF's pioneering sustainable and Islamic finance offerings, and ensured customers and delegates were kept abreast of developments in sustainability and the transition to net-zero.

Source: Zawya

Emirates Environmental Group commences the 22nd cycle of "Clean UAE" expedition from the Emirate of Fujairah

Under the esteemed patronage of the Ministry of Climate Change and Environment (MOCCAE), the Emirates Environmental Group (EEG) embarks on the 22nd cycle of its annual nationwide Clean UAE campaign. The inaugural event kicked off in the Emirate of Fujairah on December 5th behind Friday Market in Masafi. The campaign was held in collaboration with the Fujairah Natural Resources Corporation.

Source: Zawya

Independent Oil Storage Services

Vopak Horizon Fujairah Ltd. offers high quality logistic services to the oil industry

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Energy Markets Views You can Use

Vandana Hari
Founder & CEO, Vanda Insights

OPEC+ seems to have made a couple of major rookie mistakes.

The market thinking has been around a three million barrels per day ongoing cut, but OPEC+ then comes out with a confusing statement that they're going to deepen that cut to 2.2 million b/d, and without clarifying by whom. We should also wonder why they did not provide a more bullish signal to the market by saying that the cuts would be until the end of next year, as they can always review and revise that if needed. In fact, they went in the other direction and said that the cuts will be gradually unwound after the first quarter. The market's going to remain skeptical and probably wait till at least the middle of January to see whether oil flows are dropping - only then might we find some significant support to crude prices. I do think the sell-off that we're seeing has probably been a bit overdone - the market is underestimating the additional cuts to an extent. We may see a turnaround in sentiment after all, but more so in June next year than this month.

How should the market interpret the lower Saudi OSPs to Asia?

A lot of Middle Eastern NOCs tend to follow what Aramco does – so when Saudi substantially drops its OSPs, especially to Asia, that gives a signal that it's seeing the physical market as weak, and that there's somewhat of a softening in demand, especially from China. China has been back-pedaling on its crude demand; manufacturing activity is not looking good. Every single month since April, except for September, that PMI has contracted. Even the services sector, which was doing relatively well, was barely in expansion. A lot of those oil bulls related to China economic optimism have now tempered their outlook, so that hopefully sets us on a more realistic path as we do the calculus on the demand and supply picture for 2024.

Nur Azlin Ahmad
Editor, Crude Oil - Argus Media

Russia has reduced its oil exports.

It may not be as much as the 500,000 barrels a day they initially pledged, and we will only know for sure in retrospect. That does cause some concern in the market as it has flip flopped so much on what exactly it will cut, how much of it is crude exports, products exports etc. But in terms of the whole volume of OPEC+ cuts of 2.2 million b/d pledged, that is substantial. We saw that the Saudi voluntary did deliver in April and we are positive that will continue. Our view is that if they hadn't announced these cuts, we would see a surplus of about 850,000 b/d in Q1 next year. The only caveat now is that the cuts cannot stop in the first quarter.

Outlook for China crude demand?

China's crude runs in November dipped from the record highs that we had seen towards the end of Q3. We expect December to also be a little under pressure, with a recovery in January ahead of Chinese New Year in February. We have raised our 2024 oil demand growth forecasts for China in the last month, from about 310,000 b/d to 420,000-450,000 b/d.

How are geopolitical global fractures impacting oil markets?

In terms of the Russia-Ukraine war, the market has settled down. Any fear that the conflict in the Middle East will pull in oil producers in the region, also seems to have receded. And as far as the Venezuelan referendum result that supports a claim to Guyana territory, Venezuela has just managed to get US sanctions at least temporarily lifted, and Guyana is a fairly new crude oil exporter; I'm not sure either country would want to jeopardise that revenue.

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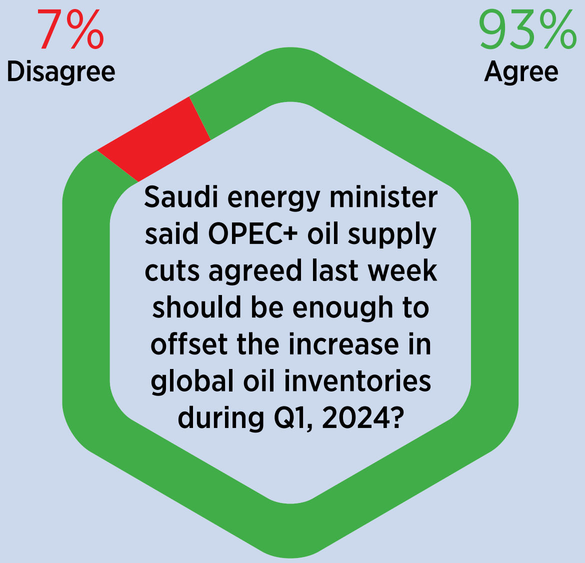
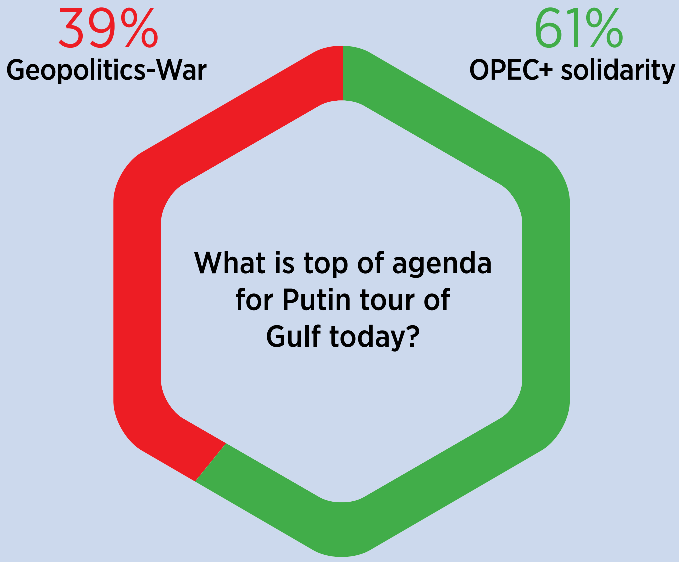
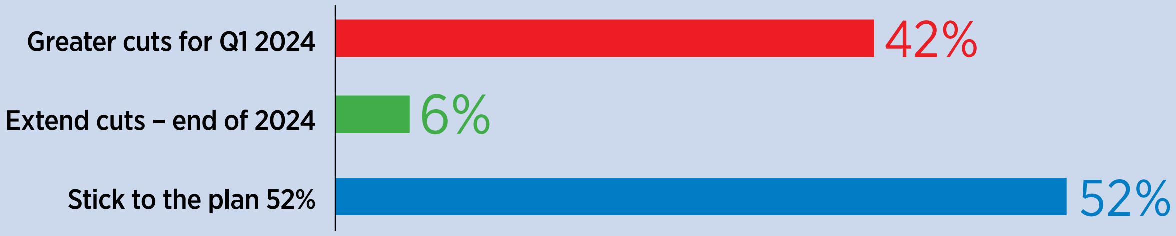
Weekly Surveys





OPEC+ latest announcement on output cuts failed to convince the market. What should it do next?



Source: GI Research March 2023

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Energy Markets Views You can Use

Maleeha Bengali
Founder, MB Commodity Corner

Many people, including OPEC+, have miscalculated the demand picture.
All indicators are showing weakness in physical markets. Contrary to expectations, we haven't seen a massive demand recovery from China in Q4 and make no mistake – the US is going through a recession and Europe has already started one. Supply has also picked up – the market has an excess of a 4 million b/d, so the only reason it's trading at these prices is because of OPEC+ cuts. Also, Saudi Arabia today is in a very different position to where it was in 2014 and 2020. It doesn't have any cards left to play to flood the market because if it does, it will lose out. It has no choice now but to wait and hope, and the longer they keep the price up, the more likely the US Fed will need to raise rates to get inflation down, and that will kill oil demand.

When will the US Fed start to cut rates?
The FOMC meets next week. The markets are obviously stepping ahead of the Fed by calling for five rate cuts for next year, which is a bit aggressive in our opinion. We know there's a lot of stress in the US economy. Employment data is coming down and jobless claims went up quite a bit this week, but not enough for the Fed to do something. We think they'll hold off for now as they can't afford a repeat of the 1970s. We do expect the world go through an economic downshift, and things are going to be quite volatile in the oil market because the Fed will be late to act, as they always are.

Ali Al Riyami
Consultant & Former Director General of Marketing, Ministry of Energy & Minerals, Oman

Nobody was expecting the OPEC+ decision to go the way it did.
There was no consensus this time, with a lot of debate on African countries' quotas, and it was left open to each of them to decide how much they want to cut and so on. The only good surprise was that Brazil will join the group. Still, the decision at the meeting was good enough to reflect the reality on the ground, and overall, the majority of the GCC countries took it in a very positive way. Unfortunately, most of the responses, by analysts and spectators was negative, and that reflected immediately in the price; they did not see the brighter side of the decision - that there is another 900,000 barrels to be cut. But I believe the market will reflect the reality and correct itself in the coming weeks. It should not be in the $70s. Of course, it depends on what happens with the global economy, but below $80 or $75 is lower than expected.

Is the Saudi-Russian solidarity at the core of OPEC+ at all fragile?
This has always been the case. Both countries have their own production and revenue agendas. For Russia to comply with any agreed quotas has always been a concern, but it's not only Russia; very few countries are complying. And let's remember that it's also difficult to monitor Russian oil exports as the majority goes through pipelines.

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Fujairah Weekly Oil Inventory Data

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 18.663 million barrels with a rise of 1.257 million barrels or 7.2% week-on-week staying below the 20-million-barrel level. The stock movement saw a drop for light distillates, a rise for middle distillates and heavy residues.

- Stocks of light distillates, including gasoline and naphtha, decreased by 458,000 barrels or 8.7% on the week to 4.779 million barrels. The East of Suez gasoline complex strengthened Dec. 5 as market participants expect low Chinese gasoline outflows into early 2024. "I expect that domestic demand in China will remain strong ahead of the Lunar New Year celebrations next year. So, China's gasoline exports could remain moderated until then," a market source said. Singapore's outflows to Taiwan more than tripled to 11,145 mt in the week ended Nov. 29, up from 3,498 mt the previous week, the latest Enterprise Singapore data showed Nov. 30, amid the delay in the expected restart date of the RFCC unit at the Formosa refinery. "I expect that Formosa will have to delay some gasoline exports, and possibly renegotiate some dates," a trader said.

- Stocks of middle distillates, including diesel and jet fuel, rose by 541,000 barrels or 20.4% on the week to 3.197 million barrels. The East of Suez gasoil market was largely stable Dec. 5, as participants were on the sidelines, awaiting fresh pricing cues. Some trade participants said Dec. 5 that the Asian ultra-low sulfur gasoil market remained downbeat due to soft demand. "Fundamentals in the [Asian] ULSD market have not changed much, it is still the same -- lack of winter heating demand [from the West] and regional demand has not shown much upside," a Singapore-based trader said.

- Stocks of heavy residues increased by 1.174 million barrels, up 12.3% on the week as they stood at 10.687 million barrels. Spot trading activity at the key bunker hubs of Singapore and Fujairah was mostly thin Dec. 4 amid lackluster demand in Singapore and participants in Fujairah being away on a long holiday after the UAE's National Day holiday Dec. 2. Market sources said that greater arbitrage flows for LSFO cargoes into the region continued to weigh on the FOB Singapore marine fuel oil 0.5% sulfur prices. "[The] market [is] soft, so waiting [to] buy," a local bunker trader said. Meanwhile, in Fujairah, trade activity remained thin as market participants returned from a long holiday. Sources, however, noted a continued lack of readily available LSFO cargoes in the coming weeks amidst arbitrage flows from the West flowing further East. "There should be some cargoes coming in H2 December, but not yet clear if that combined with refinery products will be enough to balance the market," a UAE-based supplier noted. Another trader also noted that congestion at Fujairah might not let up in the near term as "business is picking up, as ever, prior year-end and most buyers looking to fix volume prior ending the year, so we expect slots to remain getting quite busy."

Source: S&P Global Commodity Insights

ENERGY MARKET NEWS

1. OIL PRICES HIT LOWEST SINCE JULY ON DEMAND CONCERNS DESPITE OPEC+ CUTS
2. KUWAIT SUPPORTS OPEC+ AGREEMENT, COMMITTED TO VOLUNTARY CUTS -KUNA
3. RUSSIAN PRESIDENT PUTIN MEETS SAUDI CROWN PRINCE IN RIYADH
4. CRUDE OIL TANKS NEARLY 4% AS US OUTPUT OVERSHADOWS OPEC
5. RUSSIA'S PUTIN, SAUDI CROWN PRINCE DISCUSS OPEC+ TIES, MIDDLE EAST TENSIONS
6. GUYANA'S PRESIDENT SAYS HIS COUNTRY IS PREPARING TO DEFEND ITSELF FROM VENEZUELA OVER DISPUTED AREA
7. OIL DEMAND WILL TAKE A HIT FROM YET ANOTHER DECLINE IN U.S. MANUFACTURING
8. UNPRECEDENTED US EXPORTS ARE WEIGHING ON GLOBAL CRUDE MARKET
9. U.S. GASOLINE PRICES FALL TO 11-MONTH LOW
10. EXXON SEES BIG EARNINGS BOOST FROM COST CUTS, WILL INCREASE SHARE BUYBACKS AFTER PIONEER DEAL CLOSES

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Energy Markets COMMENTARY WEEK IN REVIEW

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We are Uniper.

GI Soundings Week in Review

"OPEC+ Pledges More Cuts and Brent Crude Slides to Below $75/Bl!"

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.

- **Ahmed Mehdi, Managing Director, Renaissance Energy Advisors & Visiting Fellow, Oxford Institute for Energy Studies**
- **Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency**
- **Jay Maroo, Head of Market Intelligence and Analytics MENA, Vortexa**
- **Andrew Critchlow, Head of News, EMEA, S&P Global Commodity Insights**
- **Amos Hochstein, Special Presidential Coordinator, Global Infrastructure & Energy Security, US Department of State**
- **Geoffrey Pyatt – US Assistant Secretary of State, Bureau of Energy Resources**

Ahmed Mehdi, Managing Director, Renaissance Energy Advisors & Visiting Fellow, Oxford Institute for Energy Studies OPEC+ "The speculators in the market may sometimes read OPEC+ cuts as a sign of weakness, and there is also this issue of compliance that's been lurking in the background the last few months; so the reaction of the market has been, we'll believe it when we see it, and that's perhaps why we will wait a bit longer for that price reaction."

Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency US PRODUCTION "We were expecting an increase in US production this year but the size of it has been a surprise. US oil remains a growth story into 2024, but if oil prices remain in the current range, that growth might not be as stellar as we were thinking when prices were closer to $85 or $90, and that could bring some relief to OPEC+ producers."

Jay Maroo, Head of Market Intelligence and Analytics MENA, Vortexa CHINA OIL DEMAND "The most important independent refiners in China, those based in Shandong Province, which are typically the most price sensitive and the most active when it comes to buying Russian, Venezuelan or Iranian crude, have seen a drop in oil imports, and at the same time, inventories have been drawing down. We see that trend continuing."

Andrew Critchlow, Head of News, EMEA, S&P Global Commodity Insights COP28 EMISSIONS PLEDGES "It's hard to predict the effectiveness of what's being discussed at COP28 this year against the backdrop of some major general elections coming up in OECD countries next year. We've already had a taste of the mood change amongst politicians in the West in terms of reducing emissions, one example being the UK government's roll back on phasing out ICE vehicles."

Amos Hochstein, Special Presidential Coordinator, Global Infrastructure & Energy Security, US Department of State COP28 "To me, success at COP28 would be for us to keep taking stock, and as we move forward, see that the percentage of invested dollars are distributed more equally, narrowing the gap between developed and developing economies, and secondly, building infrastructure that will enable investment."

Geoffrey Pyatt – US Assistant Secretary of State, Bureau of Energy Resources RUSSIAN ENERGY "Russia's weaponisation of its' energy resources means that it is never again going to be viewed as a reliable energy supplier. We have maintained transatlantic unity and unity in our price cap coalition on the principle that we will deny Russia the fossil energy resources that it has used to prosecute its war on Ukraine."

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