MAY 21st 2020
VOL. 30

Fujairah New Silk Road WEEKLY NEWSLETTER

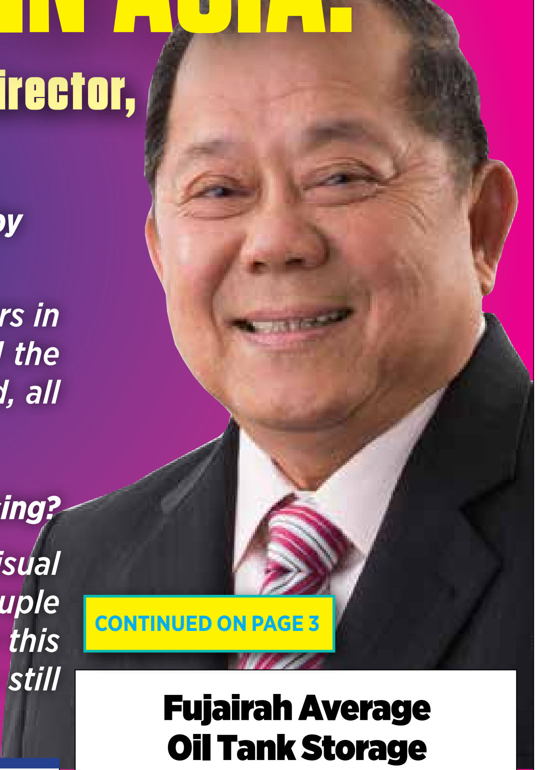
EXCLUSIVE INSIDE
GLOBAL OIL EXPERTS SHARE THEIR INSIGHTS PAGE 4

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

AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

"IT'S BOOM TIME FOR OIL STORAGE OWNERS IN ASIA."

Roger Chia Kim Piow, Chairman & Managing Director, Rotary Group of Companies



In recent months, storage rates in Singapore have increased by roughly 25% – What is your outlook for storage in Asia?

Roger Chia Kim Piow: *It is boom time for oil storage owners in Asia. There is a shortage of storage space everywhere. All the vessels are also full of products. From what we understand, all storage capacity in Asia is full and not just contracted out.*

Where does the market go now with the contango window closing?

Roger Chia Kim Piow: *The contango structure is still very visual in Asia. However, things are moving very quickly and in a couple of weeks the market will probably soften up. But right at this moment, there's still not enough storage and vessels are still very much in demand.*

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

8,236,000 bbl	5,573,000 bbl	16,453,000 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
$3.61 – $4.38/m³

↑ **Highest: $4.50/m³**
↓ **Lowest: $3.50/m³**

*Time period: Weekly

Source: GI Research

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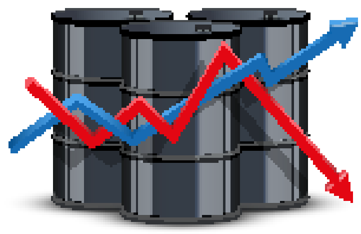
THE WEEK In Numbers

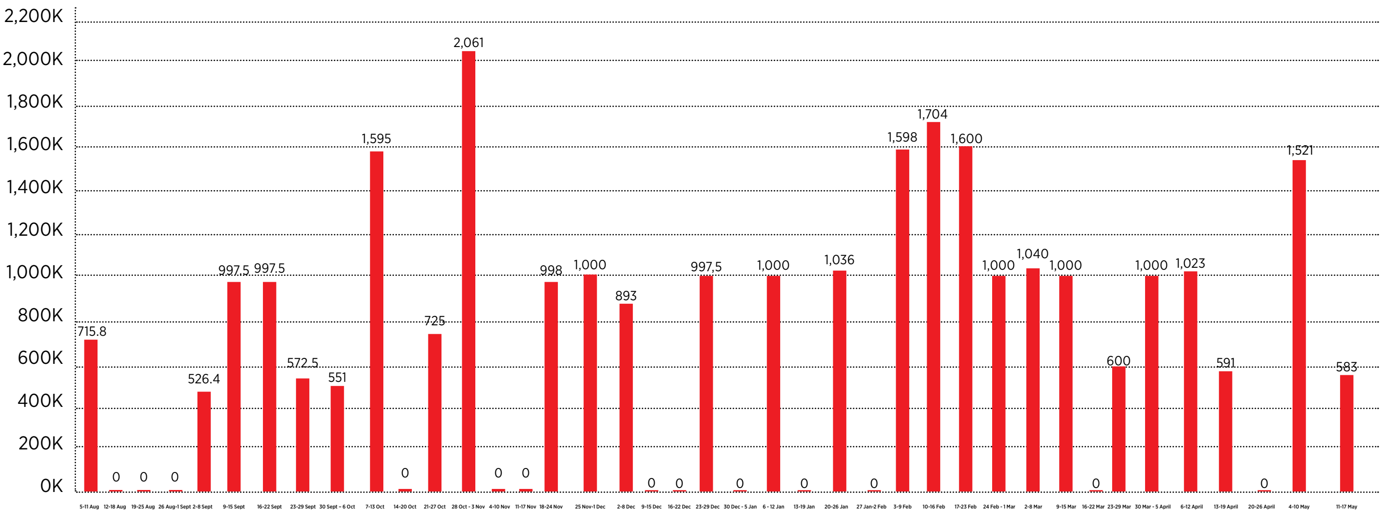


Weekly Average Oil Prices

Brent Crude:	**$34.84/bl**
WTI Crude:	**$32.15/bl**
DME Oman:	**$35.73/bl**
Murban:	**$33.19/bl**

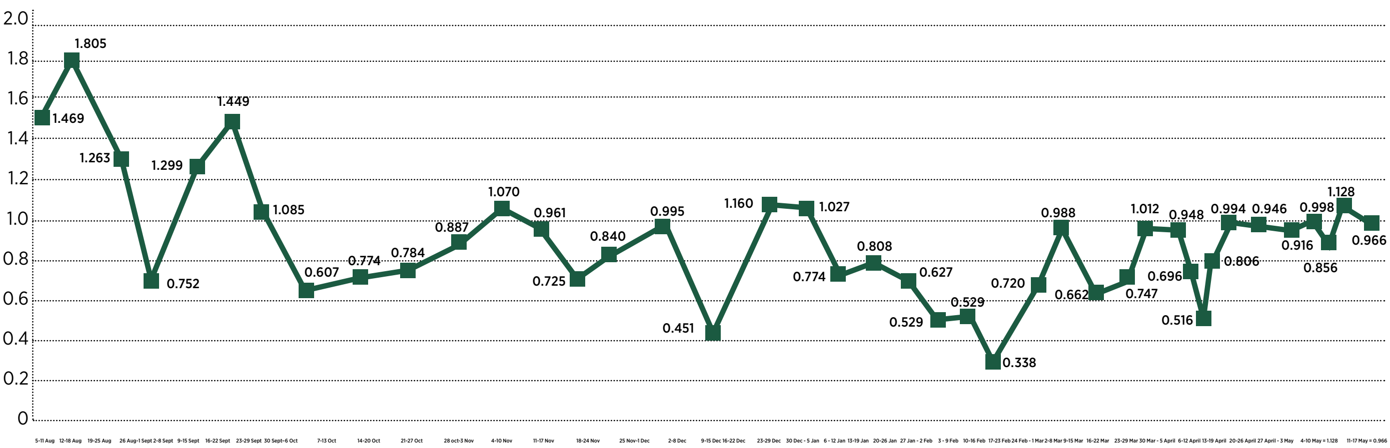
Time Period: Week 3, May 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

CONTINUED FROM PAGE 1

What will be the demand for building new storage capacity after this "boom" time?
Roger Chia Kim Piow: I don't think there will be any new storage builds. Depending on the size of the terminal, it would take at least 18 to 24 months to build. This timeframe is too long and, at this moment in time, new builds are not the best option. Still, a lot of people are very worried about whether it will stay, demand might drop, and then the holding might change.

However, there are a lot of tank rejuvenation projects accelerating in this region. These are the tanks that need to be repaired and have a shorter timeline to complete. For example, black tanks are being cleaned up. Classes are also being changed to fit and store other products. So, these kinds of rejuvenation projects and conversion of tanks for new products are going on. Tanks in Singapore are getting quite old, which usually last 30-40 years. So, conversion is now a big business. Every terminal is doing this.

Singapore has a shortage of land and the government has given very clear instructions not to build any new terminals. So, no more terminals will be built on new industrial land. Permits will only be given to tanks that are associated or related to the expansion projects of new process plants but not new terminal projects.

Moving forward, will there be more appetite for crude oil storage in Asia or for oil products storage?
Roger Chia Kim Piow: We all know that crude tanks for national security storage is not viable anymore unless it is combined with trading. Otherwise, you don't have the throughput and you are paying for storage that is not viable for business. So, nobody is going to build new tanks just for national security reasons.

Why would there not be an appetite to build new on-ground storage when there is so much money to make when the market is in Contango?
Roger Chia Kim Piow: On-ground storage takes time to build. It is not possible to complete these builds for immediate use. Even if you expedite the design stage and up-front logistics of building, at best your timeline for completion would be 18 months. Otherwise, it could take up to 36 months.

What impact has the oil demand collapse had on the Asian strorage industry?
Roger Chia Kim Piow: Most of our clients are long term investors. Everything is in place. Therefore, they are willing to build new terminals. But for speculation, I think it's very difficult. Most of them have their own clients. We have not built any spot market tanks unless it is a part of an extension phase of a project. Otherwise, it is very difficult.

How do you compare the impact of the current market volaitility on Asia versus the Middle East?
Roger Chia Kim Piow: Geographically, Fujairah by itself is a bit different because of the political situation and the surrounding environment. The infrastructure in Singapore, and wider Southeast Asia, is pretty mature. For example, there aren't many new tanks that will be built in Malaysia. Singapore is not permitted to build. However, there is still some demand in Indonesia. They're looking at the Riau Islands south of Singapore because of the surrounding waters. Most of the water surrounding the Riau Islands is shallow, which will allow for smaller vessels that carry white products rather than crude. There are only a couple of areas in the region with waters deep enough that can accommodate VLCCs.

What additonal infrastructure does Fujairah need to build to become a global trading hub?
Roger Chia Kim Piow: I anticipate that more tanks will be built, but I don't think the returns on crude tanks are very good. So, Fujairah will probably have to build process plants, petrochemical plants, and refineries where they can get better usage from their tanks. This is a more economical approach and probably the way they are looking at it. Everything will be built to maximize exports.

Look at the situation now in Indonesia. There are smaller refineries which are not economical to operate. So, a lot of them have been shut down. Even in Australia and Europe, refineries are shutting down. Refining is not profitable anymore. They should close their refineries in europe and buy finished products.

This is the current trend that is happening. Therefore, in Singapore and the surrounding countries, many will be building smaller tanks for petrochemicals and finished products. However, in the Middle East like Fujairah, crude tanks and rock caverns are still very prominent. An integrated value chain is very important for them to establish.

How could the growing divide between China and the US impact Singapore and trading across Southeast Asia?
Roger Chia Kim Piow: They are two giants. I always tell our guys to be prepared. Somehow, it will hit us to some extent. However, because of our reputation and our experience we are not badly affected at the present moment. There will be some spillover effects if the China-US relationship becomes a bit more sour. Chinese Investments are coming into Southeast Asia. There are more developments in Vietnam, Cambodia, and Myanmar. They need more energy and that's how it affects us.

What is your outlook for H2, 2020?
Roger Chia Kim Piow: It is going to be very challenging. The government is currently increasing its subsidies, but it cannot continue to support us for that much longer. We must make it on our own. It's going to be a very challenging time now because the economic ramp up will be slow. We don't' want a second wave of Covid-19 cases and another round of lockdowns. We must be very responsible with what we are doing for not only Singapore, but for the entire world. We are listening to advice and guidance from the government on how to properly start up again so that we do not cause any more outbreaks in the future.

How do you interpret the recent increase in oil price?
Roger Chia Kim Piow: That surprised me a little bit. I don't know the reason why and I don't understand. Demand is still not there. Globally, nobody is going out. The airline business has gone down. Even I only started my car once in the past month. This is all probably based on speculation.

WATCH FULL INTERVIEW HERE

GIQ EXCLUSIVE SOUNDINGS

Despite Oil Price Rebound, Downside Risks Remain

Over the last week, Gulf Intelligence has Interviewed energy market experts in Asia, the Middle East, Europe and the U.S.-- the intelligence below is harvested from these exclusive briefings.

- Dr. Aldo Flores-Quiroga, Former Deputy Secretary of Energy for Hydrocarbons, Mexico's Ministry of Energy
- Amena Bakr, Deputy Bureau Chief, Energy Intelligence
- Omar Najia, Global Head of Derivatives, BB Energy
- Edward Bell, Senior Director of Market Economics, Emirates NBD
- Robin Mills, Chief Executive Officer, Qamar Energy
- Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies
- Christof Rühl, Senior Research Scholar Center on Global Energy Policy, Columbia University
- Bora Bariman, Managing Partner, Hormuz Straits Partnership
- Andy Critchlow, Head of News, EMEA, S&P Global Platts
- Randall Mohammed, VP Energy Solutions, Ahart Solutions International
- Raj Jhajharia, Technical Manager, Gulf Downstream Association
- Dr. Li-Chen Sim, Assistant Professor, Department of International Studies, Zayed University

Dr. Aldo Flores-Quiroga, Former Deputy Secretary of Energy for Hydrocarbons, Mexico's Ministry of Energy
"It's too early to tell where this is going. We might see upward movement in the summer, but we really have to wait until the fall. The experts are saying that is when we will see a second wave of Covid-19 cases.

Amena Bakr, Deputy Bureau Chief, Energy Intelligence
"OPEC is aware that demand is currently unpredictable. At their next meeting, they really want to reflect that. OPEC is not ready to ease the cuts that they have right now. The 9.7mn b/d cut is likely to be extended until the end of the year."

Omar Najia, Global Head of Derivatives, BB Energy
"For the market to go into backwardation, then prompt demand has to be stellar. Which means you would have a massively strong oil market, massively strong economy, and we're probably living on a different planet than the one we are currently living on."

Edward Bell, Senior Director of Market Economics, Emirates NBD
"The oil price rally over the past few weeks has been based on a sentiment driven approach that demand is starting to recover. We have had countries across Europe and Asia reopening and allowing economic activity to resume. The implication is that oil consumption will pick up as well."

Robin Mills, Chief Executive Officer, Qamar Energy
"There's still a disconnect with the real economy and the damage that it has suffered. We will have to look closely at the places that are re-opening and if it will have meaningful impacts on oil markets."

Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies
"We are going to see improvement from the demand side between now and December. But the data that is coming out of China, which is the country that is going to lead demand recovery, is still quite concerning."

Christof Rühl, Senior Research Scholar Center on Global Energy Policy, Columbia University
"We saw a highly uniformed system of moving into lockdowns across the world, but now, as we are moving out, that system seems to be bursting at the seams with countries shifting at very different speeds. On average, countries are moving out of lockdowns faster than anyone though they would."

Bora Bariman, Managing Partner, Hormuz Straits Partnership
"I would like to see a more robust defense of free markets from personalities of stature. As we know the Great Depression was caused by an international tariff war. Our prosperity will depend on a resumption of trade volumes."

Andy Critchlow, Head of News, EMEA, S&P Global Platts
"We see little pockets of demand appearing every day now which are glimmers of hope for the oil market. This is what's underpinning the oil price rally at the moment."

Randall Mohammed, VP Energy Solutions, Ahart Solutions International
"We took the elevator on the way down, and it looks like we are going to have to take the stairs on the way up. At the end of the day, it has been a demand side problem and we need a demand side response"

Raj Jhajharia, Technical Manager, Gulf Downstream Association
"There is more positive sentiment amongst the refiners in the GCC as economies are opening up and some progress is being made in terms of demand recovery."

Dr. Li-Chen Sim, Assistant Professor, Department of International Studies, Zayed University
"For the OPEC+ deal, compliance rates will be pretty good for the next few months. But, for the medium-term, compliance has always been an issue especially with Russia."

GIQ EXCLUSIVE INTERVIEW

"At the end of the day, an oil price of $34/bl probably tells us that things are not as bad as they seem."

Adam Sieminski , President of KAPSARC, and the former Administrator of the US Energy Information Administration

GIQ: The most recent EIA report forecasts an inventory build of 11.5mn b/d through the second quarter. How do you see things today as we move from market crash to some sort of recovery?

Adam Sieminski: The EIA is making estimates based on data that they're getting both from external companies and their own modelling. However, if we look at independent companies like satellite services which are trying to measure storage, they are not reporting quite the same level of builds being implied by the supply, demand modelling that was showing in April and into May. So, demand may be better than we thought and more supply has come back than anticipated. At the end of the day however, an oil price of $34/bl probably tells us that things are not as bad as they seem.

GIQ: Demand destruction in early April was called at 30mn bd and then corrected in early May to 25mn bd and corrected again through the second quarter. Is there enough reliable data to back up these outlooks?

Adam Sieminski: Even with the EIA data, which is considered the best and fastest, there are many lags as they don't get decent supply or demand information for several months after the fact and so have to use the different indicators to get an early read. But particularly in times of rapid change, the early indicators are not as good as they would be in a more trending environment. Again, stronger than expected prices ultimately probably reflect the best supply and demand information that is available.

GIQ: The US economy is reopening. How do you think that is likely to reflect on demand draws?

Adam Sieminski: The most important part of demand recovery is going to be transportation and factors like driving as the summer vacation period approaches and then industrial consumption. Freight transportation has been better than anticipated so far. On a global basis, China seems to be recovering and the combination of China and the US coming out of lockdown, assuming there is no second wave of Covid-19, will see demand start to pick up. On the supply side, there's a good case to be made that some of the larger companies can continue to see production and investment but the smaller companies are going to be significantly hampered by the availability of capital, in bringing production back quickly. We will certainly see a better balance of supply and demand next year than the disaster of this year.

GIQ: China's National People's Congress has its annual meeting on May 22. Will the outcome of that offer any guidance as to where the China economic story is going?

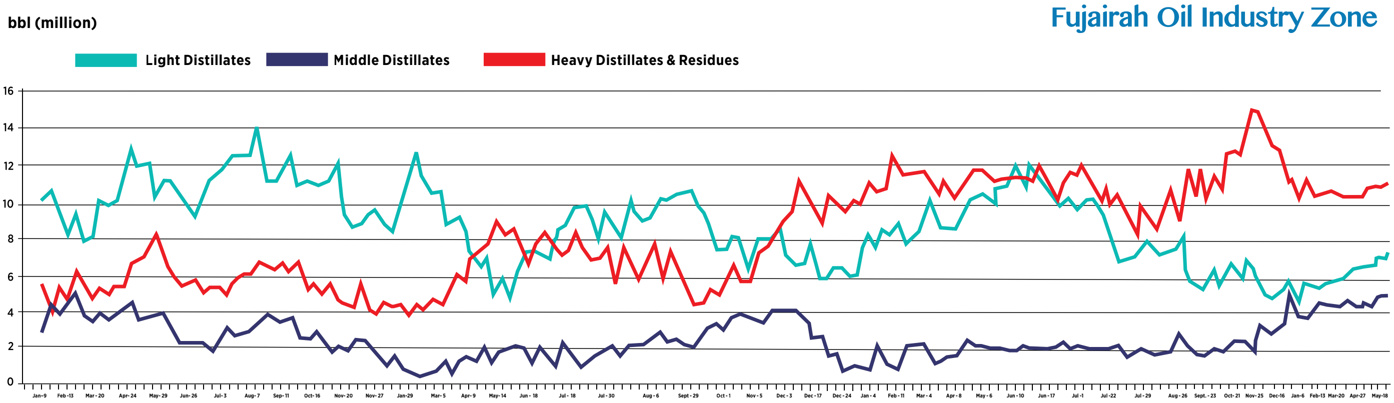
Adam Sieminski: Events like that are important in terms of their signaling, but the real question that everyone is asking is when will regular people and consumers of energy products go back to work, drive their cars etc.

GIQ: What should we be watching for in terms of market trends going forward? If US oil production makes a comeback for example, might it put some pressure on G20 and oil producers?

Adam Sieminski: On the price front, we see a technical floor around $32/bl today and a ceiling around $39/bl. If we go over $39/bl, then the chances of hitting $40/bl are good and if we dip below $32/bl then the chances for $30/bl are also good, but I am tending to feel a bit more bullish for the near term. In terms of the G20 group, there have been a lot of discussions and meetings taking place on climate and energy with G20 oil ministers both inside and outside OPEC pledging to help stabilize markets and push purchases for Strategic Petroleum Reserves. As a result, we should see more stability in the market going forward than the incredible volatility witnessed in March and April. Having said that, a $30-$40/bl price range is still going to constrain production in many countries.

Fujariah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah hit a fresh record high for the third consecutive week of 30.262mn barrels, crossing 30mn barrels for the first time since stock reporting began at the start of 2017. The previous record high was last week when 27.859mn barrels were seen. Overall stocks rose by 8.6% or 2.403mn barrels week on week, led builds in light distillate and heavy residue stock categories.

- Stocks of light distillates saw a build of 754,000 barrels or 10.1% week on week. Total volumes stood at 8.236mn barrels, their highest level since August 19 last year when they stood at 8.299mn barrels. The East of Suez gasoline market saw mixed sentiment as lingering concerns over the current regional oversupply were offset by expectations of a stronger West. In the regional market Pakistan State Oil was heard to have concluded a tender for H2 June delivery to Keamari terminal. The state-run company was heard having purchased a total of three 55,000 mt cargoes of 92 RON gasoline at premiums of between $5.90/bl to $8.20/bl to the MOPAG 92 RON gasoline assessment.

- Stocks of middle distillates hit a fresh record high of 5.573mn barrels as they rose by 2% or 107,000 barrels at the start of the week. The previous record high was seen last week. The gasoil market was finding support from a tightening of spot supply regionally. Traders said the ongoing refinery run cuts, combined with the Asian turnaround season, have helped the region to digest the earlier supply overhang in the market and shored up prices.

- Stocks of heavy distillates rose by 10.3%, adding 1.542mn barrels on the week to stand at 16.453mn barrels, setting a fresh record high and breaching 16mn barrels for the first time since stock reporting began. The previous record high of 15.445mn barrels was seen on April 6 this year. A rise in the flat price of crude and low sulfur bunker prices was spurring some ship owners to cover requirements as they anticipated a further uptick in prices in the days ahead. Delivered Marine Fuel 0.5% bunkers were assessed in Fujairah at $265/mt on Tuesday, representing a rise of $40/mt week on week.

Source: S&P Global Platts

Things can't really get any worse than the world being locked down, can they?

BY MATT STANLEY
DIRECTOR
STAR FUELS

Brent is trading this morning at $36.33/bl, up 0.57/bl. WTI is up 0.68/bl, trading at $34.17/bl. Niceeeeee. Mid $30's/bl on Brent, draws on US crude stocks and a general feeling that things are getting back on track. Ummmm, I don't want to burst this bubble, but do things just seem to be getting ahead of themselves somewhat? I agree that, as I've been saying all week, things are certainly better than they were. But let's face facts. Things can't really get any worse than the world being locked down, can they? Since the middle of April, Brent has risen by 80%. Quite a rally I think you'll agree, but will it carry on? I mean if you look at demand, there really isn't a great deal of data that overwhelms you with bullish sentiment, US crude stocks dropped last week, but refinery run rates were up and there were builds on both gasoline and distillates, so the report was neutral to say the least. The rally is driven by the hope that demand eventually catches up with the lower supply OPEC+ have agreed to cut, but let's bear in mind that the 9.7mn b/d cut, whilst welcomed, is likely to be downsized the higher prices get. Let's not forget as well that all the while prices continue to creep upwards, the more likely US drillers start to fire back up their nodding donkeys. In fact, I wouldn't be surprised if we saw the rig count start to increase again by the end of next week. So, I think this rally is driven by the fact supply is being curtailed, not by demand coming back. The question is though, in what form will demand make a recovery? The airline industry isn't just up the creek, it's in one of those mangrove forests and can't find its way back out again. I don't expect that to make any form of recovery for jet fuel demand until Q1 of next year at the earliest. Gasoline, yes perhaps, people will not be going to the Costa Fortune on holiday, but will hitch up a caravan and eat sandy ice cream on the coast of Cornwall. Whatever does happen with any particular part of the barrel is obviously up for debate, but one thing is clear: times will be different. We're in a Tesco value market. What do I mean by that? Well, when I go shopping no, I'm not going to buy Corn Fed Organic Free Range Routinely Massaged Only Drinks Evian Chicken. I'm going to go with the cheaper option. And this won't just apply to chicken. This Tesco's value strategy will be applied to holidays, shopping, the clothes we buy, etc. And this is the new reality the oil market faces. But, for now, let the rally carry on because you know, every little helps.

May 21, 2020

Fujairah Spotlight

Fujairah Oil Product Stocks Surpass 30mn bbls for First Time

Oil product stockpiles at Fujairah on the UAE's east coast have surpassed 30mn bbls for the first time, with inventories of both middle distillates such as jet fuel and heavy distillates such as marine fuel hitting all-time highs, data released Wednesday by the Fujairah Oil Industry Zone showed.

Source: S&P Global Platts

Work begins on water control dam in Fujairah

Construction has started on a $5.9mn dam and three barriers at Safad and Thaib in Al Qurrayah village as part of a 28-dam project by the Ministry of Agriculture and Fisheries. The dams and barriers will trap rain and flood water for the underground water storage system. The project is being carried out by Dutco company in association with Morocco's General Directorate of Water Engineering, which supervises the INGEMA company.

Source: Gulf News

3 Fujairah Salons Shut Down for Flouting Covid-19 Safety Rules

Three beauty salons have been shut down by the civic body in Dibba Al Fujairah for not complying with the mandatory preventive measures to contain the Covid-19 pandemic. Hassan Salem Al Yamahi, director-general of Dibba Al Fujairah Municipality, said the inspection teams caught the three beauty salons flouting the guidelines during surprise raids. "These salons did not observe the rules of physical distancing, while some of their staff were not wearing masks and hand gloves." Earlier, the municipality distributed a number of circulars to all establishments and outlets to curb any potential infection or transmission of Covid-19, he added.

Source: Khaleej Times

Dubai Islamic Bank Donates $3.48mn to Fujairah Charity Association

Dubai Islamic Bank (DIB) has donated $3.48mn of its Zakat money to the Fujairah Charity Association (FCA) in support of its charitable initiatives. Saeed Bin Mohammed Al Raqbani, Chairman of FCA's Board, praised DIB as one of its key strategic supporters and partners of its charitable and humanitarian programs. Al Raqbani thanked DIB for its generous contribution and for its support and care for charities in the UAE.

Source: Emirates News Agency (WAM)

ENERGY MARKETS COMMENTARY WEEK IN REVIEW

CLICK HERE TO LISTEN

ENERGY MARKET NEWS

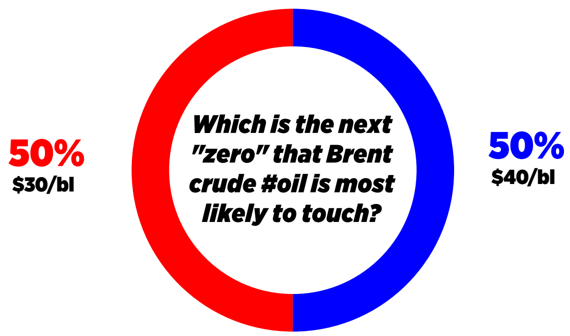
RECOMMENDED READING & VIEWING

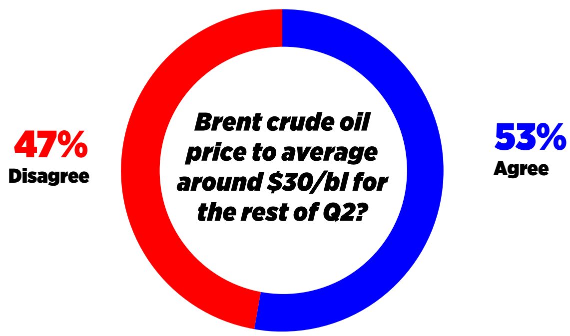
1. EIA: OIL SOARS ON BULLISH INVENTORY REPORT
2. OIL DEMAND FACES THREAT FROM ELECTRIC VEHICLES
3. ACTIVE US OIL & GAS RIGS AT LOWEST POINT ON RECORD
4. US BILL COULD DELIST CHINESE COMPANIES FROM US STOCK EXCHANGES
5. HOW WILL COLLAPSE IN US RIG COUNT TRANSLATE INTO SHALE PRODUCTION CUTS?
6. DESTINED FOR CONFLICT? XI JINPING, TRUMP & THE THUCYDIDES TRAP
7. COVID-19 CASES RISE IN INDIA AS WORKERS RETURN HOME
8. WEAK DEMAND IMPACTS CHINA'S ECONOMIC RECOVERY FROM COVID-19
9. QATAR OFFERS TURKEY RELIEF BY TRIPLING FX SWAP LINE TO $15BN
10. COVID-19: WORLD SEES HIGHEST DAILY INCREASE IN CASES

DAILY RECOMMENDED VIDEOS

- COVID-19: ALL 50 US STATES MOVE TOWARD REOPENING
- ROTARY GROUP OF COMPANIES: "IT'S BOOM TIME FOR OIL STORAGE OWNERS IN ASIA."

Weekly Surveys





Gulf Intelligence
~ Presents ~
THE ARAMCO TRADING
NEW SILK ROAD
CEO
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AWARDS 2020
FUJAIRAH
SEPT. 28th 2020
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International Selection Committee 2020

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Ibrahim Al-Buainain
President & CEO
Aramco Trading

Capt. Mousa Morad
Managing Director
Port of Fujairah

Mike Muller
Director – Oil Business Development
& Head of Trading
Vitol Asia

Datuk Md Arif Mahmood
Executive Vice President &
CEO of Downstream
PETRONAS

Martin Fraenkel
President
S&P Global Platts

Thomas Waymel
President Trading & Shipping
Total Oil Trading SA

Roger Chia Kim Piow
Chairman & Managing Director
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