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Fujairah New Silk Road WEEKLY NEWSLETTER

EXCLUSIVE INSIDE
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AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

"IOCs & NOCs COULD CUT PRODUCTION CAPEX BY OVER $200BN BY END OF 2021"

Hatem Al-Mosa, CEO, SNOC

The impact of Covid-19 on Energy Markets is a global issue that has caused a reduction in demand and the collapse of oil prices. Even without any reduction in output production, all oil companies, both NOCs and IOCs, have lost 50% of their revenue because of a 50% drop in oil prices. This will lead to a reduction in CAPEX, which is one of the biggest concerns for the long-term recovery of the industry after this crisis.

What we are seeing is that all NOCs and IOCs are slashing CAPEX like crazy, and I wouldn't be surprised to see by the end of next year the total CAPEX cut to reach more than $200bn. What happens when you start cutting CAPEX today? You are not going to see a reduction of flow anytime soon, but two years from now when you need production after the economic recovery, you are not going to have it.

Operating companies have no choice because they are running out of revenue. When the prices drop by 50%, the money that you would use to finance your CAPEX projects is not there. Not only that, because of the crisis, the banks are being stressed and you will not get good terms on loans – if you get a loan at all.

The best direction for guidance, what we've always seen, is that the price of oil is much more sensitive to demand or supply than any other commodity. If for example demand was higher than supply by 2%, you'll probably see a 10% increase in oil prices.

When you're talking about cutting production by 10% of total production, like OPEC+ did on Sunday, then that's a 10% cut in revenue, but it could yield more than a 10% increase in the price of crude oil. Overall, it's actually a win, and you can extend that further -- if you cut 30 million barrels per day you could go back to the $50+ level, gaining all of your 50% loss with a 30% cut in production.

READ FULL TRANSCRIPT HERE

Fujairah Weekly Oil Inventory Data

6,940,000 bbl	2,919,000 bbl	15,094,000 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: $3.40/m³**

*Time period: Weekly

Source: GI Research

Insights brought to you by: 2010 GI 2019 Publishing
Thegulfintelligence.com

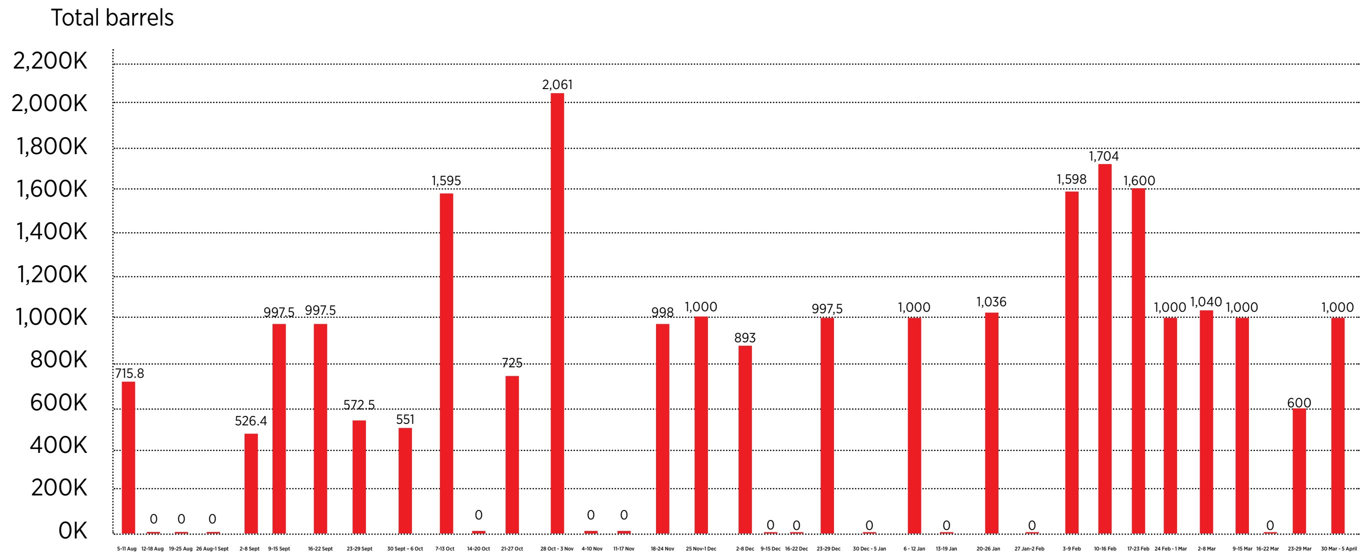
THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	**$30.18/bbl**
WTI Crude:	**$21.28/bbl**
DME Oman:	**$24.29/bbl**
Dubai:	**$29.43/bbl**

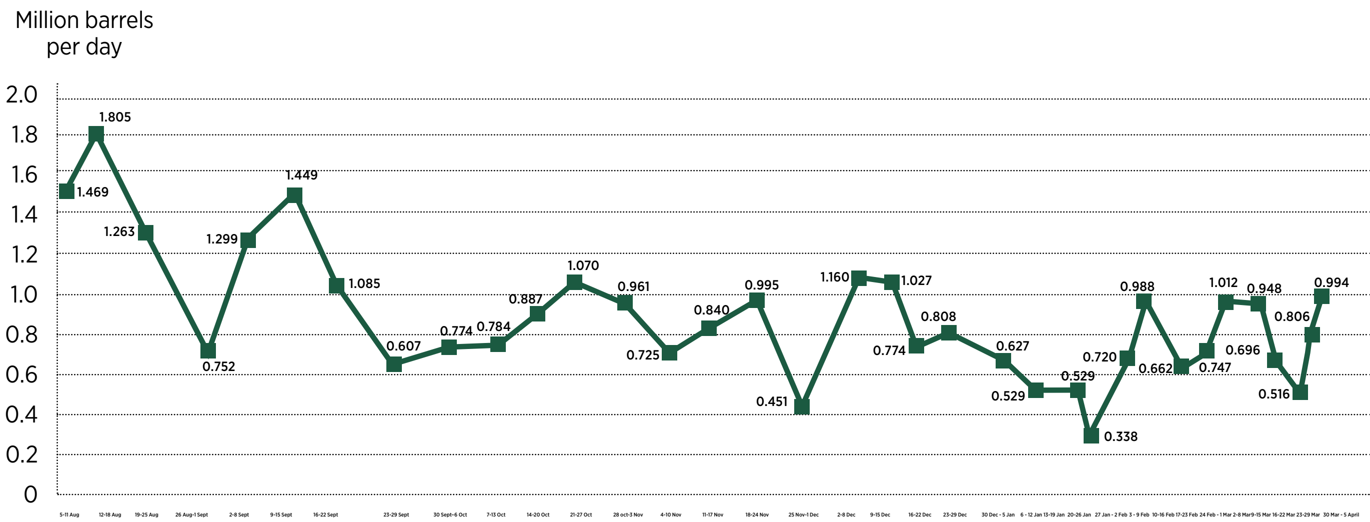
Time Period: Week 1, April 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

GIQ EXCLUSIVE INTERVIEW

"I HAVE BEEN IN THE ENERGY BUSINESS FOR 30 YEARS AND I CAN HONESTLY SAY THAT I HAVE NEVER SEEN ANYTHING LIKE THIS..."

KEITH MARTIN, CEO, UNIPER GLOBAL COMMODITIES

GIQ: We are three months into IMO 2020. How has Uniper Energy's Ultra Low Sulfur Fuel offering faired so far?

Keith Martin: It's gone incredibly well. It has turned out to be the jewel in the crown of our portfolio. Actually, last year we received a lot of advanced orders. We were making the products as of mid-2019 and were storing it for our customers. When we started to do the tank term, the product was available for them. The key question at the time was how would Q1 2020 and Q2 2020 unfold. What we see is incredible healthy demand. We had a record Q1 which echoed into Q2 and has already advanced into Q3 and Q4. A lot of that comes from China as well. What it says to me is fundamentally the market is there. We had initial concerns about compliance. Would the market accept this new rule? Would people look to break the rules? This has absolutely not happened. What we see is very robust demand, a stable market and probably the most testing circumstances that you can ever go through with what has happened to the price of crude oil.

GIQ: How has Fujairah been as a location for your ULSFO refinery and servicing the Asian market?

Keith Martin: Fujairah turned out to be absolutely perfect. It is fantastically position in terms of where it strategically sits and in terms of being able to send your product globally. The mentality of how the Port of Fujairah operates is through a mindset of "what can we do to help?" Any request has been seen as positive and they bend over backwards to make it happen. You couldn't have a more enabling authority to work with in order to do what you need to do. The team is very comfortable with where we are at the moment. Demand coming from several different segments is incredibly high, so it puts us in a very good position.

GIQ: Are you in any way surprised that the compliance with the IMO 2020 has been so high?

Keith Martin: In this environmentally sensitive world, for anyone that owns a ship to actually go announce to their shareholders that they have broken the law, forget the financial penalty, the reputational damage would be so severe that it has encouraged them to comply. From a reputation point of view, everyone is sticking with it and therefore no one wants to be the person that doesn't do it. Exceptions have happened. The penalties have been financially high but also reputationally it has been incredibly damaging.

GIQ: If there are any winners to identify from this economic cycle, would shippers be at the front of the que?

Keith Martin: On the wet side, that is certainly the case. With the contango structure on oil markets now, everyone that has a ship that is capable of storage is being paid very handsomely for it. On the dry side, they were struggling a bit. If prices averaged across everybody, then in essence you can think of it as tax. And that tax is eventually distributed to the end customer. So, you paid for being greener. The danger was if regions or individual companies decide not to play the game then it is unfair competition to everybody else. In reality, that is not the case hence and everyone got on a level foot which is great for business. IMO 2020 is the most momentous environmental legislation that has ever been enacted. It hasn't really gotten into the public's mind because of the virus and everything that is happening, but it has definitely had the impact that everyone wanted.

GIQ: Will differentials that we saw in fuel oil prices in the beginning of the year, when IMO 2020 first came into effect, be removed from the market or we will see it again?

Keith Martin: At the moment, oil prices are volatile, and the refinery stack has been dramatically impacted by the virus. For example, look at the issues we have with aviation fuel. Who could have predicted last year that this would happen to aviation? You could argue that you "don't know what you don't know" but what you have in front of you is a very healthy market that you can hedge yourself well into the future. If you want to have a very risk managed approach, you can do a lot to protect your portfolio. But in terms of where the prices will go...we have seen so many highest highs and lowest lows over the past couple of months that anything is possible and probable. ■

GIQ EXCLUSIVE SOUNDINGS

Oil Price War Ends with Historic Deal to Cut Output

Oil producing nations agreed to the largest production cut ever negotiated, in an unprecedented coordinated effort by Russia, Saudi Arabia and the United States to stabilize oil prices and, indirectly, global financial markets. Questions still remain around the specific details of the deal and its outlook for successful implementation.

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 (Texas, U.S.)**
- **Mike Muller, Director of Oil Business Development & Head of Trading, Vitol Asia (Singapore)**
- **Christoph Ruhl, Senior Research Scholar of International and Public Affairs, Columbia University (Abu Dhabi, UAE)**
- **Omar Najia, Global Head of Derivatives, BB Energy (Dubai, UAE)**
- **Carole Nahkle, CEO, Crystol Energy (Abu Dhabi, UAE)**
- **Dr. Leila R. Benali, Chief Economist, APICORP (Dammam, Saudi Arabia)**
- **Andrej Kormuth, Partner, Bracewell LLP (Dubai, UAE)**
- **Victor Yang, Senior Editor, JLC Network Technology (Guangzhou, China)**
- **Vandana Hari, Founder & CEO, Vanda Insights, Singapore**

Dr. Aldo Flores-Quiroga, Former Deputy Secretary of Energy for Hydrocarbons, Mexico's Ministry of Energy
"It is definitely unclear how the US will cut 300,000 b/d on behalf of Mexico. And in any event, it is also very unclear what Mexico will have to pay in exchange for that support from the US."

Mike Muller, Director of Oil Business Development & Head of Trading, Vitol Asia
"The Saudis and now the Emiratis have come in with Official Selling Prices (OSPs) that are pragmatic to shift volume. Now the process can start, which was a week behind, of people planning what they want nominating. It will be interesting to get the first anecdotal evidence of whether people have over-nominated to take more Saudi oil. The Saudis would appear to have priced their barrels to the East to shift them at their option. They would rather be over-nominated and tell people 'sorry you can't have anymore because we are out of quota now,' than to find out that people are under-nominating."

Christoph Ruhl, Senior Research Scholar of International and Public Affairs, Columbia University
"This is out of the hands of oil market control. It is really a situation driven by the spread of the virus, the degree of the lockdowns, and then the impact on the global economy."

Omar Najia, Global Head of Derivatives, BB Energy
"The deal is done as it is. Detail wise, like every OPEC meeting, it is quite opaque. But, at the end of the day it is a cut, which is positive. It will help price but it doesn't mean that they will shoot up today."

Carole Nahkle, CEO, Crystol Energy
"We haven't seen something like this in the history of the oil industry in terms of the numbers of players that supported the deal and the production cuts that are planned. I can't say for sure whether this will take place effectively because we know of a history of partners cheating within OPEC on previous production cut targets."

Dr. Leila R. Benali, Chief Economist, APICORP
"In April 2020, we are facing potentially the largest demand contraction in history. This might be a pandemic of a different nature because it is potentially causing long-term structural damage to production capacity overall, in the economy and in the energy sector."

Andrej Kormuth, Partner, Bracewell LLP
"What is happening today is more reminiscent, albeit at a much larger scale of what happened in 2015 – 2016 when the oil price went down on the back of an oil price war. That was certainly a renewed impotence across the Gulf in terms of infrastructure deals and diversification of economies."

Victor Yang, Senior Editor, JLC Network Technology (Guangzhou, China)
"As you can see China is almost back to normal now. The companies that are energy producers are back online. Say, medium size and large enterprises all over the country, over 90% have come back on line."

Vandana Hari, Founder, Vanda Insights, Singapore
"A clutch of extremely bearish global oil stocks, demand and supply data and projections in the International Energy Agency's monthly oil market report on Wednesday amplified the downward pressure on crude."

GIQ EXCLUSIVE

OPEC++ HISTORIC PRODUCTION CUT DEAL: *TOO LITTLE TOO LATE?*

"I believe in a few years' time, when you look at 2020 we may well see that it was the worst year in the history of global oil markets. During this terrible year, the second quarter may very well be the worst of the lot and... April may very well be the worst month."

Fatih Birol, Executive Director, International Energy Agency

Global measures to slow the spread of the Covid-19 outbreak coupled with the Russian-Saudi showdown has brought unprecedent disruptions to the oil markets.

The results:

1. **Global oil demand is at its lowest level in 25-years.**
2. **Oil prices are down by more than 55% since the beginning of 2020; straining budgets of oil producers and hammering the US shale industry.**

In a joint effort to stabilize the turbulent market, after four days of marathon talks and a step back from the Mexican camp, the historic negotiations ended with the deepest cut ever agreed to by the world's oil producers , taking into account the reduction pact agreed by OPEC+, and pledges by other G20 nations.

While immediate balance of the market is not possible, looking beyond Q2, is this initiative strong enough to outweigh the supply concerns and its pressure on oil prices?

WTI Crude Oil Price Since January 1st, 2020

Source: Market Insider
Last updated on April 15, 2020 at 10:57:47 AM

The Great Oil Deal Breakdown

"These production adjustments are historic; they are largest in volume and the longest in duration, as they are planned to last for two years. We are witnessing today the triumph of international cooperation and multilateralism which are the core of OPEC values."

- Mohammed Sanusi Barkindo
Secretary General, OPEC

Crude Oil Production Cuts in Numbers

19.5mn b/d
Approximate overall cuts in global oil supply

7.7mn b/d
For a period of 6 months, from July 1, 2020 to December 31, 2020

9.7mn b/d
Starting on May 1, 2020, for an initial period of two months that concludes on June 30, 2020

5.8 mn b/d
For a period of 16 months, from 1 January 2021 to 30 April 2022

Source: OPEC

Global Oil Demand Contraction in Numbers

9.3mn b/d
Projected decrease in demand for 2020

26 mn b/d in May

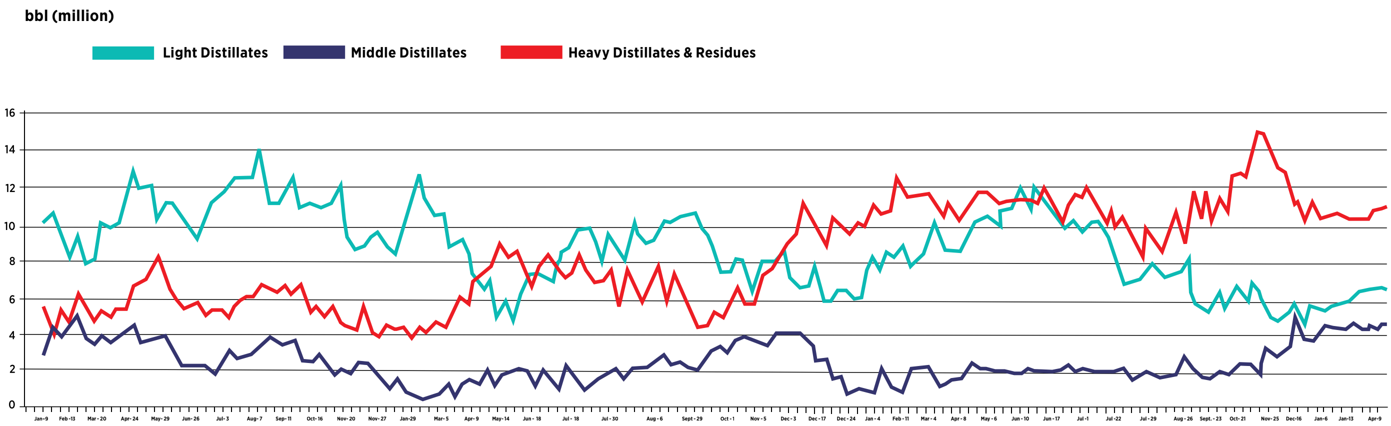
29 mn b/d in April
A level last seen in 1995

$230bn
Projected loss in crude revenue for oil exporters in 2020

Sources: International Energy Agency (IEA), International Monetary Fund (IMF)

Fujariah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS
Monday, April 13

- Total oil product stocks in Fujairah stood at 24.953mn barrels. Stocks rose by 5.3% or 1.252mn barrels week on week, rising to their highest level since late February 2020. Heavy distillates retreated slightly from the record high seen last week, while there were builds for both light and middle distillates.
- Stocks of light distillates saw a build of 1.214mn barrels or 21.2% week on week. Total volumes stood at 6.940mn barrels. The East of Suez gasoline market received some unexpected support this week, as demand emerged from Asia's largest buyer of gasoline, Indonesia. State-owned Pertamina was noted having sought on a semi-term basis, 88 RON gasoline and 92 RON gasoline for May to August. However, overall the market remained characterized by a glut of supply amidst limited demand as regional travel restrictions continued due to the coronavirus. Physical 92 RON gasoline cargoes fell to a $13.20/bl discount to front month ICE Brent futures on Tuesday, April 14, reflecting a drop of $2.74/bl week on week.
- Stocks of middle distillates rose by 15.4% or 389,000 barrels to stand at 2.919mn barrels at the start of the week. News that an ongoing nationwide lockdown in India would be extended to May 3 heaped further bearishness on an already weak middle distillate market. India's shaky demand for gasoil, as well as plentiful surplus volumes being pushed into the spot market, has had a negative impact on the East of Suez middle distillates market.
- Stocks of heavy distillates fell by 2.3%, drawing down 351,000 barrels on the week to stand at 15.094mn retreating slightly from last week's record high.

Source: S&P Global Platts

Brent is trading this morning at...

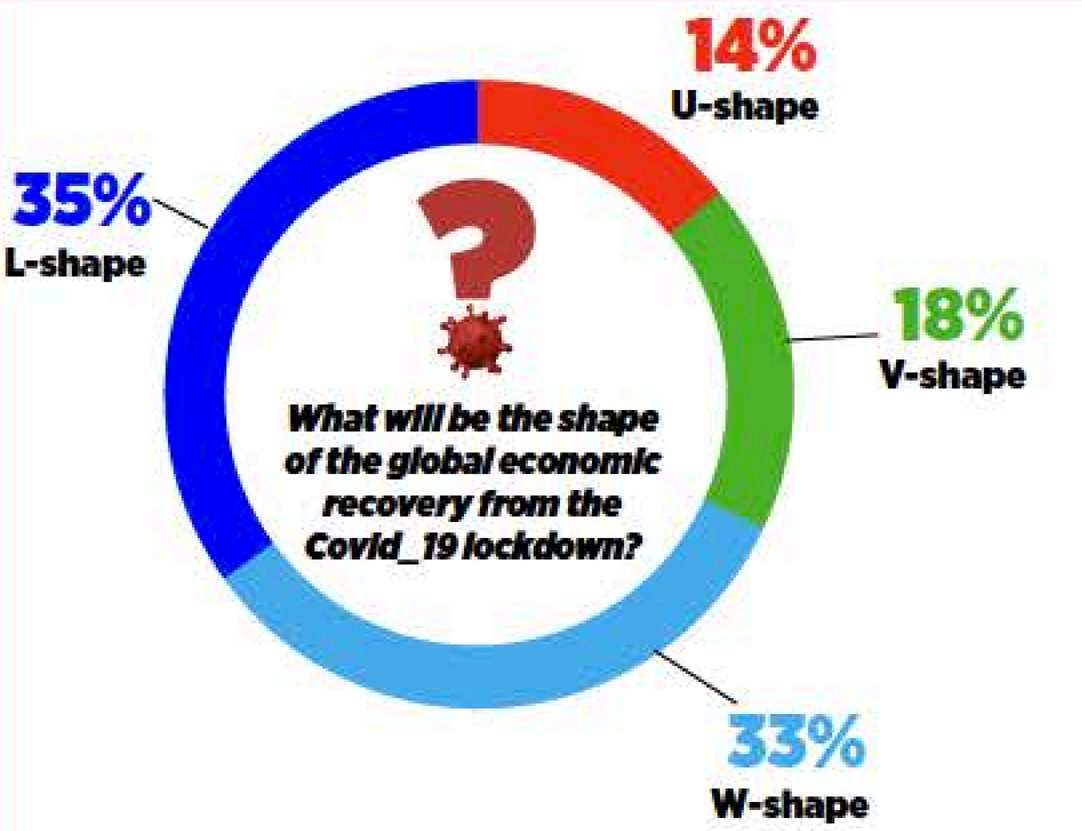
$27.50/bl, down by 0.19/bl. WTI traded at, ahem, (coughs while he writes in order to get it out as quickly as possible), $19.93/bl, up by 0.06/bl. Before I get on with today's episode of "Not long until oil goes negative – Discuss", let's try and crack a smile. Here's one: "I saw this bloke chatting-up a cheetah and I thought he's trying to pull a fast one." OK, on to this oil market then. Where do I start? The EIA's data showed a mammoth 19mn barrel build on crude and 6mn on distillates. But in good news, there was ONLY a 5mn barrel build! Everyone thought it would be 10mn. I jest but this is the state of things at the moment – that a build of "only" 6mn barrels is positive. But you know, every cloud and all that. Crude though is a different animal entirely right now. Reading the sentence below this morning made me realise just how much life has changed in the last three months: "Oil edged higher on Thursday following sharp losses in the previous session on hopes that a big build-up in US inventories may mean producers have little option but to deepen output cuts." Now, I've been a bear for as long as I can remember. But not even in my darkest moments of eating marmalade sandwiches (a Paddington reference for any millennials) would it have even come into my mind that this is what the market faces itself with. We are in the middle of a crisis like no other. People seem to be delusional in thinking that

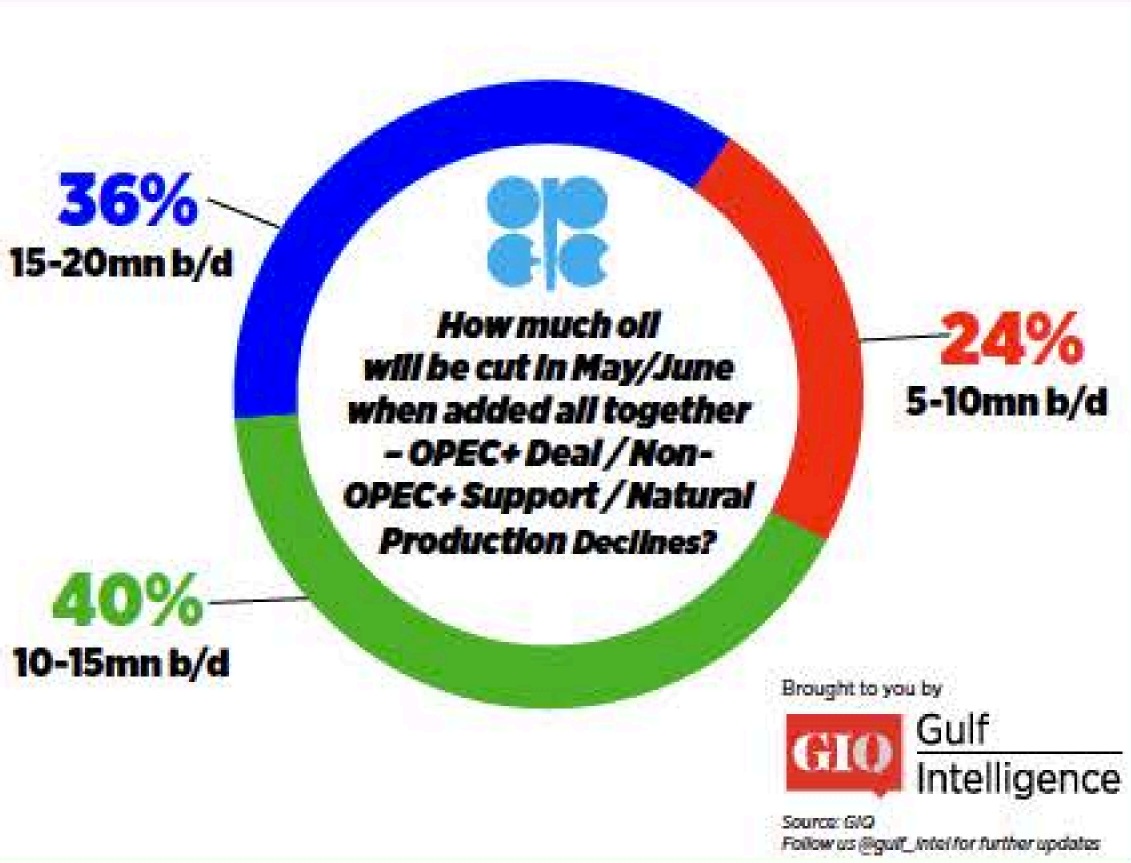
BY MATT STANLEY
DIRECTOR
STAR FUELS

a recovery is just mere months away when, in all honesty, it is going to take years to recover. Even then, I'm not sure we will be back to where we were. I want to sound positive and, of course I am. But I'm being realistic and, unless OPEC+ face reality, the very foundations of the oil market will be ruined. And this is not hyperbole. The most disappointing outcome from the OPEC cuts for me were that they were not put in place solely to achieve market balance. The undertone that resonates with me is that the cuts, whilst sizeable, were not enough to offer any real support to the market. There was a hidden agenda to recapture market share and try and snuff out US energy production, which has proven to be the thorn in the side of OPEC+ for so long. I wouldn't be surprised if we see or hear from an OPEC minister before the week is out if the flat price continues to collapse. Only then will we see the magical $30/bl broken again. Good day.

April 16, 2020

ENERGY MARKETS NEWS & ANALYSIS HIGHLIGHTS





RECOMMENDED READING & VIEWING

1. Oil Demand to Drop 23mn b/d in Q2
2. US Weighs Paying Drillers to Leave Oil in Ground Amid Glut
3. Emirates Conducts On-Site Rapid Covid-19 Tests before Allowing Passengers to Board
4. Tankers Pile up off Europe's Coast as Onshore Storage Sites Hit Limit
5. Denmark First in EU to Return to School
6. Dubai World Trade Centre Turned into 3,000-Bed Field Hospital
7. Aramco Offers Struggling Refiners Sweeter Terms for Crude
8. Iran & US Navy Vessels Get Too Close for Comfort
9. US Could Lose 20% of Shale Output by Year-End
10. China May be Excluded from Asia/Pacific Project Slowdown

DAILY RECOMMENDED VIDEOS:

- "Demand for Regasification in Europe is simply off the Charts," Keith Martin, CEO of Uniper Global Commodities
- Texas Must cut Oil Production, Parsley Energy CEO says; ExxonMobil Disagrees!

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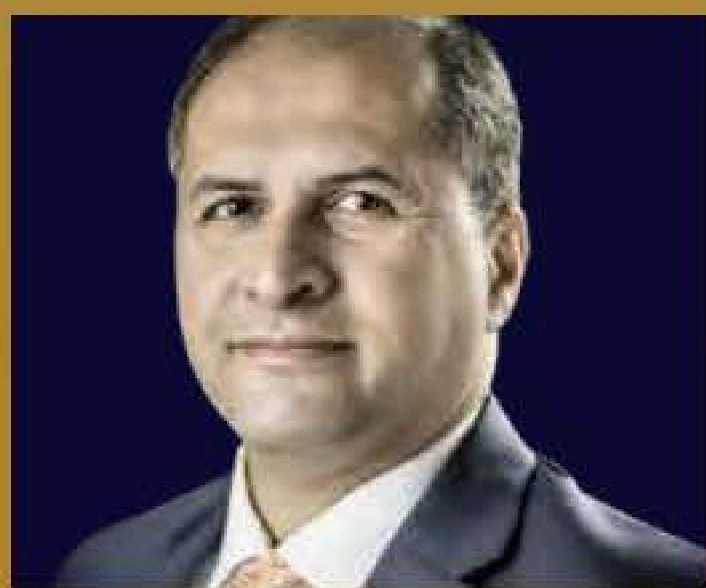
International Selection Committee 2020



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