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Fujairah New Silk Road WEEKLY NEWSLETTER

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SAUDI ARAMCO HOSTS COMPANY'S FIRST EVER EARNINGS CALL AMONGST OIL PRICE WAR

"WE CAN SUSTAIN THE VERY LOW OIL PRICE AND WE CAN SUSTAIN IT FOR A LONG TIME."

Amin Nasser, CEO, Saudi Aramco

"The situation as you know is rapidly evolving, the impact on growth remains uncertain. However, we will ensure that we maintain the strength of our operations and finances. We have already taken steps to rationalize our 2020 capital spending plan. Saudi Aramco can sustain the very low oil price and we can sustain it for a long time. For production in May 2020, I doubt it would be any different from next month.

Our maximum sustained output capacity is 12mn bpd and it will rise to 12.3mb bpd in April 2020. The 300,000 bpd will be coming from our inventories. The new level of output could be sustained for a significant time period. Our maximum output capacity is sustainable for one year without the need for any additional building. It does not require any additional capital."

Kahlid Al Dabbagh, CFO, Saudi Aramco

"Our low-cost structure provides us with a great advantage at facing the current challenges. Our upstream lifting costs in 2019 were only $2.8 per barrel of oil equivalent produced and our overall upstream capital expenditures were only $4.7 per barrel of oil equivalent produced. These are the lowest in the industry. Given our low costs, low capex, and flexibility, our company can sustain a low break-even oil price.

We are very comfortable that we can meet our dividend commitment, and we are very comfortable that we can meet our shareholders' expectations at $30/bbl or even lower."

Source: Saudi Aramco Investors Earnings Call March 16, 2020, Saudi Aramco Full-Year 2019 Results

2019 SAUDI ARAMCO PERFORMANCE

$88.2bn Net Income

$32.8bn Capital Expenditure

$78.3bn Free Cash Flow

Fujairah Weekly Oil Inventory Data

7,065,000 bbl	3,071,000 bbl	13,166,000 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
$3.68 – $4.30/m³

↑ **Highest: $4.50/m³**

↓ **Lowest: $3.60/m³**

*Time period: Weekly

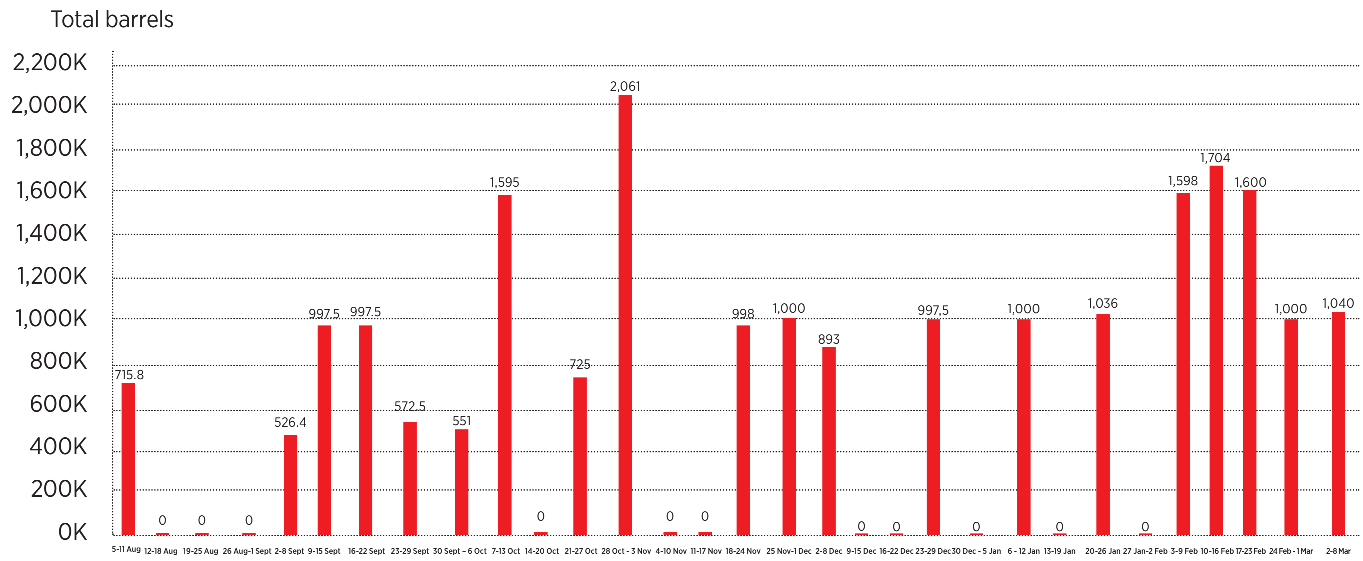
Source: GI Research

Weekly Average Oil Prices

Brent Crude:	$30.48/bbl
WTI Crude:	$26.32/bbl
DME Oman:	$31.36/bbl
Dubai:	$32.00/bbl

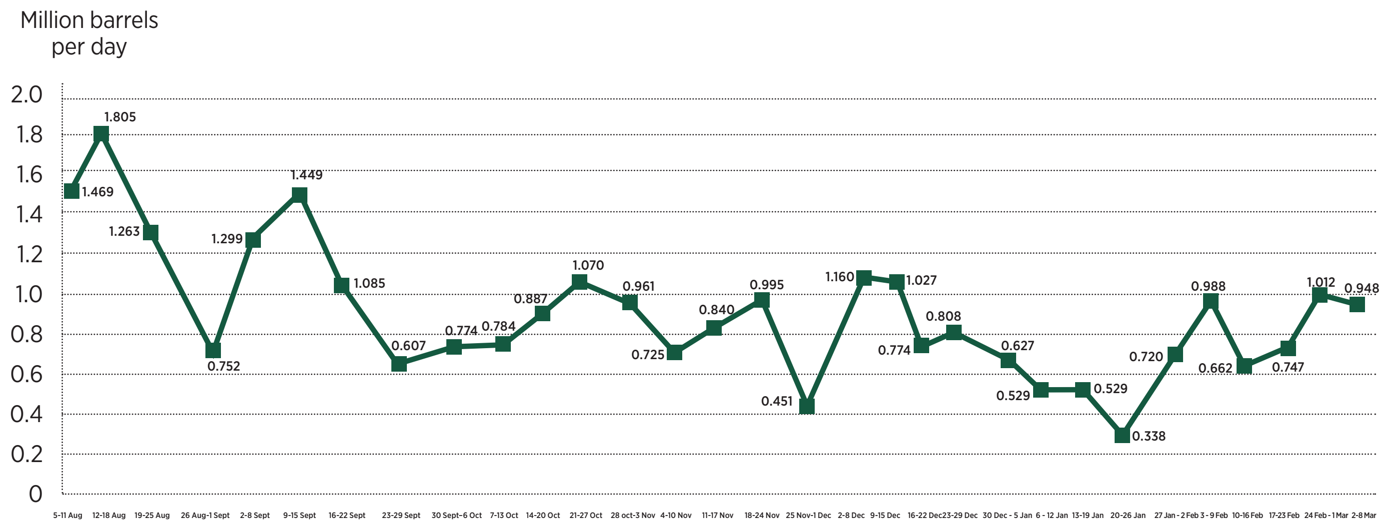
Time Period: Week 3, March 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

GIQ EXCLUSIVE

Global Oil Trader shares insights on navigating the current unknowns of the market

Contango is normally limited by your ability to store until the tanks are full. The double whammy of both coronavirus killing demand and the supply response that we were all expecting from OPEC being shredded in a matter of days, gives you millions of barrels on the market that we were not expecting. The only place for oil to go is to stay in the ground, but since the Saudis don't want to do that, getting somebody else to leave it in the ground isn't going to be such an instant manner. You can't just switch certain wells off. The only place to go if you're not going to put it in the ground is to fill up storage. Then you have the question of how soon is it going to be until you fill up all of the storage. The quarter data is a bit up and down. You have government facilities, state-owned enterprise storage, the independent storage companies, and commercial storage units. When you put all of this together there is a lot of storage out there. Various commentators, depending on who you believe, say there is still a bit of a way to go before storage capacity is maxed out. At the same time, we are talking about maybe an extra three million barrels of oil currently on the market that the market doesn't want to consume right now.

Clearly, it's good news for Fujairah. Fujairah has already had its tanks brimming with low sulphur fuel in preparation for IMO 2020 and it is in the process of being drawn down. It didn't show through the stocks in a big way, but now the value of tanks in Fujairah has become interesting. One other aspect is that the timing couldn't have been better for ADNOC who will have their storage cabins ready by the end of the year. If the oil price is still around $30/bbl at that time, then it's not a bad price when putting oil in your strategic tanks. They would much rather do this when the prices are lower.

"FUJAIRAH HAS ALREADY HAD ITS TANKS BRIMMING WITH LOW SULPHUR FUEL IN PREPARATION FOR IMO 2020 AND IT IS IN THE PROCESS OF BEING DRAWN DOWN."

How has the market impacted the launch of the current ICE Murban contract?

The only issue there is that the Abu Dhabi official prices, which were just released, are retroactive so they don't necessarily fall in sync with the way that the Saudis, Iraqis, Kuwaitis, and the other prices their oil, which is forward-looking by one month. Therefore, the lag has been made bare in a way that is unfortunate at this time. Abu Dhabi wants to be customer-oriented and forthcoming but, at the same time, having to price oil retroactively to February. The price, from February is set at the underlying Dubai prices which is in the mid $50s and they have now had to apply a premium or discount. If they had followed the Saudis and come in with a $6 or $8 discount versus last month for oil that has already been refined, then that would have been a retrospective gift. There is a sense that the Abu Dhabi stock markets are going into a bit of a tailspin because they didn't follow the Saudis with their retroactive pricing.

$18mn-$25mn for 12 Months

Current daily charter rates as of March 2020 for floating storage on super tankers

Source: Bloomberg

12.9mn bpd

Global oil supply surplus is project for Q2, 2020

Source: Standard Chartered

+1bn Barrels

Projected unused oil storage capacity available as of March 2020

Source: Goldman Sachs

IMO 2020 UPDATE

***Bunker Market:* Fujairah**

LSFO (<0.5%)	March 18, 2020 $288.50/mt
HSFO (IFO380)	March 18, 2020 $223.50/mt
Spread	March 18, 2020 $65/mt

Source: Ship&bunker

GULF INTELLIGENCE EXCLUSIVE INTERVIEW

"GULF COUNTRIES HAVE AN ADVANTAGE BECAUSE THEY HAVE VERY INTEGRATED ENERGY SYSTEMS."

“The challenge now, particularly in the Gulf countries, is their GDP has diversified a lot but not the diversification of their income.”

Dr. Bassam Fattouh
Director
Oxford Institute for Energy Studies

What is your outlook for oil prices in 2020?

Dr. Bassam Fattouh: It depends on when the virus is contained. In Q1, 2020, we are going to see near declines and perhaps as well in Q2, 2020. However, we are expecting a sharp rebound in demand for the second half of the year. We see oil demand going above the historical average because of a lot of stimulus measures coming to try and revive economies. We are not that pessimistic overall on the demand picture in the second half of 2020.

Middle East National Oil Companies are transforming from followers to global leaders. What are your thoughts on this transformation?

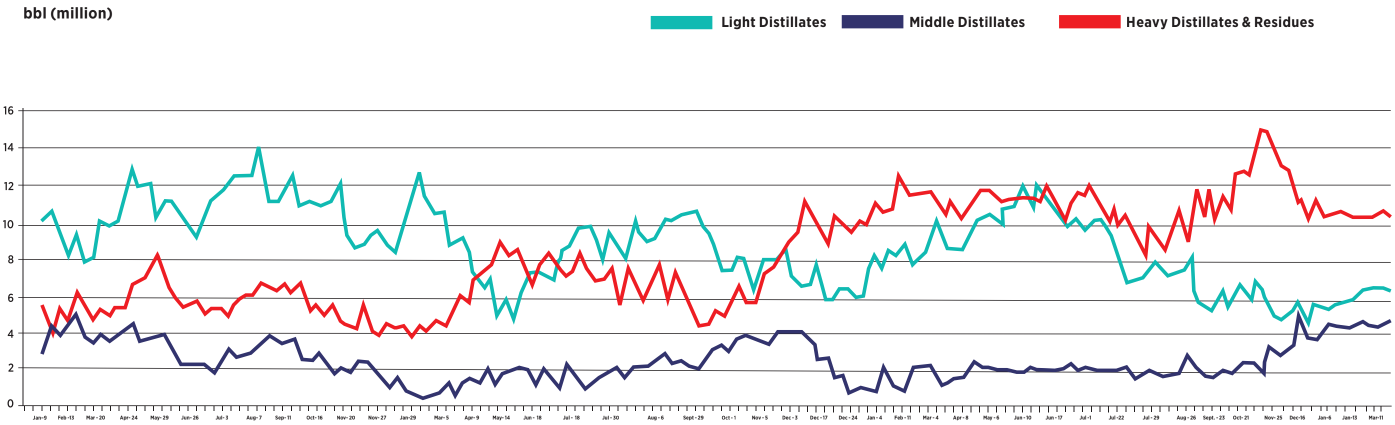
Dr. Bassam Fattouh: It is about anything to do with sales and the integration of downstream activities. The international dimension has always been there, and it will continue to be. This will accelerate as we move forward. Gulf countries have an advantage because they have very integrated energy systems. This integration will give NOCs a competitive advantage over international companies. One of the major advantages that we are seeing as well, especially with Saudi Aramco, is that they can also access international capital markets at a much cheaper rate and they will continue to do so.

From an environment perspective, National Oil Companies in the Middle East also have the challenge of how to transition in an environment where the speed is uncertain. For instance, in Europe, the energy transition can go very fast, but in other parts of the world it can be much slower. Regardless of the energy transition, national oil companies will continue to play a key role in the diversification process. The idea that countries in the Middle East are going to move away from oil very quickly is a myth. At the end of the day, the competitive advantage of these countries remains in the resources. The challenge now, particularly in the Gulf countries, is their GDP has diversified a lot but not the diversification of their income. That is where the national oil company will continue to play a key role because you need the money coming from those companies in order to ease the transition. You also have to realize that there is pain involved in any transition and transformation. You need money from the oil and gas sector to make that transition easier for the private sector.

We also must realize that not all NOCs in the region are following similar paths. There are some NOCs more advanced than others. You can see Saudi Arabia, UAE, and Oman are leading where other indices are falling behind.

Source: The Gulf Intelligence Middle East Summit 2020, IP Week 2020
*Edited transcript

Fujariah Weekly Oil Inventory Data



TOP 10 TAKEAWAYS

Monday, March 16

- **Total oil product stocks in Fujairah stood at 23.302mn barrels. Stocks rose by 8% or 1.721mn barrels week on week led by builds across all three stock categories.**
- **Stocks of light distillates saw a build of 307,000 barrels or 4.5% week on week. Total volumes stood at 7.065mn barrels. The East of Suez gasoline market was under intense downward pressure due to lagging demand, which has been a result of continued measures regional governments have put in place to stop the spread of the coronavirus.**
- **Physical cracks for 92 RON gasoline in Singapore have tumbled in recent days with Tuesday seeing the grade assessed at a $0.70/b discount to front month ICE Brent futures, the first time they have turned negative since February last year.**
- **Stocks of middle distillates rose by 22.4% or 563,000 barrels to stand at 3.071mn barrels at the start of the week. The middle distillate market East of Suez was seeing some support, despite sluggish demand as production was expected to be impacted following a recent explosion at Petronas's RAPID refinery in Malaysia. The explosion occurred Sunday night at the refinery, which is located in the southern state of Johor.**
- **Stocks of heavy distillates rose by 6.9%, adding 851,000 barrels on the week to stand at 13.166mn barrels. In Fujairah demand for bunkers on Tuesday picked up slightly following a slow start to the weeks trading. Overall demand for bunkers remained impacted by the slowdown in global trade coupled with falling flat prices leading to shippers not rushing to cover requirements. Delivered bunkers for Marine Fuel 0.5% in Fujairah were assessed at $285/mt on Tuesday, reflecting a fall of $45/mt week on week.**

Source: S&P Global Platts

"Young Traders Don't Lunch, they are too busy Wingsuiting"

BY DYALA SABBAGH
PARTNER
GULF INTELLIGENCE

Wingsuit flying is the sport of flying through the air using a wingsuit, which adds surface area to the human body to enable a significant increase in lift, but the reality is that you are still falling dramatically to the ground and inevitably end up needing a parachute, or else! The last two weeks of the oil markets rout has felt a bit like wingsuiting, a rapid phenomenal turbulent ride, but inevitably it has only been heading in one direction, and even though now everyone is desperately tugging at their chute to open, there is no floor in sight. The wild skydive ride goes on and on. . .

Oil rebounded this morning in Asian trade offering some temporary relief after plunging to the lowest level in 18 years yesterday as investors shrugged off the efforts by policy makers across the world to unleash their fiscal and monetary bazookas. US crude oil prices fell $6.58 to settle at $20.37 a barrel on Wednesday, as a 56% slide over the past 10 days marked the worst stretch over a similar period since the futures contract was launched in 1983.

Brent settled overnight at $25 and is now making a weak attempt at climbing back towards $30, but gravity is a powerful force.

Governments' efforts to bolster economies against the near total collapse of normal functioning commerce triggered by the impact of the coronavirus pandemic has not impressed oil traders, who are more focused on the tsunami of crude oil that is being pumped into the world as a result of the OPEC+ bitter divorce. Only a truly global compact to regulate oil supply to international markets can stop a total collapse in oil prices caused by the coronavirus pandemic.

Some wind inflated the wings of oil overnight as the European Central Bank unleashed a 750 billion euro emergency bond-buying program, while the U.S. Senate cleared the second major bill responding to the outbreak and the White House said the government might take equity positions as part of corporate rescues.

Still, credit markets are starting to freeze and from airlines to retailers and energy companies, investors are fleeing large pockets of the corporate credit market, worried that the coronavirus pandemic will lead to bankruptcies, defaults and credit rating downgrades.

A longtime market watcher said to me yesterday that young traders don't lunch, it made me pause for some unexplainable reason, perhaps they will start! In either case, the weekend couldn't come soon enough!

March 19, 2020

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ENERGY NEWS Highlights

Oil crash only a foretaste of what awaits energy industry

The oil-price crash of March 2020 will probably not last long. As in 2014, when the oil price dropped below $50/bbl from $110/bbl in a few weeks, this one will trigger a temporary collapse of the US shale industry.

Source: FT

Impact of Coronavirus on Nigeria's oil and gas sector

The coronavirus pandemic also known as COVID-19, is affecting a wide range of energy markets: coal, gas and renewables, but its impact on oil markets is particularly severe.

Source: Pulse

Russia Sees Oil & Gas Income Fall By Almost $40 Billion

The coronavirus pandemic and the lower economic activity, coupled with oil prices half the level before Russia and Saudi Arabia broke up the OPEC+ production cut deal two weeks ago, will weigh on Russia's budget this year, which will tip into deficit.

Source: Oil Price

OPEC leaves oil price in free fall

It is still all about the coronavirus in and outside of markets. But OPEC has thrown plunging oil prices into the equation. After last Friday's collapse in OPEC+ talks, the oil market is essentially facing a price war.

Source: FX Street

India's Fuel Demand Tumbles 11 Percent

The coronavirus outbreak has restricted travel and slowed down industrial activity in India to the point of reducing overall fuel demand in the country by 10%-11% in the first two weeks of March, Indian Oil Corp, the biggest domestic refiner and fuel retailer.

Source: Oil Price

In Pakistan, oil refineries brace for tough times ahead

Though imports of some petroleum products have been cancelled, local oil refineries still see terrible times ahead due to higher imports and low demand for petroleum products in the wake of coronavirus pandemic. The government has deferred oil imports, except for Pakistan State Oil (PSO) whose contracts are in the pipeline, so that oil marketing companies (OMCs) could lift petroleum products from the local refineries.

Source: The Express Tribune

Dynamics of coronavirus effect on China's oil demand

The slowdown in China's economy amid coronavirus will weigh on its oil demand, Trend reports UK-based Capital Economics Research and Consulting company. That said, given that China's oil consumption per capita is still relatively low there is scope for it to rise in the medium-term as the country becomes richer, reads a report released by Capital Economics.

Source: MENA FN

Playing for higher stakes: Saudi takes on Russia

Saudi Arabia's oil spat with Russia throws a wrench into the works of the kingdom's long-standing effort to hedge its bets, a strategy that has taken on added significance as the Persian Gulf region comes to grips with the likelihood that its security architecture will fundamentally change.

Source: Asia Times