

Fujairah

New Silk Road

WEEKLY NEWSLETTER

MAY 4th 2023

VOL. 156

Supported By:



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“China Crude Oil Imports Will Get a Boost After Refinery Maintenance Season in June!”

Victor Yang, Senior Analyst, JLC Network Technology

China just came back from a five-day public holiday and there were traffic jams everywhere and tourism spots packed everywhere. People couldn't get reservations at hotels! It was actually busier than before the pandemic. People are spending more, and tourism is driving local economies faster now in the second quarter than during the first three months of the year, so we are seeing more oil consumption. There's been a large increase in gasoline and jet fuel consumption, particularly in early May. Diesel consumption grew faster than gasoline and jet in the first quarter, but now gasoline and jet fuel are catching up. Fuel demand overall in Q2 will exceed Q1, but also now that the holiday is over, we do not expect the jump during the holiday season to necessarily last into the coming months. Crude imports in Q1 grew modestly. SINOPEC's crude runs increased by about 3% and PetroChina by over 8%. The country's crude throughput as a whole rose by about 3.9% in Q1. In the second quarter, there is a lot of refinery maintenance, particularly for April and May, so we expect crude imports to drop significantly, probably to about 11.2 million b/d for April; that compares to 12.8mn b/d in March, which was the second highest rate recorded since June 2021. We should start to see a jump in crude imports in June after most refining maintenance comes to an end, and also because some buyers placed more orders because of concerns about tightening supply and rising prices in the coming months after OPEC announced more production cuts in early April. So, all in all, we do not expect consumption and imports to recover before June. We also expect the economy to recover faster in the second half of the year and with that, oil consumption and imports too.



CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

6,761,000 bbl

**Light
Distillates**



2,976,000 bbl

**Middle
Distillates**



9,956,000 bbl

**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

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude: \$76.08/bl

WTI Crude: \$72.41/bl

DME Oman: \$76.20/bl

Murban: \$76.97/bl

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

Fujairah Weekly Bunker Prices

VLSFO

High = \$596.00/mt

Low = \$569.00/mt

Average = \$579.50/mt

Spread = \$27.00/mt

MGO

High = \$993.50/mt

Low = \$935.00/mt

Average = \$971.50/mt

Spread = \$58.50/mt

IFO380

High = \$463.50/mt

Low = \$440.00/mt

Average = \$456.50/mt

Spread = \$23.50/mt

Source: Ship and Bunker, *Time Period: April 26 – May 3, 2023

Fujairah Bunker Sales Volume (m³)

250

180cst Low Sulfur Fuel Oil

451,405

380cst Low Sulfur Fuel Oil

81,058

380cst Marine Fuel Oil

538

Marine Gasoil

26,549

Low Sulfur Marine Gasoil

3,475

Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1**Victor Yang, Senior Analyst, JLC Network Technology****How much Russian oil could China import in Q2?**

March imports from Russia set a new high of over 2mn b/d, close to 19% of China's total imports. That did not change much from the previous month, and we expect similar volumes to continue in the coming months. In March, cargoes from Russia were priced about \$10 below those from Saudi Arabia, compared to \$8 in February, so not much difference.

Could China buy more oil from the international market in Q2 if Brent prices drift downwards?

It is possible but it also depends on our storage capacity and the market outlook. We have a little spare inventory capacity today, but not like in 2021 or 2022. The country also still expects a bearish market, so even if oil is below \$70, we might not buy much.

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the Technological Tide
to Drive Decarbonization?****#UAEclimatetech**

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Novotel, Fujairah

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– OF THE YEAR –
AWARDS 2023

FUJAIRAH



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Fujairah Spotlight



ADNOC LNG Export Facility to Proceed in Al Ruwais Industrial City

ADNOC will build its new natural gas LNG export facility in the Al Ruwais Industrial City, Al Dhafrah, Abu Dhabi. As an operational hub for ADNOC and its operating companies, the selected location offers significant synergies and existing infrastructure that will be leveraged to deliver project efficiencies, unlocking additional value for ADNOC, its partners and the UAE. Following a comprehensive evaluation of location options during the ongoing design phase, the proximity of Al Ruwais to ADNOC's current operations, its future growth projects, and a well-established local supplier base, were important considerations in the company's decision. Through its planned LNG growth project, ADNOC intends to more than double its LNG production capacity to meet increased global demand for natural gas. The plant, which is designed with electric-powered processing facilities, will run on renewable and nuclear grid power, making it one of the lowest carbon intensity LNG facilities in the world.

SOURCE: ADNOC

Oil product stocks hit four-week low, middle distillates decline most

Total inventories fell to a four-week low of 19.693 million barrels as of May 1, the FOIZ data provided exclusively to S&P Global Commodity Insights showed. The decline followed a 13% slide in week ended April 24, the biggest drop in 2023. The total is now down 4.7% since the end of 2022.

Source: S&P Global Commodity Insights



Ajman Chamber briefs the Fujairah Chamber delegation on its services and latest initiatives

The Ajman Chamber of Commerce and Industry (ACCI) reviewed its main services and initiatives aimed at serving the business community in Ajman and facilitating their transactions in addition to its efforts to provide pioneering proactive services that keep pace with the aspirations of business owners and investors, during the visit of a delegation of the Fujairah Chamber of Commerce and Industry, with a view to reviewing the practices and services provided by the Ajman Chamber to its member companies and factories.

Source: Zawya

Fujairah issues resolution on emirate's participation in COP28 hosting plan

H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, issued Resolution No. 12 for 2023 on the formation of a local committee responsible for preparing and implementing a plan for the UAE's hosting of COP28. The resolution identified the committee's objectives for implementing a plan for the country's hosting of the conference, as well as its coordination with relevant authorities. The resolution will come into force from the date of its issuance and to be published in the Official Gazette.

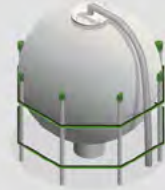
Source: Zawya



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GI Weekly Surveys

17%
Disagree

83%
Agree

The oil markets have already built in another rate hike from the FED this week?

32%
Asian demand

68%
US banking crisis/US debt

What is weighing more on oil market sentiment?

19%
No

81%
Yes

Given the conflicting economic and financial indicators, is the oil market still factoring in a mild recession for the US and Europe in 2023?

15%
Unlikely

34%
Definitely will

How likely is it that the US government - Republicans & Democrats - will reach agreement to lift debt ceiling by default day on June 1st?

12%
Maybe

39%
Probably



Source: GI Research March 2023

Fujairah Weekly Oil Inventory Data



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 19.69 million barrels with a drop of 267,000 million or 1.3% week-on-week falling under the 20-million-barrel level. The stocks movement saw a drop for light distillates, middle distillates and a slight rise for heavy residues.
- Stocks of light distillates, including gasoline and naphtha, fell by 112,000 barrels or 1.6% on the week to 6.761 million barrels. The East of Suez gasoline complex softened in early trade May 2 as market participants expect Indonesia's import demand to fall in the month following the end of Eid al-Fitr festivities. Demand within the region of Indonesia, Malaysia and Vietnam was heard quiet while the market awaited news of China's new batch of export quota to be announced. Malaysia was heard to be selling a high octane gasoline cargo of either 97 RON or 98 RON grade via private negotiations, market sources said. Details on loading dates and volume were not available.

Indonesia was heard to have deferred term cargoes due for delivery in May to June, sources said.

- Stocks of middle distillates, including diesel and jet fuel, dropped by 450,000 barrels or 13.1% on the week to 2.976 million barrels. The East of Suez gasoil complex was rangebound May 2, with participants awaiting the announcement of China's second batch of export quotas. Industry sources attributed the month-on-month jump to the emergence of buying interest as a newbuild VLCC, the Maran Danae, was headed to Singapore. Traders said the ship was making its way to the city-state from South Korea, where she was expected to load gasoil before making her maiden voyage to either West Africa or the UK. The increase in gasoil exports came despite lower margins and unviable East-West arbitrage economics seen throughout March. Still, market participants said there were pockets of demand in Asia, with Vietnam's gasoil barrels finding

homes within the region and helping to fill supply gaps on the back of the seasonal refinery turnaround period which resulted in some North Asian refiners paring back production.

- Stocks of heavy residues rose by 295,000 barrels, down 3.1% on the week as they stood at 9.956 million barrels. Spot trading activity at the bunkering hubs of Singapore and Fujairah was average at best, traders said on the first trading day of the holiday-curtailed week. A surge in valuations for the upstream low sulfur fuel oil cargo on the back of firm buying interest had led some of the sellers in the downstream market to take to the sidelines expecting valuations to continue to strengthen. In the Middle Eastern port of Fujairah, most offers for delivered marine fuel 0.5%S bunker were heard at \$579-\$584/mt, with the offer at the higher end of the range for product deliverable from May 7 onwards.

Source: S&P Global Commodity Insights

Energy Markets Views You can Use



Yesar Al-Maleki

Gulf Analyst, Middle East Economic Survey

Slower than expected global growth is adding downside risks to oil demand.

Bearish sentiment is quite strong at the moment. OPEC has had two headline output cuts in six months and yet the oil price has not moved or stabilized at \$80. The economic situation is highly fragile and uncertain. The troubles in the banking sector are part of a larger picture of the challenges faced - high inflation, monetary tightening measures, high levels of sovereign, corporate and private debt. All these factors are driving sentiment. At the same time, there is little change to fundamentals - even the latest April reports by OPEC and the IEA still show the same picture of above 2 million barrels per day of forecasted 2023 oil demand growth.

What was OPEC's main purpose to cut production from May?

It was due to market supply and demand fundamentals, but I think it was more about OPEC not acting merely as a supply manager, but also attempting to manage sentiment. Paper barrels and net long positions increased on Brent and WTI after their April decision. OPEC's process is to be proactive and preemptive but that may not have fully returned the required effect yet.



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Energy Markets

COMMENTARY WEEK IN REVIEW



Daily Energy Markets PODCAST



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MONDAY /// MAY 1st /// 10:30AM (UAE)



Omar Najia
Global Head, Derivatives, BB Energy



Adi Imsirovic
Director, Surrey Clean Energy



Bill Spindle
Council on Foreign Relations
International Affairs Fellow in India

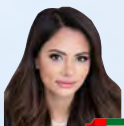


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TUESDAY /// MAY 2nd /// 10:30AM (UAE)



Amena Bakr
Deputy Bureau Chief, Energy Intelligence



Max Torres
Managing Partner, Plata Energy



Kate Dourian, FEI
MEES Contributing Editor & Non-Resident Fellow
The Arab Gulf States Institute in Washington



Daily Energy Markets PODCAST



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WEDNESDAY /// MAY 3rd /// 10:30AM (UAE)



Ahmed Mehdi
Visiting Fellow, The Oxford Institute for
Energy Studies; Director, Renaissance Energy



Rustin Edwards
Head of Fuel Oil Procurement, Euronav NV



Yesar Al-Maleki
Gulf Analyst, Middle East Economic Survey



Daily Energy Markets PODCAST



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THURSDAY /// MAY 4th /// 10:30AM (UAE)



Victor Yang
Senior Analyst, JLC Network Technology



Maleeha Bengali
Founder, MB Commodity Corner



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

CLICK HERE TO LISTEN

Energy Markets Views You can Use



Ahmed Mehdi

Visiting Fellow, The Oxford Institute for Energy Studies; Director, Renaissance Energy

The market is in balance, but many variables are creating a risk off mood.

Sentiment is negative because investors are nervous about the macroeconomic outlook and implications for oil demand. Even before the recent OPEC cut announcement, there was volatility on the product side with refining margins and maintenance in Asia and Russia. There are also still questions on China's demand recovery - nobody can confidently say they have the full view on this but that is where the marginal jet demand will come from this year. We should also watch for China's guidance on the next batch of products export quotas, as that will give an indication of their view on forward demand cover numbers. Still, there's very little in the way of new data on the fundamentals to justify the sell off that we've seen.

Where is Russian production at these days?

The headline is that the resilience in Russian production has kept the markets softer than expectations. That is an important factor weighing on crude and product balances. There's a lot of Russian distillate product floating around and that explains the distillate cracks and refining margins. We're certainly seeing a lot of Russian diesel move to places like Turkey and Africa. Likewise, the naphtha flows to east of Suez are also having an impact on the lighter side of the barrel. But fundamentally, we are also getting a more normalized picture now where the stock builds within Russia are beginning to clear and once Russia goes into slightly heavier maintenance, we will see some impact on its production.

ENERGY MARKET NEWS

- 1. OIL PRICES RECOVER AFTER THREE-DAY PLUNGE; DEMAND WORRIES LINGER**
- 2. OPEC+ TO HOLD JUNE POLICY MEETING IN PERSON – SOURCES**
- 3. US OIL AND GAS OUTPUT GROWTH SET TO SLOW SHARPLY: KEMP**
- 4. EIA INVENTORY REPORT FAILS TO ARREST OIL PRICE SLIDE**
- 5. IMF: SAUDI ARABIA NEEDS OIL PRICES AT \$80.90 TO BALANCE BUDGET**
- 6. GOLD HOVERS NEAR RECORD HIGH LEVELS AS FED HINTS RATE-HIKE PAUSE**
- 7. CHINA TOURISM REBOUNDS TO PRE-COVID LEVELS DURING MAY DAY HOLIDAY**
- 8. FED RAISES INTEREST RATES BY ANOTHER QUARTER POINT, HINTS AT POTENTIAL PAUSE**
- 9. PHILLIPS 66 PLANS REFINERIES TO RUN IN MID-90% RANGE IN Q2 -CFO**
- 10. SECOND MERCHANT VESSEL SEIZED WITHIN A WEEK BY IRAN**

RECOMMENDED READING:

- **FUJAIRAH DATA: OIL PRODUCT STOCKS HIT FOUR-WEEK LOW, MIDDLE DISTILLATES DECLINE MOST**
- **IEA LAYS OUT COST OF CUTTING OIL, GAS SECTOR EMISSIONS**
- **VENEZUELA'S OIL EXPORTS STABILIZE AROUND 700,000 B/D AFTER FALL**
- **IRAQ'S OIL MINISTER EXPECTS NORTHERN EXPORTS TO RESUME WITHIN TWO WEEKS**
- **PACWEST FALLS MORE THAN 50% AFTER HOURS ON REPORT BANK IS CONSIDERING STRATEGIC OPTIONS**
- **BIDEN ADMINISTRATION OKS BOOST IN CHINESE AIRLINE FLIGHTS TO US**
- **WHY OIL PRICES ARE PLUNGING DESPITE FALLING INVENTORIES**



Energy Markets Views You can Use



Rustin Edwards

Head of Fuel Oil Procurement
Euronav NV

The world economy is not as strong as everybody wants it to be.

In China, industrial profits were off 21.9% last month and manufacturing PMI went into contraction. Manufacturing is the big driver of oil demand in most economies. The only bright spot in Asia currently is India. China is importing a lot of discounted crude and given those attractive margins, they're also exporting lots of product – that has in turn driven up their GDP numbers. Distillate stocks globally are above five-year averages and that's the main industrial fuel. Gasoline demand in the US is still 4% off pre-COVID levels as we go into the Memorial Day weekend. We need about a million barrels of incremental demand to pop up to have a good gasoline season in the US by historical standards – that's how far we're lagging right now on gasoline demand overall. I think we'll see continued pressure on refining margins as stocks continue to build and demand doesn't materialize.

How have freight rates performed in Q2?

They have gotten weaker over the last couple of weeks. Tanker rates took a hit on the news from the OPEC cut and are now at about \$40,000 a day from their highs of \$70,000 in the first quarter of the year. Container rates are still horrible – they're closer now to where they were back in 2017 or 2018 when there was an oversupply of ships. That demonstrates poor demand for consumer goods and the limitations on how hard the Chinese economy can run without that end user demand. Weaker petrochemical markets because of Chinese demand are also impacting clean freight for tankers negatively, with less long-haul naphtha traveling from Europe or Russia into China for reprocessing. So, net net, shipping rates are all quite low at the moment.

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Soundings Week in Review

“It’s All About Demand!”

Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the Middle East, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.

- Omar Najia, Global Head, Derivatives, BB Energy
- Adi Imsirovic, Director, Surrey Clean Energy
- Bill Spindle, Council on Foreign Relations, International Affairs Fellow in India
- Amena Bakr, Deputy Bureau Chief, Energy Intelligence
- Max Torres, Managing Partner, Plata Energy
- Kate Dourian, FEI, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington
- Maleeha Bengali, Founder, MB Commodity Corner
- Ali Al Riyami, Consultant & Former Director General of Marketing, Ministry of Energy & Minerals, Oman

Omar Najia, Global Head, Derivatives, BB Energy **VOLATILITY** “The markets are going to break these periods of indecision either to the upside or downside. I think equities in the US and Europe are going to break it to the downside, in a big way, and oil is going to break it to the upside in a big way.”

Adi Imsirovic, Director, Surrey Clean Energy **OIL** “The market is fundamentally well-supplied. There’s no reason for it in the short term to go much higher. I still think that prices will go well over \$80 in the second half of the year because of fundamentals, but it very much depends on where we see the economy going.”

Bill Spindle, Council on Foreign Relations, International Affairs Fellow in India **GULF TENSIONS** “The Gulf Arab states and Iran are trying to work through a more stable relationship over the longer term – that’s the important change. The direction we’re going is a little more stability in the Gulf itself, though Iran continues to do what it does in the rest of the Middle East, which is still going to be problematic.”

Amena Bakr, Deputy Bureau Chief, Energy Intelligence **OIL DEMAND** “OPEC did not change its forecast on Chinese demand – there’s still an expectation that in 2H 2023, we’re going to see growth. But I feel like officials in the group will believe it when they see it. So, for the time being, we’re going to continue seeing OPEC taking precautionary action in managing the market situation.”

Max Torres, Managing Partner, Plata Energy **CHINA-LATAM** “As more countries in Latin America move to the left, there’s more focus on realignment with China. The increased influence of the Chinese into Latin American politics is something new. They have always been in the background; now they are openly supporting one candidate or the other.”

Kate Dourian, FEI, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington **RUSSIAN OIL** “That 500,000 b/d was a bit of noise. We only saw about half of that being cut. I think Russia will continue to pump as much as it can. But the market might be weakening and if you look at prices today, Urals would have been trading at above the discount were it not for the sanctions.”

Maleeha Bengali, Founder, MB Commodity Corner **MACRO OUTLOOK** “There’s not really a banking crisis because JPMorgan or other banks are getting bigger. But the fact that we have less lending and more banking tightness, means the economy cannot grow. And that’s the issue. We’re going through a massive deceleration phase, and inflation as the Fed points out, is still sticky.”

Ali Al Riyami, Consultant & Former Director General of Marketing, Ministry of Energy & Minerals, Oman **DEMAND** “OPEC’s numbers show that there is demand of about 1.7mn b/d this year, but it doesn’t show exactly when this will kick in. I’m expecting the real growth to happen in the last few months of this year. But I doubt the IEA figure of 2.7mn b/d demand forecast for Q4 can happen in the current environment.”



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