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Fujairah New Silk Road WEEKLY NEWSLETTER

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

"Global Oil Markets to be Back in Balance by End of 2023!"

Jarand Rystad, Chief Executive Officer, Rystad Energy

By the end of 2023, the combined drilling of offshore shallow water Middle East, combined with heavy drilling in the US shale patch, a slow-down in demand growth and potential come-back of Iran, will put us in balance. In the interim we will continue to see a squeeze. Our base case for net demand disruption for Russian oil in the coming six months is about 1.5 – 2.0 million barrels per day along with an oil price of $100-130 to find a new balance. In the worst case but less likely scenario of the embargo on Russia being more efficient or some countries being totally cut off from supply, we could see a supply loss from Russia of about 3 million barrels per day. That would then require an oil price of $180 to curtail demand sufficiently to find a balance. When it comes to Russian gas, we don't expect many countries to be cut off. Poland and Bulgaria have been since they rejected to pay in rubles, but they also have alternatives. Poland has 80% filled gas storage and they will also get Baltic piped gas from Norway up and running. Nevertheless, the war in Ukraine has given Europe a new focus – that it needs to increase investments in everything that could debottleneck non-Russian supply to the continent. One example is the U-turn in the US EU conversation on long term gas contracts, with a view to building the liquefaction facilities and the transportation infrastructure needed for that for the next 10 to 15 years of supply. The net effect of saying no to Russian gas now will mean that gas consumption overall will decline in an accelerated fashion, but we will still have quite a severe gap in the interim and will need all the additional supply we can get.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

5,694,000 bbl	1,706,000 bbl	10,342,000 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 - 4.06/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.20/m³

Weekly Average Oil Prices

Brent Crude:	$111.50/bl
WTI Crude:	$110.92/bl
DME Oman:	$108.74/bl
Murban:	$109.68/bl

*Time Period: Week 3, MAY 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $940.50/mt

Low = $855.00/mt

Average = $884.00/mt

Spread = $85.50/mt

MGO

High = $1,379.50/mt

Low = $1,320.50/mt

Average = $1,352.00/mt

Spread = $0.00/mt

IFO380

High = $722.00/mt

Low = $668.50/mt

Average = $699.50/mt

Spread = $53.50/mt

*Source: Ship and Bunker, *Time Period: May 11 – 18, 2022*

Fujairah Bunker Sales Volume (m^3)

1,084 180cst Low Sulfur Fuel Oil	512,565 380cst Low Sulfur Fuel Oil	116,621 380cst Marine Fuel Oil
1,873 Marine Gasoil	32,727 Low Sulfur Marine Gasoil	5,193 Lubricants

Source: FEDCom & S&P Global Platts

Consultancy Intelligence Publishing

CONTINUED FROM PAGE 1

Jarand Rystad, Chief Executive Officer, Rystad Energy

Is the lack of CapEx investment since 2015 behind the current squeeze?

We were already seeing the consequences of too little oil and gas last fall. With countries now not wanting Russian energy, that's adding to the impetus of very high energy prices. We have invested too little in traditional large upstream offshore oil projects and in the processing facilities for those since 2015. Global investments have more than halved since then. The other narrative is that since the arrival of the shale revolution in 2010, the whole oil market has shifted much more to short term investments. Shale has added sufficient capacity so that the oil market is more on a short cycle dynamic and able to catch up within 18 to 24 months. Everything shifted with the shale revolution - the capacity of the short cycle was more than tripled globally, which meant looking at new oil, two to four years down the road. Consequently, there was less need for the big offshore projects that we would have needed otherwise, such as in deep water Brazil, the North Sea or Guyana, which would typically have development cycles of 7 to 15 years but still be commercially viable.

Has the energy transition discouraged majors to spend on long cycle supply?

No - the key cause was the negative oil prices that we saw two years ago, if only for a short period. Companies needed to shut down whatever they could in short term investments, which led to this squeeze of available oil at the end of 2021. The war in Ukraine further exacerbated the situation.

Is Europe now willing to invest in the gas capacity required through to 2030?

Europe wants secure, reliable and sustainable energy. Renewables are clearly the most sustainable supply, but fossil fuels provide energy security today. In terms of affordability, renewables are also outcompeting fossil fuels, but it will take time to bring all the infrastructure needed into place. A lot of initiatives are being taken in all the countries in Europe to get rid of gas boilers in building basements faster and to foster building more solar and wind capacity. That won't impact the market in the next two years, but it will do significantly by 2030. We are seeing a speeding up of the energy transition, but it's a question of whether the pace of that deployment will come in time for the short cycle oil and gas to be sufficient, or whether there will be a need for long cycle investments to take the market on from the 2020s. We have another decade or two where we will really need all the hydrocarbons we can get.

How will Europe adjust to competing with a much higher energy cost base?

Taking Germany as an example, it is dependent on natural gas for a lot of its industrial production, so clearly it will struggle to be competitive. Today, it's cheaper to produce ammonia in the US or Asia so there's no doubt that some of the chemicals and even steel production in Germany will be under pressure due to the cost of feedstock.

Will we see more infrastructural investment for gas in Asia?

Asia will need more LNG imports infrastructure during the coming decade. High LNG prices may slow down investment decisions in the short term, but gas and LNG is crucial for Asia to fuel economic growth and to replace coal. Asia has winter supply and pricing issues because it has such little storage, but it will increase investments in subsurface storage so the market should be more balanced in three to five years. Europe by contrast has a lot of storage and it will fill this up ahead of this winter while also reducing consumption of Russian gas in general going forward.

WATCH FULL INTERVIEW HERE

ENERGY FOR LIFE

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TOGETHER, WE BRING ENERGY TO LIFE.

Energy Markets Views You can Use

Sara Akbar
Chairperson & CEO, OiLSERV, Kuwait &
Non-Executive Director, Petrofac

Could Gulf crude be displaced by cheaper Russian oil in Asia?

We would still have narrow margins between supply and demand even if the full capacity of Russian oil was on the market. Most Gulf producers' oil sells on long term contracts which are in place for the next 10 or 15 years, so those quantities are already going to targeted markets and refineries. There's no risk of displacement. I haven't heard of any of the officials in the region worried about losing market share in India, China or Japan.

Will OPEC policy change given these consistently high prices?

OPEC can't do anything right now to control prices. It's also expecting demand to drop and that's why they think the price will be capped around $100 to $110 and not spike to the $160 level as per some forecasts. They also know that if prices do rise above this level, alternative sources of energy such as renewables or nuclear become extremely competitive. But for the next 3 to 5 years, I don't think anything will catch up with the demand for oil. For the first time since 2014, Gulf producers are balancing their budgets. These countries are wholly reliant on one product, and that is oil. This is their opportunity to restructure their economies. Most countries in the region are trying to do this and want to avoid relying on windfall profits from oil again to be able to do this.

When is the market likely to rebalance?

I don't see this happening before 2024. Many countries are now investing to increase capacity. Saudi has announced a target of 13 million bd and Iraq 6 million bd. But those kinds of volumes won't come onstream before 2026.

Narendra Taneja
India's Leading Energy Expert

We've never bought more than 2% of our crude oil requirements from Russia.

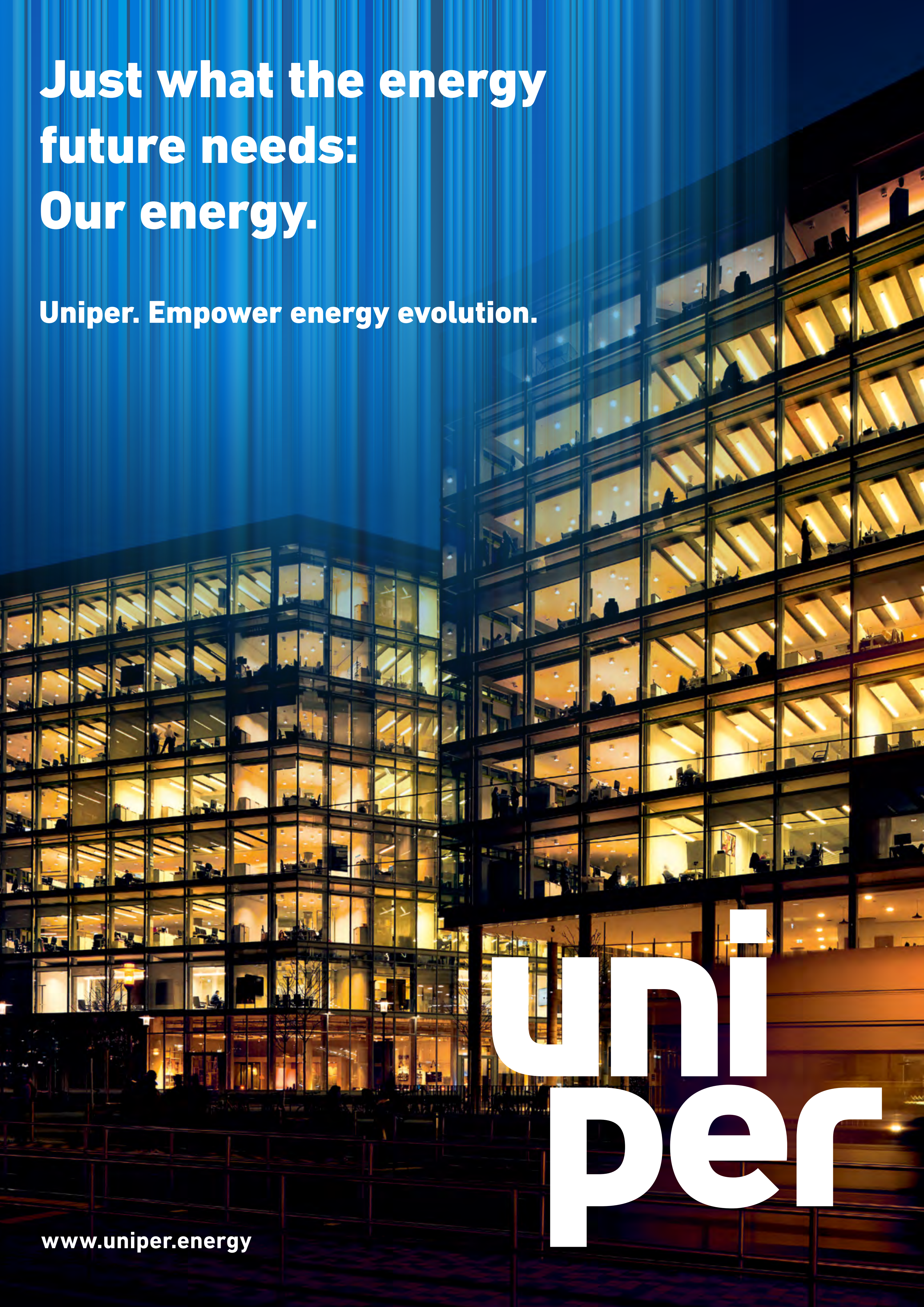
We consume 5 million barrels of oil per day in India. If out of that, we buy 300,000 bd from Russia, it doesn't really count. There are also logistics problems, payment problems, insurance problems, finding tankers and so forth with Russian crude today. We have worked on having a diversified energy supply as part of our energy security doctrine, and we don't want to change that because Russia may be offering a $10 or $15 discount overnight.

How is India's economy coping with these high oil prices?

Inflation and unemployment are very high, so the pain is there. The high oil price is hitting hard and it's something we have no control over. But the economy is also moving forward. Six weeks ago, Delhi airport was the second busiest airport in the world, roads are full of cars and trucks and new companies are being formed. This year we will probably have 8% GDP growth, which with an economy of India's size is massive and very significant so there's a lot of optimism. But what's important at the same time is that oil prices don't go beyond where they are today. Let's not forget that India exports petroleum products to 106 countries around the world. That's a major contributor to our economy.

Why did India put a ban on exports of wheat this week?

This is just a precautionary measure on the part of the government and not permanent. The entire world is having these challenges with commodities, but the government has said that all its commitments made on wheat exports will be honored. The idea was to ensure that food is available to everyone in the country as prices are rising.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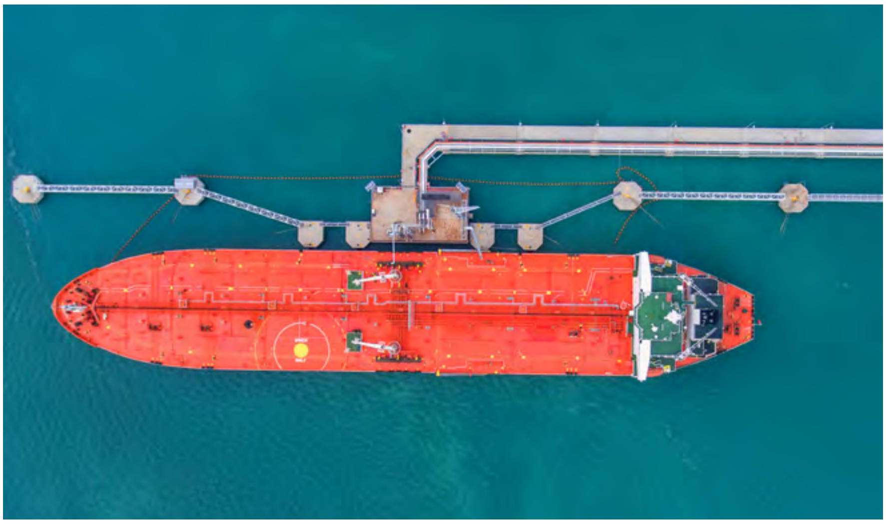
Fujairah Spotlight



Inside Fujairah: A gateway for energy and commodities in the Middle East

From modest beginnings in 1983 when the first container terminal was opened in Fujairah, the port has grown over the last 30 years to become the world's third-largest global bunkering hub after Singapore and Rotterdam. Connected to oil production in OPEC's third-largest producer by a 240-mile-long 48-inch wide export pipeline from Abu Dhabi, Fujairah now encompasses crude storage, bunkers, refining and dry bulk container freight. Bunkering sales at the port hit a record high in October 2021 and 8.2 million mt annually in the first year the port has publicly reported volume.

Source: Source: S&P Global Commodity Insights

McDermott Pens ADNOC Fujairah LNG FEED Deal

Engineering giant McDermott has been awarded a contract by the Abu Dhabi National Oil Company (ADNOC) to provide front-end engineering design services for the new Fujairah liquefied natural gas facility. Located approximately 155 miles from Abu Dhabi, UAE, the facility will include an LNG plant with a total capacity of 9.6mn tons per annum (Mtpa). The plant will be designed with electric drives for the liquefaction compressors and will incorporate several features that significantly reduce greenhouse gas emissions, capitalizing on the experience McDermott has in the net-zero sector.

Source: Rigzone

Russian fuel oil exports to UAE's Fujairah set to spike in May

Russian fuel oil arrivals in the UAE oil hub of Fujairah are set to jump sharply to about 2.5mn bl this month, data shows, in a sign that flows of Russian oil and refined products are shifting away from Europe. The arrivals in May are about 125% higher than April levels, and about 24% higher than a recent record in November 2021, the data from oil analytics firm Vortexa showed.

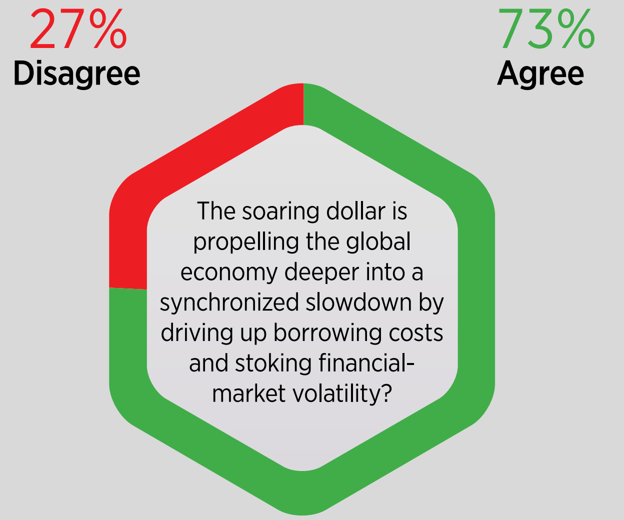
Source: Reuters

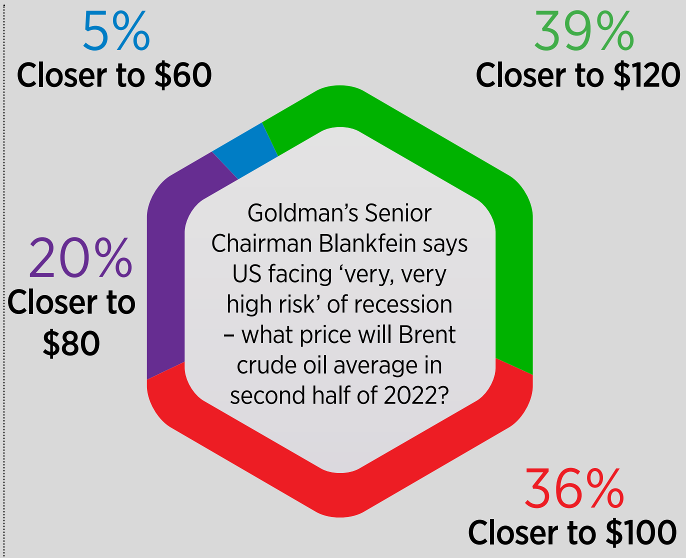
Oil product stocks fall after record Saudi fuel oil shipment

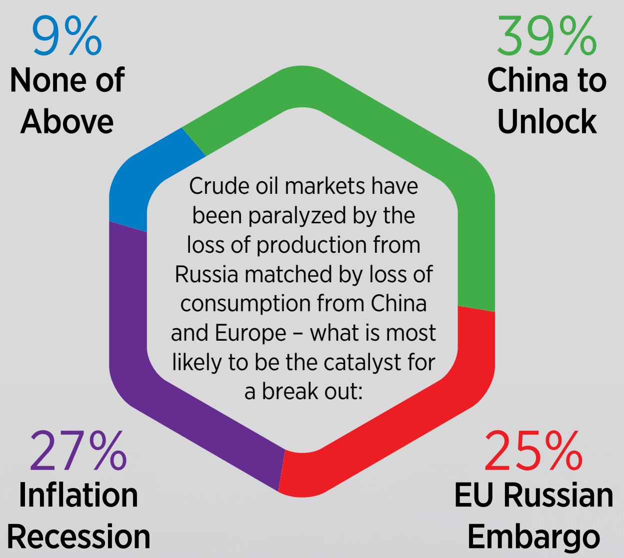
Oil product stockpiles at the UAE's Port of Fujairah dropped for the first time in three weeks after a record shipment of fuel oil to Saudi Arabia ahead of peak summer power demand. The total inventory was 17.742mn bl as of May 16, down 3.1% from a week earlier and the lowest in two weeks, according to data from the Fujairah Oil Industry Zone provided exclusively to S&P Global Commodity Insights on May 18. Heavy distillates and residues used as fuel oil for power generation and marine bunkers dropped 6.6% to 10.342mn bl over the same period, the second consecutive weekly decline to the lowest since March 28.

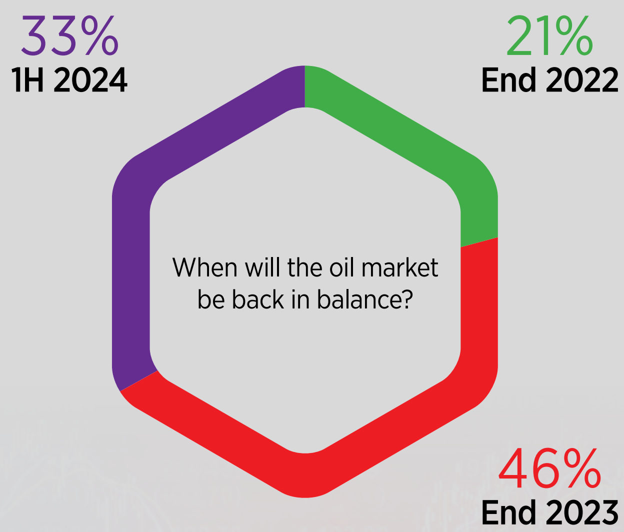
Source: S&P Global Commodity Insights

GI Weekly Surveys









Source: GI Research March 2022

Energy Markets Views You can Use

Maleeha Bengali
Founder
MB Commodity Corner

The mood in the UK and Europe is very dire right now.
Not only are food prices higher, but supplies are missing on shelves. Gas prices haven't really come down with the market continuing to be tight due to different supply demand factors, whether Russia or US specific. In the US, consumer wages are not going up, inflation is close to 8.5%, grocery bills are rising, and variable mortgage rates have doubled. So, the average consumer in the UK and US is feeling a massive pinch in their pocket – and economies can't grow when there's lower disposable incomes.

Do central bankers have any other option but to try and kill demand?
They don't have any tools right now other than jawbone the market lower by taking a much more aggressive stance on rates. They're hoping asset prices and commodity prices will come down, and that inflation drops but until it gets to 4% or 5%, they will not ease policy. And while employment in the US is fine for now, if that changes, the Fed is again going to be caught in a dilemma. It will keep raising rates until something breaks.

Are those expecting China to make a comeback overestimating its ability?
We don't know the exact GDP numbers in China, but the lockdowns have exacerbated the economic weakness. China is trying to boost GDP by increasing spending on infrastructure and housing, but this is not like other cycles when spending lead to a massive rally in commodities and base metals. It's different this time because they're slowing down so much that this is the only thing they can do to support and balance out the negative GDP impact. The weakness in China is a lot worse than the market expects.

Is there any solution to the squeeze in middle distillates?
Until refineries ramp up production, this market will remain very tight. Having said that, it will take about 4 to 6 weeks to see exactly how much of this China economic slowdown and US slowdown is going to affect trucking and manufacturing. The other factor is jet fuel demand. If economies are opening and travel demand increasing, that puts further pressure on the product market. US refiners right now are probably looking to maximize production because of record profit margins but we will still have a shortage around the world because of rerouting and supply chain problems.

Omar Najia
Global Head, Derivatives
BB Energy

This market's going to go substantially higher
We've had sideways consolidation for a while and the longer the market consolidates, the stronger the breakout will be. There's no price discovery in the market so it's not about supply and demand - it's about basically managing the market. So, we could theoretically have a US recession and oil $200 simultaneously. Inflation is the big game in town. We have problems with delivery dates, the euro is diving, gasoline retail prices are at never before new all-time highs. and because of where government debt is, there's no way out of it except with taxes. It's all a little bit unsustainable.

The USD is looking stronger by the day?
The perceived stronger dollar actually shows massive weakness in the Euro, GBP and Yen. Europe no longer has markets to sell its Euros to, such as Russia. There's no more bid for the Euro - it's going to dive against the dollar to sub $1 and probably towards $0.80. GBP will go the same way as it's connected with an umbilical cord to Europe in terms of energy and electricity. Meanwhile, the Ruble is strengthening against the dollar because commodities are being sold in that currency. We're going to see a dislocation between commodity prices and currencies - the traditional stuff that we've seen for a very long time, that's all finished.

Where is the EU at in terms of sanctioning Russian oil?
We can forget about Europe finding a replacement for Russian oil or gas. There will be absolute decimation if it stops taking those supplies. The market in general knows that they can't sanction or replace it. The risk is what Russia will do. If the EU says it's at war with the Russian economy, Russia will do something - the market will focus on that and that will be the fire that lifts us considerably higher.

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Fujairah Weekly Oil Inventory Data

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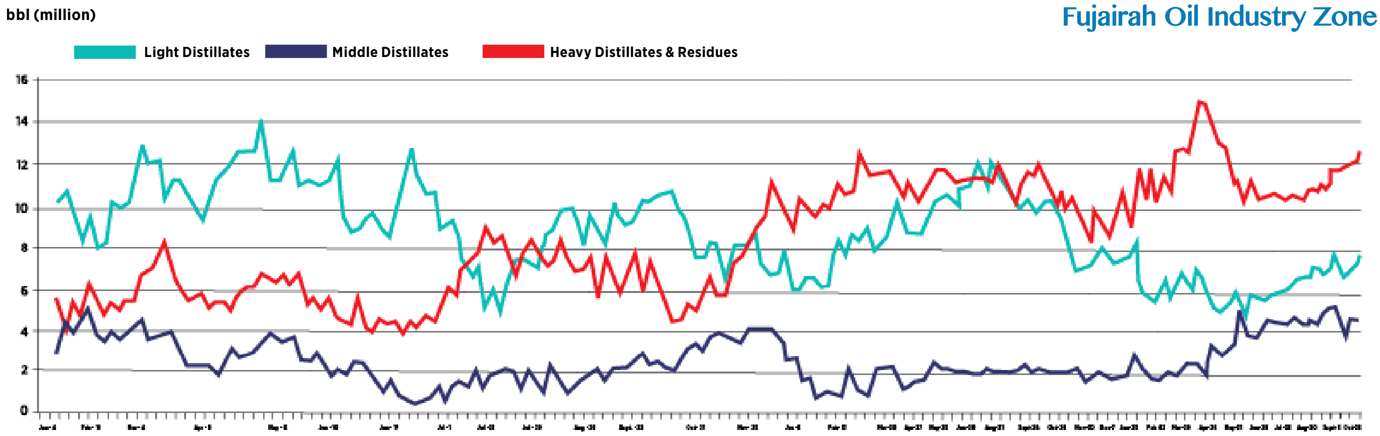


TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 17.742 million barrels. Total stocks fell by 574,000 barrels with overall stocks down 3.1% week-on-week. There was a build in light distillate stocks while middle distillate and heavy residues posted a draw.
- Stocks of light distillates, including gasoline and naphtha, rose by 368,000 barrels or 6.9% on the week to 5.694 million barrels, with stocks holding above the 5 million barrel level for the second consecutive week. The East of Suez gasoline market was finding support amid an expected decline in China's gasoline exports as domestic demand is expected to rise following an announcement that Shanghai's COVID-19 restrictions would be eased by June, market sources said.
- Stocks of middle distillates, including diesel and jet fuel, fell by 217,000 barrels or 11.3% on the week to 1.706 million barrels. The gasoil market was finding support with recovering demand and tight supplies continuing. In India, domestic gasoil demand slipped 6.53% month on month, but was 7.91% higher on the year at 7.2 million mt in April, latest preliminary data from the Petroleum Planning and Analysis Cell showed.
- Stocks of heavy residues fell by 725,000 barrels on the week to 10.342 million barrels falling by 6.6% as stocks fell below 11 million barrels for the first time since early April. In Fujairah the market for delivered bunker fuel was seeing offers for fuel rising in line with a surging crude flat price. Marine Fuel maximum sulfur 0.5% delivered bunker fuel was assessed on May 17 in Fujairah at $927/mt, reflecting a rise of $48/mt day on day. The premium of Fujairah-delivered marine fuel maximum sulfur 0.5% against the same grade in Singapore was $5/mt with Singapore delivered bunkers assessed at $922/mt on the day.

Source: S&P Global Platts

Commodities

Oil prices eased back overnight, down by 2% in Brent markets to USD 111.93/b while WTI fell 1.58% to USD 112.40/b, actually ending the day at a premium to Brent. The API reported a draw in US crude inventories of 2.4m bbl last week including a drop of more than 3m bbl at Cushing. Gasoline inventories fell by more than 5m bbl. Official data from the EIA will be released later today.

FX

Currency markets swung sharply against the dollar as risk sentiment returned and expectations for rate hikes beyond the Federal Reserve increased. EURUSD added more than 1.1% to settle at 1.055, its strongest level since the start of May while GBPUSD rallied more than 1.4% on the back of strong labour market data to 1.2493. USDJPY moved against the yen, adding 0.17% to 129.38.

Equities

A return in risk-on sentiment boosted global equity markets yesterday, paring some of the severe losses seen over the previous week. In the US the NASDAQ, which has lost the most this year as bets on monetary tightening have risen, picked up 2.8%. The Dow Jones added 1.3% and the S&P 500 2.0%. All three remain down significantly ytd however.

Source: Emirates NBD Report

Energy Markets Views You can Use

Kate Dourian, FEI

MEES Contributing Editor & Non-Resident Fellow
The Arab Gulf States Institute in Washington

The next few months will show whether traders stop trading Russian oil.
And as new EU sanctions take hold, we will also have OPEC+ pushing against the limits of their capacity as they unwind their cuts. As quotas increase, we're going to see the gap between OPEC+ targets and actual production get wider so we're in for a tight market and higher prices and that's also feeding into other commodities, supply chains and food prices. The second half of the year will show just how much spare capacity there is and apart from Saudi and the UAE, no one has it. And that's with SPR releases already in the market. We still have very low inventories and products.

Oil producers meanwhile are posting pretty hefty profits?
That's true but obviously, the IOCs who had to exit Russia will take a hit. Oil producers might be enjoying windfall profits but in the longer term, I think it is going to hit demand. OPEC is basically shooting themselves in the foot by maintaining this policy. The longer-term implications are going to be quite serious. You're going to have fuel switching and we already have countries considering reviving nuclear power. And if we look at the sanctions on Russia, it's making up for any decline with higher prices and the ruble's strength. The sanctions are not having the impact that they were supposed to have. We're seeing more competition in Asia for OPEC oil because of the discounted Russian barrels so OPEC is losing market share there. It's not a very wise policy to allow prices to stay at these high levels.

Dr. Sara Vakhshouri

Founder & President
SVB Energy International

Crude prices will stay strong, but the real supply issue is with refined products.
We have a lack of refinery capacity. In the US, capacity has dropped 10% in two years. Higher gasoline prices may mean $10 per month less in peoples' pockets, but that won't change demand too much for driving for this season. It's still going to be strong. In some areas in the US east and northeast, a big portion of the imports were coming from Russia and that has now been banned. China also still has its ban on its exports of refined petroleum products.

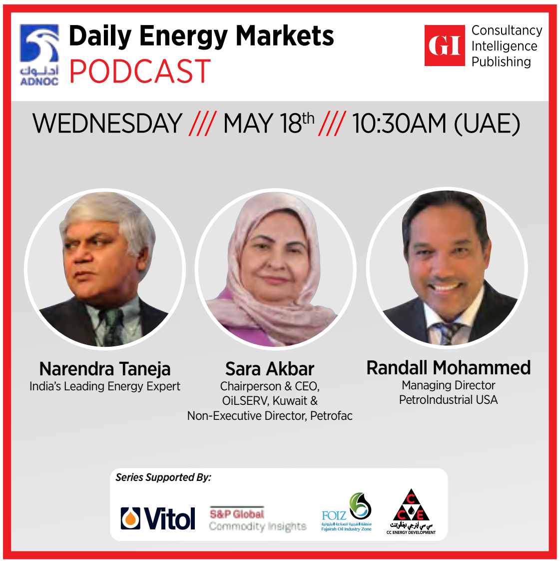
Any immediate solution for refined products supply?
One idea could be to talk to China and see if they would agree to remove, at least temporarily, the ban that they have on their export of products. If China would allow some of its teapot refineries to process at higher quotas, that would have an immediate impact on the market. Otherwise, we could be waiting till at least 2023 for additional refined petroleum capacities.

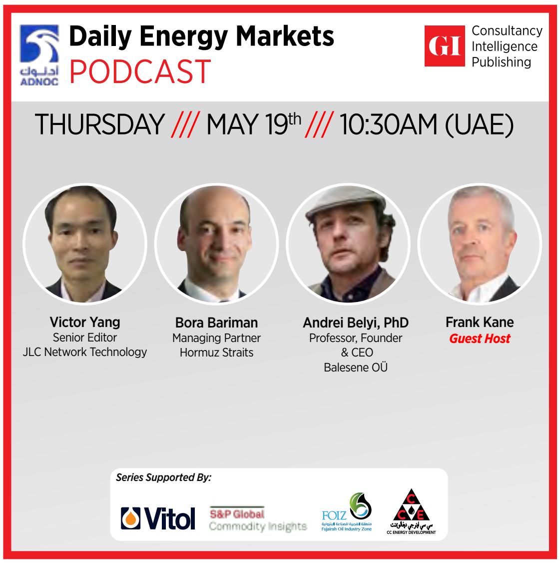
Likely impact of EU, US sanctions on Russia this week?
If you want to compare the pressure on Europe with the pressure on Russia, Europe is going to have a harder time. Russia is making a similar revenue on its fuels as to what it was making previously, even with these discounts. Russian oil is now mostly going to Asia - China and India are purchasing the discounted oil. Europe is facing a hard winter with shortages and high prices of coal and natural gas.

Likely outcome of the Iran nuclear talks?
There aren't enough positive signals that these will succeed, and we also have the midterm elections in the US later this year. But in terms of volumes, Iran could restore some of its production capacity lost under sanctions. According to them, they are already exporting close to one million barrels per day. They're also trying to somehow leverage the situation of redirection of Russian oil exports from Europe, signaling that they could possibly substitute some of it.

Energy Markets
COMMENTARY

WEEK IN REVIEW





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Energy Markets Views You can Use

Dr. Aldo Flores-Quiroga
Former Deputy Secretary of Energy for Hydrocarbons
Mexico's Ministry of Energy

We are in for a contraction in demand either in 2H 2022 or 1H 2023
With the rising cycle of Fed interest rates, it's very difficult to think that it will be a soft landing for the US economy and for Atlantic economies. We are in an environment of extreme uncertainty and volatility, and we will be in that mode for a number of months, both in terms of politics and economics. There are many factors that we have been taking for granted for a while that are now being disputed and they will all affect the behaviour of oil supply and demand. Demand will not grow as fast as what we saw coming out of the Covid pandemic.

Trajectory for oil prices?
Nothing cures high prices like high prices, but It's a very difficult moment to build a definite narrative of what's going to happen beyond the next few months. The Covid pandemic forced the closures of so many refineries and we now also have the sanctions on Russia and the war in Ukraine and its geopolitical implications.

Can OPEC+ remain cohesive and relevant amid all this uncertainty?
There's still an incentive for the group to keep working as they have done, monitoring and stabilizing the market. We are not out of the turbulent times that began with Covid two years ago. But the shift in supply patterns and Russian oil being redirected to some other regions may lead some OPEC+ members to do the same. The narrative will be moving more to stability as opposed to recuperating some modicum of reasonable prices in the market, which was what we were talking about in 2020.

What would a 2.5% Fed rate mean for Mexico and South American countries?
A US recession would also spell recession for Mexican markets as they are usually synchronized. South America is a little more diversified - it exports more to China and exports more commodities and so will benefit from those high prices. Mexico by contrast is a manufacturing exporter.

Outlook for the week ahead?
Watch for US economic figures and how European governments continue to shape their energy policy and their agreement with respect to Russia. This idea of a consumer cartel, which I don't think will move forward, is still something that frames the way the region might be thinking about the course of energy cooperation among the OECD and the West in general.

Energy Markets Views You can Use

Rafiq Latta
Senior Correspondent
Energy Intelligence

I don't see oil prices returning to sub $50 a barrel.
We would have to be in massive recession for that. Things have moved up and we're in a different world. The war in Ukraine is also going to continue to ratchet up pressure on all these bottlenecks so we would need quite a substantial economic hit for oil prices to take a hit. The longer this war goes on, the bigger the pressure on Russian supply will be. We have a complete failure of OPEC countries to respond to these high prices and we have outages in key countries such as Libya still ongoing, in addition to massive downstream bottlenecks that are going to keep the delta between crude and product prices quite high. Lastly, we're not seeing an investment response; US production doesn't look like it's going to rise as much it would have in past crises.

Are sanctions on Russia having the desired impact so far?
The EU and the US may have miscalculated quite dramatically on the energy front. Russia economically is not suffering. It's the EU that's funding this war. Unless you manage to constrict Russia's supply over and above the price gains, half measures are simply going to drive Russia's revenues higher. The EU is in a bind. We will look back in history and see this as a big inflection point in terms of Western supremacy on energy. They also need to get things right and really push on the policy front on energy efficiency and the transition.

Outlook for the market in the week ahead?
The war militarily is not going well for Putin, but he also cannot afford to lose this conflict. Energy is one of the few things he has left so I expect him to try and do more on that front. I think we're in for a really rough ride. If he's smart, he'll make it more targeted. There'll be a lot of signaling one way and doing something another way. He might try and lower the heat on the military front and wait till we get closer to winter and the closer we get to winter, the stronger hand he will have and the weaker Europe will be.

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8. UK INFLATION JUMPS TO 40-YEAR HIGH OF 9%
9. NDIA'S BIGGEST PRIVATIZATION SHELVED FOR NOW
10. PANAMA CANAL VESSEL QUEUE REFLECTS SHIPPING BOTTLENECKS

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RECOMMENDED VIDEOS & REPORTS

- GAS PRICES WILL SURPASS $6 NATIONWIDE BY AUGUST, JPMORGAN SAYS
- CHINA, US LEAD RISE IN GLOBAL DEBT TO RECORD HIGH US$305TRN
- UAE: BOROUGE TO BECOME LATEST IPO IN A WAVE OF MIDDLE EAST MEGA LISTINGS
- AFTER CUBA, BIDEN MOVES TO EASE SOME TRUMP SANCTIONS ON OIL-RICH VENEZUELA
- "WE COULD SEE GLOBAL OIL MARKET BACK IN BALANCE BY END OF 2023"
- NAVIGATING THE TRILLION-DOLLAR OFFSHORE WIND OPPORTUNITY

GI Soundings Week in Review

"Russia's Finances Remain Supported by Strong Oil Price"

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.

- **HRH Prince Abdulaziz Bin Salman, Minister of Energy, Saudi Arabia**
- **Asad Khan, Chief Economist, Jadwa Investment**
- **Randall Mohammed, Managing Director, PetroIndustrial USA**
- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**
- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Andrei Belyi, PhD, Professor, Founder & CEO, Balesene OÜ**
- **Bora Bariman, Managing Partner, Hormuz Straits Partnership**
- **Victor Yang, Senior Editor, JLC Network Technology**

HRH Prince Abdulaziz Bin Salman, Minister of Energy, Saudi Arabia: We are going to produce 13.3-13.4 mbd, mostly with new oil flow from the Neutral Zone with Kuwait, by the end of 2026-27. We can continue maintaining sustainable production. We're working in a market where backwardation is more a blessing than a curse. (Source: Speech at the MPGC conference)

Asad Khan, Chief Economist, Jadwa Investment: "Saudi Government revenue totalled SR278 billion in Q1 2022, up 36%, or SR73 billion, year-on-year. A rapid rise in global oil prices during the quarter led to oil revenue jumping 58% on a yearly basis. Brent oil prices rose 69% year-on-year in Q1 2022 (to an average of $103 per barrel). Looking ahead, as oil prices remain elevated, and Saudi production rises in line with the OPEC plus agreement, we expect government oil revenue to continue showing sizable yearly rises. We see it totalling SR935 billion, up 66% over last year's total."

Randall Mohammed, Managing Director, PetroIndustrial USA: "We've added rigs at an average of seven per week since the beginning of January. Forecast that into the future and you're probably looking at more than 900 rigs by the end of the year. That's going to exceed the number of rigs that we had in 2019. It's still far from what we had in 2014, over 1800 rigs, but nonetheless US production has inched up to about 11.8mbd since the pandemic."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence: "It's a rare day when the only commodity on the Bloomberg GLCO screen that's up is gold, and the implications may be long-lasting. The fact that the Federal Reserve is increasing rate hike expectations, despite about a 20% drawdown in the S&P 500, should indicate further risk asset mean reversion. Squashing inflation is the goal and gold is a top asset that stands to benefit, notably if the roughly 200 bps of tightening priced in federal funds futures in a year turns out to be less. A primary factor for curtailing an aggressive Fed is a high-velocity decline in the stock market."

Peter McGuire, Chief Executive Officer, XM Australia: "Recession not fully priced into the markets -- who will pay the price? That is the question that bothers investors nowadays as businesses feel more confident to transfer rising production costs to consumers, and central banks constantly message markets that additional rate increases are the immediate solution for spiralling inflation."

Andrei Belyi, PhD, Professor, Founder & CEO, Balesene OÜ: "The Russian central bank has pretty large reserves of gold that can mitigate any collapse of the ruble. The overall financial situation is resilient, but the economy is suffering. Unemployment and the real cost of war on the economy will rise and industrial output will decline. After the end of this year, what we may see is a mismatch between Russia's GDP in terms of the oil price, and in terms of purchasing power parity."

Bora Bariman, Managing Partner, Hormuz Straits Partnership: "The EU is probably the most disadvantaged bloc globally out of this standoff in Ukraine. They are the most dependent on Russian energy and logistically, are unable to get alternatives as economically as other regions may be able to do. They will also have to pay for a significant portion of Russian product in rubles and the alternatives are priced in dollars at a time when the USD is strengthening across all global currencies, especially against the euro."

Victor Yang, Senior Editor, JLC Network Technology: "China is trying to reduce its dependence on foreign crude. It's been stepping up domestic production for the last two years and been cutting exports of gasoline, diesel and jet fuel, even when domestic demand has been weak. Product exports declined for the first time in decades last year, and this trend will continue in 2022."

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
May 15th - 19th

1. It looks increasingly like the hot money is betting on a global recession, with inflation i.e. Stagflation, the worst possible outcome.

2. Brent crude oil prices will average close to $100 in the first half of 2022, and likely to do the same in H2 regardless of GDP growth.

3. Monetary policy makers would usually fight a recession by cutting interest rates, yet on this occasion it looks like they will be raising rates to try arm wrestle inflation lower - OUCH!

4. Every day there appears to be more reasons for oil prices to go higher than lower despite the bearish outlook for economic growth, with the reality that energy will be the last thing consumers give up during a recession.

5. Some members of OPEC such as Libya and Iraq, would in time probably welcome the opportunity to officially fill any gap in the market created by Russia supply shortage.

6. Fed can try and tackle liquidity and inflation with tapering and interest rates but can do very little to control food and commodities inflation due to supply constraints.

7. India feeling the pain of high inflation, high oil prices and high unemployment but its economy is doing fine with an 8% growth rate still expected for 2022.

8. Oil market won't be back in balance till at least 2024, OPEC's hands are tied right now to help with supply, and investment in new Gulf capacity won't manifest as supply for another 5 years or so.

9. Russian financial system proving resilient thanks to high oil price, with country making $60-$70/bl even after discounts, but sanctions impacting Russian oil production severely, with a 17% drop in output expected this year vs. 2021.

10. China trying to reduce dependence on imported crude – cutting product exports even when domestic demand is weak, a trend which will continue in 2022.

10th Anniversary ITINERARY

ENERGY MARKETS FORUM

October 4th - 6th, 2022 | Novotel, Fujairah

DAY 1 - OCT. 4th

What: Port of Fujairah Executive Boat Tour
Where: Port of Fujairah
Time: 2:00pm

What: FOIZ Oil Storage Terminals Industry Tour
Where: Port of Fujairah
Time: 2:00pm

What: The Aramco Trading New Silk Road CEO of the Year Awards 2022
Where: Novotel, Fujairah
Time: 7:00pm

DAY 2 - OCT. 5th

What: Industry Forum - East of Suez Outlook
Where: Novotel, Fujairah
Time: 8:00am - 3:00pm

What: International Energy Journalism Awards Dinner
Where: Novotel, Fujairah
Time: 7:00pm

DAY 3 - OCT. 6th

What: Energy Markets Workshop - Benchmarks
Where: Novotel, Fujairah
Time: 8:00am - 2:00pm

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