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Fujairah New Silk Road WEEKLY NEWSLETTER

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

"Global economic prospects have been severely set back, largely because of Russia's invasion of Ukraine"

Pierre-Olivier Gourinchas, Director of Research – IMF

The effects of the war will propagate far and wide, adding to price pressures and exacerbating significant policy challenges. This crisis unfolds even as the global economy has not yet fully recovered from the pandemic. Even before the war, inflation in many countries had been rising due to supply-demand imbalances and policy support during the pandemic, prompting a tightening of monetary policy. The latest lockdowns in China could cause new bottlenecks in global supply chains. In this context, beyond its immediate and tragic humanitarian impact, the war will slow economic growth and increase inflation. Overall economic risks have risen sharply, and policy tradeoffs have become even more challenging. Compared to our January forecast, we have revised our projection for global growth downwards to 3.6% in both 2022 and 2023. This reflects the direct impact of the war on Ukraine and sanctions on Russia, with both countries projected to experience steep contractions. This year's growth outlook for the European Union has been revised downward by 1.1% points due to the indirect effects of the war, making it the second largest contributor to the overall downward revision. The war also adds to the series of supply shocks that have struck the global economy in recent years. Like seismic waves, its effects will propagate far and wide—through commodity markets, trade, and financial linkages.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

3,944,000 bbl	1,166,000 bbl	11,949,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

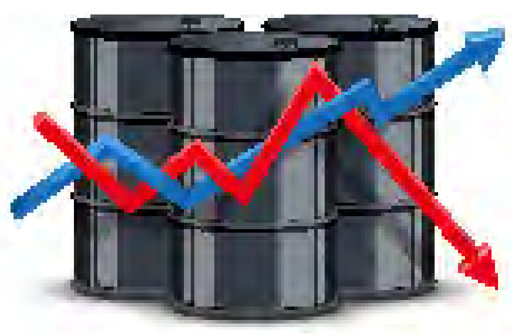
Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.61 - 4.38/$m^3$

↑ Highest: $4.50/$m^3$
↓ Lowest: $3.40/$m^3$

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude:	$106.11/bl
WTI Crude:	$104.39/bl
DME Oman:	$106.47/bl
Murban:	$109.20/bl

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

Fujairah Weekly Bunker Prices

VLSFO

High = $890.00/mt

Low = $842.50/mt

Average = $875.00/mt

Spread = $47.50/mt

MGO

High = $1,298.00/mt

Low = $1,223.00/mt

Average = $1,255.00/mt

Spread = $0.00/mt

IFO380

High = $767.50/mt

Low = $705.00/mt

Average = $738.50/mt

Spread = $62.50/mt

*Source: Ship and Bunker, *Time Period: April 13 – April 20*

Fujairah Bunker Sales Volume (m^3)

369 180cst Low Sulfur Fuel Oil	527,677 380cst Low Sulfur Fuel Oil	129,293 380cst Marine Fuel Oil
1,096 Marine Gasoil	32,706 Low Sulfur Marine Gasoil	5,469 Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

CONTINUED FROM PAGE 1

Pierre-Olivier Gourinchas, Director of Research – IMF

Impact of Russia's War on Ukraine?

Russia is a major supplier of oil, gas, and metals, and, together with Ukraine, of wheat and corn. Reduced supplies of these commodities have driven their prices up sharply. Commodity importers in Europe, the Caucasus and Central Asia, the Middle East and North Africa, and sub-Saharan Africa are most affected. But the surge in food and fuel prices will hurt lower-income households globally, including in the Americas and the rest of Asia. Eastern Europe and Central Asia have large direct trade and remittance links with Russia and are expected to suffer. The displacement of about 5 million Ukrainian people to neighboring countries, adds to economic pressures in the region.

Inflation Becomes Clear & Present Danger

The medium-term outlook is revised downwards for all groups, except commodity exporters who benefit from the surge in energy and food prices. Aggregate output for advanced economies will take longer to recover to its pre-pandemic trend. And the divergence that opened up in 2021 between advanced and emerging market and developing economies is expected to persist, suggesting some permanent scarring from the pandemic. Inflation has become a clear and present danger for many countries. Even prior to the war, it surged on the back of soaring commodity prices and supply-demand imbalances. Many central banks, such as the Federal Reserve, had already moved toward tightening monetary policy. War-related disruptions amplify those pressures.

We now project inflation will remain elevated for much longer. In the US and some European countries, it has reached its highest level in more than 40 years, in the context of tight labor markets. The risk is rising that inflation expectations drift away from central bank inflation targets, prompting a more aggressive tightening response from policymakers.

Outlook for Food & Fuel Prices?

Furthermore, increases in food and fuel prices may also significantly increase the prospect of social unrest in poorer countries. Immediately after the invasion, financial conditions tightened for emerging markets and developing countries. So far, this repricing has been mostly orderly. Yet, several financial fragility risks remain, raising the prospect of a sharp tightening of global financial conditions as well as capital outflows.

On the fiscal side, policy space was already eroded in many countries by the pandemic. Withdrawal of extraordinary fiscal support was projected to continue. The surge in commodity prices and the increase in global interest rates will further reduce fiscal space, especially for oil- and food-importing emerging markets and developing economies.

The war also increases the risk of a more permanent fragmentation of the world economy into geopolitical blocks with distinct technology standards, cross-border payment systems, and reserve currencies. Such a tectonic shift would cause long-run efficiency losses, increase volatility and represent a major challenge to the rules-based framework that has governed international and economic relations for the last 75 years.

Adjusting Policy Priorities

Uncertainty around these projections is considerable. Growth could slow down further while inflation could exceed our projections if, for instance, sanctions extend to Russian energy exports. Continued spread of the virus could give rise to more lethal variants that escape vaccines, prompting new lockdowns and production disruptions. In this difficult environment, national-level policies and multilateral efforts will play an important role. Central banks will need to adjust their policies decisively to ensure that medium- and long-term inflation expectations remain anchored. Clear communication and forward guidance on the outlook for monetary policy will be essential to minimize the risk of disruptive adjustments.

Several economies will need to consolidate their fiscal balances. This should not impede governments from providing well-targeted support for vulnerable populations, especially in light of high energy and food prices. Embedding such efforts in a medium-term framework with a clear, credible path for stabilizing public debt can help create room to deliver the needed support. Even as policymakers focus on cushioning the impact of the war and the pandemic, other goals will require their attention. The most immediate priority is to end the war.

Close the gap on climate ambitions and policy actions

An international carbon price floor differentiated by country income levels would provide a way to coordinate national efforts aimed at reducing the risks of catastrophic climate events. Equally important is the need to secure equitable worldwide access to the full complement of Covid-19 tools to contain the virus, and to address other global health priorities. Multilateral cooperation remains essential to advance these goals.

Policymakers should also ensure that the global financial safety net operates effectively. For some countries, this means securing adequate liquidity support to tide over short-term refinancing difficulties. But for others, comprehensive sovereign debt restructuring will be required. The absence of an effective and expeditious framework is a fault line in the global financial system. Particular attention should also be paid to the overall stability of the global economic order to make sure that the multilateral framework that has lifted hundreds of millions out of poverty is not dismantled.

Geopolitical Fragmentation Exacerbates Economic Volatility

These risks and policies interact in complex ways over varying timeframes. Rising interest rates and the need to protect vulnerable populations against high food and energy prices make it more difficult to maintain fiscal sustainability. In turn, the erosion of fiscal space makes it harder to invest in the climate transition, while delays in dealing with the climate crisis make economies more vulnerable to commodity price shocks, which feeds into inflation and economic instability. Geopolitical fragmentation worsens all these trade-offs, increasing the risk of conflict and economic volatility and decreasing overall efficiency.

In a matter of a few weeks, the world has yet again experienced a major shock. Just as a durable recovery from the pandemic was in sight, war broke out, potentially erasing recent gains. The many challenges we face call for commensurate and concerted policy actions at the national and multilateral levels to prevent even worse outcomes and improve economic prospects for all.

ENERGY FOR LIFE

Abu Dhabi National Oil Company (ADNOC) is one of the world's leading energy producers and a reliable global energy supplier. With a production capacity of 4 million barrels of oil per day and around 11 billion standard cubic feet of natural gas per day, our work continues to enable our country and our people to realize their remarkable potential, acting as a catalyst for the growth and diversification of the UAE economy.

TOGETHER, WE BRING ENERGY TO LIFE.

Energy Markets Views You can Use

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

Can anything now stop the strength in the oil price?
Increased supplies from SPR, IEA and OPEC have not tempered the bullishness in the market, and this is compounded by Libya field outages and OPEC+ producing under target. At the same time, the loss in Russian oil has not been as great as people thought it would be, so at some point, maybe the markets will balance. But again, we are also going into a higher demand season for gasoline. And them we also have questions on China economic growth, inflationary pressures, stagflation threats in the UK, so that will dampen demand over time. The tug of war between demand and supply will continue and despite slightly downgraded global demand forecasts, it looks like a high price scenario will remain for some time.

How can OPEC+ manage its geopolitical diplomacy around the Ukraine war?
OPEC+ policy is set by Russia and Saudi Arabia, and I can't see any of the producers going against the Saudi stance towards Moscow. So far, all we've heard is that the relationship is not at stake and that politics will be left at the door. But regardless, if you look at the market balance, the least OPEC+ could have done was replace the oil that some of its members have not been able to produce at their quotas.

Is there political appetite in Europe to support oil sanctions on Russia?
Germany is going to resist very strongly. If you pull down the German economy, you're going to pull down the whole block. One of the problems at the moment with the market, is that there isn't enough spare capacity available immediately, except maybe from two countries, the UAE and Saudi Arabia.

Randall Mohammed
Managing Director, PetroIndustrial USA

Are supply or demand concerns winning the market's tug of war for Q2?
The rebound in prices is attributable to the fact that China seems to be opening back up, with news of factories getting back to production. That seems to be supporting the demand side of the equation. I think we're going to see this tug of war continue and get even worse as the war in Ukraine goes on, with one to three million barrels per day of Russian crude forecast to come off the market.

Do you see a crisis emerging for the US' economic outlook?
The Fed has been criticized for leaving things too late and is now dealing with a balancing act of recovery and recession risk. We are near full employment, but inflation is at 8.5%. Gasoline prices are still well above $4 a gallon which is hitting the American pocket. But it will be a struggle to get inflation back to the 2% target. We should also remember that the inflation is double sided – with stimulus money on the one hand, and supply chain constraints on the other, so the Fed can't do it on their own. The other thing to watch out for is that Russian bonds are due to expire within the next three weeks, amounting to $98 billion, and 21% of which is held by foreigners. The US has said it will use the $600 billion of Russian assets it has frozen in US bank accounts, to pay those investors if Russia defaults – so we haven't fully built in the ramifications of this and need to look out.

How has the industry reacted to Biden's latest move on drilling rights?
He has now opened up federal waters and lands for drilling, but it has met with an uproar from the producers because Biden has also increased the royalty rate by 50% and shrunk the acreage being offered. And as far as the SPR is concerned, so far about 260 million barrels of oil has been released. The SPR only has a working capacity of 500 to 600 million barrels, so that does not leave much more to work with.

Fujairah Spotlight

Bunker sales rebound 12.79% on month in March from record low

Fujairah's bunker sales in March rebounded 12.79% on the month from a record low in February, led by gains in low sulfur fuel oil and low sulfur marine gasoil. The total was 696,610 cu m, up 12.79% from 617,622 cu m in February, the lowest for the Fujairah Oil Industry Zone data since January 2021. Although at a three-month high, the total volume was still well below the record high of 782,060 cu m in October 2021.

Source: S&P Global Commodity

China, Fujairah Bunker Markets Benefit as Ships Skip Singapore to Save Time

Fewer ships are opting to lift fuel at the southeast Asian shipping and bunkering hub of Singapore compared to a year ago as global port congestion continues to bite.

Source: Ship & Bunker

SAFEEN Feeders Signs New Agreement with Saif Powertec for Fujairah – Bangladesh Cargo Services

AD Ports Group today announced that its feeder service, SAFEEN Feeders, has signed a long-term trade facilitation and shipping agreement with Saif Powertec Limited, a listed firm in Bangladesh that is active in ports, logistics, civil engineering, and power sectors. Under the terms of the agreement, the two companies will work closely together to facilitate trade and cargo services from Fujairah to Bangladesh over a period of 15 years. As part of the collaboration, SAFEEN Feeders is expected to provide eight Supramax bulk carriers with 55,000 Deadweight Tonnage (DWT) capacity to Saif Powertec.

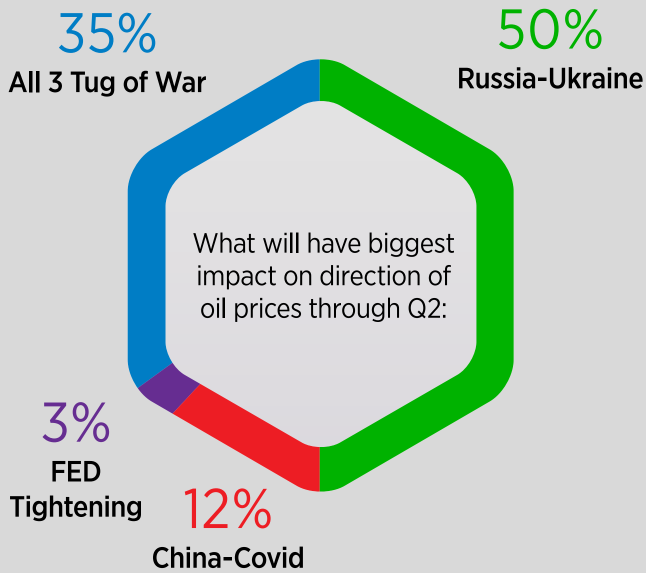
Source: Hellenic News Shipping

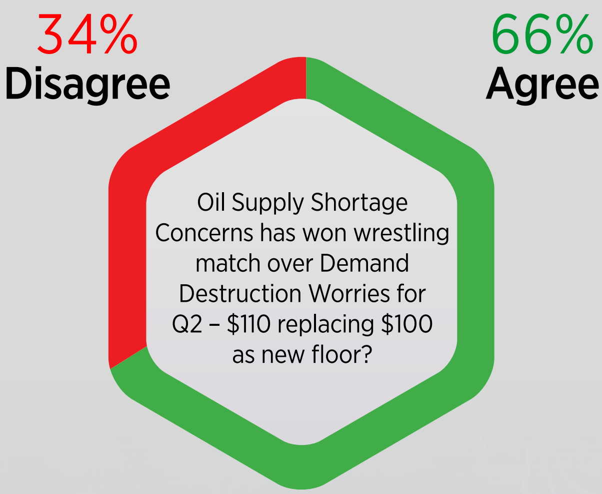
Oil product stocks retreat even as heavy fuels extend gains

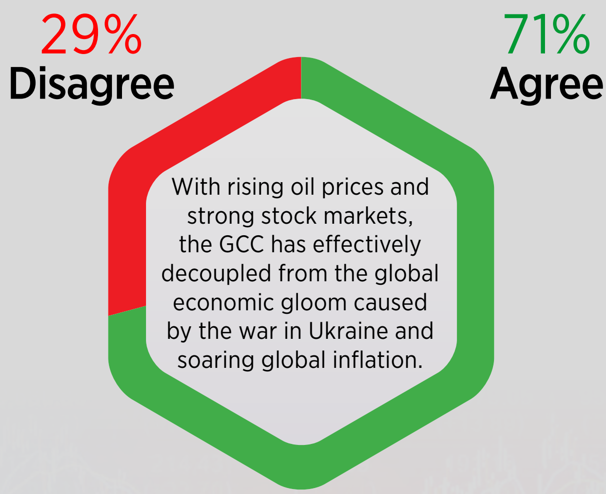
Oil product stockpiles at the UAE's Port of Fujairah have fallen to a two-week low even as fuels for power generation and marine bunkers extended gains ahead of the Middle East's high demand period for electricity to run air conditioners with summer around the corner.

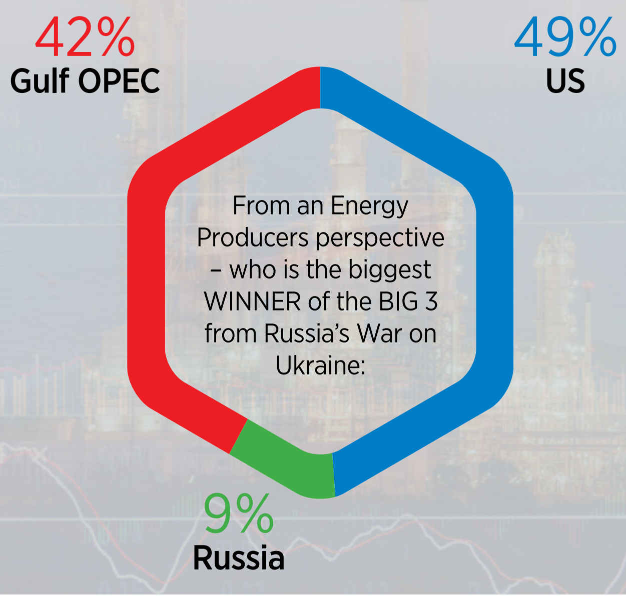
Source: S&P Global Commodity Insights

Weekly Surveys









Source: GI Research March 2022

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Energy Markets Views You can Use

Laury Haytayan
MENA Director, Natural Resource Governance Institute

Nobody cares about the crisis in Libya despite consequences for oil and gas.
If we have three million barrels of Russian oil off the market by May, and then add to that around one million Libyan barrels, that's a lot of crude. But with no one mediating the crisis in Libya currently, we probably need to start considering that Libyan crude won't be available to balance the market. Even the Italians that would get gas from Libya are today more interested in working with the Algerians because that supply is more stable and in more quantity.

Is Turkey's position being elevated in terms of East Med energy?
We're kind of coming back to this energy rivalry between Egypt and Turkey. Currently, if Europe needs gas, the quickest fix would be to use existing LNG terminals in Egypt – they're ready and may need a bit of extension – but gas could flow from Egypt and from Israel into these terminals and onto Europe. The Turkish option is a little more into the future, but pipelined gas could theoretically flow in the near term from Israel and through Turkey to Europe. But that would require guarantees from European policy makers that they would need gas beyond the next ten years and so those energy transition targets would need to be altered. Companies need to know that whatever investment they will make, will have a return and that will require signs from Europe that they will need this gas beyond 2030 or 2040 – otherwise no one will invest that kind of money into new projects.

Narendra Taneja
India's Leading Energy Expert

A new world order has started in oil.
A global economic 'Cold War' has begun. Until now, oil had been a global commodity and great beneficiary of globalization. That is now being challenged and we are witnessing a deglobalization in oil, with the western part of the world on one side, and China, Russia and others on the other. If Russia launches this new oil order and China chips in by helping it find buyers, tankers, and alternative payment mechanisms, it's going to be an even bigger change. We are talking about a massive disruption to the oil market that was established at the collapse of the Soviet Union – and it's going to be a chaotic one.

Would India partner with China in this new global oil order?
India could see some benefit as this would create a more equal oil world, not entirely dominated by the US dollar or the Western narrative. But it's not that simple. India is very closely aligned with the West – we are a democracy and acknowledge the same educational system. We are at home when we deal with America, Europe, Japan, Australia etc., but at the same time, we are a friend and a partner to all and not a follower of any country. We have our own worldview.

How would an oil price consistently above $100 impact India's economy?
Higher oil and natural gas prices have already started impacting our economy even though we are still expected to grow at 8% this year. Post Ukraine war, we've also seen edible oil prices go up, along with metals and commodities across the board. This is all bad news for India's economy, which is heavily integrated globally. The other victim of this whole new order is the energy transition, which has been totally disrupted. We do need to find a solution in Ukraine, but at the same time, we should not disturb the global economic order and yet, that has happened already. Moreover, the challenges to emerging economies like ours, are going to be much bigger than for the west, so we will have to see what options are open to us and choose what's in our best economic interest.

Fujairah Weekly Oil Inventory Data

FOIZ
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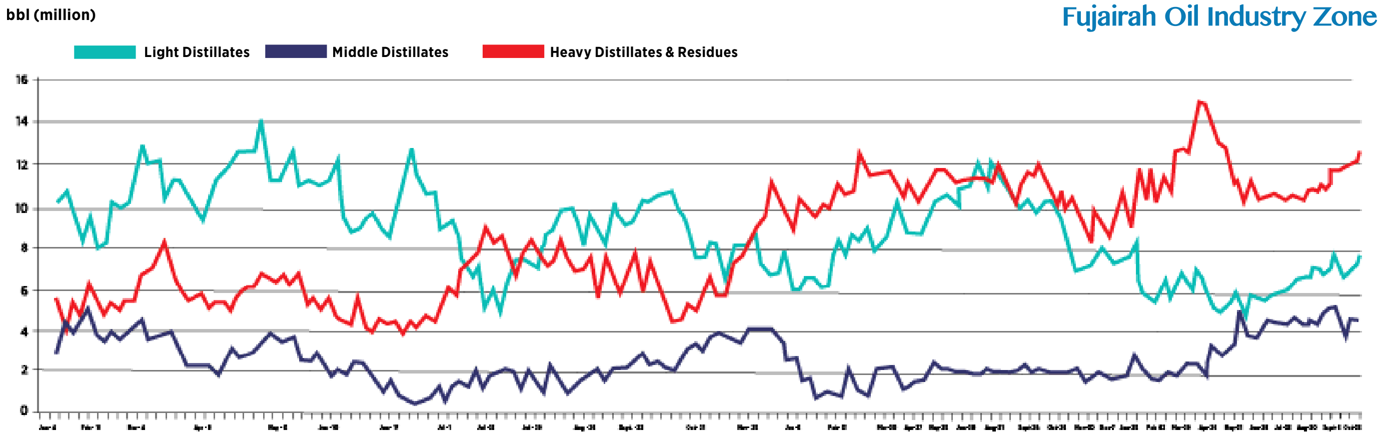
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 17.059 million barrels. Total stocks fell by 54,000 barrels with overall stocks down 0.3% week-on-week. Light distillates posted a large draw which was largely offset by a build in heavy residues, while middle distillates saw a slim draw down in stocks.

- Stocks of light distillates, including gasoline and naphtha, fell by 988,000 barrels or 20% on the week to 3.944 million barrels. The East of Suez gasoline market was finding support from expectations that South Korean exports would decrease as domestic demand picks up following a loosening of COVID-19-related restrictions. This sentiment towards higher domestic demand was echoed in a number of countries, with gasoline demand expected to strengthen leading up to the end of Ramadan festivities, market sources said.

- Stocks of middle distillates, including diesel and jet fuel, fell by 14,000 barrels or 1.2% on the week to 1.166 million barrels. The gasoil market was seeing upward momentum with backwardation in the market structure steepening as fundamentals underpinned strength in the market. In the tender market India's Nayara Energy has issued a tender offering 65,000-70,000 mt of high density diesel with a maximum sulfur content of 500 ppm loading over May 22-26 at Vadinar, market participants said.

- Stocks of heavy residues rose by 948,000 barrels on the week to 11.949 million barrels as stocks hit their highest level since June 21 last year when they stood at 12,944 million barrels. Spot trading activity at bunkering hub of Fujairah was heard robust on April 19. A drop in outright price, led by a weakening crude had led buyers, especially those that have been on the sidelines in anticipation of a drop in outright price, to come in and meet their requirements, traders said. In Fujairah, on April 19 offers for delivered marine fuel 0.5%S bunker fell during the day as crude dropped. Trades were heard concluded at $885-$890/mt. The grade was assessed at $885/mt, $3/mt, lower on the day. The premium of Fujairah-delivered marine fuel 0.5%S against the same grade in Singapore was $4/mt with Singapore delivered bunkers assessed at $881/mt on the day.

Source: S&P Global Platts

BY MATT STANLEY
DIRECTOR
STAR FUELS

Brent is trading this morning at $107.85, up $1.05 and WTI is trading up $0.94 at $103.13. Where was WTI trading this time two years ago? At $-16.74. Will we ever see negative oil again? If you had asked me that two years ago, I would have thought that there was a real threat that we could what with the world in the beginning of a crippling pandemic and OPEC seemingly not a clue what to do. Ask me that same question today? And I would request a dawn duel with you for being so foolish. I ask you this though – headlines from two years ago that most countries were going into lockdown and travels bans globally were kicking in, crippling oil demand, or headlines from today that read "World faces hunger "catastrophe" from invasion and "OPEC+ supply gap widens in March as sanctions hit Russian output" – which are worse? In the space of two years, we have gone from a market that was facing a supply surplus the likes nobody had even seen before resulting in negative oil prices. To a market that is facing a supply deficit the likes we have never seen before. The latter, however, has not yet yielded record high oil prices. I have made the point recently that whilst current oil markets have seen relief from gargantuan releases globally of strategic oil reserves, we are still seeing Russian oil flow into global systems. Some have started to stop importing but most haven't. This cessation of Russian oil, in my view, won't really be started to be seen until the end of Q2. I think this summer could see us pricing in the loss of Russian oil from the supply side once we see data flowing in that evidences the same. For the time being though I think we could stay flirting around the $110 level.

Energy Markets Views You can Use

Christof Rühl

Senior Research Scholar – Center on Global Energy Policy
Columbia University

How can Europe Navigate Weaning Itself Off Russian Energy?

On natural gas, Europe would need to go back to the Americans and secure this promise of thirty billion cubic meters of additional deliveries, which would require redirecting supplies destined for Asia to Europe. But if Russia stopped exporting gas from Western Siberia, it would also lose all that revenue as it has no other option than the pipeline going to Europe, so Moscow is unlikely to do that. If it did, because of the US confiscation of Russia's Central Bank foreign currency dollar reserves, they would not have the financial depths to sustain that for very long.

As for oil, that could create global tensions because if Europe rejected Russian oil it would have to go to the Middle East for new alternative supplies, and this redirection of crude from the Middle East to Europe could cause friction between Moscow and Riyadh. For energy sanctions to work, we need to look at two key variables. Firstly, we would want the price of the sanctioned fuel to go down, as less of it is bought, and so that Russia suffers. Secondly, you do not want the global price of oil to go up and what would help this would be more production from the US, the Middle East and from anywhere possible.

Tightening the noose on Russian banks must be done in lockstep with decisions on importing less Russian energy. Otherwise, it will not work. The other issue is sovereign default. Russia has payments coming due and the more its banks are sanctioned and unable to transfer hard currency to make these payments, the closer the country is to a default.

We are already seeing ripple effects on the market from China's Covid crisis and subsequent economic slowdown. Beijing's commitment to its robust lockdown policy will continue until the Communist Party Congress towards the end of the year, no matter the cost to the economy. The effect is already becoming very visible on oil demand with refinery runs down by 6%. Russian production has dropped by about the same magnitude, so we should expect the oil price to dance around these levels for the next few weeks.

Walter Simpson

Managing Director, CC Energy Development

Are regional producers in any position to alleviate the oil supply crunch?

It feels like we are at the top end of what production can be delivered out of this region. I'm not sure there's much excess capacity left. Oil prices look good at the moment from an industry perspective, but we wouldn't want them to go much higher than the $100 a barrel mark. If anything, they're a bit on the high side, so the demand changes are probably not a bad thing.

Are we any closer to getting more Iranian supply onto the market?

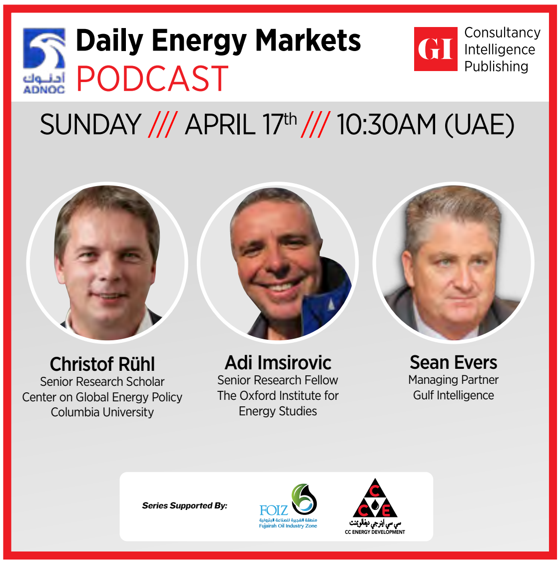
I'm not sure getting a deal done is the real decider. Iran is still trading with certain parts of the world anyway and the US is getting more relaxed about Iran trading extra oil because of the challenges with Russia. The bigger issue is how much Iran can actually produce. It has suffered even more than others from a lack of investment over the last few years, and it will now take significant money and years for it to get back to the two million bd level that was in place before sanctions.

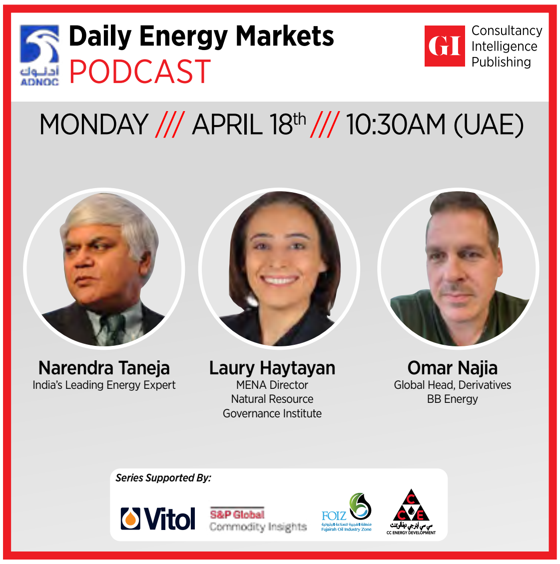
How are Gulf economies doing amid fresh concerns for the global economy?

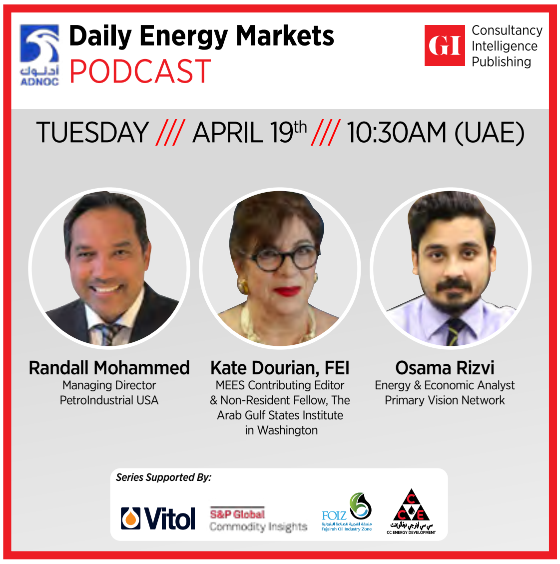
They have done alright because of the high oil price. The challenge is more on what to do with that money, and there is a recognition in the region, which has grown strongly over the last two years, that diversifying economies is going to be hugely important. Saudi Arabia is clearly doing this, building new cities and advocating tourism. And the UAE and Oman are also diversifying investment into non-oil parts of their economies. It's a very good use of the windfall that's coming from the additional oil dollars.

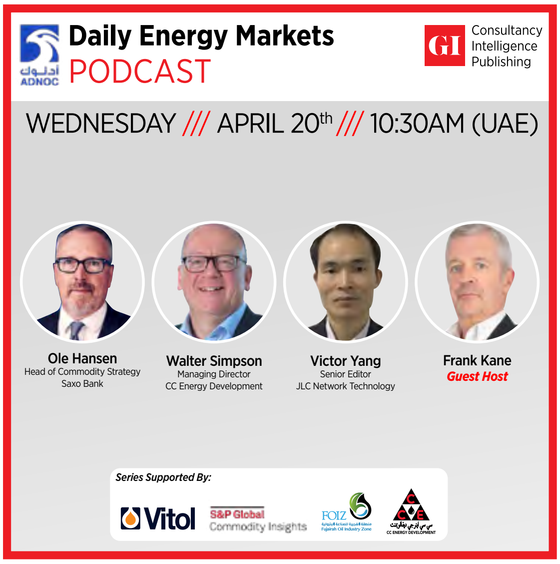
Energy Markets COMMENTARY

WEEK IN REVIEW









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Energy Markets Views You can Use

Ole Hansen
Head of Commodity Strategy
Saxo Bank

Should we expect any surprise from OPEC+ at their next meeting?
OPEC+ has become irrelevant for now because Russia is part of the group. It will keep a steady line on production hikes, which it however cannot achieve. Only the GCC members are fulfilling quotas and Russia's production and exports are clearly falling off a cliff. That is not being mitigated by additional barrels of spare capacity, which makes me believe that it's maybe not as high as we were led to believe

How long can Europe cope with high fuel prices?
Diesel and fuel products in Europe are extremely high right now, almost at a par with gasoline, and they have started to negatively impact some industries, including food. That's the main reason we're seeing oil prices stabilize, as lower growth, lower economic activity, higher inflation and rising interest rates set in. That will eventually curb demand to the extent that we will have a more balanced and more stable market. There's still some risk that if these global growth numbers come in, we could see some weakness, but generally, this market is one that is mostly worried about a sudden renewed spike and we're probably heading towards a middle point of $105-$110.

Will Europe ban Russian oil imports?
The Germans have put themselves in a very, very tough situation because they are so dependent on both gas and fuel products coming from Russia, so there will be major opponents towards imminent action and we're probably not going to see an outright ban. Europe wants to punish Russia, but we must also accept that we have not listened to the signals sent from Russia in the last few years. This is a wake-up call and it's one that's going to be incredibly expensive, but also one that's going to make sure we move faster towards less dependency on Russian oil and gas.

How has the Ukraine war impacted the gas market?
Gas prices are under control, at least for now, but winter prices for 2023 and 2024 are still very high. This indicates that the market is still concerned about the level of storage that we will have at the end of this injection season. And how much LNG Europe could receive will also depend on Asian demand. It's a competitive market.

ENERGY MARKET NEWS

1. OIL CLIMBS BUT TAKES A BREATHER IN TIGHT RANGE
2. US OIL AND FUEL INVENTORIES FALL ACROSS THE BOARD
3. NATURAL GAS PRICE SWINGS AS INVESTORS WEIGH ROUBLE PAYMENT RISK
4. US OIL EXPORTS SOAR AS WORLD WORKS TO REPLACE RUSSIAN SUPPLIES
5. LIBYA SHUTDOWNS CAUSE 550K BPD OUTPUT LOSS
6. DECLINE IN RUSSIA'S OIL OUTPUT ACCELERATES
7. TRUCKERS CAUGHT IN COVID-19 CONTROLS SNARL CHINA SUPPLY CHAINS
8. RUSSIA OFFERS OIL IN A RUSH, HINTING AT LONGER-TERM TRADE IMPACT
9. CPC TERMINAL COULD BE BACK AT FULL CAPACITY IN DAYS
10. NEW CAR REGISTRATIONS IN THE EU ARE DOWN FOR THE NINTH MONTH IN A ROW

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- WHO IS BUYING RUSSIAN CRUDE OIL AND WHO HAS STOPPED

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Energy Markets Views You can Use

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How can Europe develop a more robust posture on Russian energy exports?

The situation is rather messy and quite complicated. Europe imports about 30% of its crude from Russia and 50% of its products, so the latter is going to be much more of a problem and already is. The diesel situation in Europe is dire. Europe has to appear united on oil sanctions, but there are already signs of cracks, with Viktor Orban in Hungary, and also the Czech Republic saying it won't necessarily stick to European demands. But at some stage, Europe will have to agree to ban Russian oil imports and that's not going to be easy because of the relationship with Russia on gas. If Europe does not buy its oil, Russia might stop exporting gas. Oil exports are far more important for Russia as a moneymaker, than gas.

Is the new Ruble payment system a big deal?

It's up to the Russians on how they want to, in essence, renegotiate contracts. The way the mechanism has been set up does provide some leeway and exemptions, so things can effectively remain as before, but be made to look like payments are in Rubles. It's purely political. The problem is that as of May, we could have a very complicated situation, particularly if Europe agrees to ban Russian crude. There could be a disruption in terms of payments and supplies of Russian gas.

Concerns on China demand destruction and possible global recession?

Demand has been particularly important in the last week. China is reducing refinery runs by close to a million barrels a day already - that's about 7% of domestic demand. If we are losing about one million bd of Russian supply, that explains the current price stalemate of $100-115/bl. The Chinese economy seems to have slowed down 4-5% in the first quarter and is probably slowing to below 3% growth quarter on quarter from now on. Still, this impact from Covid will be temporary and it's also happening during a soft patch in Q2 seasonal demand, so I wouldn't take it as terribly bearish.

GI Soundings Week in Review

IMF DOWNWARD REVISIONS FOR GLOBAL ECONOMIC GROWTH STALL OIL MARKET MOMENTUM

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.

- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Abe Shinzo, former Prime Minister of Japan**
- **Osama Rizvi, Energy & Economic Analyst, Primary Vision Network**
- **Victor Yang, Senior Editor, JLC Network Technology**
- **Omar Al-Ubaydli, Director of Research, DERASAT**
- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**

Omar Najia, Global Head, Derivatives, BB Energy: "Europe cannot get rid of its dependence on Russian gas quickly. US LNG is privately owned and has been sold already, so buyers will need to pay higher to get that supply. This market is going to get hit across the face big time and it's going to come to a moment of realization."

Abe Shinzo, former Prime Minister of Japan: "For 40 years, the United States has made a point of not saying whether it would defend Taiwan against a Chinese invasion, an approach that proved effective in deterring rash action by China and by pro-independence Taiwanese. But now that circumstances have changed, so too must America's strategy. Russia's invasion of Ukraine has reminded many people of the fraught relationship between China and Taiwan." *(Source: Project Syndicate)*

Osama Rizvi, Energy & Economic Analyst, Primary Vision Network: "Emerging economies are really vulnerable to this rising inflation, and energy and food prices. India's reserves fell by $11 billion dollars in one week, Peru has imposed a state of emergency and many other countries are feeling the pain. Technically, we're not in a recession, but there are pockets around the world, especially in the global south emerging markets, that are practically speaking, living in a recession."

Victor Yang, Senior Editor, JLC Network Technology: "The Shanghai government has apologized many times recently for not handling the Covid crisis, saying that it had shortcomings, which would be an understatement. The situation today is more negative than the initial Wuhan outbreak in 2020, and the impact on demand will last for at least weeks to come."

Omar Al-Ubaydli, Director of Research, DERASAT: "Even if one argues that OPEC+ no longer has an economic purpose, at the superficial political level there's going to be a strong desire for the group to continue beyond September. Russia is isolated internationally and many of the countries in OPEC+ are either neutral regarding the current conflict or siding with Russia. Russia will not be in a hurry to suspend all that and go it alone."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence: "Crude oil is more likely to go to $50 than to $150. Just look at the implications. $50 is the average price we've been at since 2014 and it's well above the US cost of production. If we go to $150, that's almost guaranteeing global recession."

Daily Energy Markets

TOP TAKEAWAYS MARKET OBSERVATIONS FOR THE WEEK

April 17th - 21st

1. Oil prices are more likely to go to $50 than to $150 because recessionary outlook will kill off excessive demand.
2. Europe is likely to embargo Russian oil sooner or later, more when than if, but the big question is how will Russia respond… will they suspend Gas exports?
3. US energy producers appear to be the big winners thus far amongst the Big 3 – US, Russia & Gulf OPEC – from the Russian invasion of Ukraine.
4. China oil demand destruction is clearly accelerating due to the COVID lockdowns, but it is likely to be temporary and result in massive government stimulus.
5. Oil prices starting to stabilize now, as lower growth, higher inflation and rising interest rates, settle in, eventually curbing demand and leading to more balanced market. Short term gas prices under control for now, but winter prices for 2023 & 2024 still very high.
6. What increasingly worries many more than anything is what happens if Ukraine has more success in pushing the Russians back – what would a desperate Russian president be willing to do to secure success?
7. The tremors from Russia's invasion of Ukraine are delivering many new cracks in the global world order, one possible unexpected consequence may see India move out of the liberal democratic OECD camp and into the China-Russia axis.
8. Oil prices likely to go higher, higher, higher as all possible alternatives to Russia oil and gas are near exhausted, and now the last option is turning off the lights, turning down the heaters and leaving the car in the garage.
9. The Tug-of-War in oil markets between supply concerns vs demand destruction worries appears over, with the uncertain outlook for supply trumping demand.
10. Outright ban by Europe of Russian oil unlikely as would be far too expensive, particularly with Germany's dependence on gas and fuel, but we will see increasing attempts to decrease dependency on Russian oil and gas across the continent.

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