MARCH 17th 2022
VOL. 110

Fujairah New Silk Road WEEKLY NEWSLETTER

Supported By:
FOIZ منطقة الفجيرة للصناعة البترولية Fujairah Oil Industry Zone
Port of Fujairah ميناء الفجيرة Port of Fujairah United Arab Emirates

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

Russian Crude Oil with Big Discount will be Picked up by Asian Buyers

Dr. Raad Alkadiri, Managing Director, Energy, Climate & Resources, Eurasia Group

The $140 oil price that we saw last week was not sustainable. During the first two weeks of the Russian invasion of Ukraine, the market was looking for some foundation on which to rest where prices should be. I think it found that towards the end of last week and the volatility then started to seep out. Furthermore, oil markets are fungible. It's not sanctions that are getting in the way of calming oil and gas prices – it's self-sanctioning by Western buyers. The notion that you've got 1.5 million bd of crude and a million bd or more of product, necessarily being taken out of the market by sanctions, is too absolute a view. Russian Urals crude, which was trading at $65 a barrel this week, is going to be picked up. There are traders who, once they get through the compliance risk and who don't have the same sense of reputation risk - particularly buyers from the East - will take these cargoes. And that's where OPEC's head is – it's looking at the market fundamentals that were outlined prior to the war, which was an anticipation of stock builds from the second quarter all the way through to the end of 2023. That suggests weak fundamentals, a bearish outlook and downward pressure on prices. Another aspect which gives the market pause is anticipation of a deal with Iran that could bring back one million bd or more, very quickly, and probably volumes far higher than in 2015 and 2016. The Iranians have been placing barrels close to market for a few months. Demand is the other factor – the IEA has revised demand growth forecasts from 3.3 million bd to almost two million bd. Add to that worries about Covid in China, high commodity prices, and interest rates rising, and the spillover effect on growth globally will be a further drag. Under those circumstances, it's more difficult to paint a picture of bullishness with absolute certainty, and we now have a market hedging around $100, as it waits to see what unfolds next.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

6,045,000 bbl	1,703,000 bbl	10,791,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.54 - 4.38/m³

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

THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	$101.12/bl
WTI Crude:	$103.99/bl
DME Oman:	$102.32/bl
Murban:	$99.03/bl

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

Fujairah Weekly Bunker Prices

VLSFO

High = $1,049.50/mt

Low = $833.00/mt

Average = $943.50/mt

Spread = $0.00/mt

MGO

High = $1,419.50/mt

Low = $1,119.50/mt

Average = $1,206/mt

Spread = $0.00/mt

IFO380

High = $709.50/mt

Low = $604.00/mt

Average = $669.50/mt

Spread = $105.50/mt

*Source: Ship and Bunker, *Time Period: March 9 - 16*

Fujairah Bunker Sales Volume (m^3)

150 180cst Low Sulfur Fuel Oil	462,035 380cst Low Sulfur Fuel Oil	125,389 380cst Marine Fuel Oil
1,395 Marine Gasoil	23,419 Low Sulfur Marine Gasoil	5,234 Lubricants

Source: FEDCom & S&P Global Platts

Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.

GI Consultancy Intelligence Publishing

CONTINUED FROM PAGE 1

Dr. Raad Alkadiri
Managing Director, Energy, Climate & Resources, Eurasia Group

Can Putin be rehabilitated once this war is over?

There is a sentiment out there that would like to see this conflict resolved and a hope that somehow a middle ground can be found. That's going to be very difficult for two reasons.

One is the level of climbdown by President Putin and Russia that would be required at this moment in time, to reset to pre-February 24th. Secondly, it's sometimes hard to see from outside of Europe and the US the extent to which this invasion has shaken the western security architecture, and so this will lead to a reset of relations with Russia. The US has taken a very strong stand so far. It has seen this invasion as extremely threatening to its NATO allies. It's very difficult to see Russia under Putin, being able to be restored in Western political minds anytime soon, which is just going to exacerbate some of the sanctions that have been designed to systematically strangle the Russian economy.

What will the main legacy disruptions of this conflict be?

We probably don't yet realize how major and seismic this moment is. In the longer term, a dynamic has been set where this becomes a major political dislocation in the modern post-Cold War European era, and in terms of security, the first disruption since the Second World War. That is bound to have lasting consequences. We're going to have new regional geopolitical alliances emerge out of this, including in energy. The issue of food security will probably have the most lasting impact over the next two or three years. Beyond that, we will start to see this as an event that is akin to the fall of the Berlin Wall and we will be talking not so much about post 1990, but about post 2022 and how that evolves over the next couple of decades.

> "The canary in the coal mine that might emerge for China could be if the US or Europe start to impose secondary sanctions and force countries to choose one side of the fence."

Can China succeed in remaining apparently neutral?

In some ways, where Russia ends up after this is going to be less consequential than where China does. I don't think we're going to move into a bifurcation a la Cold War. It will be messier. We were already seeing the regionalization of politics as globalization receded, with spheres of influence and dominant local superpowers. China can come out of this with access to cheaper commodities and it can certainly come out of this with much more leverage over Moscow. But these crises are rarely linear and there are going to be complications down the line. The canary in the coal mine that might emerge for China could be if the US or Europe start to impose secondary sanctions and force countries to choose one side of the fence. That would be where you could start to get a serious disconnect. Countries like China and India will want to maintain neutrality. The question then becomes whether neutrality has implications.

Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.

Consultancy Intelligence Publishing


Vitol
At the heart of the world's energy markets
Serving customers with our expertise, logistical excellence and unique opportunities.
vitol.com

Energy Markets Views You can Use

Maleeha Bengali
Founder, MB Commodity Corner

The US Fed is in a bit of a Catch 22.
It has to raise interest rates to get inflation under control but that is negative for demand and will take money out of risk assets. It's looking to raise interest rates this week, with 25 basis points in the bag and possibly 50. It has no reason to move back on this policy, but also cannot taper asset purchases until equity markets fall 10% or more or until inflation comes down. If they do only 25 basis points, the market could rally but it will be immediately sold down because they will have to do more. The Fed will not be buying any more assets after March of this year so we will have to see how the S&P reacts when the Fed's balance sheet is plateauing or dropping.

Is fundamentals or geopolitics affecting the oil market more today?
We've had very strong demand for the last year and a half with the Fed stimulus and the global economy opening up. Nobody is seeing oil demand destruction yet. China is a complete outlier - nobody expected it to go into lockdown. The oil market today is still pricing in extreme tightness.

What might be the biggest factor for financial markets this week?
We had credit growth data from China which was a lot softer than expected so that has been quite bearish. We have the FOMC on the 16th, which will be very important in terms of what the forward market rate guidance is. The bond market has also been in chaos with the 2-year,10-year curve declining every single day. The whole macro market is in a state of distress and that's what's driving asset markets this week.

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

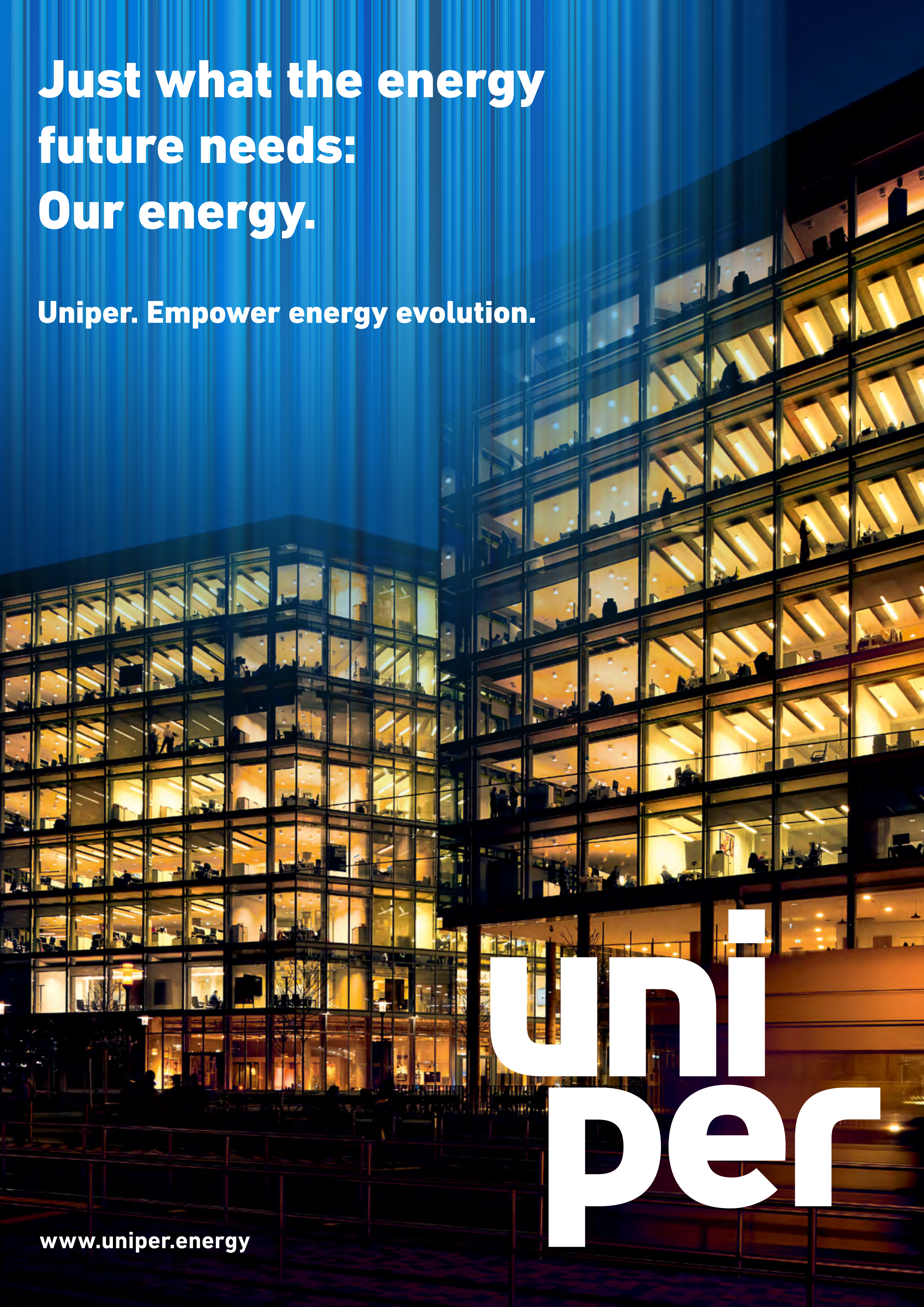
If the market was settled, the oil price would start to drop to around $75 or $80.
But the market is very uncertain at the moment, and that is what explains where OPEC is coming from and why they still believe that there is no need to increase production. The comments by the UAE ambassador to Washington last week was a big surprise to everybody, even to the UAE government. But the price dropped $12 and didn't go back to where it was despite the UAE then clarifying that it would stick to the OPEC+ agreement. Again, this shows you how volatile the market is and unfortunately, this will continue until everything goes back to normal.

What will the impact be from OPEC+ plans to increase quotas for five countries?
I'm not very optimistic about the increase that will take place in a month or two. I'm not so sure the market is ready for it. Everyone is saying there are no fundamentals to support adding oil to the market. We've also had China's lockdown which was a surprise to everybody. Let's just face the facts of what the numbers are telling us instead of using political pressure to try and increase production. OPEC made it very clear to everybody since the beginning that we will stick to our agreement, and there is no change of position. I hope that they will stick to their guns because we don't want to see prices going down again. This is a very volatile market, and anything can happen.

What position can the GCC take with regards to the war in Europe?
The most difficult position to be in is to be asked to take positions and this is what the West is requesting us to do. It is almost impossible for any country in the region to do that because we want to continue with the West and at the same time, we need the support that we had in OPEC+ from Russia. We have been put in a corner of an, either you're with us or against us, position which is very dangerous. Nobody will take a side at this moment. It's a difficult time and it's something that we have to watch very carefully in the coming few months. I hope the Europeans and the US and others will understand our position. We are ready to play the role of a political intermediary as a GCC entity, but not to take sides.

How important is that a deal is reached between Iran and the US?
We need stability in the region and for Iran to enjoy normal life again. Nobody's looking for any kind of sanctions in the region. Iran is our neighbour and you cannot change geography. It seemed we were almost there with a deal and Iran was not too far from signing, and then suddenly things changed 180 degrees.

Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.
GI Consultancy Intelligence Publishing


Just what the energy future needs: Our energy.
Uniper. Empower energy evolution.
uni per
www.uniper.energy

GI Soundings Week in Review

GDP growth overtakes supply as top concern for oil markets

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**
- **Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center - Atlantic Council**
- **Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies (DERASAT)**
- **Dr. Robert Mogeilnicki, Senior Resident Scholar, The Arab Gulf Institute in Washington**
- **Roland Rajah, Lead Economist & Director, International Economics Program, Lowy Institute**
- **Edward Bell, Senior Director, Market Economics, Emirates NBD**

Omar Najia, Global Head, Derivatives, BB Energy

"We should expect more geopolitical upheaval and that's good for the price of oil and commodities. I hope OPEC sticks to what they've said they will do and that they leave the market to decide. The only reason to increase production is political."

Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center – Atlantic Council

"It would be a disastrous situation for Europe if it falls into the trap of cutting down further on Russian gas. These sanctions are meant to harm Russia and yet despite its oil, coal and to certain extent gas exports going down, Russia is not getting less revenues, because prices have risen. The impact of all of this is on Europe and it looks very likely that its economy might edge into recession later this year."

Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies (DERASAT)

"There's a fundamental lack of trust in the international community, in every direction. There doesn't seem to be much of an appetite for genuine multilateralism, following a 20-year period of violations of international law by every power under the sun, and it's very sad and very concerning."

Dr. Robert Mogeilnicki, Senior Resident Scholar, The Arab Gulf Institute in Washington

"There is no evidence that China is ready to replace the US as security guarantor for the Gulf. It has commercial joint ventures with the region but does not view the security situation in the Middle East as a top priority and certainly not on the level of historical significance of a security partner like the US."

Roland Rajah, Lead Economist & Director, International Economics Program, Lowy Institute

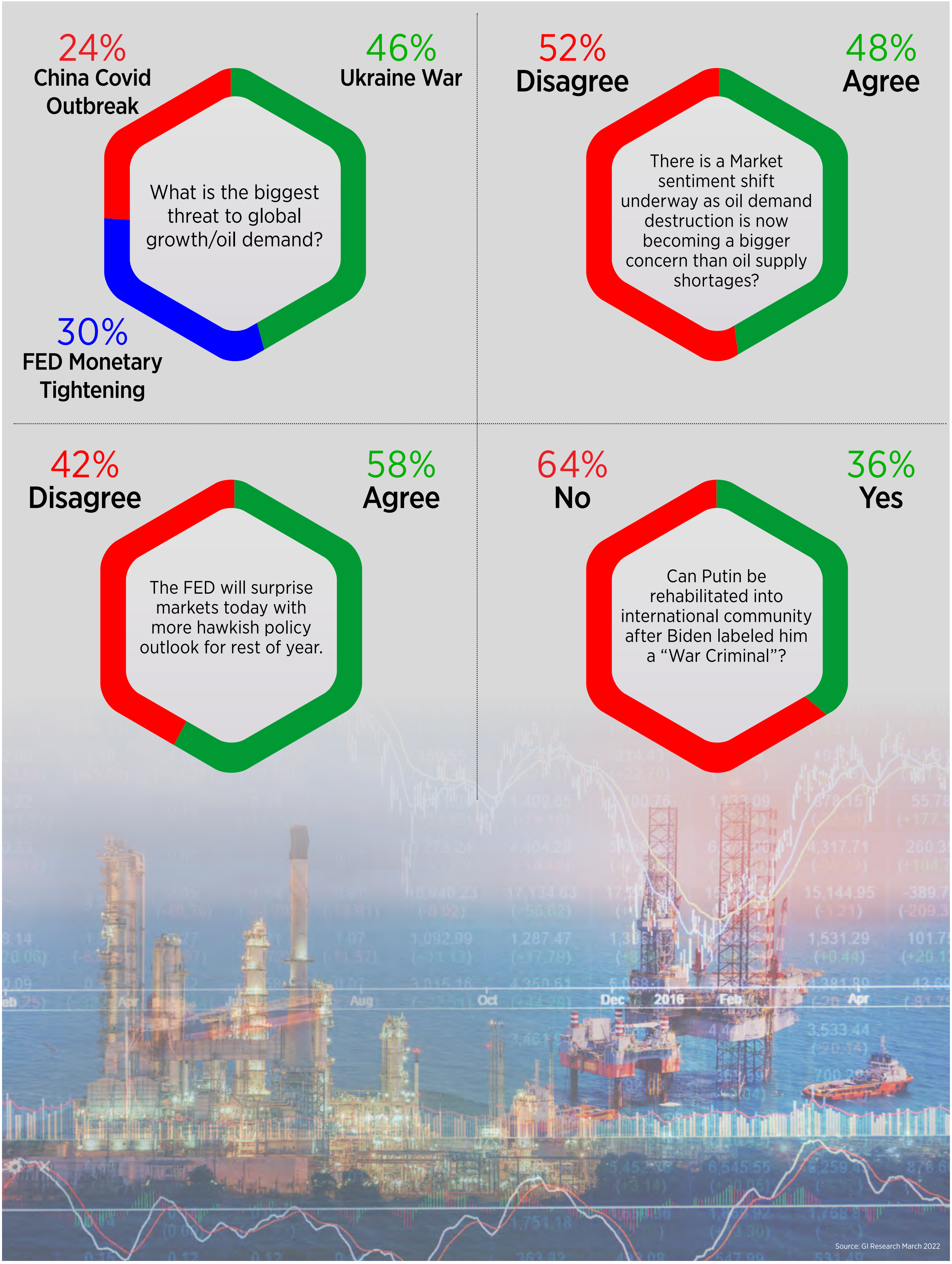
"China will likely experience a substantial long-term growth slowdown owing to demographic decline, the limits of capital-intensive growth, and a gradual deceleration in productivity growth. Even with continued broad policy success, annual economic growth will likely slow to about 3% by 2030 and 2% by 2040, while averaging 2–3% overall from now until 2050."
(Source: lowyinstitute.org)

Edward Bell, Senior Director, Market Economics, Emirates NBD

"The risks of the Federal Reserve tipping the US economy into a hard landing appear high with the aggressive hiking path that the Fed has now outlined. The Fed's own growth projections are considerably below consensus forecasts – with growth of 3.6% expected in 2022 – and market indicators are signalling a pending recession. A salient risk is that of stagflation – low or no growth and high inflation. Beyond seriously slowing demand via rate hikes, tighter US monetary policy will do little to address higher commodity prices, the volatile near-term causes of inflation."

Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.
GI Consultancy Intelligence Publishing

Weekly Surveys



Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.

Energy Markets Views You can Use

Ahmed Mehdi
Research Associate, Oxford Institute for Energy Studies

Has OPEC+ been proven right not to add more oil to the market?
The flat price on Brent has so far been driven by headline news and concerns around tightness. There's also been an attempt to conflate the Russian seaborne and Russian contractual pipeline exports at risk, in one bunch, and say that they could account for 75% of Russian supply off the market. However, long-term contractual deliveries are so far only somewhat impacted and not as much one should expect from the seaborne market, where the crude is traded spot and resold by the trading houses. The latter has been reflected in the physical pricing for Urals, which is this week at a $30 discount for example. The other issue is how reducing Russian exports might impact the country's production. Some say there will simply be a redirection of exports while others have suggested that Russia has 100 million to 150 million barrels of storage. Either way, OPEC+ will want to get more visibility on the data before making any major decisions. There's no reason for them to entertain a geopolitical outcome.

What's the outlook for middle distillates rebalancing?
Asia's diesel balance was already tightening with China announcing that products exports would be lower this year. And Europe is only going to get worse. Gasoil balances are very concerning, and the diesel supply chain issue will take time to work out. In the meantime, that could lead to demand destruction and behavioral changes. And when refineries come back out of maintenance and increase their runs, they will have a tough time adjusting yields and dealing with these bottlenecks.

Clyde Russell
Asia Commodities & Energy Columnist, Thomson Reuters

Do we need to be switching our concern from tight supply to demand destruction?
It's too soon to be talking about that. Supply issues are still alive and well. There's been a lot of noise and volatility in the paper markets with people trading the headlines. On the physical side, the $60 million question to answer in the next few weeks is exactly how much Russian supply is coming out of the market, how much demand destruction we're going to see from lockdowns in China, and how high energy prices are deterring travel and economic activity. Those things are not yet set in stone, but they will become more apparent in April once we have more data.

What impact has the war had so far on Russian oil?
I was expecting to see Russian crude cargoes come off from April onwards but we're already seeing quite a lot of them not being loaded or bought. Volumes so far in March are down quite a bit. Russian coal is also collapsing. Exports in March will be about half their exports in February and January. That shows what happens when people self-sanction. The coal market may be the canary in the coal mine for oil.

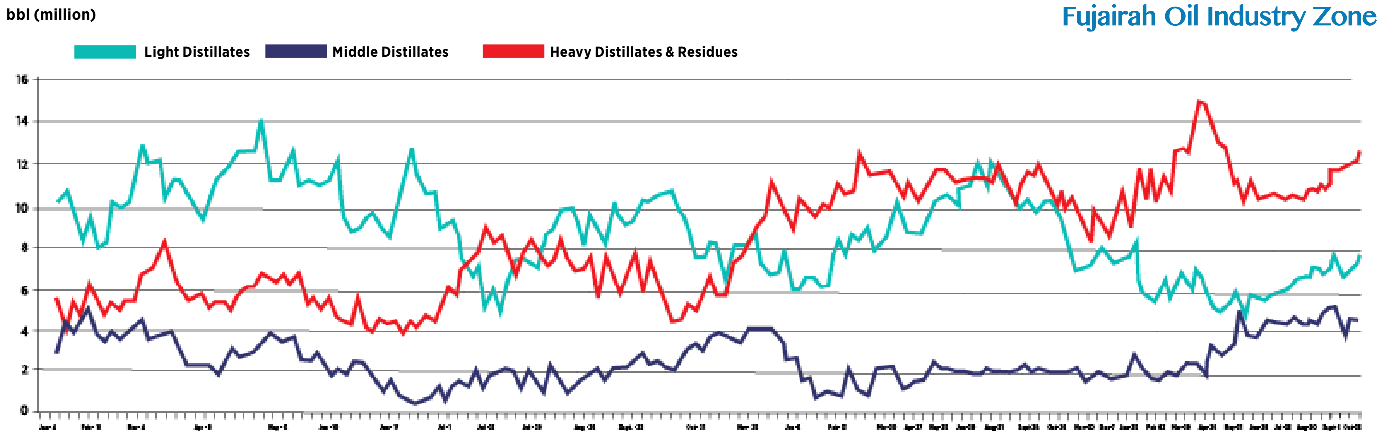
How is China's Covid policy impacting its oil demand outlook?
The broader trend that we were already seeing in China was that it was only importing what it needed and no longer buying much for storage, as they had been in the last five years to build up strategic reserves. On a daily basis, that's on average 10 million bd of imports from the seaborne market and pipelines, unless and until they commission more refineries and up their exports. But if China continues its zero Covid policy, it's going to result in more lockdowns of major urban centers and that's going to be bearish for demand. I imagine that the leaders in Beijing are looking at Hong Kong and thinking, we can't have that happen here, so they're likely to crack down hard. The broader question is how long they can manage to do that.

Do we expect China to sanction Russia's invasion of Ukraine?
We in the West tend to look at China as facing binary choices – either support us or Putin. The Chinese tend to think of things differently. My guess is that they'll support Putin up to a point. They're going to see how this Ukraine situation pans out in the coming months and not make any fast decisions. And on the economic front, they have a tremendous ability to ramp up spending quite quickly so if things are looking really bad come June, they can turn on the taps massively over the summer and get themselves back on a 5.5% growth track.

Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.
Consultancy Intelligence Publishing

Fujariah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- total oil product stocks in Fujairah were reported at 18.539 million barrels. Total stocks increased 814,000 barrels with overall stocks up 4.6% week-on-week. Light and middle distillates posted increase while heavy residues stayed flat. Middle distillates have picked up from their lowest ever level of 1.103 million barrels recorded last week.

- Stocks of light distillates, including gasoline and naphtha, increased by 211,000 barrels or 3.6% on the week to 6.045 million barrels. The Asian gasoline complex strengthened March 16 on expectations that more gasoline export cargoes would to be angled away from Asia toward the Middle East, reducing supply and exerting upward pressure on prices. Meanwhile, China is expected to decrease its gasoline exports moving into April and tighten supply, which could probably exert an upward pressure on prices, market sources said.

- Stocks of middle distillates, including diesel and jet fuel, increased by 600,000 barrels or 54.4% on the week from a record low to 1.703 million barrels. The Asian gasoil complex softened March 15 with product cracks easing in tandem with levels in the West, as market participants eye evolving demand and supply cues from Asia. Gasoil cracks in Asia have been narrowing in line with slipping product cracks in Europe, according to market sources, where sentiment has calmed from last week's volatility amid the ongoing Russia-Ukraine war. Meanwhile, China's National Development and Reform Commission asked oil companies holding export quotas to suspend April outflows of gasoil to meet domestic requirements March 9 in a non-binding request, the recently implemented lockdown measures are expected to reduce domestic consumption of gasoil and could free up barrels for export. In tender activity, India's Mangalore Refinery and Petrochemicals or MRPL was heard to have sold a 65,000-mt cargo of 10 ppm sulfur high speed diesel loading over March 28-30 to an unconfirmed buyer. Sri Lanka's Ceylon Petroleum or Ceypetco, has issued two tenders seeking 280,000 barrels of 0.05%S gasoil each, for delivery over April 1-2 and April 8-9, respectively. The tenders close March 16, with 72 hour validity, sources said. South Korea's GS Caltex has issued a tender offering a 300,000 barrel cargo of 10 ppm sulfur gasoil loading over March 25-29 from Yeosu, market sources said.

- Stocks of heavy residues marginally increased by 3,000 barrels on the week to 10.791 million barrels. The spread between Singapore and Fujairah marine fuel 0.5%S cargo values was assessed at minus $39.97/mt March 14, according to S&P Global Commodity Insights data, as tight product availability raised prices at the Middle Eastern bunker hub ahead of Singapore. Upstream cargo suppliers in Fujairah usually source Russian-origin feedstock for the LSFO blending pool from Black Sea refineries, but the soaring Black Sea freight rates with high insurance premiums could disrupt cargo flows and lessen the availability of LSFO feedstocks in Fujairah, according to sources. In spot market, Sri Lanka's Ceylon Petroleum or Ceypetco issued a buy tender seeking 30,000 mt of 1.8% fuel oil for delivery over April 27-28 at Colombo. Ceypetco procures fuel oil on behalf of West Coast Power and other local power companies. Pakistan State Oil purchased two cargoes of HSFO from Vitol for delivery over first-half April at Port Qasim via a tender, market sources said. The first cargo was purchased at a premium of $84.48/mt, while the second cargo was purchased at a premium of $101.18/mt.

Source: S&P Global Platts

Oil prices moved lower for a third day running Wednesday, down 1.9% in Brent at $98.02/bl, while WTI fell by 1.5% to $95.04/bl. Anxiety over the spread of Covid-19 in China is weighing on the near-term demand outlook even as there are still substantial supply risks related to the war in Ukraine. Commercial crude inventories in the US rose by 4.3m bls last week, including a 1.8m bls increase at the Cushing, OK pricing point. In the products market, there were draws across much of the barrel with gasoline stockpiles down by 3.6m bls while distillate inventories were up slightly. US oil production held steady at 11.6m bd while product supplied dipped back by 558k bd to 20.65m bd. The IEA warned of a potential energy supply crisis caused by Russia's invasion of Ukraine in its March monthly oil market report. The agency noted that only Saudi Arabia and the UAE had the ability to increase production to compensate for a drop in Russian oil production and exports but that neither country had so far committed to higher output. The IEA has cut its demand growth expectation for 2022 by 1m bd as consumers pare back on demand thanks to high and volatile energy prices, though based on their current projections, oil market balances will show a persistent deficit for much of 2022. On foreign exchanges, the USD softened overnight as the Fed's move came in line with market projections, albeit on the hawkish side. The broad DXY index fell nearly 0.5% to 98.618 with EURUSD showing solid gains of 0.7% to settle at 1.1035. USDJPY continued to move at the expense of the yen, however, with the pair closing up 0.36% at 118.73. GBPUSD bounced strongly, up 0.8% at 1.3149 with eyes on the Bank of England later today. Commodity currencies closed up strongly. USDCAD closed at 1.2677, down 0.7% in favour of the loonie, even as oil prices encounter some difficulty holding on to recent elevated levels. AUDUSD closed up 1.3% at 0.7290 while NZDUSD closed up 1% at 0.6838. In equities, Asian markets got the day off on the front foot yesterday, after moves by the Chinese authorities to assuage investors' concerns over strengthening regulations amidst a tech crackdown boosted investor appetite. Chinese tech stocks have performed particularly poorly over the past week, with the Covid-19 outbreak and lockdown in Shenzen also weighing on sentiment, but shares surged following the announcement yesterday. The Shanghai Composite closed up 3.5%, while the Hang Seng, which had fallen to a six-year low, rose 2.6%. Elsewhere, the Nikkei added 1.6% while in India both the Nifty and the Sensex closed 1.9% higher. European markets opened higher later in the day and closed up at the end of the session, buoyed by falling oil prices and a glimmer of optimism with regards peace talks between Ukraine and Russia. The FTSE 100 added 1.6%, the CAC 3.7% and the DAX 3.8%. In the US, equities moved strongly higher also despite the start of the tightening cycle, likely boosted by Jerome Powell's characterisation of the economy as very strong. The Dow Jones (1.6%), the S&P 500 (2.2%) and the NASDAQ (3.8%) all closed higher.

Source: ENBD

Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.
GI Consultancy Intelligence Publishing

أدنــوك
ADNOC

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

Dr. Carole Nakhle
Chief Executive Officer, Crystol Energy

The spectrum of sentiment in the oil market today implies further volatility.
There's uncertainty on energy markets and on the macro level across the board. The market welcomed the Fed decision this week to increase rates by 0.25% and was reassured by comments that the US economy can sustain further rate rises this year without falling into recession. But at the same time, we saw the IEA warning of dire consequences for the oil market because of a potential loss of almost three million barrels a day of Russian oil exports. And a day earlier, OPEC reiterated its view that everything is fine, despite uncertainties on Chinese demand and geopolitical risks. It will be interesting to see what the IMF publishes in April on its outlook for global economic growth. It had already downgraded its forecasts for the major economies back in January before the Russia invasion. So, while there's a lot of uncertainty in the oil market, the real wild card is the macroeconomic outlook and how that will spillover into oil demand.

Russia Ukraine war repercussions hitting critical food security
It's very unusual that wars at this scale can end with a switch of a button or a handshake. Even if a peace agreement is reached today, there will always be pockets of resistance. The longer the war drags on, the more the negative implications will be on the global economy, on geopolitics and on energy markets. And this conflict is happening between two important producers, the repercussions of which stretch beyond oil and gas exports. They touch an even more important aspect, that is food security. The longer these important supplies are disrupted, the more we're going to see spillovers into countries and economies that are, at the moment, not on the map in terms of being directly affected by the conflict.

Chris Wood
Chief Executive Officer, Savanara DMCC

We're seeing huge demand and record draws on diesel in the US and Europe.
On the crude side however, we are seeing a bit of a pullback, notably in Asia, with the Chinese reducing energy imports. OPEC called it right. They want to see the figures on actual throughputs of crude before making any changes to planned volumes. The volatility in oil prices is also raising a new level of concern in producers' markets on the amount of working capital they need to manage and cover their positions.

How will China fair with rampant inflation across food and commodities?
China is a massive consumer, particularly of agri commodities, so the inflationary prices will eat into their cash reserves. But they will manage it and get their policy of common prosperity across the board. The government has always stepped in to balance their economy. On the plus side on energy, they've also invested a lot of money into their own oil refining production capacity.

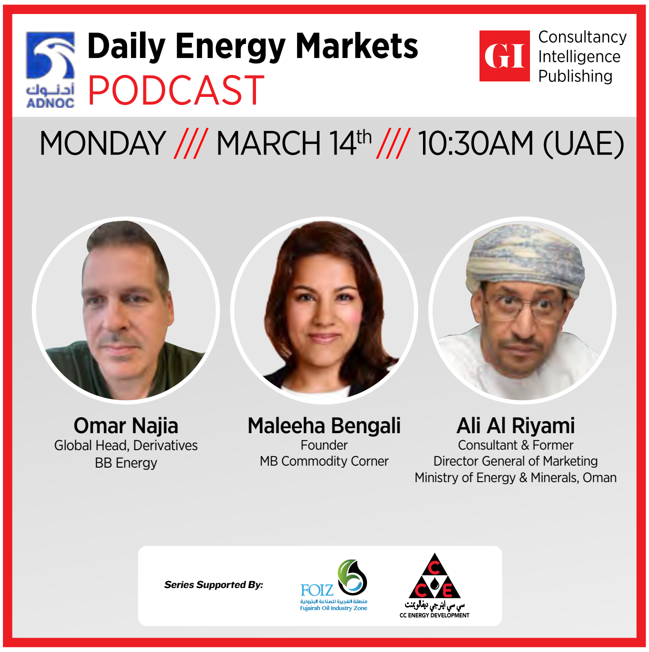
Will tight supply and high prices see US oil return faster than expected?
US shale producers have learned from the 'drill baby drill no matter what the cost' era.We now have more mature companies that are capex conscious, who will be looking at having sustained high oil prices and somewhere they can hedge in their position with the equity funds and the banking community, rather than taking speculative positions. So, now that we are seeing even more potential for prices to go up, we will see a controlled, sustained push to increase production.

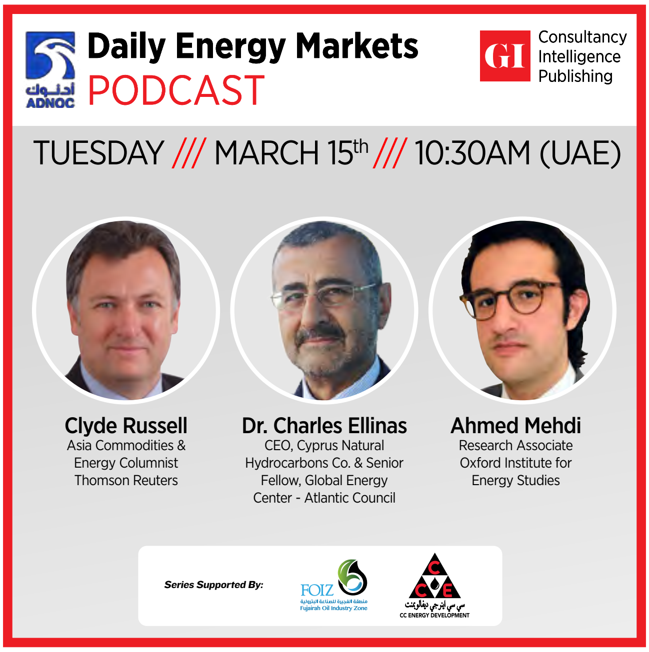
Have we seen the worst of high energy prices in Europe?
High gas, oil and power prices, and carbon and other taxes, are already hitting energy consumption – of individual households and industry, so that will play into the economy and drive inflation. Big energy companies in particular are going to have margin calls on their hedges and that's where we are in for a few surprises in the next couple of months as those long term positions around power stations and large off takers.

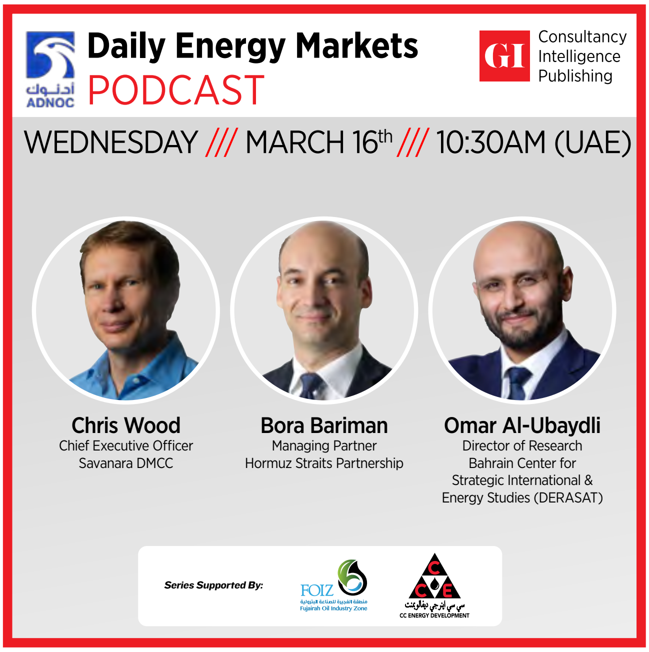
Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.

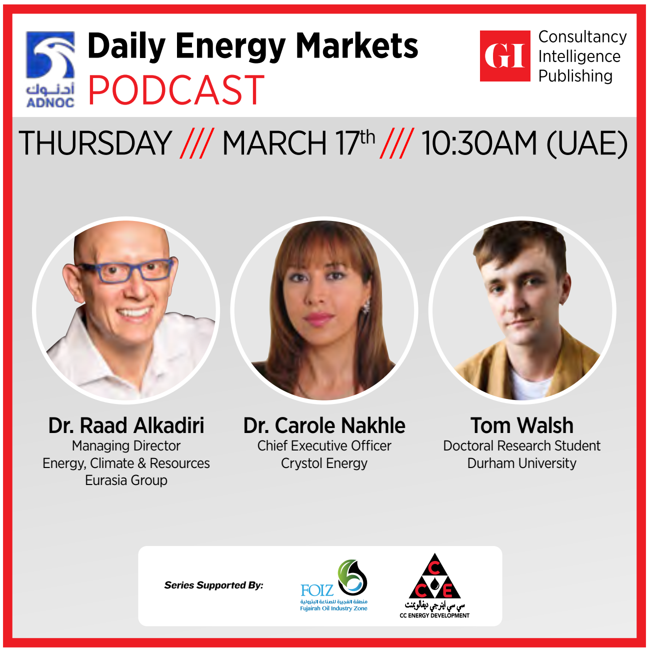
Energy Markets COMMENTARY

WEEK IN REVIEW

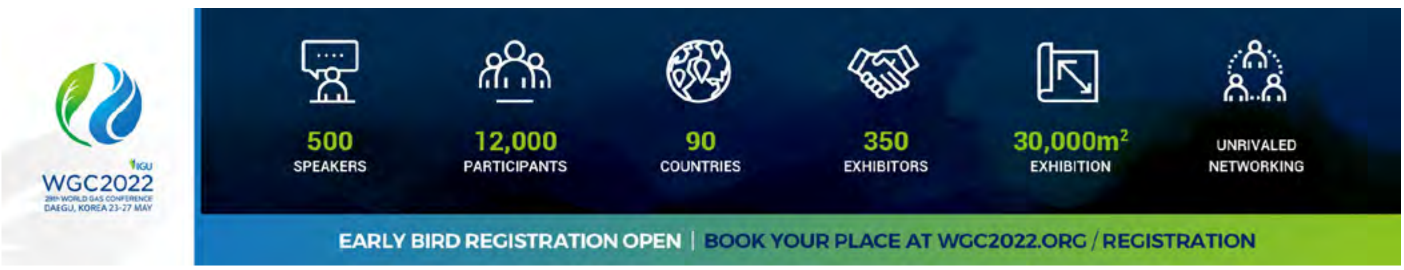








CLICK HERE TO LISTEN



Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.

Consultancy Intelligence Publishing

Energy Markets Views You can Use

Bora Bariman
Managing Partner, Hormuz Straits Partnership

The US Fed is now likely to err on the side of dovishness.
Its role has been complicated by geopolitical events. A few weeks ago, I would have seen the Fed possibly taking a belated tilt towards a more hawkish stance against inflation, but now, I don't see the seven rate hikes that we had previously priced into the market, materializing.

World faces monetary and financial restructuring
We had a lot of unbalanced books around the world before Putin's war began. and now, we're going to be entering a new period of very strong inflation that will bring about a necessity of profound restructuring. That will be led by the US Fed, the central banks of the UK, Europe and Japan, the IMF and the World Bank. China will remain very important also, as will GCC oil exporters who will be watching and waiting to see what their role will be as the world is restructured. Global debt will be eroded by inflation. I cannot imagine that under current conditions, we can get the inflation genie back into the bottle. To do so, we would need a very hawkish policy, which will cause a very painful global recession. Now is not the time to take those harsh measures but the Fed might decide to bite the bullet at some point. It is a step that needs to be taken but it won't be just 0.5%. We really need rates to go up to about 5-7%.

Economic disruption from Ukraine war will take years of recovery
Russia will not come out of this war ahead of the game, but there are clearly costs of opposing this invasion with sanctions. They will raise the cost of living in the West and around the world. Putin has triggered a chain of events that has caused a huge disruption that will take many years to repair. It's not going to be settled in a peace treaty in Q2 or Q3. Just looking at the financial damage, the chaos is everywhere.

ENERGY MARKET NEWS

1. OIL FUTURES OPEN HIGHER ON IEA SUPPLY WARNING
2. BIDEN ON PUTIN: 'I THINK HE IS A WAR CRIMINAL'
3. ENERGY TRADERS ARE BEGGING CENTRAL BANKS FOR EMERGENCY CASH
4. RUSSIA-LINKED OIL, FUEL CARGOES RUSH TO US BEFORE BAN STARTS
5. CHINA TRIES TO CALM MARKETS BY PLEDGING SUPPORT FOR ECONOMY
6. RUSSIAN GAS FLOWS TO EU DECLINE AS NOMINATIONS DROP
7. EIA: OIL PRICES WILL REMAIN ABOVE $100 FOR MONTHS
8. RUSSIA TO REDUCE OIL PRODUCTION BY THREE MILLION BPD
9. RUSSIA'S ONSLAUGHT CONTINUES AMID OPTIMISM OVER TALKS
10. FED HAS AGGRESSIVE RATE-HIKING PLAN

RECOMMENDED VIDEOS & REPORTS

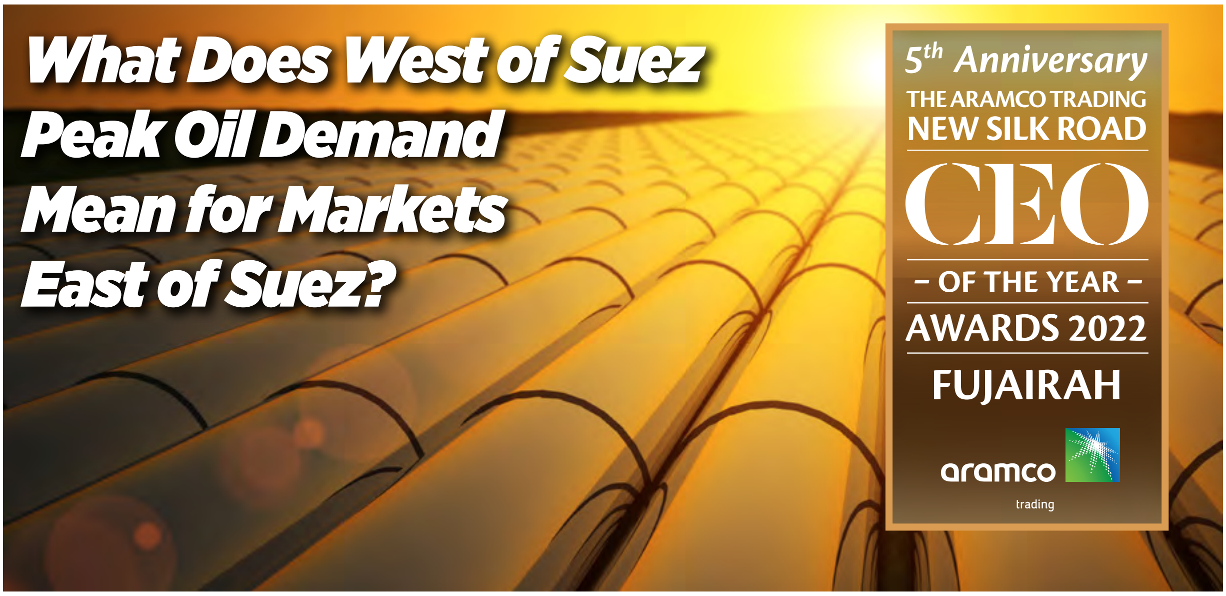
- WHO SAYS GLOBAL RISE IN COVID CASES IS 'TIP OF THE ICEBERG'
- WESTERN OILFIELD SERVICES COMPANIES STAY THE COURSE IN RUSSIA
- COVID OUTBREAK LEAVES HONGKONG IN LIMBO
- TRUMP PUSHED GOP HAWKS TO THE SIDELINES
- TEXT OF THE FEDERAL RESERVE'S STATEMENT AFTER ITS MEETING
- REVISING DOWN THE RISE OF CHINA

Series Supported By: ADNOC, OMV, CC ENERGY DEVELOPMENT, uniper, FOIZ Fujairah Oil Industry Zone

Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.
GI Consultancy Intelligence Publishing

10th Anniversary
ENERGY MARKETS FORUM

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



Vitol

aramco trading

Port of Fujairah
ميناء الفجيرة
Port of Fujairah
United Arab Emirates

أدنوك
ADNOC

S&P Global
Commodity Insights

GI
Consultancy
Intelligence
Publishing

S&P Global and IHS Markit Complete their Merger

S&P Global
Commodity Insights

Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.

Fujairah Spotlight

UAE's Fujairah marine fuel sales plunge in Feb to lowest in a year

Sales of marine fuel in the United Arab Emirates' Fujairah marine refuelling and oil storage hub dropped 5% in February, official data showed, slumping to their lowest in the last year. February bunker sales volumes were about 612,000 cubic meters, according to the latest data from the Fujairah Oil Industry Zone (FOIZ), equivalent to about 586,000 tonnes, Reuters calculations showed.

Source: Reuters

Feb bunker sales slump after traders shun Russia

The Port of Fujairah's bunker sales slumped in February to their lowest since reporting began in 2021 as traders balked at selling to Russian-flagged vessels and buyers tried to minimize purchases because of high prices after Russia's invasion of Ukraine. Total sales dropped 5.2% month on month to 617,622 cu m, the lowest since at least January 2021, according to data published March 16 on the Fujairah Oil Industry Zone website. FOIZ began reporting monthly bunker sales in March 2021 exclusively to S&P Global Commodity Insights, with the data starting in January 2021.

Source: Hellenic Shipping News

Fujairah to host Spartan Trail and Tough Mudder event

On 19 March Fujairah Adventure Park will host the Spartan Trail and Tough Mudder international races at a mega event combining the obstacles course and the trail run race with more than 1,500 participants from the UAE and various countries of the world. This was announced at a press conference by the organizing committee at the Fujairah Tennis Club in the presence of Hamdan Karam Al Kaabi from Fujairah Holding, Amr Zain Eddin of Fujairah Adventure Park, Tariq Abdullah representing ABH Group, and Duncan Dewes, regional director of the Tough Mudder global race.

Source: Gulf News

Fujairah faces more bunkering competition as Saudis, Qatar, Oman enter fray

H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah and Chairman of the Board of Directors of the Fujairah Foundation for Region Development (FFRD), chaired the first meeting of the foundation in 2022, attended by Saeed Mohammed Al Raqbani, Vice Chairman of FFRD, Khamis Al Noun, Director-General of the FFRD, and other members of the foundation. During the meeting, Crown Prince of Fujairah was briefed about the foundation's activities in 2021 and its current construction and housing projects.

Source: Hellenic Shipping

Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.

GI Consultancy Intelligence Publishing

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
March 14th - 17th

- The oil markets are still plagued by “IF” this and “IF” that, which will continue to drive volatility until some level of normal returns.
- Oil markets are conflating the challenges faced by seaborne oil exports with Russian pipeline exports, but they are both having very different experiences.
- The broader trend of China’s oil imports is to buy only what you need for daily consumption i.e. 10 million barrels a day.
- Russia won’t necessarily come out of the war as a winner, but Putin has triggered a chain of events that has caused huge economic disruption and financial damage globally, that will take years to repair.
- Can’t get inflation back in the bottle unless the world is ready for very hawkish 5-7% rate hikes, which would cause very painful global recession.
- Any agreement between Ukraine and Russia, if achieved, will struggle to reverse the isolation that Russia has suffered over the last month due to the broken security trust between Moscow and all Western capitals.
- OPEC+ will strive to maintain a neutral position on the Russian-Ukraine war for as long as possible, but even for major countries like China, it is becoming increasingly more difficult to remain agnostic.
- The FED’s attempt to reassure the markets that the US economy can withstand a more robust tightening cycle may be more wishful thinking, a bit like their efforts to convince us all that inflation was temporary.
- OPEC+ is unlikely to be persuaded to adjust the current course of action until agreement expires towards the end of 2022 with all the supply cuts made in 2020/21 returned to the market.
- Despite geopolitical differences, oil producers - including Saudi Arabia, Iran and Russia – will continue to cooperate on oil policy and do what serves their best interest.

Copyright © 2022 GULF INTELLIGENCE FZ LLC. All Rights Reserved.
Registered at Dubai Creative Clusters Authority. Registered Address: DMC 9, Office 310, Dubai Media City, PO Box 502466, Dubai, UAE.

ADNOC Continues to Drive Upstream Growth as it Awards $658 Million Framework Agreements

Abu Dhabi, UAE – March 17, 2022: Abu Dhabi National Oil Company (ADNOC) announced today, the award of framework agreements valued at $658 million (AED 2.4 billion) for cementing services as it continues to invest to enable drilling growth and expand its crude oil production capacity.

The framework agreements were awarded to Haliburton Worldwide Limited Abu Dhabi (Halliburton), Baker Middle East (Baker), Emirates Western Oil Well Drilling & Maintenance Co. (Emirates Western), NESR Energy Services (NESR) and Emjel Oil Field Services (Emjel), following a competitive tender process.

These awards cover ADNOC's onshore and offshore fields and will run for five years with an option for a further two years. Over 65% of the award value could flow back into the United Arab Emirates (UAE) economy under ADNOC's In-Country Value program over the duration of the agreements. Furthermore, skilled employment opportunities will be created for UAE Nationals by the successful companies who will also work to identify local manufacturing opportunities.

Yaser Saeed Almazrouei, ADNOC Upstream Executive Director, said: "The awards for cementing services will support the ongoing expansion of ADNOC's drilling activities as we grow our production capacity, strengthening our position as a reliable global supplier of some of the world's most carbon efficient barrels. In line with the UAE Leadership's wise directives and as part of our strategy, we are prioritizing in-country value and these awards will enable careers for UAE Nationals and new opportunities for the private sector, directly supporting the objectives of the UAE's Principles of the 50."

The smart nature of the awards will enable ADNOC to realize hundreds of millions of dollars in cost savings. As an integral part of its 2030 strategy, ADNOC is optimizing its procurement strategy to reflect market dynamics, focusing on long-term contracts with an optimized number of suppliers that provide stable and reliable delivery at highly competitive rates.

The award for cementing services takes the total value of ADNOC's drilling-related framework agreements and procurement awards since November 2021 to over $8.5 billion (AED31.2 billion). These awards will support ADNOC's requirement to drill thousands of new wells as it increases its crude oil production capacity to five million barrels per day (mmbpd) by 2030 and drives gas self-sufficiency for the UAE.

Cementing is an important step in the drilling and completion of oil and gas wells. It involves mixing together cement slurry, additives and water and pumping the mixture between the rock formation and well casing to protect and seal the wellbore.

Consultancy
Intelligence
Publishing