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Fujairah New Silk Road WEEKLY NEWSLETTER

Supported By:

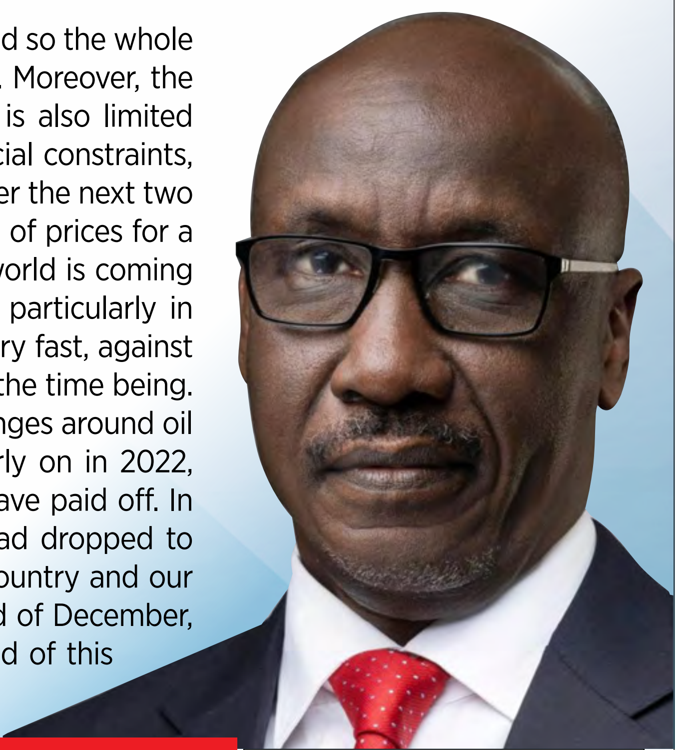
FOIZ منطقة الفجيرة للصناعة البترولية Fujairah Oil Industry Zone

Port of Fujairah ميناء الفجيرة Port of Fujairah United Arab Emirates

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

"Oil Price at $80/bl is Realistic Amid Lack of Global E&P Investment!"

Mele Kyari, Group CEO, Nigerian National Petroleum Company



The volatility in prices last year was unprecedented and so the whole balance of demand and supply didn't really play out. Moreover, the line of sight around new production coming online is also limited because of the general lack of investment and financial constraints, so we don't expect a significant recovery in supply over the next two years. That means we will have to live with this range of prices for a while to come. And demand will not collapse – the world is coming back from COVID-19 and there are many countries, particularly in sub-Saharan Africa, where economies are growing very fast, against all odds. So, $75 to $80 oil is a very realistic price for the time being. In terms of Nigerian production, when security challenges around oil operations in the country became very manifest early on in 2022, we took steps to bring back production and those have paid off. In July, net crude oil output, excluding condensates, had dropped to one million barrels, the lowest in the history of our country and our industry. We took very practical steps and by the end of December, production was 1.5mbd and the trajectory for the end of this year, including condensates, is 1.8mbd to 2.2mbd.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

Light Distillates	Middle Distillates	Heavy Distillates & Residues
7,883,000 bbl	3,308,000 bbl	8,965,000 bbl

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range $3.62 - 4.38/m³

↑ Highest: $4.50/m³

↓ Lowest: $3.40/m³

THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	$85.08/bl
WTI Crude:	$78.52/bl
DME Oman:	$82.26/bl
Murban:	$81.76/bl

*Time Period: Week 3, January 2023
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $654.00/mt

Low = $588.50/mt

Average = $622.50/mt

Spread = $65.50/mt

MGO

High = $1,178.50/mt

Low = $1,140.00/mt

Average = $1,156.00/mt

Spread = $0.00/mt

IFO380

High = $401.00/mt

Low = $373.00/mt

Average = $386.00/mt

Spread = $28.00 /mt

*Source: Ship and Bunker, *Time Period: Jan. 11 – Jan.18, 2023*

Fujairah Bunker Sales Volume (m³)

1,494 180cst Low Sulfur Fuel Oil	500,082 380cst Low Sulfur Fuel Oil	159,566 380cst Marine Fuel Oil
899 Marine Gasoil	32,349 Low Sulfur Marine Gasoil	4,715 Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

CONTINUED FROM PAGE 1

"We expect two of the refineries to be back up and running by mid-year, by which time the combined national capacity will be around 1.1 million barrels"

Mele Kyari, Group CEO, Nigerian National Petroleum Company

Can developing economies live with $80 oil?

When prices get too high, demand adjusts and drops, and countries also come up with other approaches to finding energy sources or reduce their consumption. But the key fuel for transportation in sub-Saharan Africa is still petroleum - the infrastructure of railways is very underdeveloped and therefore it's largely dependent on internal combustion engine vehicles. Most producers and consumers in the industry do see that we need a balanced price of around $60 but whenever there are issues around supply, the world learns to live with $75 to $80, which is of course a challenge for many African countries.

Will Nigeria need to continue importing expensive refined products in 2023?

We had to do this because we had decided to rehabilitate all our four refineries in one sweep. That was a very clear commercial decision and the right one – ultimately, it gives us security of energy supply locally and also protects us from having to manage freight issues. We expect two of the refineries to be back up and running by mid-year, by which time the combined national capacity will be around 1.1 million barrels. We will have a net difference that will be exported and can supply the region as that exceeds our domestic requirements.

Can the government afford to continue subsidizing fuel products?

Whenever there are government subsidies on fuel anywhere in the world, there has to be management of arbitrage across borders with supply chain partners. NNPC's relationship with the government today in terms of supply of fuel is a commercial one based on a service level agreement between us and a price that is the policy decision of the government. We are meeting our commitment of delivering products to the country and we have sufficient cash flow to support this.

Are Russia's crude sales to China and India a threat to Gulf OPEC producers?

I don't see any threat because the levels have remained about the same. Whenever you have political dislocation like what we are having because of the Russia Ukraine crisis, it will impact how much crude oil is able to leave Russia and where that oil flows, but we have not seen significant cargoes hanging in that market, and Gulf producers have not lost their market in the Far East.

WATCH FULL INTERVIEW HERE

Energy Markets Views You can Use

Dr. Carole Nakhle
Chief Executive Officer, Crystol Energy

Have sanctions on Russia worked at all?
Sanctions do work but they take time to impact. One weakness is that not everybody joined in, so the oil market responded by adjusting the direction of crude flows to big consumers like China, India, Turkey, and even some countries in the Middle East. However, the impact of sanctions on Russian oil products, coming up in February, is still a grey area. Countries like China and India have massive refining capacity – are they going to buy products from Russia? So, we should expect to see Russian crude production declining, maybe not severely, but even the most recent modest forecasts coming from OPEC show that it could decline by around 850,000 barrels a day and that could be because Russia is unable to redirect oil products as it did with crude.

Has global recession been averted?
There's a dichotomy or disconnect between the financial community and what international organizations are saying about the state of the global economy. Wall Street is downplaying the outlook for recession and perhaps overplaying China's comeback and its positive impact on the macroeconomic outlook globally for 2023, while the IMF and World Bank are predicting more doom and gloom. And no one knows how durable a recession will be if it happens. This is an indication of the level of uncertainty that we are still facing this year for all sectors, including energy.

Has the commodities market absorbed inflation and interest rate expectations?
There seems to be a greater belief today that because inflation seems to be easing in key economies, that central banks are going to relax their interest rates increases. But that is questionable because we might not have hit the peak of inflation and the Fed will continue until they have more definitive evidence that they have brought inflation down.

Neil Atkinson
Former Head of Oil Markets Division
International Energy Agency

Will the US SPR play a role in market balances again this year?
In 2022, it clearly did, averaging close to a million barrels a day over a period of several months. The US requirement to hold 90 days of net imports has essentially disappeared since they became net exporters of oil. However, as we move into 2023, their stated policy at least, is that they will start to restock the SPR on the assumption that the price falls to a certain level, roughly $70 a barrel, WTI.

Is Europe's energy crisis over?
A huge difference has been made by the fact that we've had mild weather - otherwise, natural gas stocks would have been depleted very heavily and there would have been more demand on alternatives, such as heating oil. So, Europe will start the spring with restocking from a much higher base than anticipated just a few months ago. But with China reemerging and with competition for LNG cargoes from other buyers, we are going to be in a big scramble, which could lead to higher prices. Europe will obviously have to prepare for next winter, and at a great cost.

Outlook for China's economic comeback and impact on energy supplies?
China demand for energy on balance in 2023 is going to come back strongly. There will be an impact on international aviation, which has been the laggard in terms of the recovery of demand from the peak of the COVID pandemic in 2020. In terms of supply, we see significant increases in production from countries such Brazil, the US, Guyana, and Norway, so even with global demand growth of 1.8 million barrels a day, there's plenty of non-OPEC supply out there. Plus, OPEC+ will still be lurking in the wings and can make changes to production levels or quotas as they see fit. I would say a price range of $90 to $100 a barrel for Brent is roughly where the average will be in 2023.

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Fujairah Spotlight

National Bank of Fujairah partners with Lune Technologies

The National Bank of Fujairah (NBF) has signed a partnership agreement with Lune Technologies, an Emirati financial data analytics company to develop and deploy its pioneering Lune Data Enrichment and Insights Platform. Lune will be deploying its Lune Insights solution, which leverages proprietary machine learning technology to convert raw customer payment and transaction data into valuable data points, enabling NBF to provide hyper-personalized, high-value financial services to its customers in the UAE.

Source: Zawya

Oil product stockpiles reach five-week high after middle distillates jump

Oil product stockpiles at the UAE's Port of Fujairah rose 1.6% in the week ended Jan. 16, with gasoline and other light distillates reaching a four-month high, according to Fujairah Oil Industry Zone data published Jan. 18. The total was 20.156 million barrels as of Jan. 16, the highest in five weeks, according to the data provided exclusively to S&P Global Commodity Insights.

Source: Hellenic Shipping News

UAE's ADNOC to pilot carbon mineralising project in Fujairah

Abu Dhabi National Oil Company (ADNOC) has partnered with Fujairah Natural Resources Corporation (FNRC), Abu Dhabi Future Energy Company (Masdar) and British-Omani environmental organization 44.01 to pilot technology that permanently mineralises carbon dioxide (CO2) within rock formations found in Fujairah. The project, set to begin this month, will use 44.01's Earthshot prize-winning Carbon Capture and Mineralization (CCM) technology to eliminate CO2 from the atmosphere. It will be the first CCM project by an energy company in the Middle East, the state oil company , which announced the project on Tuesday at the ongoing Abu Dhabi Sustainability Week, said in a statement.

Source: Zawya by Refinitiv

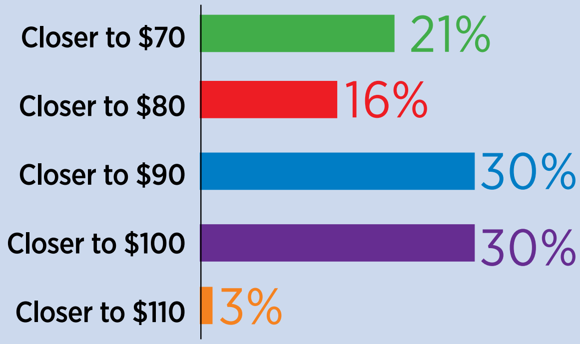
Fujairah Leads Top Ports VLSFO Gains on Tuesday

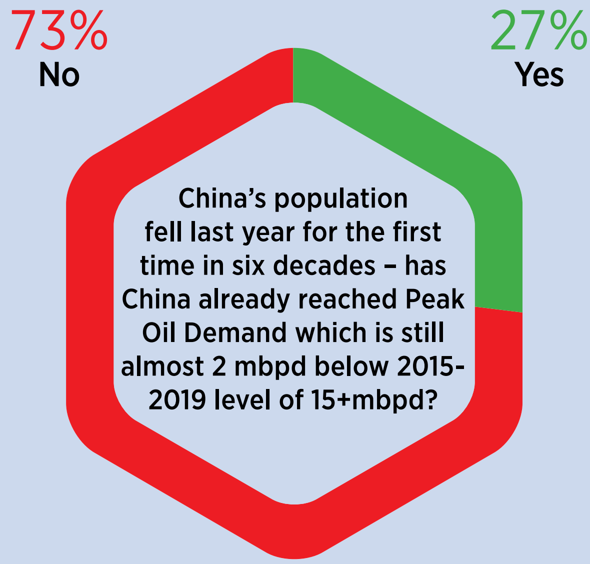
Bunker fuel prices advanced for a seventh consecutive session at most ports on Tuesday, with Fujairah seeing the sharpest gains of the top hubs. Ship & Bunker's G20-VLSFO Index of prices across 20 leading bunkering ports gained \$5.50/mt to \$668.50/mt on Tuesday, remaining at the highest level since December 6.

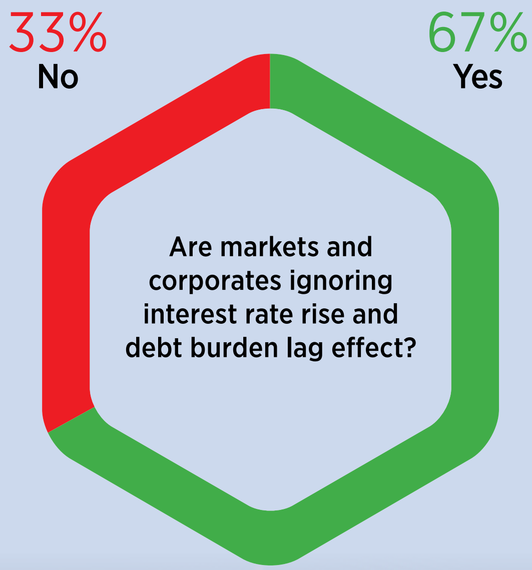
Source: Ship & Bunker

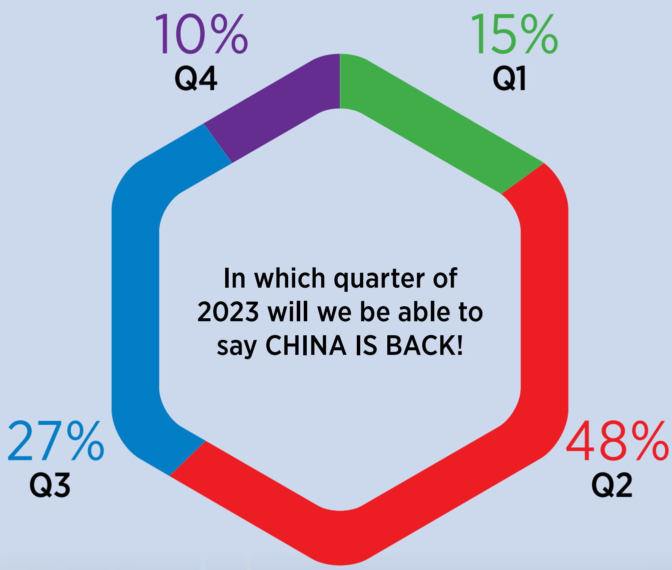
GI Weekly Surveys

The average price of Brent crude oil in 2022 was just shy of $100 a barrel – what will it be in 2023?









Source: GI Research March 2023

Energy Markets Views You can Use

Vibhuti Garg
Director – South Asia, IEEFA

Outlook for the Indian economy in 2023?

GDP grew at 8.7% for the financial year 2021-2022 and in 2022-2023, we are expecting it to touch about 6.97%, according to forecasts from the RBI, our central bank, and even from the World Bank. We are expecting our economy to grow at 6% or 7% in the coming years also. We have exceeded China's population so our oil demand will continue to boom and Russian crude will be a big component. Russia become our top supplier in October-November last year, exceeding our oil imports from Iraq and Saudi Arabia. The share of Russian crude has risen from 2% in 2021 to 25%. We don't have any alternative to oil and if we are getting it at a cheaper price from Russia, then we will continue to take it. That's in fact one reason India was able to tame inflation for the very first time in December 2022 with our wholesale price index reaching a comfortable mark of 4.95%, compared to above 15% in June 2022.

How long can the Indian government continue to subsidise energy costs?

The biggest subsidies are on fertilizers - that burden has almost tripled as a result of high gas prices. At the same time, India is trying to limit importing gas as much as possible, looking for alternatives and pushing clean energy. We are betting big on EVs for the transport sector and pushing green hydrogen, primarily for use in the fertilizer industry. But these options are going to take time and until then, the Indian government will have to continue providing subsidies.

How high is the risk of fiscal or economic contagion from your more vulnerable neighbors – such as Sri Lanka and Pakistan?

One way we are protecting ourselves from high energy costs is by investing in more renewable energy and pushing domestic manufacturers to use that as a resource. That's where, at least on the electricity side, it becomes the crux for higher economic growth because of its high correlation. We are also using our own domestic resources of coal.

Impact for India of Europe and China pulling on global LNG supplies?

If LNG prices remain around $25 per MMBTU, we will see a decline in LNG consumption going forward. Most sectors in the Indian economy can only absorb a price below $10. Again, coal can be a substitute and we are also looking at ethanol blending for running transportation.

Omar Najia
Global Head Derivatives, BB Energy

Direction for oil and other markets this year?

If we can get over $81.50 for WTI, then I would be short term bullish and we could have another blip to $100, but ultimately we're going to come back down. We are bearish and my money would say that we won't go over that $81.50 and that we fall from here. People who are now bullish this market, is more to do with equities but I'm also extremely bearish on equities unless they manage to close over the highs we had in 2022. If you can get a 5% return on US Treasuries that are supposed to be risk free, you would want to be getting at least 10% or 15% return on any equities investment that carries risk. That's not going to happen this year under any circumstance. The equity market is trading in the mentality that everything's going to be okay, but the rug will be pulled from under it at some point. Many are also saying that we've peaked in terms of interest rates and inflation and so US markets are going higher - I don't buy that. There's a lot of exuberance. As for China, it is reopening but that won't be a fast recovery.

Has the US Dollar peaked?

It seems that way, which means that the correction on the euro and the GBP that has lasted 12 years, that's finished. It's quite interesting because that never happens when you get a downturn to a recession, as people usually go to a safe haven, which is the US dollar. A lot of people are sitting on massive USD deposits, such as the Chinese, and they've been selling US Treasuries nonstop. Russia's at zero. People are getting rid of their holdings of the USD because it is being perceived to be" unsafe" in the sense that the US might sanction or freeze your money etc. We see the USD nosediving over time, equity markets also, and the reason will be flight to safety. The pricing of oil, of gold and of commodities in the future, will be through a basket of currencies.

Fujairah Weekly Oil Inventory Data

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Fujairah Oil Industry Zone

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 20.156 million barrels with a rise of 317,000 barrels, or 1.6% week-on-week as they pushed up just above the 20-million-barrel level. The stocks movement saw a build for light distillates and middle distillates and a drop for heavy residues.

- Stocks of light distillates, including gasoline and naphtha, rose by 864,000 barrels or 12.3% on the week to 7.883 million barrels. The East of Suez gasoline complex strengthened in early trade Jan. 16, amid expectations that Chinese January exports will fall on the month amid Lunar New Year domestic demand, sources said. The gasoline complex however softened during early trade Jan. 17, tracking a weakened US-RBOB Brent crack spread on the back of poor winter gasoline demand, sources said. Malaysia's gasoline production fell 43.4% month on month to 374,967 mt in November and was down 35.12% year on year, showed Department of Statistics preliminary data released late Jan. 16, as technical issues at the RAPID refinery and flooding outweighed an expected increase in demand during national elections.

- Stocks of middle distillates, including diesel and jet fuel, increased by 547,000 barrels or 19.8% on the week to 3.308 million barrels. Backwardation in the East of Suez gasoil market eased Jan. 17 as participants awaited the results of recent tenders for further pricing cues. Steady fundamentals kept the market on an even keel in November with viable arbitrage economics working to divert surplus barrels from the Persian Gulf and India to the UK continent ahead of the EU sanctions against Russian oil products that kick in Feb. 5. Looking ahead, market participants are also weighing China's fresh export quotas against demand recovery in the Asian middle distillates complex.

- Stocks of heavy residues fell by 1.094 million barrels, down 10.9% on the week as they stood at 8.965 million barrels. Spot trading activity at the bunkering hubs of Singapore and Fujairah was said to be less-than-average for the second consecutive day on Jan. 17, traders said. The upstream Singapore low sulfur fuel oil cargo market seemed to have taken a bit of a breather on Jan. 17 after the recent surge in valuations. This coupled with a lackluster demand in the downstream market had led some of the bunker traders to start making determined offers in a bid to move oil, especially as the market backwardation steepens. Singapore-delivered marine fuel 0.5%S bunker was assessed at $650/mt, $12/mt higher on the day, which lagged the $14.95/mt day-on-day rise in Singapore marine fuel 0.5%S cargo, which was assessed at $615.58/mt. The situation was no different in the Middle Eastern port of Fujairah, where suppliers were heard making determined offers in a bid to move oil. Most offers for delivered marine fuel 0.5%S bunker were heard at $632-$640/mt, with the offer at the lower end of the range for product deliverable from Jan. 24 onwards.

Source: S&P Global Platts

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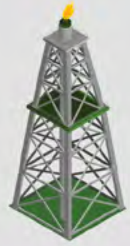
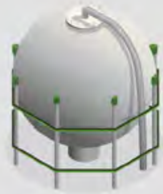


PROCESSING
& EXPORTING



STORAGE
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Today, we continue to look for new and innovative ways to maximize the value of our resources, pioneering those approaches and technologies that will ensure we are able to meet the demands of an ever-changing energy market, and continue to have a positive impact on the Sharjah economy for future generations.

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Energy Markets Views You can Use

Mike McGlone
Senior Commodity Strategist, Bloomberg Intelligence

Is the rebound in markets based on optimism around China's economy recovering this year?
The optimism for energy prices to rally is way overdone. There's complete consensus that China's reopening should already be priced in. If you're that bullish, you should be buying crude oil further out in the curve two or three years at a significant discount, because there's still backwardation there. I think what we're seeing is normal new year 'hopium' and the number one hammer in the room is every central bank on the planet, except for maybe two major ones in China and Russia, which are tightening. That means lower asset prices and lower crude oil. We're heading to a global recession, and we still have another 60 basis points priced in for the Fed to tighten this year. I fully expect all risk assets to continue that trend lower.

Will the US Fed take its foot of the breaks as we come closer to any recession?
The Fed has never tightened when both the PMI, manufacturing, and services industries were in contraction. Well, they are in contraction in the US and the Fed is still tightening. The Bloomberg Global Economics GDP forecast is running at zero for global GDP. You just don't mess with that. When you're a money manager, you sell rallies and risk assets, and you buy bonds and gold. I also think this rally in copper is a little bit overdone in the short term. We have a significant contraction of global GDP with the central bank still tightening - you're supposed to be very careful when you get bounces in markets in that environment.

Why are you so sure we will see recession in the US?
We've just had the hardest tightening on a global basis and on a US basis in the shortest period ever. To expect a soft landing in that environment is irrational. And then we also have the biggest dump of risk assets ever following this massive liquidity pump. The US housing market is collapsing, and so is the Chinese housing market.

Victor Yang
Senior Editor, JLC Network Technology

Outlook for China GDP in 2023?
We've started to see some recovery already in the first quarter. COVID infections peaked in December and people have resumed their normal life. The 40-day Spring Festival travel rush is expected to generate about 4 billion passenger trips, 99% up on last year, according to the Ministry of Transport.

Will we see a strong resumption in crude oil imports this quarter?
In January, we have seen about 11 million barrels per day of oil imports because China issued larger quotas in the last quarter of 2022 encouraging independent refiners to boost imports. It has boosted product export quotas in the first quarter of 2023 very sharply, by 46% on a year-on-year comparison, to give the economy a bigger boost. It might also slow down its industrial upgrades this year if necessary, so that will also boost the country's crude oil demand to some degree.

How is the government planning to tackle the real estate crisis?
Official data shows that investment in the real estate industry jumped by 10% last year but it is still struggling. People still need to resume their confidence in the sector. Prices are still too high. So, the government is now trying to cut its dependance on real estate for economic growth, though there will still be some measures to stimulate people to buy houses.

How will China handle its relations with the US and Russia going forward?
Most people expect the US-China relationship to improve a little bit in 2023 after the meeting between its leaders in December, but the confrontation will continue. What matters most for China overall is economic growth and so it will trade with any partner and any country that is willing, and therefore China will try and stay neutral.

Energy Markets COMMENTARY

WEEK IN REVIEW

NEW SEASON 2023

Daily Energy Markets PODCAST

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MONDAY /// JANUARY 16th /// 10:30AM (UAE)

Omar Najia
Global Head, BB Energy

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

Osama Rizvi
Energy & Economic Analyst, Primary Vision Network

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NEW SEASON 2023

Daily Energy Markets PODCAST

ADNOC | GI Consultancy Intelligence Publishing

TUESDAY /// JANUARY 17th /// 10:30AM (UAE)

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

Andrew Laven
Chief Operating Officer, Sahara Energy Resources DMCC

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

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NEW SEASON 2023

Daily Energy Markets PODCAST

ADNOC | GI Consultancy Intelligence Publishing

WEDNESDAY /// JANUARY 18th /// 10:30AM (UAE)

Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

Victor Yang
Senior Editor, JLC Network Technology

Mike McGlone
Senior Commodity Strategist, Bloomberg Intelligence

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NEW SEASON 2023

Daily Energy Markets PODCAST

ADNOC | GI Consultancy Intelligence Publishing

THURSDAY /// JANUARY 19th /// 10:30AM (UAE)

Maleeha Bengali
Founder, MB Commodity Corner

Matt Stanley
Partnerships Lead, Middle Eas, Kpler

Vibhuti Garg
Director - South Asia, IEEFA

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Energy Markets Views You can Use

Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

Outlook for the global economy?
This shift since the beginning of the year to much less doom and gloom relative to the fourth quarter has been quite marked. But we need to be a bit careful here. China's move to roll back Zero-Covid has given a lot of optimism but whether it proves justified is another question. A lot of the optimism in Europe is also related to the fact that we've had this unseasonably warm weather after that cold snap. But we're just about to go into a deep freeze so it's going to be the same as last year with a lot of volatility, dictated also by what happens in China and the US.

Are we seeing any impact yet from sanctions on Russian crude output and exports?
All these sanctions are a great displacement game. The key point with Europe is that it is geared totally to survive, mostly in terms of the supply of oil and gas and indeed oil products from Russia. So there is going to be an impact. Some of the crude, which is now being imported from the Middle East, is basic stuff that has gone out of Russia down to the Middle East and coming back to Europe. One only has to think about what that means in cost terms, because that's a lot more expensive than coming down a pipeline. So, it doesn't bode well. Even with gas, all these LNG installations being made in Germany, they are costing double what the Germans were originally anticipating. I think the biggest problem that Europe has is that it is still vulnerable to a cold snap. It is hugely reliant on oil products, particularly diesel from Russia. It will get it but at what price? That's going to be the dampening impact that's likely to happen for a lot of European countries. And yes, if we look at gas, there's been some adjustment in terms of being more economic, and better use of the product but freight is freight - you can't make a truck or anything else run slightly better, so it's going to have a dampening effect.

ENERGY MARKET NEWS

1. OIL DOWN $1 ON BEARISH US DATA, CRUDE STOCKS BUILD
2. US OIL PRODUCTION DIDN'T REACH AN ALL-TIME HIGH IN 2022, BUT IT MIGHT IN 2023
3. FED POLICYMAKERS CALL FOR FURTHER RATE HIKES TO BEAT INFLATION
4. RUSSIA'S ECONOMY IS BEGINNING TO FEEL THE WEIGHT OF SANCTIONS
5. DROP IN CHINA-BOUND JAPANESE EXPORTS ADDS TO FEARS OF GLOBAL DOWNTURN
6. FRANCE STRIKES BID TO HALT MACRON'S RISE IN RETIREMENT AGE
7. MIDDLE EAST PRIMED TO POUNCE WHEN EU BANS RUSSIAN DIESEL
8. GERMANY SAYS IT IS NO LONGER RELIANT ON RUSSIAN ENERGY
9. BERLIN WON'T ALLOW EXPORTS OF GERMAN TANKS TO UKRAINE
10. BHP: CHINA IS SET TO BE A STABILIZING FORCE FOR COMMODITIES DEMAND THIS YEAR

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- EARNINGS SEASON LIKELY TO UNDERWHELM
- DAVOS 2023: CHINA RECOVERY COULD BE VERY QUICK
- CONFRONTING FRAGMENTATION WHERE IT MATTERS MOST

GI Soundings Week in Review

Oil Prices Could See One Final Blip to $100 Before Trending Towards $60!

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.

- **Kate Dourian, FEI (UAE), MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington**
- **Osama Rizvi, Energy & Economic Analyst, Primary Vision Network**
- **Andrew Laven, Chief Operating Officer, Sahara Energy Resources DMCC**
- **Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies**
- **Maleeha Bengali, Founder, MB Commodity Corner**
- **Matt Stanley, Partnerships Lead, Middle East, Kpler**

Kate Dourian, FEI (UAE), MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington
PRICE DIRECTION: "The market is pretty flat; I don't think anybody can say with any certainty where prices are heading for the next three or four months. The G7 price cap on Russian oil only came into effect in December so we haven't seen the full impact of that yet on Russian oil flows. Meanwhile, in the Middle East, we have a situation of dual track economies, with producing countries raking in windfall oil revenues, and importing nations such as Egypt, potentially facing a new 'Arab Spring' as they struggle to maintain subsidies and the social contract, while dealing with high inflation, rising food prices and shortages."

Osama Rizvi, Energy & Economic Analyst, Primary Vision Network PAKISTAN: "We have started 2023 with many unprecedented challenges; I think it's going to be the most difficult year ever in our country's history and we are reaching a tipping point. The USD may have peaked, but it's still very high and remains a structural issue for developing countries of the Global South because the cost of debt servicing continues to increase. We also have very high food price inflation and fuel oil prices and we're starting to see labor activism and social unrest as a result."

Andrew Laven, Chief Operating Officer, Sahara Energy Resources DMCC ENERGY DEMAND: "The big issue this year will be a question of demand, not supply. I think we've seen in the last quarter of 2022, people recognizing that there are alternative sources of energy to having some of the commodities off the table because of Russia. They're starting to understand what that means and what they need to invest in. I'm quite bullish in terms of demand through the rest of the year."

Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies IRAN: "I'm unfortunately negative about the consequences of either a failure or potential success of a nuclear deal with Iran. I think the negotiations are going to conclude sometime soon and when that happens, I fully expect a wave of destabilizing activity to be initiated in the region by Iran as it seeks to throw its weight around, and I expect Israel to respond with an escalation on the military front."

Maleeha Bengali, Founder, MB Commodity Corner FED RATES: "We feel the FED is not done because, while the CPI's printing on peaking coming down, they're still between 6-6.5% level. Even if you get a 4.5% print, we're still not going to be at 2% by the end of this year. The FED is going to be very cautious about pulling back; a FED pause and FED pivot are two entirely separate things and no one's even considering the fact that we stay at 5% higher for longer, which is a very tight market for asset classes to grow and for the economy to grow."

Matt Stanley, Partnerships Lead, Middle East, Kpler FREIGHT: "We're seeing a lot of Russian crude and products end its way into North Africa off the coast of Algeria and Tunisia. Is that a diversion point so that they can easily go back into ARA or down to West Africa? What this all means for the freight market is that it just widens the divide between flirting with that sanction line, and so the clean market rates will remain high because there simply won't be enough ships, and ton per mile rates will increase as well. Freight is only going one way this year and that is upwards."

Energy Markets Views You can Use

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

Europe seems to be drowning in LNG?
Gas utilization in Europe dropped by over 20% last year compared to 2021 and it's still going down, but this may be the lull before the storm. Europe could still face a harsh winter and the problems that will be faced in filling storages with gas during the summer are getting more serious. Russian supply this year will be a lot less than last year and if President Putin decides to reduce it even further, it will put Europe in difficulty.

Direction for gas prices?
I don't think prices will stay down at these levels for too long. The problem for Europe is that China's economy is expected to grow, some say, by more than 5% this year. Gas utilization in Asia in general will go up and Europe is going to find it that much more difficult to access more gas, especially since US LNG has reached a plateau and a lot of it is diverted to Asia. European industry, especially in Germany, is still suffering massively from these gas prices - factories are closing and relocating to the Middle East and the US.

China is still diverting cargoes to Europe because it's overflowing with gas?
Yes, but China will be driving energy demand into the future – it has not peaked yet. And its economy is set to recover well this year. President Xi seems to be determined to make that happen. He has consolidated his power, he has improved links with the Arab world securing his energy supplies, and he's planning for substantial growth. The austerity period of last year is behind China.

Can Putin and Turkey choregraph a new gas corridor?
Erdogan's position in Turkey is strengthening, and the opposition is fragmented. He may call the election in May, and it looks as if he will win. Erdogan's relationship with Russia is mushrooming and he is quite serious about taking up Russia's offer to make Turkey a gas transit hub to Europe. But Erdogan's Achilles Heel is his economy – it's in tatters, and rescuing it will at some stage, depend greatly on cooperation from Europe and the US, not Russia. So, it remains to be seen which way he's going to pull. He wants his legacy to be a Turkey on track for growth.

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
January 16th - 19th

1. The financial markets appear to be getting ahead of themselves with the euphoria of perceived peak inflation/rates and China reopening.
2. Pakistan may be the first in a line of Global South countries that will face a very difficult year as their US dollar reserves drawdown at the same moment that their dollar denominated debt gets more expensive.
3. Brent crude oil prices may not reach the highs of $100 a barrel we saw in 2022, but forecasts for 2023 still expecting to reach $90 average.
4. The first anniversary of Russia's invasion of Ukraine could bring with it an escalation of the conflict that could derail the irrational exuberance which has gripped the financial markets in the first few weeks of 2023.
5. Turkey's President is facing re-election this year and is flirting with Putin on being a new gas-pathway to international markets, but economic reality may force Erdogan back into line with critical Western NATO allies.
6. China is facing many challenges at present, but soon enough it will get all its ducks lined up for its economy to roar back on all cylinders before the end of 2023.
7. Volatility in energy prices will continue in 2023, with unknowns around weather in Europe, pace of reopening in China and Russia policy on gas exports.
8. Russia's cheap oil has allowed India to tame inflation and Moscow is likely to maintain its position as India's biggest oil supplier through 2023.
9. Financial markets are getting ahead of themselves on back of China re-opening and are ignoring the growing likelihood that rates will remain at 5%+ for longer than most expect.
10. Europe really needs to revisit its stand on energy sanctions on Russia as they are driving up their own energy costs and damaging their economies, while their competitors in Asia are enjoying much cheaper energy costs.

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