FEB 17th 2022
VOL. 106

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

"OPEC Spare Capacity Remains the Elephant in the Room!"

Ehsan Khoman, Director, Head of Emerging Markets Research – EMEA MUFG Bank

We are extremely bullish and see average Brent at $96 this year and $112 for 2023, supported by supply side constraints. Throughout the pandemic, the market's focus has been squarely on the demand side of the equation. In April 2020, the global market was awash with supply with concerns that storage capacity was reaching top levels. Fast forward to today and it's increasingly clear that tight supply is top of mind. The last time we had this sort of scarcity was the 2003 to 2014 era when China demand accelerated and supply struggled to keep up. There are expectations of more volumes coming online as we move into Q2, but OPEC spare capacity remains the elephant in the room. By summer, it could drop below two million barrels. It's rarely hit those levels and that's when markets will get extremely nervous to the upside. Add to this the deficits in inventory levels and the broader lack of structural investment in oil and gas since the financial crisis. In terms if when we might rebalance, our forecast for demand destruction is around the $100–$115 level. That's when we will start to see a slowdown in industrial activity in the global economy that could lead prices to correct. We're not at that maximum pain yet. We still need much higher prices.

CONTINUED ON P 3

Fujairah *Virtual* London Workshop

Thursday Feb. 24th | 7.30am (GMT) | 11.30am (UAE)

ONE WEEK TO GO!

REGISTER ON LINKEDIN TO ATTEND
LINK HERE: https://bit.ly/3sDrSNZ

Fujairah Weekly Oil Inventory Data

4,877,000 bbl Light Distillates

1,747,000 bbl Middle Distillates

7,642,000 bbl Heavy Distillates

Source: FEDCom & S&P Global Platts

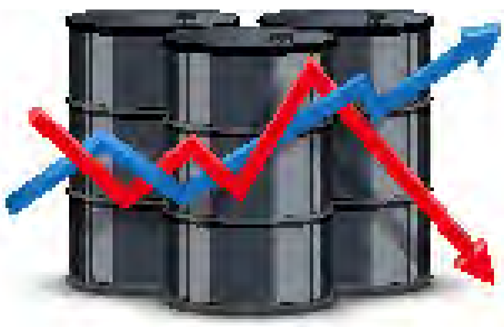
Fujairah Average Oil Tank Storage Leasing Rates*

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:	$94.51/bl
WTI Crude:	$93.15/bl
DME Oman:	$92.86/bl
Murban:	$94.47/bl

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

Fujairah Weekly Bunker Prices

VLSFO

High = $754.50/mt

Low = $724.50/mt

Average = $739.00/mt

Spread = $30.00/mt

MGO

High = $913.00/mt

Low = $873.00/mt

Average = $892.00/mt

Spread = $40.00/mt

IFO380

High = $546.00/mt

Low = $533.00/mt

Average = $540.00/mt

Spread = $13.00/mt

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

Fujairah Bunker Sales Volume (m^3)

288 180cst Low Sulfur Fuel Oil	497,670 380cst Low Sulfur Fuel Oil	119,747 380cst Marine Fuel Oil
1,215 Marine Gasoil	27,169 Low Sulfur Marine Gasoil	5,341 Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Ehsan Khoman
Director, Head of Emerging Markets Research – EMEA
MUFG Bank

How will oil and commodities fair as the US Fed starts to tighten policy?
Oil and commodities will outperform other assets, such as equities and bonds, as a hedge against inflation and interest rate hikes. They have done that on average since the 1970s. Oil is spot and anchored in physical assets. It needs to be balanced every day and is currently supported by strong demand fundamentals. It's also less dependent on forward economic growth rates than other assets.

Will GCC economies be able to absorb US rate hikes?
Given that the monetary policy and exchange rates of the GCC are pegged to the US dollar, they mimic broadly what the US Fed does, and the expectation is that they will continue doing so. When you look at the gearings of the banks in the GCC, they are much better buffered relative to other emerging markets because their interest-bearing deposits are quite small. So GCC banks, particularly those in Saudi and the UAE and Qatar, will typically outperform those of other emerging markets. Moreover, our headline real GDP growth expectation for the GCC this year is 6.1%, the highest rate since 2011. This will be supported by both oil and non-oil growth as part of the national diversification programs. Our forecast for Saudi Arabia GDP is probably one of the most bullish on the street, at 7.8%.

How are higher oil revenues feeding into government expenditure plans?
As far as budgeting goes, countries like Saudi Arabia and Oman are treating the cyclical higher oil prices independently from a more prudent approach to the expenditure side of the fiscal equation. We can see that in budgets. Saudi Arabia's expenditure profile is lower in 2022 relative to last year. Credit rating agencies see that as a positive and that would certainly be good for a country like Oman to be potentially upgraded this year if they continue to show higher revenues with simultaneous belt tightening. The UAE, meanwhile, as the most diversified economy in the GCC with its trade, transport and tourism model, is best placed to accelerate in the global recovery. Qatar, Kuwait and Bahrain are also showing stronger numbers than last year, again with a continuous drive to diversify their economies.

> "Our forecast for Saudi Arabia GDP is probably one of the most bullish on the street, at 7.8%."

Will the appetite for IPOs in the region remain strong?
Each party will see if it makes sense for their business model but longer term, broadly speaking, there is a drive to deepen the breadth of the financial markets in our region. We've seen that particularly in the UAE and in Saudi Arabia. If the region wants to grow and compete with established mature markets like Singapore and South Korea, financial markets are a key lever of that.

How will the new normal of 5% GDP growth in China impact energy demand?
We are going to continue to see the Chinese economy pivot away from manufacturing towards services, which will of course mean more mature growth levels, but the value and quality of that GDP growth will also start coming through as the economy composition adjusts. The one caveat I would have is if we were to see any slowdown in China because of a Covid resurgence, given how the authorities go about tackling it. The ramifications on the energy markets and global growth could be a risk.

WATCH FULL INTERVIEW HERE


أدنــوك
ADNOC
WE BRING
ENERGY TO LIFE
For over fifty years, we've helped drive the prosperity of our world, our nation, our partners and our customers. But this is just the start of our story. We are determined to constantly improve our products, optimize our costs, drive greater efficiencies and deliver more value. All while innovating to protect our environment and to empower the communities we serve. That's not simply our purpose, it's our promise to future generations.
adnoc.ae @adnocgroup
Abu Dhabi National Oil Company

Energy Markets Views You can Use

Amena Bakr

Deputy Bureau Chief & Chief OPEC Correspondent
Energy Intelligence

Is it credible for OPEC+ to attribute these prices to geopolitics?

The geopolitical premium is estimated to be seven to eight dollars and the OPEC+ group really wants this market to settle itself without intervening too much in terms of the fundamentals or adding more supply. There is a little spare capacity within the group, estimated at 2.5 million barrels but if they max out their capacities, prices may even rise.

Why has 4% of Saudi Aramco been transferred to the sovereign wealth fund?

It's a move to further diversify the Saudi economy. The PIF needs more funds. They're developing huge non-oil related projects inside the kingdom so this 4% transfer will be monetized somehow. They may keep the stake and earn dividends of around $3 billion annually or sell some or all of it.

Are we getting close to an agreement for Iran in Vienna?

We are hearing more positive noise from the talks. If the sanctions are lifted, Iran could quickly bring back exports and they also have a lot of floating storage. When sanctions were removed previously, we saw a quick comeback of a million barrels of exports and Iran claims it can do that again and double exports within three months. The extra supply in this current market environment of elevated prices would be welcome even if OPEC+ has not factored it into their calculations. I don't 't see any conflict within OPEC+ if Iranian oil comes back.

Dr. Xavier Chen

CEO, CN Innovation
President, Beijing Energy Club

How is Asia viewing the escalating Russia Ukraine crisis?

Its worrisome. This is part of a new geopolitical game change which is happening without precedent, and it involves all countries. China's position is also important. It's 75% reliance on oil imports means that any price hike will have a macroeconomic impact on the economy. We all know that Russian President Putin was in the country earlier this month, with many agreements released, particularly in energy. Maybe the two countries reached some understanding on the Russian Ukraine crisis and other strategic issues? Meanwhile the US and China are becoming bigger adversaries on the political front and with trade frictions. But it's not necessarily good for China's prosperity not to be on good terms with the West. China should not just be aligned with Russia. The other element from Asia's perspective is that we are now focusing more on economic recovery and regional cooperation. The Regional Comprehensive Economic Partnership program, which went into effect in January, aims to boost trade and investment among the 15 nations of ASEAN +5: Japan, Korea, New Zealand, Australia and China.

Is China's energy dependency prompting it to accelerate renewables?

The Chinese energy transition has always been a balancing act between energy security and reducing carbon. The Chinese are now using the term low emissions rather than low carbon. 'Greening' is the key word in everything and so it's not only about carbon. Last year, China became the world's top LNG importer, surpassing Japan. Chinese natural gas demand will continue to grow and won't peak till about 2040. The country does not see natural gas as a transition fuel, but rather as a major part of its energy mix. Even when China reaches carbon neutrality, natural gas will still be a very important part of the energy supply.

Soundings Week in Review

"TIGHT SUPPLY, UKRAINE TENSIONS KEEPING OIL MARKET ON BULLISH TRACK"

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.

- **H.E. Suhail al-Mazrouei, Minister of Energy & Infrastructure UAE**
- **Scott Sheffield, CEO, Pioneer Natural Resources**
- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Cyril Widdershoven, Founder/Owner/Geopolitical-Risk-Economics & Oil Gas Partner, VEROCY**
- **Richard Redoglia, Chief Executive Officer, Matrix Global Holdings**
- **Andrei Belyi, PhD, Professor, Founder & CEO, Balesene OÜ**
- **Matt Stanley, Director, Star Fuels**
- **Ali Al Riyami, Consultant & Former Director General of Marketing, Ministry of Energy & Minerals, Oman**
- **Ahmed Mehdi, Research Associate, Oxford Institute for Energy Studies**
- **Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center - Atlantic Council**
- **Omar Najia, Global Head, Derivatives, BB Energy**

H.E. Suhail al-Mazrouei, Minister of Energy & Infrastructure UAE
"I think what is happening to the oil market is geopolitical tension and that is what is primarily driving prices. It is very difficult to predict when it comes to geopolitics."

Scott Sheffield, CEO, Pioneer Natural Resources
"If Putin invades, then oil rises over $100 to $120 a barrel. If Biden removes sanctions on Iran, then there will be a $10 drop. Demand is strong and there is not enough supply long term, so eventually oil will be over $100 regardless."

Peter McGuire, Chief Executive Officer, XM Australia
"This market needs a massive correction because we've been moving up for the last 16 months, but a bull market corrects when the market becomes euphoric, not because of skepticism, and we aren't there yet."

Cyril Widdershoven, Founder/Owner/Geopolitical-Risk-Economics & Oil Gas Partner, VEROCY
"The West clearly has forgotten, or bluntly misinterpreted the former Russian moves of taking Crimea as a one-off. When looking at the map, one thing is clear, ownership and control of Crimea is not only not the last move made by Moscow, but also directly has constrained any naval manoeuvrability of Ukrainian and other countries in the area."

Richard Redoglia, Chief Executive Officer Matrix Global Holdings
"There is no out for the Fed. You cannot take interest rates to 5% because you bankrupt the United States, so I don't think that's going to happen."

Andrei Belyi, PhD, Professor, Founder & CEO, Balesene OÜ
"Between a full invasion and a simple dissuasion, there is a large ground in the middle which can be used. So, I would not say that the eastern part of Ukraine is going to become peaceful or that territorial disputes between Russia and Ukraine are going to be solved, but the risks of a full scale war are of low likelihood."

Matt Stanley, Director, Star Fuels
"It's a grim market to trade. Volatility is so intense, on relatively low volumes. Demand is arguably back to 2019 levels, and the supply crunch is fueling this ridiculous backwardation. The higher that gets, the less people want to trade so it's manifesting itself into a vicious circle and something's got to give."

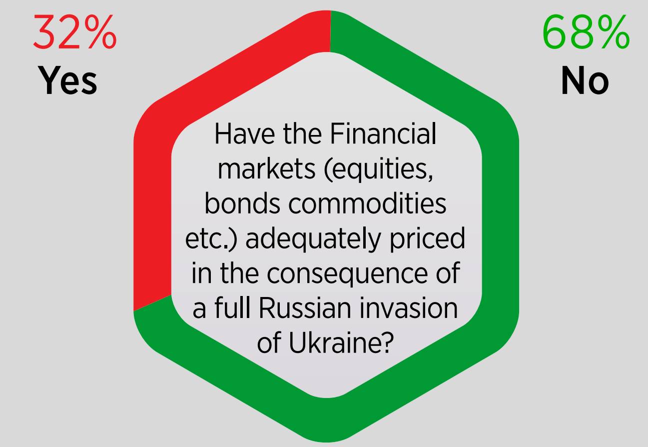
Ali Al Riyami, Consultant & Former Director General of Marketing Ministry of Energy & Minerals, Oman
"The problem for OPEC is that some of the big and influential members don't have the technical capacity to increase their production. This issue will continue for the coming months until they agree to change quotas, if they see there is demand, and according to OPEC numbers, the 5-year averages are still high."

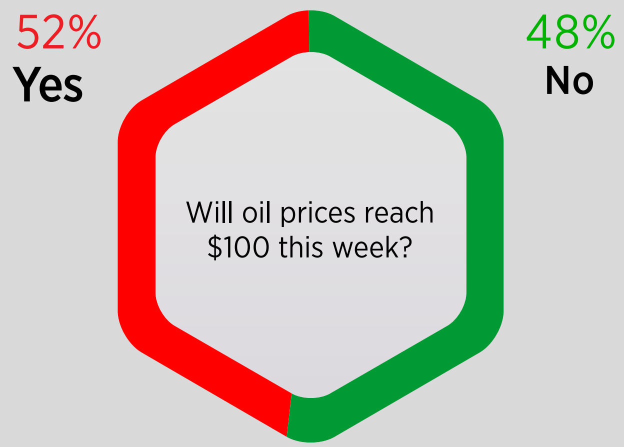
Ahmed Mehdi, Research Associate Oxford Institute for Energy Studies
"This is what I call the revenge of the middle distillates. Across every major storage region, we've seen big draws. Singapore inventories are down, and we have reduced products exports from China. In Europe, the gasoil deficit is also going to widen even further."

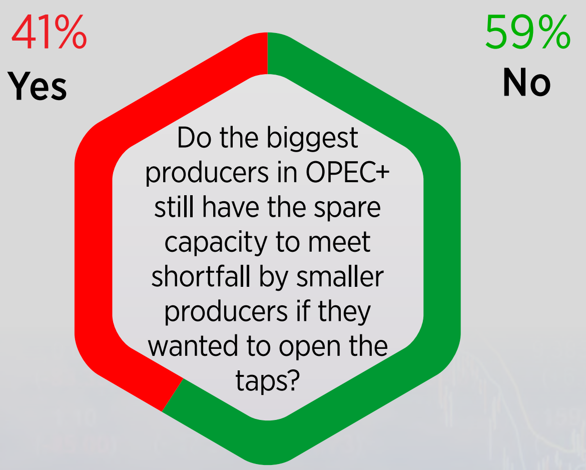
Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center - Atlantic Council
"In less than ten years, Russia will be exporting 100 bcm per year of gas to China, and that is going to impact Europe. Russia is no longer going to be dependent just on Europe as a buyer for its energy and minerals."

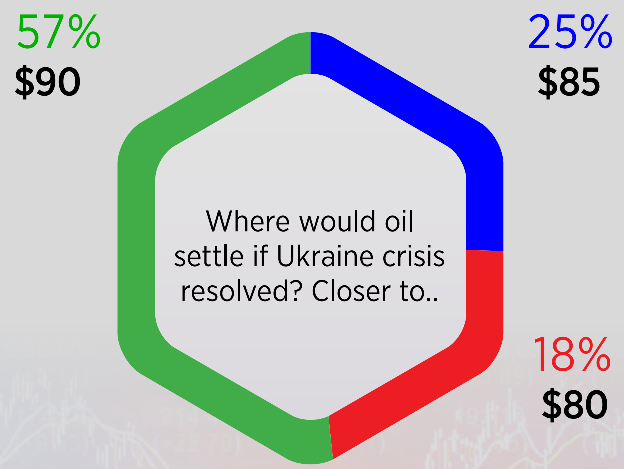
Omar Najia, Global Head, Derivatives, BB Energy
"There are many drivers to this high oil price, but it's not because a conflict might happen in the Ukraine. Even those who were short on crude are buying, as are people who were long. There aren't very many reasons to sell."

GI Weekly Surveys









Source: GI Research Jan 2022

GI Consultancy Intelligence Publishing

Energy Markets Views You can Use

Bora Bariman
Managing Partner
Hormuz Straits Partnership

At what price could we see Saudi Arabia step in to add more oil?
The IEA and US calls on Saudi are not internally coherent because they're discouraging private sector production at the same time. And we can also question how much spare capacity Saudi really has. Without significant new investment by Aramco, it would have to go to the private markets, who have pledged not to invest in oil production, to raise the hundreds of billions of dollars required to increase capacity. I don't think there's a switch that can be flipped to flood the markets with cheap oil today.

Are markets confident Russian energy will continue to flow?
I don't think the market or Russia, or anyone should be assured by the tone of the geopolitics today. If there is a war, all bets are off and access to commodities and goods should be more difficult. But there is something to the logic that it would not be in Putin's interest to take military action. Clearly, there's a negotiation happening on the future geostrategic alignment of Ukraine and that will need to be resolved, hopefully not by force.

Should Russia be worried about sanctions in the event of war?
They shouldn't be if we believe the words coming out of Putin's mouth - that he's not intending to invade Ukraine. Still, he's going to squeeze the variables up to that point. If there is a conflict, it won't be a status quo, with everyone buying Russian oil and gas as usual. The people running the Kremlin have proven to be very rational and at the end of the day, Ukraine is a member of the UN, and it is an independent country recognized by Russia. Putin wants to affect the politics of the country, but I don't see that he will be annexing it or installing a puppet regime. If he did, it would be a game changer and a negative for the Russian people not to have this cozy relationship with Germany and the EU.

Outlook for central bank policy tackling inflation?
Both the Fed and ECB are still massively injecting liquidity into the system. That's what is creating the 9% annualized increases in wages in the US. Spending and corporate earnings are very strong, and interest rates are at historic lows. But whether rates are increased by 0.5% or 1.5 % throughout the course of this year, if inflation is running at 7%, you still have negative interest rates. Anything greater than 50 basis points in March however, would put the brakes on the economy, so I don't see that happening because they don't want to pop the market's bubble. That's what they're concerned about - how any type of retrenchment in asset values would impact corporate sentiment and employment.

Edward Bell
Senior Director, Market Economics
Emirates NBD

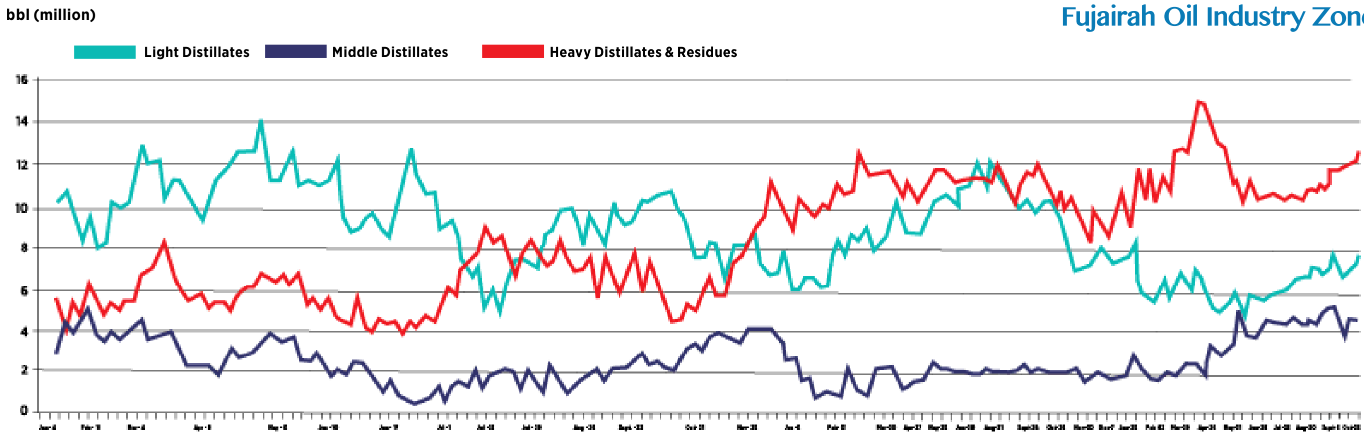
US Consumer Sentiment Tumbles!
Multi-decade high inflation is weighing on consumer sentiment in the US with the University of Michigan Consumer Sentiment index falling to 61.7 for February, down from 67.2 in January. The February reading is the lowest level for the index since October 2011 and came in well below market expectations. As new daily cases of Covid are declining in the US it would appear that the virus is having less of an effect on consumer sentiment than high prices. The future expectations component in the index fell to 57.4, its worst level in over a decade. With no imminent prospect of inflation improving for consumers, consumption is likely to be a drag on growth activity in Q1 at least.

The UK's economy recorded growth of 7.5% in 2021, one of the strongest levels of annual growth among major developed economies, but still not enough to unwind the more than 9% contraction recorded in 2020. Growth in Q4 rose by 1% q/q and would have been faster if not for a monthly decline in December as consumers and businesses were interrupted by the spread of the Omicron variant of Covid-19. Services activity generally was weaker at the end of the year and while there are minimal restrictions in the UK in place now, the prospect of much higher prices could act as a deterrent to activity for the economy this year.

Saudi Arabia has transferred a 4% stake in Aramco from direct government ownership to PIF, the kingdom's sovereign wealth fund. The stake is valued at roughly USD 80bn and comes amid market chatter of further offering of equity in Aramco. The Aramco stake will help PIF on it was to having total assets under management of around USD 1trn by 2025.

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 14.266 million barrels –their lowest level since stock reporting began at the start of 2017, the previous record low was seen on September 20, 2021 when 14.998 million barrels were held in storage. Total stocks fell 5.667 million barrels with overall stocks down 28.4 % week-on-week, this is the single largest overall fall in stocks since stock reporting began. The previous record weekly fall was on November 22 last year when stocks fell 4.040 million barrels week-on-week. Stocks fell across all three categories of light distillates, middle distillates and heavy residues, with heavy residues posting the single largest overall fall on the week.
- Stocks of light distillates, including gasoline and naphtha, fell by 1.622 million barrels or 25% on the week to 4.877 million barrels. The East of Suez gasoline market was supported with cracks for the fuel reaching multi-year highs in recent days as strong demand coupled with a drawdown in global inventories was putting upward pressure on prices. On Monday the front month March FOB Singapore 92 RON gasoline crack against Dubai swaps was assessed at $17.74/b, it was last assessed higher at $17.78/b on Jan. 27, 2016. Market sources said gasoline demand was expected to be buoyed through the second half of February by further recovery in regional demand as activities ramp up after the Lunar New Year holiday in anticipation of an earlier Ramadan this year.

•Stocks of middle distillates, including diesel and jet fuel, fell by 782,000 barrels or 30.9% on the week to 1.747 million barrels. The gasoil market was finding support, driven by supply tightness and still-steady requirements in the region. We saw high prices done for some [spot] trades last week ... this week is even higher," a trader said. Suppliers were being discouraged from storing surplus barrels by the backwardated curve in the prompt-month derivative time spreads, market participants said

- Stocks of heavy residues fell 3.263 million barrels or 29.9% on the week to 7.642 million barrels. This is their single largest fall on a week-on-week basis since stock reporting began. The previous record fall was seen on December 6, 2021 when a fall of 2.887 million barrels was seen. Bunker activity at the Port of Fujairah was picking up with weather disruptions heard to have eased, while the tightening availability of LSFO cargoes continues to support delivered bunker premiums, sources said. During and outside the Market on Close on Tuesday offers for delivered marine fuel 0.5%S fuel in Fujairah were heard to have been at $745-$758/mt, with offers around the lower end of the range for products deliverable from Feb. 20 onwards. The same grade was assessed at $744/mt on Tuesday, down $6/mt on day. The price of marine fuel 0.5% sulfur bunkers in Fujairah represents a $5/mt premium to Singapore which saw its delivered bunkers on the same basis assessed at $739/mt.

Source: S&P Global Platts

BY MATT STANLEY
DIRECTOR
STAR FUELS

Welcome to Thursday. Brent is trading down 1.10 this morning at $93.71/bl and WTI is trading at $92.61/bl down 1.05. One would be forgiven right now for forgetting that the Winter Olympics is going on. It amazes me the Winter Olympics you know. When do I ever show an interest in curling for the other 3 years and eleven months between Olympics? Also, at what point when you're young do you say to your Mum "Mum, I don't want to go to football today, can you take me to our local curling club?". Amazing. Anyway, whilst I dive in to a Wikipedia rabbit hole about the weight of a curling stone, shall we talk about oil? Sure. I'll be honest, this is a pretty grim market to trade. If we look at volatility witnessed so far this morning which incidentally we have seen no new headlines or the like, then the low so far today is $92.15/bl and the high is $94.50/bl. I mean imagine, you wake up, "ooh think I'll sell some around $92.15/bl", you put the kettle on, say hello to the dog, get back to your desk and your 2 dollars down in a matter of brewing a cup of PG Tips finest. Nuts. Or is it? Is this the new dynamic the oil market faces itself with? 2.5pct swings before even the postman wakes up? I'd argue yes, and this is purely down to the way the market is reacting to headlines, and quite how contradictory these headlines we are seeing are. On one news feed you'd see that everything is calm. The next you'd see a Tiktok video of helicopters flying over. Then a tweet that says an "invasion is moments away". Then a tweet that says cinemas in Kiev are running at full capacity. As we know, the oil bulls don't need much of an excuse and will quickly react to any headline that implies aggression versus current tensions, and all this is doing is manifesting itself in to a very volatile market. If we once again park the tensions though and talk about what is happening with oil market fundamentals? Tighter than a tax man's cheque book. And it is "cheque", ok? But, is it really tight? Or is this a manifestation of the fact that nigh on every oil product futures market is in a state of super backwardation? Who wants to take on oil in a market where it's 24 dollars per ton cheaper in the next month? I'd say nobody. So, people are just buying enough. This is translated as a tight market and then people attribute that various member of OPEC+ cannot meet increased supply quotas and the tight market argument is justified. Hmm. I agree, things are tight but with barrels back from the OPEC+ members that are able to increase production I think the market could be in an easier spot. Because, let's face it, in a world coming out of a pandemic, is $100/bl oil really something to be celebrated? Don't ask a Wall Street banker that question, will you. Good day.

February 17, 2022


REACHING GOALS FASTER WITH DIGITAL TECHNOLOGY.
OMV
OMV is an international integrated oil, gas and chemical company headquartered in Austria. We are producing and marketing oil and gas, as well as chemical solutions in a responsible way and develop innovative solutions for a circular economy. In Upstream, OMV has a strong base and a balanced international portfolio. OMV has been present in Abu Dhabi since 2007 and proudly contributes to the success of the UAE Upstream sector. As a technology leader in the oil and gas industry we utilize our expertise, technological know-how and innovation to contribute to our partnerships and drive our operated assets.
Experience more OMV at: **omv.com and omv.ae**
OMV

Energy Markets Views You can Use

Christof Rühl
Senior Research Scholar - Center on Global Energy Policy
Columbia University

Have equity markets priced in the escalating Russia Ukraine crisis?
We have seen a hardening of the conflict, but we also had US inflation numbers come in last Friday higher than expected, and most observers have attributed the tumble in markets to that, rather than to what's happening in Russia. In real terms, even if Russia is cut off financially, it has already been minimizing dollar transactions in the private and government sectors and accumulating huge reserves of dollars and gold. Along with the Ukraine and neighboring countries, it's also not an important enough part of the global financial architecture to be a catalyst to a big financial crisis.

Impact of a full conflict on oil markets?
Russia is very much part of the commodity and global energy architecture, but most people would expect those exports to continue, even in the case of an occupation. If a war starts, all eyes will be on the ability of the Western alliance to impose sanctions, not only on the financial sector but on energy exports. But in the short term, the European Union can't afford this, and the market has already applied that to prices. Europe imports more than 40% of its energy consumption from Russia, and Germany 50%. It can't suddenly displace Russian coal and gas. Only the US could impose maximum sanctions and they only work long term in the energy and commodities space if the rank of those countries is tight and closed. That is not the case because we have China on the other side and ultimately, goods would find their way into the global system. It's not like an Iran scenario where you try to lock up the country completely by getting everyone on board. That's not going to happen in Russia.

How likely is an invasion?
We have mixed messaging from the US. We have the official statements from Biden which have insisted so far, that Putin has not made up his mind. The other messaging is coming from unnamed sources in the security services which say what is likely to happen. I find it hard to believe that Russia would actually put on a full-scale invasion, but Putin has put himself into a corner where if he doesn't do it now, he will never have the opportunity again because Ukraine will be much better protected and armed next time. At the same time, his advisers are rightly telling him that he is pretty safe from sanctions. Even if it's a bluff, the Russians know about brinkmanship and will carry it right to the edge.

James McCallum
Executive Chairman of Xergy
Professor of Energy at Strathclyde University

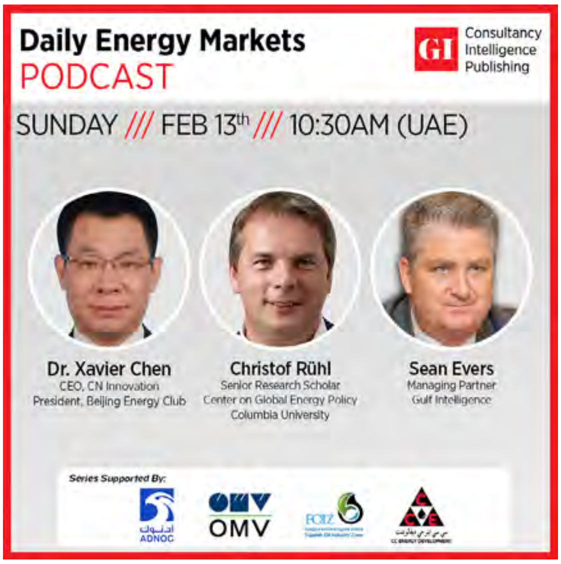
Is US shale finally back and will output be pushed higher at these prices?
Shale is clearly economic at these prices, but the rig count is still a third of what it was in 2014 when the basins were producing at their maximum. There are companies taking advantage of the opportunity today but it's mostly the bigger players. And the wells in the Permian being brought online are those that have already been drilled and not necessarily new activity so it's not companies investing new funds.

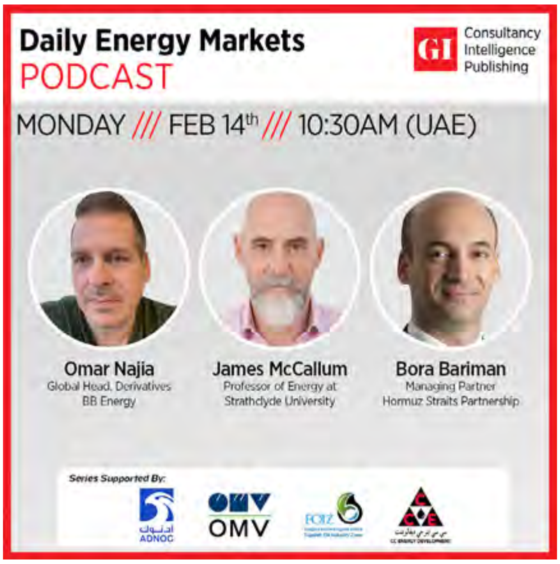
Is it tricky for IOCs to defend investing in the transition while oil revenues remain so high?
Companies like BP and Shell, which achieved record cashflow positions in Q4, have been quick to point out that these profits will be diverted into low carbon technologies and energy diversification solutions. However, there is a growing rhetoric, around the European banks like HSBC, Barclays and BNP Paribas, that it is acceptable to put money into gas as part of the transition and they are supporting the likes of Exxon, BP, Shell and significantly, Saudi Aramco. We're starting to see the financial sector looking at this energy constrained environment - whether that's gas into Europe or in terms of the short-term oil supply, demand imbalance - and moving into gas.

How concerning are these high prices for consumers?
If oil prices go above $100 a barrel, that's very painful for countries in Europe and for emerging economies like India. Perhaps the only country that that sits on the fence of that is the US as a net exporter. And while we may get a supply demand balance eventually, the reality is that everybody is reacting in the now -. there's a sort of short- term panic going on.

Energy Markets COMMENTARY

WEEK IN REVIEW





CLICK HERE TO LISTEN

Energy Markets Views You can Use

Neil Atkinson
Former Head of Oil Markets Division
International Energy Agency

Has this tight market taken many by surprise?
Until quite recently, the consensus was that as we moved into 2022, there could be a small surplus as producers continued to ramp up production. We turned out to be wrong – the impact of the Omicron variant was not as marked as we expected on global oil demand and OPEC plus countries are clearly incapable of increasing their production to the extent that they have indicated. Add to that geopolitical worries, and prices are rising and look likely to stay at these elevated levels for a while.

US production looks set to hit 5.2 million bd in March?
The Permian is going to perhaps outperform the expectations that we had for 2022. Every little helps to make some contribution towards cooling the market but even if the US does hit record levels of output, it's not going to make a significant difference to the to the direction of prices. Ultimately, the necessarily volumes should come from the OPEC+ countries, like Saudi Arabia and Kuwait, who are still sitting on some degree of spare capacity.

Are we seeing friction in the IEA and OPEC relationship?
If prices rise too far too fast, they hit demand. That happened in the 1970s and 1980s. All the IEA is doing today is pointing out that these price rises are damaging and when you add in the currency effects of the rising dollar, the real price of crude for major importing countries, whether it be China or India or elsewhere, is significantly higher than that. So, it's appropriate for them to call out the producers for not meeting their commitment of increased production to try and cool this market. We have been here before and the world didn't collapse. Between 2010 and 2014, the price of Brent averaged almost exactly $100 a barrel but the issue today is that the price is rising very sharply, very fast.

Victor Yang
Senior Editor
JLC Network Technology

Should we expect a surge in Chinese energy demand post Olympics?
Not too soon because in March, we will still have maintenance for state owned refineries. Meanwhile, independent refineries will be boosting runs because they had production restrictions around the Olympic Games, particularly those in Shandong and northern China. They had to cut their run rates to quite low levels in February, so they are going to raise production in March. Diesel demand will also recover so this will boost the market to some degree. We will probably see a significant rally in demand at the start of the second quarter.

Will the new benchmarks for energy efficiency in industrials impact energy demand?
This push has been going on for quite some time so it's just a new set of requirements for baseline standards. For the oil industry, it means encouraging larger refining chemical enterprises to replace smaller ones. It will also cause a drop in coal demand and an increased demand for gas for power generation.

Will China continue to be an outlet for Iran's oil if sanctions are lifted?
The country's official data shows that some crude from Iran was still imported in December but not too much and it was significantly down from a year earlier. If a deal is reached with Iran in Vienna and prices drop, there might be more imports from Iran, but it all depends on the price.

"While the Ukraine crisis was raising anxiety about Europe's dependence on Russian natural gas, something remarkable happened. Last month, for the first time ever, U.S. exports of liquefied natural gas to Europe exceeded Russia's pipeline deliveries."

– The Wall Street Journal

ENERGY MARKET NEWS

1. US CRUDE STOCKPILES RISE DESPITE CUSHING DRAW, RECORD FUEL DEMAND
2. IEA PLEAS WITH OPEC+ FOR MORE OIL SUPPLY, AGAIN
3. US SANCTIONS ON RUSSIAN BANKS ARE THE WEST'S MOST POTENT ECONOMIC THREAT
4. SOUTH KOREA, IRAN DISCUSS RESTART OF OIL TRADE
5. NAT-GAS PRICES SOAR ON THE OUTLOOK FOR COLDER US TEMPS
6. GLENCORE MAY SELL RUSSNEFT STAKE TO FOUNDER GUTSERIYEV
7. CHINA LOOKS TO RUN COAL-FIRED POWER PLANTS AT FULL CAPACITY
8. RUSSIA'S NOVAK WARNS EU'S BET ON ENERGY TRANSITION RISKS BIGGER ENERGY CRISIS
9. IRAN'S TOP NUCLEAR NEGOTIATOR BAGHERI SAYS 'WE ARE CLOSER THAN EVER TO AN AGREEMENT'
10. IMF URGES POLICYMAKERS TO FINE-TUNE MONETARY TIGHTENING & FOCUS ON FISCAL SUSTAINABILITY

Series Supported By:

RECOMMENDED REPORTS

• COMMODITIES & CRYPTOS: CRUDE'S WILD RIDE, GOLD RALLIES, BITCOIN EDGES HIGHER
• BIDEN OFFICIALS DISPATCHED TO SAUDI TO DISCUSS ENERGY CONCERNS AMID RUSSIA-UKRAINE CRISIS
• WILL CHINA'S LATEST MONETARY POLICY EASING REINVIGORATE THE ECONOMY?
• PUTIN'S THREATS AGAINST UKRAINE COULD REINVIGORATE THE US OIL AND GAS INDUSTRY
• INFLATION CAN BE 'THE WAY DEMOCRACIES DIE': CHARLIE MUNGER
• AVERAGE BRENT FOR 2022 AT $96/BL AND $112 FOR 2023!

Consultancy Intelligence Publishing

Fujairah Spotlight

UAE Expands Strategic Oil Hub To Counter Iranian Threat

The geopolitically critical positioning of the UAE's Fujairah as an alternative global crude oil storage facility and transit hub to the perennially troublesome Strait of Hormuz route continued last week, with the announcement that deliveries have now begun on the Fujairah Terminal expansion by Abu Dhabi (AD) Ports Group. According to comments by the company's commercial director-ports, Julian Skyrme, the AED1 billion (US$272 million) investment in the expansion has added container capacity of 720,000 twenty-foot equivalent units and general cargo capacity of 1.3 million metric tonnes. This push from Fujairah comes after the finalisation in July 2021 of Iran's own game-changing crude oil storage, transport and delivery mechanism, the Jask Oil Terminal and the 42-inch Guriyeh-Jask pipeline.

Source: Tank Terminals

UAE's Fujairah marine fuel sales in January drop for third straight month

Sales of marine fuel in the United Arab Emirates' Fujairah marine refueling and oil storage hub dropped seven percent in January, official data showed, falling for a third consecutive month since hitting a record high in October. Fujairah's January bunker sales volumes totaled about 646,000 cubic meters, according to the latest data from the Fujairah Oil Industry Zone (FOIZ), equivalent to about 619,000 tons, Reuters calculations showed. In December, Fujairah bunkering volumes were at 698,000 cubic meters, while Reuters calculations showed Fujairah bunker sales totaled 8.17 million cubic meters, or about 7.83 million tons in 2021. The share of low-sulphur sales to overall bunker volumes were at 81 percent in January, compared with 84 percent in December, Reuters calculations showed.

Source: English Al Arabiya

Danube Home moves into its newest UAE showroom, in Fujairah

Danube Home, the home improvement arm of the building materials-to-properties Group, opened its newest showroom, in Dibba, Fujairah. "Dibba is a region in which we have many loyal customers, and the idea to start a branch there is quite honestly a no-brainer," said Adel Sajan, Managing Director, Danube Group. The store displays a carefully curated collection of indoor and outdoor furniture, kitchenware, and tableware. It also has a host of sanitaryware and modular kitchen concepts.

Source: Gulf News

National Bank of Fujairah concludes its participation at GTR MENA 2022

UAE: National Bank of Fujairah (NBF) PJSC announced its participation at the region's most established trade finance conference, GTR (Global Trade Review) MENA 2022, an exclusive two-day physical event which took place this week. NBF's participation in the event comes at a time when the need for trade financing support is rebounding to new highs and is fundamental in supporting broad economic recovery.

Source: Zawya


Host
أديبك
ADIPEC
أدنوك
ADNOC
Abu Dhabi, United Arab Emirates
NEW DATES ANNOUNCED
31 OCTOBER – 3 NOVEMBER 2022
SAVE THE DATE
#ADIPEC #ADNOC @ADIPECOFFICIAL
ADIPEC Brought To You By: dmg::events
dmg events
AllSecure

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
Feb 13th - 17th

- Oil markets may be reflecting the scale of the current Ukraine crisis, but financial markets in general are way behind a wish for the best curve.
- US inflation was off the charts in January, and the FED looks increasingly like a deer caught in the headlights -- we know what happens to the deer!
- Despite raised rhetoric by US and Europe, annexation of Ukraine by Russia unlikely, with too much at stake for Russia on its economic relationship with western Europe.
- Brakes needed on inflationary conditions but anything greater than a 50-basis point increase by the US Fed in March could stall the economy and risk market bubble popping, negatively impacting corporate sentiment and employment.
- There may indeed be some spare capacity remaining with some OPEC+ producers, but if they were to use it, prices would probably rise, not fall, because we would then be living in a world with next to no contingency.
- China is likely to drawdown stocks before buying much new oil at $90+.
- Big draws across middle distillates inventories, reduced exports from China and upcoming refinery maintenance season, seen pushing product prices higher.
- Geopolitical shift in Russia China friendship means Russia will no longer be dependent on only Europe as a buyer of its energy, and so we should expect substantial realignment in energy and minerals flows from Russia to Europe.
- OPEC+ output deficit will get wider from current 800,000-900,000 bd, with Kazakhstan maintenance due in next quarter and Iraq probably only able to add 200k-300k bd.
- Ukraine crisis has been with us for 7 years and will continue to be a major fracture in the centre of Europe that Russia will rev up and down as needed on geopolitical ambitions.
- Oil markets remain very tight despite Ukraine crisis as OPEC+ spare capacity has entered the red zone of concern, while Iran and Venezuela sanctions and the great energy transition keeps new supply to a trickle.
- $100 oil still seems a matter of when not if, as global inventories stuck well below 5-year average and fundamental structure of the market remains tight near record backwardation.

For Immediate Release:

ADNOC Awards $1.94 Billion Framework Agreements to Enable Drilling Growth

Largest-of-its-kind agreements in the industry for wireline logging and perforation services awarded to four top-tier companies including ADNOC Drilling

Potential for over 80% of the value to flow back into the UAE economy under ADNOC's In-Country Value program

Agreements will enable hundreds of millions of dollars in cost savings and continue ADNOC's record investments in drilling-related equipment and services to support production capacity growth

Abu Dhabi, UAE – Feb 17, 2022: Abu Dhabi National Oil Company (ADNOC) announced today, framework agreement awards valued at $1.94 billion (AED 7.1 billion) to enable drilling growth. The awards build on ADNOC's recent record investments in drilling-related equipment and services and support its strategy to boost crude oil production capacity to 5 million barrels per day (mmbpd) by 2030 and drive gas self-sufficiency for the United Arab Emirates (UAE).

The framework agreements for wireline logging and perforation services are the largest of such awards in the oil and gas industry and were awarded to ADNOC Drilling Company P.J.S.C (ADNOC Drilling), Schlumberger Middle East S.A (Schlumberger), Haliburton Worldwide Limited Abu Dhabi (Halliburton) and Weatherford Bin Hamoodah Company LLC (Weatherford), following a competitive tender process. Wireline logging involves continuously measuring the properties of rock formations to guide drilling operations while perforation creates tunnels in the wellbore to allow fluid to flow in from the reservoir.

His Excellency Dr. Sultan Ahmed Al Jaber, Minister of Industry and Advanced Technology and ADNOC Managing Director and Group CEO, said: "The framework agreements announced today are a continuation of ADNOC's unprecedented investment in services to enable the expansion of drilling activity required to responsibly unlock the UAE's leading low-cost and low-carbon intensity oil as well as the nation's gas resources. Not only do these awards support our 2030 strategy, they are expected to deliver over 80% of In-Country Value to the UAE and align with the UAE's 'Principles of the 50' economic blueprint for sustainable growth."

The framework agreement awards cover ADNOC's onshore and offshore fields and will run for five years with an option for a further two years. Furthermore, skilled employment opportunities will be created for UAE Nationals by the successful companies who will also work to identify local manufacturing opportunities.

ADNOC Drilling's share of the awards is the largest and it covers services including cased hole and open hole as well as perforation. This reflects the company's expanded service profile as a result of its transformation into a fully Integrated Drilling Services (IDS) company following the award to Baker Hughes of a 5% share in the company in 2018.

Yaser Saeed Almazrouei, ADNOC Upstream Executive Director, said: "The award to ADNOC Drilling demonstrates its robust offering and capabilities as well as its integral role in ADNOC's future drilling activities. The awards to all four companies will deliver sustantial in-country value, and create new job opportunities for UAE Nationals, in line with the Leadership's wise directives."

The framework agreement awards will support ADNOC's requirement to drill thousands of new wells to expand its production capacity and remain a leading low-cost, low-carbon oil producer. The awards will also enable 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. In November 2021, ADNOC announced investments of almost $6 billion (AED22 billion) in the form of procurement awards to top-tier contractors for Wellheads and related components, Downhole Completion Equipment (DCE) and related services, and Liner Hangers and Cementing Accessories.

###

About ADNOC

ADNOC is a leading diversified energy and petrochemicals group wholly owned by the Emirate of Abu Dhabi. ADNOC's objective is to maximize the value of the Emirate's vast hydrocarbon reserves through responsible and sustainable exploration and production to support the United Arab Emirates' economic growth and diversification. To find out more, visit: www.adnoc.ae

GI
Consultancy
Intelligence
Publishing