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VOL. 65

Fujairah New Silk Road WEEKLY NEWSLETTER

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

ADNOC DROPS DESTINATION RESTRICTIONS ON ALL CRUDE GRADES AHEAD OF MURBAN CONTRACT LAUNCH

The Abu Dhabi National Oil Company (ADNOC) has announced that it will remove destination restrictions on its Murban, Upper Zakum, Das and Umm Lulu crude grades, starting from the first traded contract month of the new ICE Murban Crude Oil Futures Contract. This means that all barrels purchased from ADNOC can be sold onwards by the purchasing party (there is no restriction on reselling purchased barrels, ensuring that they can be freely traded). The company also confirmed that ADNOC Onshore, the producer of Murban Crude Oil, has launched a new monthly Murban Export Availability Forecast Report to provide forward visibility to market participants of expected Murban volumes available for export. ICE plans to launch ICE Futures Abu Dhabi (IFAD), Murban Crude Oil futures, and related cash settled derivatives and inter-commodity spreads, later this month on March 29th. Murban futures will go to physical delivery two months ahead, meaning that the delivery month for the contract is two months ahead of the pricing month. In February, ICE confirmed that the first Murban futures contract month at launch will be the June contract, which expires at the end of April for physical delivery in June. Accordingly, destination restrictions on ADNOC crude grades will be removed from June 2021.

Source: Emirates News Agency (WAM)

CONTINUED ON PAGE 3

أدنــوك
ADNOC

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.54 - 4.38/m³

↑ **Highest: $4.50/m³**
↓ **Lowest: $3.40/m³**

Source: GI Research – Weekly Phone Survey of Terminal Operators

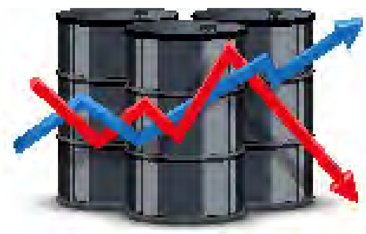
Fujairah Weekly Oil Inventory Data

7,143,000 bbl	4,123,000 bbl	9,572,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude: **$63.83/bl**

WTI Crude: **$60.90/bl**

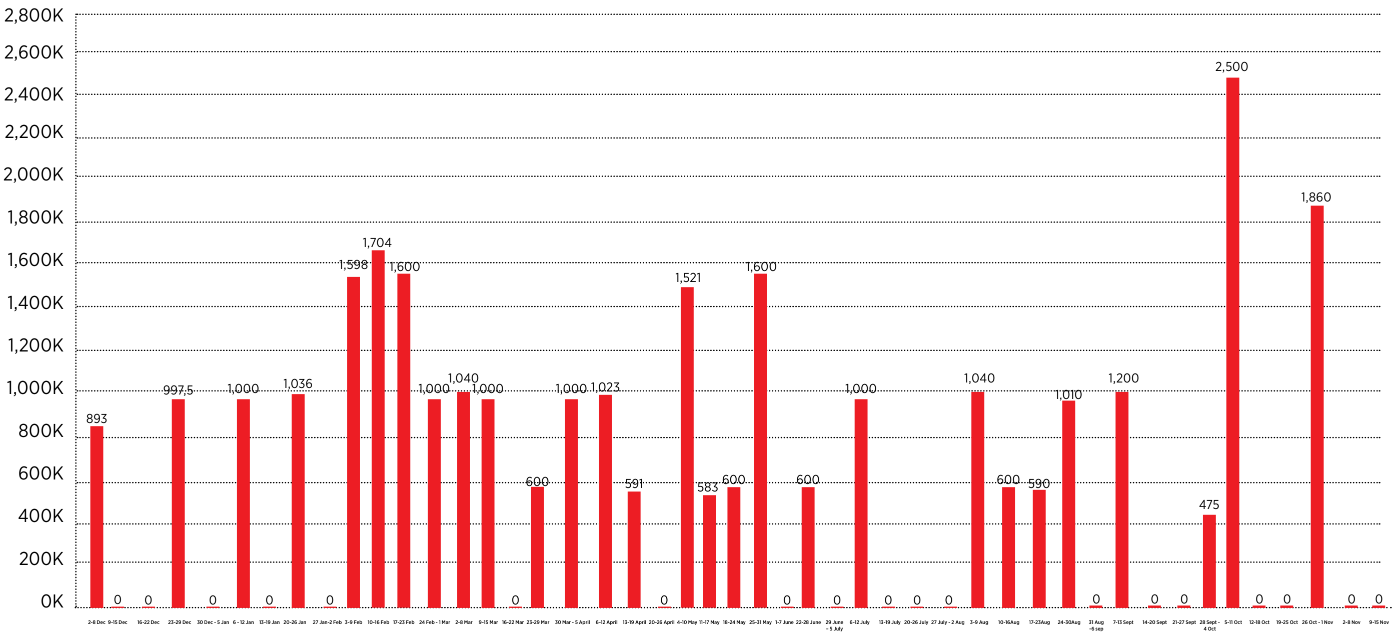
DME Oman: **$62.50/bl**

Murban: **$63.18/bl**

Time Period: Week 1, March 2021
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah

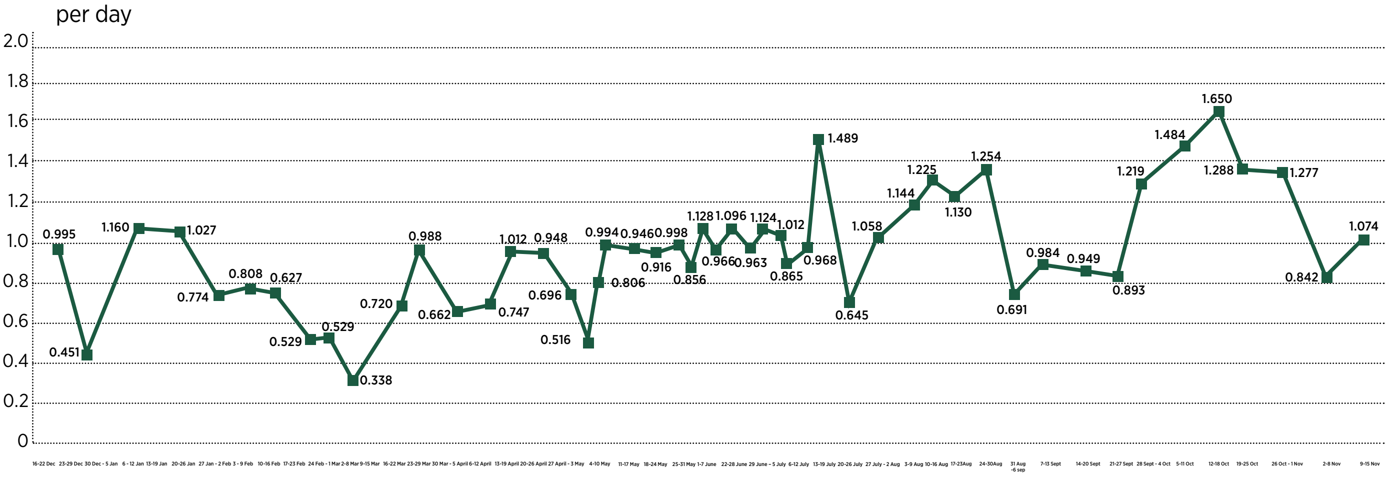
Total barrels



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific

Million barrels per day



Source: Kpler

CONTINUED FROM PAGE 1

Khaled Salmeen, Executive Director of ADNOC's Downstream Industry, Marketing and Trading directorate, said, "Under the supervision of Dr. Sultan Al Jaber, Managing Director and CEO of ADNOC Group, ADNOC is committed to ensuring that the necessary conditions are in place for Murban to succeed as freely tradable crude grade and as a trusted price marker. By lifting destination restrictions, ADNOC crude grades will become more attractive to global customers and the wider trading community. This is another important step as we prepare for the launch of the new Murban Futures Contract on the 29th March."

ADNOC also confirmed that ADNOC Onshore has launched a monthly Murban export availability forecast report with a 12-month rolling forecast of Murban export availability. The first report was released in February and is available on an ADNOC Onshore managed webpage at www.adnoc.ae/en/adnoc-onshore/murban-reporting. This provides market participants with visibility of expected Murban Export availability volumes.

By 2030, ADNOC expects its Murban grade crude to contribute almost 50 percent of the company's 5 million barrels of oil per day production capacity target. ADNOC Onshore's largest Murban producing onshore assets – Bu Hasa and the South East group of fields – already have a production capacity of 650,000 and 630,000 barrels respectively. At the giant Bab field, building facilities and infrastructure is underway, to increase production capacity from over 420,000 to 485,000 barrels per day by end 2021.

Speaking during a virtual media visit to ADNOC Onshore facilities, Salmeen and Stuart Williams, President of ICE Futures Europe, highlighted that ADNOC and ICE Futures Abu Dhabi (IFAD) have signed new agreements with Rongsheng Petrochemical Co, Ltd, and Unipec from China, to explore using the upcoming Murban futures contract. This follows earlier agreements that were signed with companies in the United States and Japan.

Meng Fanqiu, General Manager of Rongsheng Petrochemical Singapore Pte Ltd, said, "Rongsheng will participate in IFAD and offtake Abu Dhabi crude priced with reference to ICE Murban Crude Oil Futures for supply to China. We believe that ICE Murban Crude Oil Futures will play an important role in the global crude oil pricing and bring more reliability, stability, transparency and liquidity to the market. This agreement further strengthens the relationship between Rongsheng and ADNOC and will open more opportunities to work together in the future."

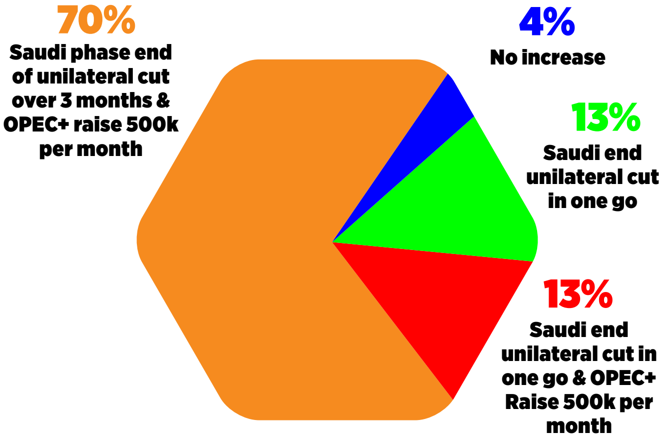
"IFAD will provide us with more alternatives to hedge and optimize our crude pricing portfolio," said Leo Yang, the Trading General Manager of Unipec Asia. "This is another innovation, injecting vitality to the trading world and enhancing the price discovery mechanism of light crude grades."

IFAD is established in Abu Dhabi Global Market (ADGM), an International Financial Centre that practices and applies English common law. ICE is the operator of the exchange and the majority shareholder. ADNOC, BP, GS Caltex, INPEX, ENEOS (formally known as JXTG), PetroChina, PTT, Shell, Total (TOTSA) and Vitol are partnering with ICE to support the launch of IFAD.

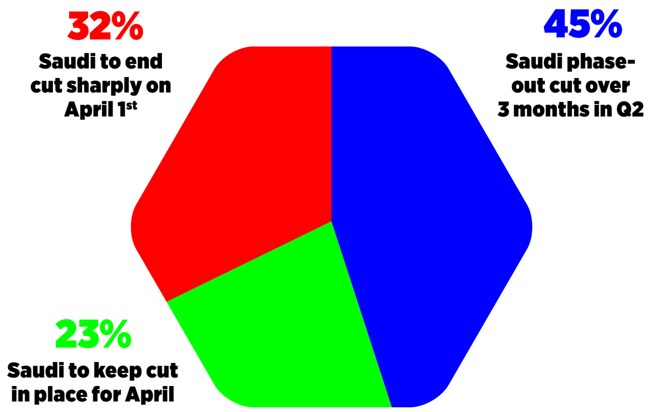
CLICK HERE FOR MORE INFORMATION

GIQ Weekly Surveys

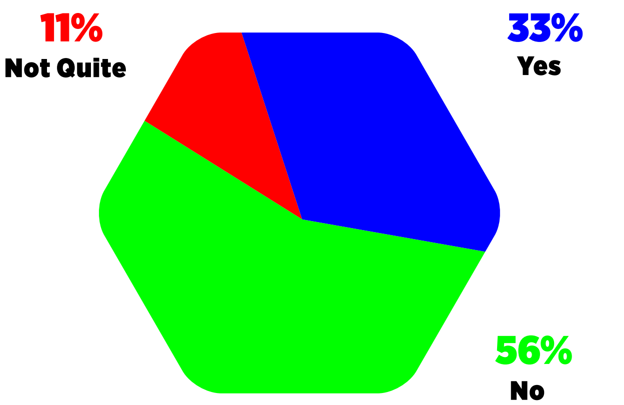
What do you expect OPEC+ will agree at their meeting on Thursday regarding Q2 Supply?



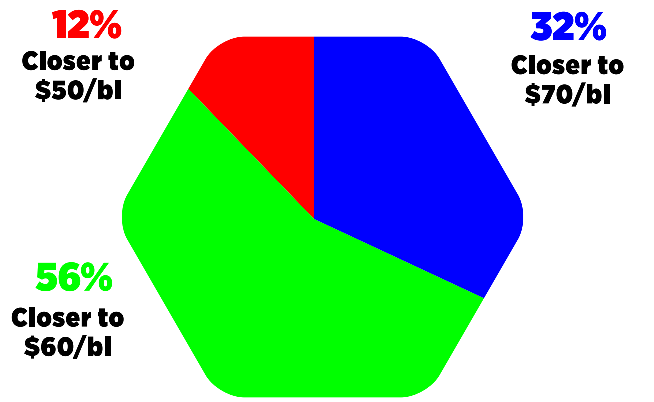
What do you expect Saudi Arabia to announce regarding its unilateral cut of 1mn b/d that expires on March 31st?



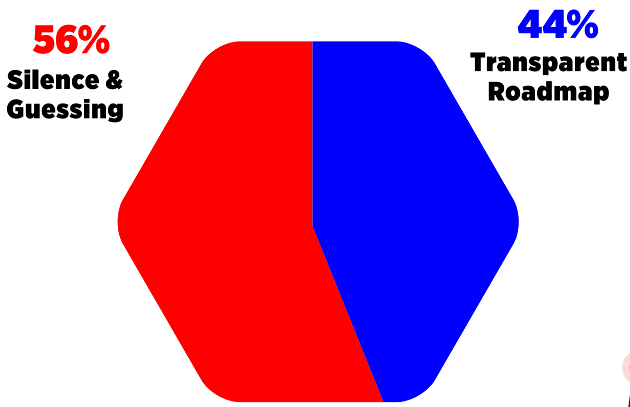
Has the oil market already baked in the US Stimulus Package due to pass later this month?

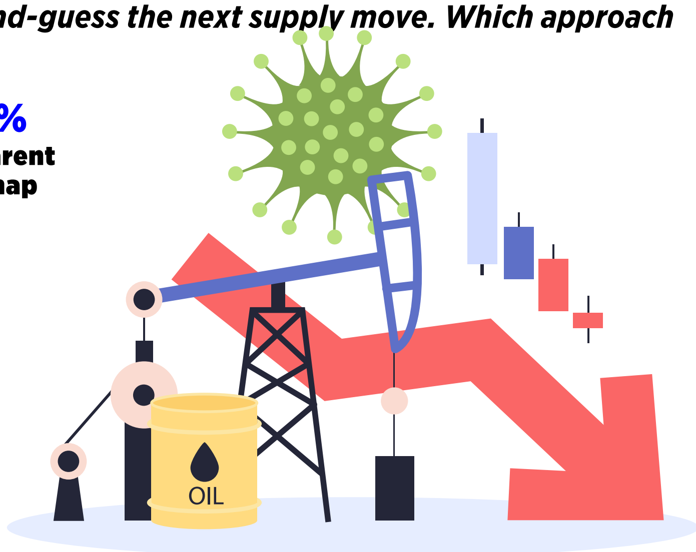


What will be the average price of Brent crude oil in Q2?



In Y1 of the OPEC+ deal, strategy has moved from a transparent roadmap for the return of a 9.7mn b/d cut, to forcing oil markets to second-guess the next supply move. Which approach will be more supportive for prices in Y2?





Source: GIQ

GIQ EXCLUSIVE INTERVIEW

India Calls on OPEC+ to Pump More Oil so Prices Fall to $40 in Q2

Narendra Taneja, India's Leading Energy Expert, National Spokesman on Energy, BJP – India's Ruling Party

GIQ: From India's perspective, what do you hope OPEC+ decides to do moving forward?

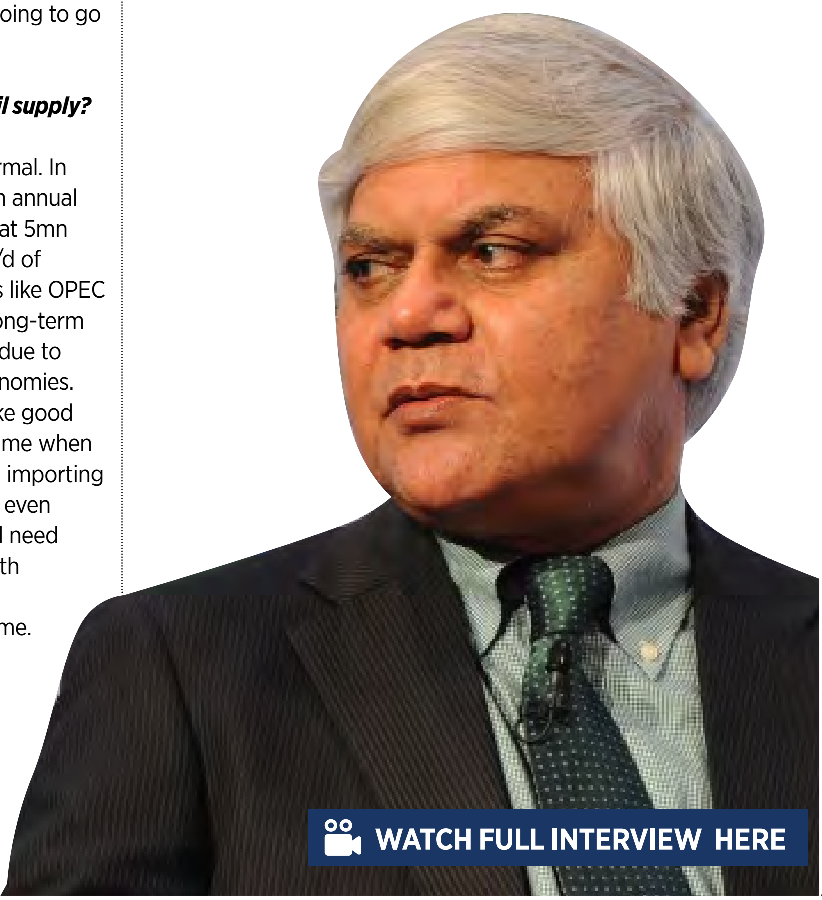
Narendra Taneja: We just want market fundamentals to be allowed to play their decisive role. OPEC joined hands with Russia and other forces. They cut production for no other reason but to push the prices up because they have their own agenda, or they might have their own needs. That's not how the market should function and that's not being a good global economic citizen. Yes, India needs oil because economies like ours are oil-based economies. OPEC and other members should be coming together, but at the same time, they should not try to take advantage of big consumers such as India. We actually need OPEC. We need more oil and we need more oil at affordable prices. We are not against them making some profit. It's business and we appreciate that. Some of them are heavily dependent on it. But at the same time, it's important to bear in mind that if you keep on pressing importers like India, then it's going to go against you in the long-run.

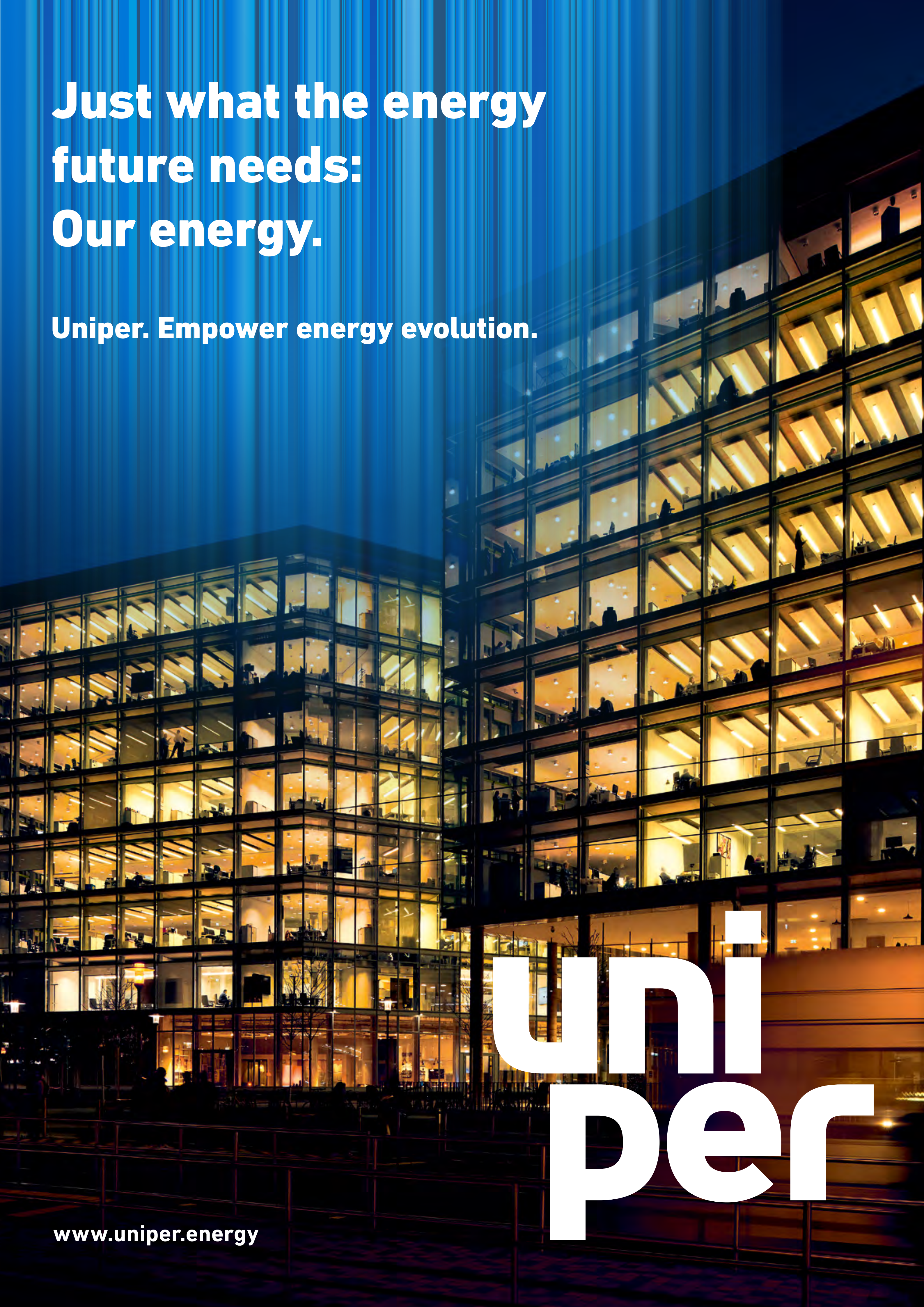
GIQ: Is the demand there in India for OPEC to add more oil supply?

Narendra Taneja: Absolutely. Indian demand is back to normal. In fact, if you look at the projections it is going to go up on an annual basis by roughly 3%. To put this into perspective, we were at 5mn b/d before Covid-19, and we are now talking about 9mn b/d of consumption within the next 17-20 years. So, organizations like OPEC and producers like Saudi Arabia or Russia need to take a long-term approach. We understand demand destruction happened due to Covid-19, but that was a temporary phase in the life of economies. These things can happen. However, all these countries make good profit and money from economies like India. There was a time when we used to burn 50% of our hard currency reserves just on importing oil. Now we have a bigger economy and we're going to be even bigger. OPEC and Saudi Arabia must bear in mind they will need India more than any other economy. A market like India with 1.36bn people is very heavily dependent on oil, and will continue to be very dependent on oil for a long time to come. In times like these, we need oil at a price that is affordable, and they should not be going for artificial measures just to push the prices up.

GIQ: Do you think low-cost producers should produce whatever they can without restrictions on supply?

Narendra Taneja: There are two things. The first one is pride and the second is market share. If members of OPEC start fighting for market share, then they must understand that we are the market. The market is not on Mars or Jupiter. The market is right here in India and we are among the most important markets for them. When they talk about market share, they have to bear in mind our constraints and sensitivities. We want oil to be at a price that is also good for producers. We understand that oil should be at a rate that won't cause any instability in the GCC. Instability in the region is not good for us either. However, the strategy should be to strike the right balance in consultation with importers. What is occurring right now is only a concern for big producers. They don't participate in even informal conversations with big importers like India.

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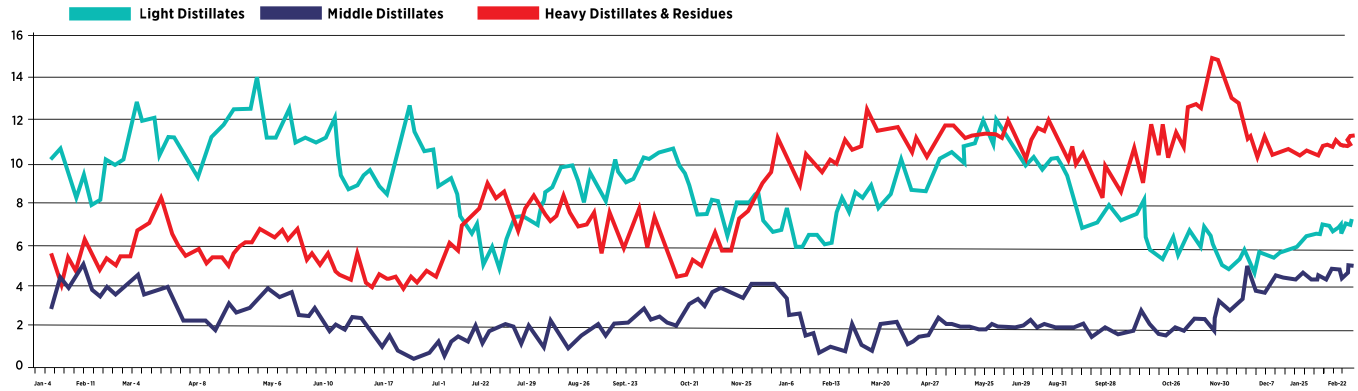
Fujariah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

bbl (million)



TOP TAKEAWAYS

- **Total oil product stocks in Fujairah were reported at 20.828mn barrels. Total stocks fell by 2.324mn barrels, as they largely offset last week's build. Overall stocks fell 10.1% week on week. There were draws seen across light distillates and heavy residues while middle distillates posted a marginal build.**
- **Stocks of light distillates saw a fall of 952,000 barrels reflecting a fall of 11.8% week on week to stand at 7.143mn barrels. The East of Suez gasoline market was finding support with the news that China's state owned refiners are set to undergo large maintenance programs in the coming weeks and months after postponing them last year in the wake of Covid-19, a move that could lead to lower oil products availability. In tender news South Africa's Engen was heard seeking 35,000 mt of 95 RON gasoline. The company is seeking to load the cargo either over March 10-12 from the Mediterranean or over March 22-24 from the Arabian Gulf or Singapore/Malaysia.**
- **Stocks of middle distillates rose by 56,000 barrels rising to 4.123mn barrels – up by 1.4% on the week. The gasoil market was under some pressure with an expectation of flows from both the Arabian Gulf and India set to head towards Singapore adding to local supply volumes. "We do see more exports [of gasoil] from these two places," a trader noted.**
- **Stocks of heavy residues fell by 1.446 million barrels dropping by 13.1% on the week to 9.572mn barrels. In the port of Fujairah a calm market was seen as falling crude prices had a knock on effect on values for bunker fuel. Fujairah delivered marine 0.5%S bunker was heard offered at $490-$505/mt on Mar. 2. Fujairah-delivered marine fuel 0.5%S bunker was assessed at $492/mt, $18/mt lower on the day. The price level on Mar. 2 in Fujairah reflects a $1.00/mt premium to Singapore delivered Marine Fuel 0.5% bunker prices which were assessed at $491/mt.**

Source: S&P Global Platts

FX

It was another day of dollar strength as investors look to the potential for higher growth in the US relative to peer economies. The DXY index added 0.18% to settle at 90.947 with gains across the board. EURUSD was lower by 0.2% at 1.2063 while USDJPY pushed above the 107 handle for the first time since July. GBPUSD was relatively unchanged. Commodity currencies saw some of the heavier selling with AUD and NZD off by almost 0.6% each and USDCAD up 0.16% despite a gain in oil prices.

Equities

US equities sold off once again yesterday following a surge in bond yields as the reflation worries remained in play ahead of Jerome Powell's speech tonight. The NASDAQ was the major loser, ceding -2.7%, while the Dow Jones and the S&P 500 lost -0.4% and -1.3% respectively.Things were more positive in Europe where the DAX gained 0.3% and the DAX 0.4%. The European composite STOXX 600 gained 0.1% but the Italian FTSE MIB continued to lose ground, closing -0.2% lower. In the UK, the FTSE 100 closed up 0.9% following the chancellor's budget announced yesterday. Within the region the DFM gained 0.8% and the Tadawul 0.7%.

Commodities

Oil prices were higher overnight as the market is guessing what OPEC+ will announce at today's ministerial meeting. Brent futures closed up 2.2% at $64.07/bl while WTI was up by 2.6% at $61.28/bl. OPEC+ has so far kept quiet on what they will decide at today's meeting with the market setting up for a roughly 1.5mn b/d increase, that would see Saudi Arabia unwound its additional cuts and a restoration of some of the rest of OPEC+ output. US crude inventories jumped by 21mn bbl last week, the largest weekly gain on record. However, the enormous build was a result of refineries essentially freezing shut: refinery utilization dropped to just 56% as a result of freezing conditions in the past few weeks in the US. Crude output is already showing signs of recovery though, rising by 300k b/d to 10m b/d.

Source: Emirates NBD

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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.
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Abu Dhabi National Oil Company

ICE Murban Futures: Launching March 29

In November 2019, Abu Dhabi's Supreme Petroleum Council (SPC) announced that Abu Dhabi National Oil Company's (ADNOC's) flagship onshore crude oil, Murban, would move to market-driven, forward-based pricing, using a new futures contract as its price marker. The SPC also authorized ADNOC to remove destination restrictions on Murban crude sales. This was followed by an announcement from Intercontinental Exchange Inc. (ICE) that it will launch a new exchange, ICE Futures Abu Dhabi (IFAD), to host the world's first futures contract based on ADNOC's Murban crude oil. ICE Futures Abu Dhabi and trading in Murban Futures plans to launch on March 29, 2021, subject to the completion of regulatory approvals.* Nine of the world's largest energy traders will join ICE and ADNOC as founding partners in ICE Futures Abu Dhabi (IFAD). Those partners are BP, GS Caltex, INPEX, ENEOS (formally known as JXTG), PetroChina, PTT, Shell, Total and Vitol.

Murban

ADNOC's onshore concessions, which produce Murban quality crude grade have the capacity to produce approximately 2 million barrels of oil per day, representing more than half the UAE total oil production. Murban is a highly fungible light sweet crude oil that is widely used by refineries in Asia because of its intrinsic and consistent chemical qualities. It has an API of 39.9° and Sulphur content of 0.78%. Murban has a diverse user base and is imported into almost every country in North, Far East, South East, and South Asia. Murban crude is internationally recognized for its consistent quality and high, stable production volumes, as well as its large number of global buyers. ADNOC Logistics support Murban supply with state of the art terminal and storage facilities.

ICE Futures Abu Dhabi

ICE Futures Abu Dhabi (IFAD) is established in Abu Dhabi Global Market (ADGM), an International Financial Centre that practices and applies English common law in its entirety to its legal and regulatory regime. IFAD will complement ICE Murban Futures with a series of tradable spread markets to other ICE crude oil benchmarks, alongside a series of related derivative contracts including 1st lines, crude swaps and differentials. Contracts traded at IFAD will, subject to regulatory approval, be cleared at ICE Clear Europe, one of the world's leading clearing houses, and will clear alongside ICE Brent, ICE WTI, ICE (Platts) Dubai and ICE Low Sulphur Gasoil allowing customers to benefit from associated margin offsets and delivering meaningful capital efficiencies. IFAD is regulated by the FSRA of ADGM and is a registered Foreign Board of Trade (FBOT) under the CFTC meaning that traders and clearers based in the United States can trade and clear IFAD markets.

ICE Murban Futures

ICE Murban Futures will bring transparent pricing to participants, giving them more options to manage risk and clear trades. The contract will complement ICE's global oil complex of over 600 related oil products including locational and refined spreads across 47 geographic markets. This means participants can access the products they need at the exact point of consumption or production. As a light sweet crude well-positioned to serve a global market, the introduction of ICE Murban Futures offers the market an exciting new oil price marker. ICE Murban Futures will be a physically delivered contract with delivery at Fujairah in the United Arab Emirates (UAE) on a free-on-board (FOB) basis.

For more information visit: **theice.com/murban**

ENERGY MARKETS COMMENTARY WEEK IN REVIEW

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GIQ EXCLUSIVE SOUNDINGS

OPEC May Slowdown Rallying Oil Prices by Opening Supply Taps

Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the Middle East, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.

- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Peter McGuire, CEO, XM Australia**
- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**
- **Vandana Hari, Founder & CEO, Vanda Insights**
- **Christopher Haines, Global Crude Analyst, Energy Aspects**
- **Dr. Carole Nakhle, CEO, Crystol Energy**
- **Sara Akbar, Chairperson & CEO, OiLSERV, Kuwait & Non-Executive Director, Petrofac**
- **Chris Wood, CEO, Savanara DMCC**

Omar Najia, Global Head, Derivatives, BB Energy
"Oil demand is healthy. Vaccines are here. Covid-19 levels have dropped 80% since January. I'm positive on the outlook."

Peter McGuire, CEO, XM Australia
"OPEC has to look at pricing. There's no doubt that as each month rolled on, prices have moved up and continued to move up. So, there's a level of comfort and it's a difficult one to really forecast. But I would say they're far more relaxed and far more patient."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
"Crude oil supply elasticity for the last three years is increasing rapidly, and demand is dropping incrementally. I suspect that for supply elasticity to come back, we need some kind of shift in what's happening with technology and innovation. It's incorrect to say that supply is not coming back. I'm almost certain demand is not coming back, partly because demand was stagnant before Covid-19."

Vandana Hari, Founder & CEO, Vanda Insights
"It's all eyes on OPEC increasing output. It's not surprising at all that crude has come under pressure. I don't think, however, that this is the start of a major correction. I think it's a pullback."

Christopher Haines, Global Crude Analyst, Energy Aspects
"From an Energy Aspects point of view, we're expecting Saudi to bring back that 1mn b/d. They've been pretty clear on signalling that the voluntary cut was purely for February or March. So, there's nothing to suggest that they won't. The only thing that might come out is whether they're just a little bit worried about the pullback in prices that we've seen, and whether that forces them to stagger that increase over April or May."

Dr. Carole Nakhle, CEO, Crystol Energy
"When you're trying to boost prices on a short-term basis, the main beneficiaries of this strategy are the shale producers. They can hedge future production when the prices go above a certain level. On balance, I personally think that OPEC should go back to its conventional strategy."

Sara Akbar, Chairperson & CEO, OiLSERV, Kuwait & Non-Executive Director, Petrofac
"We should keep a balance between each country's needs and what the market needs. If we learn anything from history, when prices go too high too quickly, they will fall. It takes a long time to get them back on track after that fall occurs. Coming back is always much more difficult than the drop. A gradual increase in capacity is the path OPEC should take."

Chris Wood, CEO, Savanara DMCC
"OPEC are 3.5mn b/d down from this time last year. That's a lot of lost revenue for them and a lot of lost production. From that point of view, it's going to be a difficult meeting trying to get a balance between supply and demand. Markets are hoping it will remain the same."

ENERGY MARKET NEWS

RECOMMENDED READING

1. OIL PRICES FIRM ON OPEC+ MAINTAINING SUPPLY CUTS
2. ADNOC DROPS DESTINATION RESTRICTIONS FOR ALL CRUDE GRADES
3. ICE TO RUN PARALLEL CONTRACTS AFTER PLATTS BENCHMARK CHANGE
4. OPEC+ JMMC ENDS WITH NO RECOMMENDATION
5. EXXON SCALES BACK SHALE AMBITIONS TO FOCUS ON LOWER COSTS
6. RAGING PANDEMIC SHUTS DOWN BRAZIL
7. US ECONOMY GOT OFF TO MODEST START IN 2021
8. EIA: MORE THAN 21MN BL WEEKLY RISE IN US CRUDE SUPPLIES
9. RUSSIA'S NOVAK SAYS THERE ARE RISKS TO OIL MARKETS
10. 'BOMB' GOES OFF AT DUTCH COVID-19 TEST CENTRE

RECOMMENDED VIDEOS & REPORT

- TAIWAN FIRES UP MISSILE TESTS AS CHINA STARTS MILITARY DRILLS
- SPECIAL REPORT: GLOBAL ENERGY OUTLOOK 2021
- INDIA WANTS OPEC+ TO PUMP MORE OIL SO PRICES FALL TO $40/BL IN Q2

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"Both the global economic outlook and oil market prospects show signs of continued improvement. The headwinds of uncertainty that shocked and disrupted the market last year continue to abate."

– H.E. Mohammad Sanusi Barkindo, Secretary General, OPEC

ENERGY MARKETS VIEWS YOU CAN USE

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

How are recent forecasts on inflation impacting markets?

We have witnessed the first real serious jitters on stock markets on the back of this. As far as oil markets are concerned, inflationary fears usually trigger investment into real assets like property, precious metals and commodities of which oil is by far the most accessible and liquid. More money moving into oil would be an additional source of volatility, which Saudi Arabia and Russia may not like.

Do you expect Saudi Arabia to continue with its unilateral output cut in Q2?

In retrospect, we could look at the Saudi unilateral cut as more of a strategic move, because it has given them some extra leeway to use to control prices and keep others in line if they continue to cheat. This extra wiggle room outside of the official agreement may not be a bad thing for them at all especially as the production adjustment process becomes more difficult. I would expect some bickering at the March 4th OPEC meeting with a small increase in production.

Will the new Biden policy find alignment with US oil and gas industry ambitions?

There's a triangular relationship between the economy, energy and geopolitics. The US economic challenges are being partially resolved by stimulus, which as it stands now, means there will hardly be any money left for Biden's big 'Green Deal'. The chances are that he would therefore have to scale down his energy transition ambitions considerably or find another way to deliver results - one would be to slap oil and gas companies a bit more. Looking at the geopolitical aspect, if Biden tightens the screws too much on the oil and gas industry, the US runs the risk of losing its status of energy exporter and that would have big international consequences, particularly in dealing with Russia and China.

Adi Imsirovic
Senior Research Fellow, The Oxford Institute for Energy Studies

What continues to drive the price recovery?

Market fundamentals are strong and tight. We are almost at pre-Covid levels due to very rapid stock draws, especially in Q4. Libya was a good indicator of strong demand late last year – it came in with over one million barrels of oil and nothing happened so obviously there was pent up demand. Floating storage is also gone – OECD countries have drawn up to 200mn barrels. Chinese demand was strong in Q4, up 6.5%. That's why we are where we are. We do still have refining capacity of five million barrels to use and that's likely to happen this year.

What should OPEC do on Q2 supply strategy?

The strategy of monthly monitoring has been a very good one, giving OPEC plus flexibility to adjust volumes accordingly. Obviously, the market now needs more oil so I expect they will add volumes. How much will be the challenge. Demand in Asia is likely to be softer with refinery turnarounds and China is not going to buy too much oil at these prices. It will be a difficult one for OPEC - they need to do a lot of analysis on the market balance before making any decision.

Would it be sensible for Saudi to continue with its unilateral cut in April?

Saudi also needs the money – it has taken the brunt of all these adjustments and has clearly expressed it doesn't want to be the swing producer. They may use the one million barrels cut they made in Q1 as a lever to negotiate. If they do offer to extend this, they will want to know what other producers are also willing to do.

ENERGY MARKETS FORUM NEW SILK ROAD LIVE

GI Consultancy Intelligence Publishing

TOP 10

FEBRUARY 28th - MARCH 4th

MARKET OBSERVATIONS FOR THE WEEK

1. The inflation outlook is out of the hands of central bankers as bond markets are clearly signaling their fears.
2. Saudi Arabia is likely to phase out its unilateral cut over a few months of Q2, rather than in one go on April 1st.
3. Taxation may start creeping into the headlines as countries start to look at how they will pay for all the stimulus, corporates beware!
4. Iran is signaling to the US that they are unlikely to cooperate unless they see a clear pathway to the lifting of sanctions.
5. Demand recovery has been a lot stronger than markets had anticipated and this trend is likely to continue.
6. OPEC+ should approach Q2 supply adjustments with caution as demand recovery is still fragile and idle supply remains significant.
7. Container throughput at China's ports is up 10% so far this year which points to strong GDP growth in 2021.
8. The oil market appears to have already baked-in the $1.9trn US stimulus package which is due to pass later this month.
9. The question that investors will have to start answering shortly is how much of the expected H2 economic recovery is already baked-in asset prices.
10. US shale oil producers are currently hedging at near highest level ever which would indicate that this supply will be returning sooner rather than later.

ENERGY MARKETS VIEWS YOU CAN USE

Kate Dourian, FEI
MEES Contributing Editor, Non-Resident Fellow,
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What's been the main trigger behind the 20% jump in oil prices in February?
It's partly because of what happened in Texas and anticipation of what OPEC will do at its meeting on March 4th. But the market is also slowly rebalancing, with expectations of steeper stock withdrawals to come. Much will now depend on whether OPEC decides to start putting more oil on the market. The Saudis have said they still want to be cautious because demand is so fluid, and this is ultimately a demand driven market.

Is Saudi Arabia likely to continue with a unilateral output cut in April?
They don't like playing the role of swing producer, but they have done so to try and keep some cohesion within the group and because demand recovery at the start of the year was fragile with stock levels weighing on prices. However, as prices move up, it's going to be more difficult to maintain discipline. Russia isn't keen on maintaining production cuts for fear of losing more market share. OPEC will need to track demand and make sure inventories are drawn down. It's going to be a balancing game.

Will Iranian crude feature at all in OPEC's thinking on Q2 production?
Given what we're hearing so far out of Tehran and Washington, that's not something that's going to be resolved very quickly. Even if we see an easing of sanctions for humanitarian reasons, we won't see a rush of Iranian oil coming onto the market.

What's your expectation for the outcome of the OPEC meeting?
The Saudis like to deliver shocks, however the need to do so has somewhat receded because the market is balancing. There will be pressure to increase production and it will really be up to the Saudis to say by how much.

Robin Mills
Chief Executive Officer, Qamar Energy

Are markets nervous that OPEC may add more supply than is warranted?
The rally above $60 was a bit overdone and the market may have got ahead of itself on the demand recovery, although it is coming. Talk of OPEC increasing production significantly has obviously fed into prices pulling back a little, but it was clear that extra oil would be added when prices shot above $60. It's going to be a tough decision for OPEC. The market signals are still a bit contradictory- the price is quite strong, but there are signs of weakness in the physical market. There's pressure from members to bring back the half million barrels they were planning to do. I think the Saudis will be quiet about their voluntary cuts, but bringing back the full 850,000 bd along with half a million would be too much in one month.

Where do fundamentals stand ahead of Q2?
Chinese buyers are pulling back a bit on the speculative buying and higher prices. The other thing to watch is how much extra drilling restarts in the US. OPEC definitely won't want to see that coming back strongly again. The price rally has been higher than the fundamentals, so more crude should cool that off. There's also the overhang of spare capacity. In the end, OPECs objective should be to get back to what they were producing in 2019.

Can OPEC now finally park Covid triggered demand concerns aside?
We are broadly in the recovery phase and shifting from a mindset of how to deal with the massive demand drop to how we adjust to a gradual demand rise as economies reopen. The key question will be air travel and not only how soon it resumes but whether any recovery will be sustained long term.

Fujairah Spotlight

UAE's Fujairah and Ras Al Khaimah Hotels See Boost Last Year Despite Covid-19

Hotels in the UAE's Fujairah and Ras Al Khaimah, average daily rates rose last year by 7 percent and 1 percent, respectively, despite the ongoing coronavirus pandemic, an industry expert has said. The Middle East region was a top performer globally in 2020, despite challenges the ongoing Covid-19 pandemic has posed to the sector, recent STR and Colliers International data show. After strict lockdowns across the emirates, UAE hotels promoted a number of staycation packages to boost domestic tourism as borders largely remained shut. Following lockdown, however, Dubai was one of the first cities to reopen to international tourists, giving the city another boost.

Source: Khaleej Times

Covid-19: 13 Outlets Shut for Flouting Anti-Covid-19 Measures in Dibba

A total of 13 outlets were closed last month by the Dibba Fujairah Municipality for flouting the health rules and protocols put in place to stymie the spread of Covid-19 pandemic. Up to 186kg of unfit and expired foods were seized as part of the intensive raids launched across the city, said Hassan Salem Al Yamahi, director of Dibba Fujairah Municipality. "As many as 123 trade entities were also booked," he pointed out. "These included 37 outlets that did not observe the mask and social distancing rules, while 86 were fined for violating other preventive regulations." Warning letters were issued against 122 establishments. Twenty other outlets were warned for not following the preventive measures against Covid-19."

Source: Khaleej Times

Fujairah Crown Prince Attends Signing of Agreement to Protect Environment in Fujairah

H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, has attended the signing of a partnership agreement between Etihad Rail, Emirates Nature-WWF, the Fujairah Environment Authority and the Fujairah Adventures Centre, on the occasion of the launch of the "Environment Protection Programme and the Restoration of Natural Habitats in Al Bithnah, Fujairah." The agreement involves three key pillars, which are supporting the growth of the local community, protecting the environment and biodiversity and preserving the UAE's natural heritage. Sheikh Mohammed bin Hamad stressed the importance of protecting the environment and biodiversity and the necessity of preserving natural heritage in the UAE, through encouraging cooperation between the public and private sectors and the participation of the local community, in addition to implementing local and national legislation focussing on environmental protection.

Source: Emirates News Agency

Winners of Fujairah Social and Cultural Association & KASHKHA Award Announced

Celebrating women in the UAE who make this world a better place to live, Fujairah Social and Cultural Association and KASHKHA, a leading modest fashion brand, have together launched a special awards programme for Emirati women. Ebtesam Ali Salem Alshaaer Alkindi, Maryam Ali Al-Shehhi - Umm Seif and Shaikhah Jumah Rabei Farouz AlMesmari were named as the first three winners of the award. Khaled Aldhanhani, chairman, Fujairah Social and Cultural Association, stated, "Fujairah Social and Cultural Association & KASHKHA Excellence Award is a tribute to exceptional Emirati women who are playing an extraordinary role in the UAE society be it in the field of culture, sports, environment, healthcare, human welfare, public life, art and literature. Every month we wish to honour three such special Emirati women who through their determination push limits of their boundaries to achieve excellence in their respective fields."

Source: Travel Trade

ENERGY MARKETS VIEWS YOU CAN USE

Daniel Richards
Senior MENA Economist, Emirates NBD

Is the slowdown in China's growth momentum in February a concern?
There was a slowdown in manufacturing and services but we need to remember that there were also restrictions over the Lunar New Year due to a flare up of the virus. The February slowdown will be ironed out - the outlook for Chinese growth this year is quite substantial.

How fragile is the global economic recovery to rising oil prices?
There is a risk that it could have a real impact on household incomes. The outlook for India is quite positive for this year but as oil prices rise, we could see a rise in inflation as we did last year and that could slow the growth we are expecting in consumption levels.

Is government stimulus placing an irreversible strain on countries' finances?
We saw public debt levels of over 100% of GDP by mid-2020 and now, higher yields are starting to come in so that will be a concern. Governments may start to tighten their purse strings a little, but they also can't risk damaging the recovery by taking away support too early. We are seeing an improvement in vaccine rollouts across the world and the US published strong retail sales data for January. But employment remains weak and businesses are under pressure - US jobless claims are still around four times what they were before the pandemic so it's a delicate balancing act for governments.

Should Saudi Arabia keep prices elevated to improve its fiscal health?
Today's prices are still below the $75 breakeven level for the kingdoms budget. Saudi is cutting its budget expenditure by 7% this year and will want to generate more income so maintaining a strong oil price is especially important.

Leo Tameeris
Chief Executive Officer, NRG Global

Will the OPEC meeting outcome be a reminder of an oversupplied market?
There is extra supply and also extra refining capacity available if needed. If prices go back to the levels of November in the $40s range, then demand will come back very quickly. I do not think OPEC should increase production, but they will. Saudi will probably want to be disciplined while Russia may balk at not putting more barrels onto the market.

Has Chinese demand been a disappointment recently?
Factory throughputs in February were down but that was because of restrictions around the Chinese New Year. All other indicators are still pointing to strong growth. The manufacturing PMI and domestic demand PMI are above 50. Only the export PMI is still below 50. Another indicator is container throughput which has been good - Chinese ports have been 10% up so far this year versus 2020. Asian demand will continue to be mainly driven by strong growth in China.

Is there any tightness in Asian physical crude supply?
Chinese inventories are at record high levels – at well over 100 days of imports when their goal is usually 90 days - and their strategic stock also seems to be we have filled out. There's still plenty of oil on the market. China will be going into refinery maintenance in March and April so they should come back to buy barrels after that. There's no sense of tightness in these markets in spite of the backwardation.

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