FEBEUARY 17th 2023
VOL. 146

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

"Unilateral Cut by Russia Adds Element of Complexity to OPEC+ Agreement!"

Yousef Alshammari, CEO & Head of Oil Research, CMarkits
Senior Research Fellow, Imperial College London

The plan for Russia to cut production was already in place last year when Deputy Prime Minister Novak said that the country would do so in response to the price cap on February 5th. But that could now put additional hurdles on how the OPEC+ group will manage its agreements this year. They are expected to meet again in June, and we know from the JMCC meeting that they were not planning to change production policy. But now that Russia is unilaterally making its half a million barrels reduction, I would like to see how they will manage the agreement and especially any increases in production with the Chinese economy expected to rebound in the second half of the year or even sooner. I would expect OPEC to be pumping additional barrels, at least half a million barrels in the second half of this year. That could complicate things a little bit within the group. Still, OPEC+ is here to stay and I don't think the group is willing to leave Russia out of the agreement and they would want to have it continue to be on board even beyond 2023. The most important thing for them is the alliance. The oil market did not react significantly to the news of the production cut. If that scenario continues, especially in the first half of this year, I don't think OPEC will respond. But if prices jump to $100 for example, that could complicate things. It's not clear how long this divergence of interests within OPEC+ will last, especially if the war in Ukraine is further complicated. There's been no clear announcement by Russia on whether the output cut is for just one month, two months or the whole of 2023. That adds an additional factor of complexity to OPEC+ agreements.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,184,000 bbl	1,828,000 bbl	8,158,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.61 - 4.38/m³

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

Weekly Average Oil Prices

Brent Crude:	$85.23/bl
WTI Crude:	$80.09/bl
DME Oman:	$84.18/bl
Murban:	$85.21/bl

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

Fujairah Weekly Bunker Prices

VLSFO

High = $665.00/mt

Low = $644.50/mt

Average = $654.00/mt

Spread = $20.50/mt

MGO

High = $1,160.00 /mt

Low = $1,112.50/mt

Average = $1,136.00/mt

Spread = $0.00/mt

IFO380

High = $414.50/mt

Low = $383.50/mt

Average = $401.00/mt

Spread = $31.00/mt

*Source: Ship and Bunker, *Time Period: Feb. 9 – Feb 16, 2023*

Fujairah Bunker Sales Volume (m³)

300 180cst Low Sulfur Fuel Oil	453,703 380cst Low Sulfur Fuel Oil	151,055 380cst Marine Fuel Oil
796 Marine Gasoil	30,851 Low Sulfur Marine Gasoil	4,039 Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

CONTINUED FROM PAGE 1

"There's been no clear announcement by Russia on whether the output cut is for just one month"

Yousef Alshammari, CEO & Head of Oil Research, CMarkits Senior Research Fellow, Imperial College London

Were Saudi OSPs into Asia for March a surprise?

It was the normal response from Aramco to the expected increase in demand, especially coming from Asia refineries and that includes China. About 80% of Saudi oil exports go to Asian refiners. Also, the incremental hikes in the OSP come at the time when OPEC+ is keeping its production steady, so in a way that gives Aramco an economic advantage because OPEC is selling less crude than what the market is asking for.

Why would Asian customers not just opt to take the minimum required from term contracts and supplement the rest with cheaper Russian crude?

I don't see that competition because of the long-term contracts between Saudi Arabia and Asian refiners. By contrast, we don't know how long the Russian crude diversions will last. Saudi Aramco is also the largest baseload provider for Asian refineries. Discounted Russian oil has mostly been used to fill stocks in China and that might continue, but it won't become a competitor for Saudi crude and could not replace those volumes anyway. China is expected to go net zero by 2060 and until that period, Saudi Aramco is expected to be the largest provider of its hydrocarbons.

WATCH FULL INTERVIEW HERE

Energy Markets Views You can Use

Dr. Carole Nakhle
Chief Executive Officer, Crystol Energy

Do we have any more clarity on oil market direction half-way through Q1?
There's still a lot of uncertainty and disagreement on the outlook for energy markets and this kind of disconnect between energy security and climate security and whether we have sufficient investment in general. On oil, people are still expecting volatility, spurred by geopolitics, macroeconomics, and the Chinese factor.

Saudi Arabia seem to be less optimistic about a China comeback?
I would also subscribe to this cautious outlook. People are missing the rest of the dynamics in the markets. We should also ask how fast Chinese growth is going to happen and when it's going to hit the market. And it's not just the China factor that will drive energy demand this year – what's happening in other countries will also impact overall economic growth. The forecasts that were made by the IMF, World Bank and other international organizations towards the end of last year, have been revised upward, and that is a positive step but that does not mean that a recession will definitely be avoided or that there won't be a slowdown in major economies. There's also a war still raging in Ukraine and we don't know how far Russia can go this year.

There is some opinion out there that Russia has already lost the war?
Some would say that a war cannot be won against a country that has nuclear weapons. If Russia had lost the war, then we would have seen a much more aggressive reaction from them - they're not going to just simply walk out. They might cause mayhem, perhaps in oil markets, even if it's just going to be short lived. I am more concerned about Russia being a nuclear power than anything else.

Can central banks get inflation below 5%?
There's a tendency to think that everything is now under control, but we must not forget that inflation rates are still way above in previous years. I don't think that the central banks, in major economies, but particularly in the US, have completed the job. They still have some way to go, and I doubt they can achieve that in the short term.

Clara Tan
Singapore Bureau Chief, Gas & LNG Service
Energy Intelligence

Should we expect strong LNG buying from China this year?
Spot LNG prices in Asia have fallen for many weeks to around $15 now, but we are not seeing Chinese buyers coming back yet. On longer term contracts, it's interesting to see that PetroChina could be back to signing with Qatar, and this follows Qatar's recent large contract with Sinopec. It also demonstrates Chinese interest to invest in Qatar's gas projects and we believe Chinese gas buyers will be in a good position to do so.

What about the rest of Asia?
The only countries in Asia that recorded growth in LNG imports in 2022 were Taiwan and Thailand. Chinese demand tumbled 20% and emerging economies like Vietnam and the Philippines had to delay projects. But the growth story is still gas in Asia with many governments and companies seeing it as the transition fuel for their strategy to be carbon neutral. Regional domestic gas production is on the decline in countries like Thailand and Indonesia and so they need to supplement with imports. India and China are trying to boost gas production. China is seeing some success with 5% annual growth, and that's one reason why they have been importing less LNG.

Could lower LNG prices prompt Asian interest to build onshore infrastructure?
Some sellers could be focusing on the European markets, but for Asian buyers, it depends on whether they can secure long term LNG supplies at an affordable price, and whether they can secure oil indexed pricing before making long-term commitments to regasification projects that take at least 10-15 years.

Consultancy Intelligence Publishing

Fujairah Spotlight

Fujairah Crown Prince reveals plans for sustainable development projects

From high mountains and historical forts, the emirate of Fujairah has grown to become a major global hub for maritime transport and tourism and is marching towards a sustainable future, the emirate's Crown Prince said at the World Government Forum 2023 in Dubai on Wednesday. Sheikh Mohammed bin Hamad Al Sharqi, Crown Prince of Fujairah, spoke about Fujairah's Strategic Outlook in the presence of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai and other dignitaries from around the world.

Source: Gulf News

Fujairah Crown Prince meets Vice Presidents of Uganda, Maldives

H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, met with Jessica Alupo, Vice President of Uganda, who was accompanied by Reem Al Falasi, Secretary-General of the Supreme Council for Motherhood and Childhood. Sheikh Mohammed bin Hamad also met with Faisal Naseem, Vice President of the Maldives. The Fujairah Crown Prince welcomed the two Vice Presidents, wishing them a good stay during their visits to the UAE. During the meetings, held on the sidelines of the World Government Summit 2023, the top officials exchanged views on several topics of mutual interest across various domains. They also discussed the most important issues and ideas raised by the World Government Summit this year and its strategic goals for the future of world governments.

Source: Emirates News Agency-WAM

Fujairah Terminals handles three gas turbines for Fujairah F3 Power Plant Project

Fujairah Terminals, part of AD Ports Group, has completed another significant milestone as part of the ongoing development of the Fujairah F3 Power Plant Project, with the successful handling of three of the largest gas turbines to have ever been deployed in the UAE region. Scheduled for commissioning in 2023, the Fujairah F3 Power Plant Project will be the largest Combined Cycle Power Plant (CCPP) facility in the UAE, generating sufficient electricity to power the equivalent of 380,000 households across the UAE.

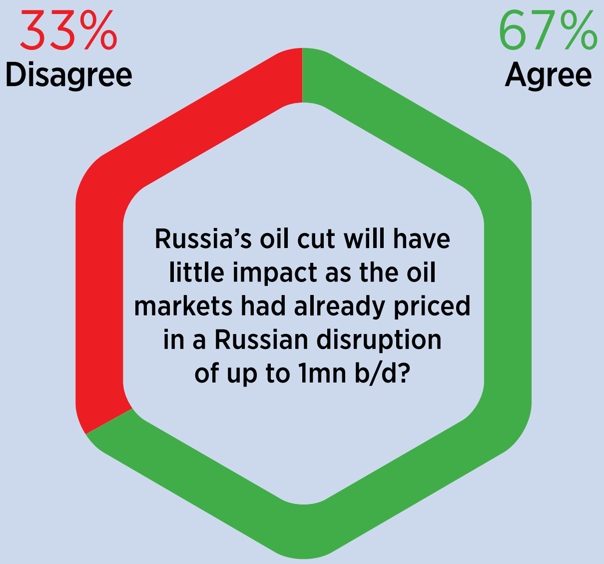
Source: Emirates News

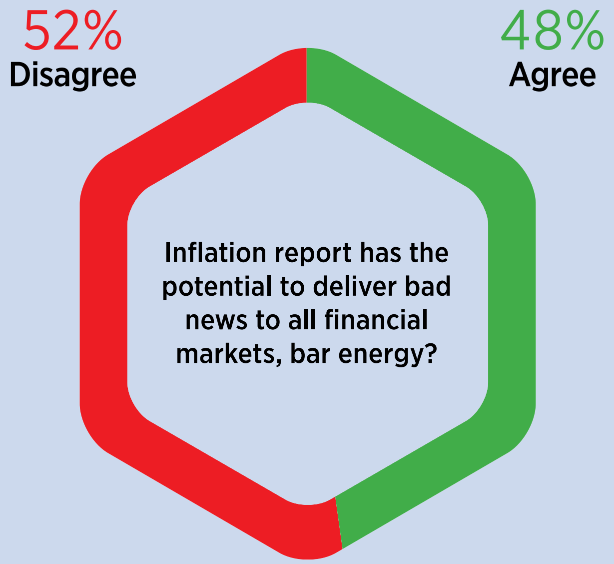
Oil product stocks extend drop, heavy distillates at eight-month low

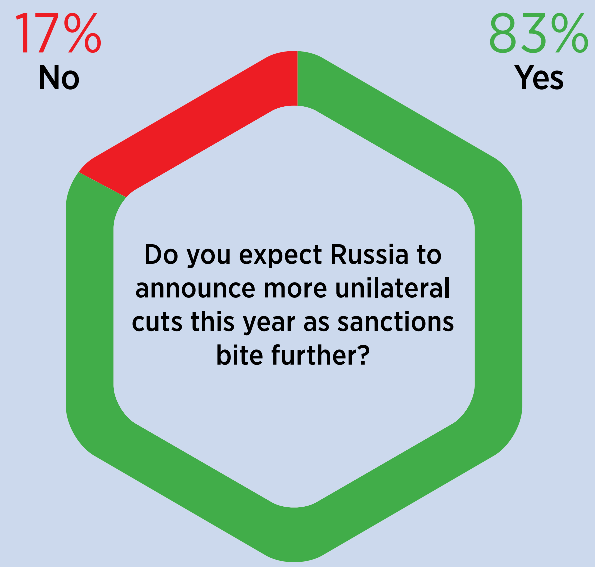
Oil product stockpiles at the UAE's Port of Fujairah dropped 2.6% in the week ended Feb. 13, extending their slide to a nine-month low with heavy distillates now at an eight-month low, according to Fujairah Oil Industry Zone data published Feb. 15. The total inventory was 17.17 million barrels on Feb. 13, the lowest since May 2, 2022. Heavy distillates – used as fuel for power generation – and marine bunkers dropped 4.4% to 8.158 million barrels, the lowest since June 13, 2022.

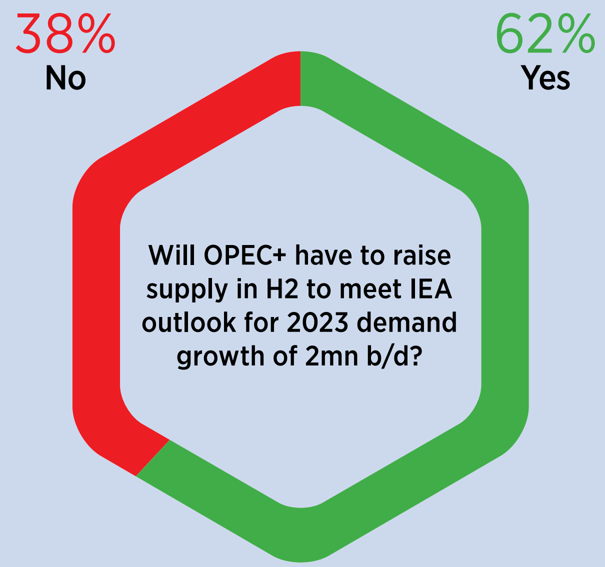
Source: S&P Global Commodity & Insights

Weekly Surveys

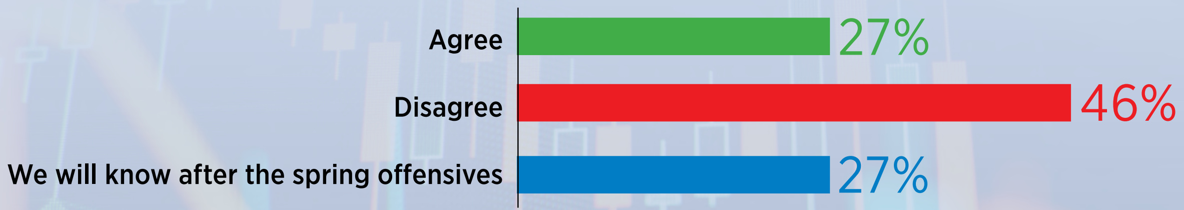








Mark Milley, Chairman of the US Joint Chiefs, says that, after a year of fighting, Russia has lost the war in Ukraine "strategically, operationally and tactically".



Source: GI Research March 2023

Fujairah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 17.170 million barrels with a drop of 454,000 barrels, or 2.6% week-on-week as they continued to fall well below the 20-million-barrel level. The stocks movement saw a drop for light distillates, and a slight rise middle distillates and a drop for heavy residues.

- Stocks of light distillates, including gasoline and naphtha, fell by 179,00 barrels or 2.4% on the week to 7.184 million barrels. The East of Suez gasoline complex strengthened in early trade Feb. 14 on the back of firm demand from Indonesia and Malaysia ahead of the Muslim fasting month of Ramadan in March, market sources said. Ramadan is slated to begin on March 22 this year. Moving forward, Vietnam's February gasoline demand was expected to be supported by post-Lunar New Year demand as inventories were heard low, sources said. However, Vietnam's February gasoline demand may be moderated by a rise in domestic production following a resumption of normal operations at the Nghi Son refinery, sources said.

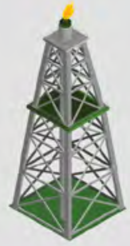
- Stocks of middle distillates, including diesel and jet fuel, increased by 98,000 barrels or 25.8% on the week to 1.828 million barrels. The East of Suez gasoil market was largely rangebound Feb. 14 as market participants await the award levels of spot tender activity. Market sources said that flows of ultra-low sulfur diesel from the East of Suez into Europe started declining at the beginning of February and were expected to continue falling in the second half of the month as the European market adjusts to the EU sanctions on Russian oil products. Despite the lower cracks in recent weeks, regional refiners will continue to maximize gasoil production as it remains the most lucrative product compared with gasoline and jet fuel, market sources said, citing month-to-date gasoil cracks that are still around 47% higher than a year ago. "Asian demand and supply are balanced even if there is no Western demand," another gasoil trader said.

- Stocks of heavy residues fell by 373,000 barrels, down 4.4% on the week as they stood at 8.158 million barrels. Spot trading activity at the bunkering hubs of Singapore and Fujairah was said to be muted on Feb. 14, traders said. A lackluster demand coupled with a steeply backwardated market structure at the front of the Singapore marine fuel 0.5% swaps curve led sellers of Singapore-delivered marine fuel 0.5%S bunker to make competitive offers to attract buying interest in a bid to move oil. In the Middle Eastern port of Fujairah, offers for delivered marine fuel 0.5%S bunker were heard at $655-$660/mt with the offer at the lower end of the range for product deliverable from Feb. 16 onwards. Trades were heard concluded at around $640/mt after the MOC process. The grade was assessed at $643/mt, $5/mt lower on the day. The premium for Fujairah-delivered marine fuel 0.5%S bunker over Singapore marine fuel 0.5%S cargo fell $2/mt day on day at $14.32/mt.

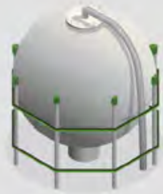
Source: S&P Global Platts

مؤسسة نفط
الشارقة الوطنية
SNOC

EXPLORATION
& PRODUCTION



PROCESSING
& EXPORTING



STORAGE
& LOADING

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.

Petroleum Council Building
Al Layyah, Sharjah, P.O.Box 787.UAE
T: +9716 5199700 | F: +97165199777
Email: info@snoc.ae | www.snoc.ae

Energy Markets Views You can Use

Maleeha Bengali
Founder
MB Commodity Corner

Direction for Fed policy and markets?
The market is in a bit of a two way pull. Some expect another 25-basis point hike in March and that then the Fed will be done. But price pressures remain quite high, so some traders see that the Fed has more work to do. Generally, the markets are behaving as if the Fed is already pivoting - you can see this in the rally in tech shares and long duration assets. However, we don't agree with the expectation of that soft landing yet. Our view is that rates are going be more protracted than expected. The Fed has been very adamant their work is not done with inflation still close to 6%. We have never been in an economic environment where interest rates rose to 5%, with $30 trillion national debt, and asset classes did not suffer. There will be a lag effect; labour markets might be tight today, but the payroll data is going to get very ugly in the second half of this year. The equity markets are looking past this and thinking the Fed will support but the macro market - bonds, rates, credit - are quite distressed.

Oil prices seem to be stuck in a boring range?
The street is a bit disappointed because it expected oil to go up to $90, $100, but the key thing is that even though everyone is very excited about China reopening, demand in the EU and US have been weakened and that's why product inventories are also rising. People are long oil and might be thinking OPEC will come in to support prices sub $80, but we can't discount that there's weak demand everywhere.

Is Chinese demand supporting oil?
China's been very smart about restocking ahead of opening their economy and their onshore inventories are quite high, so any demand hasn't really impacted prices yet. And if they take in more oil from Russia, it just means it takes less OPEC barrels. So, it's just being rerouted - there's no magic number of 2 million extra demand coming from China. The first half of the year is showing a surplus supply of oil right now.

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

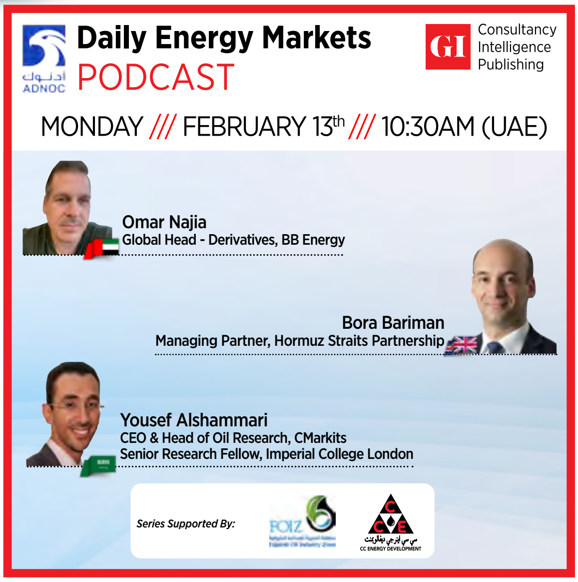
How will Russia's unilateral cut impact cohesion within OPEC+?
It was not a surprise and there were conversations between Saudi Arabia and Russia to discuss any market impact as well as the road map for Russia in the coming few months until OPEC+ meets again. The decision by Russia was a sovereign one and so far has had no impact on the market.

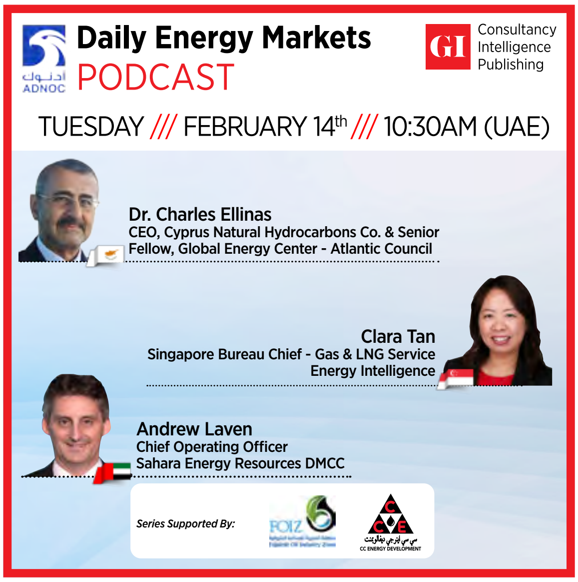
Where will any new supply come from?
I don't see a big pick-up in demand despite a very good indication from China and India but there's also new production coming from different countries. So, OPEC+ won't be in a rush to increase production or change their policy cut of two million barrels. They will probably wait till the June meeting and prices at $85 today are pretty good. Let's not forget there are also risks when it comes to growth in Asia – anything can happen to disrupt that.

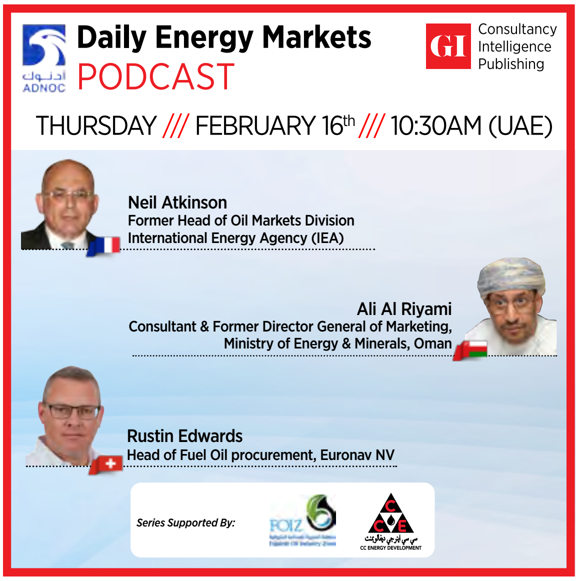
Will OPEC+ absorb another cut by Russia?
OPEC can absorb the Russia cut and countries like the UAE and Saudi Arabia can easily produce more than their quotas. Oman can increase another 100,000 to 150,000 bd because we are currently producing less than our capacity of 1.1 million bd including condensate, because of the OPEC+ agreement.

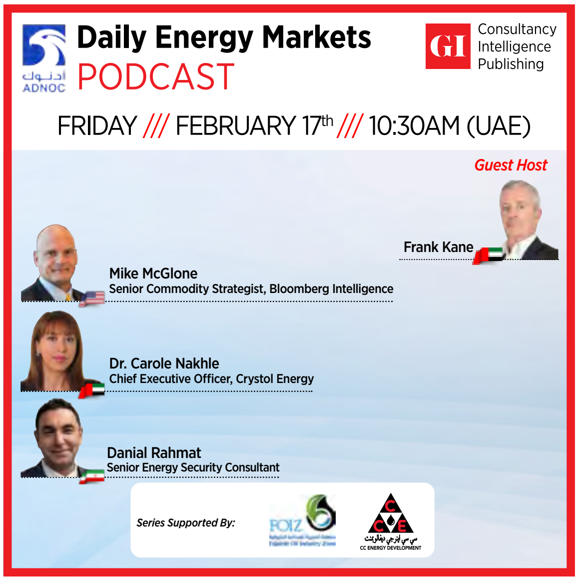
Takeaways from the recent Iran-China meeting?
Iran is trying to improve its image because of the internal issues they are facing. They have good relations with China on oil and with Russia on missiles and oil, and they're trying their best to engage with Saudi Arabia and start a dialogue there again. What we know is that the nuclear deal is out of the picture.

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 (IEA)

Bearish or bullish outlook for the year?

If China's reopening continues on the path that it's heading, it looks as if global oil demand is going to grow very strongly in 2023. The IEA just raised their estimates of demand growth to two million barrels a day. Half of that is expected to come from China. More than 50% of global growth demand will come from jet demand. But subject to further reductions in Russian supply, we are well supplied for the first half. The picture could change in 2H 2023 as the impact of Russia sanctions takes hold more.

Will OPEC+ look at raising supply to meet this soaring demand?

They've been keeping a watching brief and the Ministerial Monitoring Committee meets on a regular basis. If the market conditions were to change dramatically and we were to get away from this current situation of relative calm, they would step in to cool the market. China is the key, even more than what's going on with Russian supply. Demand pressures may well continue to build during the first half of the year, but there's also plenty of non-OPEC supply – in countries like Brazil, Norway, Guyana, Canada and the US. And as we have seen, countries within the OPEC+ alliance are capable of making their own individual voluntary changes to their output.

ENERGY MARKET NEWS

3. RISING FLOW OF RUSSIAN OIL PRODUCTS TO CHINA, INDIA & THE MIDDLE EAST
2. ASIA MARKETS FALL ON FED RATE HIKE CONCERNS
3. US OFFICIAL SAYS RUSSIA'S CRUDE OUTPUT CUT SIGNALS UNSOLD OIL
4. ANOTHER DISAPPOINTING INFLATION REPORT THUMPS WALL STREET
5. CHINA SAYS 200MN TREATED, PANDEMIC 'DECISIVELY' BEATEN
6. RUSSIAN EXPORTERS WEIGH IMPACT OF OIL OUTPUT CUT
7. IPCC ASKS EMERGING COUNTRIES TO DROP COAL FASTER THAN RICH NATIONS DID
8. MANSURIYA DEAL COLLAPSING AFTER SINOPEC REQUESTS CONTRACT OVERHAUL
9. HOW UKRAINE WAR HAS SHAPED US PLANNING FOR A CHINA CONFLICT
10. SUPREME COURT TO RULE ON FOREIGN SOVEREIGN IMMUNITY IN CRIMINAL LAW CONTEXT

Series Supported By:

RECOMMENDED VIDEO & REPORTS

- WHY SOME LAID-OFF WORKERS AREN'T RUSHING TO FIND NEW JOBS
- ZELENSKY RULES OUT TERRITORY DEAL WITH PUTIN IN BBC INTERVIEW
- KEY SUSTAINABILITY TRENDS THAT WILL DRIVE DECISION-MAKING IN 2023
- WILL RUSSIA BE ABLE TO MAINTAIN ITS OIL FIELDS WITHOUT TECHNOLOGY, SAYS RBC'S HELIMA CROFT
- INVESTMENT NEEDS RISE AMID MARKET UNCERTAINTY
- IN GOOD COMPANY WITH NICOLAI TANGEN
- SHELL LNG OUTLOOK 2023
- "RIGHT-WING OR LEFT-WING, LATIN AMERICA IS FACING AN ENERGY TRILEMMA!"

GI Consultancy Intelligence Publishing

Soundings Week in Review

"Inflation is Back Banging on the FED's Door!"

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.

- **Danial Rahmat, Senior Energy Security Consultant**
- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**
- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Bora Bariman, Managing Partner, Hormuz Straits Partnership**
- **Andrew Laven, Chief Operating Officer, Sahara Energy Resources DMCC**
- **Vibhuti Garg, Director – South Asia, IEEFA**
- **Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center – Atlantic Council**
- **Andrei Belyi, PhD, Professor, Founder & CEO, Balesene OÜ**

Danial Rahmat, Senior Energy Security Consultant IRAN-CHINA RELATIONS: "China is not going to risk its major companies entering the Iranian market and spending a lot of money for oil that they cannot easily take away. Iran is making a sort of gesture that they have expanded relations with China, but while they call their 25-year agreement a contract, it is just considered a general agreement in China and does not mean that Iran and China are in a strategic phase of cooperation."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence COMMODITIES: "One thing that's notable since the invasion of Ukraine is – this time a year ago, the Fed Funds Rate in the US was about zero. Now it's 5% and still rising, so anybody who is bullish commodities and risk assets is still fighting the Fed, and we've had a significant bounce in most risk assets and are tilting lower. It's just a matter of time until it catches up. I don't see any upside for most commodities."

Omar Najia, Global Head, Derivatives, BB Energy MARKETS: "The oil market might stay without direction for a while, but it is fighting against gravity and reality. In the US, we now have the 2-year and 10-year inverted curves at the most inverted since 1981. We can tell ourselves that doesn't matter but I think it will come back and haunt the markets. And with interest rates, even if they stay where they are around 4.5%, we have today 20% of US firms that need to issue new debt to pay the interest on their old debt!"

Bora Bariman, Managing Partner, Hormuz Straits Partnership INFLATION: "We are in this chronically uncertain market outlook. One day the equity markets are complacent about inflation and rally as they expect the Fed and central banks to back off, the next day they tumble when the Fed says it's committed to the 2% or 3% inflation target. Given the inability from a political standpoint, of western governments to raise taxes, I don't see them putting the brakes on this upper single digit inflation outlook. We're still at 10% in the UK!"

Andrew Laven, Chief Operating Officer, Sahara Energy Resources DMCC OIL MAJORS: "If you invest in the upstream, the cycle time is going to take seven years, and then you've got to worry about your payback in twenty years' time. So, you have to think about where the business is going. The economics for oil majors outside the Middle East, versus the NOCs, are very different, even today despite the major profits they are making. So, it's all about giving back to the shareholders."

Vibhuti Garg, Director – South Asia, IEEFA FUEL PRICES: "When prices went lower, the Indian government strategy was to increase taxes to raise revenue, so they didn't pass on the benefits of lower oil prices to consumers. It didn't impact the consumer sentiment so much, but in the last year it meant an increased subsidy burden for the government or losses for the OEMs because in the last couple of months particularly the government has not allowed OEMS to increase prices in tandem with the market."

Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center – Atlantic Council GAS PRICES: "Even though gas utilization went down in Europe last year, coal use went up 7% and for the first time, renewable electricity consumption exceeded coal and gas. The pressure on governments in Europe is not to cut down the subsidies altogether, but to focus subsidies more on vulnerable members of the society, because even though the price of gas is just over €50 per megawatt hour at the moment, it is still about three times higher than pre-pandemic levels."

Andrei Belyi, PhD, Professor, Founder & CEO, Balesene OÜ RUSSIAN OIL COMPANIES: "It's interesting to see that over the last year, the smaller, regional Russian companies have had a boost in production, whereas the larger ones such as Rosneft, have been impacted more by sanctions and the consequent restrictions that brings on factors like finance for field development and access to technologies."

Energy Markets Views You can Use

Rustin Edwards
Head of Fuel Oil Procurement
Euronav NV

Impact so far of sanctions on the tanker market?
They have been bullish in general because of the longer ton-miles. The product has to go further afield from the standard EU market where Russia was putting the majority of oil products, and being sent to other markets to abide by the EU embargo and find a place where the product can be blended and turned into something else to get out of the price cap. Russia has a large set of dirty product tankers that can carry its crude oil but the clean product tankers are a smaller subset. Coupled with the demand loss in the EU and US, product stocks have been building for the last two months. Tankers are also being delayed when they start getting into the Eastern discharge ports so that will just add to the ton-mile argument and put more strain on exports.

How has China's reopening impacted container rates?
Demand for container freight is poor right now – it costs $900 for a container to move from Shanghai to Europe compared to $20,000 a year ago. The question now is how to manage the bottleneck of boxes building up in warehouses and that also applies in the US and Europe with demand for consumer goods from China not so robust, which is driving warehouse spaces to higher premiums. That will continue until China's factories actually start producing things again and increasing demand for freight.

Are old tankers being scrapped as expected with new carbon targets for ships?
With tanker rates falling off their highs since 2020, you would have thought you'd see a lot of scrapping but that hasn't happened. Today, we have one market abiding by all the international rules of trade and the 'dark fleet' of trade which might add another 25 years to their lifespan. We will still see the transition happen within the shipping industry - in tankers, in dry bulk and in containers - but it will be a process for the next five or ten years as new and cleaner fuels come into more use.

Daily Energy Markets

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

1. The financial markets are still adapting to the emerging realization that the FED won't be cutting Rates in 2023 and could even plateau at a higher level closer to 6% than 5%.
2. Russia's oil cut will have little impact as the oil markets had already priced in a Russian disruption of up to 1mn bd.
3. Europe is behaving like warm weather was their energy security strategy – they just got lucky – the EU is one cold spell away from tightness remerging in global LNG markets!
4. China reopening is not the same as China is back - at some point it will be, but not for some months.
5. All eyes are focused on coming US inflation figures, but they are unlikely to move the needle on direction of oil prices.
6. Russian oil imports into India have hit 28% of total imports today and same trend seen continuing this year.
7. Financial markets too complacent, behaving as though the FED is already pivoting on its rates policy and that there will be a soft landing, but prolonged impact still to be felt.
8. Q1 oil price has disappointed some who were expecting $90-100 by now but despite better China demand outlook, the picture across other economies is weak.
9. Oil hedging is rising amongst major oil producers at signal that the risk for markets is on the downside, no longer the upside.
10. The average price of the Russian Urals export crude oil amounted to $50.51 per barrel from January 15 to February 14, 2023.

Consultancy
Intelligence
Publishing