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Fujairah New Silk Road WEEKLY NEWSLETTER

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

Things are Heating up in Texas Oil & Gas Fields – US Energy can be the Cavalry to Save Europe!

Trisha Curtis, President & CEO, PetroNerds

The outlook for US energy production is very positive. There is significant tightness in the market in terms of supply chain of everything. We have made great progress in terms of getting the rig count up, and it is almost back to hitting pre-Covid levels on activity. The US is now the largest oil and natural gas producer in the world, even with the declines that we have had during Covid that saw oil production fall to 11 million barrels per day. We are going to see that production number come way, way up. You cannot have this many rigs and this many holes being poked into the ground without the production eventually coming on. One reason it has not come online sooner is due to what I call the public-private split. Privately-owned companies are drilling like crazy and ramping up their activity, but it is taking longer for the publicly listed companies to come into this, even with high oil prices. Part of that is because of massive investor pressure, coupled with these very intense ESG demands and regulatory pressure from the White House administration, which has clouded the outlook for investment into oil and gas with all these mixed signals. President Biden is now saying they are going to export more LNG to Europe but to do that, they will need to expedite all the permitting required to build the required infrastructure. US natural gas production was at 120 billion cubic feet a day a couple of months ago and that is with a very low gas rig count. We have massive potential to produce more gas across the country, but we need the infrastructure. Biden has said that we can export an additional 15 billion cubic meters to Europe this year and 50 billion cubic meters by 2030, but up until very, very recently, this administration was sitting on LNG export facility permits and not approving them. And their stance on crude oil and natural gas is still not clear because the signals are they just do not like this stuff.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

3,749,000 bbl	1,271,000 bbl	11,068,000 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:	$104.65/bl
WTI Crude:	$101.19/bl
DME Oman:	$102.33/bl
Murban:	$105.44/bl

*Time Period: Week 4, APRIL 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO	MGO	IFO380
High = $890.00/mt	High = $1,320.00/mt	High = $767.50/mt
Low = $828.00/mt	Low = $1,236.50/mt	Low = $703.00/mt
Average = $858.50/mt	Average = $1,290.00/mt	Average = $735.00/mt
Spread = $62.00/mt	Spread = $0.00/mt	Spread = $64.50/mt

*Source: Ship and Bunker, *Time Period: April 20 – April 27*

Fujairah Bunker Sales Volume (m^3)

369 180cst Low Sulfur Fuel Oil	527,677 380cst Low Sulfur Fuel Oil	129,293 380cst Marine Fuel Oil
1,096 Marine Gasoil	32,706 Low Sulfur Marine Gasoil	5,469 Lubricants

Source: FEDCom & S&P Global Platts

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CONTINUED FROM PAGE 1

Trisha Curtis, President & CEO, PetroNerds

How do you see Russian energy supply concerns playing out going forward?

The market was too quick to say that these barrels were going to come off. Much of the price spike that we've seen is geopolitical and fear driven and less about supply and demand fundamentals. Russian barrels are still moving. Over four million barrels a day of crude were being exported and with product, seven million barrels a day in total. There was a couple of weeks where it was dislocated, and the market was messy, but we've seen countries like China and India buying these severely discounted barrels. China's buying crude, they're buying grain, they're absolutely front loading the bill for a lot of this war.

How are China's economic structural weaknesses impacting energy demand?

China is obviously sticking with the zero Covid policy which they started with, and these are very intense lockdowns. But the structural issues in their economy have been going on for quite some time. Even if their property sector simply just flatlined today, it would pull down global oil demand as it accounts for a third of their economy. But you don't get a lot of transparency within China. Their data remains relatively opaque. We see imports of 10 to 12 million barrels per day of crude and we know that they produce 4.5mbd, so given their shutdowns, they are clearly not using all of that. Oil demand growth will not come from China.

Outlook for the US economy and oil demand given inflation challenges?

From a global economic growth standpoint, we should have been paying attention to inflation a year ago. We know that inflation and high oil prices together can really impact oil demand. We don't have any bright spots for global economic growth today. We know that the Fed is going to have to be aggressive, but a 50-basis point hike isn't enough to curb 8.5% inflation right now. We know inflation's going to ratchet up - we're looking at 10% and higher prices for everything, which is very damming to the economy. We're well north of 5% on mortgage rates, so we're starting to see these real pains that are going to translate into oil demand. I don't think the oil market has caught up with the falling economic forecasts globally. Oil demand won't crash but demand growth will drop.

Does the Fed have the steel to stare down inflation over the next year or two?

If they're going to tackle inflation, they're going to have to soften the US economy and that would also soften the global economy. The Fed is between a rock and a hard place, and we have mid-term elections coming up in November. We should have been slowly increasing rates last year. We've had month on month inflation since January of 2021. The Fed wants to get the market comfortable, but they just need to come out with it and declare where and when they're going to raise rates. If they do that quickly, it's going to help, but they're going to have to act aggressively to get real control.

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ENERGY FOR LIFE

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Energy Markets Views You can Use

Sara Akbar
Chairperson & CEO, OiLSERV, Kuwait &
Non-Executive Director, Petrofac

Outlook for oil prices and demand supply balance?
The world has not fully recovered economically from Covid and it's even more fragile now because of the war in Ukraine. That's why we hear talk of one million barrels a day of oil demand being shed. OPEC is now even more confident of their numbers – and the reality is that none of them have any excess supply to put into the market, especially with Russian crude being squeezed and with 500,000 bd of Libyan oil out of the picture. Prices will probably hover around $100 for the coming couple of months.

Do you expect any progress on the Iran nuclear talks in Vienna?
The region is benefiting from high oil prices, budgets are balanced, and some have surplus. It's time for growth and prosperity. People want to maximize these benefits and one way is to reconcile differences. A main driver behind the discussions in Vienna is to settle many regional issues with Iran, such as in Lebanon and Yemen and there's been some support for this from Gulf countries. Stabilizing this region has, all of a sudden, become a priority on everybody's agenda and part of this is to talk to Iran. Regional stability requires both a Saudi Iranian relationship and a US Iran relationship.

What's your take on Chinese companies taking over Russian energy assets?
Chinese operators and service companies have become a lot more competent. Sinopec came to Kuwait a few years ago and now has 50% of the market and they are doing a fabulous job, as Chinese firms are also doing in Iraq.

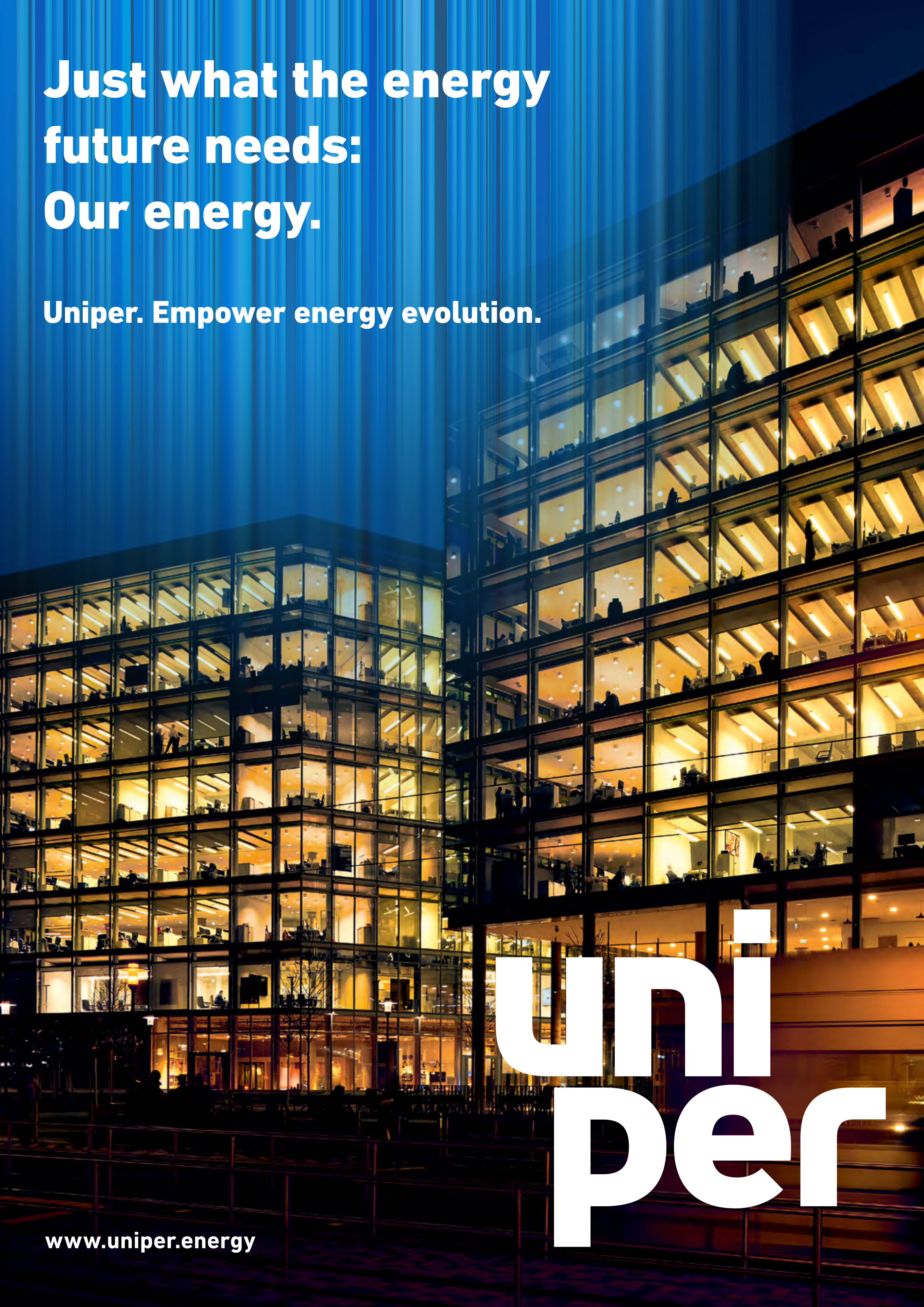
Maleeha Bengali
Founder
MB Commodity Corner

Macro factors are driving commodity market direction more than fundamentals.
Right now, the most important thing is FX and the US dollar. Liquidity has been a very powerful driving force for all asset classes in the last two years and past decade. Now, that's being withdrawn by the Federal Government and the US balance sheet is going down. The Fed is not able to support the market with QE, the dollar is rallying aggressively, the yen is devaluing and obviously the yuan is devaluing. These devaluations are leading to low commodity prices. Nobody knows how far the yen can collapse, but that's a big market. And if money leaves the yen, obviously the yuan will lose its competitive pricing power and will be forced to devalue as well.

How are higher gas prices impacting demand and flows?
The gas market will be very precarious for the next 3 to 6 months and going into winter because there's a shortage problem. Obviously, lots of US LNG cargoes are going to Europe to offset some of the drop in Asian demand. The pricing point between Asian LNG, US LNG and Europe LNG is presenting arbitrage and rerouting opportunities. But even the US has its own domestic gas needs right now, so the market is very volatile and very supported.

China demand outlook given Covid challenges?
China's GDP numbers are nowhere close to 5%; they're probably 3.5% or even lower. But no one is seeing how much actual demand destruction is taking place. The US and Europe are also slowing down and all of that for example, will hit jet fuel demand and that's one reason why oil prices have not rallied more. At the same time, we have a very tight product market with low distillate and gas inventories. So, it's this balance that's going to set the price for the summer.

Direction for the US economy over the next six months?
The Fed's probably going to raise rates next week - there's talk about a 50 to 75 basis point move. The main concern is inflation now, which is very sticky. Demand in the US is robust but is showing signs of plateauing. On the housing side, fixed rate mortgages have doubled so there's pressure there. Higher yields are biting the economy and US consumers are trapped because they can't spend with disposable incomes lower. All of that will feed negatively into GDP going forward.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Fujairah Spotlight

Oil product stocks drop after rare fuel oil shipment to US

Oil product stockpiles at the UAE's Port of Fujairah fell to a three-week low as of April 25 after a rare fuel oil shipment to the US, according to the Fujairah Oil Industry Zone and Kpler shipping data. The total inventory was 16.088mn bls as of April 25, down 5.7% from a week earlier and the lowest since April 4, the FOIZ data published April 27 showed. Stocks of heavy distillates and residues used as fuels for power generation and marine bunkers declined 7.4% over the same period to 11.068 million barrels, the first decline in five weeks, according to the data provided exclusively to S&P Global Commodity Insights.

Source: S&P Global Commodity Insights

National Bank of Fujairah posts 43.7% rise in net profit for Q1 2022

National Bank of Fujairah (NBF) has recorded a 43.7 per cent year-on-year increase in net profit, equalling Dhs60.4m, for the first three months ending March 31, 2022. Its Q1 2022 net profit went up 143.3 per cent compared to Q4 2021. NBF also posted an operating profit of Dhs293.2m for the three-month period, a rise of 18.2 per cent compared to Dhs248.1m in the corresponding period of 2021 and up 39.5 per cent quarter-on-quarter.

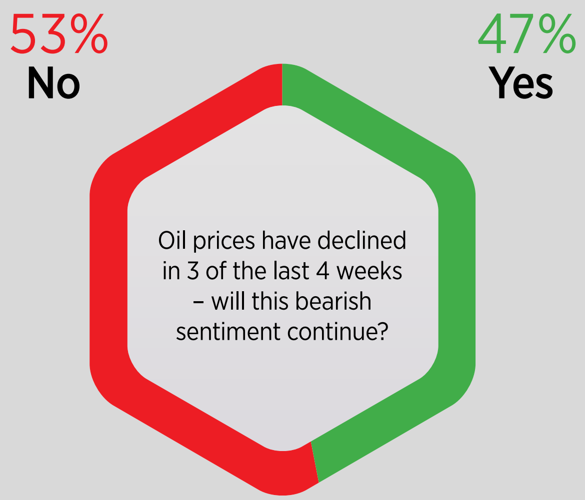
Source: Gulf Business

Al Fujairah National Insurance's OGM nods to 10% dividends for 2021

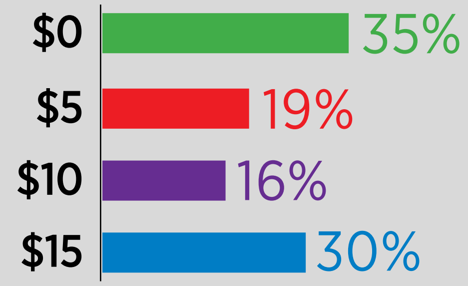
The ordinary general meeting (OGM) of Al Fujairah National Insurance Company has given its green light for cash dividends representing 10% of the capital for 2021. The insurer will pay out a total cash dividend of AED 13.31mn, according to a bourse disclosure on Monday. It is worth noting that Al Fujairah registered net profits worth AED 16.70mn last year, lower than AED 36.93mn in 2020.

Source: S&P Global Commodity Insights

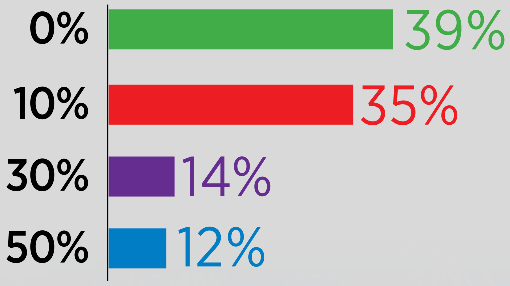
GI Weekly Surveys

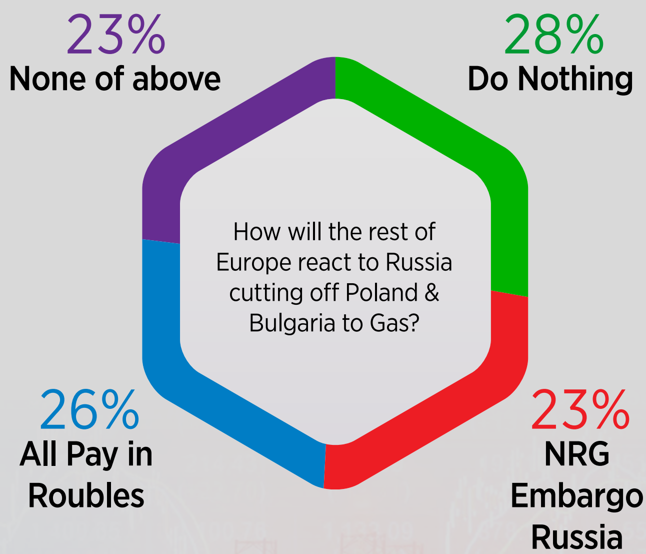


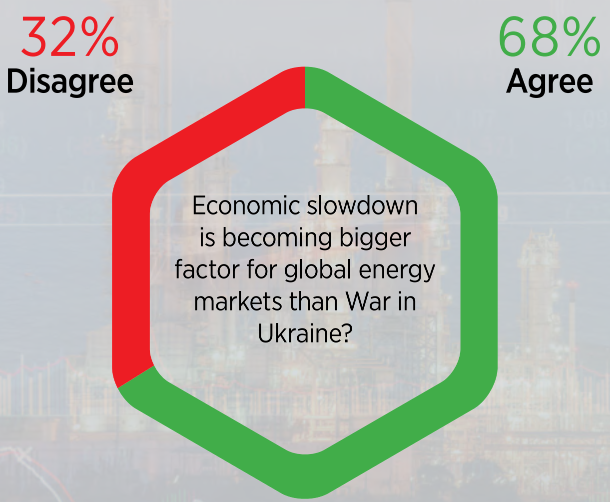
How much of the current oil price includes concerns of EU oil embargo on Russia?
Closer to:



Russian Foreign Minister warned there's a "SERIOUS" danger of Nuclear Conflict – What does 'serious' equate to in % probability:
Closer to?







Source: GI Research March 2022

Energy Markets Views You can Use

Dr. Li-Chen Sim
Assistant Professor
Khalifa University, UAE

Impact on energy flows if Russia takes control of Black Sea southern coastline?
If Russia managed to control the coast and obviously Odessa and the ports, that would be a huge blow to Ukraine's ability to export, especially wheat. Shipments and insurance have already been severely curtailed by the war. There's not much that NATO would be able to do if Russia did decide to control the coastline more strongly, but even if it did, the question would then become, for how long.

The Chinese seem to be the only buyers of IOC assets in Russia?
It will be a long and very expensive process for IOCs trying to divest energy assets in Russia. The Chinese are willing to pick them up because they have the cash and are perhaps not as ethically conscious to do so. But it does not leave Russia with much bargaining power, so I don't see them as gaining a lot from this. The Chinese will drive a very hard bargain.

Is the EU in any realistic position to sanction Russian energy?
The longer the conflict goes on and spreads, the more pressure there will be on Europe to take that position. And if the Russians really intend to push up all the way to the Moldovan border, more people will be hurt. That will also spook Kazakhstan because it has Russian speaking populations near that border and it's of course a big oil producer.

Is the requirement to pay for Russian oil in Rubles a big win for Putin?
It's a big win for both sides. European buyers will find ways to get around it while keeping within the letter of the contracts. So, effectively, they could still pay in Euros or Dollars and a seller like Gazprom can then do what it likes after that. Oil and gas sales will continue but there will be increasing pressure to sanction oil, and possibly after that gas, though that would be a very hard sell for the Europeans.

Rafiq Latta
Senior Correspondent
Energy Intelligence

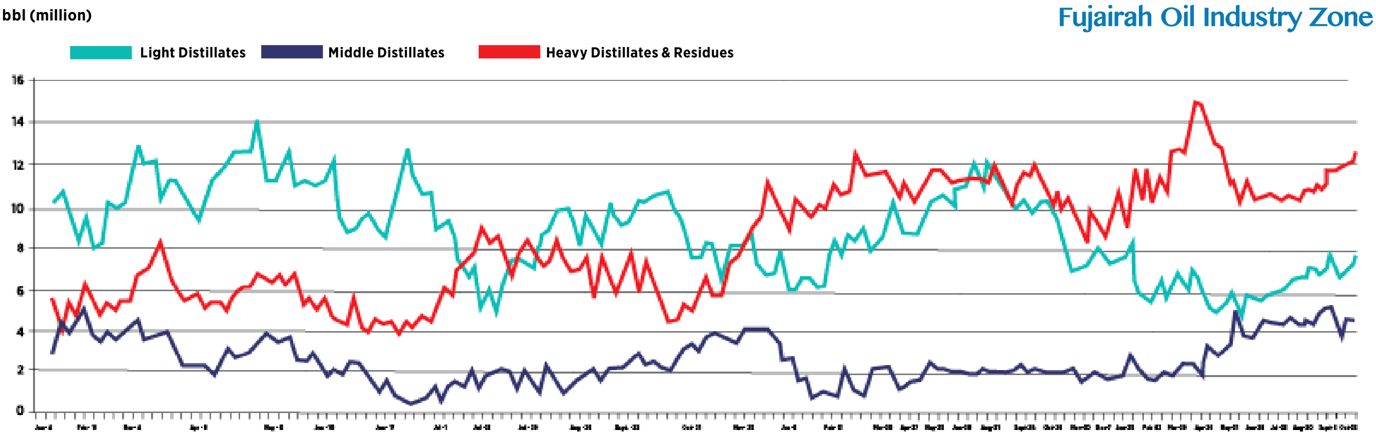
Could OPEC+ change its policy given the current supply demand balance?
I don't see them doing anything now, especially with certain parts of the market flipped into contango, stocks rising in the US, and the SPR release. Structurally, something has changed in the last six months that is very important for consumers everywhere. Clearly in its policy, OPEC has prioritized the Russian relationship and possibly energy transition concerns, over its market balancing mission, and that should be a wake-up call for everyone. From its perspective, OPEC has to watch out that it doesn't accelerate the transition with its recent policy, but it has clearly not indicated much concern over price pain. That's going to be the bigger theme longer term. And come September when the current deal expires, some market management mechanism will stay in place. That's what OPEC+ has done since it started, and it has proven capable of doing it.

How does Europe tackle the issue of Russian energy supplies?
At the end of the day, Putin cannot afford to lose, and he will do anything to ensure that. For all the hits that Russia is taking in terms of cut volumes from sanctions, it's getting compensation in price. How much this will balance out is yet to be seen. If the EU does place an energy embargo on Russia, it has to ensure it works. If higher prices compensate more than the volumes cut by sanctions, then Russia's going to win. Still, the EU had no option but to go down this route to a certain extent because otherwise they wouldn't have been taken seriously, and the moves it has made so far show that it is serious, but there's no doubt it's also dangerous because of its energy dependence.

Can the EU build up enough gas storage ahead of next winter?
If this conflict goes into winter, it would behoove the EU to start thinking about non business as usual measures that they can take. They would need to get any incremental supply they can, such as by accelerating FSRU capacity for example, and also work on energy efficiency.

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 16.088 million barrels. Total stocks fell by 971,000 barrels with overall stocks down 5.7% week-on-week. Light distillates and heavy residues posted draws, while middle distillates saw a small build in stocks.

- Stocks of light distillates, including gasoline and naphtha, fell by 195,000 barrels or 4.9% on the week to 3.749 million barrels. The East of Suez gasoline market was strengthening on stronger demand with demand from Indonesia picking up amidst the upcoming end of Ramadan festivities and loosened COVID-19 restrictions. A strengthening reforming spread has made it economically viable for gasoline producers to use naphtha as a blendstock, sources said. " Gasoline blending interest appears to be high, as naphtha is cheap and blenders can blend more gasoline," a trader said.

- Stocks of middle distillates, including diesel and jet fuel, rose by 105,000 barrels or 9% on the week to 1.271 million barrels. The gasoil market was characterized by strong crack spreads which were incentivizing refiners to maximize gasoil yields. In tender activity, India's Nayara Energy has awarded a tender offering a 65,000-70,000 mt cargo of 10 ppm sulfur diesel for loading over May 1-2 from Vadinar to a trading house at a premium of around $8.75/b to the May average of Mean of Platts Arab Gulf 10 ppm sulfur gasoil assessments, FOB. India's Bharat Petroleum Corp. Ltd, was also awarded a term tender offering five cargoes of 10 ppm sulfur gasoil, each 35,000-40,000 mt, loading over July, August, November, December and January 2023 at a premium of around $5.80/b to the Mean of Platts Arab Gulf 10 ppm sulfur gasoil assessments, FOB Kochi, sources said.

- Stocks of heavy residues fell by 881,000 barrels on the week to 11.068 million barrels as stocks held above 11 million barrels for the third consecutive week. Spot trading activity at bunkering hub of Fujairah remained at elevated levels, sources said. "Loads of demand [today], like pre-COVID days." In Fujairah, on April 26 offers for delivered marine fuel 0.5%S bunker were heard at low to high $810/mt levels. The grade was assessed at $810/mt, unchanged day on day. The premium of Fujairah-delivered marine fuel 0.5%S against the same grade in Singapore was $6/mt with Singapore delivered bunkers assessed at $804/mt on the day.

Source: S&P Global Platts

BY MATT STANLEY
DIRECTOR
STAR FUELS

Brent is trading this morning at $105.00 down 0.32 and WTI trading at $101.80 down 0.22. It seems like the oil market doesn't know quite what to do right now, stuck between concerns about supply disruptions from Russia and demand coming lower in China and the rest of the world because of inflation. Let's look at the state of the world right now. Europe - broken. North America - blinkers. Middle East - booming. Asia - struggling. Antipodes - welcoming. South America - chilling? The fact is that 2022 has proved extremely difficult to form a cohesive argument about the state of the oil market because of just how fractured the world has become. Crude prices are lower yet refining margins for diesel are at an all-time high. What does that tell us? Fuel oil used as a substitute for LNG in Asia hits record high. Again, what does this tell us? There are myriad stories along the same lines, but these are two that stood out to me. I would argue the answer to the first one is that simply crude oil has been in most Wall St funds for a while now and crude is merely following the general risk off attitude equities have faced the last few days. From a physical point of view, products are stronger than ever. The second question - now this is the important one to look at. Are LNG cargoes being diverted to Europe based on the fact that those EU countries will pay what they have to when they have to, in order to replace Russian gas? I'd argue yes. And there we come back to the BTU crisis we were in around Q4 last year. All of this means one thing - higher prices for the end user. The inflation, and hence recession argument, grows stronger every day, but with tensions in Ukraine seemingly increasing.

Energy Markets Views You can Use

Andy Laven
Chief Operating Officer
Sahara Energy Resources

How do you explain the narrowing backwardation in the market?
The view is that sanctions on Russian oil and gas are coming and will probably last quite a long time, so the market won't be as weak in the future as had been expected. The market also sees no problem with supply and demand today and that prices are being fundamentally impacted by geopolitics. But the situation is also very complicated – everything is moving in very different timeframes. We have short term concerns like inflation and the longer-term strategy of Europe wanting to change its reliance on Russian energy. The biggest problem is the inflation driven by the lack of basic commodities, like wheat coming out from Russia and Ukraine. We aren't really seeing the impact of that yet and unlike oil, you can't simply increase food supply overnight – it needs years to grow.

How extensive will Chinese demand destruction be this year?
It's probably going to take China most of this year to figure out a new Covid policy path, so we will see some reduction in oil demand, but that will be more of a blip. China is one of the best managed economies in the world and I think we'll see them bringing things that had loosened too much - like the construction sector - back under their control. Fundamentally, they know where they're going.

How quickly can the majors withdraw from Russia and any long-term impact?
It will be very dependent on the contracts and how willing people are to just walk away and get nothing for them. Longer term, international oil companies are likely to rethink how they assess country risk. The majors always saw that there was some risk in going into Russia, but when they made their investments, I don't think any of them saw themselves being forced to pull out because Russia was going to invade Ukraine.

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

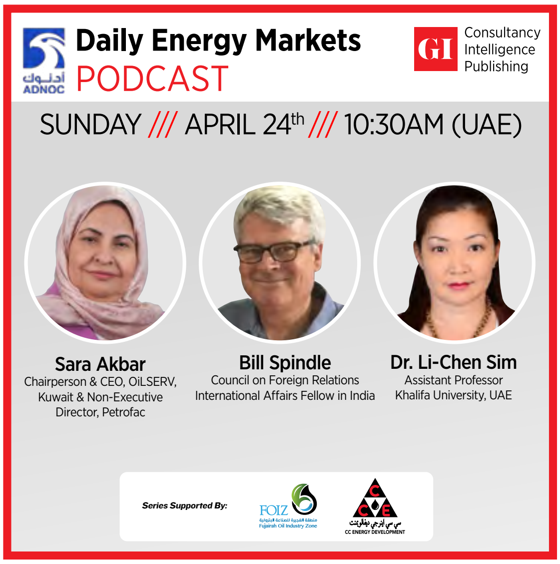
How much of the current oil price includes a Russia sanctions risk premium?
If the EU announces limited sanctions, we should expect some impact on the price but not huge because most of it is already built in. The other impact on the oil price are concerns about recession. The problems in Europe are increasing dramatically and there are reports now that the US will raise interest rates by another 50 basis points. Furthermore, the IMF last week brought the estimates for global GDP for 2022 and 2023 down even further and that's going to impact energy demand.

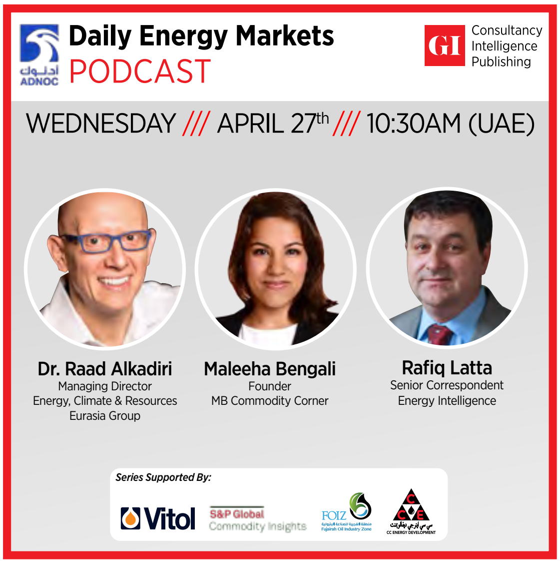
Do you expect that the EU will sanction Russian oil exports?
Brussels will push for more sanctions, but the indications are that these will be targeted and not universal on all oil imports, especially because Germany, Austria and Hungary have made it clear that they oppose sanctions.

Will Turkey be dragged in as Russia seeks to control the southern Black Sea coast?
Turkey is still highly dependent on Russia for its gas and many other things, so it's finding it very difficult to take an extreme view against the country. I think it will continue to moderate its reaction despite the fact that Russia has made it clear that it wants to take over the whole of the Black Sea coast of Ukraine. However, whether Russia can succeed with that is not clear. Odessa is a big target. My concern is that this whole conflict is going to be prolonged now that Russia has made it clear that it doesn't care about negotiations anymore. The sanctions already imposed don't seem to have had the desired impact on Russian military action. The impact on the global economy, on the food supply and on everything, is going to become even worse if this conflict carries on and on for the next few months.

Energy Markets COMMENTARY

WEEK IN REVIEW





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Energy Markets Views You can Use

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

Russia cutting off gas access to Europe would be considered a Red Line.
Europe would have to react accordingly. Until now, Russia has actually increased its volumes, reinforcing its position as a reliable supplier. So, cutting supplies to Poland and Bulgaria this week was a very significant step. It shows how serious Russia is about maintaining its financial security and about using the energy weapon if necessary. It's put the EU in a very difficult position and has increased the level of confrontation. If the EU were to accept paying in rubles now, it would be seen to be capitulating to the threat and would certainly undermine the unity within the EU that has persisted until now. We may not be at the point where Russia and the EU break energy trade ties altogether, but the risk is getting higher that we're moving in that direction, and markets need to start pricing that in.

Where can the conflict go from here?
This isn't happening in isolation. From Putin's perspective, he can't afford to lose. The perception by the West that Putin would somehow not see economic sanctions as implicit involvement in this war alongside Ukraine, has been somewhat sanguine, as has the view that one can contain the crisis within Ukraine because Russia has scaled down its operations to the east of the country. What Russia has done with this gas move, is signal to the world that it is simply not going to play by the rules imposed on it and that the energy weapon which it's now wielding, has always been in the background. There's almost been an assumption by the West that if oil and gas trade was allowed to continue, that somehow the Russians wouldn't use it. But the more the EU and NATO engage in direct support for Ukraine, the more Russia is squeezed and is going to kick. It's also increasingly difficult to see a win-win situation or where peace negotiations can start, when the US says it wants to see Russia lose this conflict and be weakened significantly into the future.

Should Europe be more cautious around the robust US posture?
Europe has shown a certain caution all along, for example around the debate on energy and how much pressure to put on Russia with that. There hasn't really been one consistent view on some of these issues. But with Russia not willing to step back, I think even from a European perspective, there's a desire to weaken Russia and that's feeding the escalatory ladder.

Has the fracture between Arab Gulf states and their western allies widened?
There is a deep fracture and that's been a process that's been ongoing for some time, but this Ukraine crisis has shone a light on it. The US security guarantee in the region is not seen to be what it was. That is compounded by the fact that Asian markets are now seen as growth markets for the key commodities that the Gulf states export. Certainly, the new leaderships in the Gulf are beginning to look at the world in a very different way.

ENERGY MARKET NEWS

1. OIL EDGES LOWER AS MASS COVID TESTING BEGINS IN CHINA

2. DOLLAR NEARS TWO-DECADE PEAKS AS PROBLEMS PLAGUE EURO, YEN

3. EU GASOLINE MARGINS SET APRIL RECORD

4. BEIJING IN RACE TO STAVE OFF SHANGHAI-STYLE LOCKDOWN WITH MORE MASS TESTING

5. HAS OIL LOST ITS UPSIDE MOMENTUM?

6. EU DENOUNCES 'GAS BLACKMAIL' AS SANCTIONS BATTER RUSSIAN ECONOMY

7. BP, SHELL TIGHTEN UP ON THEIR RUSSIAN OIL RESTRICTIONS

8. UKRAINE WAR TO CAUSE BIGGEST PRICE SHOCK IN 50 YEARS

9. PUTIN WARNS AGAINST FOREIGN INTERVENTION

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• THE BEST AND WORST PLACES TO BE IN A WORLD DIVIDED OVER COVID

Energy Markets Views You can Use

Bill Spindle
Council on Foreign Relations
International Affairs Fellow in India

Can the West get India on its side in their efforts against Russia?
India will try to remain as neutral as it can appear, but they're going to avoid condemning Russia. They've got a lot of reasons to continue their relations with Russia. Still, they have quite publicly gone out of their way to host foreign visitors from the West to send out some signals that they are certainly not choosing sides with Russia. India will continue on the track that it's on now, but behind the scenes, it will probably be reasonably critical of Russia.

Economic growth forecast for India given its energy challenges?
India's current account is being clobbered by the price rally in the oil market and in many cases, it's scrambling to grab any sort of energy it can, at the cheapest price. It's ramping up coal production internally, more than it has in years or decades. Part of the reason is because Indonesia has intermittently cut off coal exports. The economy's going to take a significant hit in the next year or so, as they also try to recover from Covid.

Impact of tighter US Fed policy on indebted emerging economies in Asia?
We've got a good handle now on the parameters of the supply shock, and so the big open question is more on demand and growth and what the Fed is going to do. That seems to be an evolving situation for the worse, and we also have the Covid situation in China, which seems to be a big open question as well.

Clyde Russell
Asia Commodities & Energy Columnist
Thomson Reuters

Are we stuck at this oil price point of around $100?
Oil is walking that knife edge between worrying about Russian supply and worrying about demand from China, Europe at risk of recession, and the developing world. But we're not seeing any panic in the market. It's sitting and observing. We still need to see the impact of how much oil we're going to lose from Russia, which will not manifest until at least May. And on the demand side, we need to assess how bad the destruction is going to be if Beijing goes into a lockdown. Also, just because China's fuel consumption is dropping doesn't necessarily mean their imports will too. And even if they do, that also won't manifest until June or July - nothing happens that quickly in the physical market.

How will the Chinese leadership continue to manage its challenges?
There are so many unknowns. Will Beijing throw a lifeline to the refining sector and allow it to export products? Profit margins on diesel are quite high right now so Chinese refiners would be keen to play in that market and there's certainly demand for cargoes in Asia and Europe. Will the government act to stimulate the economy if and once they get this Covid outbreak under control? I would say it's likely that they will and would hit the accelerator very hard. They have the ability, to ramp up a lot of high energy intensive industries like steel and aluminium quite quickly and they could stockpile any excess produced. Statistics on these raw materials would be my early indicators of recovery.

How concerning are Russia's comments this week on nuclear weapons?
It's something we should keep an eye on, but I think and hope it's just posturing. It's not a serious risk yet and you would always work on the assumption that wiser heads will prevail.

GI Soundings Week in Review

"Russia Ratchets Up Ukraine Conflict By Blocking Gas Supplies to Poland & Bulgaria"

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.

- **Amena Bakr, Deputy Bureau Chief & Chief OPEC Correspondent, Energy Intelligence**
- **Richard Redoglia, Chief Executive Officer, Matrix Global Holdings**
- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International**
- **Edward Bell, Senior Director, Market Economics, Emirates NBD**
- **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**

Amena Bakr, Deputy Bureau Chief & Chief OPEC Correspondent, Energy Intelligence: "We're seeing OPEC+ compliance levels now move north of 150% and so they need to address this to give the group a bit more credibility. They need to reassess these quotas and redistribute them or just reduce the volumes that they say that they're adding."

Richard Redoglia, Chief Executive Officer, Matrix Global Holdings: "What happens when demand goes to 104mbd? That's the heart of the issue of what we're faced with. I see these forward prices staying relatively elevated. The market's not worried about now - it's worried about the future. The normal way the market balances itself is by investment in the oil patch but we're not going to see that because of the transition."

Omar Najia, Global Head, Derivatives, BB Energy: "The problem with this market is product, not crude. The cracks for gasoil and gasoline against crude have exploded. And why? Because of the backwardation in the market there were no stocks, and because refineries weren't profitable not enough capacity was made available to take that crude and make that product."

Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International: "The block on gas exports from Russia doesn't really make that much difference in Poland. The EU was pressuring Poland for a very, very long time to start getting rid of its dependency for electricity generation from coal and that's now proving to be a blessing in disguise. The block on Bulgaria however is likely to have a much bigger impact."

Edward Bell, Senior Director, Market Economics, Emirates NBD: "Gulf economies look promising for the next 12-18 months, with budget surpluses of about 10% expected for Saudi and the UAE, supported by elevated oil prices. Even non-oil GDP growth in the UAE is seen at around 4%. But the region is also quite exposed to the trade from Russia and Ukraine, so we are going to see commodity price inflation, particularly on food."

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy: "If we have this giant fear of recession hitting, that in itself will impact energy markets negatively and will exercise downward pressure on prices, so OPEC won't see any reason to take any drastic measures beyond what they are planning, for next month."

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
April 24th - 28th

1. Russia's aspirations to secure all of Ukraine's southern coast on the Black Sea is likely to draw a reaction from Turkey, which has already signaled its intention to intervene with blocking its skies to Russian air travel.
2. Oil prices have declined in 3 of the last 4 weeks – a trend that will likely continue with the further revisions downward for global economic growth.
3. India's external posture appears to be neutral on the Russian invasion of Ukraine, or perhaps even on occasion slightly pro-Russia, but in reality, beneath the surface it maintains a strong foothold in the camp of Western democracies.
4. Europe will need to change its messaging on its appetite for gas after 2030 if they expect energy majors to invest the billions of dollars required to develop new reservoirs.
5. The real problem facing the current oil markets is not supply shortages of crude oil, it is concerns about accessing products such as diesel and jet fuel which are in BIG demand.
6. Financial markets of all shapes and sizes appear to be totally ignoring the biggest tsunami coming over the horizon and that is food shortages, as Ukraine faces not one, not two but possibly 3 or 4 years of disrupted grain harvests.
7. China's H1 oil demand slump could be reversed in H2 if Beijing opens its stimulus taps once Covid wave passes, if indeed people will be allowed out of their apartments to go to work.
8. OPEC+ may need to redistribute oil production quotas once the current agreement expires in September because clearly most producers are unable to meet their existing output targets.
9. Whatever plans Europe may have had in finding a work-around to meet Russia's demand in paying for oil and gas in Rubles, that will be close to impossible now after Russia's move to cut Poland and Bulgaria off from gas supplies.
10. The biggest factor impacting commodity markets may not be Russia's war on Ukraine, but the collapse in the FX markets with the Yen, Euro and Sterling all suffering big losses against the Dollar.

10th Anniversary ITINERARY

ENERGY MARKETS FORUM

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

DAY 1 - OCT. 4th

What: Port of Fujairah Executive Boat Tour
Where: Port of Fujairah
Time: 2:00pm

What: FOIZ Oil Storage Terminals Industry Tour
Where: Port of Fujairah
Time: 2:00pm

What: The Aramco Trading New Silk Road CEO of the Year Awards 2022
Where: Novotel, Fujairah
Time: 7:00pm

DAY 2 - OCT. 5th

What: Industry Forum - East of Suez Outlook
Where: Novotel, Fujairah
Time: 8:00am - 3:00pm

What: International Energy Journalism Awards Dinner
Where: Novotel, Fujairah
Time: 7:00pm

DAY 3 - OCT. 6th

What: Energy Markets Workshop - Benchmarks
Where: Novotel, Fujairah
Time: 8:00am - 2:00pm

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