Exclusive Insights ▸ Actionable Intelligence ▸ Data Trends ▸ Latest News

NEW SILK ROAD Fujairah WEEKLY NEWSLETTER

April 4th 2024

Vol. 189

SOUNDING

CHINESE OIL DEMAND

"Crude oil imports have been relatively strong in the first couple of months of the year into China, as have key commodities imports which are up by about 10% year on year, in the first two months of 2024. However, we need to distinguish between demand for stockpiling, and actual levels of consumer demand."

David Fyfe
Chief Economist
Argus Media

TOP SURVEY

J.P. Morgan says Brent crude oil will reach $100 in Q3?

Disagree	39%
Agree	61%

"Oman's Port of Duqm Playing Vital Role in Future Proofing Logistics!"

Reggy Vermeulen
CEO
Port of Duqm

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS
Average Range
$3.57 - 4.09/m³

Highest: $4.50/m³
Lowest: $3.30/m³

PODCAST OF THE WEEK

FUJAIRAH WEEKLY OIL INVENTORY DATA

7,564,000 bbl	3,359,000 bbl	9,346,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

THE WEEK IN NUMBERS

WEEKLY AVERAGE OIL PRICES

BRENT CRUDE	WTI CRUDE	DME	MURBAN
$88.40/bl	$84.56/bl	$88.31/bl	$88.36/bl

*Time Period: Week 1, April 2024
Source: IEA, OilPrice.com, GI Research

FUJAIRAH WEEKLY BUNKER PRICES

VLSFO	MGO	IFO380
High = $652.00/mt	High = $906.50/mt	High = $481.00/mt
Low = $640.00/mt	Low = $893.50/mt	Low = $456.00/mt
Average = $646.00/mt	Average = $899.50/mt	Average = $467.50/mt
Spread = $12.00/mt	Spread = $13.00/mt	Spread = $25.00/mt

*Bunker, *Time Period: March 27 – April 3, 2024*

FUJAIRAH BUNKER SALES VOLUME (M^3)

1,000 180cst Low Sulfur Fuel Oil	407,799 380cst Low Sulfur Fuel Oil	192,753 380cst Marine Fuel Oil
210 Marine Gasoil	31,674 Low Sulfur Marine Gasoil	4,420 Lubricants

Source: FEDCom & S&P Global Platts

Reggy Vermeulen, CEO, Port of Duqm

The Covid crisis caused major supply chain disruptions and woke up every part of the global procurement value chain. Many companies rearranged themselves and became much more agile. Today, we have a new crisis with attacks on shipping passing through the Bab Al Mandeb area, which has again forced the reorganization of logistics. At the port of Duqm, we see it as an evolution in the sense that it shows again that we cannot rely on old value chains that used to be in place and taken for granted. Routes are being disturbed daily, but most of the main shipping lines are finding alternative routes, not just for the short term, but to have a network that will be future proof. Duqm is one of the closest ports in this crisis area and we have been there to support all the efforts in stabilizing the region – whether it is to reroute cargo via land, whether in ship-to-ship transport, or from air to sea and vice versa. We are working actively with the major players in global logistics to see how to unplug routes that will be constantly available despite any disruptions. The port of Duqm has access inland towards Saudi Arabia, towards the UAE, and Oman, as well as being positioned to serve the entire Indian Ocean.

How does this contingency role impact Duqm's infrastructure expansion plans?

We look at our infrastructure in two parts. There's what is already developed and in use for liquid bulk, break bulk, dry bulk, and our container terminal. With our partners, we are increasing utilization and optimizing that port infrastructure. In addition, we are also preparing for new and more captive infrastructure development, so that going forward, we will have the capacity to serve a larger base of needs for new projects.

Is rising interest in alternative and cleaner fuels impacting port development?

It's very promising for Duqm. Firstly, Oman has a very good combination of, wind, solar and proximity of port infrastructure, which makes it one of the most promising destinations to generate pure green hydrogen. We are working with the Ministry of Energy, which has set up the first six projects in this regard. In parallel and in addition to addressing green hydrogen generation, we also see downstream generation potential and more particularly the attraction of a green steel industry, and companies are already in advanced stages of setting up in Duqm. We are also working with Shell on blue hydrogen and carbon capture. So basically, Duqm can attract different industries and offer them carbon reduction options from CCS to blue hydrogen and green hydrogen, which is quite unique within port and industrial zone frameworks.

WATCH FULL INTERVIEW HERE

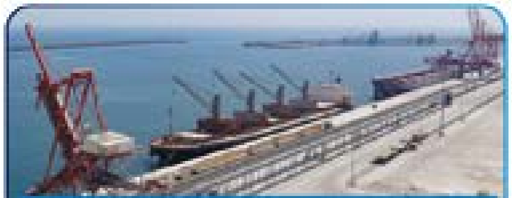
Outlook for Duqm to serve new markets in Africa and Asia?

These are the geographies that will witness an increasing demand for trade in the coming decades. Indian Ocean markets are growing at a very fast pace but the infrastructure, especially the marine infrastructure linked to it, is not adapting at the same pace. That's where ports like Duqm can play a vital role and offer larger hub capacities for logistics, manufacturing, and distribution to new and very promising markets. It is also often forgotten that Oman has a free trade agreement with the US, so Duqm can play a bridging role between the Middle East, Africa, the Indian Ocean, and the US.

THE MULTI PURPOSE PORT

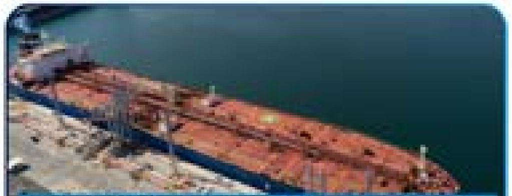
ONE OF THE WORLD'S LEADING ANCHORAGE AND BUNKERING LOCATIONS

Port of Fujairah
Port of Fujairah
United Arab Emirates



Dry Bulk Cargo - Key regional aggregate export hub.

Stategically situated on the East Coast of the UAE outside the Straits of Hormuz.



Fujairah Oil Tanker Terminals (FOTT) - The Middle East's premier hub location for oil trading activities.

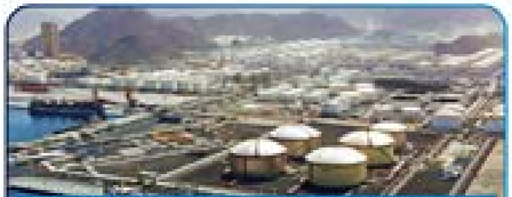
Bunkering at Fujairah Offshore Anchorage Area - Fujairah is the world's third largest Bunkering Hub.

Fujairah Terminals "FT" - FT provides a full range of container, general and project cargo services.

Extensive pipeline infrastructure connecting the Tank Storage Terminals with FOTT

Liquid Bulk Tank Storage Terminals - The Middle East's largest oil storage hub.

Fujairah Grain Silos - Strategic & commercial grain storage and trading.



FOTT Matrix Manifold System - This unique system provides terminals access to all berths as well enable ITTs between Terminals.

VLCC Berth - The first VLCC Berth on the Indian Ocean, which accommodates oil tanker up to 330,000 DWT.

Service Harbour - A Key facility to support one the world's biggest maritime service hubs.

FUJAIRAH SPOTLIGHT

FUJAIRAH DATA: Oil product stocks jump to 8-month high

Stockpiles of oil products at the UAE's Port of Fujairah rose 2.4% to an eight-month high in the week ended April 1 after a surge in diesel imports from Kuwait, according to the Fujairah Oil Industry Zone and shipping data.

Source: S&P Global Commodity Insights

UAE PRESIDENT RECEIVES RULER OF FUJAIRAH

President His Highness Sheikh Mohamed bin Zayed Al Nahyan on Monday welcomed His Highness Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah. During the meeting at Qasr Al Bateen in Abu Dhabi, they exchanged greetings and best wishes for the remainder of Ramadan, in the presence of majlis guests including Sheikhs and citizens.

Source: Gulf News

BUNKER HUB PRICE WATCH: FUJAIRAH

The price of very low sulphur fuel oil (VLSFO) and low sulphur marine gasoil (LSMGO) decreased week-on-week at the Port of Fujairah, according to Bunkerspot Price Index (BPi) data. The price of VLSFO slipped $1 during the week, from $643 per metric tonne (p/mt) on 26 March to $642 p/mt today (2 April). On 3 April 2023, VLSFO at Fujairah was $602 p/mt.

Source: Bunkerspot

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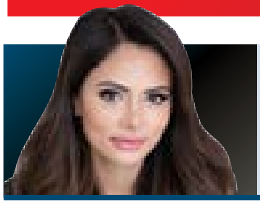
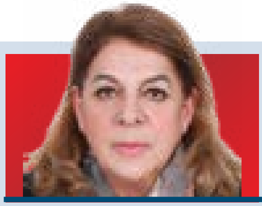


Amena Bakr
Senior Research Analyst, Energy Intelligence

Is it time for OPEC+ to bring back volumes at these prices?
I think it is, but they won't do it now. When they meet in June in Vienna, they will discuss any gradual unwinding, starting with the latest tranche of 2.2 million b/d voluntary cuts. They don't want to shock the market by announcing that they're bringing back all these volumes. We're also seeing very high compliance because members are reaping rewards from better prices. OPEC+ has been waiting for two things to happen – for prices to be at a good level, and to have a better picture of where demand is going. For now, they still see demand growth of 2.2mn b/d by year end, with most of it happening in H2. They also don't want the market to overheat. Much higher prices could be counterproductive and could destroy demand. When prices are above the $85 range, it's more tempting for members to start easing on their compliance.

Which members can add oil to the market today?
Countries that have been lax on compliance, like Iraq and Kazakhstan, might start to leak some of that supply. Others, like Saudi Arabia, are sitting on a large amount of spare capacity, and they might say it's time to bring back some supply to regain market share and benefit their economy. So, there needs to be a balance, and we are still to see what mechanism they would use to return any volumes. We will know that closer to the official meeting in June.

Should OPEC+ be concerned about market share?
They are watching supply from outside the group, especially because the growth in US supply tends to surprise on the upside. And we're also talking about additional supply coming from Brazil, Guyana and other areas. But there isn't much concern about their share of the Asian market. There is a deep belief that we're going to see a lot of growth there and so these higher prices will be accepted. Also, crude supply from the Gulf is based on long-term agreements. Having that security is very important when you have a growing economy, whether it's China or India.



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

What's the main driver moving us to $90 Brent?
It's a combination of factors - rising geopolitical risk in the Middle East, which is now more firmly engrained, continued attacks on shipping in the Red Sea, attacks by Ukraine on Russian refineries, and expectations of interest rates staying as they are for the moment. It's a bullish market in general - Bitcoin and gold are setting records and we have strong manufacturing data.

How should OPEC+ handle these moving parts?
The market structure right now is in their favor. They will need to decide when they taper their cuts and how gradually, whether over three or six months for example, depending on how the market's going. And they don't just look at price; they look at stock levels and the backwardation in the market, which at the moment is quite narrow in the first few months after June, but it gets a bit steeper in the fourth quarter. One issue OPEC+ has to consider, is that there will be 1.6 million b/d of increases from non-OPEC+ countries, led by the US, which more or less covers the demand increase. So, how much longer will Saudi Arabia and Russia sacrifice market share for price? It's going to be quite a difficult balancing act. The other thing you're going to see is more effort to force compliance by those countries that aren't doing so fully with their quotas. OPEC has a new system that's coming up where they're going to have an independent assessment of capacity that might cause some problems because some people will get lower quotas.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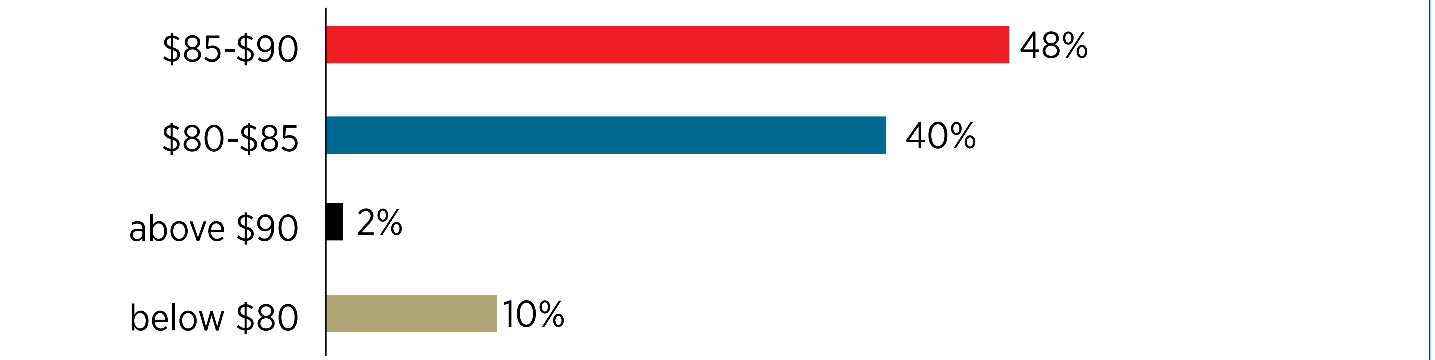
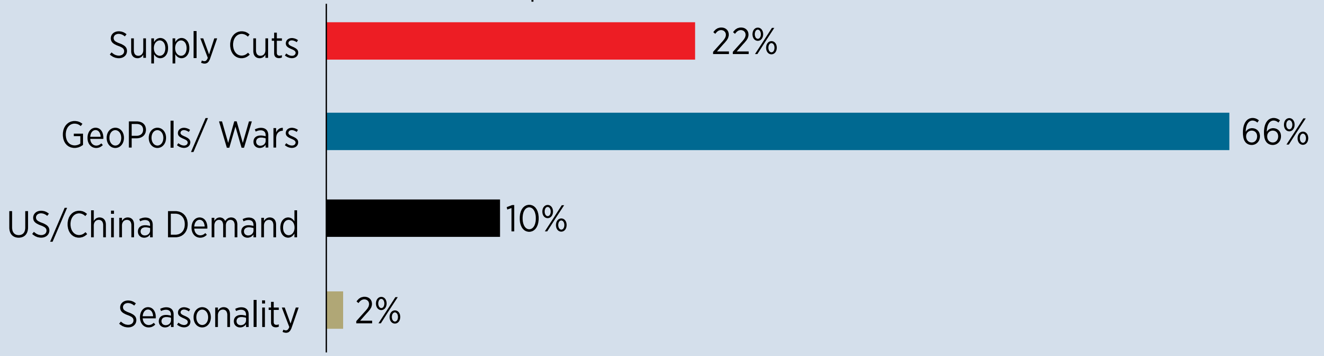
GI WEEKLY SURVEYS

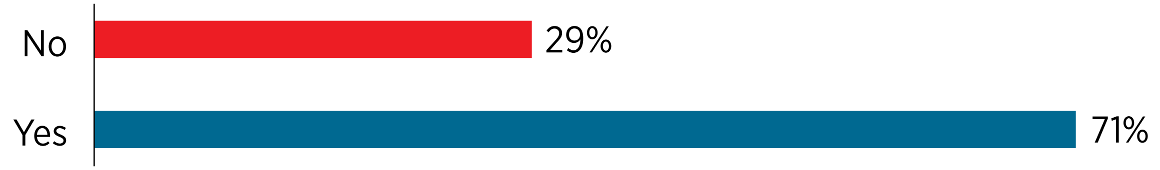
Brent crude oil rose over $10 per bbl through Q1 to average around $83 over the quarter – what will it AVERAGE in Q2:



What is the main driver for oil prices to $90?



Will tight oil market conditions allow OPEC+ to start to unwind cuts in Q3?



Harness our expertise **to discover possibilities**

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ENERGY MARKETS VIEWS YOU CAN USE

Dr. Carole Nakhle
Chief Executive Officer
Crystol Energy

Anything one would identify as bearish for the current market?
Given the geopolitical tensions, whether they are resulting in actual supply disruptions or just creating a fear in the market, and despite OPEC+ cuts, for prices to be trading only at this level, should keep us more cautious about this optimism on where prices are heading. Several factors indicate a more bearish outlook. Spare capacity is above five-year and ten-year averages as a result primarily of OPEC+ cuts, so that should dampen the geopolitical risk premium. There have been some positive indicators coming from China, but it still has major structural problems with its economy that are not going to dissipate overnight. And the more positive the data is coming out of China, the more reluctant the government will be in stimulating the economy. Another factor is all that oil that is still floating in the sea because of tanker diversions. It's a question of time before those reach their destination. Add to that more non-OPEC supply and the outlook for oil prices looks different, not only for this year, but for years to come.

Outlook for Europe's economic position in the world?
There are two things that stand out to me as very different today since Russia invaded Ukraine in 2022. One is the lack of public enthusiasm for supporting Ukraine and a fatigue from the ongoing war. The second is the attitude towards the Energy Transition and climate change policies within Europe. Before 2022, there was much excitement about saving the planet from further warming and pushing for green energy. Today, people are more concerned about what they're spending and the cost of living.

Omar Najia
Global Head, Derivatives
BB Energy

What's your call for oil in Q2?
A lot of people mistake a market that is very overlapping to the upside, with a weak one, but we see it moving higher, and substantially so, with the first target for WTI at $90, then $95, then $120 and above. We're looking for new all-time highs without a move below the low that we saw earlier this year of about $67 WTI. And the reason is not because of supply and demand fundamentals, but rather because the trend is higher, as it is for gold, for the S&P, for Bitcoin and for inflation.

Will the Fed still cut interest rates?
Whether inflation increases or not, they will cut rates because of the US debt and affordability of interest rate payments. The US either inflates its debt way or it goes belly up. Our forecast is they will inflate, inflate, inflate. If interest rates stay where they are, they're going to be paying massive amounts in interest payments and borrowing to pay for their borrowing. That situation is unsustainable, so they're going to lower rates and let inflation increase and let their currency weaken. US interest on its debt is expected to hit $1.6 trillion by year end, making it the largest US government outlay - more than they spend on defense and more than they spend on social security.

Fujairah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 20.269 million barrels with a build of 484,000 barrels or up 2.4% week-on-week, returning above the 20-million-barrel level. The stocks movement saw a large build for middle distillates which offset draws in light distillates and heavy residues.

- Stocks of light distillates, including gasoline and naphtha, fell by 169,000 barrels or 2.2% on the week to 7.564 million barrels. The East of Suez gasoline complex was seeing an easing of cracks as the region tracked a narrowing US RBOB-Brent crack, despite expectations of reduced Chinese refining capacity. In tenders, Sri Lanka's Ceypetco was heard seeking 1.5 million barrels of 92 RON gasoline for delivery over July 15, 2024, to January 14, 2025

- Stocks of middle distillates, including diesel and jet fuel, rose by 1.278 million barrels or 61.4% on the week to 3.359 million barrels. The East of Suez gasoil complex moved into contango in intraday trading as supply continued to outstrip demand, with trade participants expecting tepid demand to continue in the near term. In tenders Bapco is offering 60,000 mt of 10 ppm sulfur gasoil for loading over April 21-24 from Sitra on a MOPAG basis, FOB. QatarEnergy is offering 20,000 mt of 500 ppm sulfur gasoil for loading over April 15-15 also on a MOPAG basis, FOB Ras Laffan. UAE's Emarat, is seeking 12,000 mt of 10 ppm sulfur gasoil for delivery over May 5-6 to Jebel Ali also on a MOPAG basis, C&F/CFR.

- Stocks of heavy residues fell by 625,000 barrels, down 6.3% on the week as they stood at 9.346 million barrels moving closer to the 9-million-barrel level. Spot trading activity in Fujairah has been buoyant since end-March, with the upturn in LSFO notable following a month of weakness, drawing down its stockpiles. "Been a busy day as people get back to work post Easter," said a supplier, adding that he had received a notable number of enquiries in the day. The robust demand has led to tighter-than-usual barging schedules for LSFO suppliers with some earliest delivery dates from April 13 onwards. Platts assessed Marine Fuel 0.5% maximum sulfur delivered barges in Fujairah at $645/mt April 2, $6/mt above the previous day.

Source: S&P Global Commodity Insights

ENERGY MARKETS NEWS

1. Oil prices rise on concerns of lower supply, signs of U.S. economic growth
2. OPEC+ Committee Calls on Members to Compensate for Overproduction
3. Nikkei leads Asia higher as yen skids; commodities in demand
4. Powell sticks with Fed's cautious rate-cut strategy
5. OPEC+ gets oil price to its sweet spot, the trick is keeping it there: Russell
6. Abu Dhabi's Lunate acquires 40% stake in Adnoc's pipeline assets
7. BofA Sees Summer Oil Price Peak at $95 Per Barrel
8. Biden May Lift LNG Export Ban To Win Ukraine Aid
9. US oil and gas output was severely hit by winter storm: Kemp
10. World Central Kitchen founder José Andrés says Israel targeted staff in Gaza 'car by car'

RECOMMENDED READING

Exxon's $60 Billion Fight With Chevron Will Reshape Big Oil
China's ageing population: A demographic crisis is unfolding for Xi
Israel's attack on Iranian embassy erases unspoken 'red lines'
China to improve construction of financing credit service platforms
Xi, Biden hold phone talks
Chinese markets closed for holiday on April 4-5

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ENERGY MARKETS VIEWS YOU CAN USE

Marc Howson
Head of Asia
Welligence Analytics

Chinese LNG demand really surprised everyone on the upside last year.
It grew 13% year on year and surpassed Japan to be the world's largest LNG importer again. Along with other Asian LNG markets, it led to 3% growth in total Asian LNG demand. European demand in contrast was flat year on year. And this year again, its Asian demand that has driven relatively high prices; in the short space of under a month, we have had more than a dollar increase in spot LNG prices, which now stand above $9.50 per MMBtu again. Also, domestic gas production in Southeast Asian in countries like Pakistan, Thailand, and Indonesia, has either plateaued or is declining. So, there's a long-term structural deficit in supply and that leaves LNG as the only way to meet demand in the short to medium term. Last year alone, we saw the Philippines, Thailand, and Hong Kong begin LNG imports for the first time. The challenge this year is that there's also very little new LNG supply globally hitting the market. The big North American and Qatar supply should get going in 2025 and beyond, so prices will be creeping up to over $10 per MMBtu in the summer months in Asia.

Expectations for Asia to invest in permanent LNG infrastructure?
Buyers and sellers in the region are increasingly happy with floating liquefaction infrastructure and floating FSRUs. If countries like Pakistan and Bangladesh develop enough domestic resources one day, FSRUs can simply sail away. They have a lower Capex and lower carbon footprint than onshore LNG facilities. Importers are increasingly preferring the flexibility of FSRUs, especially given the volatility we've seen in markets the past few years.

FOIZ
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Fujairah Oil Industry Zone

The Gateway to the World's Fastest Growing Energy Consumers!

As the UAE's only emirate on the Arabian Sea coast, Fujairah is at the heart of the new energy corridor opening up East of Suez to Asia. The emirate is already established as a world-scale storage and bunkering center alongside Rotterdam and Singapore and is set to benefit in the next few years from companies' plans to expand crude and petroleum product facilities to avail of the state-of-the-art physical infrastructure on offer.

STRATEGY

Developing the petroleum strategy for investment in the region

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Regulating all aspects associated with the Oil and Gas industry

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Providing administrative services to stakeholders for smooth operation of the business

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Energy Markets Commentary
Week in Review

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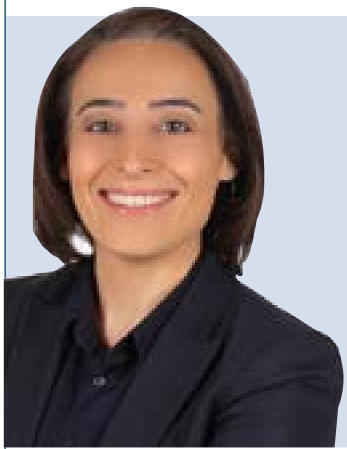
GI SOUNDINGS WEEK IN REVIEW

"Oil Prices Continue to Strengthen Albeit Amid Cautious Economic Optimism!"

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.



SAUDI-RUSSIA RELATIONS

"The alliance within OPEC+ between Saudi and Russia is going to stand, and now more than ever because they understand that there is competition from non-OPEC producers, and not having OPEC+ will weaken OPEC. The two countries have been really good at managing any differences so far because they see the value in this alliance."

Laury Haytayan, MENA Director, Natural Resource Governance Institute

FUND MONEY

"We have been quite constructive oil for the past three months in anticipation of short covering that's been happening by hedge funds in the last two months, and that was one of the reasons why the geopolitical risk premium wasn't seen in the market."

Ilia Bouchouev, Ph.D., Managing Partner, Pentathlon Investments

GI SOUNDINGS WEEK IN REVIEW

CHINESE DEMAND

"We're heading into China's peak refinery maintenance season and crude exports to China haven't declined as much as in other years. That is partly because its onshore crude stocks are very low, as it drew down a lot over the first three months of this year. So, crude flows to China over this maintenance period will be quite steady at around 9-10mn b/d."

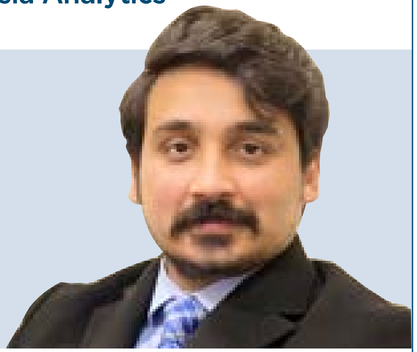
Matthew Wright Senior Freight Analyst, Kpler

EUROPE GAS

"One might be forgiven for thinking that after three long years, the gas market crisis is over in Europe. After another mild winter, stocks have ended the heating season at record highs of over 64BCM, reducing the volumes that need to be injected this summer for stocks to reach the EU mandated target of 90% capacity by 1st of November."

Gulmira Rzayeva, Founder & Managing Director, Eurasia Analytics

PAKISTAN ECONOMY



"Last year was the most difficult year for Pakistan's economy so far and 2024 is not looking any different. We have higher energy prices, issues between Iran and Pakistan on pipelined gas because of overhanging secondary US sanctions, we need to get another IMF plan, and the security situation has worsened."

Osama Rizvi, Energy & Economic Analyst, Primary Vision Network

VENEZUELAN CRUDE

"Chevron has managed to stay the course in Venezuela, even under the toughest of sanctions under the Trump administration, and it is projecting to raise its production to 250,000 b/d by 2025. Other US investors are also betting on a normalization of the commercial oil relationship between Venezuela and the US, no matter what happens in terms of political affairs."

Jose Chalhoub, LATAM Consultant, Venergy Global