Fujairah
New Silk Road
WEEKLY NEWSLETTER

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FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone
Port of Fujairah
United Arab Emirates

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

SHIPPING TARGETING 5% CLEAN FUELS BY 2030!

Guy Platten, Secretary General, International Chamber of Shipping

The decarbonization agenda is very much there in shipping and we want to be net zero by 2050 but we need to know what those new alternative fuels are going to be. One thing we do know is that there's an opportunity for shipping because we may use only 4% of fuels, but 96% are carried and we know these green fuels will change trade patterns. You are also going to need ships to transport these clean fuels. We've done some work with governments, and they have some great ideas on producing these renewable fuels but how are they going to ship them to market? We need to start understanding what those fuels are likely to be. We believe that an achievable target for shipping is to have 5% use of clean fuels by 2030, and then it will start to accelerate. That's where governments need to come in. We are not asking for money or handouts – we want good, proportional regulation that gives financial certainty to unlock the investment that is needed. For example, we have a proposal in for a market based economic measure, so that there's a price per ton of CO_2, that ships may emit and perhaps the opportunity to draw some money out, if ships are emitting zero fuel, to try and bridge that gap between the clean fuels and the fossil fuels they burn. That needs regulation and for governments to come together. We need fuel standards and governments to agree on an international basis, to create that level playing field and achieve the aim. There's real intent among ship owners to make this happen but we need regulatory certainty, and we also need to make sure that developed and developing nations can make this journey together.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,251,000 bbl	3,307,000 bbl	14,602,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

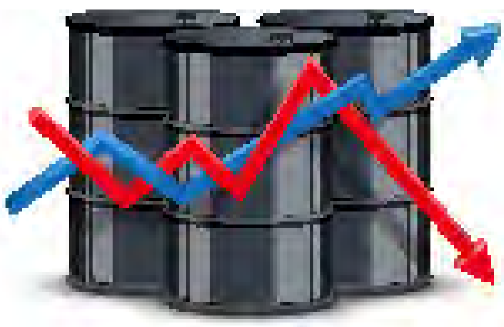
Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.61 - 4.10/$m^3$

↑ Highest: $4.50/$m^3$
↓ Lowest: $3.40/$m^3$

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude:	$95.43/bl
WTI Crude:	$88.97/bl
DME Oman:	$90.88/bl
Murban:	$94.69/bl

*Time Period: Week 2, Nov.2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $698.50/mt

Low = $678.00/mt

Average = $686.50/mt

Spread = $20.50/mt

MGO

High = $1,261.50/mt

Low = $1,227.00/mt

Average = $1,246.50/mt

Spread = $0.00/mt

IFO380

High = $399.50/mt

Low = $389.50/mt

Average = $394.50/mt

Spread = $10.00/mt

*Source: Ship and Bunker, *Time Period: Nov. 2 – Nov. 9, 2022*

Fujairah Bunker Sales Volume (m^3)

589 180cst Low Sulfur Fuel Oil	508,277 380cst Low Sulfur Fuel Oil	128,515 380cst Marine Fuel Oil
1,210 Marine Gasoil	29,287 Low Sulfur Marine Gasoil	5,269 Lubricants

Source: FEDCom & S&P Global Platts

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Guy Platten, Secretary General, International Chamber of Shipping

Is the added focus on energy security impacting the transition agenda?

Obviously in the short term, people want to secure their energy supplies and that may also mean more of a push for renewable energy produced more locally in the long-term. But there's a lot of rhetoric by politicians and we're trying to differentiate between that and what's happening on the ground. We have this concept called Clean Energy Marine Hubs, which we launched a few weeks ago at the Clean Energy Ministerial in Pittsburgh, which is trying to get the public sector, private sector, and whole value supply chain, to understand what these new fuels are going to be and to make sure that it's done in a logical way. There's no doubt that the shipping industry has got the memo and is recognizing the need to transition but we need more certainty for long term planning because the last thing a ship owner wants to be left with is stranded assets. We need our global regulator, the International Maritime Organization, to come together properly to de-risk some of that uncertainty, to allow proper planning to take place.

Have supply chain issues post COVID now been resolved?

We still have some bottlenecks in port and a shortage of seafarers and truck drivers. All these things impact the overall supply chain. We estimate that by 2025, we will be 96,000 certificated officers short in our industry, about 6% of the total. That's a huge number. We are struggling to get talent and that's symptomatic of most industries as they reset coming out of COVID and into the recovery.

How is the sector managing with the sanctions placed on Russia?

There's some confusion around that because there's the oil price cap coming in December, leaving shipowners inadvertently without insurance cover. We're working through the detail and speaking to finance ministers in the US and Europe, to get a better understanding of how this is going to work. No ship owner wants to break sanctions so it's working through that minefield, which is the sanctions, to make sure people are compliant. It's also about making clear to governments the law of unintended consequences. For example, making sure that a ship owner does not load a cargo above the price cap, simply because they were not aware if it might be sanctioned. It is trying to get this understanding through the system.

Where are shipping rates today as we close out 2022?

We are seeing a softening in the container rates quite markedly, back to almost pre-pandemic levels and that will perhaps worsen as the world goes into an economic downturn. Shipping is often a good barometer on how the world is doing, and some early indications are that those rates are coming down.

What consequence are changes in crude and product flows having?

It's about readjusting the interconnected network. At the end of the day, ship owners will provide the ships which are available to meet the needs of the cargo. But at the same time, ships take time to build. These things are always transient and settle down over time. It's about what the long-term prospects are going to be and that's very difficult to call right now because of this new order emerging. Shipping has always been very cyclical and difficult to call more than a few months ahead, but it is also a very resilient sector.

WATCH FULL INTERVIEW HERE

ENERGY FOR LIFE

Abu Dhabi National Oil Company (ADNOC) is one of the world's leading energy producers and a reliable global energy supplier. With a production capacity of 4 million barrels of oil per day and around 11 billion standard cubic feet of natural gas per day, our work continues to enable our country and our people to realize their remarkable potential, acting as a catalyst for the growth and diversification of the UAE economy.

TOGETHER, WE BRING ENERGY TO LIFE.

Energy Markets Views You can Use

Vibhuti Garg
Director - South Asia
IEEFA

What is India's approach to and expectation from COP 27?
India is undergoing a lot of development and has big plans for renewable energy and needs more finance than what is currently available. India has not historically been a contributor to the climate change that we are witnessing, unlike China whose fuel-based capacity is starkly different. We would want to see progress made at COP 27 on the loss and damage fund. It is on the agenda this time, but timelines are a very important aspect. We can't wait for two or three years to start with this process – there's an urgent need to provide for those who have been impacted through the natural calamities that have hit different parts of the globe.

Outlook for Indian economic growth in 2023?
We are poised for strong economic growth, whether it's in transportation, industrialization and even urbanization, and that will lead to huge demand for oil. We import 80% of our oil needs and it will take time to decarbonize the transportation sector, with no immediate replacement available for the next few years.

Will India continue to import discounted Russian oil next year?
India has been emphasizing consumer needs first. We also have wholesale price inflation of over 10% and consumer price inflation of 7%. Oil is one of the big components which is driving this, which further impacts food inflation. So, there's a lot of linkage with what price India secures its oil and so, irrespective of which country the source of supply is, it will scout for cheaper oil imports.

Can Asian countries compete if Europe becomes a long-term LNG importer?
India is not so reliant on gas in its total energy mix, but countries like Bangladesh and Pakistan have a huge reliance. The Russia Ukraine war has led many countries, including India, to press the reset button from an energy security and price volatility perspective, to reduce reliance on these fossil fuels. If the US pumps more LNG into the system, that could help with some price stabilization in the short-term, but further out, efforts are being undertaken to reduce reliance, whether it's oil or LNG.

Mike Muller
Head
Vitol Asia

Has there been a shift in sentiment from demand to supply concerns?
We still have a demand concern in the West, focused on natural gas. We've had exceedingly mild weather, which creates a situation where Europe would appear to have enough gas, barring a super cold snap early in the winter cycle. In the East, the main reason given for the price rally in oil from the very low $90s to $98.80, at one-point last week, was a speculative view in the market that China would open-up after all, which were then promptly shut down by China. The signal that the market is waiting for now are the nominations for the month of December and how much less oil OPEC+ will put on the market compared to November. If there is not less oil - to address OPEC+ concerns that inventories will build and that demand is not healthy and in particular from China – then the market will be scratching their heads asking what the two million barrels quota cap was all about.

Is it likely that China will loosen its zero COVID policy anytime soon?
You have to look at the individual building blocks of the segments of the economy that need help. There has been a messaging that there will be government assistance in infrastructure; the real estate sector is ailing and that has a knock-on effect on cement, steel and many other segments. On the energy side of things, there was a feeling that more refined product export licenses would be issued, and so the crude market got rather excited, but then it slowed down again. What is clear is that the Chinese administration has set out to improve its balance of payments, by doing something that is akin to a stock draw, but that also runs counter to the security of supply argument and the growing refinery footprint in the independent sector springing forth in China. The big chunk of demand that is missing from China is aviation demand. Chinese domestic consumption is down several hundred thousand barrels a day, and China's international air travel doesn't just require jet fuel in-country - it also requires it in airports like Bangkok, Singapore, Los Angeles, and wherever else they fly to.

Expectations from COP 27?
One hopes that it will result in some major policy objectives and some further clarity on the rulebook around things like carbon trading, which are essential as an underpinning going forward, and decarbonization of various industrial sectors such as the maritime industry, where there is a lot of willpower among large shipping organizations and their customer base to decarbonize in an accelerated fashion.

Fujairah Spotlight

Oil product stockpiles drop to eight-week low

Oil product stockpiles at the UAE's Port of Fujairah fell to an eight-week low on Oct. 31, led by a 13% drop in gasoline and other light distillates from a week earlier, according to Fujairah Oil Industry Zone data published Nov. 2. Total inventories stood at 21.95 million barrels on Oct. 31, down 2.6% on the week and the lowest since Sept. 5, the FOIZ data provided exclusively to S&P Global Commodity Insights showed. The total was still 39.7% higher than a year earlier.

Source: Hellenic Shipping News

NBF secures sponsorship for annual Fujairah Run

National Bank of Fujairah PJSC (NBF) has secured sponsorship from Malabar Gold and Diamonds for the bank's annual Fujairah Run for the fourth time, significantly strengthening its offering and profile. This year's run will take place under the patronage of Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, and reflects Fujairah leadership's commitment to encouraging residents to adopt active lifestyles in the Emirate.

Source: Khaleej Times

Kromberg & Schubert opens $82m wiring plant in Fujairah

Kromberg & Schubert, a leading German manufacturer of complex wiring systems for the automotive industry, has announced the opening of its new AED300 million ($82 million) plant in Fujairah Free Zone. An international industrial company with more than 100-year history, Kromberg & Schubert is mainly engaged in the production of cable harnesses, and has a 40,000 strong workforce globally with presence in over 40 countries.

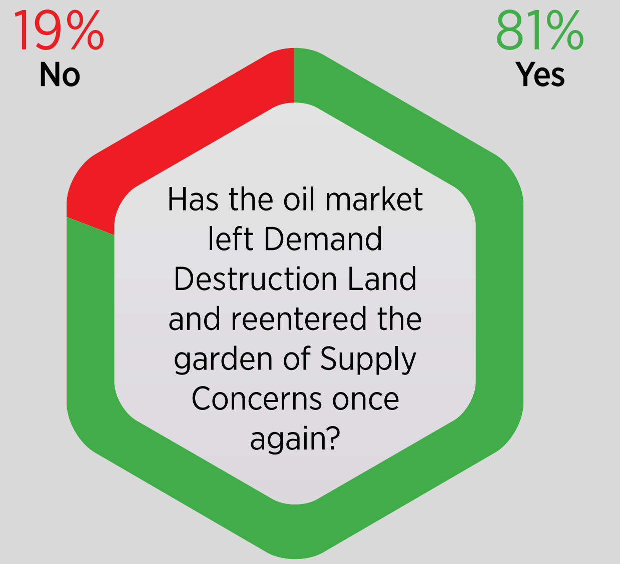
Source: Trade Arabia

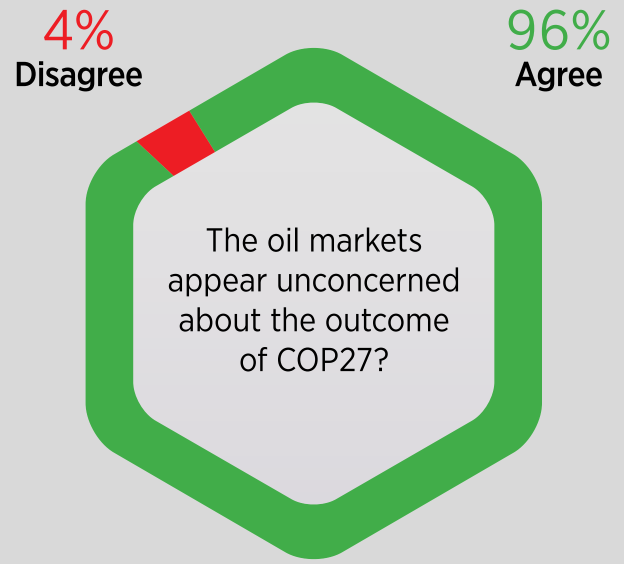
Metito wins contract to build second phase of Fujairah Port desalination plant

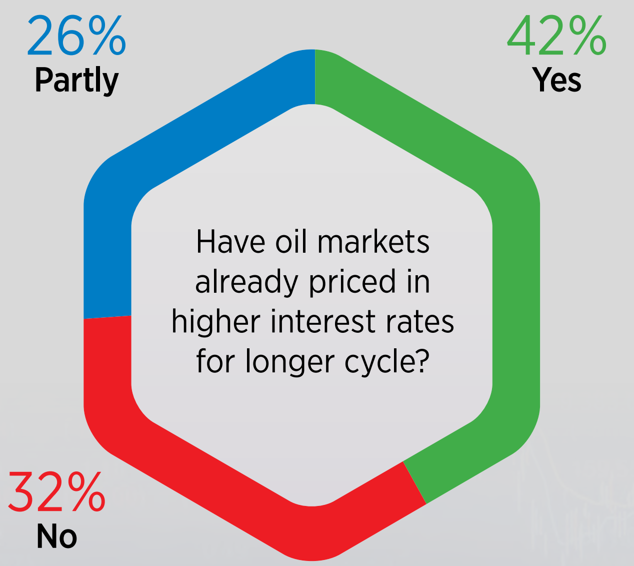
Water and alternative energy management specialist Metito has been appointed by Fujairah Fresh Water Production Co to build the second phase of the Fujairah Port desalination plant. According to Metito, the project is "significant" for Fujairah due to the port's strategic location and sophisticated infrastructure, which enables businesses across the region to expand their commercial footprints, both locally and internationally.

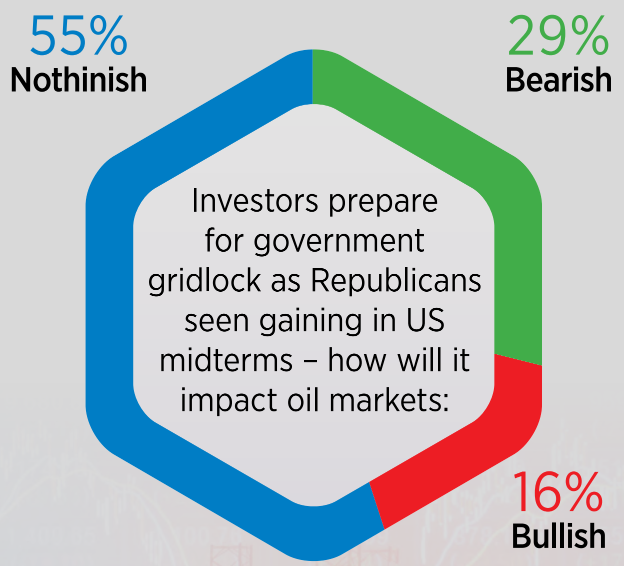
Source: ME Construction News

Weekly Surveys

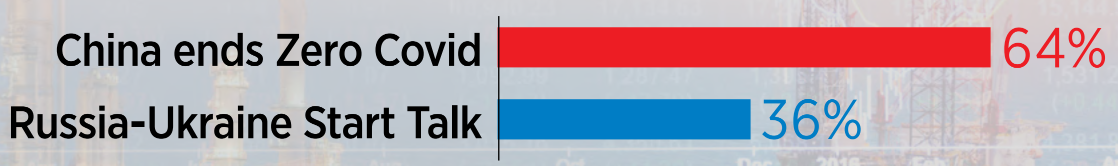








Which would have a greater impact on the direction of oil prices in 2023?



Source: GI Research March 2022

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Energy Markets Views You can Use

Clyde Russell
Asia Commodities & Energy Columnist
Thomson Reuters

I'm not convinced China will reopen and do away with COVID restrictions.
The Chinese will chart their own path - what they're likely to do is ease little steps at a time. The idea that at some point in the new year, we will have this massive tick up in Chinese crude oil demand because the whole economy is open, is a bit fanciful. The stimulus spending and attempts to boost their economy haven't really resulted in that much of a pickup in crude oil demand so far. Most of the extra demand that we've seen in the last couple of months is simply being reexported as products, not by a rebound of activity in the Chinese economy. August to October were the three strongest months for refined product exports since July last year.

Will China's appetite for discounted Russian oil continue?
They are still buying Russian crude even though the discounts have dropped a little. We also saw the Saudis drop their OSPs for October, so that pushed the Chinese to buy more, and it looks like they in fact bought more Saudi crude in October than they did from the Russians, which would be a bit of a turnaround from recent months. We're likely to see November and December buying reflect October numbers but this is a temporary factor, with two large refining units in the process of starting up with a combined capacity of 520,000 barrels a day and so requiring operating inventories. That would add up to roughly 11 million barrels of extra demand that won't be repeated.

Will the price caps that the US and EU are proposing work?
Probably not. Traders are really good at getting around these. And what the US really wants is just to make life difficult for President Putin; to cut his profit margins and make it harder for Russian oil operators to get things done.

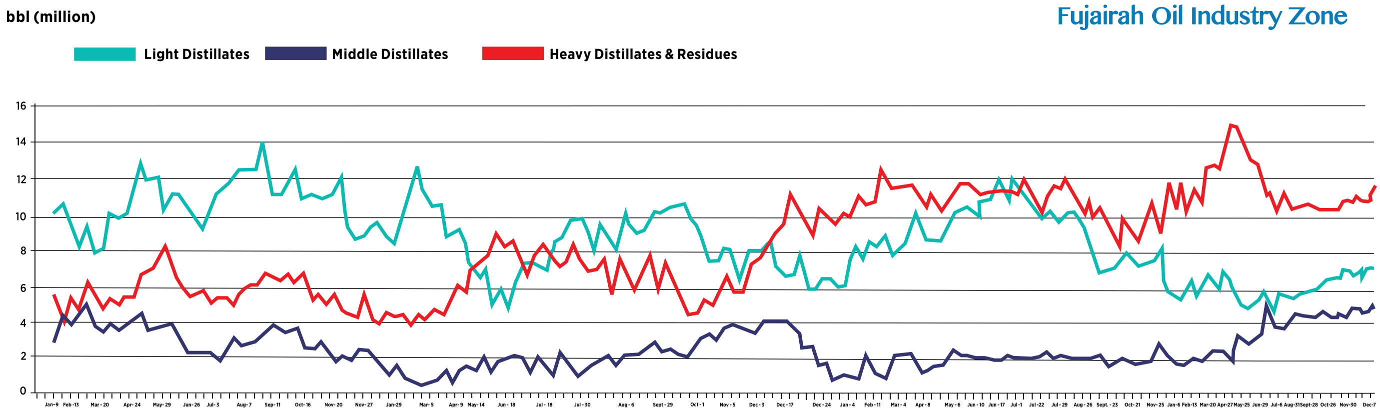
Ole Hansen
Head of Commodity Strategy
Saxo Bank

There's a risk of a further $10 move to the upside on oil.
In the past week, we've seen the first signs of a potential easing on China's restrictive lockdown rules; it will happen sometime next year and trigger a boost to demand and will probably be broadly commodity positive. We also have EU sanctions and OPEC+ production cuts, so on balance the market is still tight. We're still seeing some of the crack spreads around the world being very elevated, signaling that the refineries are running flat out to produce enough products.

Panic on Europe gas supply over?
In terms of the cost of gas, we are getting down to levels that we saw almost last winter, and the fact that we're having this mild winter so far and that demand has fallen off a cliff, has eased concerns of a risk of any major supply issue this winter. But next winter is still a big problem.

Has the interest rate hike cycle been fully priced into energy markets?
Not just yet, but we should start to see some of these extremely high CPI numbers start to revert lower and we are probably getting close to peak interest rates because they are already biting hard, for example of mortgage rates. But because we are seeing a delayed impact of these hikes, the FOMC potentially right now cannot signal any stepping down, but they may at least slow down the pace of hikes just to simply see the impact of what they have done already. And the same goes for Europe.

Fujairah Weekly Oil Inventory Data



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 25.160 million barrels with a build of 3.210 million barrels, or 14.6% week-on-week. This is the first time they have breached the 25-million-barrel level and the highest levels they have been since late August 2020. Total stocks were last higher when they stood at 26.681 million barrels on August 24, 2020. The stocks movement saw builds across all three stock categories. Heavy residues posted the greatest overall build adding over 1.5 million barrels week on week.

- Stocks of light distillates, including gasoline and naphtha, rose by 897,000 barrels or 14.1% on the week to 7.251 million barrels. The East of Suez gasoline complex softened as market participants expect Chinese exports to bolster overall gasoline supplies, possibly exerting a downward pressure on the price. In tenders, Indonesia's Pertamina was heard seeking one parcel of 300,000 barrels of 90 RON gasoline per month, and/or one parcel of 500,000 barrels of 90 RON gasoline per month, and/or one parcel of 600,000 barrels of 90 RON gasoline per month, and/or one parcel of 700,000 barrels of 90 RON gasoline per month over January-June 2023, in a tender that closes Nov. 9.

- Stocks of middle distillates, including diesel and jet fuel, rose by 620,000 barrels or 23.1% on the week to 3.307 million barrels . The East of Suez gasoil complex was rangebound, with spot tender activity showing signs of picking up amid the issuance of fresh tenders. India's MRPL, issued their first tender for December-loading 10 ppm sulfur diesel, offering a 40,000-mt or 65,000-mt cargo slated for loading over Dec. 1-2 from New Mangalore, according to market sources. The tender closes Nov. 10. Also, Bapco has issued a tender offering a 40,000-mt cargo of 10 ppm sulfur gasoil for loading over Dec. 19-22 from Sitra, according to market sources. The tender closes Nov. 8. This marks the third tender for December-loading barrels issued by Bapco for the year, as two sell tenders for 40,000-60,000 mt of 10 ppm sulfur gasoil were issued by the company earlier in October ahead of the typical trading cycle for December-loading cargoes, market sources said. Swing gasoil barrels offered in these tenders, loading from the Arab Gulf and West Coast India region, could be pulled West amid still-viable arbitrage economics.

- Stocks of heavy residues rose by 1.693 million barrels or 13.1% on the week to 14.602 million barrels. This is the highest level since May 2021. Stocks were last higher on May 3, 2021, when they stood at 14.854 million barrels. At the bunkering hub of Fujairah, activity was subdued for both high sulfur fuel oil and IMO2020 compliant fuel, sources said. In Fujairah, most offers for marine fuel 0.5%S bunker were heard between $682/mt and $700/mt on Nov 8. The grade was assessed at $682/mt, unchanged on the day. In Singapore, the same grade was assessed at $695/mt a level also unchanged day on day. With the price in Singapore reflecting a $13/mt premium to bunkers in Fujairah.

Source: S&P Global Platts

Commodities
Oil prices fell heavily a second day running with Brent futures down 2.8% at USD 92.65/b and WTI falling by almost 3.5% to USD 85.83/b. EIA data showed a build in US commercial crude inventories of nearly 4m bbl last week while gasoline stockpiles dropped. US oil production recovered somewhat, up 200k b/d to 12.1m b/d.

FX
The dollar recovered after several days of losses with the DXY index up 0.8%. EURUSD provided a bulk of the improvement for the dollar, with the pair closing down 0.6% but still staying above parity at 1.011. GBPUSD dropped more substantially, down 1.6% at 1.1358, while USDJPY added 0.5% to 146.47.

Equities
Risk-on sentiment waned sharply yesterday ahead of the US CPI print due this afternoon. In the US, the NASDAQ lost -2.5% on the day, followed by the S&P 500 which closed down -2.1% and the Dow Jones which lost -2.0%.

Source: Emirates NBD Report

Energy Markets Views You can Use

Walter Simpson
Managing Director
CC Energy Development

OPEC+ has tended to stick with its policy when it has been successful.
I think there will be a very strong debate in the group about further cuts, to maintain these oil prices, but that will be a tough one this time around, because they actually start to hit production if they make another cut, rather than just cutting excess, and that means starting to affect revenue streams.

Have global supply chain issues now been resolved for the industry?
They are still being driven by the fallout from COVID and the challenges which that brought. The threat of recession and everything that goes with that is also making the supply chain more challenging at present, and that is worldwide. Deliveries of equipment are delayed and getting people back to work has also been a challenge, particularly in Western countries where this 'work from home' desire has come in. In this part of the world or South Asia, getting people back to the industry is proving easier than in Europe and the US, where the sector is not as popular. We've always had cycles, but we're finding that this time around, people don't want to come back.

Will we see a boost to E&P investment on the back of windfall profits?
After a few difficult years, investors in the big oil companies want cash; they want their share of that return in dividends. That's going to be a challenge to global supply going forward and I don't see where the trillion dollars a year investment required to keep up with hydrocarbon demand, is going to come from.

Rustin Edwards
Head of Fuel Oil procurement
Euronav NV

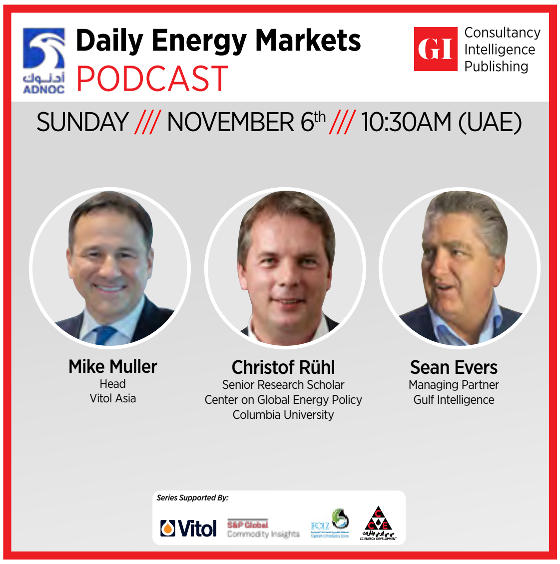
Tanker rates are still sky high. It's all a ton miles story at the moment.
Russia has secured enough tonnage to move all their waterborne exports to other markets, as long as they find buyers, so I don't think the missing oil will materialize to the scope that everybody's predicting come 5th December. Some logistical hurdles will have to be overcome but if you look at what the G7 price cap is insinuating - that all you have to do is land your oil into a tank and then it's no longer price capped - that opens the door for a lot of possibilities of how Russian flow can be moved from point A to point B. There's going to be some reduction, but it's not going to be 1.5 million; it might be half of that because there have been enough vessels that have been moved out of the commercial fleet into the dark fleet trade to handle the flow. In fact, those alternatives have already been exercised since the war began. They are getting compensated much higher than what you're seeing in the normal commercial fleet. We've heard of rates of around $150,000 a day to move from Kinross to China, compared to the normal rate of $70,000. So, shipowners have an incentive to make those trades happen.

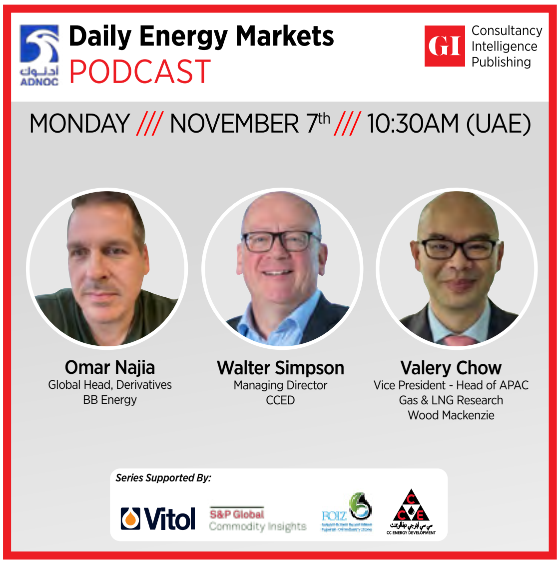
Will the December 5 price cap have any of its intended impact?
It will impact markets to some point, but traders are very smart and will work around this. It will possibly make things difficult but that also depends on the capacity of third party and also country to country insurance providers to cover the expense and risk on the voyage.

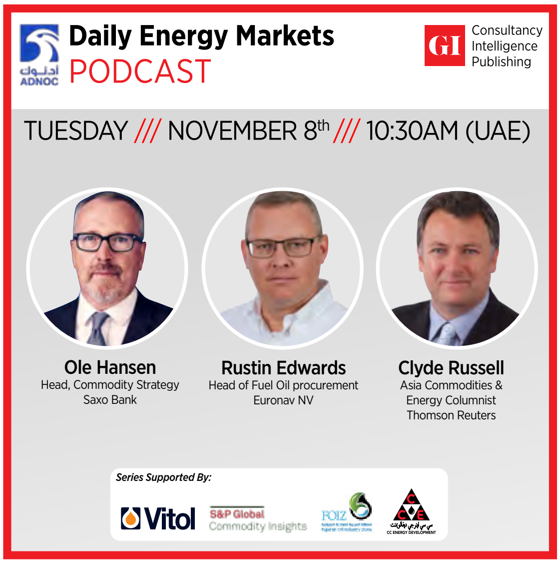
Outlook for gas markets as we enter winter?
We've seen unseasonably warm temperatures in Europe which have meant utility demand was not as high as everybody expected, allowing stocks of natural gas to continue to build. Still, distillates and gasoil are in tight supply across the world, which will keep those cracks on a strong footing going forward.

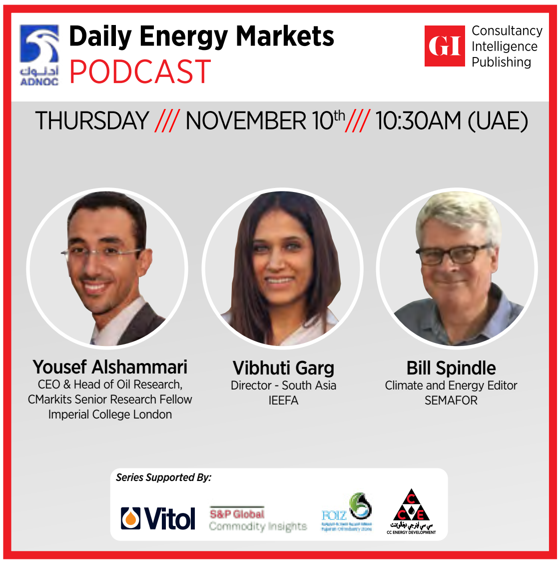
Energy Markets COMMENTARY

WEEK IN REVIEW









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Energy Markets Views You can Use

Christof Rühl

Senior Research Scholar - Center on Global Energy Policy
Columbia University

How do you interpret the recent positive sentiment in markets?

It's probably a combination of short-term hope that China demand comes back quite soon and longer term, that central banks will not have to go all the way to 10% or 12% interest rates to bring inflation down. The fact that US unemployment numbers could be at a level of 3-5% after two quarters of recession, isn't bad by any standards. Also, western governments have started into this inflation tightening cycle with enormously high debt levels and what they have discovered is that crisis after crisis, more debt is financed with government guarantees, so at the end of the day, the only way to get rid of that debt is to inflate away parts of it. We may have to settle for inflation rates of around 4% and relatively modest real growth of 2%.

Will demand destruction happen to the scale previously expected?

It could go either way, but what we will see is an increasing fragmentation. The US economy will do rather well, and I would not be surprised if the Chinese eventually give themselves some stimulus power and at least lift growth rate above the average of other Asian countries. Europe may have a recession, but like in the US, it's going to be more shallow than past recessions, so demand may catch up and growth may not be as badly affected.

Impact of the forthcoming Dec 5 oil price cap?

The absolute level of this cap is still not announced and that only increases uncertainty and volatility all around. However, some things are clear. There will be three prices. One which is the existing discount on Russian oil; another which is the global pre-set oil market price and the third which is the cap; and the arbitration between them will be unregulated. It will probably force the G7 into paying the world market price, which is going to be the highest of the three and that puts those countries at a competitive disadvantage to industrial competitors, like India or China, who are paying a cheaper price. Moreover, Putin has already said he will not deliver to countries who abide by the price cap. That gives Russia flexibility to scale production up or down and therefore to influence the global oil price. So, it creates a mess.

Will we see oil prices hit $100 again?

The buffers on the supply side of oil in the short-term are extremely thin right now so the possibility of a short-term price spike is there. But we also know that in the longer term, we still have a downward trend in oil markets, with demand falling short of supply, and probably the only factor that would be able to reverse this downward tendency and shift the balance into a deficit on the supply side, would be resurgent China demand.

Expectations from the COP 27 meeting?

I think we have to be clear about the fact that the Paris targets cannot be met. It's a very important decision point now because targets could go out of the window if people realize that it's not going to be as easy to achieve. We also now have this energy crisis. Will we see a doubling up of efforts at the meeting? One would hope so but it's certainly more a time for planning to start on the right foot again, rather than a time for implementation.

Energy Markets Views You can Use

Omar Al-Ubaydli
Director of Research
Bahrain Center for Strategic International & Energy Studies

OPEC+ will succeed to keep prices propped up for now.
They have demonstrated through extremely stressful circumstances - during COVID, the Ukraine crisis, the JCPOA - that they are able to keep it together. I think that's borne out of the deep pain they suffered following 2014 for the two-year window when they didn't have their act together. The big question mark will be what happens with the US and recession and that's probably shifted into an overly pessimistic space and what we'll find is that maybe the economic outlook won't be quite as bad. OPEC will be ready to react as and when necessary if demand picks up.

How exposed are Middle East OPEC countries if oil prices do drop?
The situation remains extremely fragile because as we saw in COVID and even now during the latter half of 2022, while oil prices remain high, the downside risk is very big. And while Middle East producers do have relatively deep pockets for the time being, I don't think anyone is in a good position to withstand a sustained decrease in prices. There are also big concerns revolving around the Iranian nuclear deal. With the US demonstratively withdrawing its security commitments from the region, many countries are facing a big increase in defense and security expenditure, which is only going to become steeper once the JCPOA concludes, whether favorably or unfavorably. I'm very confident that Iran will instruct its proxies to escalate destabilizing activities in the region, which will necessitate more defenses and that bill is going to be huge.

ENERGY MARKET NEWS

1. OIL FALLS FOR A FOURTH DAY AS CHINA COVID CONCERNS GROW
2. CHINA'S DIESEL EXPORTS RECOVER BUT NOT ENOUGH TO REVERSE GLOBAL SHORTAGE
3. NATURAL GAS PRICES SLIDE AS BEARISH NEWS CONTINUES TO MOUNT
4. CHINESE INVESTMENTS PART OF INFLUENCE STRATEGY
5. INDIA WILL CONTINUE USING COAL UNTIL AT LEAST 2040
6. US & EU TO CRACK DOWN ON FOSSIL FUEL SECTOR'S METHANE EMISSIONS
7. US-SANCTIONED OIL TANKER STUCK IN INDONESIA CARRIES VENEZUELAN FUEL
8. TRADITIONALLY BULLISH CHINA TO SEE CONSUMPTION DROP THIS YEAR
9. EU CONSIDERS TIGHTER RULES FOR COMMODITY HOUSES AFTER MARGIN TURMOIL
10. COULD COPPER PRICES BE POISED FOR A BREAKOUT?

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GI Soundings Week in Review

"DOWNWARD DEMAND SENTIMENT TAKES CENTRE STAGE AGAIN OVER SUPPLY!"

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.

- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Valery Chow, Vice President, Head of APAC Gas & LNG Research, Wood Mackenzie**
- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**
- **Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency**
- **Bill Spindle, Climate& Energy Editor, SEMAFOR**
- **Yousef Al Shammari, CEO & Head of Oil Research, CMarkits, Senior Research Fellow, Imperial College London**

Omar Najia, Global Head, Derivatives, BB Energy OIL PRICE: "The oil price is still expected to tick a little higher with WTI around $91; it could get $10 higher before the end of the year, and then it comes off. We are looking for a more corrective move up – a bigger move up."

Valery Chow, Vice President, Head of APAC Gas & LNG Research, Wood Mackenzie CHINA LNG: "Last year, China landed around 83 million tons of LNG. This year we think it will be about 68 million tons – that's a massive drop off, never seen before in China or anywhere. In 2023, we expect anywhere from flat LNG demand growth to five million tons extra. From a world standpoint, it would be good to see China growing again but we have to watch this space."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence GLOBAL RECESSION: "The most significant thing in all markets right now is demand destruction. It's not just crude oil - that's just part of the ebbing tide of economic growth. The key thing to note is the that the US economy is heading towards a recession next year and we all see it as virtually a guarantee in Europe. In China, we don't know what they're going to do to save the economy in the short-term but global recession is kicking in. The key question is when it will hit bottom."

Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency DEMAND OUTLOOK: "The sentiment from energy gatherings recently has been that demand estimates are going to be pared back in the next few weeks and months. The EIA has already done that, and the IEA will almost certainly do the same in the coming week. Only the institutional bulls at the OPEC Secretariat may decide not to cut back by so much. It's obvious with all the darkening economic gloom - rising interest rates, consumers facing higher food, fuel and housing costs – that there's only one way for demand to be changed, and that is downwards."

Bill Spindle, Climate& Energy Editor, SEMAFOR EUROPE GAS: "One of the big open questions today is to what extent will a longer-term infrastructure be put in place for US and other countries exporting LNG into Europe. Those are incredibly expensive facilities to put in place, and I am skeptical that the investment funds that are needed to do that are going to appear in an environment where the Europeans themselves are saying - we don't want this stuff after five years."

Yousef Al Shammari, CEO & Head of Oil Research, CMarkits, Senior Research Fellow, Imperial College London OPEC+: "If demand continues to deteriorate and we see prices in the run up to the OPEC+ meeting in early December, falling below $90, then I wouldn't be surprised if they cut further by 500,000 bd or more. That's a way to save the markets, and something that we will see within the next 20 days."

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
November 6th - 10th

1. Oil price cap unlikely to have any meaning for the market as it will be completely ignored by most participants.
2. Oil supply chain is seriously constrained at present with scarcity in everything from talent to materials.
3. China is unlikely to re-enter the LNG spot market this year with Zero-COVID policy still intact.
4. COP27 could deliver some breakthroughs on developed economies finally accepting primary responsibility for global warming, and willingness to pay compensation to vulnerable developing economies.
5. India's economic growth momentum may have reached a velocity that will insulate it from the global recession downturn.
6. OPEC+ could be ready to cut supplies further at its December meeting if Brent crude oil breaches $90 floor in the coming weeks ahead of the end of year summit.
7. Despite all the tealeaf reading optimism on China abandoning its Zero-Covid policies, it all looks very premature in a country with the world's largest ageing demographic with next to no vaccine protection.
8. Tanker rates are still sky high for so many reasons, but none other than the new oil flows we are seeing from West to East, resulting in much longer journeys that take more time.
9. US midterm elections likely to have little impact on oil markets in the short-term but could tip geopolitical dominoes that could eventually become relevant.
10. European energy infrastructure in desperate need of upgrade before Russia's invasion of Ukraine, may now get an accelerated facelift with long-term benefits.