FEBRUARY 10th 2023
VOL. 145

Fujairah New Silk Road WEEKLY NEWSLETTER

Supported By:
FOIZ منطقة الفجيرة للصناعة البترولية Fujairah Oil Industry Zone
Port of Fujairah ميناء الفجيرة Port of Fujairah United Arab Emirates

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

"Energy Supply Chain Companies Feeling Recession Proof!"

Stuart Broadley, FEI, CEO, Energy Industries Council

Most supply chain companies feel they are coming into a stronger phase of growth in this post-COVID world. They are extremely positive about current market conditions in all sectors and all regions. I've never seen a market like this. Companies are using surprising but interesting language, which is that they feel recession proof, and that includes those in Europe. Their view is that the energy industry is growing very quickly after more than a decade of underinvestment in almost all sectors and the push for Energy Transition. However, they do face a couple of challenges. The shortage of materials and very high price spikes we saw during COVID have largely been resolved, but prices are still high. The main issue there is generally the cost-of-living inflationary pressures that people are feeling. Big companies are now accepting that these increases are here to stay for at least the next two or three years, and that they will have to start passing those costs through to their customers. The other challenge is skills shortages. We're not yet hearing of companies turning away contracts because they cannot get the people they need for growth, but most are worried about later this year and into next year, and particularly because almost all of them are forecasting an oil boom. So, that has become their number one focus. They are picking the right opportunities to grow while ensuring that they recruit and retain the talent to deliver. Many are developing in-house training facilities to provide new employees with the right competencies and are offering a broad range of benefits for retention.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,363,000 bbl	1,730,000 bbl	8,531,000 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:	$83.72/bl
WTI Crude:	$77.05/bl
DME Oman:	$80.76/bl
Murban:	$80.99/bl

*Time Period: Week 2, February 2023
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $691.00/mt

Low = $630.50/mt

Average = $653.50/mt

Spread = $60.50/mt

MGO

High = $ 1,174.00/mt

Low = $1,107.00/mt

Average = $1,140.50/mt

Spread = $0.00/mt

IFO380

High = $398.50/mt

Low = $356.50/mt

Average = $381.50/mt

Spread = $42.00/mt

*Source: Ship and Bunker, *Time Period: Feb. 2 – Feb 9, 2023*

Fujairah Bunker Sales Volume (m^3)

1,494 180cst Low Sulfur Fuel Oil	500,082 380cst Low Sulfur Fuel Oil	159,566 380cst Marine Fuel Oil
899 Marine Gasoil	32,349 Low Sulfur Marine Gasoil	4,715 Lubricants

Source: FEDCom & S&P Global Platts

Consultancy Intelligence Publishing

CONTINUED FROM PAGE 1

Stuart Broadley, FEI, CEO, Energy Industries Council

Are you witnessing a relocation of manufacturing bases from China?

We are seeing a permanent shift in the way people think about where the supply chain and skills come from. And it's not just about China. During COVID, countries found it very hard if they didn't have the skills within their borders. This has led to a more protectionist approach, with more regulations around in-country value and other schemes to strongly incentivise that kind of behavior. That, of course, makes it very hard for the supply chain. If companies want to participate in the UK, Brazil, Australia and Malaysia and country operators are saying they want more capability in-country and for companies to invest, they can't necessarily afford that, even during these good times. So, they're having to be very selective. They need to access good quality people with technical skills but also need to make money in this high cost, high inflation environment. Margins are still tight even though the revenue lines are growing quickly.

Are supply chain companies increasingly veering to Green Energy projects?

Renewables and other forms of clean energy like hydrogen and CCS, are a market that everybody feels they want to be in, because of strategy, shareholder demand, branding, and even share price. But it's not good for margins and that's a very severe issue, to the extent that today, many companies are investing almost exclusively in oil and gas and using that money to then ensure that they can continue to grow their renewables top line. A lot of companies have debts that have built up over the years since the 2014 oil crisis and then during COVID. They need to follow the money, and so do investors and so do governments realistically. Oil and Gas has regained its social license, but it's also the way that companies are earning the money they need to invest in renewables growth while returning to a cash positive position.

Many would argue that renewables are commercially viable?

Even the mature renewable sector of onshore and offshore wind, solar and hydro and hydropower, are largely loss-making industries. It's a major challenge in the macroeconomic model of trying to grow renewables and expecting industry and governments to get behind that. Today, there are more than double the number of offshore wind turbines that are required to meet country pledges by 2030, than the current global supply chain can supply. We do see the mature industries of wind and solar continuing to grow at a rapid rate but two thirds of the value of the energy market for the next 5 to 10 years will still be oil and gas. Also, the vast majority of CCS and Hydrogen projects which have been announced globally are not yet funded and many will not get to FID. They do have a key role in the future, but the off-taker issue has not been resolved. We are maybe 18 months away from a potential crash, with new supply of projects completely overtaking any potential current or medium- term growth in demand for those projects.

WATCH FULL INTERVIEW HERE

Consultancy Intelligence Publishing

Energy Markets Views You can Use

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

How should oil markets interpret these mixed macroeconomic signals?
It's a schizophrenic market – it's watching what's happening on the inflation front and with interest rate hikes. It's also quite tightly balanced and has been for quite some time so the slightest disruption is going to move markets and that's the nervousness you're seeing. At the same time, we don't expect to see much demand growth in the first quarter. It's Q2 which could be a problem for supply as that's when demand will pick up. And come next winter, we will also see a gas supply crunch because there's no way Europe can make up for the Russian shortfall, which could be at zero. There's not enough LNG in world to make up for that, so prices will rise, and we will have more fuel switching and so more demand for crude oil.

Is there much concern about the latest Russian products embargo?
The embargo and price cap on Russian refined products will change flows, as we saw with crude flows. We will have a change in the direction of diesel, gasoline and so on both from the Middle East and from Russia.

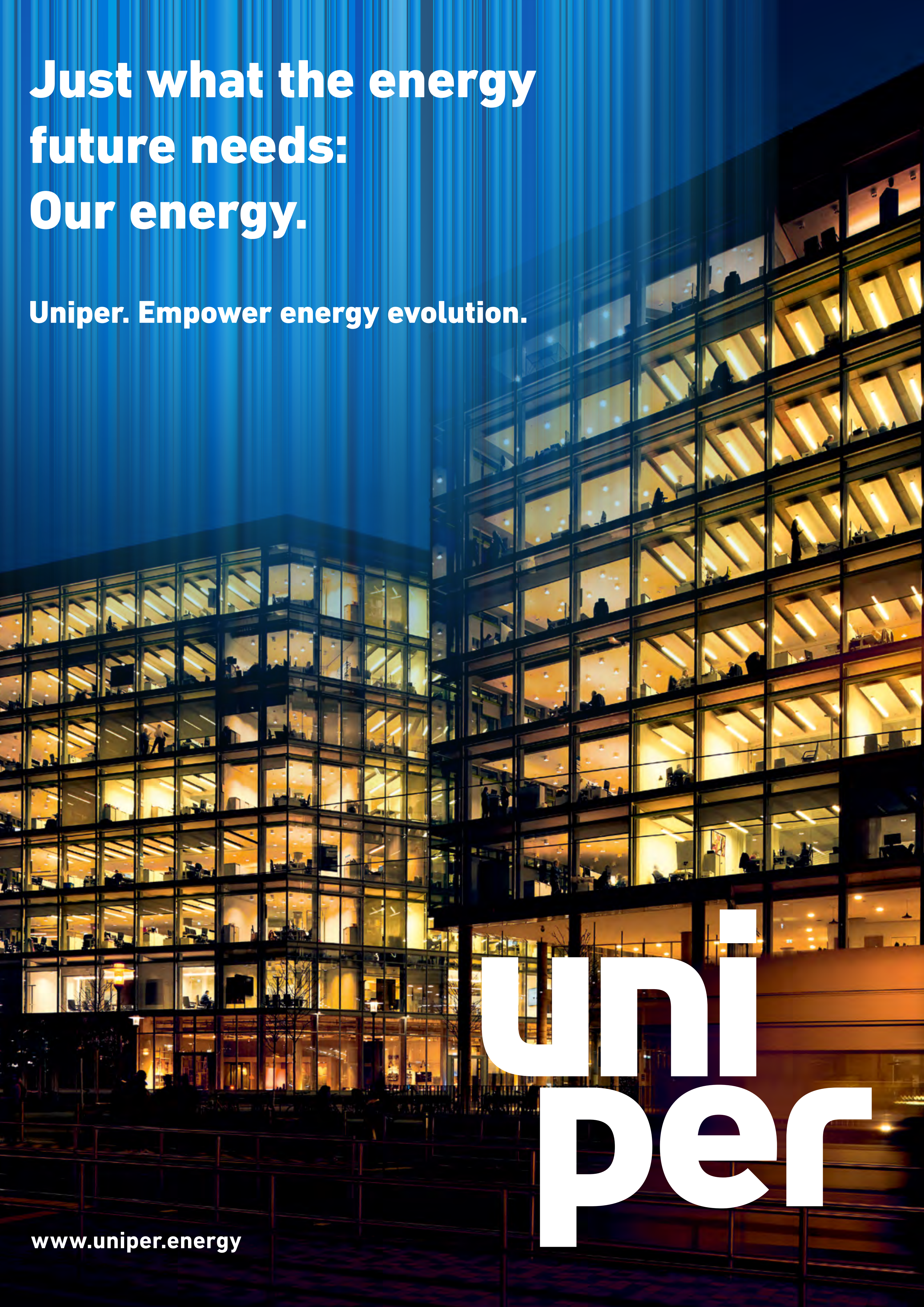
Will Chinese demand keep a floor on oil prices this year?
There will be demand from China, but it still has an issue with the housing market and the economy is still quite fragile. There are also tensions elsewhere – in India with protests in the streets now over this whole Adani business, tensions over Taiwan and the Chinese spy balloon. There are so many issues that could shift the dynamic this year.

Will OPEC+ try and stay out of the geopolitics?
Last year when they made that announcement of output cuts of 2 million bd, they wanted to make a big splash. It was a message to Washington, to the EU, to the IEA, that they were not going to be dictated to. That's why they had an in-person meeting. It was more a political message, even if the economics of it at the time were quite sound. Now, having done their bit, I think it's sort of steady as it goes, and OPEC+ will respond if necessary. Until then, the current quotas are the guidance until the end of the year. They might need to tweak it a little bit, but they're not going to deviate much from it unless something really major happens.

Valery Chow
VP, Head of APAC Gas & LNG Research
Wood Mackenzie

Outlook for Chinese gas demand this year?
We do expect oil and gas demand to increase but I'm a bit more cautious about China than others might be. The property market remains in quite a deep malaise, youth unemployment is still high, and the manufacturing sector won't pick up massively as it will be impacted by any economic slowdown globally in the US and Europe. We might see incremental LNG import demand of about 10%, reaching 70 million tons by the end of this year, but most of that will not necessarily translate into new spot imports - a lot of that volume can be catered for by ramping up existing long-term supply contracts. China has also been producing a lot more domestic gas in the last few years. If spot prices fall below $15/mmbtu, that might trigger a response in China and Europe but until then, demand for spot cargoes will be tepid. Plus, the lack of Russian gas pipeline flows will keep a floor on LNG prices, particularly as there's limited incremental global LNG supply until 2025-2026.

Will the second half of 2023 be more positive?
We might in fact go the other way. If we see a systematic decline in economic conditions in the US, that will catch onto the rest of the world and China will not be exempt. Despite China's reopening and despite the exuberance in global stock markets, it's a matter of time before the real economic conditions start catching up. Also, despite the best efforts by the government to boost consumption to drive the economy, the Chinese, unlike the US and other western countries, are fundamentally net savers, not net consumers, and middle class and low-income groups are still struggling. On the infrastructure development front, there's also a point where you reach diminishing returns – there's only so much the Chinese administration can do. The property bubble burst had huge implications for local governments – lower property prices, lower stamp duties and huge expenditure combatting COVID, has left them with little cash. It's going to take a while for China to climb out of the current malaise.


Just what the energy future needs: Our energy.
Uniper. Empower energy evolution.
uniper
www.uniper.energy

Fujairah Spotlight

Fujairah CP chairs meeting of board of trustees of USTF

The United Arab Emirates' national energy company has started pitching an initial public offering of its gas business to investors, according to people familiar with the matter. It will lead the UAE's push to boost output and trading of LNG. The country is building a production plant at the port city of Fujairah to almost triple its capacity to around 15 million tons a year, which may make it one of the world's ten biggest exporters of the fuel.

Source: Al Arabiya News

Oil product stockpiles hit nine-month low as imports slow

Stockpiles of oil products at the UAE's Port of Fujairah dropped another 7.3% in the week ended Feb. 6 with middle distillates such as jet fuel and diesel extending their shrinkage to 48% in the past three weeks, according to Fujairah Oil Industry Zone data published Feb. 8. Total inventories were 17.624 million barrels as of Feb. 6, a nine-month low, the FOIZ data provided exclusively to S&P Global Commodities Insights on Feb. 8 showed. Middle distillates tumbled another 26% to 1.73 million barrels, the lowest since May 16. Middle distillates have dropped three weeks in a row and are down 44% since the end of 2022.

Source: S&P Global Commodity & Insights

MEBC: recent influx of new players adds to buoyant middle east bunker market

In a session on the regional bunker market, speakers said that Fujairah and other Middle East bunkering locations had performed well in 2022 and there are more business opportunities on the horizon. Danni Gregersen, Sales Manager, Glander International Bunkering, highlighted the potential for increased demand from the offshore support sector over the next five years, with business spurred by M&A activity among the large government players, such as ADNOC and Abu Dhabi Ports.

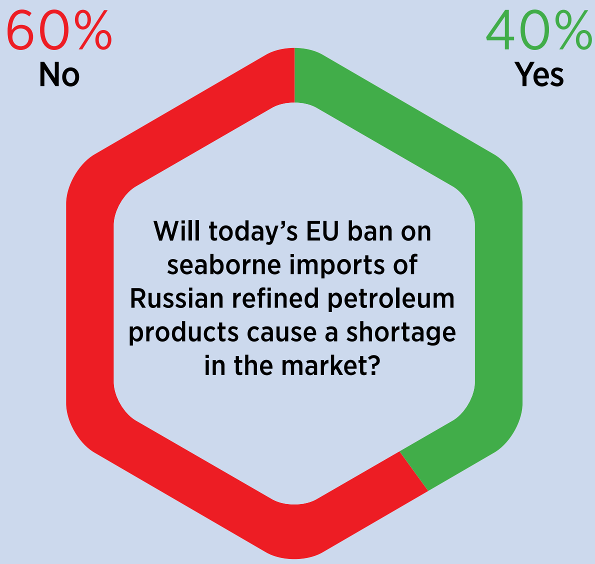
Source: Bunkerspot

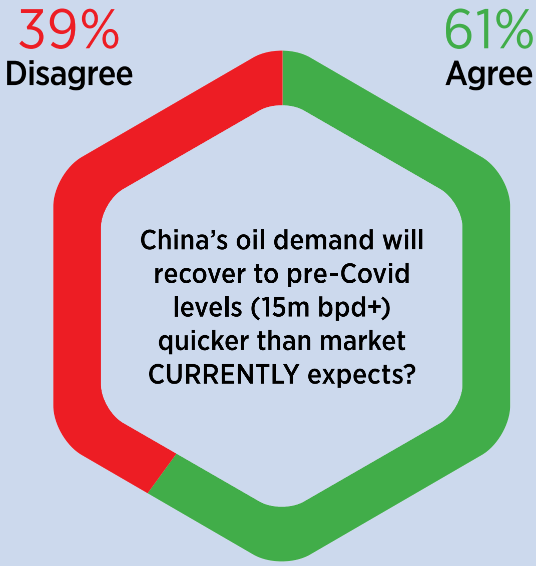
More Russian Fuel Oil Shipped to Fujairah

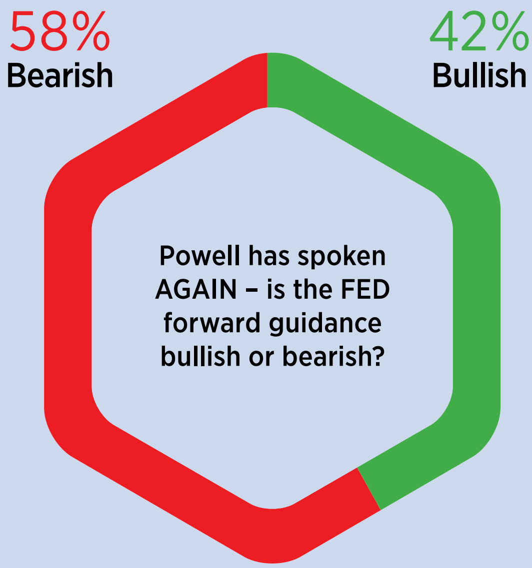
The Mideast marine fuel hub of Fujairah saw incoming shipments of fuel oil from Russia nearly double in 2022 versus 2021, while those from Iran declined, according to data from analytics firm Kpler.

Source: Energy Intelligence

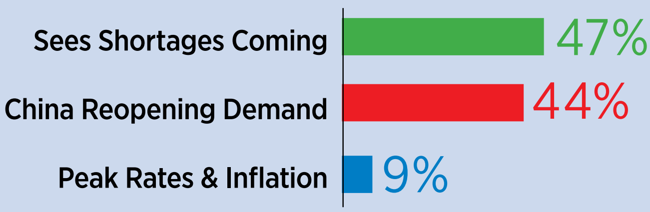
Weekly Surveys



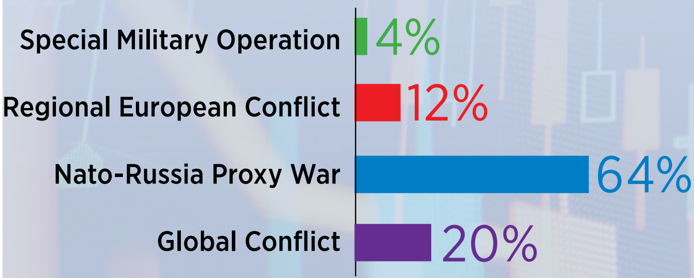




Saudi Arabia raised prices for its flagship crude for Asian buyers for the first time in 6 months – why?



As President Zelensky tours Europe seeking fighter jets – how would you characterize Russia's War in Ukraine?



Source: GI Research March 2023

Energy Markets Views You can Use

Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

How are we meant to interpret all these mixed signals in the markets?

We basically are still swinging around on massive pendulum swings and sentiment and a lot of it is driven by the fact that central banks have not taken away much of that excess liquidity, which is still looking for a home. We also have the Ukraine war as a disruption to global trade and acting as a counterforce to the optimism about China's economic outlook. We're going through a period of great change and upheaval. In the first couple of weeks of the year we had a massive shift in market positioning if you look at the net long position in oil and oil products. So, people are being wrong footed and we're going to carry on being wrong footed simply because no one really understands what's going on.

Have we seen peak interest rates from the Fed?

We are close to peak rates, but we are not going to get any rate cuts by the end of the year unless we are in a massive earnings recession, and it certainly looks that way. That will be the big negative for markets, above all for equities, with the exception of the oil sector. The oil industry will however have more challenges this year, particularly with input costs. What people are forgetting is that we've got cumulative increases in inflation and that's what companies and businesses are having to deal with. Those increases aren't going to suddenly go away.

EU products embargo impact on the crude market?

The product will be displaced and find its way somewhere else. The EU is ensuring that it pays more for all products because it's embargoed all of it, and other countries will exploit the opportunity – be it China, India, or the GCC countries. The more important question will be that with this displacement of product, who in the middle – buyers, sellers, insurance, shippers – is actually going to get squeezed.

Fujairah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 17.624 million barrels with a drop of 1.389 barrels, or 7.3% week-on-week as they continued to fall well below the 20-million-barrel level. The stocks movement saw a rise for light distillates, and a drop for middle distillates and heavy residues.

- Stocks of light distillates, including gasoline and naphtha, rose by 387,00 barrels or 5.5% on the week to 7.363 million barrels. The East of Suez gasoline complex strengthened in early Feb. 7 trade amid expectations that Chinese gasoline exports would drop in February due to easing COVID-19 restrictions, sources said. Chinese exports were expected to be as low as 350,000 mt in February, down from an estimated 1 million mt in January, sources said. Gasoline futures contracts traded on the Tokyo Commodity Exchange rebounded to two lots in January, from no trades the month before, latest TOCOM data showed. On a year-on-year basis, traded volume tumbled 99.8% from 1,001 lots in January 2022. Market participants attributed the decline to Japan's rollout of oil products subsidies since the start of 2022.

- Stocks of middle distillates, including diesel and jet fuel, decreased by 603,000 barrels or 25.8% on the week to 1.730 million barrels. The east of Suez gasoil market was slightly weaker Feb. 7 with market participants still focused on fresh tender activity. "The market is still quiet but we will see when tenders close," a gasoil trader said, adding that there were expectations the onset of the Feb. 5 EU sanctions on Russian oil products would bolster the Asian gasoil complex. High volumes of Russian diesel imports ahead of the EU ban and good refining margins in Europe created a diesel supply glut which provided an interim buffer to the anticipated supply shock from the cut Russian flows, S&P Global Commodity Insights reported earlier. Stocks of Russian fuels have also remained higher than expected, as traders continued to take products from Primorsk right up until the EU ban on Russian products came into force Feb. 5.

- Stocks of heavy residues fell by 1.182 million barrels, down 12.2% on the week as they stood at 8.531 million barrels. Spot trading activity at the bunkering hubs of Singapore and Fujairah was said to be mixed Feb. 7, with traders citing slightly better-than-average demand in the city-state and below-average inquiries at the UAE port. A demand pickup supported the premium for low sulfur bunker fuel delivered in Singapore, even though the premium for the upstream Singapore marine fuel 0.5%S cargo inched lower on the day because of keen selling interest. Offers in the Middle Eastern port of Fujairah for delivered marine fuel 0.5%S bunker were heard in the $633-$640/mt range, with the offer at the lower end of the range for product deliverable Feb. 12 onward. Trades were heard concluded in the mid-$620s/mt for product deliverable Feb. 20 onward.

Source: S&P Global Platts

GI Consultancy Intelligence Publishing

Energy Markets Views You can Use

Mike Muller
Head, Vitol Asia

Impact of China's economic recovery on global refined products supply?
We now have the first full month of normality in February in China, and we will see how things bear out, but there is an upbeat feeling. China has the capacity both in refining and certainly in petrochemicals to run a lot harder. We also saw an acceleration of purchasing of crude oil, a trend that started in December, which is the start of that chain that then feeds the refining transportation fuels petrochemical side of the equation. That has given the market quite a level of confidence that China intends to run hard and to have the availability of products to cover the eventuality that they might need more domestically than they thought.

Expected price effect of the Feb 5th EU embargo on Russian products?
The deadline in fact incentivized people to take as much Russian product into the European system as possible, ahead of that. Overall, refining margins are astonishingly good and looking relatively resilient. It's been a long time since I've seen gasoline cracks as strong as this in January-February. For distillate to be holding in the $30s/bl and at times in the $40s/bl, above Brent, that does not reflect recessionary fears or expectations of a demand implosion. It reflects a world where some are expecting close to 2 million bd year on year demand growth for refined products, with diesel leading the way, and the overhang of concerns that we may not see as much Russian supply, and also tight Chinese export supply. The main thing now is to see how the two new price caps levels get translated into real action. These sanctions will impact buyers, sellers, ship owners and insurance providers. And there are also the banking channels that we must not underestimate and what the ramifications would be if supplies of Russian products are paid for when new rules have been introduced by the G-7 forbidding certain transactions.

Victor Yang
Senior Editor, JLC Network Technology

Is everything in China now back to normal?
Confidence is resuming among people in general and there's more willingness now to spend and travel. Still, certain companies need time to get back on their feet. Unlike in previous years, China has been very eager to kick off new infrastructure plans even before the end of the Chinese New Year festivals. Many cities, province and regions are announcing big projects. The country is planning to build more high-speed trains and in Hubei province, the government is building a whole new megacity for people to be able to relocate from Beijing. We also have new energy projects planned.

How might China react to higher Saudi OSP prices for March?
They will compare the prices for sure. In January, China's crude purchases from Russia increased to slightly over 18%, almost a record high and with refiners trying to cut their costs, they are buying more heavy crude. If prices of cargoes from Saudi Arabia are too high, they might turn to others. They've been cutting costs for the last two years, particularly in 2022.

Outlook for crude imports for the year?
China imported 11 million barrels a day in January and February might slow down a little bit, but not much. Levels on average have been slightly above the fourth quarter 2022. We expect to see a slight drop in the second quarter of this year because state owned refineries will begin maintenance in late March through May, after which we might see a rebound in purchases in the third quarter.

Trajectory for product exports?
In the first quarter, it will slash gasoline exports because there's been a very robust recovery in domestic demand and exports margins are very bad for gasoline. In January, China slashed gasoline exports to 600,000 metric tons, and they will be lower in February because of bad margins and growing domestic demand. But jet fuel and diesel exports will remain quite high in Q1 as domestic demand is not so strong.

Outlook for gas and LNG consumption?
A lot of end users in China switched back to other energy sources such as LPG last year when natural gas prices were too high. It was the first time China had cut gas consumption in 7 years. They will continue to do so this year if there's a large rebound in LNG prices again.

Energy Markets COMMENTARY WEEK IN REVIEW

Daily Energy Markets PODCAST

Consultancy Intelligence Publishing

SUNDAY /// FEBRUARY 5th /// 10:30AM (UAE)

"MONTH IN REVIEW // OUTLOOK AHEAD"

Mike Muller
Head, Vitol Asia

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

Series Supported By:

Daily Energy Markets PODCAST

Consultancy Intelligence Publishing

MONDAY /// FEBRUARY 6th /// 10:30AM (UAE)

Omar Najia
Global Head - Derivatives, BB Energy

Walter Simpson
Managing Director, CCED

Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

Series Supported By:

Daily Energy Markets PODCAST

Consultancy Intelligence Publishing

TUESDAY /// FEBRUARY 7th /// 10:30AM (UAE)

Peter McGuire
Chief Executive Officer
XM Australia

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

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

Series Supported By:

Daily Energy Markets PODCAST

Consultancy Intelligence Publishing

WEDNESDAY /// FEBRUARY 8th /// 10:30AM (UAE)

Matt Stanley
Partnerships Lead, Middle East, Kpler

Victor Yang
Senior Analyst, JLC Network Technology

Tom Walsh
Doctoral Research Student, Durham University

Series Supported By:

Daily Energy Markets PODCAST

Consultancy Intelligence Publishing

THURSDAY /// FEBRUARY 9th /// 10:30AM (UAE)

Valery Chow
VP, Head of APAC Gas & LNG Research
Wood Mackenzie

Daniel Richards
MENA Economist, Emirates NBD

Ahmed Mehdi
Research Associate, The Oxford Institute for Energy Studies

Series Supported By:

Daily Energy Markets PODCAST

Consultancy Intelligence Publishing

FRIDAY /// FEBRUARY 10th /// 10:30AM (UAE)

Guest Host

Frank Kane

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

Clay Seigle
Director - Global Oil Serivce
Rapidan Energy Group

Osama Rizvi
Energy & Economic Analyst
Primary Vision Network

Series Supported By:

CLICK HERE TO LISTEN

Energy Markets Views You can Use

Walter Simpson
Managing Director, CCED

Could we get any surprises from Chinese oil demand in the year ahead?

I'm not sure it is going to surprise on the upside, and it also depends on what stocks they've bought on the lows of prices over the last few months or years. Still, there will be an increase in demand overall from China in international markets. Meanwhile, price volatility will continue although the current price is probably around what OPEC+ countries would want, and if they needed to, they could adjust quotas again.

Will we see IOCs reinvest their windfall revenues that they made last year?

It's only OPEC+, and the GCC countries in particular, who are still thinking about investing in more capacity and so they will benefit from any increase in long term supply. With so much uncertainty still about the direction of oil prices and the global economy, most people prefer to sit on the fence for now and see what happens. It will be tough to see a large supply growth this year from international investment, particularly with the IOCs. I think they'll make returns to shareholders and make a lot of noise about investing in renewables, but will be more cautious about investing in oil and gas. The supply chain for parts and labour also remains absolutely an issue.

ENERGY MARKET NEWS

Series Supported By:

1. OIL PRICES EDGE HIGHER AS IEA'S BIROL TALKS UP CHINA DEMAND OUTLOOK
2. EU'S GAS PRICES SET FOR 6% WEEKLY GAIN AS COLD WEATHER CLOSES IN
3. CHINA'S OIL DEMAND BOUNCE MAY PUSH PRODUCERS TO RECONSIDER OUTPUT
4. DOLLAR ON THE FRONT FOOT AFTER ROBUST US JOBS DATA, YEN FALTERS
5. EU SUPPORTS $100 RUSSIAN DIESEL PRICE CAP
6. RUSSIA'S OIL & GAS REVENUES SLUMP 46% YEAR-OVER-YEAR
7. US REFINERS TO SCALE BACK CAPACITY UTILIZATION AFTER RECORD 2022
8. US E&PS MAKE CASE FOR EXPOSURE TO GLOBAL LNG MARKET
9. EU BANS RUSSIAN DIESEL, OTHER OIL PRODUCTS OVER UKRAINE
10. TURKEY SAYS WESTERN STATES GAVE IT NO EVIDENCE TO BACK UP SECURITY THREAT REPORTS

RECOMMENDED VIDEO & REPORTS

- CHINA HAS REASONS TO KEEP COOL AFTER US DOWNS SUSPECTED SPY BALLOON
- NORTHEAST TEMPERATURES SOAR A DAY AFTER BONE-NUMBING COLD
- BIDEN'S STATE OF THE UNION TO TOUT POLICY WINS ON ECONOMY
- NO EVIDENCE YET OF RUSSIAN SABOTAGE OF BALTIC PIPELINES
- HOW INDIA TURNS RUSSIA CRUDE INTO THE WEST'S FUEL
- COMMODITY WEEKLY: WITH CHINA THEME ADRIFT, TIME TO FOCUS ON YOUR BREAKFAST PLATE

GI Soundings Week in Review

“Russian Supply Constraints, New China Demand Seen Impacting Market in Q2!”

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**
- **Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies**
- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Matt Stanley, Partnerships Lead, Middle East, Kpler**
- **Tom Walsh, Doctoral Research Student, Durham University**
- **Daniel Richards, MENA economist, Emirates NBD**
- **Ahmed Mehdi, Research Associate, The Oxford Institute for Energy Studies**
- **Dr. Raad Alkadiri, Managing Director – Energy, Climate & Resources, Eurasia Group**
- **Osama Rizvi, Energy & Economic Analy, Primary Vision Network**
- **Clay Seigle, Director – Global Oil Service, Rapidan Energy Group**

Omar Najia, Global Head, Derivatives, BB Energy OIL MARKET: “There’s been this hype that China is coming back and that it will add to demand, but the market has gone the other way. I think the market knows that there are a lot of people who are very long and are trying to talk their book and gear the price up, but they’re going to get squashed. The market knows there’s no more good news to come and I think this week we will start smelling a bit of panic.”

Omar Al-Ubaydli, Director of Research, Bahrain Center for Strategic International & Energy Studies OPEC+: “They are playing the long game, four or five years down the line, and so will tolerate a lower floor on prices this year. OPEC+ is realistic about the current state of monetary policy in the US, Europe and other key countries. There’s no point in trying to defend $90 when the US Fed has raised interest rates as it has done.”

Peter McGuire, Chief Executive Officer, XM Australia MARKET TRENDS: “We’re not necessarily out of the woods as far as rate hikes. The US dollar has been so volatile and that’s really the storyline. Meanwhile, crude has been so energetic over the last four weeks; it’s been long and had very big tick ups and then suddenly lost ten bucks. I think we’re just in that consolidation phase and we’re trending up again.”

Matt Stanley, Partnerships Lead, Middle East, Kpler OIL PRICE: “China demand coming back is obviously a very good story for Brent which has kept it above $80. Will that alone be enough to push it up to triple digits? I don’t think so. What everyone is going to look at first and foremost is what happens with supply and what happens with Russian crude.”

Tom Walsh, Doctoral Research Student, Durham University IRAN PROTESTS: “I don’t think we’ve seen the last of it. What this looks like is rolling waves of uprising and protest backed by the largest social media campaign that has topped those on the Ukraine war. I don’t think the Islamic Republic has seen the end of it, and while change might not come immediately and might take decades, these are scars that won’t heal.”

Daniel Richards, MENA economist, Emirates NBD US ECONOMY: “The inflation print next week will be key but if a cut doesn’t come this year, we’ll certainly see a pause, if not in March, then maybe at the next meeting. We are nearing the ends of rate hiking given the economy underneath seems to be in pretty good shape. There is a prospect of a soft landing given what we’re seeing in terms of the labour market.”

Ahmed Mehdi, Research Associate, The Oxford Institute for Energy Studies RUSSIAN PRODUCTS: “There’s still a wait and see on the impact of the Russian products embargo. Europe will still face a significant challenge, but the price cap that’s been proposed is not that far off where restricted Russian cargoes are trading, so there will probably be another wave of reshuffles. We’ve already seen shipments from Russia increase to places like Africa.”

Dr. Raad Alkadiri, Managing Director – Energy, Climate & Resources, Eurasia Group OPEC+ ALLIANCE: “Russia is probably going to be a diminishing producer within OPEC+ and so that makes some technical sense in terms of Russia and OPEC continuing to cooperate. But from the Saudi or UAE perspective, it’s not necessarily a relationship about managing markets together; it’s more Saudi and the UAE managing Russia within the context of the overall global markets picture, rather than ever having been a strategic alliance.”

Osama Rizvi, Energy & Economic Analy, Primary Vision Network PAKISTAN ECONOMY: “The delay in doing a deal with the IMF is translating into social unrest and into a severe cost of living crisis. Our interest rates are at 35-year highs and every household is spending more than 60% of its income on basic food items. That is why the latest $1.1 billion IMF tranche is the country’s lifeline.”

Clay Seigle, Director – Global Oil Service, Rapidan Energy Group OPEC+: “The group’s game plan for the year is to keep output targets unchanged. Russia is pretty much tapped out; US shale might see 4% or 5% growth this year; and the balances between supply and demand are tightening in the first quarter. So, Gulf producers are in a strong position to manage this market, unless demand unexpectedly falls to pieces.”

Energy Markets Views You can Use

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

Are we close to any clarity on macro monetary policy for the year ahead?

People are still divided 50:50 on whether inflation has peaked but what is clear is that interest rates are far from coming down. The only question is how much they catch up to inflation levels. Secondly, the US and EU economy is performing much better than expected; even negative growth for two quarters doesn't necessarily mean high unemployment. The numbers last week from the EU were indicating that not even a shallow recession will happen now. There's still a lot of money sloshing around and pent-up demand from the Covid period. The question is long term, will inflation be coming back to 2% or will Western countries have to settle for 4% or 5% because of high debt levels. I believe it's likely to be the latter.

Expected disruption to products markets from the EU embargo on Feb 5th?

We know that Russia is hugely dependent on its product exports, but it also has very limited storage capacity so any trade disruption from the product embargo should put pressure on crude prices as Russia will need to try and export more of its crude. We may then see refining margins up and selective distortions of the product market. But let's remember that the global refining system is very flexible. I don't think that the product embargo per se will cause any major disruption - if anything, these days the market has become more used to adjusting its trade routes, and its finance and insurance and this resilience and adjustment will continue, as long as the cap isn't too far away from market forces.

How would an escalation in the Ukraine war impact flows?

Russia has the ability to manipulate crude and products prices. Putin showed he was willing to do this before in the European gas markets and he will do so again to keep oil prices up or to put pressure on Western economies if the war heats up. If anything, the price caps now give them a trigger which is much more targeted, so that any kind of action on that front translates into a bigger impact on the ground, and there's very little extra capacity in the system to react to that.

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
February 5th - 10th

1. Market mispricing risk of Russia supply downturn, so prices seen heading to $90 as we approach Q2 when China oil demand is also expected to pick up.

2. Pakistan in talks with Russia to import oil, under pressure from crashed foreign reserves and cost of living crisis that's threatening to trigger social unrest.

3. A question you may not have faced in school exam -- All financial markets appear caught in a counterintuitive loop: Discuss?

4. China's reopening is certainly supportive for global oil demand, but it is more of a counterbalance to OECD slowdown than a game changer for total consumption.

5.Most oil producers will be very happy thank you very much if Brent crude oil prices average at $80 through 2023.

6. Saudi Arabia raised its official selling price for oil into Asia during March for the first time in 6 months as it probably sees shortages ahead with increased Russian sanctions at the same time of China's reopening.

7. EU oil embargoes have to be seen as relatively successful from Washington's perspective as they have managed to reduce Russia's revenue while maintaining global flows.

8. OPEC+ keen to stay out of the limelight in 2023 and focus on the long game while the FED seeks to curtail growth as it fights 40-year high inflation.

9. China reopening will likely see consumer spending leading the way forward, while Chinese industry takes longer to get back up and running on all levels.

10. The direction of the oil markets will depend a lot on how much Russian crude oil and oil products can keep getting to customers.

GI
Consultancy
Intelligence
Publishing