JUNE 2nd 2022
VOL. 120

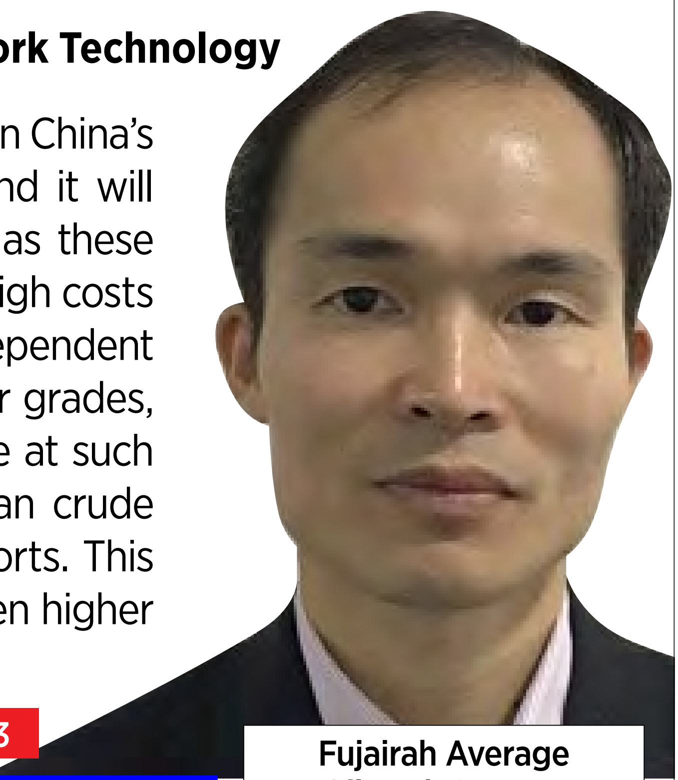
# Fujairah New Silk Road WEEKLY NEWSLETTER



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

## RUSSIA COULD DOUBLE ITS SHARE OF CHINESE OIL MARKET BY END OF 2022!

**Victor Yang, Senior Editor, JLC Network Technology**



We're now seeing a significant rebound in China's imports of Russian crude oil in May, and it will be even more significant in the future as these discounts continue. The pressure from high costs is too much for both state owned and independent refineries, so they're looking for cheaper grades, and when crude oil grades are available at such discounts, they will snatch it up. Russian crude used to account for 15% of China's imports. This year, that could be 20% to 30%, and even higher next year if this trend continues.

CONTINUED ON P 3

### Fujairah Weekly Oil Inventory Data

| 6,314,000 bbl | 2,526,000 bbl | 10,838,000 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
$3.54 - 4.38/m³

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

# THE WEEK In Numbers

**Weekly Average Oil Prices**

| | |
|---|---|
| Brent Crude: | $115.66/bl |
| WTI Crude: | $113.65/bl |
| DME Oman: | $111.85/bl |
| Murban: | $114.32/bl |

*Time Period: Week 1, June 2022
Source: IEA, OilPrice.com, GI Research

## Fujairah Weekly Bunker Prices

### VLSFO

High = 1,058.00/mt

Low = $942.50/mt

Average =1,002.50/mt

Spread = $0.00/mt

### MGO

High = $1,473.50/mt

Low = $1,359.00/mt

Average = $1,420.50/mt

Spread = $0.00/mt

### IFO380

High = $733.50/mt

Low = $679.50/mt

Average = $706.00/mt

Spread = $54.00/mt

*Source: Ship and Bunker, *Time Period: May 25 – June 1*

## Fujairah Bunker Sales Volume ($m^3$)

**1,084**
180cst Low Sulfur Fuel Oil

**512,565**
380cst Low Sulfur Fuel Oil

**116,621**
380cst Marine Fuel Oil

**1,873**
Marine Gasoil

**32,727**
Low Sulfur Marine Gasoil

**5,193**
Lubricants

*Source: FEDCom & S&P Global Platts*





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CONTINUED FROM PAGE 1

## Victor Yang, Senior Editor, JLC Network Technology

### Could we see any recovery in China's product exports?

China's refined product exports have declined this year with only one exception - jet fuel - because our domestic demand is so sluggish. Diesel exports have tumbled by close to 90% so far this year. In the first four months, China exported only 1.6 million metric tons, versus around 9 million metric tons in the same period last year. We also had a great change in the domestic market last year, which was the consumption tax on imports of mixed aromatics and light cycle oil (LCO), a very important component for diesel blending. LCO was being directly used as diesel fuel in some cases, which was illegal, so the Chinese government cracked down on such activities and that was a huge boost to the domestic market. Chinese refiners boosted their production sharply from the last quarter of 2021 after a severe shortage popped up in late September and until last month, they were still boosting diesel production quite significantly on a year-on-year basis. So, we are seeing a very large decline in exports this year. Gasoline exports have also dropped but not so sharply.

### What measures is the government taking to stimulate the economy?

It's now trying to ease Covid restrictions and rolling out a new policy of regular testing across all cities, to detect any outbreak as early as possible and avoid further lockdowns. Local governments are also rolling out a series of policies to stimulate economic growth, including boosting development of the real estate market. This has been quite rare in the past two or three years but now they are making bank loans more accessible and reducing restrictions on the purchase of houses. They're also cutting taxes on SMEs, and even postponing some levies on independent refiners which is significant while they are under such heavy cost pressures.

### Latest outlook for China 2022 GDP?

We are facing more uncertainty than ever now. The second quarter was under more downward pressure than we were expecting. We thought it would be similar to Q1, but now that seems impossible. If we see any growth in Q2, that would be a great achievement. We expect a rebound in Q3 and Q4, but for the whole year, it's probably going to be well below the previous target of 5.5% and closer to settling around 3% to 3.5%. And things could also change quite quickly again.

# Energy Markets Views You can Use

## Amena Bakr
Deputy Bureau Chief & Chief OPEC Correspondent
Energy Intelligence

**Can OPEC+ maintain unity with Russian output depleting?**
OPEC+ wants unity to continue and they want Russia to be part of the group. They don't see market management effective without Russia's presence. That's why everybody's walking on eggshells when it comes to discussing the sensitive topic of how much Russia is losing as a result of sanctions. There is an awareness that Russian barrels are depleting but these numbers haven't translated yet into any of OPEC's official reports. At the same time, there's a lot of uncertainty about how these barrels are being lost in the market. Is it a matter of just losses in Europe? Are they being rediverted into Asia?

**Will Saudi and the UAE look to take larger quotas come September?**
Nothing will change until then, but September will be a time for all the countries to sit down and say these baselines don't make sense and they could rearrange the deal, depending on market conditions. We know that Saudi and the UAE are the only two players with spare capacity. One idea that might be considered would be that Russia is treated like other members facing sanctions, such as Iran and Venezuela, and therefore not be allocated a quota.

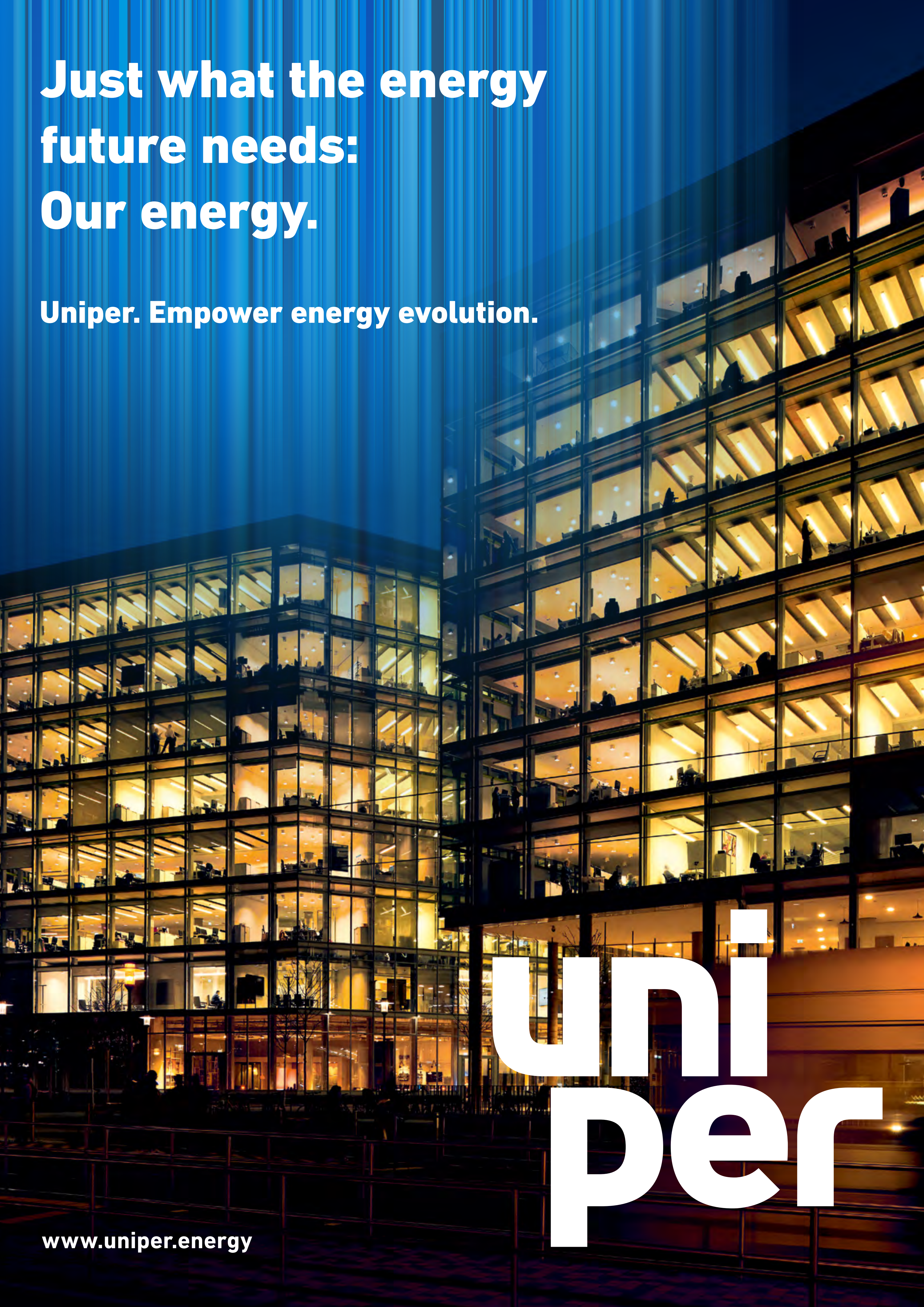
**Should Gulf producers be concerned about market share in Asia?**
Initially when there were reports of Russia discounting its crude by about $30, there was concern that such a steep discount could distort the market to some degree, but Gulf producers haven't changed their strategy in any way. They know that Asian consumers rely on them for a sustainable supply line which is why they have long term contracts. The discounts on Russian crude are also now closer to $10 or even a bit less

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

**Impact of EU Russian oil embargo on supply and price?**
Everybody expected there would be some deal, but we still saw prices up as it does impact two thirds of Russian exports. It's still uncertain how much Russian production and exports we are going to lose and that will keep a bottom on markets. Russia is also benefiting from these high prices, so it remains to be seen how they respond to this decision. We can't really tell where crude prices are heading, but the market is very bullish and that's feeding into inflationary pressures across all commodities, such as fertilizer and grain.

**Where can Russian oil go other than to China?**
There aren't very many options. Russia's pipeline crude flows, at around 800,000 bd, are much lower than its seaborne exports of 1.9mbd, which is what's going to be impacted by the EU sanctions. That's quite a big number to divert and I think you're also going to see more competition in the way that the Gulf producers are pricing their oil, particularly to the Asian market.

**Could OPEC+ possibly step in to alleviate tight global supply?**
They are ignoring calls that the market is not balanced. OPEC needs to send a signal to the market they are prepared to do something because their own members are not producing as planned. Russian production hasn't fallen off a cliff yet, but it is lower than it was. There are two countries that can increase their output to make up for others, but somehow trying to hold this alliance together seems to matter more than the impact that these high prices are having on the global economy.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# Fujairah Spotlight

## Oil product stocks fall after gasoline shipment to Saudi Arabia

Oil product stockpiles at the UAE's Port of Fujairah dropped from a three-month high as of May 30 with declines registered in light distillates and heavy distillates and residues, according to Fujairah Oil Industry Zone data published June 1. The total inventory was 19.678 million barrels as of May 30, down 0.6% from a week earlier, the port data provided exclusively to S&P Global Commodity Insights showed. Inventories were 3.48% lower than the same time last year.

*Source: Source: S&P Global Commodity Insights*

## Fujairah Cement Industries gets nod to withdraw from Boursa Kuwait

UAE-based producer Fujairah Cement Industries is marking its last day of trading on Boursa Kuwait today. The company has already obtained the approval of Capital Market Authority-Kuwait for the voluntary withdrawal of its shares from the Kuwaiti stock market, according to a disclosure on the Abu Dhabi Securities Exchange (ADX).

*Source: ZAWYA*

## Fujairah Ruler condoles King of Jordan on death of Queen Rania's father

H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, has sent a cable of condolences to His Majesty King Abdullah II bin Al Hussein of Jordan, on the passing of Dr. Faisal Al-Yasin, the father of Her Majesty Queen Rania Al Abdullah. H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, sent a similar cable of condolences to His Majesty King Abdullah.

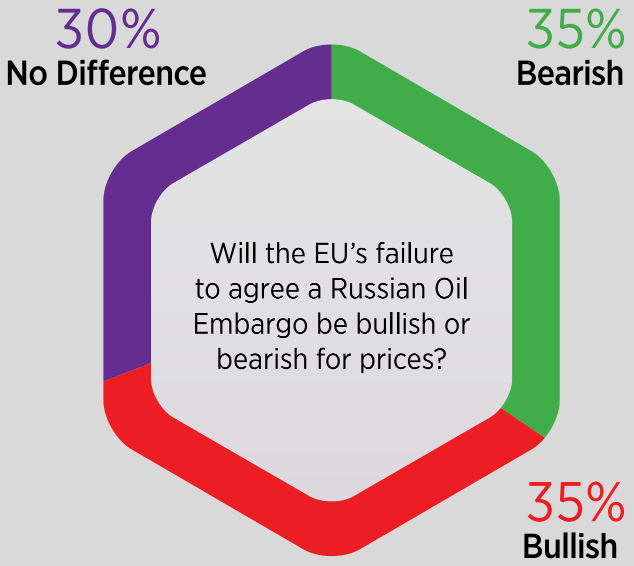
*Source: Emirates News*

## ADNOC's Fujairah Crude Oil Storage Caverns Set to Open in 2023

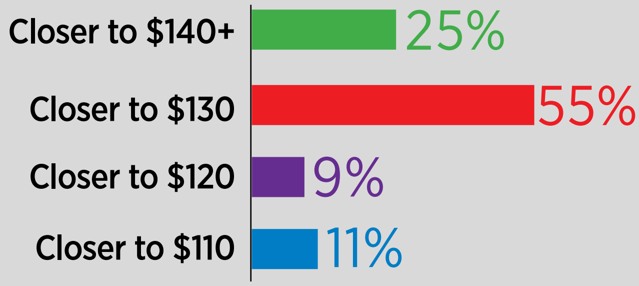
ADNOC, is set to open its giant crude oil caverns in the mountains of Fujairah next year, one year later than planned, according to people with knowledge of the project. The project, which will have capacity to hold 42 million barrels of crude oil, was pushed back because of COVID-19 related delays and will be finished before the end of 2023, one source told S&P Global Commodity Insights, asking not to be identified. ADNOC said it had no comment.

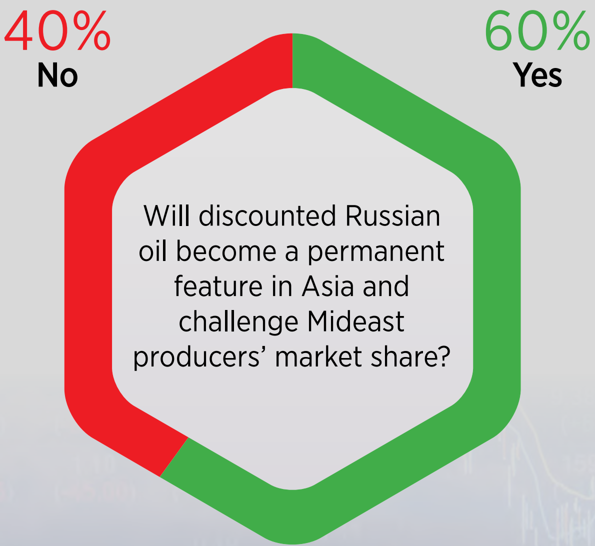
*Source: TankTerminals.com*

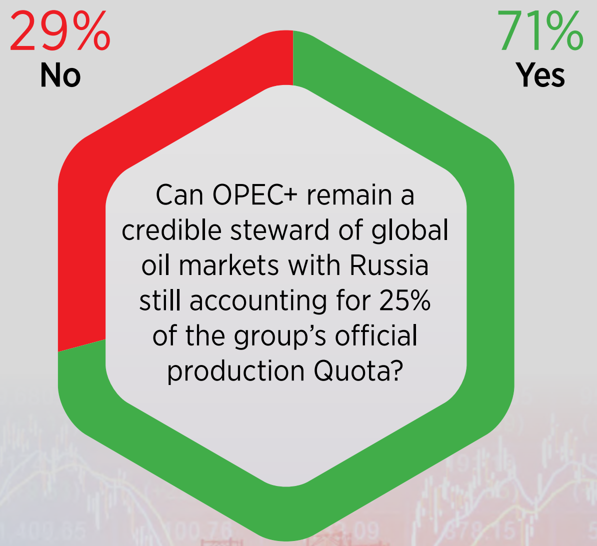
# Weekly Surveys




Now that we know what EU embargo looks like - where will oil prices sit at end of June/Q2?




Source: GI Research March 2022

# Energy Markets Views You can Use

## Amrita Sen
Founder & Director of Research
Energy Aspects

**What is your Outlook for the Renewal of the OPEC+ Agreement in September?**
OPEC+ have done a fantastic job in terms of managing what has been anything but an easy market. It has been such a turbulent time from COVID to Russia's war on Ukraine, and all through that OPEC+ has been steady. But now, we have arrived at a situation where a lot of countries just do not have any spare capacity. Even if they wanted to, they could not raise production. But regardless, all member states want this OPEC+ pact to continue.

The Middle Eastern countries, none of them want to see this deal just expire and then suddenly it is free for all -- they want to keep some semblance of a deal going. It does not mean that we will continue to see an increase of 400,000 barrels a day every month as probably only two or three countries could participate in that opportunity, but they are all still very, very scarred by the oil price crash that happened during the market share war in April 2020. They understand that things could change on a dime, especially now with recessionary fears. They still think Iran is going to come back to the market at some point. So, as a group, they still want to make sure that there is stability in the market. That is their number one objective right now!

The credibility of the group around production quotas is super important, but that's where politics also comes in. Many market stakeholders are pointing out that Saudi Arabia and UAE should be given bigger quotas when the current deal expires in September because they are the only ones that can produce more, but why would anybody else accept that? Everyone is thinking longer term, and for anybody to accept that it means in the future, when you have quota negotiations during a downturn, which becomes your base case starting point.

The Western world keeps talking about the energy transition without paying any attention to energy security, ignoring the simple fact that oil demand and gas demand continue to grow at a rapid clip. There has been no reduction structurally in terms of demand growth, and yet we have killed supplies because of energy transition policies. And then at the same time, the West is asking OPEC+ for more oil, for security of supply. I think OPEC+ has every right to turn around and say, hey, where is our security of demand? You know, if you want to clap, it needs to be with both hands.

## Edward Bell
Senior Director, Market Economics
Emirates NBD

**There's strong consensus that global growth is going to slow this year.**
One reason is the very strong post-pandemic recovery last year, and that pace, particularly in the big developing economies growing by more than 5%, is not something that's going to be sustained. We now have the inflationary impact of that resurgence of demand that central bankers are having to fight against by raising interest rates - another handbrake to growth - along with still a lot of uncertainty around supply chains that drove inflation higher in the first place. And we also have uncertainty on the outlook for global commodity prices. All of these will impact consumer spending.

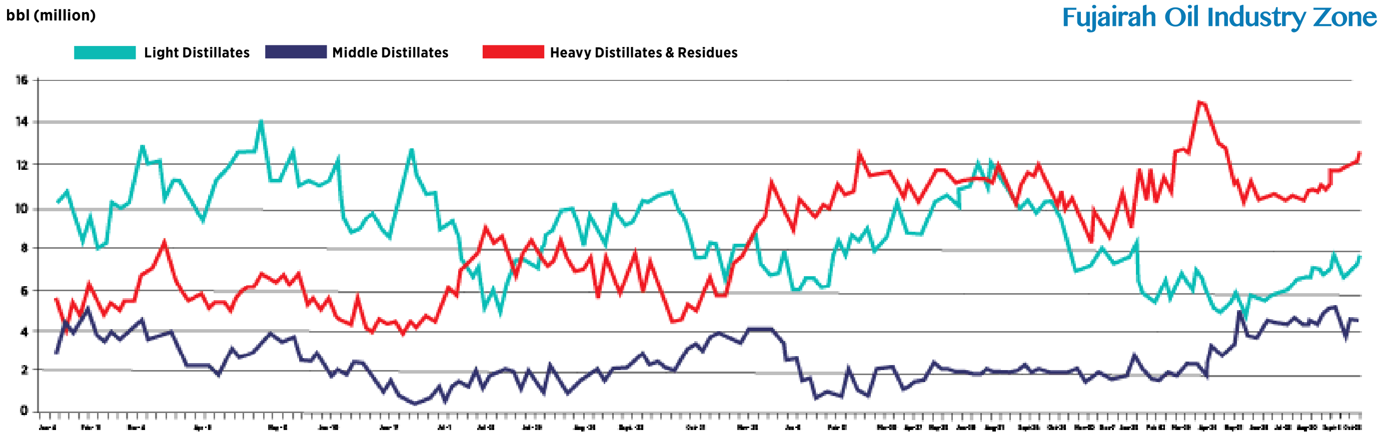
**US consumer activity is still looking quite robust?**
We've had some positive numbers coming out from countries like the US, with households still quite flush from the pandemic and running those savings down, but those are coming off quite sharply now. As a share of disposable income, savings are now around 4% compared with a pre-pandemic level of closer to 7%. We don't see the odds of a recession, at least for the US, materializing in 2022, but the risks are more acute for next year, particularly if the Federal Reserve goes full throttle in its fight against inflation. US GDP growth this year is still likely to come in a bit above 2% but by Q4, year on year numbers start to look a lot more ropey, with maybe even a contraction.

**How tolerable an inflation rate can the Fed accept?**
Even if they say raise by 100 basis points over June and July as expected, and we get up to 2.75% by the end of this year and a couple more next year, if inflation only goes from over 8% to 4%, consumers still have to endure high prices. What central banks want is for prices to start going negative and we're very far away from those circumstances being in place. We will need very tight monetary policy standards to achieve that, globally. The EU has very elevated inflation pressures that it has never really had to experience during the time of the ECB, so it's going to be difficult for them to only do a little bit and bring the rate of inflation to around 4%. They need to get inflation negative for the sustainable growth story to reemerge in a lot of these economies.

**Are GCC economies feeling these inflationary pressures?**
For much of last year, the GCC was somewhat of a global outlier in this regard, but we've started to see those trickle through, whether in the form of higher retail fuel prices or higher imported costs for finished products, including food. There doesn't seem to be any policy response yet to inflationary pressures here but if required, we do stand better posed from a cash position, to be able to accommodate or offset them.

# 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 19.678 million barrels. Total stocks fell by 123,000 barrels with overall stocks down 0.6% week-on-week. There was a build in middle distillates while light distillates and heavy residues posted draws.

- Stocks of light distillates, including gasoline and naphtha, fell by 287,000 barrels or 4.3% on the week to 6.314 million barrels. The East of Suez gasoline market was seeing a strengthening following the loosening of COVID-19 restrictions by regional economies. In tenders, Sri Lanka's Ceypetco was heard seeking 1.341 million barrels of 92 RON gasoline and 459,000 barrels of 95 RON gasoline for delivery through six shipments over August 2022-May 2023 in a tender that closes June 28, market sources said.

- Stocks of middle distillates, including diesel and jet fuel, rose by 228,000 barrels or 9.9% on the week to 2.526 million barrels. The gasoil market was finding support from news that EU leaders have agreed to ban Russian oil imports by sea. This could lead to increased flows into the West of gasoil from East of Suez as European importers seek barrels from alternate origins. "[The] gasoil market is very strong, and cracks are at levels never seen before," a trader said.

- Stocks of heavy residues fell by 64,000 barrels on the week to 10.838 million barrels falling by 0.6%. In Fujairah bunker offers were seen higher on the back of strong crude oil prices. Fujairah-delivered marine fuel 0.5% was assessed at $1055/mt on May 31. The premium for Singapore-delivered marine fuel 0.5%S bunker over Fujairah-delivered marine fuel 0.5% widened further to $60/mt with Singapore delivered bunkers assessed at $1115/mt on May 31.

*Source: S&P Global Platts*

**Commodities**
OPEC+ meets today and there is growing expectation that Saudi Arabia will respond to the sanctions that have been placed on Russia by hiking production to compensate for lost output. This will be among the most closely watched OPEC+ meetings in the past four months when previous sessions have quickly rubber stamped modest, and largely unachievable, output increases.

**Equities**
A positive start in Europe turned negative later in the session, where the composite STOXX 600 initially traded higher before ending the day down -1.0%. The FTSE 100 also lost -1.0%, while the DAX dropped -0.3% and the CAC -0.8%. All three major US benchmarks closed down as the Dow Jones, the NASDAQ and the S&P 500 dropped -0.5%, -0.7% and -0.8% respectively.

**FX**
The dollar jumped against peers overnight, abetted by another move higher in UST yields. EURUSD fell almost 0.8% overnight to settle at 1.065, hawkish commentary from ECB officials notwithstanding. GBPUSD sank more than 0.9% to 1.2487 while USDJPY added more than 1.3% to push back up above the 130 handle.

*Source: Emirates NBD Report*



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# Energy Markets Views You can Use

## Richard Redoglia
Chief Executive Officer
Matrix Global Holdings

**The oil market has always self-corrected when prices are high but not this time.**

We have never been in this situation. The lack of money going into exploration and production means that we're not going to be able to do it. Prompt crude is $6 under the prior high, and crude out two and three years is also making new highs. The market's seeing this and understands what's going on. OPEC data has US production in 2023 at 14mbd and Russia at 11.3mbd. What if these numbers come in lower? We're putting ourselves in a situation where our President says we're in an incredible energy transition and where he has doubled the royalties on all new oil production. We're going to get what we deserve. It's going to be the most aggressive tax in history, and I don't really see any way out of it. Meanwhile, energy GDP ratios have gone from around 2.5% to 0.5%, so the world has become much more efficient and is just going to consume more oil. And as we go more towards this energy transition, we're going to start to see fuel oil and coal used in power again. People will have to heat their homes.

**What's the US' outlook for the whole commodity complex?**

The government wants more electric cars but at the same time, the two biggest mines are not going to get built. How can we create 50,000 new cars a day without that nickel or lithium? I think inflation will run rampant and oil prices will go up until people scream. And we've been on this trajectory since 2020. The price for natural gas 20 months forward is $4.20. Back in 2008, that forward price was $10, so this market can go a lot higher and that's going to feed into everything – from transportation to food.

**Could we see an Iran deal before the US midterm elections?**

There's nothing that Biden can do. People would look at any kind of Iran deal as weakening him and he can't afford that. He is doing everything he can to keep his head above water. The US is really starting to reel with inflation, and we're stuck. Our politicians have really sold us down the river.

## Rustin Edwards
Head, Fuel Oil Procurement
Euronav NV

**Expected market impact from the shipping insurance ban?**

We had already seen a self-sanctioning ban on shipping going in and out of Russia, with insurance rates quadrupled, if not quintupled, after the invasion. Most insurance companies have been claiming that any Russian port is considered a hostile port to do business in. So, the actual insurance ban now simply formalizes what has already been happening. Most of the flows going out of Russia are being done on national carriers or on black carriers which are taking an insurance policy out from either Russia or from their destination location. According to Kpler data, the amount of oil on the water from Russian ports has almost quadrupled from where it was preinvasion, from about 20 million barrels to almost 80 million barrels.

**Impact of EU oil embargo on Russia in 2H 2022?**

Europe has already been curtailing their seaborne imports massively since April and recent data shows a dramatic drop off also from April to May and another drop going into the end of June. So, again, there's been a lot of self-sanctioning of Russian oil pre-embargo and that oil is just flowing into other markets, so those volumes are not gone. We will see an increase in ton miles and also in the underlying cost though. Global crude stocks have in fact been building over the last three months, primarily in Asia. Only products have been hit because a lot of refining capacity that was rationalized during the Covid outbreak is not coming back. The world is short roughly 4 to 6 million barrels of refining capacity.

**Do we expect to see demand destruction this year?**

I'm still a believer in a Q2 and Q3 recessionary story, mainly impacting Europe first.
We are seeing a drag on European GDP growth as high energy prices, high food prices, runaway inflation, all start to impact people's ability to spend. Recession will probably surface by the end of Q3. And with the inflation numbers that came out this week, central banks are going to have to start increasing interest rates. That continuing tightening globally is going to have a massive impact that we haven't felt yet.

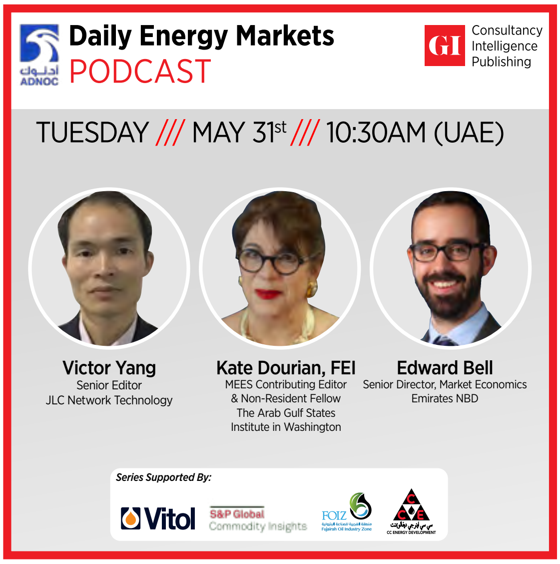
**Can the EU bear the economic consequences of sanctioning Russia?**

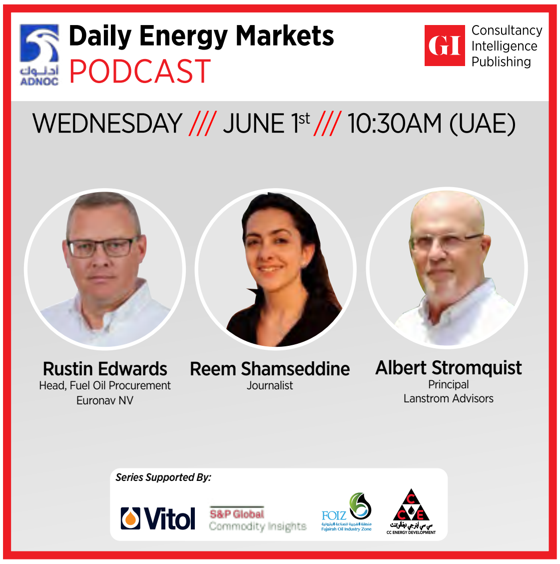
There's a lot of political pressure inside of every country, that they can't go through a massive recession just because of the war in Ukraine. The political will to do more is getting less and less. I think that's what's going to eventually be a nail in the EU cohesion. Will they even able to think about doing a natural gas embargo? My guess is probably not because there's just way too much economic pain that would be suffered throughout the entire Eastern European blocs to ban Russian gas imports fully. As for the oil embargo, everybody has until the end of the year to adjust and for pipelined oil, even longer.

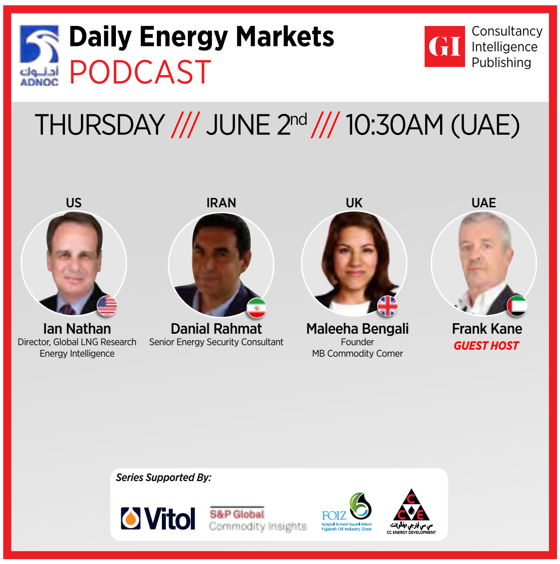
# Energy Markets
# COMMENTARY

## WEEK IN REVIEW



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# Energy Markets Views You can Use

## Asad Khan
Chief Economist & Head of Research
Jadwa Investment

## TOP 10 Observations of Saudi Arabia's Economy in April

1. Real Economy: Cement sales and production dropped by 24 percent and 22 percent in April, year-on-year, respectively, to reach their lowest level since May 2020.
2. Non-OIl Exports: Meanwhile, latest available data showed non-oil exports rose by 26 percent year-on-year in March, and 13 percent month-on-month, supported by higher exports of 'petrochemicals', which were up 66 percent year-on-year, and 18 percent month-on-month.
3. Consumer Spending: Consumer spending was up 11.7 percent year-on-year in April, and down by 5.7 percent month-on-month, affected by lower monthly POS transactions (down 3 percent), and cash withdrawals (down 10 percent).
4. Government Finance: The net monthly change to government accounts with SAMA declined by SR35 billion in April. The monthly decrease came from both government deposits and government reserves, which were down by SR16 billion and SR19 billion during the month, respectively.
5. SAMA Foreign Reserve Assets: SAMA FX reserves slightly rose in April, up by $0.3 billion month-on-month, to reach $451.7 billion. Looking ahead, we expect SAMA FX reserves to reach $581 by the end of the year.
6. Money Supply, Bank Deposits and Credit: The broad measure of money supply (M3) rose by 8.7 percent year-on-year in April, and by 1 percent month-on-month. Total deposits rose by 9.4 percent year-on-year, mainly affected by higher government deposits.
7. Inflation: Prices rose by 2.3 percent year-on-year, and by 0.4 percent month-on-month in April. Within the CPI basket, 'food and beverages' rose by 4.3 percent year-on-year, and 1.7 percent month-on-month, the highest monthly rise since July 2020.
8. Oil-Global: Brent oil prices rose 10 percent (to $114 pb) and WTI prices 8 percent (to $110 pb) month-on-month in May as an agreement by the European Union (EU) to ban seaborne Russian oil imports, ii) easing of Covid-19 restrictions in China which is expected to raise oil consumption and iii) an accelerated drawdown of already depleted oil stocks in the US prior to peak demand as the summer driving season approaches, all kept pressure on prices during the month.
9. Oil-Regional: Saudi crude oil production averaged 10.4 million barrels per day (mbpd) in April, in line with OPEC+ agreed levels. Moving forward, we expect oil output to stay in-line with OPEC+'s declaration of cooperation (DoC), and thus rising by an average of 130 thousand barrels per day (tbpd) each month.
10. Stock Market: Local investors succumbed to risk-off sentiment seen around the world during the month, as TASI declined 6 percent month-on-month in May, the first monthly decline since November last year. Further selling activity was seen on the first day of trading in June, with the main index trending down 1 percent.

# Energy Markets Views You can Use

## Jose Chalhoub
Political Risk & Oil Analyst

**Venezuela & US Seem to Keep Missing Opportunities for Alignment on Sanction Relief**

It was an interesting week regarding geopolitical developments and their impact on the oil sector in Venezuela. The US Treasury Department renewed a waiver for CHEVRON to remain in the country until November but without permitting further operations, nor trading and exporting of Venezuelan oil. This was against the previous expectations that CHEVRON would get permission to operate and produce oil in Venezuela. However, after the Maduro government demanded the inclusion of Russia, and not of Norway, in the negotiations with the Venezuelan opposition in Mexico, it sowed doubts about the outlook for a new deal between Washington and Caracas.

All this is happening while Caracas and Tehran are ramping up their cooperation in the Venezuelan oil sector, with Iran now set to participate in the rehabilitation of the main refineries in Venezuela after the signing of a contract worth around 110 million euros. Iran also continues to send cargoes of condensates to Venezuela which are helping to lift up the country's oil output, even as the nuclear talks between Tehran and Washington are frozen and tensions are rising between the two adversaries.

Meanwhile, a recent report by the Bank of America projected an astounding 15% growth for the Venezuelan economy during 2022, which seems elusive as the macroeconomic conditions of the country haven't improved or show any signs of recovery. Rampant Inflation continues and the national currency is again in free-fall against the dollar. The problems with the country's public services persist and the national minimum wage remains the lowest in South America, while the dollarization of the domestic economy continues unabated. The political opposition is at odds finding a unified candidate for the next presidential elections in 2024, leaving Maduro still unchallenged in power.

As the war in Ukraine continues without any end in sight and with EU sanctions against Russian oil likely to become reality in the coming weeks, Venezuela remains under the spotlight as a possible source for much needed energy supplies in Europe. The political and economic dynamics in Venezuela will be key to monitor over the coming weeks and months for any indications that the country's oil sector could be approved for re-engagement with American oil companies.

# ENERGY MARKET NEWS

1. OIL PRICES SKID $3 A BARREL AS INVESTORS TAKE PROFITS AHEAD OF OPEC+ MEETING
2. OIL SLIDES AS REPORT SAYS SAUDI ARABIA PREPARED TO BOOST SUPPLY
3. TOUGH NEW SANCTIONS ON RUSSIA COULD HIT WORLD OIL SUPPLY AND CHANGE THE OPEC+ DYNAMIC
4. LAVROV: GULF COUNTRIES WILL NOT IMPOSE SANCTIONS ON RUSSIA OVER UKRAINE
5. HUNGARY HOLDS UP EU SANCTIONS PACKAGE OVER PATRIARCH KIRILL
6. CRUDE OIL TO SURPASS $130/BBL ON DRIVING SEASON, CHINA LOCKDOWNS EASING – ICIS
7. US LIGHT, HEAVY OIL-PRICE SPREADS WIDEN AS GASOLINE DEMAND GROWS
8. UKRAINE AND RUSSIA: WHAT YOU NEED TO KNOW RIGHT NOW
9. EGYPT'S GAS EXPORT REVENUES REACH $3.892BN IN FIRST FOUR MONTHS OF 2022
10. US GAS PRICES HIT A NEW RECORD HIGH AS MORE STATES PAY $5 OR MORE PER GALLON

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# GI Soundings Week in Review

# "OPEC+ May be Showing First Signs of Stress From All the Global Noise!"

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**
- **Maleeha Bengali, Founder, MB Commodity Corner**
- **Danial Rahmat, Senior Energy Security Consultant**
- **Ian Nathan, Director, Global LNG Research, Energy Intelligence**
- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Reem Shamseddine, Journalist**

***Omar Najia, Global Head, Derivatives, BB Energy:*** "The market is not watching what the Europeans or Americans are saying about sanctions, because they've done everything that they can. The market knows that the West is all in. The question is, what's demand going to do? It's going to continue higher. The market is going to absolutely surge because it can, and it's going to continue to set new highs."

***Maleeha Bengali, Founder, MB Commodity Corner:*** "China's GDP has been falling precipitously since Q4 of last year on the back of the tech and manufacturing slowdown. Now, they're trying to boost their economy but just don't have that much capacity because inflation's a big problem. There's an underlying slowdown and some indicators are now looking at a GDP growth rate of as low as 2% for the year. It certainly won't be near the 5% number that they were predicting."

***Danial Rahmat, Senior Energy Security Consultant:*** "Iran has lost a very big part of its market share in China to Russian oil. In March, volumes were as high as 1.1mbd. In April, it did not sell a single barrel of condensate to China. And there's a secondary problem - if Iran stops producing condensate, it then has to stop production of natural gas which is very critical for the country's domestic energy supply."

***Ian Nathan, Director, Global LNG Research, Energy Intelligence:*** "The US has been the largest source of incremental LNG into Europe in the last six months and that's been a hugely important part of keeping prices in Europe from skyrocketing even further. Unfortunately, as an energy security strategy, it could fall short, particularly if this demand in Asia starts to rebound. We've started to see some of those LNG flows into Europe come back down from their peak in the last two weeks as the TTF premium to Asian spot prices has narrowed."

***Peter McGuire, Chief Executive Officer, XM Australia:*** "There can be no doubt the ECB is behind the curve when it comes to taming inflation as euro area prices are rising at a record pace, and even underlying measures of inflation have jumped well above the 2% target. Like the Fed, the ECB had hopes that the surge in prices, driven mostly by supply constraints and the energy crisis, would subside after a few months."

***Reem Shamseddine, Journalist:*** "The Saudis have long term supply contracts with Asia which are locked in, so discounted Russian crude diverted from Europe to the Asian market is not going to really impact Gulf producers. They might also eventually find other destinations. What we've learned from this crisis is that one cannot rely on one market only."

# Daily Energy Markets

## TOP TAKEAWAYS
## MARKET OBSERVATIONS FOR THE WEEK
### May 29th - June 2nd

1. If Russian production comes under real duress, it could conceivably be granted special conditions on quotas by OPEC+, like other sanctioned members.
2. Oil prices have nowhere to go but up, with global supply constrained, and this time around, market is failing to self-correct as it has done in the past with high prices.
3. US starting to reel with high prices, inflation expected to run rampant and feed into transportation and food and Federal Reserve knows it's stuck and can do nothing about it.
4. Chinese economy still facing uncertainty, with zero growth now expected for Q2. Local governments rolling out policies to stimulate growth, with rebounds seen for Q3 and Q4, settling at a 2022 average GDP growth of around 3-3.5%.
5. Uncertainty on loss in Russian oil production and exports plus tightness elsewhere, keeping a bottom on prices. Russia meanwhile continues to benefit from high prices.
6. Strong consensus that global growth will slow this year, with post pandemic demand steam running out, interest rate policy battling energy and food inflation and unresolved supply chain uncertainties.
7. Saudi Arabia likely to prioritize political relationship with Russia over market share worries in Asia.
8. China will struggle to stimulate their economy back to life after COVID lockdown as demand appetite is getting strangled by inflation.
9. The oil markets remain obsessed with supply concerns when the really big story building for Q3 is all about demand destruction with recession around the corner.
10. The current OPEC+ agreement couldn't be ending at a more challenging time when you have 90% of its members unable to meet existing production quotas.

# 10th Anniversary ITINERARY

# ENERGY MARKETS FORUM

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

## DAY 1 - OCT. 4th

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

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

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

## DAY 2 - OCT. 5th

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


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

## DAY 3 - OCT. 6th

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

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