Fujairah New Silk Road WEEKLY NEWSLETTER

NOVEMBER 28th 2019
VOL. 8

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

AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

"In Singapore, we say we hunt as a pack."

Roger Chia Kim Piow, Founder & Chairman, Rotary Group of Companies

What are Fujairah's unique selling points as a storage and bunkering hub?

In the Middle East, we have built around 25mn barrels worth of storage capacity, of which the Fujairah Oil Terminal (FOT) has a capacity of 1.15mn cubic meters. The first thing that impressed us about Fujairah was that it's very easy to set up operations – it's a one stop shop. Fujairah shares many similarities with Singapore. As the largest bunkering hub in Middle East, the growth prospect for Fujairah is tremendous. Rotary continues to work hard to deliver our projects, pursue new markets and establish new vehicles and engines for growth. This allows us to push ahead with our efforts to innovate and collaborate with stakeholders, such as Fujairah. In Singapore, we say we hunt as a pack.

WATCH VIDEO HERE

**Edited Transcript*

How are the world's largest two economies – the US and China – impacting countries along the New Silk Road, such as Singapore, the world's biggest bunkering hub?

Singapore is strongly dependent on investors and our GDP took a big hit in the second quarter of this year on the back of the slowdown in China and the global economy. China as a state is playing a very important part in eastern trading routes and that's where economies are being impacted. The energy storage and trading industry by itself will not be affected too much. But manufacturing businesses, like electronics, will be. In general, Chinese investments under the Belt and Road Initiative (BRI) are continuing to take advantage of new centers of demand. Small and medium-sized enterprises (SMEs) in Singapore are also venturing into some of those countries, which offers opportunities.

Fujairah Weekly Oil Inventory Data

4,912,000 bbl
Light Distillates

3,020,000 bbl
Middle Distillates

15,338,000 bbl
Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.52 – $4.10/m³

↑ **Highest: $4.50/m³**
↓ **Lowest: $3.20/m³**

*Time period: Weekly

Source: GI Research

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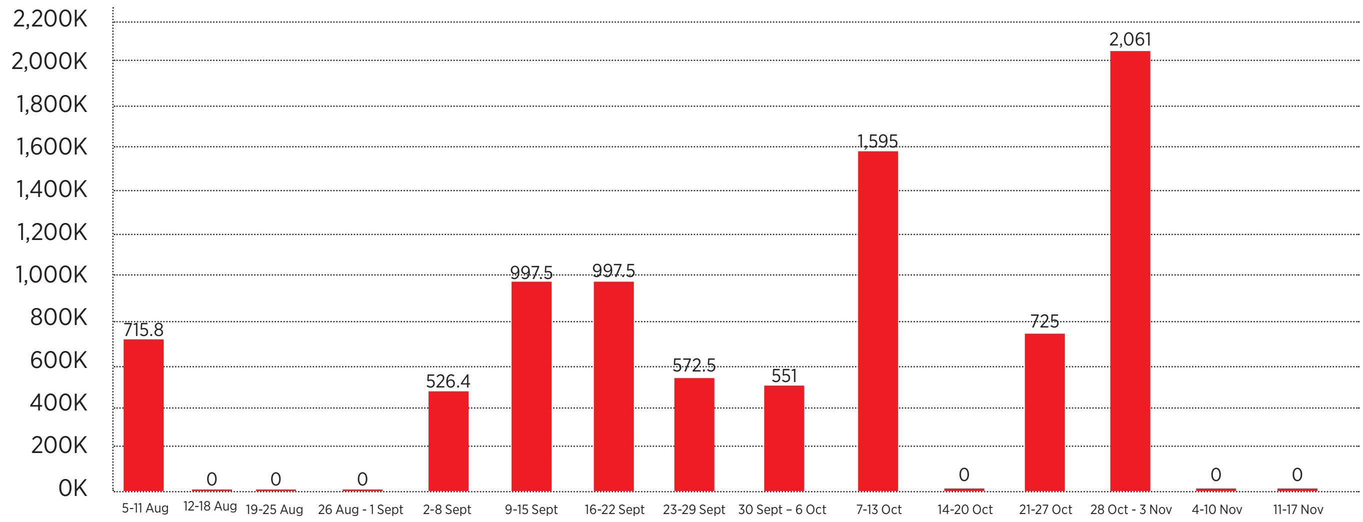
THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	$63.63/bbl
WTI Crude:	$58.02/bbl
DME Oman:	$64.05/bbl
Dubai:	$61.34/bbl

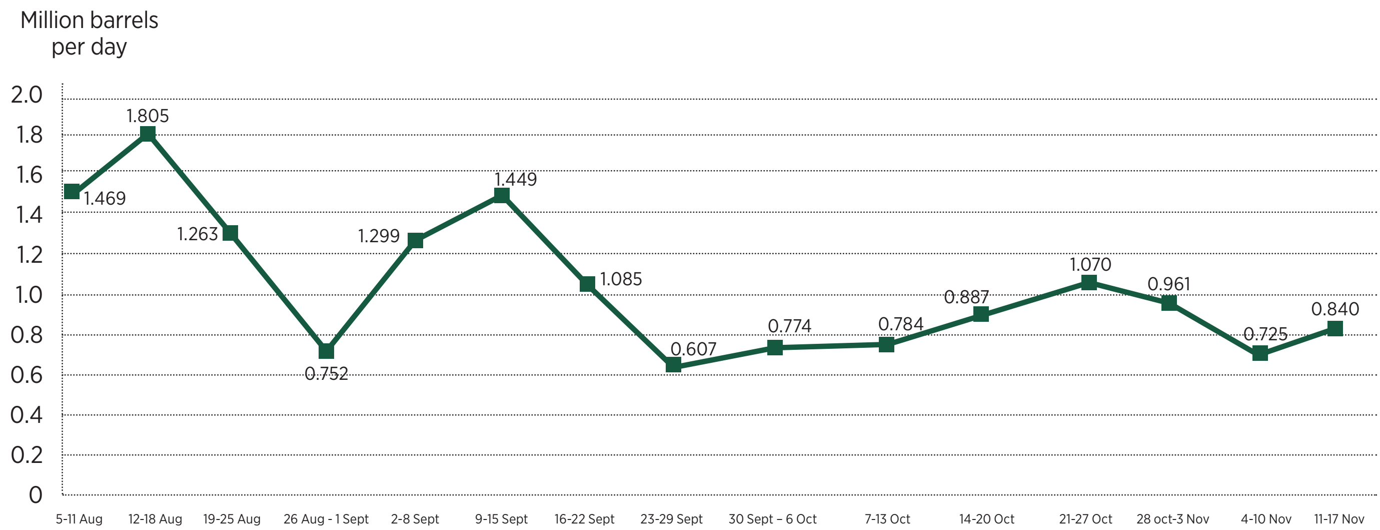
Time Period: Week 4, November 2019
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



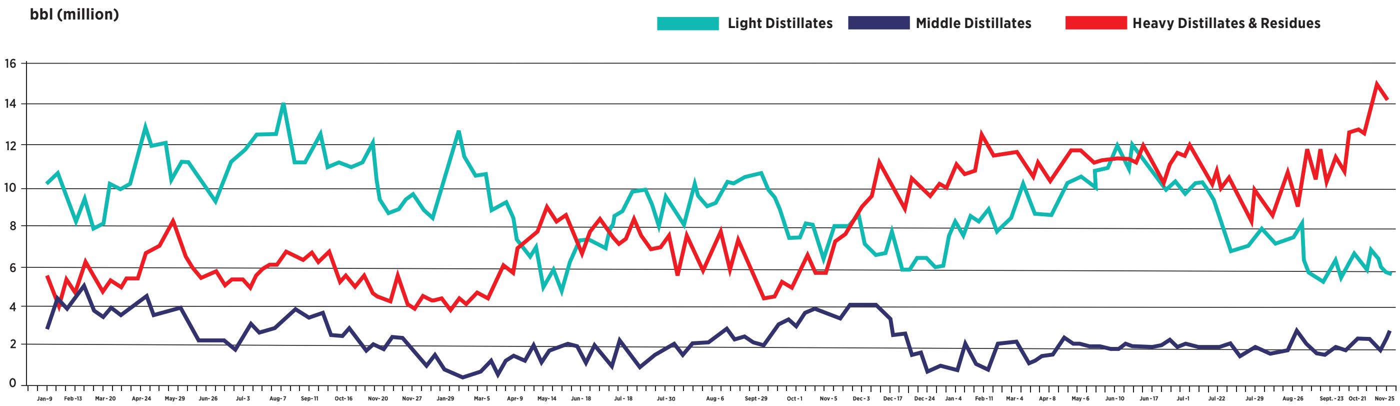
Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

Fujariah Weekly Oil Inventory Data



As of Monday, 25 November total oil product stocks in Fujairah stood at 23.270mn barrels. Stocks fell 1.870mn barrels week-on-week. Overall product stocks fell by 7.4%, with draws across all three stock levels. Light distillates showed the greatest percentage and absolute fall week-on-week.

Stocks of light distillates fell by 1.286mn barrels, reflecting a fall of 20.7% week-on-week. Total volumes stood at 4.912mn barrels, the first time they have fallen below 5mn barrels since mid-August 2018. The East of Suez gasoline market despite higher outflows from China and Japan was relatively balanced on steady demand from regional shorts. However, despite these balanced fundamentals, a downward trend of lower premiums for spot barrels in the region hinted at a weakening Asian gasoline complex going into the year end. The FOB Singapore 92 RON gasoline crack against front month ICE Brent was assessed at $8.57/bl on Tuesday, a fall of 59 cents/bl week on week.

Stocks of middle distillates fell by 14.1%, dropping by 497,000 barrels to stand at 3.02mn barrels at the start of the week. There was a noted uptick in flows from the Middle East to West of Suez, following viable arbitrage economics for the movements. At least five Long Range 2 ships have been chartered to carry gasoil from the Middle East to the UK-Continent and East Africa in the coming weeks. These flows could keep a floor under prices this week, sources said.

Stocks of heavy distillates fell by 0.6%, down by 87,000 barrels on the week to stand at 15.338mn barrels. This is the second consecutive week they have stood above 15mn barrels. The shift by ship owners away from high sulfur fuel oil (HSFO) to low sulfur fuel oil (LSFO) was showing continued acceleration with under five weeks until the end of the year and the implementation of IMO 2020 regulations. Traders noted that at least 50% of demand for bunker fuel from vessels in Fujairah had already transitioned to low sulfur material, with an expected continued switch in the weeks ahead. All this demand was supporting values for low sulfur material in Fujairah, with delivered bunkers for marine fuel 0.5% maximum sulfur in the port assessed at $549/mt on Tuesday, reflecting a rise of $9/mt week on week.

Source: S&P Global Platts

Oil Commentary

"Bearish news continues to rain down on the market like a soggy morning when you forgot your brolly."

Another boost for the market is the news that a trade deal is ever closer between the US and China. I'm not sure this drip-fed encouragement is any good for the market, if I'm honest, even if we are nearly $5/bl higher than we were at the start of November. How much more does the market have to price in how bullish a "phase one" trade agreement actually is for crude? This is the million-dollar question. In the meantime, bearish news continues to rain down on the market like a soggy morning when you forgot your brolly. Noooooooo. Mr Fatih Birol wisely suggests that "...(OPEC+) I hope they will make the right decision for themselves and for the global economy, which is still very fragile". Hmmm. In other words, if you guys don't all get together and not only extend current output policy until the end of 2020, but deepen the cuts, then in the words Private Frazer: "We're all doomedddddd." As I have been saying, I doubt we will see an extension beyond the end of June 2020 and I seriously doubt any member of the cartel will agree to deepen any production cuts. This is purely down to the fact that the US continues to increase production and thus continues to capitalize on market share lost by the members of OPEC+, who are cutting production in the hope that this will balance the market. Nearly a third - 70% - of global oil production growth

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stems from the US. 70%. Quite what this percentage will get to if OPEC+ decides to deepen production cuts is anyone's guess, but the US Deputy Energy Secretary said that the US will be at 13mn b/d of production by the end of 2020 and 13.5mn b/d by the end Q2 2020. From today's production level, that is an increase of 700,000 b/d. So, even if OPEC agree to cut production by another 700,000 b/d, which is an increase of about 60% on today's cuts, then it will be do nothing apart from nullify US production gains. And I'm not even including production increases from Brazil, Guyana, Canada and Norway. Don't think I'm being a Christmas Grinch. I'm not. I'm purely stating facts. In other Grinchiness, the Energy Information Administration (EIA) stats are out later, apparently another build on crude stocks, according to API. That will mean US oil stocks are showing a net build for the year. Demand? Pffffff. Good day.

November 27, 2019

GIQ EXCLUSIVE INSIGHTS

DOWNSTREAM: The Future of Work and the Work of the Future

Refineries Must Become Digitally Savvy – and Quickly

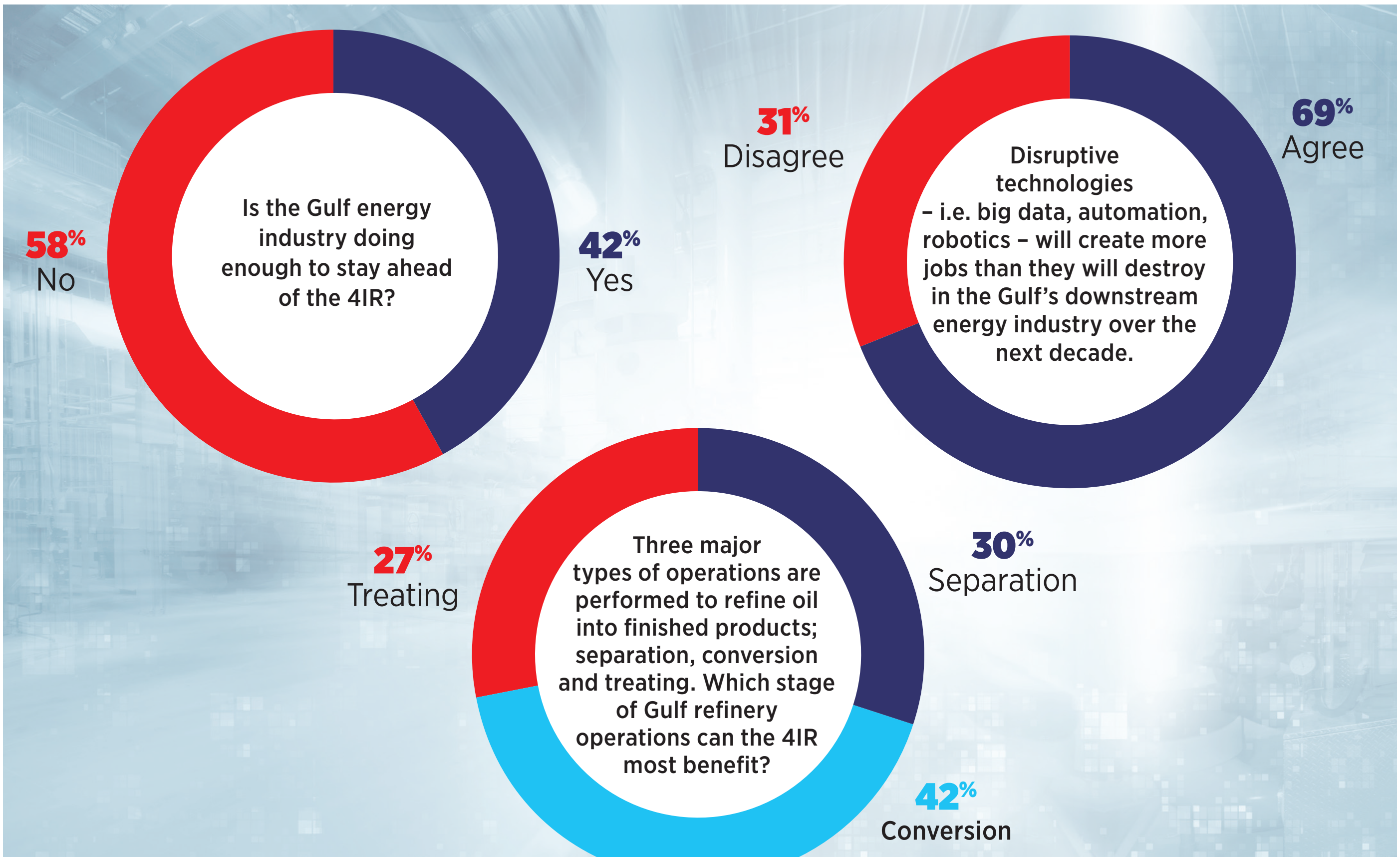
Audah Al Ahmadi, Secretary General, Gulf Downstream Association

The GCC is behind the curve when it comes to digitalization, as per the 4th Industrial Revolution (4IR). But the tide is changing. Major oil companies are now starting to establish platforms and systems in order to embrace the opportunities that come with digitalization.

What's Next?

You cannot deal with digital disruption piece by piece. You must have a holistic approach, not siloes. Companies must address many aspects that come with digitalization; financing, operations, engineering and processes. But you must also address the human resource element. It's important, as an industry, that we develop talent. New disruptions are coming at us fast. Certain jobs will probably disappear, and job descriptions will change. We have a lot to do and we must move quickly.

**Edited Transcript; Abu Dhabi, The Gulf Downstream Workshop 2019*



Source: The Gulf Downstream Workshop Q4, 2019

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ENERGY NEWS Highlights

Minister of State and ADNOC CEO: Demand for Oil Will Only Rise

Oil and gas will remain responsible for meeting more than half of the global demand for energy, H.E. Dr Sultan Al Jaber, UAE Minister of State and ADNOC Group CEO, said at a session on 'The Future of Oil' during the UAE Government Meetings. His comments apply to even the most ambitious scenarios for the deployment of renewable and alternative energy.

Source: Gulf News

Total Makes Progress in South Africa's Brulpadda Find

Total plans to obtain 3D data of the offshore site area, which will help the company decide how many more exploration wells to drill. The South African government has vowed to give all the support it can to the project, as the discovery of oil and gas could reduce the country's dependence on imported crude oil.

Source: Africa Oil & Power

Sludgy Crude Oil Sees Surprise Price Boost Ahead of IMO 2020

Iraq's Basrah Heavy commanded premiums of $1.70/bl to $2/bl over its official selling price for December shipments in the spot market, as Chinese and Korean refiners went on a buying spree. That's more than double the previous month and the widest gap since August-loading cargoes.

Source: Bloomberg

Africa to Double Natural Gas Production by 2040

The continent is set to increase its presence in the global energy sphere, more than doubling its natural gas production by 2040 and altering the global energy supply mix in the process. Africa will contribute as much as 9.2% to global natural gas production by 2040, resulting in an expansion from 255bn cubic meters (cm) to more than 505bn cm and corresponding to a compound average annual growth rate (CAGR) of 3.4%

Source: Africa Oil & Power

Kuwait Strikes Mega Supply Deal with China's Largest Refiner

China's Sinopec, the country's largest refiner, is building a 200,000 b/d refinery in southern China and will be using Kuwaiti crude as feedstock.

Source: Reuters

Nigeria to Launch Oil Licensing Round in 2020

In a bid to reach its 3mn b/d output target by 2023, state-owned Nigerian National Petroleum Corp (NNPC) will launch an oil licensing round in 2020 for its offshore and onshore blocks.

Source: Africa Oil & Power

Qatar primes 64% output boost by 2027

Qatar Petroleum (QP) will boost output from Qatar LNG by 64% by 2027, from 77mn tons per annum today to 126mn tons. This follows a successful appraisal of the North Field's onshore extension near Ras Laffan Industrial City.

Source: Hellenic Shipping News