Exclusive Insights ▸ Actionable Intelligence ▸ Data Trends ▸ Latest News

New Silk Road Fujairah Weekly Newsletter

April 18th 2024

Vol. 190

SOUNDING

VENEZUELAN CRUDE

"The market appears to have shrugged off the US not renewing the suspension of Venezuelan sanctions. The actual impact in terms of Venezuelan supply into the global market, has been about 100,000 b/d, so it's a drop in the bucket and not really impacting supply."

Vandana Hari
Founder & CEO
Vanda Insights

Supported By:

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

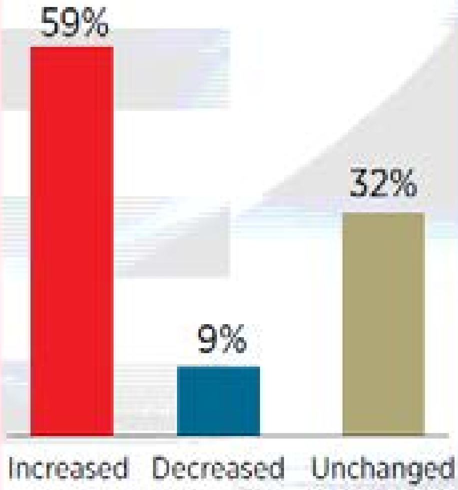
Port of Fujairah
United Arab Emirates

"There's No Chance of Europe Going Back to Taking Russian Gas!"

Rt Hon Charles Hendry CBE
Former Minister of States for Energy, United Kingdom

TOP SURVEY

After Iran's first-ever direct attack on Israel, the risk of a future oil supply disruption from the region has:



PODCAST OF THE WEEK

FUJAIRAH WEEKLY OIL INVENTORY DATA

7,530,000 bbl
Light Distillates

3,842,000 bbl
Middle Distillates

10,661,000 bbl
Heavy Distillates & Residues

THE WEEK IN NUMBERS

WEEKLY AVERAGE OIL PRICES

BRENT CRUDE	WTI CRUDE	DME	MURBAN
$88.84/bl	$84.07/bl	$89.72/bl	$89.53/bl

*Time Period: Week 3, April 2024
Source: IEA, OilPrice.com, GI Research

FUJAIRAH WEEKLY BUNKER PRICES

VLSFO	MGO	IFO380
High = $658.00/mt	High = $902.50/mt	High = $493.00/mt
Low = $647.50/mt	Low = $895.00/mt	Low = $479.50/mt
Average = $651.50/mt	Average = $899.50/mt	Average = $486.00/mt
Spread = $10.50/mt	Spread = $7.50/mt	Spread = $13.50/mt

*Source: Ship and Bunker, *Time Period: April 10 – April 17, 2024*

FUJAIRAH BUNKER SALES VOLUME (M³)

924 180cst Low Sulfur Fuel Oil	463,245 380cst Low Sulfur Fuel Oil	198,273 380cst Marine Fuel Oil
321 Marine Gasoil	38,155 Low Sulfur Marine Gasoil	5,171 Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

Rt Hon Charles Hendry CBE
Former Minister of States for Energy, United Kingdom

What happened after the invasion of Ukraine was remarkable, such as the speed with which Germany managed to take itself entirely off Russian gas in 100 days and bring in gas from other sources. It was a very serious political mis judgement for some European countries to allow themselves to be so heavily reliant on gas from a single source. That lesson has been learned. It's also not just about gas, but about critical minerals going forward, all of which are fundamental to our economic well-being. I think we're looking at a change which is going to last for decades in terms of attitudes towards Russia. It will never go back ever to business as usual.

Is Western commitment to supporting Ukraine sustainable?

The commitment is very strong in almost all countries in the EU and other countries like the UK, to provide more support, both financially and in terms of equipment. We recognize that we must be very solidly behind Ukraine. The question mark is the US and the impasse which we're seeing in Congress for additional support. The prospect of a Trump administration coming in and what that might mean, adds to the sense of being a very unsettled world this year.

Outlook for energy markets given geopolitical tensions on many fronts?

I can't remember in my adult life, a time of such danger, with a war in Europe, a war essentially in the Middle East, and tensions in other parts of the world, that are undoubtedly going to put pressure on global economies and energy markets. We are expecting to see faster growth this year from China, but much of its manufacturing output will have to come to Europe through the Red Sea and Suez Canal, so if there are more problems there, that could impact China's output and European recovery. Much of Europe's gas comes in LNG from Qatar, so if the Straits of Hormuz were to be blocked, that would cause very quick disruption. These are the sort of issues which could change very quickly. US economic growth will probably be good, with Europe more sluggish, but we have an enormous amount of uncertainty, which is making it difficult for governments and for those who make investment decisions.

Are we looking at inflated oil prices going forward?

I think energy prices will rise gradually, with blips along that journey. In terms of future CapEx investment, some of the more marginal developments like those in the North Sea, won't take place because people are uncertain what the long-term future is for the sector. But there are still very big discoveries being developed in many other parts of the world. Supply can be flexed to meet new demand, or it can be contracted so that the producers have a vested interest in keeping the price higher than perhaps it is today.

Has the Energy Transition taken a step back in the last few years?

You have to look at that country by country, or region by region. Europe is undoubtedly continuing to accelerate towards a net zero future that we see now as an integral part of our energy security. The UK for example is the first major country in the world to reduce its carbon emissions by over 50% and we've managed to grow the economy by 70% at the same time. But other countries are going to be in a different situation. As the International Energy Agency has said, we will continue to see oil and gas and indeed some coal, as an important part of the energy mix all the way through to 2050. The only choice to resolve climate change is to either stop using hydrocarbons or capture the emissions. We see great initiatives on hydrogen and carbon capture, for example, from some of the countries in the Gulf and others around the world. Billions upon billions are being invested in lower carbon solutions – and not just by the energy companies, but by technology companies, by governments, and by financial institutions.

Why are European Majors showing hesitancy on transition commitments?

In some ways, it's regrettable, but I think there's undoubtedly been shareholder pressure to move back more into the hydrocarbon space. But they will still be investing billions into low carbon technologies. I think we should draw a distinction between areas where the energy sector can accelerate the transition and where they don't need to be involved. For example, for land based solar, there are plenty of other companies which can do those investments successfully. But if you want offshore wind, or carbon capture, or hydrogen, then the skills which the oil and gas companies have and the financial heft which they can bring, mean that we can develop those technologies more rapidly.

How might a Biden or Trump Presidency impact US energy policy differently?

I think the power of President Trump, if he was to have a second term, would be diminished in the sense that so many of the investment decisions about decarbonization policies, have been led by large international companies, which he cannot directly control. In terms of where it puts America in the world, it shifts that very significantly. Trump's attitude towards NATO, towards Russia, are all issues where there is profound anxiety in Europe. If the US ceases to work constructively and collaboratively, that brings all sorts of risks and challenges.

WATCH FULL INTERVIEW HERE

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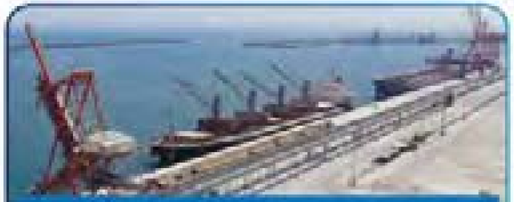
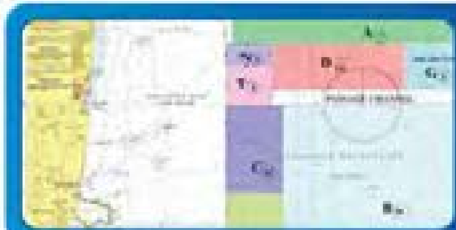
THE MULTI PURPOSE PORT

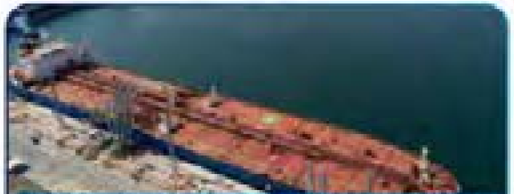
ONE OF THE WORLD'S LEADING ANCHORAGE AND BUNKERING LOCATIONS



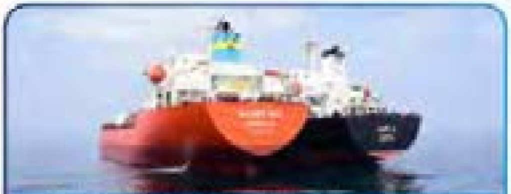
Dry Bulk Cargo - Key regional aggregate export hub.



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

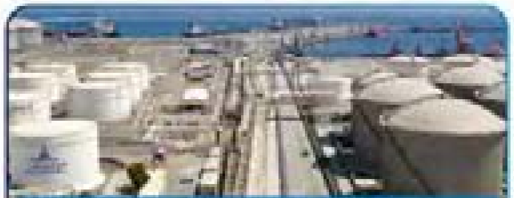


Fujairah Oil Tanker Terminals (FOTT) - The Middle East's premier hub location for oil trading activities.



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

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

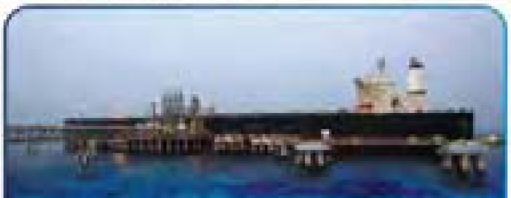


Extensive pipeline infrastructure connecting the Tank Storage Terminals with FOTT

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

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

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



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

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

FUJAIRAH SPOTLIGHT

Fujairah marine fuel bunker sales hit new records

Sales for March in Fujairah climbed 10.7 per cent from February and were up 25.2 per cent from the same month last year. Marine bunker fuel sales in Fujairah port hit their highest in more than a year in March, buoyed by firmer global refuelling demand after Red Sea shipping disruptions, the latest data showed.

Source: Gulf Business

FUJAIRAH DATA: OIL PRODUCT STOCKPILES EXTEND GAINS TO 8-MONTH HIGH

Stockpiles of oil products at the UAE's Port of Fujairah climbed for a third consecutive week, extending gains to an eight-month high, driven by a 22% increase in heavy distillates used as ship fuel and for power generation, according to data from the Fujairah Oil Industry Zone.

Source: S&P Global Commodity Insights

ENERGY MARKETS VIEWS YOU CAN USE

Jamie Ingram
Senior Editor
Middle East Economic Survey

The oil market is working quite efficiently with very low volatility.
And that is despite the unprecedented military action last weekend between Iran and Israel. But it's clear that we are now in a new era of relations between the two countries. Previously, Iran was using proxy groups, but now they've crossed the Rubicon with a direct attack, however choreographed it was. One question now is what Israel's response will be and secondly, what is the bar going to be for further Iranian attacks. There have been comments in Iran that any attacks by Israel against Iranian assets and interests in the region, are sufficient to trigger more direct attacks on Israel. If Iran actually adheres to that mantra, it would clearly push the geopolitical premium on oil prices up significantly.

How are Arab Gulf states positioned amid all this heightened tension?
The move by Saudi Arabia and the UAE towards rapprochement with Iran has really paid off over the last year, and certainly since the 7th of October. There have been no instances of aggression, from Iran or its proxies, which is in marked contrast to the situation five years ago, when we had attacks against Saudi infrastructure and against tankers offshore Fujairah and in the Gulf of Oman. Opening up dialogue with Iran has bought them security, and that is something they are intent on making sure stays the case as this escalates further.

Do we expect OPEC+ to start easing cuts in 2H?
They have really taken on board this mantra of, we will have to see it to believe it, and given there's still significant economic uncertainty, it will be a very cautious approach in the next couple of months. I suspect that we will see them decide to play it safe. The key issue for them is maximizing oil revenues, and so they won't want to take action that pushes prices back down below $80 a barrel.

Clyde Russell
Asia Commodities & Energy Columnist
Thomson Reuters

In a way, the weekend attack by Iran was the best outcome for the oil market.
We got the Iranian retaliation over, which seemed, quite frankly, more symbolic, and it doesn't look like we're going to get an escalation. The message was very much, we've made a symbolic strike to save face and show our supporters that we can do so, and now, the ball is back in Israel's court. So, the oil price is having a naturally muted reaction to that. I don't' think we will have any imminent supply disruption threat either. It's not in Iran's ultimate interest to close the Strait of Hormuz. That would put them off-side with everybody in the Middle East who uses that passage and would probably force a military confrontation with the US. The Iranians are just getting back to a semblance of normality, with Western sanctions not really being enforced. Those can come back.

Outlook for China's oil imports in Q2?
Year-on-year, Q1 looked steady at just over 11 million barrels a day. What was interesting was that there was quite a large drop in China's refined product exports in the first quarter, which means that they kept more of the crude for domestic use, which speaks to some strength in their demand, and we see that probably holding up well over the coming quarter. Obviously, the world is much more than just China demand. If oil goes above $100, it will start crushing demand in Western countries and in developing nations across Asia and Africa. That sort of price level starts to really hurt, and people basically stop driving, industrial activity falls, construction stops, and diesel demand goes down.

Consultancy Intelligence Publishing

MTF Storage Terminal

MENA TERMINALS FUJAIRAH FZC

Profile

MENA Terminals Fujairah is an independently owned and operated storage terminal located within the Fujairah Oil Industry Zone at the Port of Fujairah. Established in 2012, the terminal has been effectively catering to the storage requirements of major trading houses, multinational corporations, and medium-sized traders.

The terminal comprised of 14 tanks with a total capacity of 352,000 cbm, is capable of handling Class I, Class II, and Class III products ranging from light distillates like Gasoline all the way up to Middle and Heavy distillates like Gas Oils and Fuel Oils, respectively.

Equipped with the state-of-the-art technologies, the terminal can accomplish operations such as vessels and bunker barges loading and discharge, pipeline transfers with other terminals, inter-tank transfers, additive blending, cargo heating, circulation, and truck loading services.

MENA Terminals Fujairah is part of the Mercantile & Maritime Group, which specializes in oil and gas marketing & trading, shipping, logistics and consultancy services. The group offers a comprehensive range of services across the oil and gas value chain.

MENA Terminals Fujairah has a sizable landbank with the potential to add more than 1 million cbm of new storage capacity to its existing infrastructure. Anticipated developments within the Port of Fujairah and region are expected to create substantial storage demand going forward.

Terminal Highlights

- State-of-the-Art engineered Class-I Oil Storage Terminal.
- Strategically located at Port of Fujairah (PoF) – One of the largest bunkering ports in the world.
- Current operational capacity of 352,200 m^3 with 14 tanks (Phase 1 & 2) with truck loading facility.
    - o 230,246 m^3 - Black Products (6 tanks).
    - o 121,954 m^3 – Clean Products (8 tanks).
- Connectivity with all berths of Port facilitating Vessel operations and inter-terminal trade.
- Consistently best performing terminal in shipping operations against Port KPIs.
- Zero claim on contamination, product loss or vessel delays
- Zero Operational downtime given to effective Preventive maintenance.
- Efficient control on product loss.
- Pre-qualified by Oil Majors for storage.
- Dedicated team of well experienced and qualified oil industry professionals.

Operational Excellence

- Multipurpose Class-I switchable tanks with Internal Floating Roofs
- State-of-the-Art Terminal Automation System
- Best in class pumping capacity amongst FOIZ terminals with 4,500 and 3,000 m^3/hr flowrates for black and clean products, respectively
- Two jetty lines (30" each) for black products capable of 4,500 m^3/hr flowrates per line
- Four jetty lines (24" each) for clean products capable of 3,000 m^3/hr flowrates per line
- End-to-end piggable pipeline between the Port Jetties and the terminal
- Cone-bottom and fully strippable product tanks
- Efficient product blending and heating capability
- Dedicated matrix manifold for positive segregation of black and clean products
- All pumps equipped with Variable Frequency Drives for optimized flow rates.
- Redundant critical utilities & equipment in place to ensure business continuity

THE TACTICAL CAMOUFLAGING OF THE IRAN-ISRAEL MUTUAL APPEASEMENT

Raghida Dergham
Founder and Executive Chairman
Beirut Institute

The fear of next-day repercussions is imposing a backstop on Iranian revenge-seeking and the rush to seek retribution against Israel at any cost. Indeed, Iran understood the consequences of seeking widespread retaliation for the Israeli attack on the Iranian consulate in Damascus, which resulted in the killing of Quds Force commander in Syria, Reza Zahedi, his deputy Mohammad Hadi Rahimi, and five other officers, after the Biden administration quietly drawn its red lines, cautioning Tehran against targeting U.S. embassies through its proxies. It has also made it clear that the United States stands as a steadfast ally of Israel, prepared to support it in the event of direct conflict with Iran, utilizing the Fifth Fleet for the defence and protection of its ally. While the terms have changed and there is an escalation of the Iranian-Israeli confrontation from a proxy conflict to a direct clash between two states—a precedent in the long history of relations between Persians and Jews – at the time of writing, it appears evident that Iran remains reluctant to take any unnecessary risks. Instead, it seems inclined to retaliate in ways that would save its face but avoid war, and thus appears content to delegate its retaliatory actions to its proxies in Syria, Lebanon, Yemen, and Iraq.

Iran and Israel have historically maintained a delicate détente, avoiding direct war and utilizing mainly proxies to execute their agendas and safeguard their interests. While the tone of threats and intimidation may have now escalated, it is unlikely to lead to the abandonment of this covert détente, which has a history rooted in secret deals, such as the Iran-Contra scandal.

One common denominator in their regional and strategic interests is that both parties desire to limit the influence of Arab states in the regional strategic equation. In this context, the former U.S. President George W. Bush's war on Iraq served both Iran and Israel. It eliminated Iraq's nuclear program and neutralized Iraq as a significant regional power in the strategic equation between Arabs, Iran, and Israel. This benefited both parties, leaving Israel as the only power in the region with nuclear capabilities while offering Iran decisive influence over Iraq, its resources, and its political future.

The fundamental disagreement between Iran and Israel does not revolve around the Palestinian issue, as the Axis of Resistance tries to portray it. Instead, it centers on the possession of nuclear weapons. Israel seeks to maintain its monopoly on this power in the region and aims to sabotage Iran's nuclear program before it reaches the level of enrichment necessary for nuclear weapons. Iran, on the other hand, seeks to preserve its nuclear program as it develops, pursuing nuclear weapons which it views, despite denying the pursuit of them, as a strategic necessity worth sacrificing the well-being of its people for.

The nuclear priority is at the forefront of Tehran's considerations when looking at retaliation options because it does not want a war that would provide Israel and the United States with the opportunity to destroy its nuclear reactors.

The second priority is American because Tehran's rulers do not want to risk the ongoing relationship secretly maintained between them and the Biden administration. Communications continue through the Oman backchannel with the aim of completing a grand bargain that would revive the nuclear agreement with Iran and lift economic sanctions against it. Tehran's rulers are only too aware of the cost of cutting off those communications and terminating that relationship.

Thirdly, Iran's rulers know that the United States will not stand idly by in the event of a direct war between Iran and Israel, and that it will certainly intervene in favor of Israel. Militarily, Iran will not be able, no matter how much it boasts and escalates, to prevail in a war that is ultimately American-Israeli. Raising the ceiling of its rhetoric is one thing, but engaging in a war with Israel in the face of American warnings and threats would only be suicide for the leaders of the Iranian revolution.

As long as US-Iranian talks continue, even if they do not reach the desired breakthrough, We are still in what can be termed "transitional stability," according to a seasoned observer's description as preventing their breakdown is important for both parties.

However, Iran's rulers need excuses to justify their hesitation in taking major retaliatory actions that restore their credibility in front of the Iranian public loyal to the regime, and in front of the popular base of the Axis of Resistance. They are trying to strike a balance between decisiveness and adventure, flexing their muscles without using them, at least at this stage.

Iran's justifications for caution factor in the following considerations: Firstly, wisdom dictates that Iran refrain from any action that could alleviate the increasing pressure on Israel due to its inhumane and unlawful treatment of civilians in Gaza. Secondly, Iran probably wants to avoid taking any action that could change American sentiment, shifting anger from Israel to sympathy and hostility towards Iran. Thirdly, negotiations between Israel and Hamas have not entirely ceased and could yet succeed, and thus, save Hamas, which is a crucial objective for Tehran and the Axis of Resistance.

So, what might Iran do as it weighs its retaliatory options? Personally, I doubt Iran would opt for direct confrontation with Israel for obvious reasons, chiefly the preservation of the delicate detente in the "Iran-Israel" equation, which neither party wants to compromise. It would be better for the Arab world for these two powers to directly face off, instead of using Arab geography and peoples as tools in their phoney war. Unfortunately, Palestine pays the price, and Hamas serves both Iran and Israel, intentionally or inadvertently.

Iran might secretly agree with Israel to deliver limited strikes against its targets - such as on a warship or a limited attack on Haifa port. More likely, Tehran will use Syria for a more significant message. However, neither Syrian President Bashar al-Assad nor Russia is enthusiastic about a direct Iranian-Israeli confrontation for which they may suffer reprisals.

President Vladimir Putin is entirely focused on his priorities, primarily the war in Ukraine, and his inauguration on May 7. Syria is not at the top of his priorities, but he does not want it to become a disruptive arena for him.

A former Russian official, speaking on condition of anonymity, told me, "We don't want any radical developments in Syria," as Moscow is currently unable to take significant steps before serious talks between Putin and his Turkish counterpart, Recep Tayyip Erdogan. Russia's hands are tied, and Erdogan's situation after the recent elections is not clear.

Furthermore, the Russian president wants to make sure his visit to Iran is a success. He will likely want to avoid an Iranian-Israeli war, as it could derail his plans to sign a major strategic deal between the two nations during his visit.

For its part, China has signaled to Iran that there is no justification for a direct conflict between Iran and Israel, as it does not seek to expand conflict in the region. Both China and Russia are averse to a global conflict, each prioritizing its economic and strategic interests. They do not wish for their Iranian ally to lead them where they have no say in the unfolding or conclusion of events.

The Biden administration is exerting maximum effort to navigate cautiously through these turbulent waters. It has been keen to convey to Tehran's officials that it was not priorly informed about the Israeli attack on the Iranian consulate in Damascus and that it remains committed to the secret negotiations between the two parties. Additionally, the administration has felt compelled to assert its commitment to protecting its Israeli ally in the event of a direct war with Iran, while continuing to warn Israel about the repercussions of any reckless behavior, particularly concerning the planned Rafah operation.

The Biden administration is treading carefully, striving to maintain balance amidst mounting pressures from both the Democratic and Republican factions. On the left, there's opposition to continued US military support for Israel, coupled with discontent over Israeli transgressions. Conversely, the right is portraying Biden and his team as extending a lifeline to Hamas while being overly lenient with Iran's fundamental policy of using proxies like Hezbollah in Lebanon, the Popular Mobilization Forces in Iraq, the Houthis in Yemen, and the Revolutionary Guards in Syria, which serve Iran's expansionist agenda and pose a threat to American interests at Tehran's whim.

Biden's team believes in diplomacy and reaching accords, even with entities labeled "terrorist" by the US, preferring dialogue over confrontation. Meanwhile, Israeli leaders wield provocation and recklessness, confident that America will stand by them regardless of their actions, especially during wartime.

Tehran's rulers are stalling for time, confident that no one in the West will challenge their doctrine of spawning militias in otherwise independent nations to undermine their sovereignty and use these territories and populations as launchpads for their wars on fabricated grounds.

Yet they dare speak of sovereignty regarding a consulate building in another country and lodge complaints at the Security Council, despite the presence of an Iranian operations room inside the facility managed by the Quds Force, overseeing primary proxies like Hezbollah and secondary ones like Hamas. This maneuvering spares Iran's leadership from direct confrontation with Israel on either Iranian or Israeli soil. This, indeed, is the crux of the matter.

Source: https://www.linkedin.com/pulse/tactical-camouflaging-iran-israel-mutual-appeasement-raghida-dergham-flxdf?utm_source=share&utm_medium=member_android&utm_campaign=share_via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GI WEEKLY SURVEYS

What phase in the process are we in this current Israel-Iran face-off that started on April 1st?

Fed's Powell says restrictive rates policy needs more time to work – what does higher for longer mean for Oil Markets?

Oil prices have fallen $3 since Iran targeted Israel – what is most likely to happen next?

ENERGY MARKETS VIEWS YOU CAN USE

Neil Atkinson
Former Head of Oil Markets Division
International Energy Agency

The oil market continues to function as normal despite disruptions in the Red Sea.
As far as any other escalation in regional tensions, none of the analysts out there believe that either Iran, or Israel, or the US for that matter, want to see something that you could classify as a war. Certainly, the US does not want to see any disruption to global oil supplies, especially in an election year.

What's driving the strengthening oil price?
Fundamentally, it is the fact that the OPEC+ supply agreement has succeeded in holding off significant volumes from the market, and we also see relatively strong demand growth this year, so the price has been creeping up in recent weeks. I don't believe there is a significant geopolitical premium currently in the price.

How might China demand expectations influence OPEC+ decisions in June?
The Chinese economy is continuing to show steady growth in Q1, so OPEC+ ministers will look at these solid GDP numbers and at markets such as India, and strong economic underpinnings in the US, and they will take the view that global oil demand growth in 2024 is going to be strong. If that does turn out to be the case, they will also offset that outlook for demand against prospective growth in non-OPEC oil supply from the likes of Brazil, Canada, the US, Guyana and Norway. On paper, we've got a reasonably balanced market, which means it is unlikely OPEC+ will want to add more oil later this year, unless the price escalates further towards $100 a barrel and they go back to the old arguments that it will damage oil demand and undermine their market.

GI Consultancy Intelligence Publishing

OSTRICH STRATEGY ENERGY MARKETS COULD BE BOOMERANG, ISRAEL-IRAN CONFLICT NOT OVER

Cyril Widdershoven
Geopolitical disruptive thinker, focused on Commodities, Geopolitics, MENA and Security – Analyst with Hilltower Resource Advisors.

After Iran's military attack on Israel, resulting in minimal damage, the Middle East is on edge. Since October 7, 2023, when Hamas massacred around 1400 Israelis and the military operation of Israel in Gaza, instability is back. Until now, the overall impact of the Israel-Hamas conflict, and the use of Iranian proxies in Yemen (Houthis), Lebanon (Hezbollah), and Iraq against Israel and Western interests, has been limited. The only real global repercussions of the ongoing war is the partial blockade of the Suez Canal – Red Sea maritime arena, which has increased maritime shipping costs and put pressure on supply chains. Since this weekend, the conflict has however entered into a new phase, as Iran, for the first time, has directly attacked Israel, sending hundreds of drones and ballistic missiles to hit the Jewish state. Due to a combined effort of not only Israel and the USA but also European partners and surprisingly enough major Arab states, such as Saudi Arabia and Jordan, 99% of all missiles and drones have been shot down before doing real harm.

ern media reporting however is downplaying the potential fall-out of the Iranian attack, as most experts are stating it has been a strategic but very limited Iranian military response to the so-called bombing of the Iranian diplomatic compound in Damascus by Israel. The latter however is wrong, as the Israeli bombing of the Iranian compound in Damascus was not an embassy or a consulate, but a headquarters of the Iranian IRGC forces and its proxies. At the same time, the analysis by some, in especially Europe, that the Iranian attack this weekend was only a show of force, not targeting to hit Israel but meant to be supporting Iran's claim that it could destroy the Jewish state if wanted, is out of order. The total amount of rockets, missiles, and drones sent by Iran negates the view it was a media strategy for Iran's internal politics. Simple military analysis is very clear, the amount of missiles and drones used by Iran, if not shot down, would have caused severe damage to Israeli infrastructure. The Iranian drones used in the attack are the same that caused havoc in Ukraine when used by Russian forces.

Until now the repercussions of the Iranian attack are unclear, but it seems to be set in stone that Israel will not stay silent. As indicated by the Israeli War Cabinet a response is being prepared, not indicating where Iranian interests or capabilities will be hit. However, looking at the historical facts, Israel will be taking a multi-sprung approach, in which not only Lebanon's Shi'a terrorist organization Hezbollah, Syria's military infrastructure, or IRGC military assets, will be targeted, but actions are to be expected inside of the Iranian heartland very soon. Without any doubt, Israeli security services are already inside Iran assessing high-profile targets, such as IRGC generals, regime leaders, and potentially Iran's nuclear development centers or military bases. At the same time, Iran's continuing support of Houthis in the Red Sea and last days IRGC hijacking of perceived Israeli-linked vessels could also lead to Israeli actions against Iranian maritime assets or navy.

The main question at present is not if there will be an Israeli response, but what will be the outcome or fall-out afterward. Potential Israeli strikes on Hezbollah or Syria have been almost a daily occurrence, but a direct strike on Iranian assets in Iran or in the Persian Gulf is still not done. If these however will happen, Iran could be pushing Hezbollah and Syria to react in full, opening up a 2nd and 3rd front for the Israeli military in days. How far Israel will be supported in case of a full-scale war with Iran and proxies by the USA and its Western allies is not clear. US President Biden's responses at present are ambiguous, stating that US support for Israel is "ironclad", but will this also mean using the full military force of the US and other Western military/navy in the region against Iran? Another major question mark is the position of so-called Arab allies of the West in this conflict. Already Qatar and Turkey have indicated that they will not allow US forces to use their bases to attack Iran in case of a war. This minimalizes not only the full scope of US options but also shows that Western interest in the Middle East or Arab support is not set in stone. Still, the current unexpected move by Jordan (60% Palestinian) and Saudi Arabia (officially not having diplomatic relations with Israel) to block and actively engage Iranian drones and missiles is showing a shift in attitude, to say the least. The UAE, still fully engaged with Bahrain, in Abraham's Agreements with Israel, is a silent partner of the West.

The next weeks could be decisive for the future of the MENA region, as the existing conflict between Israel and Iran seems to have heated up beyond a possible de-escalation situation. No Israeli leader will be able to survive a de-escalation strategy at present. For Israeli PM Netanyahu and his War Cabinet it now only needs to be a measured approach, not risking renewed Western support. Oil and gas markets however seem to be oblivious to all. After the last days of a clear Bull Market, stoked by fear about an Iranian attack on Israel, New York and London-based energy analysts seem to believe their assessments more than listening to military analysts. Commodity traders seem to be relieved about the limited impact of the Iranian drone and missile attack, starting to support the fairy tale that Iran didn't want to start a real full-scale war, and that fears about instability in the region are overblown. Leading US and UK newspapers are all indicating that the Iranian attacks were not targeting Israeli energy infrastructure (why should they?) and that most targets were not even linked to the Red Sea arena.

At a time when oil markets are confronted by a supply crunch, mainly due to OPEC+ continuing its production cuts, while demand is still up and showing only signs of strong future demand, the current lack of realism in the heads of traders is amazing. Yes, we have seen a strong increase in crude oil prices in 2024, up from around $70 per barrel to now hovering around $90 per barrel, but this only was based on demand-supply fundamentals, as geopolitical risk premiums are still not very high. It seems that traders only react to non-stories such as IRGC threats about the closure of Hormuz or a potential new wave of Houthi rockets in the Red Sea. The underlying threat of a real regional war, maybe not even focusing on the Arabian/Persian Gulf arena or Strait of Hormuz, but in the heartland of Iran while opening up a confrontation between Hezbollah and Israel, seems not to be on their mind.

The ongoing creeping confrontation between Israel and Iran is far from over, it seems it is just a preparatory phase leading to a real regional war. Iran's power politics are at play, while the fundamentalist extremist leadership backed by its IRGC forces understands the future of the Khomeini revolution is at stake. Inside of Iran forces are building up to destabilize the country, targeting the toppling of the Khamenei regime. At the same time, Iran's proxies in Iraq, Syria, and Lebanon are calling for action, not only against Israel but also against US-Western-backed forces. We are looking at growing conflict in Lebanon already where Hezbollah is targeting Lebanese Christian leaders, stoking up the fear of a new civil war. Iraq's Shi'a militias are preparing for a full-scale take-over of the country, removing Kurdish powers in the north, while removing US forces overall.

The region is not only a powder keg, but it is already burning. At the same time, geopolitical power play is heating up also, as Russia and China are still behind Iran and its proxies. For Moscow, the current risk premiums are very high. The media and political focus of Western leaders at present seems to be allowing Moscow to reap the rewards in full, it is selling its crudes on global markets way above the Western-sanctioned linked price caps. Moscow also looks at the regional confrontation with a smile, as it is removing Western attention from the ongoing Russian military onslaught in Ukraine. China is playing a very dark role, as it is not only supplying Russia with military hardware to continue the Ukraine war, but it also allows Iran to continue its destructive path in the region.

Commodity traders should not be assessing the situation as just a minor geopolitical or military issue, not having a potentially disastrous impact on oil and gas markets. Before 2020 any disturbance in the Middle East would have spiked crude oil and gas prices, at present it only seems to be a side-show without any impact. Most analysis currently is again looking at fundamentals such as OPEC's spare production capacity or the still growing US oil and gas production, both seen as the ultimate guarantee against shortages in the market. Some even stated that a full-scale regional conflict would not affect markets, as Saudi Arabia and others hold enough spare production capacity to counter all. Paraphrasing former President Bush I would say "It is geography stupid!" A regional confrontation with Iran will be hitting Saudi's crude oil export and production potential very hard. At the same time, Qatar's LNG or Abu Dhabi's oil and gas exports will also be constrained or blocked. It doesn't need to be due to a Gulf or Hormuz blockade, drones or missiles can do the job too on onshore facilities. Just remember the cyber attacks on Aramco's Abqaiq or Houthi/Iranian missiles in the last years.

For Iran, a blockade of Hormuz is suicide, as it is the only option to export oil and gas to markets. This however is also the case for all the others, as Saudi or UAE's non-Gulf-based pipelines are not sufficient or will be targets in a conflict. Traders also should realize that realism or conventional wisdom will not be in the minds of policymakers, military strategists, or extremists if the Israel-Iran confrontation blows up. At that moment there will be a no-prisoners approach on all sides. The latter will be for sure not in the minds of all the extremist groups in Iraq, Syria, Yemen, or Lebanon, an Iranian call on them will be imminent and much more destabilizing than currently is being assessed.

In short, commodity traders should be wary of presuming that the current situation is going to cool down. No indicators are showing any change in attitude on all sides. Looking at global oil and gas markets fundamentals we are already heading towards a normal supply crunch if OPEC+ doesn't open up the valves very soon. A major disruption of any supplier or maritime supply route will cause havoc. The current statements by traders should be reassessed, as their optimism could backfire and cause a lot of pain.

Source: https://www.linkedin.com/pulse/ostrich-strategy-energy-markets-could-boomerang-over-widdershoven-pvtqe/?trackingId=jFm8HboVTXKTaK89itrUPA%3D%3D


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ENERGY MARKETS VIEWS YOU CAN USE

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

Are we closer to a Middle East regional ceasefire or a regional war?
The way in which the different parties have behaved recently suggests that nominally, we're closer to a regional ceasefire. However, there are always risks of accidental triggers, and for example we continue to see skirmishes on the Lebanese Israeli border. We also still don't have clarity on what Israel will do with its continued Gaza incursion and we have interruptions to trade around the Strait of Hormuz and Bab Al Mandeb.

Where do Saudi Arabia and the UAE stand amid the escalation in tensions?
On a geostrategic level, the biggest losers from any regional conflict are the Gulf countries. Saudi Arabia and the UAE, with their statement this week calling for de-escalation, are effectively saying to Israel, let's plug this now, and there's lots of money on the table and everybody can coexist. That's the carrot. The stick, partially, is their influence over the US, coupled with the pretty strong statements from the US itself to Israel, regarding not being part of any retaliatory effort towards Iran.

Has the risk of oil supply disruptions changed since last week?
It's actually very large. If Iran and its proxies and allies and partners want to exert considerable pressure on external parties and internal parties in the region, then they can do so through control of the Bab Al Mandeb and Strait of Hormuz. They have very clearly signalled that option to all different parties. The wildcard here is how China would respond, because it wouldn't be happy about that kind of escalation. The lesson from the regional conflict that we've seen thus far, is that it can happen without threats to oil supplies, but that at any point, Iran and its partners could disrupt supply routes, which would then lead to a rocketing of the price at a moment's notice.

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 22.033 million barrels with a rise of 1.483 million barrels or up 7.2% week-on-week, breaching the 22-million-barrel level to hit their highest level since early June last year. Total stocks were last higher on June 5, 2023 when they stood at 24.323 million barrels. The stocks movement saw a large build in heavy residues which added close to 2-million-barrels while there were small draws in light distillates and middle distillates.

- Stocks of light distillates, including gasoline and naphtha, fell by 284,000 barrels or 3.6% on the week to 7.530 million barrels. The East of Suez gasoline complex softened, tracking a narrowing US RBOB-Brent crack and amid healthy regional supplies, sources said. In tenders, India's Nayara Energy was heard offering up to 60,000 mt of non-oxygenated 92 RON gasoline for mid-May loading, via a tender that closes April 17, sources said.

- Stocks of middle distillates, including diesel and jet fuel, fell by 177,000 barrels or 4.4% on the week to 3.842 million barrels. The East of Suez gasoil complex was rangebound with traders shrugging off Iran's attack on Israel over the weekend as fresh tender activity for May-loading cargoes gained pace. "[Market] is immune to geopolitical volatility and [are] more focused on actual supply [and] demand," a trader said. Indian Oil Corp. has cancelled an offer for 31,500-38,500 mt of high-speed diesel for May 1-5 loading at MOPS 10 ppm sulfur gasoil assessments, FOB Chennai. The tender was called with no reason provided, trade sources said.

- Stocks of heavy residues rose by 1.944 million barrels, up 22.3% on the week as they stood at 10.661 million barrels moving back above the 10.5-million-barrel level, the second time this has been seen this year. Spot bunker trading activity at the Port of Fujairah, was seen sluggish amid unfavorable weather conditions in the region. Due to terrible weather conditions, operations were put to a halt for safety reasons and supplies were suspended as a result. "Bad weather is forecast tonight and into Wednesday morning; it is due to be very bad, so operations will be impacted. Some will be more cautious and want to avoid more delays," a trader said. Marine Fuel maximum sulfur 0.5% delivered barges were assessed in Fujairah at $655/mt reflecting a rise of $12/mt day on day.

Source: S&P Global Commodity Insights

ENERGY MARKETS NEWS

1. Oil inches up after U.S. reimposes Venezuela oil sanctions
2. Israel Gaza war: Qatar reassessing its role in ceasefire talks
3. Global Oil Production Dropped by 1.2 mn b/d in February
4. Washington Preparing to Reimpose Venezuela Oil Sanctions Thursday
5. Asia stocks mixed as soaring dollar pauses
6. Biden calls for tripling tariffs on Chinese metals
7. High-risk VLCCs drive Russian crude STS activity
8. Qatar raises June al-Shaheen term price to 6-month high, sources say
9. Saudi's Neom Hunts for More Cash for $1.5 Trillion Desert City
10. After stalling for months, Ukraine aid heads to vote in House of Representatives

RECOMMENDED READING

- America Fueled the Fire in the Middle East
- UAE reels for a third day after record-breaking storm
- Traders Became More Bullish on Oil As Middle East Risk Surged
- Red Sea Could be Where Israel Strikes Next
- Foreign currency liquidity returns to bolster Egyptian banking sector

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منطقة الفجيرة للصناعة البترولية

Fujairah Oil Industry Zone

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

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

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Regulating all aspects associated with the Oil and Gas industry

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Providing administrative services to stakeholders for smooth operation of the business

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Infrastructure enablement & provisioning for companies investing in the region.

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GI SOUNDINGS WEEK IN REVIEW

"As Mideast Tensions Ratchet Up, Oil Price Response Remains Calm!"

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.

US FUNDING UKRAINE

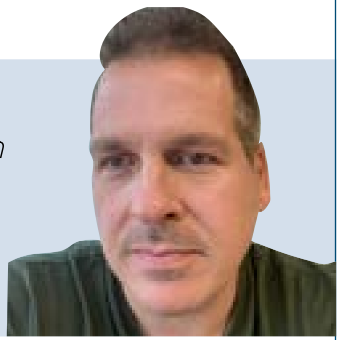
"Without this, the Ukraine is in a hopeless situation, but if they do get the funding, in my view, that would also prolong the war. And with EU and US elections this year, that's also going to be a big consideration for Ukraine because they don't know how much support will be given, or how long it might be maintained."

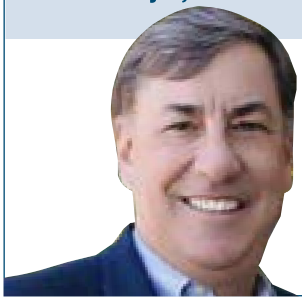
Marc Ostwald, Chief Economist & Global Strategist
ADM Investor Services International

OIL PRICE

"There are a lot of people who are very short and the narrative since we were down at $67, is lower. I can guarantee you one thing; this thing goes much higher to $90 or $91, and they're all going to cover."

Omar Najia, Global Head, Derivatives, BB Energy





US FED POLICY

"Inflation is going back up again. I don't think we will see any interest rate cuts. If we do, housing prices would explode higher. We're going to see oil prices higher. You can't print trillions of dollars and not have that be inflationary."

Richard Redoglia, Chief Executive Officer, Matrix Global Holdings

SOUNDINGS WEEK IN REVIEW

MARKET SIGNALS

"What we're seeing in commodities like gold and some precious metals, completely goes against normal macro trends because we've also been seeing dollar strengthening recently, and yields are picking back up in the US as the economic numbers continue to overwhelm expectations for rate cuts. All of this is sending a warning, that all is not well, and not just on the geopolitical front."

Ole Hansen, Head, Commodity Strategy, Saxo Bank

OIL DEMAND

"We need to understand that the market is balanced, but also quite tight, and that the demand for oil is going to grow. OPEC itself is expecting higher oil demand in the third and fourth quarters, but that also depends on whether the numbers coming out of China and India for demand expectations, materialise."

Ali Al Riyami, Consultant & Former Director General of Marketing, Ministry of Energy & Minerals, Oman

COMMODITIES

"The key bottom line for all markets right now is the S&P 500, which is overdue for a 10% correction. To me, that's the overwhelming force for all commodities and part of the reason why crude oil is going to bear market towards $50/bl, while gold is going to continue rallying towards $3,000 an ounce."

Mike McGlone, Senior Macro Strategist, Bloomberg Intelligence

OIL PRODUCTS DEMAND

"Spreads for diesel in Europe and heating oil in the US are both heading into contango, which suggests weaker product demand. And gasoline is one of the main arbitrage plays that happens at this time of the year into the US, but those volumes have been very low so far, and we're seeing more of that build up in the ARA region."

Jay Maroo, Head of Market Intelligence and Analytics MENA, Vortexa

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