Fujairah New Silk Road WEEKLY NEWSLETTER

رمضان كريم
Ramadan Kareem

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Port of Fujairah ميناء الفجيرة Port of Fujairah United Arab Emirates

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

"Voluntary OPEC+ Output Cut Was to Shock Short Speculators!"

Amena Bakr, Deputy Bureau Chief, Energy Intelligence

People were quite hasty to say that OPEC+ was targeting a higher price when it announced the cuts, but let's remember that this surprise cut came at a point where Brent was at $80, which was still fine for many of the budgets of these Gulf producers. The reason behind the cut was to really shake speculators that were shorting the market. We saw a lot of those when the banks were collapsing, and it did cause this shock to happen. Saudi Arabia's Energy Minister Prince Abdulaziz, doesn't want to create an environment where speculators feel that OPEC+ is sitting on its hands. So that's why that action was taken. It's not directly related to prices, but rather to maintain control of the market and send a strong message to speculators, basically saying that OPEC is in command here, not them. Saudi Arabia had already said that the group's agreement to cut two million barrels a day would remain in place till the end of the year, and that's still the case. On top of that, this voluntary cut was a sort of side agreement and was done to shock speculators. There are also reasons why this agreement happened in a voluntary way and is not part of the core OPEC+ agreement. One is that the baselines are not yet matched with what producers can or can't do; secondly, it was faster to get a voluntary cut in place and have the surprise factor; and thirdly, it allows for an amount of flexibility outside the agreement - these cuts could be adjusted on short notice if needed. But I expect the group to stick to their guns and really cut these barrels, the Gulf producers especially which have a very strong track record of sticking to the cuts that they commit to. With Iraq, it has committed and initially we thought they might count the Kurdish barrels as part of their natural cut, but let's see what happens there.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,170,000 bbl	2,494,000 bbl	10,199,000 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:	$85.90/bl
WTI Crude:	$81.80/bl
DME Oman:	$85.62/bl
Murban:	$86.90/bl

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

Fujairah Weekly Bunker Prices

VLSFO	MGO	IFO380
High = $623.00/mt	High = $1,067.50/mt	High = $482.50/mt
Low = $601.50/mt	Low = $1,051.50/mt	Low = $463.00/mt
Average = $614.00/mt	Average = $1,059.50/mt	Average = $470.50/mt
Spread = $21.50/mt	Spread = $0.00/mt	Spread = $19.50/mt

*Source: Ship and Bunker, *Time Period: April 6 – April 13, 2023*

Fujairah Bunker Sales Volume (m^3)

545 180cst Low Sulfur Fuel Oil	389,544 380cst Low Sulfur Fuel Oil	159,908 380cst Marine Fuel Oil
713 Marine Gasoil	21,661 Low Sulfur Marine Gasoil	4,549 Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Amena Bakr, Deputy Bureau Chief, Energy Intelligence

The reaction to the cuts from the US and others was fairly muted?
When the two million barrel per day cut took place in October, we had the US midterm elections and that really charged the environment and that's why the reaction was more explicit because it was political. This time, the White House said that they were told ahead of time that this was coming, and it also happened in a very different context.

Your take on the new Saudi Iran rapprochement and oil market impact?
What happened is significant for many reasons. It boosts security in the entire region. We've had these talks between Saudi and Iran happen through mediation with Iraq, with the US, but nothing really materialized, so this time, it is really a success story and it's very noticeable. It's unlocking these giants in the region who happen to be oil producers - Iraq, Iran, and potentially Yemen. And you have Syria and Lebanon, less on the oil front, but more on the political front. These are all areas where we used to see a proxy war happen between Iran and Saudi Arabia so, having a stable environment will enable some of these countries, likely Iraq first, to bring on more production and attract investment. So, it's good news for the upstream sector. Iran is still under US sanctions so that's tricky and I don't expect them to have an OPEC quota anytime soon because they won't be able to increase production yet.

Is the narrative that the US Saudi oil pact is breaking down, correct?
I would say we're at a moment in time where OPEC producers and especially Gulf producers are really emphasizing that it's time to put their own national interests ahead of everything. This is what's unique about what's happening, not just in the oil market, but politically, too. That's why we're seeing agreements like the resumption of diplomatic ties with Iran - because it is in Saudi Arabia's interest to have peace in the region and go ahead with its diversification plans. It's no longer America first. It's Saudi first, the UAE first, Bahrain first, Oman first.

OPEC Oil Market Highlights

Crude Oil Price Movements

The OPEC Reference Basket (ORB) declined in March by $3.43, or 4.2%, m-o-m to average $78.45/b. The ICE Brent first-month contract fell by $4.33, or 5.2%, m-o-m to $79.21/b, while the NYMEX WTI first-month contract fell by $3.49, or 4.5%, m-o-m to average $73.37/b. The DME Oman first-month contract fell by $3.63, or 4.4%, m-o-m to settle at $78.34/b. The front-month ICE Brent/NYMEX WTI spread narrowed in March by 84¢ m-o-m to average $5.84/b. The futures forward curves of ICE Brent and DME Oman flattened slightly in March, but remained in backwardation. However, the NYMEX WTI price structure remained in contango, although the nearest time spread contracted m-o-m. Hedge funds and other money managers heavily cut bullish positions in ICE Brent and NYMEX WTI last month.

World Economy

The world economic growth forecast for 2022 is revised up slightly to 3.3%, given better-than-anticipated economic performance in 2H22 in various key economies. The 2023 global economic growth forecast remains unchanged at 2.6%. For the US, the economic growth forecast is unchanged at 2.1% for 2022 and 1.2% for 2023. Similarly, the Euro-zone's economic growth forecast remains at 3.5% for 2022 and 0.8% for 2023. Japan's economic growth forecast for 2022 remains at 1%, while growth for 2023 is revised down to 1% from 1.2%. China's economic growth forecast remains at 3% for 2022 and 5.2% for 2023. India's 2022 economic growth estimate remains at 6.7%, with the forecast for 2023 at 5.6%. Brazil's economic growth estimate remains at 2.9% for 2022 and is also unchanged at 1% for 2023. Russia's contraction estimate is unchanged at 2.1% in 2022 and is expected to be followed by a smaller contraction of 0.5% in 2023, unchanged from last month. Although some growth momentum from 2H22 is expected to carry over into 1H23, the global economy will continue to navigate through challenges including high inflation, higher interest rates particularly in the Euro-zone and the US, and high debt levels in many regions.

World Oil Demand

The world oil demand growth estimate for 2022 remains at 2.5 mb/d, broadly unchanged from last month's assessment. For 2023, it is also unchanged from the last month's assessment at 2.3 mb/d. There are minor downward adjustments reflecting the latest developments in the OECD region, primarily in OECD Americas and OECD Europe. However, the stronger-than-expected demand seen in non-OECD in January and February necessitated some upward revisions. Oil demand in the OECD is forecast to increase by 0.1 mb/d in 2023, while the non-OECD is forecast to grow by 2.2 mb/d

World Oil Supply

The non-OPEC liquids supply growth estimate for 2022 remains at 1.9 mb/d, broadly unchanged from the previous month's assessment. The main drivers of liquids supply growth for 2022 were US, Russia, Canada, Guyana, China and Brazil, while the largest declines were from Norway and Thailand. For 2023, non-OPEC liquids supply growth remains broadly unchanged from last month and is forecast to grow by 1.4 mb/d. The main drivers of liquids supply growth are expected to be the US, Brazil, Norway, Canada, Kazakhstan and Guyana, while the decline is expected primarily in Russia. Large uncertainties remain over the impact of the output prospective for US shale in 2023. OPEC NGLs and non-conventional liquids are forecast to grow by 0.1 mb/d in 2022 to average 5.4 mb/d and by 50 tb/d to average 5.4 mb/d in 2023. OPEC-13 crude oil production in March dropped by 86 tb/d m-o-m to average 28.80 mb/d, according to available secondary sources.

Source: OPEC Monthly Oil Market Report – April 2023

OPEC Oil Market Highlights

Product Markets and Refining Operations

In March, refinery margins regained limited ground, following sharp losses seen the previous month. A contraction in product balances in the Atlantic Basin, due to the onset of heavy refinery maintenance along with product output declines in France due to a nationwide energy workers strike action, led to pressure on product inventories over the month and provided support for product crack spreads. In addition, a decline in feedstock prices further contributed to stronger refinery margins across all main regions. Global refinery processing rates fell further in March, losing nearly 259 tb/d, according to preliminary estimates. In the coming month, refinery intakes are expected to remain under pressure on strong offline capacity, which is projected to peak in the coming month.

Tanker Market

Dirty spot freight rates continued to improve in March, with m-o-m gains across most monitored routes. VLCCs saw the sharpest increase, rising by 45% on the Middle East-to-East route, as renewed buying from China strengthened rates. Suezmax spot freight rates remained at high levels, up 20% m-o-m on the US Gulf-to-Europe route. Aframax rates rebounded from the previous month's decline, with spot freight rates on the intra-Med route up 23% m-o-m. In the clean tanker market, West of Suez spot freight rates were at 29%, supported by strong performance in the Mediterranean. East of Suez rates fell 10% on average m-o-m, amid a winding down of winter product demand in the Far East.

Crude and Refined Products Trade

Preliminary data shows US crude exports set a fresh record high of 4.8 mb/d in March, while US product exports rebounded to average 6.3 mb/d. China's crude imports in February partially recovered from the decline at the start of the year to average around 10.7 mb/d. China's product exports also picked up, averaging a robust 1.7 mb/d. India's crude imports were at their strongest in over 10 months, averaging just shy of 5.0 mb/d in February. India's product exports also returned to relatively robust levels, averaging 1.4 mb/d. Japan's crude imports were broadly unchanged m-o-m at 2.7 mb/d in February. Japan's product exports, including LPG, hit a five-month high in February. Preliminary estimates for March show crude and refined product imports into OECD Europe declining as a workers' strike in France disrupted port activities and refinery operations, curtailing trade flows.

Commercial Stock Movements

Preliminary February 2023 data shows total OECD commercial oil stocks increase by 14.1 mb m-o-m. At 2,865 mb, they were 237 mb higher than the same time one year ago and 18 mb higher than the latest five-year average, but 54 mb below the 2015–2019 average. Within components, crude stocks increased m-o-m by 20.9 mb, while product stocks fell by 6.8 mb m-o-m. At 1,434 mb, OECD crude stocks were 172 mb higher than the same time a year ago, and 49 mb higher than the latest five-year average, but 14 mb lower than the 2015–2019 average. OECD product stocks stood at 1,432 mb, representing a surplus of 65 mb from the same time a year ago, though they were 30 mb lower than the latest five-year average and 40 mb below the 2015–2019 average. In terms of days of forward cover, OECD commercial stocks rose m-o-m by 1.0 day in February to stand at 62.9 days. This is 4.9 days above the February 2022 level, but 1.8 days less than the latest five-year average and 0.3 days higher than the 2015–2019 average.

Balance of Supply and Demand

Demand for OPEC crude in 2022 remained unchanged from last month's assessment to stand at 28.4 mb/d. This is around 0.5 mb/d higher than in 2021. Demand for OPEC crude in 2023 also remained unchanged from the previous assessment to stand at 29.3 mb/d. This is around 0.8 mb/d higher than in 2022.

Source: OPEC Monthly Oil Market Report – April 2023

Energy Markets Views You can Use

Sara Akbar
Chairperson & CEO, OiLSERV, Kuwait
& Non-Executive Director, Petrofac

The OPEC+ cut was a surprise but also timely.
Prices were drifting from their target price of around $80. But some of the countries' output would have gone down anyway; even with the 2mn b/d announced last year, only about 60% was actually cut. Bringing stability to the market was the driver, and the only way to do that is by this interference.

Will Mideast refiners continue to take in Russian crudes at the same rate?
The only new refineries in the world are in this part of the world, and for them to get optimized returns, they will try and blend with the cheapest type of feedstock, and the crude from Russia can provide some of that. OPEC+ cooperation is not just on the supply side – it is in every facet of the business, and this is part of it. Refineries in the Middle East will help stabilize the products market and a lot of the volume is going to Europe and that will continue for a while.

How significant is the recent public Iran-Saudi rapprochement?
It's truly a very significant move and we are seeing the first fruits of that in Yemen already with some stability. And that stability will also solve other issues too, such as those in Lebanon, so this cooperation will bring a lot of value to this part of the world. Everyone has come to the realization that this tension and animosity will not get us anywhere. I don't think the rapprochement is temporary at all and it's something that will benefit the region tremendously.

Victor Yang
Senior Analyst
JLC Network Technology

Why did we see stronger March products exports from China?
Some cargoes were delayed from January and February because of the Chinese New Year holidays, so these were then indicated in March exports, but we do not expect those to keep growing at the same pace in the coming months. Some provinces are getting back to business, and there's also an eagerness to bring foreign customers back into China. Gasoline demand was about 17% higher in March than a year earlier, and diesel and jet fuel demand also rose versus March 2022, which is when we were hit hard by the pandemic. The economy in the first quarter of this year has been sluggish but we expect the recovery we're seeing in April to accelerate in the coming months. In May, we have a three-day holiday, and it's expected that passenger travel will hit 200 million, surpassing the level in 2019.

Outlook for China crude oil imports in Q2?
We have a lot of refinery maintenance in Q2 so we expect a slowdown, but there are concerns about tightening crude supply. Some buyers have stepped up their cargo purchases for June and July, so we expect imports to pick up again from then and grow faster in the second half of the year. We still expect Russian imports to stay above 18% in the second quarter and as long as the discounts remain, this will not change.

Any concerns about power shortages again this summer?
Over the past two years, power shortages have happened in some areas, and this is not unusual, but they have been on a larger scale, partly because of extreme weather last summer in southwest China for example. It also happened because of the transition to new energy and the cut in coal consumption, and particular in some areas when manufacturing peaked. But unless we get extreme weather again, I would only expect a slight shortage of power.

Fujairah Spotlight

Peninsula adds "Hercules Comet" to bunkering fleet in Fujairah

Marine fuel supplier Peninsula on Tuesday (11 April) said it has added supply tanker Hercules Comet to its bunker delivery vessel fleet in Fujairah to boost its physical operations in the UAE. "In order to strengthen our physical operations in Fujairah, Peninsula is happy to announce the addition of the Hercules Comet to the local fleet," it said in a social media post. "This marks our fourth supply tanker in the region, offering supply efficiency across all grades of fuel." According to MarineTraffic, the vessel is currently sailing under the Gibraltar flag and was built four years ago in 2019. The Hercules Comet has a carrying capacity of 7,999 dwt.

Source: Manifold Times

National Bank of Fujairah ties up with CleanMax for rooftop solar projects in UAE

The National Bank of Fujairah (NBF) on Tuesday announced that it has provided a long-term credit facility to CleanMax for refinancing its rooftop solar portfolio in the UAE. "The facility will cover 48 different operational rooftop solar assets, located in industrial facilities, malls, schools, and universities," the company said in a press release. This new partnership between NBF and CleanMax therefore represents a significant step towards meeting the goals of UAE's energy strategy, which aims to have 50% clean energy in the energy mix by 2050, it added.

Source: MINT

Oil product inventory rises as light distillates stocks soar 18%

Stockpiles of oil products at the UAE's Port of Fujairah rose 3.5% in the week ended April 10, led by a spike in light distillates, according to Fujairah Oil Industry Zone data published April 12. Total inventories rose to 19.863 million barrels, the highest level since March 27, the FOIZ data provided exclusively to S&P Global Commodity Insights showed.

Source: S&P Global Commodity Insights

Majors, Adnoc Discuss Fujairah LNG Role

At least three Western majors are in talks with Abu Dhabi National Oil Co. (Adnoc) about potentially joining the planned Fujairah LNG export project as investors, industry sources tell Energy Intelligence. BP, Shell and TotalEnergies are among the companies talking to Adnoc about potentially taking equity positions in the planned 9.6 million ton per year LNG facility, the sources say.

Source: Energy Intelligence

Energy Markets Views You can Use

Raad Alkadiri
Managing Director – Energy, Climate & Resources
Eurasia Group

What was the main driver behind the recent OPEC cuts?
One was that the market was betting against OPEC in the short term and so the group was keen to squeeze those shorts, which it did very effectively. But it's also worried about demand in the longer term as a result of the Fed moves and concerns over Chinese growth possibly not picking up at the pace that was anticipated. But just as with the west post-COVID, what we are seeing in Chinese economy is a gradual return. China's growth policy this year is still relatively modest and it's focused very much on domestic consumption, which doesn't necessarily underpin middle distillates. We're in the second quarter and prices are in the mid-$80s and above which is not a bad position to be in and we're only a few dollars off the Saudi and OPEC+ Goldilocks zone of $90 Brent.

Is the historical relationship between the US and Saudi dead?
I think this is a case of economics catching up with politics. Clearly, there's a new narrative and a new set of policy directions in Saudi Arabia focusing domestically and on the need for revenue for very ambitious growth and diversification plans. The Saudis also believe that the global economy can sustain a higher price, but they want the revenue and are essentially saying that the US relationship is one of many and that they are going to diversify their relations. The Saudis are in the best position they have been in for 30 years to manage markets effectively and to take advantage of being able to influence them.

Kieran Gallagher
Managing Director
Vitol Bahrain E.C

Is the market indicating that OPEC+ has achieved its objective of stability?
The announcement has had the desired effect but the tone that we heard this week at the IMF World Bank meetings could result in a little bit of nervousness. There's a real struggle to assess the medium-term outlook for the global economy and for oil demand. There's an overreliance on China to carry this and we're also in for a significant period of higher interest rates to try and calm inflation. On a positive note, we do see aviation fuel demand returning in China quite easily.

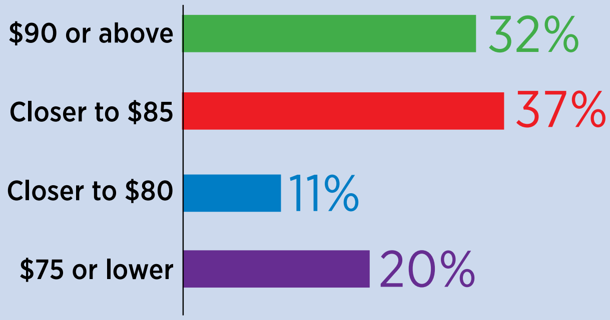
Could we see a price shock later this year with oil supply in question?
To a degree, you could say that any shock is already priced into the market. Everything is still in backwardation and there are relatively healthy flat price levels considering what we've gone through. In terms of supply, for example US inland stocks are at five-year lows on the crude side so there are some risks with regards to price, but if OPEC has viewed it as a time to cut, then there's potentially a time to return that capacity to the market also.

Would OPEC step in to check prices rising to $100?
I don't think OPEC will stand in the way of oil getting to $100. Most of the countries within the group wouldn't mind that, given their capital spending requirements and that nervousness around the global economy that still exists. It will be Far Eastern markets which effectively have to lead us out of this current price range.

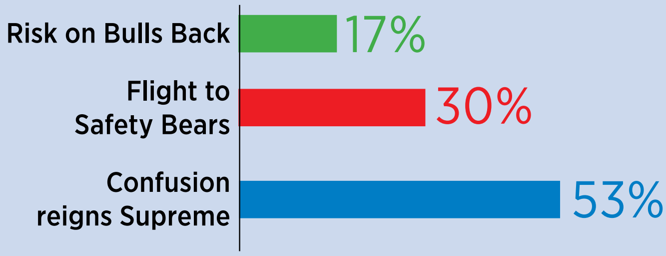
Russian oil flows to remain uninterrupted this year?
Indian refiners have been buying record amounts of Russian crude under the price cap regulation and we will probably continue to see that over the next few months. And we are seeing product-based fuels such as naphtha and diesel continue to flow to the Middle East, particularly at the prices we've seen in the last couple of months.

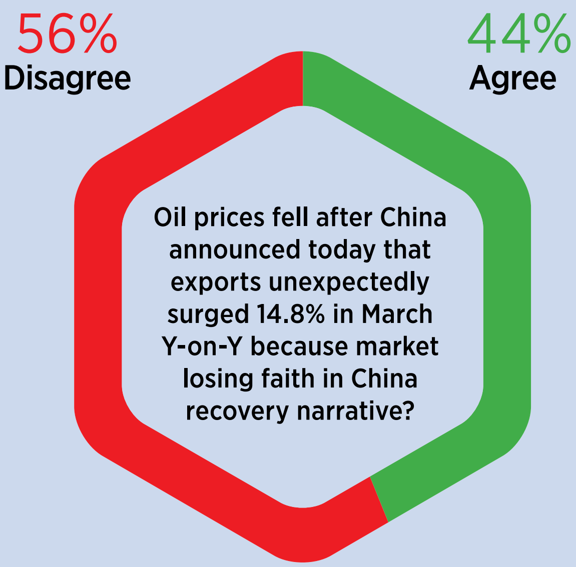
Weekly Surveys

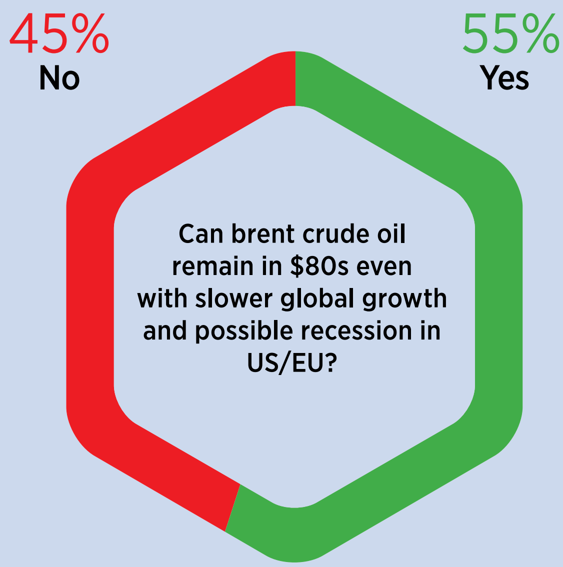
What will be the Average Price of Brent Crude Oil in Q2?



Bitcoin Climbs Past $30,000 for First Time Since June 2022 – WHY?







Can the oil and gas industry expect to earn a seat at the COP (Climate solution) table after we've recently seen European oil majors join US peers in backing away from Energy Transition commitments

Source: GI Research March 2023

Fujairah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 19.863 million barrels with a rise of 666,000 or 3.5% week-on-week as they stayed below the 20-million-barrel level. The stocks movement saw a rise for light distillates, a fall for middle distillates and a rise for heavy residues also.

- Stocks of light distillates, including gasoline and naphtha, rose by 1.095 million barrels or 18.0% on the week to 7.170 million barrels. The East of Suez gasoline complex strengthened in early trading April 11, as exports from South Korea are expected to fall in April amid an anticipated rise in domestic demand, sources said. Market participants said South Korea's domestic gasoline demand could be boosted in April amid fears of rising gasoline prices in May as the government considers reducing tax cuts on petrol. The Ministry of Economy and Finance first introduced the auto fuel tax cut scheme on Nov. 12, 2021, reducing taxes on diesel and gasoline by 20% until April 30, 2022. The ministry then extended the duration of the policy and raised the scale of the tax cut to as high as 37% effective until Dec. 31, 2022, S&P Global Commodity Insights previously reported.

- Stocks of middle distillates, including diesel and jet fuel, fell by 580,000 barrels or 18.9% on the week to 2.494 million barrels. The East of Suez gasoil market was slightly firmer April 11, even as eroding East-West arbitrage economics kept surplus barrels in the region, traders said. The decline came on the back of the return of French refineries which eased supply pressure in the West, market sources said. "More Indian and [Persian Gulf] barrels [are being] pulled East," a gasoil trader said. The fall in middle distillate inventories was despite easing gasoil and jet fuel market structures. Backwardation flattening typically incentivizes storage of barrels over sales as later-loading cargoes command a higher cash differential than earlier-loading ones.

- Stocks of heavy residues rose by 151,000 barrels, up 1.5% on the week as they stood at 10.199 million barrels. Spot trading activity at the bunkering hubs of Singapore and Fujairah was robust for the second consecutive trading day April 11, traders said. The downstream market has seen an uptick in demand since early the week ended April 8, a trend that has continued so far this week as well. Traders have attributed the rise in demand to buyers, especially those that have otherwise been on the sidelines, rushing to meet requirements after the outright price rallied due to the OPEC+ decision to further cut oil output. The rise in recent days has, in turn, led to tight availability for some of the suppliers, both in Singapore and in Fujairah, especially for product deliverable prior to April 18, said traders. At the UAE port, traders attributed tight availability, especially on an ex-wharf basis of low sulfur bunker fuel, to talks of one of the units of Kuwait's Al Zour refinery to be currently under an unplanned maintenance shutdown.

Source: S&P Global Commodity Insights

Energy Markets Views You can Use

Jose Chalhoub
Political Risk & Oil Analyst; Consultant, Venergy Global

Outlook for US companies picking up more Venezuelan oil?

Oil exports have risen by around 40,000 b/d because of Chevron's license to restart production here. I wouldn't be too hopeful though about any significant recovery in production in general, although I see the recent resignation of the Venezuelan Oil Minister on massive corruption charges, as pressure from Washington in exchange for the renewal of Chevron's license and more investment. Venezuela and the US are traditional commercial and geographical allies, and the reality is that the only way Venezuela can get the fresh oil money and fresh investment it needs, is to relaunch its relationship with and be more pragmatic with Washington.

Where is South America vis a vis aligning with China or not?

It's a very different kind of influence that China and Russia for that matter, have on South America today, unlike during the period when Chavez was alive. The macroeconomic situation and condition of the region has changed. We have turbulence in commodities prices and not a clear political landscape. We recently saw news about Exxon dumping some projects in Brazil. And we now have Guyana as the new kid on the block and Colombia's President Gustavo Petro holding a very known stance against new oil projects. So, it's not going to be easy for China and Russia to easily penetrate the region, as they did before.

Energy Markets Views You can Use

Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

Outlook for energy demand?
Energy demand is dropping for the manufacturing sector, but the consumer side is holding up a lot better. China is picking up, but slowly. The banking sector isn't as secure as we thought it was and we are still trying to deal with the impact of inflation and much higher rates and the speed at which they've risen. The second half of the year will be better with China definitely picking up. Europe and the US will probably start to flatline and operate at stall speed, largely due to the sharp rise in interest rates.

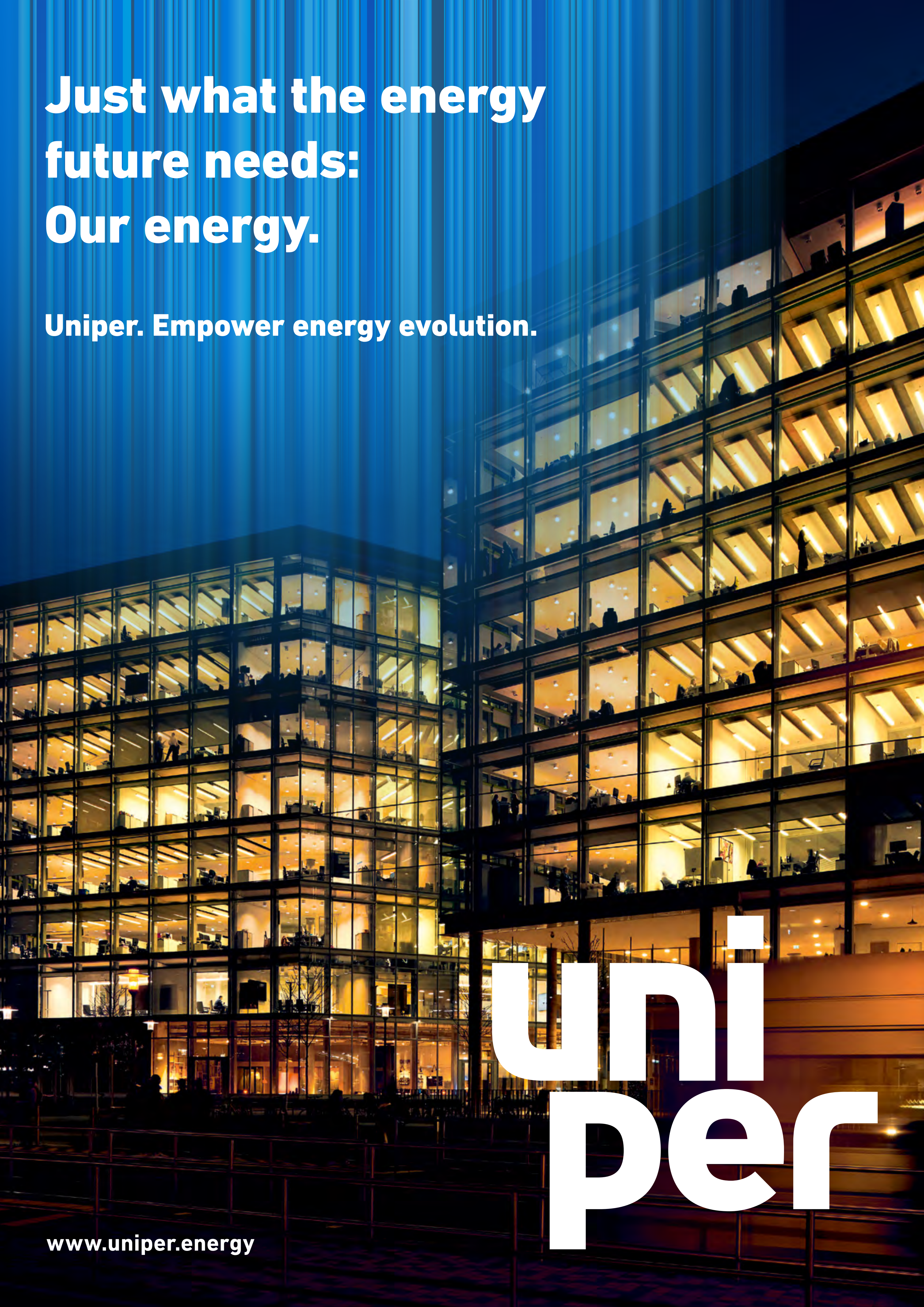
Will Fed and ECB policy start to diverge?
I don't think the economic outlook is that different for the US and Europe. Inflation is not at a level that the Fed's comfortable with - it's not coming down fast enough. With the ECB, the problem is even more entrenched in terms of core CPI; I think they have to at least go twice more at a slower pace, 25 basis points each time, and there may be a case for 75. And with oil prices now stabilizing where they are, you're not going to get the base effects that many were hoping for when we were down at $70. Also, if you look across the whole commodities space, particularly metals, but also gas, and even in the agricultural sector, we've got prices down from where they were after the Russian invasion from Q2 last year. But in all cases, we've run inventories down into the ground. One shock and everything probably just spikes again. That shock could be better growth than people are expecting or another supply disruption. That's where the real vulnerability is on inflation for central banks.

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

Was the OPEC decision to cut production, market driven or geopolitical?
OPEC decisions, certainly since 2016, have been driven 99.9% by economic considerations. It evidently has a pessimistic outlook for the global economy in the second half of this year, and especially because inflation is still being stubborn. Also, Saudi Arabia wants to create some excess capacity in its own production so that it has a tool of being able to increase supply if there is a spike in prices, for whatever reason.

Can the Saudi Iran rapprochement deliver peace for Yemen?
I wouldn't be too optimistic. I think the linchpin here is the Chinese ability to enforce an agreement and China is not historically a country that explicitly gets involved in countries beyond its neighborhood, nor does it have a playbook for dealing with these issues. Secondly, the range of instruments that China has are quite restricted to the economic domain. It doesn't have the security, the military or diplomatic heft of the US for example. As far as the Houthis and the Iranians are concerned, it wouldn't surprise me if something temporary emerged as a sort of attempt by Iran to draw Saudi Arabia in, possibly to give them a false sense of security. But in the long term, I don't yet see the crucial preconditions for a stable resolution to the conflict, because there's a lot of armed people and lots of conflict regarding what is fair and what is acceptable to all parties.

Do the current dynamics allow for peace in the region as a whole?
We have an endemic problem in the region, which is that in many countries, many groups are unsatisfied with their current lot in life, and they're prepared to use force. That is going to get worse. For a while, we had the US acting as a policeman from 1990 till about 2010, but it's quite clear that it has taken its hands off the wheel. I don't think the chronic instability in the Middle East will be resolved until there's a big war. Two or three major players are going to have to be knocked down a few pegs, and only then can we really think about stability.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Energy Markets
COMMENTARY WEEK IN REVIEW

Daily Energy Markets PODCAST

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Omar Najia
Global Head, Derivatives
BB Energy

David Rundell
Former Chief of Mission, American Embassy in Riyadh &
Author – *Vision or Mirage, Saudi Arabia at the Crossroads*

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Consultancy Intelligence Publishing

TUESDAY /// APRIL 11th /// 10:30AM (UAE)

Dr. Charles Ellinas
CEO, Cyprus Natural Hydrocarbons Co.
& Senior Fellow, Global Energy Center - Atlantic Council

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

Jose Chalhoub
Political Risk & Oil Analyst; Consultant, Venergy Global

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WEDNESDAY /// APRIL 12th /// 10:30AM (UAE)

Kieran Gallagher
Managing Director, Vitol Bahrain E.C

Sara Akbar
Chairperson & CEO, OiLSERV, Kuwait
& Non-Executive Director, Petrofac

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

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THURSDAY /// APRIL 13th /// 10:30AM (UAE)

Matt Stanley
Partnerships Lead – Middle East, Kpler

Amena Bakr
Deputy Bureau Chief, Energy Intelligence

Victor Yang
Senior Analyst, JLC Network Technology

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FRIDAY /// APRIL 14th /// 10:30AM (UAE)

Jorge Montepeque
President & Founder
Global Markets

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

Adi Imsirovic
Director
Surrey Clean Energy

Frank Kane
Editor-at-Large
Arabian Gulf Business Insight
Guest Host

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Energy Markets Views You can Use

David Rundell

Former Chief of Mission, American Embassy in Riyadh &
Author – *Vision or Mirage, Saudi Arabia at the Crossroads*

Main impetus behind the Saudi-Iran rapprochement?

I think that Saudi's most important reason is to end the war with Yemen. It's been a drain on their resources, and they want to focus on spending money to make Vision 2030 a success rather than focus on a war. They're happy that the cease fire has gone forward. The factor that remains a wildcard though is that Iran is not the only factor in the war; there are many domestic political, economic, social issues that are purely Yemeni and that are causes of a civil war. There are also other major strategic issues for Saudi Arabia to look at in the long run beyond Yemen. One of those is how Iran behaves in other regional countries - in Lebanon, Syria, and Iraq for example. And then the final issue is what happens with the nuclear program; the Saudis are not eager to see Iran become a nuclear power and see this as a threat.

Should OPEC view US shale oil as a supply threat?

The US is still very significant in the global markets at 12.3mn b/d, and it's not going away. True - private equity companies are no longer pouring money in, but Texas produced a lot of oil before they ever got there, and there's still plenty of players interested in exploration and production growth. There are some large players who are figuring that shale is not what they want to do and there are some investment bankers who were never really oil men to begin with, but I don't see the Permian going away, and neither is shale production in the US. Today, you're having to wait in line to get a rig or drill pipe, and you're having to go looking for a crew.

ENERGY MARKET NEWS

1. OPEC CITES RISKS TO SUMMER OIL OUTLOOK, HOLDS DEMAND FORECAST
2. ASIA SPOT LNG PRICES HIT 21-MONTH LOW
3. INDIAN BANKS FEAR MESS IF URALS PASSES $60 PRICE CAP
4. IMF CHIEF SAYS GLOBAL ECONOMY MIRED IN WEAK GROWTH, STICKY INFLATION
5. CHINA'S CRUDE OIL IMPORTS SURGE, BUT FUEL EXPORTS JUMP EVEN MORE: RUSSELL
6. LNG VESSELS DIVERT FROM WELL-SUPPLIED SOUTH KOREA
7. INDUSTRY CHIEFS WARN OF EXTENDED OIL, GAS SUPPLY CRUNCH
8. OPEC RAISES FORECAST FOR CHINA'S OIL DEMAND GROWTH AGAIN
9. CRUDE OIL AT SEA SURGES IN FRESH SIGN OF RUSSIAN FLOWS GOING FARTHER
10. XI PIVOT FAILS TO STOP EXODUS BY BIG INVESTORS IN CHINA TECH

RECOMMENDED READING

- OPEC MONTHLY OIL REPORT – APRIL 2023
- THE 'RIFT IS THERE': CHINA VS. THE WORLD ON GLOBAL DEBT
- BANKS' FOSSIL FUEL FINANCING HIT $673BN IN 2022: STUDY
- COLUMN: PEAK EMISSIONS HOPES TO BE TESTED AS CHINA & EUROPE CRANK OUTPUT
- ANALYSIS: 'TONE DEAF' MACRON FACES BACKLASH OVER TAIWAN COMMENTS
- MOSCOW'S INFLUENCE IN CENTRAL ASIA CONTINUES TO DECLINE
- ANALYSIS-NO CHINA, NO DEAL: BID TO BREAK SOVEREIGN DEBT LOGJAMS GETS WEARY THUMBS UP
- EU ENERGY POLICY BETWEEN EMERGENCY MEASURES AND ENERGY TRANSITION LEGISLATION

Energy Markets Views You can Use

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

Nobody was expecting the decision by OPEC+ on voluntarily cuts.

Still, I think it was a very smart move, with the doubts on growth in Asia, a slowdown in the economies of Europe and the US, a weak dollar, and also with speculators taking the market in a different direction to where supply and demand fundamentals are. And if you consider Russia's voluntary cut announcement along with this recent 1.6 million b/d OPEC+ cut, then altogether it's just compensation for the 2 million b/d cut that OPEC+ announced six months ago, that they have not really achieved. So maybe this is just to cover that gap. Do we need this cut? I think the answer is yes, at the moment. We need to monitor whether they are serious about cutting barrels but I think they are and if not all of it, they will at least cut 800,000 to 900,000 barrels.

Was the move strategic or more hands on market management?

It is both. The uncertainty in the market is quite big. We thought that by now in Q2, things would be clearer for people to take strategic decisions, that Asia would be growing, and that the recession would be over. But unfortunately, things have moved the other way around, so we have to start from scratch again. Inflation is still there, and central banks are still raising rates. I don't agree that oil prices will exceed $100 this year. The maximum they can reach is in the $90s.

GI Soundings Week in Review

"IMF Continues to Press Alarm on Global Growth!"

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**
- **Jorge Montepeque, President & Founder, Global Markets**
- **Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center – Atlantic Council**
- **Adi Imsirovic, Director, Surrey Clean Energy**
- **Matt Stanley, Partnerships Lead, Middle East, Kpler**

Omar Najia, Global Head, Derivatives, BB Energy OIL PRICES "The upside beckons. OPEC have done something strategic and the US still has to fill the SPR, so I like the prospects of oil going higher, and metals and commodities in general. But on US markets, I'm extremely bearish. Usually, when you have recession in the West, the US dollar goes up and oil falls but what we're seeing is the USD falling. There's the real possibility of markets not correlating like they did in the past."

Jorge Montepeque, President & Founder, Global Markets GLOBAL DEMAND "China's exports saw a huge jump in March, up almost 15% --that hot growth was mainly due to consumption in the Global South. Demand from Latin America, Asia and Africa is overwhelming the previous demand centers in the West."

Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center – Atlantic Council OIL PRICE "It has stabilized around $85 and will probably stay around there for a while but the trend is upwards, and forecasts that the oil price may reach $100 by the end of the year will probably materialise. In China, the airlines are now hiring staff because they expect air travel to increase dramatically over the next few months, and with that, oil demand will rise, and with supply becoming tighter and tighter after the voluntary cuts, prices will go up."

Adi Imsirovic, Director, Surrey Clean Energy RUSSIA OIL "Russia will always look to maximize its oil revenue and Putin will not do anything to jeopardize that. Also, because they anticipated that the products price cap would impact products exports, they're having to do a lot of shifting internally to produce and export more crude as it's more fungible, and less products."

Matt Stanley, Partnerships Lead, Middle East, Kpler OIL PRICE "If you look at the rangebound market that we've been in for most of this year, the inflation argument is obviously waning somewhat. When you've got a stable energy market, people can plan a lot more and I would say that is supportive for refining margins and should be supportive of crude, and I think that's what's giving it the pop up above $85."

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
April 10th - 14th

1. The rapid rise of interest rates has been severe, and it would be negligent of oil producers if they didn't adjust policy for the inevitable negative impact it will have on demand.

2. Russia has no incentive to cut oil exports at a time of stress when they need to maximize revenue, so don't believe any announcements to the contrary. The $64,000 question for oil markets in H2 2023 is whether China/Asia demand can trump US/EU slowdown towards recession?

3. Saudi Arabia's rapprochement with Iran is driven by many factors, but one of the most immediate tangible outcomes could be peace in Yemen.

4. In the era of counterintuitive outcomes – will we see for the first time a weak dollar and weak G7 economic outlook co-exist with high oil prices?

5. OPEC+ successful market management over the last 5 or 6 years have earned them the benefit of the doubt that again they have made the right call by cutting supply before global demand goes off a recession cliff.

6. Venezuela may be finally coming to the realization that with Russia bogged down in Ukraine, all roads lead to Rome – i.e. Washington DC

7. Oil market still pinning hopes on China and Far East growth to support or elevate prices from here.

8. Asian exporters, such as South Korea and Vietnam, have both seen exports decline in the first few months of 2023 – not a good sign for oil demand outlook!

9. Gulf producers within OPEC+ have a track record for delivering on announced oil cuts, which should be enough to put an $80 floor on Brent crude even with US/EU slowdown.

10. Russian oil exports continue unabated by sanctions and prices caps, with China and India demonstrating an endless appetite for all that Moscow can send.

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