# Fujairah New Silk Road WEEKLY NEWSLETTER

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Port of Fujairah ميناء الفجيرة United Arab Emirates

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AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

## Peak Oil Demand Forecasters will have Egg on Their Face Within a Year or Two

***Dr. Anas Al-Hajji, Managing Partner, Energy Outlook Advisors LLC***

The objective of OPEC+ leaders is to stay in the oil price Sweet Spot, which now sits between $68 and $75 per barrel. Those who are calling for $100 oil, there is no basis for it. There is no basis for $100 oil right now, probably in the future, but not now. Not in 2021. We still have massive spare capacity. We still have surplus in storage. And now we've seen China using their Strategic Petroleum Reserve rather than buy higher priced oil. We've seen China regulating the teapot refineries and the flow of oil. We currently have plenty of oil. But the lack of capital investment into new oil capacity is definitely a crisis for the near future. That's why I am predicting an energy crisis, no matter what. There will be a time when we will realize that every single oil demand estimate is basically too low -- all the multilateral agencies, including the IEA, OPEC, and others, and all the banks and other consulting houses are underestimating demand. If those policies targeting carbon neutrality are going to fail, then definitely demand for oil is going to be higher. And from my estimate, demand is going to be way higher -- probably from 2025 to 2030 the deficit between supply and demand could be as high as 4 million barrels a day. And this shortage takes into account the ability to increase production in some OPEC countries, such as the return of Iran, the return of Libya and with the full return of Venezuela. I think that demand will continue to grow. The forecast of BP and others that oil demand has already peaked or near its peak is absolutely not correct. I think there will be many people with egg on their faces within a year or two.

CONTINUED ON PAGE 3

### Fujairah Weekly Oil Inventory Data

| 7,079,000 bbl | 2,659,000 bbl | 11,209,000 bbl |
|---|---|---|
| Light Distillates | Middle Distillates | Heavy Distillates & Residues |

Source: FEDCom & S&P Global Platts

### Fujairah Average Oil Tank Storage Leasing Rates*

**BLACK OIL PRODUCTS**

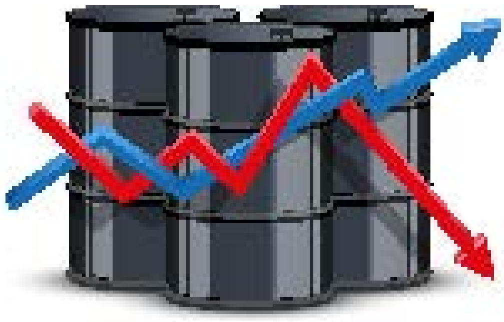
**Average Range**
**$3.54 - 4.38/m³**

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

Source: GI Research – Weekly Phone Survey of Terminal Operators

GI Consultancy Intelligence Publishing

# THE WEEK In Numbers



**Weekly Average Oil Prices**

| | |
|---|---|
| **Brent Crude:** | **$73.89/bl** |
| **WTI Crude:** | **$72.04/bl** |
| **DME Oman:** | **$72.94/bl** |
| **Murban:** | **$73.62/bl** |

Time Period: Week 4, July 2021
Source: IEA, OilPrice.com, GI Research

## Fujairah Weekly Bunker Prices

| VLSFO | MGO | IFO380 |
|---|---|---|
| High = $543.00/mt | High = $656.50/mt | High = $435.50/mt |
| Low = $524.00/mt | Low = $629.00/mt | Low = $417.00/mt |
| Average = $617.50/mt | Average = $646.00/mt | Average = $427.50/mt |
| Spread = $19.00/mt | Spread = $27.50/mt | Spread = $18.50/mt |

*Source: Ship and Bunker, *Time Period: July 21 - July 28*

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

| | | |
|---|---|---|
| **1,360**<br>180cst Low Sulfur Fuel Oil | **510,633**<br>380cst Low Sulfur Fuel Oil | **122,422**<br>380cst Marine Fuel Oil |
| **786**<br>Marine Gasoil | **30,963**<br>Low Sulfur Marine Gasoil | **5,693**<br>Lubricants |

*Source: FEDCom & S&P Global Platts*

# Dr. Anas Al-Hajji, Managing Partner, Energy Outlook Advisors LLC

CONTINUED FROM PAGE 1

***What is your outlook for continued cooperation within OPEC+?***
***Dr. Anas Al-Hajji:*** The way we look at it is, regardless of what information we know from insiders -- it's either we look at it as politics to oil or oil to politics, which means that either there are some deep political issues that caused the rift between certain countries and then that transferred to the oil portfolio. And therefore, what we saw at the OPEC meeting was a symptom of a deeper geopolitical problem, i.e., oil wasn't the cause -- or oil was the cause that developed to become a political issue. Each one of these paths has a different outcome in this case.

But now we know the outcome. They already agreed. And I think the key point to this agreement that we have to pay attention to -- regardless of the quota increases that have been given to the five OPEC+ countries from next April, including the UAE, the actual total increase of new supply can't exceed 400,000 barrels per day per month from April to December 2022. So, if you look at the extension from April 2022 to December, whatever those five countries are allowed under their quotas, has a limit of 400,000 bpd no matter what. In a sense, there is a catch there.

***What do you expect Saudi Arabia and Russia to do with their Quota Increases?***
***Dr. Anas Al-Hajji:*** We must really look at some of the details of the agreement to understand what its intentions are. I think Russia and Saudi Arabia gave themselves this a total quota increase of one million barrels, not because they want to increase supply, but they want the optionality. The idea here is it seems that the Saudis and the Russians wanted this optionality on the 500,000 bpd each, but at the same time they want to reserve that space for them so no one else can take it, especially when we talk about the possible return of Iran, Libya, Venezuela etc. Which means that there is a possibility they may not increase that amount if the demand is weak.

***Was the OPEC+ dispute politics to oil or oil to politics?***
***Dr. Anas Al-Hajji:*** It's very hard to determine based on the available evidence. But let's focus on the first one, if it is politics to oil, then while it was easy to resolve in the short term, it could still be explosive at any time. The other point related to this is some countries within this OPEC+ group have already maxed out their production, and some of them will max out soon. One of the ironies of this Agreement is, even if some countries cheated or they are going to cheat in the future, the continuous increase in production is going to compensate the bigger producers naturally. We are going to reach a point where probably the Saudis and the Russians, and probably the UAE, to some extent, they would be the only countries who will be able to increase production, and that's it.

***What do you think has been the biggest surprise of 2021?***
***Dr. Anas Al-Hajji:*** For me, really, the biggest surprise has been the willingness of the Saudis to cut extra production. They've done it now three times in large amounts. That was really the biggest surprise, because if you look at what happened in March 2020 when they made a massive increase in production at that time, and then you look at this kind of additional cut in production – 1 million barrels a day in Jan. 2021. That was really the big surprise in terms of this OPEC+ plan.

***Was the G20 Energy & Environment Ministers Meeting on Climate Goals a Success?***
***Dr. Anas Al-Hajji:*** The meeting was a success. We had an agreement because we had a communique that is published everywhere. However, the success of each country varies in terms of achieving their objectives. We know that some countries in Western Europe basically were too extreme. They wanted to change the Paris climate agreement by moving the dates forward to achieve carbon neutrality. They were faced with stiff opposition from other countries, let's call them the oil countries and the coal countries.

***How would you judge the success of the oil countries?***
***Dr. Anas Al-Hajji:*** I think the oil producing countries, especially Saudi Arabia, achieved tremendous success in this meeting in various ways. The first thing is they moved oil from being considered the biggest target for curtailing climate change and pushed coal to the front. So, now China and India are basically forced to the front to fight for coal, while the oil producing countries are now in the back of the room. And that's a tremendous achievement because for the last decade or more, it was oil, it was Saudi Arabia, it was the Gulf states that were being hit left and right with the responsibility for climate change.

That was a tremendous success, basically to move coal to the front, which is really the issue, because renewables replace coal, they don't replace oil in Europe. So now coal has become the issue and India and China, Australia, Russia, South Korea are having to stand up for coal. So, the oil producing countries are happy to see that development.

***What impact will the Climate goals have on oil demand moving forward?***
***Dr. Anas Al-Hajji:*** The truth is that everyone is playing the game their own way. I think that most of the carbon neutrality policies are going to fail and that everyone -- every company, every country, every official is going to play their own game here, and those games are basically going to take us nowhere in terms of achieving carbon neutrality. Many countries and many companies have declared their commitment to a certain date for carbon neutrality, but when you speak to these officials and CEOs privately, they will tell you that they don't know how to do it, they don't know how to pay for it, and they don't know who is going to pay for it. So that tells you where we are heading, nowhere!

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# ENERGY MARKETS COMMENTARY WEEK IN REVIEW






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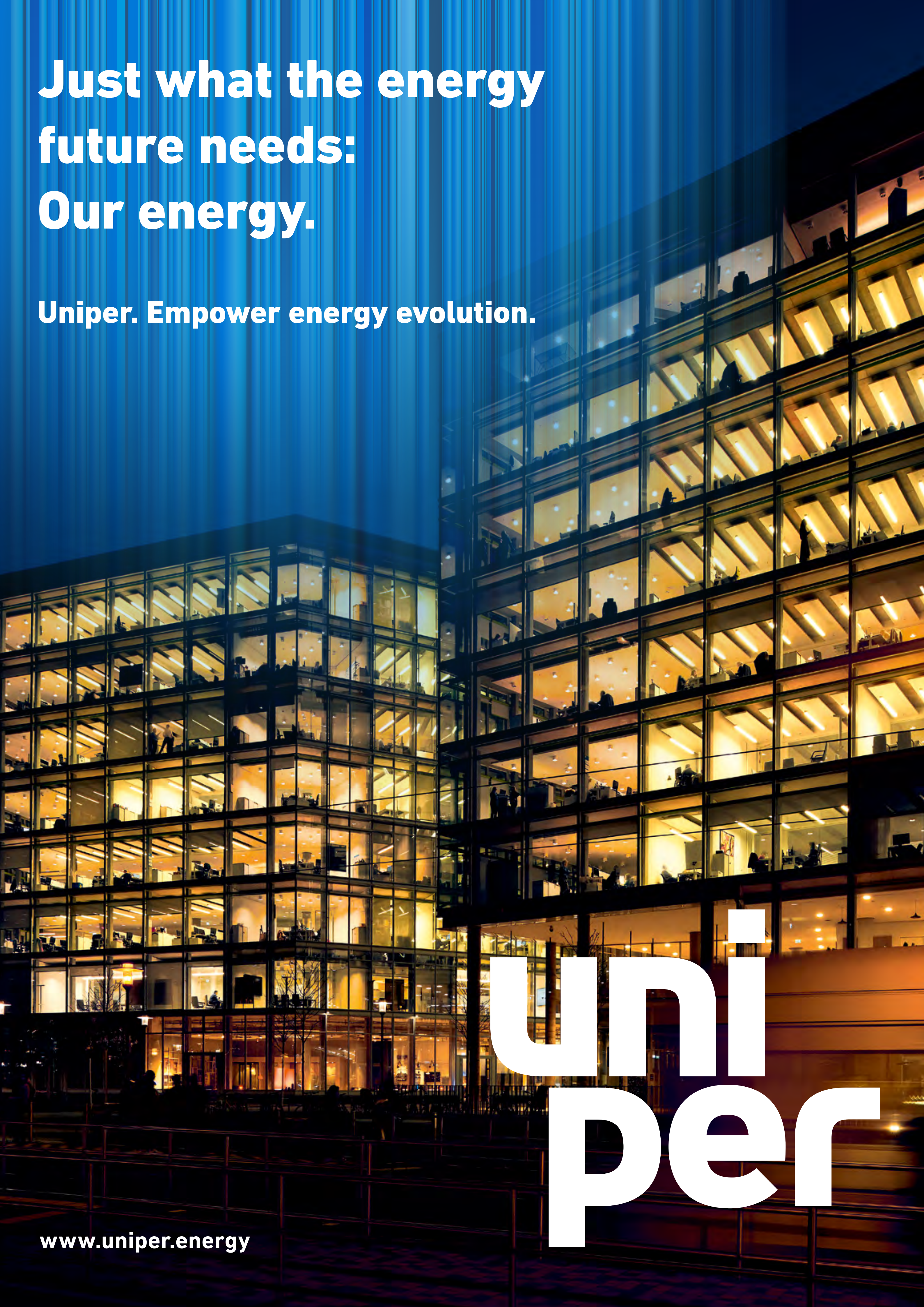
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GIQ EXCLUSIVE SOUNDINGS

# Oil Steady but Covid-19 Still Clouds Demand Picture

**Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the Middle East, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.**

- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Randall Mohammed, Former VP, Energy Solutions, Ahart Solutions International**
- **Andrei Belyi, PhD, Professor; Founder & CEO, Balesene OÜ**
- **Dr. Aldo Flores-Quiroga, Former Deputy Secretary of Energy for Hydrocarbons, Mexico's Ministry of Energy**
- **Omar Najia, Global Head of Derivatives, BB Energy**
- **Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International**
- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**

***Peter McGuire, Chief Executive Officer, XM Australia***

"We have had such a solid move to the upside in the last 10 months for all equity markets driven by China's recovery from Covid-19. However, no economy just keeps on growing at a parabolic rate. At the moment, China is entering an exhaustion phase where its equity markets are starting to level off."

***Randall Mohammed, Former VP, Energy Solutions, Ahart Solutions International***

"The US FED is caught between a rock and a hard place. On the one hand, the US Fed has to prevent the economy from stalling, and on the other, you have this battle with inflation. Inflation is pushing upwards of 5.4%. If the Fed isn't careful, we could see double-digit inflation rates."

***Andrei Belyi, PhD, Professor; Founder & CEO, Balesene OÜ***

"Nord Stream 2 is a big win-win for Germany and the US. Germany proved that there is no way to conduct an economic war against the country."

***Dr. Aldo Flores-Quiroga, Former Deputy Secretary of Energy for Hydrocarbons, Mexico's Ministry of Energy***

"We continue to have this uncertainty about what is going to happen with demand, with rising cases of the new Delta variant. Producers are going to have to take things slowly and monitor what happens by the beginning of the Fall. It's a very fast-moving situation and hard to tell."

***Omar Najia, Global Head of Derivatives, BB Energy***

"There are some worrying signs of too much bullishness across markets but there are bearish people around to sell and then give us a little bit more impetus to the upside again."

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

"China is living up to its moniker of a "command" economy. It's been escalating all year. It started off with trying to control commodity prices and now they're intervening everywhere."

***Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence***

"The market seems to have forgotten about supply elasticity. Demand has had a short-term spike, but the bigger picture is we're going back to what we had before the pandemic – lackluster oil demand while supply picks up."





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# Fujariah Weekly Oil Inventory Data

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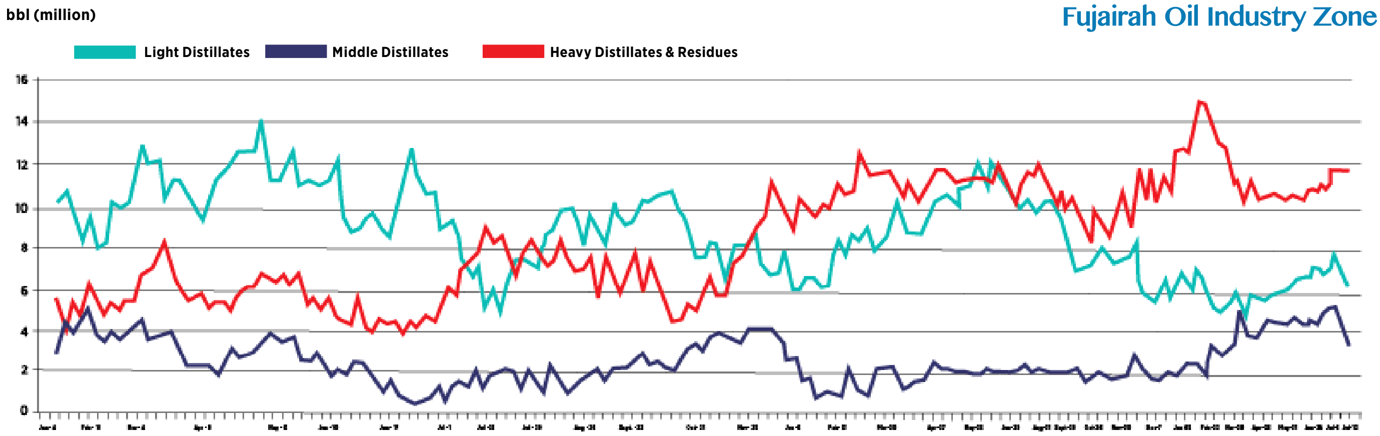


## TOP TAKEAWAYS

- **Total oil product stocks in Fujairah were reported at 20.947mn barrels, falling below 21mn barrels for the first time since late May. Total stocks fell by 807,000 barrels with overall stocks falling by 3.7% week-on-week.The week-on-week stock draw was largely driven by middle distillates. Light residues saw a build while a draw was also seen in the heavy residues.**
- **Stocks of light distillates, including gasoline and naphtha, rose by 454,000 barrels or 6.9% on the week to 7.079mn barrels. This is the first time they have been above 7mn barrels since the end of June. Gasoline East of Suez was finding support from bullish sentiment in the US where stocks have been drawing amidst an increase in driving activity in the country. In Asia, China's crude throughput in July will likely fall slightly from the record high in June as expected cuts by private refiners over the month amid adverse weather offset the impact of mostly steady run rates at state-owned refiners, this was seen by market participants as another supporting factor for the road fuel.**
- **Stocks of middle distillates, including diesel and jet fuel, dropped by 709,000 barrels or 21.1% on the week to 2.659mn barrels, the lowest level since April 6 last year when they stood at 2.530mn barrels. Gasoil markets were seen as largely rangebound with regional demand seen as sluggish, however this was offset by lower run rates leading to constrained supply. In the cargo market, Indian Oil Corp. has sold two cargoes of 10 ppm sulfur high speed diesel totaling up to 62,000 mt to a European trader at a premium of between 30-70 cents/b to the Mean of Platts Arab Gulf 10 ppm sulfur gasoil assessments, FOB.**
- **Stocks of heavy residues fell by 552,000 barrels or 4.7% on the week to 11.209mn barrels. Bunker demand in the Port of Fujairah was reported as strong, with the flat price for the fuel rising to $533/mt for marine fuel 0.5% on a delivered basis in the port on July 27, a $8/mt rise day on day. The price in Fujairah is a $9/mt discount to Singapore which saw its delivered bunkers on the same basis assessed at $542/mt.**

Source: S&P Global Platts

**BY MATT STANLEY**
SENIOR BROKER
STAR FUELS

Brent is trading...go on, have a guess, go onnnn! Bingo! Around $75/bl at $75.27/bl, up 0.53/bl. WTI is trading up 0.65/bl, at $73.05/bl. "Seek opportunity, not security. A boat in a harbour is safe, but in time its bottom will rot out." Said a bloke, who probably had one too many rums. It's a good quote though because trust me it seems this market could be visiting the dry dock soon to have those barnacles looked at. $75/bl is proving to be quite a belligerent level and Brent isn't really dropping much below or indeed popping higher from it. The thing is though that arguably the current state of the oil market is skewed towards the bulls, but this is not being reflected in prices, now why would that be? The bulls have never really needed much of an excuse to cause a head scratching rally but last night's EIA data, which showed draws on crude, gasoline and distillates did not make the bovine charge towards $80/bl. Data also showed a drop off in US crude production. Yet still nothing. If we look beyond EIA data and further out, then demand forecasts from pretty much everyone point to a market that will be under supplied. But nothing. I mean not nothing, just all a bit meh, no fireworks, no amateur dramatics, just a sort of shrug. So, what does this mean? I will say it again, the word that is playing on many people's minds and that is Covid-19. Forget the Fed for a moment, as indeed, most people did. All while the bullish arguments remain at the forefront of most funds' minds it is becoming ever more difficult to not be distracted by the fact that Covid-19 cannot be dismissed. Here are some facts - UK deaths yesterday were the highest since March, the USA issued travel warnings to Spain and Portugal, Abu Dhabi added 12 countries to its red list, Tokyo is on track to record a record number of cases, Argentina, Colombia, Cuba, Ecuador and Paraguay are among the countries with the world's highest weekly death rates. I could go on, but I won't, because you all know this is happening, even if we don't want it to. This is why the oil market is clinging on to $75/bl with all its might. All of this is going on and I still can't take my eyes off Team GB in the Trap shooting event. Ha. What a world we live in.

July 29, 2021





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# ENERGY MARKETS VIEWS YOU CAN USE

**Maleeha Bengali**
**Founder**
**MB Commodity Corner**

### IS THE PENT-UP DEMAND WE'VE SEEN IN 1H 2021 SUSTAINABLE?

Analysts have already priced that demand rebound and stimulus benefits into growth estimates for the remainder of the year. Now, it is the marginal rate of change of demand that matters – for example, potential Delta variant variables which have not been priced in. Growth is spluttering in the US and Europe and China has been slowing down for the last six months. Central banks are now worried about inflation and no longer see it as transitory, with expectations for 2022 a lot higher. But if they take money off the table, equity markets could collapse. That's the dilemma.

### CAN CHINA AND ASIA LEAD GLOBAL OIL DEMAND INTO THE LATTER HALF OF THIS YEAR?

It's hard to know right now. China has financial problems. Its growth has been slowing down since November last year and we're now seeing the impact of that in lower commodities prices, such as oil, copper and aluminium. The picture for China looks more negative than expected for the next three months. Still, until the US summer driving season is over in September, we will not see oil prices fall considerably with demand overall remaining strong.

### WHAT WILL IT TAKE TO BREAK THE MOMENTUM IN EQUITY MARKETS?

Despite breaking new record highs, what's happening underneath the surface is very important. The equity market is now very macro driven. US 10-year bond yields, which were trading at highs of 1.8% in May, fell down to 1.13% on deflationary fears and have rebounded back up to 1.3%. The whole market follows these yields as a tracker for reflation or deflation and if we see more unwise gyrations in the bond market, commodities and equities will follow suit.

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

### DID THE OPEC+ DEAL DELIVER CLARITY FOR THE MARKETS?

Rounding the wagons is a good expression for the OPEC+ deal. It was not unexpected. Still, it's interesting to see it from OPEC's perspective – very positive that they achieved a general realignment of the quota numbers for major oil producers. It's kind of comforting from a market perspective that this in many ways seems to overshoot in the sense that some of them won't be able to produce as much as indicated by the new baseline. I think markets recovered last week because they saw that the additional 400,000 barrels per day had been maintained even with markets becoming weaker. It was seen by the markets to be still a good number to keep prices steady on a slight upward drift. I would assume that on the back of this, we're heading into a year 2022 where prices will continue to tick upward and not collapse.

### DEMAND OUTLOOK?

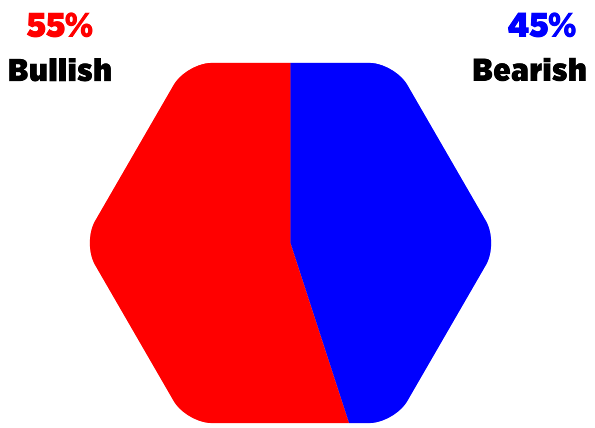
The demand side depends on the global economy, and this is a very open question. I think to find an answer, we have to do something which hasn't really been done yet, which is to look at the experience of China's recovery from COVID, which is a bit of a mystery for what is the world's biggest oil demand and import center. It is the first country to come out of the pandemic. It had the same kind of flash in the pan growth which we are now seeing in Europe and the US, with enormous growth rates that are actually quite meaningless because it mostly mirrors the enormous decline that preceded it. It could teach us a lesson of how this evolves into longer term growth and what the oil price does to inflation and to growth. At the same time, China is so opaque that we don't know very much.

### ECONOMIC RECOVERY OR REBOUND?

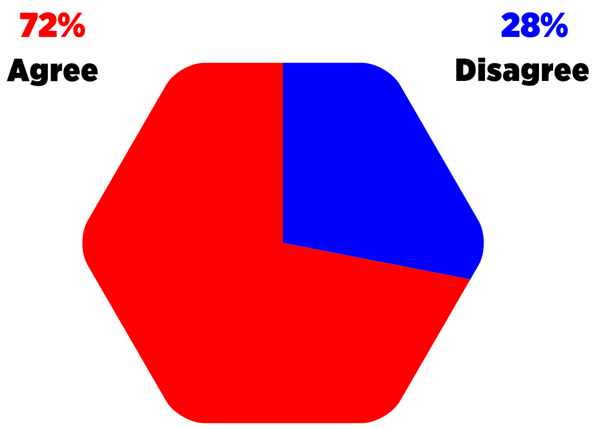
I think the jury is still out on whether this rapid recovery translates into durable demand growth and economic growth in the US and Europe. In China, the transition should have happened by now, but it seems to be at a lower growth rate than before. So, what seems to be on the cards if others follow that same example, is whether the US can recover to 2019 levels and then come back on a growth trajectory that is as high as before at least. Or whether the growth trajectory, the growth path will be permanently a bit flatter because of COVID? Now, that seems to be what has happened in China, and where Europe is heading. The US is the place in between on which a lot depends now, and that will be the driver for oil demand. There is no decision yet whether this is a flash in the pan economic recovery or whether this is sort of a durable, stable world, but early indicators are that it will be a bit weaker despite the stimulus and all these other things.

# GIQ Weekly Surveys

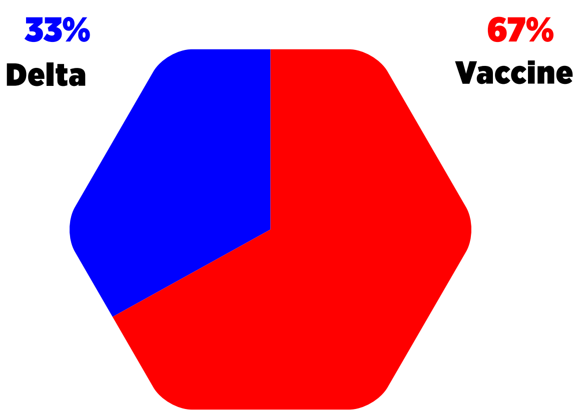
***The recent OPEC+ deal to add 400k b/d per month from August is...?***



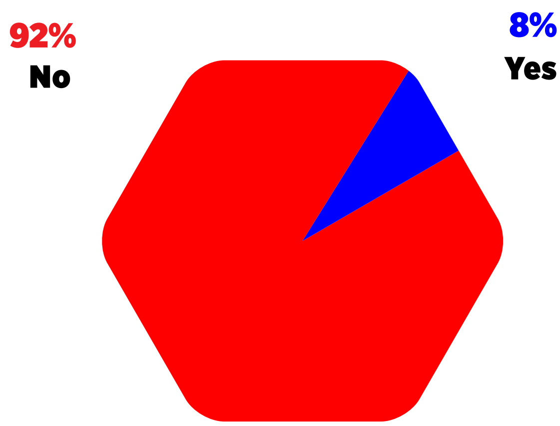

***Robust US economy will keep Brent above $70/bl through Q3 despite uncertain demand outlook in EU & Asia?***



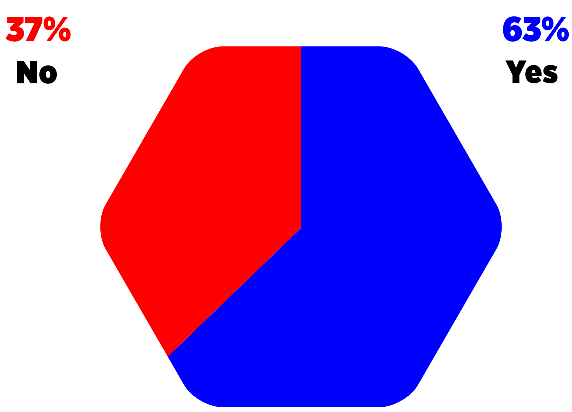

***Vaccine vs Delta - which will win?***

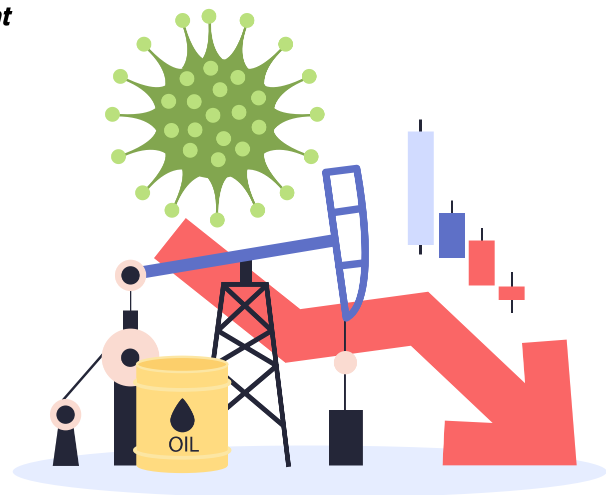



***Will the US succeed in stopping China from buying Iranian crude oil?***




***Will declining inventories below the 5-year average propel Brent to $80/bl by end of Q3?***




Source: GIQ

# ENERGY MARKETS VIEWS YOU CAN USE

**Dr. Carole Nakhle**
**Chief Executive Officer**
**Crystol Energy**

### THE US FED SEEMS TO BE HAPPY STAYING ON THE SIDELINES?

We are getting more reassurance from the bank every time they meet, that they are not ready to take any action. Another recent interesting data point came from the IMF's quarterly forecast, which has kept its average global growth rates at 6%. It has upgraded forecasts for richer OECD countries while downgrading developing economies by the same percentage. We're finding that this gap of uneven growth is getting bigger and that will have implications on oil demand. The dichotomy comes from the availability of and access to vaccines as well as government stimulus programs and supportive monetary policy. On top of that, emerging countries will suffer even more if wealthier nations increase interest rates, raising the cost of borrowing.

### IS US FED POLICY TAKING EMERGING ECONOMIES INTO ACCOUNT AT ALL?

It's mostly domestically focused but if you look at other central banks, for example, in Europe, there seems to be a kind of indirect coordination between their policies because they know that they cannot be left alone unless the developing countries catch up at a certain point in terms of vaccination rollouts and in terms of what the impact of increasing interest rates could have on those economies. Not many people are thinking about that today.

### OUTLOOK FOR CHINA TO SUPPORT 2H 2021 DEMAND?

Interestingly, for the first time ever in its recent five-year plan, China did not include a specific GDP growth rate target. That by itself means they are bracing themselves for slower economic growth than what they have had in previous years.

### HAS EUROPEAN PENT-UP DEMAND EMERGED AS EXPECTED THIS SUMMER?

Things in Europe are definitely looking better overall, but summer demand has not picked up as expected. It has been delayed by travel restrictions and vaccinations. So, on balance, we do see structural problems emerging everywhere and we will have longer-term impacts beyond the pandemic itself, on the global economy.

**Albert Stromquist**
**Principal**
**Lanstrom Advisors**

### IS OPEC'S DECISION TO KEEP THE MARKET TIGHT JUSTIFIED GIVEN CHINA'S OUTLOOK?

There is a softening in the economic forecasts. The global pundits have China GDP at 4.86% for this year while the country itself is still targeting 6%, so there is a gap. But for 2022, there's consensus by all, at around 5.5%. Either way, the Chinese economy is way off where it was ten, or even five years ago and that obviously translates into energy demand within China and most notably in its manufacturing sector. The decline in China's economic output though is not due to a lack of will but rather a realization that the rate of development of the past is no longer sustainable.

### WOULD YOU CLASSIFY THE CHINA RECOVERY SIMILAR TO THAT OF THE US OR EUROPE?

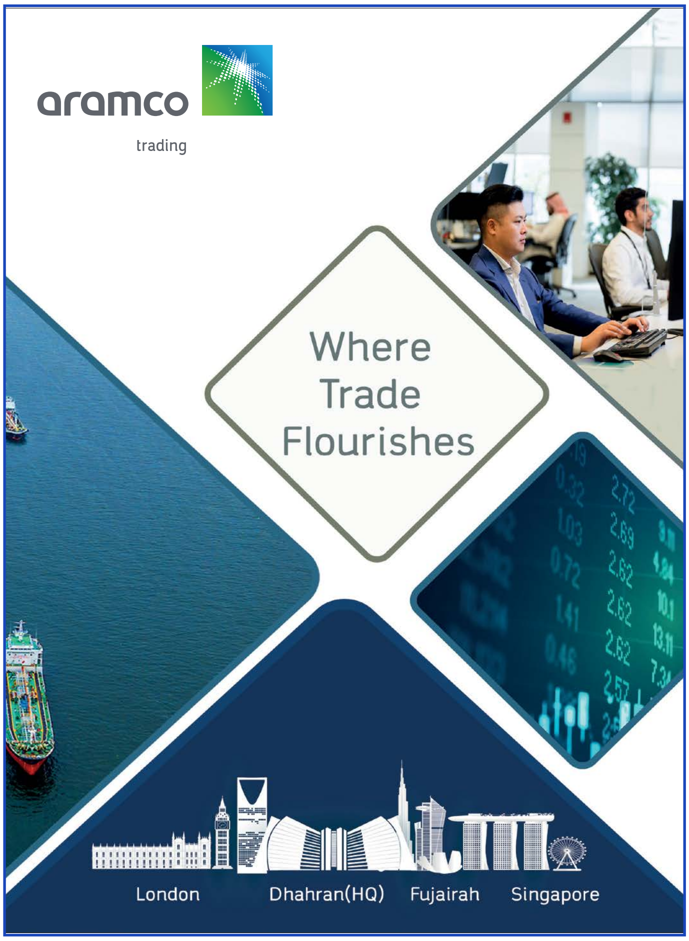
I would look at the rebound characterization of China a little bit differently. Covid is not over in this country and the level of security and health control and the many layers of bureaucracy that have been added to manage the situation have made the domestic travel situation very tense. There's clearly a strong concern in the country about the resurgence of the virus and that's affecting people's outlook in the short to medium term. Still, the recovery has undoubtedly been robust compared to last year, but this element of control and conservation is determining how China emerges. The US by contrast, is recovering more robustly but there's also still a concern that the Delta variant could produce a second round of economic decline, so it's not fully out of the woods.

### HOW SERIOUS ARE CHINA'S FINANCIAL PROBLEMS?

The Chinese are now modulating their currency exchange rate again and have been since the beginning of this year when it fell from about 7 per US dollar to 6.33 or below. That was an effort by the Chinese to test the demand of its own consumers for foreign goods. However, that, among other factors, didn't work as anticipated and now the exchange rate is back to 6.5. It's an important indicator of the role of manufacturing in the export trade and of the foreign demand for Chinese manufactured goods.

*"We're still very much actively dealing with new cases here in the US and also abroad, and that is putting greater pull on demand than what was originally anticipated for this recovery process in the middle of the summer for this year."*

American Automobile Association (AAA)




# ENERGY MARKET NEWS

## RECOMMENDED READING

1. OIL SETTLES UP NEAR $75; SHARP US INVENTORY DROP COUNTERS VIRUS WORRY
2. FUJAIRAH DATA: OIL PRODUCT STOCKS FALL TO 2-MONTH LOW
3. US OIL REFINERS SET FOR FIRST PROFIT SINCE ONSET OF PANDEMIC
4. LIBYA LOOKS TO BOOST OIL PRODUCTION TO 1.6MN BPD IN 2022
5. VALUE OF SAUDI OIL EXPORTS JUMPS 147% IN MAY
6. GLOBAL GASOLINE DEMAND COULD FLATTEN AS DELTA VARIANT SPREADS
7. FED LEAVES RATES & QE PACE UNCHANGED
8. CONTAINERS ARE BEING BUILT AT A RECORD PACE
9. US WARNS IRAN'S NEW GOVERNMENT IT WON'T GET A BETTER NUCLEAR DEAL
10. FED SAYS ECONOMIC RECOVERY REMAINS ON TRACK DESPITE COVID-19 SURGE

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### RECOMMENDED VIDEOS & REPORTS

- ENGLAND TO ALLOW UNQUARANTINED TRAVEL FROM US & EU IF JABBED
- TEXAS PRESSES BIDEN TO ENGAGE MEXICO ON ENERGY FIGHT
- FEDERAL RESERVE ISSUES FOMC STATEMENT
- AS COVID SURGES, ABBOTT AGAIN CALLS FOR 'PERSONAL RESPONSIBILITY'
- COAL REPLACES OIL AS MAIN TARGET FOR ACHIEVING CLIMATE GOALS

# Fujairah Spotlight

## Fujairah Bunker Sales seen Capped on Shortage of Barges to meet Surging Demand

Bunker sales at the UAE's Port of Fujairah, the world's third largest bunker hub, are being capped amid a surge in demand and a lack of available barges to fuel up vessels, according to bunker traders at the port. Fujairah bunker sales in June fell to a three-month low as marine fuel prices have been climbing for several months at both Fujairah and Singapore, the world's largest bunkering hub. The premium for Fujairah-delivered marine fuel against FOB Singapore is firming up as the market faces a slight shortage of bunker barges amid stronger expected demand in Q3, traders told S&P Global Platts. "This market has been on considerable rebound as of late," a Fujairah-based bunker supplier said. The rebound is welcome after bunker suppliers at Fujairah were beset by weak premiums that eroded margins. In June, Fujairah's bunker sales were 671,857 cu m, the lowest since March, according to Fujairah Oil Industry Zoe data.

*Source: Hellenic Shipping*

## Work Completed on 1.8-km Dubai-Fujairah Rail Tunnel

Excavation work on a tunnel, running through mountains linking Dubai to the northern emirate of Fujairah, has been completed by China Civil Engineering Construction Corporation (CCECC), said a report. The 1.8-km rail tunnel T1, said to be the longest in the Middle East region, is being implemented by CCECC in the Hajar mountains for section D of Stage 2 of the project as part of a joint venture with Abu Dhabi contractor National Projects and Construction, reported The National. Once complete, the Etihad Rail network will connect all of the UAE emirates – from Ghweifat in the Al Dhafra region of Abu Dhabi to Fujairah on the east coast. It will also link with Saudi Arabia.

*Source: TradeArabia*

## VLSFO Crack Sinks to 3-Week Low

*The front-month VLSFO crack slipped to $11.83 a barrel above Dubai crude, down 14 cents from the previous session and its lowest since June 30, Refinitiv data in Eikon showed. Residual fuel inventories at the Amsterdam-Rotterdam-Antwerp (ARA) storage hub dropped to a near 1-1/2 year low this week, while those in the Singapore and Fujairah hubs rose, official data showed. In the first half of 2021, China's exports of VLSFO jumped 52.1% to 9.81 million tonnes. Fuel oil stocks in the ARA refining and storage fell by 182,000 tonnes to 1.03 million tonnes in the week ended July 22, data from Dutch consultancy Insights Global (IG) showed. The ARA fuel oil stocks were down by 15% from the previous week as exports rose and imports, especially from Russia, fell, said Insights Global's Lars van Wageningen.*

*Source: Hellenic Shipping*

## Umbrella Beach Project to Put UAE's Fujairah on Global Tourism Map

Umbrella Beach, an ambitious tourism project now underway on the eastern coast of the UAE, appears set to put the Emirate of Fujairah on the international tourism map. Slated for completion later this year, the project's first phase will include at least 15 storefronts, to be eventually followed by a range of upscale retail outlets, restaurants, and other tourist-friendly attractions. Located on the Fujairah corniche, Umbrella Beach will afford visitors access to the area's pristine beaches on the scenic Gulf of Oman. Promising an all-in-one leisure experience, the project is spearheaded by a team of leading brands and developers, all of whom are keen to present Fujairah as a world-class tourism and shopping destination.

*Source: BusinessWire*

# ENERGY MARKETS VIEWS YOU CAN USE

**Vandana Hari**
**Founder & CEO**
**Vanda Insights**

### OUTLOOK FOR OIL MARKETS FOR THE REMAINDER OF THE WEEK?

Crude moved up early this week on greater than expected drawdowns of US stocks - gasoline inventories were down nearly 13 million barrels, about roughly double of what analysts had expected. However, markets will be waiting to see what the EIA report shows, not just on stocks, but also for the US demand trajectory. That continues to be a very important focus. The Fed meeting could also indirectly affect general risk appetite in the investment community and oil.

### WILL ASIA STRUGGLE TO BE THE DEMAND ENGINE IN THE SECOND HALF OF THE YEAR?

Asia presents a very mixed picture in terms of getting Covid under control and bringing demand back to normalcy. Chinese demand will continue to grow but it's now moderating back to 1% or 2% and in terms of overall oil consumption growth, the 8-10% year on year growth on imports has gone. Still, although the major Asian economies are not free of Covid or as ready to open up as the US or some European economies, they are slowly trekking their way out of it. The advantage is that countries like Japan, Korea, China and India, are ramping up vaccinations and the era of stringent, all-encompassing lockdowns are gone. Also, once US and European oil demand is back to 2019 levels, the world will be looking to Asia because that's where marginal demand growth comes from.

### USD OUTLOOK AND HOW THAT INFLUENCES THE OIL MARKET?

The USD index has been dancing around the 93 handle long enough to be baked in and so is mildly bearish for crude prices. Going forward, oil markets also have relative certainty on supply. The 400,000 barrels that OPEC agreed to now looks about right but they can always adjust this if they see a danger of oversupply and that's constructive to bullish for the oil market. Demand is the major variable, especially because of the Delta variant and of course, any other variants that may surface. The other challenge for oil markets now is that whatever correlation evolved last year between cases, hospitalizations, debts and government responses, is now completely broken down, primarily because of the vaccination drive.

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

### WILL CHINA SUSTAIN ITS OIL IMPORT LEVELS IN 2H 2021?

There's quite a lot of uncertainty. We're facing a serious situation from the recent floods and still having resurgences of the virus from time to time. But on the latter, the difference between most Asian countries and the rest of the world, is that even when there are only a few cases, it's taken very seriously with regards to testing and locking down. By contrast, in the West, where there are more cases, they don't take it the way we do. In terms of the economy, we are expecting policy support from the central government later this year to meet the set growth target of 6%. On oil markets, the government's clampdown on independent refiners continues with inspections since April because of reports of violations on oil trading regulations. That will hit demand from independent refiners. The government is now releasing some commodities from its reserves to lower costs for manufacturers.

### OUTLOOK FOR REFINERY UTILIZATION RATES FOR Q3?

The government has been tightening quotas for all products - gasoline, diesel and jet fuel and while it has not issued the second batch of quotas, they are running short term ones. But refinery runs are down in general because of the inspections by the government. Last week, run rates dropped by about 4% in Djiangdong. So, I see run rates in the third quarter levelling out but not increasing because of the tightening government control and regulation.

# ENERGY MARKETS FORUM NEW SILK ROAD LIVE

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# TOP 10

## JULY 25th - 29th

## MARKET OBSERVATIONS FOR THE WEEK

1. Oil demand outlook depends on whether the rapid recovery we are currently seeing is temporary or more sustainable.
2. OPEC+ surprised market watchers with the reasonable ease in which agreement was reached on the thorny subject of new quotas.
3. China oil demand growth looks like it is softening to a multiyear low -- is that a canary in the coalmine for rest of the world.
4. US economy to keep delivering enough glass half-full positive narratives through the rest of the summer to keep Brent crude propped above $70/bl.
5. This always rising market reminds me of the famous line by Jack Nicholson in a 'Few Good Men' - "You Can't Handle the Truth!"
6. FED continues to ignore signs of hyper-inflation at its peril, come to think of it, at all our peril.
7. Germany is the big winner in US climb-down on Nordstream II, as the two countries prioritize rebuilding alliance after Trump storm.
8. Oil markets tug-of-war between Vaccinations and the Delta variant looks like it will run for another few weeks, until at least we see the outcome of the battle for dominance in Europe.
9. Oil prices will remain range-bound to $70-$75 until we see a resolution to the battle between the Delta variant and Vaccinations.
10. Chinese refinery utilization rates are likely to remain subdued in H2 due to limits being imposed on the export of products out of China to Asia.







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