



SOUNDING

GEOPOLITICAL RISK PREMIUM

"The market has been complacent from the very beginning about escalation in the Middle East. Ukraine is more interesting. If the war there is prolonged and we keep getting attacks on Russian infrastructure, it will impact products, and at the end of the day, we're not using crude oil, we're using products."

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

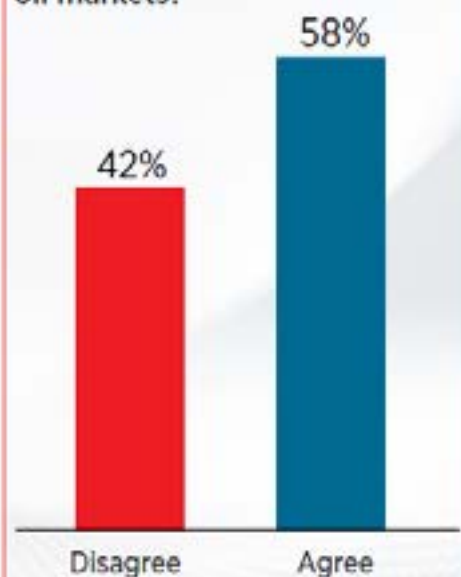


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TOP SURVEY

The Geopolitical Risk premium has now been drained out of oil markets?



"OPEC+ Can't Afford to Put More Oil on the Market Under Current Demand Scenario!"

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

PODCAST OF THE WEEK

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Robin Mills
Chief Executive Officer
Qatar Energy

Alan Gelder
Executive Director, Oil & Gas,
Oil & Gas, Oil & Gas,
Oil & Gas, Oil & Gas

Arne Lohmann Rasmussen
Chief Analyst and Head of Research
Global Risk Management

FUJAIRAH WEEKLY OIL INVENTORY DATA



THE WEEK IN NUMBERS



WEEKLY AVERAGE OIL PRICES

BRENT CRUDE
\$87.23/bl

WTI CRUDE
\$82.68/bl

DME
\$88.04/bl

MURBAN
\$87.90/bl

*Time Period: Week 4, April 2024
Source: IEA, OilPrice.com, GI Research

FUJAIRAH WEEKLY BUNKER PRICES

VLSFO	MGO	IFO380
High = \$658.00/mt	High = \$902.50/mt	High = \$503.50/mt
Low = \$647.50/mt	Low = \$883.50/mt	Low = \$488.50/mt
Average = \$651.50/mt	Average = \$893.50/mt	Average = \$495.50/mt
Spread = \$10.50/mt	Spread = \$19.00/mt	Spread = \$15.00/mt

Source: Ship and Bunker, *Time Period: April 17 - April 24, 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

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

The war between Israel and Iran could have been a very serious matter, not only for the Middle East, but for the whole world, because the region supplies 25-30% of the world's energy. But no one wants this war, and that's why there was a lot of pressure on both parts of the conflict, not to escalate, which is why the oil price is where it is. The second thing which people tend to forget is that there is a huge increase in oil supply from outside of OPEC, including from the US. People don't feel there's a risk of supply and we also have OPEC+ spare capacity. That marginal capacity that exists in the market in case of any incident gives this cushion. Countries in OPEC+ which have been cutting volumes, would love to produce more. But they are being purposefully restrained because they see that if they put more oil on the market, prices will go to undesirable levels. There is a lot of pressure, even internally within OPEC, to do something about reversing the cuts, but they can't afford to do that. We were in the same situation in 2014 when shale oil was booming, and we saw prices drop and everybody suffered dramatically. Do we want to go back to that scenario where we have a market share battle between shale oil and OPEC? I think people learnt their lesson, and we are better off at these levels. I think OPEC+ will continue to have these cuts going forward until they see demand pick up seriously, so I don't think they will change anything in June.

Is the current price comfortable for OPEC Gulf producers?

If we have \$80, it's good and if we get \$85, it's even better, but they don't plan for a price floor or a target. Gulf oil producing countries, at this point in time, see themselves as the place where East meets West, with huge interest from Asia and Western companies and governments who are interested in the region. We see ourselves as having the responsibility for securing reliability of energy supply for the world. If oil prices rise to \$150 or \$200, what happens to the rest of the world? We are already

battling with inflation. I don't see prices going up to those levels. As a matter of fact, I see them coming down a little more because of all the non-OPEC supply. Those marginal barrels are the ones that will dictate what pricing we get going forward.

Should we expect changes in OPEC quotas after June?

Last year, there were a few countries, such as Libya, Algeria and Nigeria, that could not meet quotas, but today, many of them have moved forward to do so. That will make it difficult for them get away with non-

compliance. Discussions are ongoing with any countries, like Iraq, that have exceeded production quotas. It took so much time and hard effort to get to this agreement, so I think reopening it again will be very difficult.

What about Russia?

It has been very cooperative and has developed a very good relationship with the group. They all see the benefit of where oil prices are. Russia in particular which is in a war, is still economically in a good position because of these price levels. That is the driver for cooperation.

How might China be viewing tighter sanctions on Iranian oil?

What matters to China more than Iranian oil, is Iraqi oil, in which Chinese companies have a large interest. There's more Iraqi oil going to China than anywhere else in the world, simply because of the amount of Chinese investment in those oil fields, as well as in Iraqi infrastructure, buildings, schools, and other areas.



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FUJAIRAH SPOTLIGHT

Egypt and Fujairah discuss building oil products free zone

The Egyptian government is in talks with the UAE's Emirate of Fujairah and Brooge Petroleum and Gas Investment Company (BPGIC) to sign a preliminary agreement for building a free zone for production, storage, and trade of oil and oil derivatives in Egypt.

Source: Zayya

BUNKER HUB PRICE WATCH: FUJAIRAH

Very low sulphur fuel oil (VLSFO) and low sulphur marine gasoil (LSMGO) prices decreased week-on-week at the Port of Fujairah, according to Bunkerspot Price Index (BPI) data. The price of VLSFO slipped \$10 during the week, from \$653 per metric tonne (p/mt) on 16 April to \$643 p/mt today (23 April). On 24 April 2023, VLSFO at Fujairah was \$587 p/mt.

Source: Bunkerspot





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ENERGY MARKETS VIEWS YOU CAN USE



Dr. Raad Alkadiri

Non-Resident Fellow

Center for Strategic & International Studies

The market has been in a 'show me' mode for some time.

When the fears of geopolitical risk are heightened and there are real concerns about physical disruptions to supplies, the geopolitical risk will start to play. And if we look at fundamentals, the market sees it is well stocked and protected. So, in the absence of something major that will take many barrels off the market, I think this is a market that's going to remain sanguine.

Is US aid to Ukraine and sanctions on Venezuela and Iran bullish for oil prices?

There are the headlines of tougher sanctions or escalation in the fighting in Ukraine, and then there's the reality of US gasoline prices easing in the last week, for example. Saying something and doing something is very different and that certainly applies with sanctions. In the case of Venezuela, while the waivers weren't renewed, the license for Chevron was left in place, and that's been critical in terms of increasing Venezuelan production over the

past six months and stabilizing production moving forward. In the case of Iran, sanctions have always been tough, but the question has always been implementation and whether the US willing to increase tension with China or willing to intercede barrels at sea in the Persian Gulf, or indeed further afield and risk something happening in the Straits of Hormuz.

How would you rate Biden's management of the Middle East?

It has been destabilizing. The embrace of Israel in many ways, has backfired in the sense that it's given the US a bit of influence over the management of Israeli policy, but probably nowhere near as much as it had hoped. What will matter most is what happens in the region, not necessarily what happens outside of it, and what Benjamin Netanyahu wants to do is protect his political future. We did see some restraint from Israel in terms of targeting of Iran, and that may be one of those times when the US had a significant influence. The Israelis aren't keen to take on Iran on their own.



Victor Yang

Senior Analyst

JLC Network Technology

We expect China to achieve its growth target of above 5% this year.

Consumer confidence is picking up and economic sentiment is better now than at the end of 2023. We've seen industrial activity grow 1.3% in the first quarter. Gasoline and jet fuel demand have risen since the beginning of the year, and we expect another surge around the holidays at the start of May. But for some other products such as diesel, demand is not picking up so much.

Outlook for crude oil imports in Q2?

Imports grew by 7.5% in the first quarter. Crude from Russia alone surged by close to 13%, recording a record high share of total imports in March of over 22%. Pushing this has been rising gasoline and jet fuel demand because of growing refining capacity. But overall, we still expect slower crude demand growth this year than in 2023. In Q1, it was 0.75% and we expect modest growth of about 1.1% for the whole year if crude prices are high. Refinery maintenance during Q2 will also dampen demand. Margins, including for Russian crude, turned negative at the end of March, and are just about breaking even today, so we're not expecting imports to grow much in the second quarter.

What do you expect to see in government stimulus measures this year?

One of the ways it has chosen to stimulate consumption is to extend the May public holiday from one to five days, to encourage more travel and expenditure. But otherwise, government stimulus will not be as it used to be. It is not stimulating certain industries as robustly as before because it is trying to push for an industrial upgrade. Also, although the government might want Chinese oil refineries to export more oil products, to boost the economy, it is also under pressure to achieve its emission targets, so it needs to strike a balance.



MTF Storage Terminal

MENA TERMINALS FUJAIRAH FZC

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 - 121,954 m³ - Clean Products (8 tanks).
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- Efficient control on product loss.
- Pre-qualified by Oil Majors for storage.
- Dedicated team of well experienced and qualified oil industry professionals.

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.

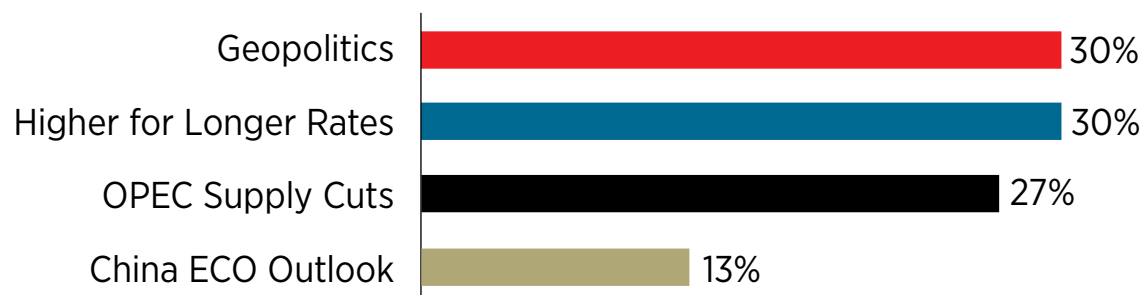
MENA Terminals Fujairah has a sizable landbank with the potential to add more than 1 million cbm of new storage capacity to its existing infrastructure. Anticipated developments within the Port of Fujairah and region are expected to create substantial storage demand going forward.

Operational Excellence

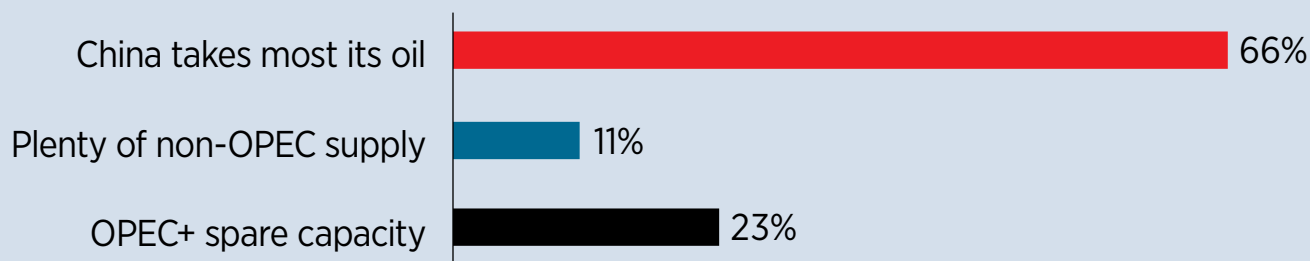
- Multipurpose Class-I switchable tanks with Internal Floating Roofs
- State-of-the-Art Terminal Automation System
- Best in class pumping capacity amongst FOIZ terminals with 4,500 and 3,000 m³/hr flowrates for black and clean products, respectively.
- Two jetty lines (30" each) for black products capable of 4,500 m³/hr flowrates per line
- Four jetty lines (24" each) for clean products capable of 3,000 m³/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.

GI WEEKLY SURVEYS

What will have biggest bearing on direction of oil markets through remainder of Q2?



US sanctions on Iran, even if enforced, would have no material impact on current oil market balances, mainly because:



US Senate approves \$61bn in military aid for Ukraine and Pentagon says it can start delivering weapons to Kiev “within days” -- is this bearish or bullish for oil prices?





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ENERGY MARKETS VIEWS YOU CAN USE



Alan Gelder

Downstream Global SME, VP Refining, Chemicals & Oil Markets,
Commodities Research, Wood Mackenzie

Outlook for Russian crude and products exports?


We've seen a bit of a surge in exports in April because of unplanned refinery maintenance or the impact of the Ukraine drone attacks. We're seeing sustained significant crude flows back up in those rangebound levels and a return to distillate exports, so the Russian energy infrastructure seems to be back to normal and given the US funding now, Ukraine won't target energy infrastructure, ports and loading facilities. So, Russian diesel and gasoil will keep running strongly. There is a need for more Russian gasoline during the summer because of domestic travel, so that keeps the runs high, which means Russian diesel exports remain strong. And they're going to whole new trade routes, with Brazil being the predominant buyer, and some going to North and West Africa, depending on pricing. We've also seen bits go into the Middle East and a lot of sanctioned arbitrage is happening,

which we expect to continue. Having seen a lot of strength in diesel cracks earlier in the year, we've not really got them recovering very much because the European economy is weak. We think the world has probably got enough diesel. It's gasoline that's going to drive things in the shorter term.


Indicators for Chinese exports of oil products?

We've seen China importing significant volumes of crude in Q1 which is the classic first half the year inventory build that then largely gets processed through the year. We've had quite strong Chinese GDP growth, but it's been a particular sector rather than broader construction. We're looking at Chinese refinery runs remaining reasonably high and volumes continuing to come out of China, and that will keep a lid on Asian refining margins.

TOP 30 FEMALE ENERGY MARKET ANALYSTS




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ENERGY MARKETS VIEWS YOU CAN USE



Janiv Shah

Vice President, Oil Markets; Refinery & Crude Balances Lead
Rystad Energy

Russian refinery rates are at their lowest point in nearly 11 months.

That's concerning as we ramp up into the summer demand season and global demand season overall. We're still seeing secondary markets where Russian diesel and other products can flow to the likes of Brazil, North Africa and elsewhere and where demand is slowly picking up for middle distillates.

What impact could stricter sanctions on Russia have on oil flows?

If sanctions do impact the market further, there will be more rerouting. The global refining system needs crude, and the types of crudes that are produced in fairly large quantities and volumes and of the correct quality are the ones that are being impacted by sanctions the most. If Russian grades can't get to destinations via the secondary market, we would certainly see upside price potential to crude, and middle distillates for which demand is set to increase in the next couple of months. To avoid that, there has to be a mechanism to allow for these flows to come to the market.

Is the geopolitical disruption worsening for shippers?

The pinch points in the Middle East and Bab Al Mandeb area have increased the ton miles for shippers as we see rerouting from the area and from Asia to Europe, and therefore higher demand for consumption of certain types of fuel oils. That calls for a higher yield of refining to produce these types of finished products. And putting aside geopolitics, elsewhere there's another element of disruption, and that is the expansion of the Trans Mountain Pipeline, which is taking flows of Canadian crudes away from the pipelines that went into the US Gulf Coast in PAD 3, towards the US West Coast, and then export of these via ships, which increases the call on vessel availability towards Asia. Of course, all these costs are likely to be passed onto the refiner and then onto the end-product use demand holder.



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Fujairah Weekly Oil Inventory Data



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 21.640 million barrels with a fall of 393,000 barrels or decline of 1.8% week-on-week, falling back below the 22-million-barrel. The stocks movement saw a small build in heavy residues while there were draws in light distillates and middle distillates.
- Stocks of light distillates, including gasoline and naphtha, fell by 220,000 barrels or 2.9% on the week to 7.310 million barrels. The East of Suez gasoline complex softened tracking a narrowing US RBOB-Brent crack and amid poor Indonesian demand, sources said. In tenders, Sri Lanka's Ceypetco was heard seeking 92 RON and 95 RON gasoline for delivery over June 1-2 to Dolphin Tanker Berth and SPM Muthurajawela, Colombo, DAP, via a tender that closes April 30, sources said.
- Stocks of middle distillates, including diesel and jet fuel, fell by 279,000 barrels or 7.3% on the week to 3.563 million barrels. The East of Suez

gasoil complex remained weak despite a rebound in cracks. "Refinery margins across oil products are probably going to remain weak in the near-term because there is just too much uncertainty whether on the geopolitical front or on the supply and demand side. Right now, there's too much gasoil in the region," a refinery source said.

- Stocks of heavy residues fell by 106,000 barrels, up 1% on the week as they stood at 10.767 million holding above the 10.5-million-barrel level for the second consecutive week. Spot bunker trading activity at the Port of Fujairah, for LSFO bunker has strengthened, sources said. Some traders noted that there were not many inquiries on the day owing to a firm Brent, although demand has improved over the past few weeks, according to traders. "Demand has been quite good and market [for LSFO bunker] has looked much more balanced over the past month," said a trader. Fujairah-delivered marine fuel 0.5%S bunker was assessed at \$648/mt April 23, down \$8/mt on the day.

Source: S&P Global Commodity Insights

ENERGY MARKETS NEWS

1. Oil eases as US demand concerns outweigh Middle East fears
2. Gas Prices Likely to Keep Falling Ahead of Peak Driving Season
3. Rising spot LNG prices starting to bite some Asian buyers
4. Indonesia declares Prabowo Subianto president-elect after court rejects rivals' appeal
5. Is China stockpiling oil and other resources in case of future war?: Peter Apps
6. Steep discounts, new vessels spur demand for LNG to power ships
7. Goldman Sachs Sees Henry Hub Move Back Up Towards Low-\$2S/Mmbtu This Summer
8. Yemen's Houthis carry out three military operations in Gulf of Aden, Indian Ocean
9. Rotterdam port forecasts slight recovery in 2024 cargo volumes as inflation eases
10. Anglo American Says Received An Unsolicited, Non-Binding And Highly Conditional Combination Proposal From BHP

RECOMMENDED READING

- World's biggest energy trading firms are returning to metals
- Live blog: US wants 'answers' from Israel on Gaza mass graves — White House
- Standard Chartered: Global Oil Demand Will Pick Up Strongly In May And June
- US Frackers Seek Ways to Reverse Well Productivity Declines
- Mercedes Benz shows off electric line-up at Beijing autoshow, not giving up on electrification
- Video: Students protesting on campuses across US ask colleges to cut investments supporting Israel
- China Is Winning The Race for Affordable EVs
- Unemployment biggest worry in India, world's fastest growing economy: Reuters poll
- Egypt, Fujairah discuss building oil products free zone



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Energy Markets Commentary

Week in Review

Daily Energy Markets PODCAST   

MONDAY // APRIL 22nd // 10:30AM (UAE)

 **Omar Najja**
Global Head, Derivatives
E&S Energy

 **Kate Dourian, FEI**
MIES contributing editor &
Non-Resident Fellow, The Arab Gulf
States Institute in Washington

 **Victor Yang**
Senior Analyst
JLC Network Technology



Daily Energy Markets PODCAST   

TUESDAY // APRIL 23rd // 10:30AM (UAE)

 **Janiv Shah**
Vice President, Oil Markets;
Refinery and Crude Balances Lead
Rystad Energy

 **Ram Narayanan**
Director/ VP - Strategic Market
& Business Development
Vedanta

 **Rob Barnett**
Senior Global Energy and Commodity Analyst
Bloomberg Intelligence



Daily Energy Markets PODCAST   

WEDNESDAY // APRIL 24th // 10:30AM (UAE)

 **Robin Mills**
Chief Executive Officer
Qamar Energy

 **Alan Gelder**
Downstream Global SME, VP Refining,
Chemicals & Oil Markets,
Commodities Research, Wood Mackenzie

 **Arne Lohmann Rasmussen**
Chief Analyst and Head of Research
Global Risk Management



Daily Energy Markets PODCAST   

THURSDAY // APRIL 25th // 10:30AM (UAE)

 **Dr. Raad Aikadiri**
Non-Resident Fellow
Center for Strategic & International Studies

 **Adi Imsirovic**
Director, Surrey Clean Energy &
Senior Associate, CSIS

 **Narendra Taneja**
India's Leading Energy Expert



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GI SOUNDINGS WEEK IN REVIEW

“Oil Market Indicates Confidence of No Mideast Regional War!”

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-CHINA RELATIONS

“The US has realized that they’ve been pushing China too hard into the Russian corner, and they’re now trying to repair that relationship, by attempting to draw China away from Russia to the extent possible. But China is going to play its own game, and my sense is that it is a bit too late.”

Narendra Taneja, India’s Leading Energy Expert

OIL TRAJECTORY

“Oil is not driven by demand and supply; it’s a financial market. The only way oil is going lower is if we have a massive recession, and it’s not going to come off if the S&P goes up, and the S&P isn’t going to come off if Bitcoin goes up. We look at the oil market in this broader based context.”

Omar Najia, Global Head, Derivatives, BB Energy



US GASOLINE PRICES

“There is this sense that in America, gasoline prices are a factor that can feed into the political cycle but if you go back and look at the data and at some of the factors that really weigh into the outcome of the election, such as economic growth, gasoline prices don’t tend to be as important.”

Rob Barnett, Senior Global Energy & Commodity Analyst, Bloomberg Intelligence



GI SOUNDINGS WEEK IN REVIEW

RISK PREMIUM

“One of the main reasons why we’ve not seen a spike in oil prices after last week’s incidents is that there’s already a big premium built into the market – maybe around \$15 to \$18. It is also expected that the US won’t allow things to escalate into a full-blown war, especially in an election year.”

**Ram Narayanan, Director/ VP – Strategic Market & Business Development
Vedanta**



OIL PRICE DIRECTION

“The market is really torn by these macro headlines, and in particular interest rates direction. Many people were expecting rates to drop, which spurred a lot of buying into oil, pushing it above \$90. The uncertainty around that happening now is, in my opinion, the key factor pushing the price below \$90 a barrel.”

Adi Imsirovic, Director, Surrey Clean Energy & Senior Associate, CSIS

US AND MIDEAST CONFLICT

“It’s fair to say that Biden will not do anything that risks pushing up gasoline prices ahead of the election. Another example of this is the pressure by the US on Ukraine not to attack Russian refineries. We should look at things in that light; it’s a bit cynical, but that’s the way it is.”

**Arne Lohmann Rasmussen, Chief Analyst and Head of Research
Global Risk Management**



RISK PREMIUM

“The oil price is telling us that we are not in a very different position despite all these regional developments, particularly in the Iran-Israel conflict. That remains a serious tail risk, but a low probability, and you see that to some extent in some buying of very high-priced options, but it doesn’t affect the flat oil price overall.”

Robin Mills, Chief Executive Officer, Qamar Energy



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