DECEMBER 15th 2022
VOL. 141

Fujairah New Silk Road WEEKLY NEWSLETTER

Supported By:
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EXCLUSIVE INSIGHTS /// ACTIONABLE INTELLIGENCE /// DATA TRENDS /// LATEST NEWS

"Iran's Nuclear Programme Could be the First Major Crisis of the New Year!"

Dr. Cyril Widdershoven, PhD
Founder & Sr. Advisor Geopolitics & Country Risk, Verocy

What has been made clear on the JCPOA in 2022 is that despite European leaders still looking for something positive to come out of the negotiations, Iran and the US were looking for an excuse in the end not to go there. The pivotal role that Iran is still playing inside of, at least the Gulf region, is still there, so in 2023 we will need to, with all our knowledge and insight and all our security positions, look at what Iran is doing. I do not think that Iran has really got the support of China. China is not going to be militarily supporting Iran. Russia at this moment is in such a dire situation that any enemy of the enemy is my friend. That's why you see the increased cooperation on defense etc. between Russia and Iran. For every single Arab country, this is a major issue. I think that Saudi Arabia, the UAE, Bahrain, Egypt, and Israel, are looking at it, as most probably the first new crisis of 2023. And if this happens, forget any bearish sentiment in the market – it will not only just destabilize Iran, Iraq and Saudi, but also hit the Suez Canal, Israel, Hezbollah etc. We are looking at a crisis which we know has existed for years, which we tried to forget and reach agreement on, while the reality was already totally different. Also, Iran is not as stable as it was at the beginning of 2022. The Iranian regime, whatever they are saying, is now facing protests and opposition inside the country, stronger than they have seen since 1978. An unstable fundamentalist extremist regime under pressure, is able to do irrational things, and when they are put in a corner, things can go wrong extremely quickly.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,766,000 bbl	3,812,000 bbl	12,782,000 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
$3.62 - 4.38/m³

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

Weekly Average Oil Prices

Brent Crude:	$79.97/bl
WTI Crude:	$74.73/bl
DME Oman:	$74.85/bl
Murban:	$77.64/bl

*Time Period: Week 3, Dec.2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $650.50/mt

Low = $604.00/mt

Average = $627.50/mt

Spread = $46.50/mt

MGO

High = $1,145.00/mt

Low = $1,088.00/mt

Average = $1,117.00/mt

Spread = $0.00/mt

IFO380

High = $354.50/mt

Low = $339.50/mt

Average = $346.00/mt

Spread = $50/mt

*Source: Ship and Bunker, *Time Period: Dec. 7 – Dec. 14, 2022*

Fujairah Bunker Sales Volume (m^3)

984
180cst Low Sulfur Fuel Oil

481,052
380cst Low Sulfur Fuel Oil

141,780
380cst Marine Fuel Oil

1,164
Marine Gasoil

30,146
Low Sulfur Marine Gasoil

4,269
Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

CONTINUED FROM PAGE 1

Dr. Cyril Widdershoven, PhD
Founder & Sr. Advisor Geopolitics & Country Risk, Verocy

Is it correct to say that OPEC+ is validating Russia's oil weaponising policy?
On a geopolitical level, I can support to an extent the position that Europe and Washington have been taking on OPEC+. I also understand that OPEC+ is saying it is looking at market fundamentals and demand and addressing the distortion between the paper and real market. But inflation in Europe is sky high, so to announce even a theoretical cut in oil production when energy prices are also going up and economic recession is stated to be on the horizon, will be seen by the West as supporting Russia at a time when Russia is causing everyone energy risks. Instead, OPEC+ could have let the market play out and by doing that, we would not have had this so-called crisis between the US and Saudi.

How do you assess the Washington-Riyadh relationship as a whole?
There is no love lost between Biden and MBS, but the sourness is also exaggerated. If we look at US-Saudi economic and military cooperation, it's still extremely strong. We saw it during the Saudi investment forum in 2022 - there were no Russians, no Chinese, not a lot of Indians - the rooms were filled with people from the US, the UK and Europe. Under the surface, the relationship dependency is still very strong. Saudi Arabia also understands that its security is still directly linked to the US; whatever we hear, China is not military there and Russian arms are proving to be not as good as expected. And while China and Saudi may have recently agreed to $50 billion MOUs, keep in mind that Chinese MOUs most of the time, do not materialize. China sees its visit to Saudi as an opportunity to push certain ideas it has had before, forward. Its interest is not necessarily in the $50 billion deals – the real interest in the region is oil and gas and access to infrastructure such as ports – an opportunity to connect the dots that it already had in the region.

What stance is China taking on Russia?
For China, the geopolitical and geostrategic theory is extremely easy. It is China first. China has been trying to be supportive of Russia, but as Russia has been weakened by the war, China is now trying to take advantage, which means more oil and gas and investment opportunities for it in Russia and lower energy prices.

Will the Gulf or Saudi Arabia have to choose between China and the West?
If I was an Arab leader, I would play all sides at the same time. To choose only one, as they have been doing before, is not the right path. COVID made clear to any manufacturers that being reliant on China alone is going to be a major issue and that they had to hedge their risks. The Arab world should realize that China is not looking to give them the advantage. It is always to the advantage of China first, and if happens to have a positive effect on somebody else, that's okay. China is doing what Europe was doing in 19th century; we were helping others, but it was to our advantage.

Can Europe afford a 'with us or against us' geopolitical posture?
Forcing that on others is going to be extremely hard. Secondly, we have economic strategic interests in many areas - not only in Russia, but also China, India, the Arab world, and we are now looking more into Africa. In this globalized economy world, forcing a neo colonialist approach won't work. We are lacking about 160bcm of Russian gas and maybe we will lack 4.4 million barrels of Russian oil. Our cars and trucks are driving on Russian diesel, so we need to look at others in a more flexible approach that maybe some politicians are sometimes advocating.

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ADNOC

ENERGY FOR LIFE

Abu Dhabi National Oil Company (ADNOC) is one of the world's leading energy producers and a reliable global energy supplier. With a production capacity of 4 million barrels of oil per day and around 11 billion standard cubic feet of natural gas per day, our work continues to enable our country and our people to realize their remarkable potential, acting as a catalyst for the growth and diversification of the UAE economy.

TOGETHER, WE BRING ENERGY TO LIFE.

Energy Markets Views You can Use

Dr. Carole Nakhle
Chief Executive Officer
Crystol Energy

Inflation is still at record highs relative to recent decades.
There was a lot of excitement about the data this week which showed a slowing down of inflation in the US, but I think it was premature. Yes - we are seeing a slowdown on the back of high commodity prices and supply chain bottlenecks are easing, but this does not mean that central banks are going to stop, watch and observe. We may see a little more leniency as a reaction to market data but that doesn't mean it's going to be a U-turn. Still, there is an increasing perception that the Fed may after all, end up having a soft landing and avoid causing a disastrous recession and collapse in economic growth. That's the kind of mood that we see today.

Direction for OPEC+ decision making into 2023?
Their monthly oil markets report published this week was consistent with that of last month but there was a sense of a bit more optimism in terms of demand, and less concern about supply, particularly from Russia, with their assumption for that loss for 2023 at under a million barrels a day, less than half of what the IEA is forecasting for the country. On balance, we should not expect a significant change in OPEC+ policy at the beginning of next year.

Why are we still not seeing more CAPEX investment at these oil price levels?
When we look at inflation, we tend to think about consumers, but we also need to think of investors. The cost of capital for doing business has also increased so we cannot look at high oil prices and expect that to automatically lead to investment. The other challenging dimension for oil companies is expected prices.

Mike Muller
Head, Vitol Asia

Likely impact of China relaxing its zero COVID policy?
The clear signs that public policy has shifted towards no longer zero COVID tolerance in China has injected a degree of confidence back into the economy. There are suggestions that international inbound air travel to China could be a reality as soon as Q2 of next year, which was not in most people's balances and supply demand predictions going forward. Demand for transportation fuel in China, notably jet fuel as the big absent portion of the oil demand barrel, has people getting quite bulled up for the second half of 2023, if not sooner.

Fair to say we have not seen real demand destruction yet?
The cost-of-living crisis is causing abstention from consuming in those strata of society that can't afford escalated heating bills in Europe, for example. Whether it's the case in transportation fuels is less clear cut so far. I think there are bigger factors at play there, such as subsidies or removals of subsidies in large Asian consuming nations and structural substitution of expensive gas, with not just coal but also with oil.

Outlook for gas prices into 2023?
Natural gas prices have come off on a perception that Europe was going to get by for this winter. That said, we've had cold snaps in Europe recently and key population centers in Northeast Asia. That's given the LNG market pause for thought because it remembers what happened in 2021 and 2020 with the aging liquefaction infrastructure. We've also come off the back of some major concerns over nuclear generation capacity in places like France and for the long term, Japan.

Impact of the price cap on Russian oil flows so far?
The crude price cap has been set at $60 but we're still waiting to see what the price will be for higher value products such as diesel. The other area of concern is insurance requirements. It's hard to envisage how one would go about recovering a claim for an accident caused by a ship that has Russian P&I insurance. The prospect of uninsured or underinsured cargoes, in generic terms heading from west to east, is a major concern. And the banking system also needs to find a way of transacting without a Euro or USD nexus. The intention of the price cap was to allow trade to continue to happen with Western insurance and with the western banking system continuing to finance these trades. But as long as there are certain Asian consumers that will continue to buy Russian oil, Russia will find ways of continuing to move that oil. The question is how much will Asia be able to take, and also how much will the shipping industry be able to take before it is saturated.

Fujairah Spotlight

Fujairah Ruler arrives in Riyadh to participate in the 43rd Gulf Summit

His Highness Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, on Friday arrived in Riyadh, leading the UAE's delegation to the 43rd GCC Summit, which will kick off today in Saudi Arabia. Sheikh Hamad will also be participating in the China-Arab Summit for Cooperation and Development and the Arab-Chinese Summit for Cooperation and Development, which are hosted by Saudi Arabia, in the presence of Chinese President Xi Jinping, GCC and Arab leaders, in addition to representatives of international bodies and organisations.

Source: Gulf News

National Bank of Fujairah leading by example on sustainability

National Bank of Fujairah (NBF) is putting sustainability at the heart of its Environmental, Social and Governance (ESG) agenda, taking decisive action both externally and internally to reduce its impact on the planet, and empowering individuals and communities across the UAE to do the same. NBF's retail business is already assisting its customers make the sustainable choice, by offering innovative, greener products and services. These include green personal loans and automotive loans for owners of fuel-efficient, eco-friendly cars.

Source: Zawya

Tight Supply in Fujairah Towards Year End

Bunkers Traders working in Fujairah market may see some supply delays in the run up to the end of year, annual holiday season. Deliveries of low sulfur fuel oil have stretched to four to 10 days from the more palatable three to four day wait seen in recent weeks, according to price reporting and data agency S&P Global.

Source: Ship & Bunker

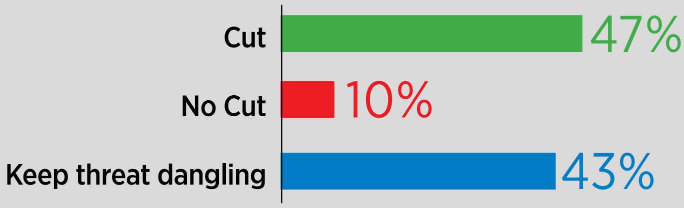
Ras Al Khaimah Ruler receives Ruler of Fujairah

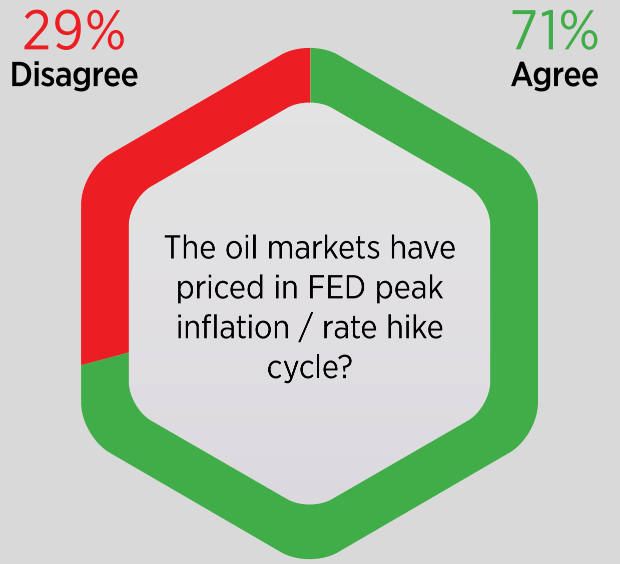
H.H. Sheikh Saud bin Saqr Al Qasimi, Supreme Council Member and Ruler of Ras Al Khaimah, received at his Majlis in Jebel Jais, H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah. H.H. Sheikh Mohammed bin Saud bin Saqr Al Qasimi, Crown Prince of Ras Al Khaimah, and H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah. were present during the meeting.

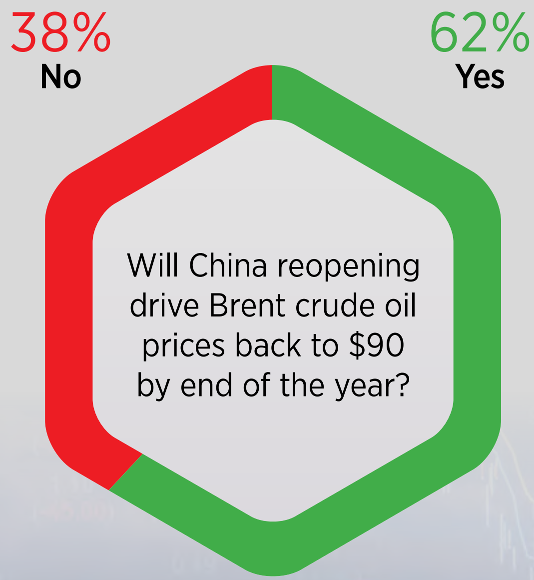
Source: Emirates News Agency – WAM

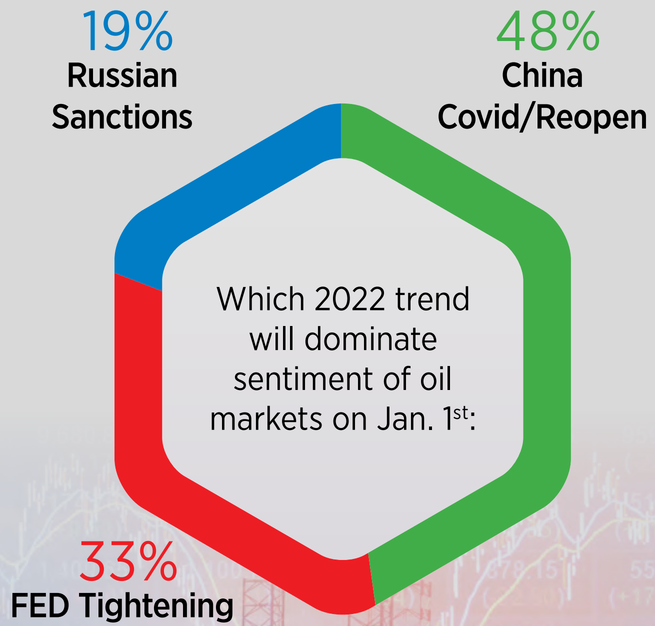
Weekly Surveys

Russia said it may cut its oil production in response to the G7 price cap and that a decision on Russia's response will be made within the next several days: what will they announce?









Source: GI Research March 2022

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Energy Markets Views You can Use

Maleeha Bengali
Founder
MB Commodity Corner

Demand, supply dynamics as we close out the year?
We see seasonal winter heating demand picking up and some supply issues, but oil prices have fallen $60 from the highs of when everyone was very bullish, and we also have a lot of macro issues. We had the CPI release, dollar Fed liquidity issues, how much further interest rates will rise? All these factors are playing into commodities but one thing's for sure - demand has fallen a lot, so that bullish super cycle narrative has been misplaced. Commodities are all about timing; it's not about today, it's what will happen tomorrow, and that's what's playing out.

Impact of China and India demand pull on prices going forward?
China is reopening, but it's more of a relaxing of some measures for now. Q1 might be a different story, but China has also stored a lot, so there's a glut of product inventories which is why prices are falling. US and European demand remains quite weak, so we see prices flat for now as this push and pull continues.

Fiscal picture for the US as we come to the end of 2022?
Investors are desperate for a Fed pivot but even though asset markets have fallen about 25% and tech stocks are down about 60%, the Fed's main agenda is still employment and inflation. On the latter, they are adamant that their work is not done. If the employment market gets a bit shaky, they might be convinced to hold back a bit, but for now, they will monitor the data and keep tightening. We are not really out of the woods yet.

Did equity markets get ahead of themselves in the past month?
The bond market is signaling worrisome signs of recession, but the equity market is still forecasting 5% earnings growth for next year. If you look back at any recession, earnings are flat to falling, so these multiples are still at high levels, considering the recessionary risk that we have. We are at a place where interest rates can be higher for longer, so we can have a much longer protracted recession and that's not being factored by the equity markets at all.

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

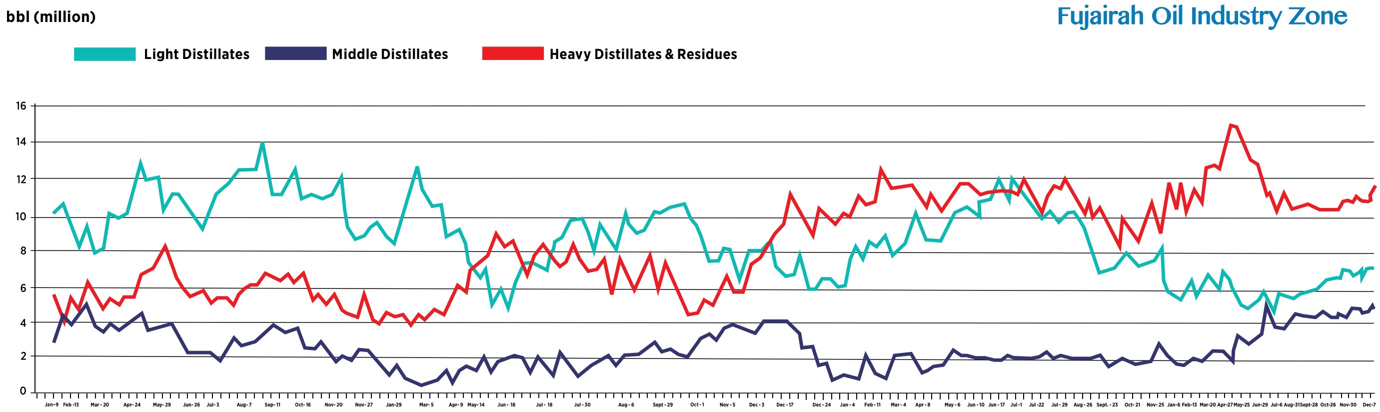
The Fed operation has been enormously successful with minimal disruption.
Overall, the likelihood of a soft landing has increased. The most amazing thing in the US is the strength of the economy and the labor market in the face of all of this. Longer term, the tightening cycle might come to an end, but whether inflation goes back to 2% or below is a different matter because of the enormous debt burden, in both the US and other advanced economies. That has to be repaid and a persistent, if low, inflation tax, translating into around 3%, which supports higher nominal GDP growth, seems to be the most likely outcome of the shorter-term tightening cycle. For markets, that's probably good news and probably means we could continue to live in an era of increased government expenditures for emergencies and for large climate related energy investments, with a higher inflation rate than we had in the past. So, a secular shift for markets.

Will we see an end to the volatility that came with inflation this year?
One of the reasons the markets took all this in their stride to an extent, is that real rates are still negative and overall, as the uncertainty subsides and the inflation outlook becomes more sanguine, markets will continue to calm down. We should also not forget that volatility is not such a bad virtue; prices need to jump around in very difficult times to get resources where they are needed. We saw that in Europe, with the volatile gas market, which eventually produced enough energy shipments lining up to fulfill demand.

How does the Russian oil embargo or price cap story end?
When the price cap was introduced, the discount on Russian oil immediately shrank because it's just an expression of the uncertainty in markets. What happened effectively was that the discount narrowed by the global price for Brent and WTI coming down. I don't think this is a lasting relief. A price cap means multiple prices for the same commodity, and it gives Russia a trigger which they can use to threaten and scale up and down their exports, which could profoundly impact the global economy, and if they are cornered, they could do the same as they did with gas. Right now, it's a quiet period until everybody sees how this price cap develops. Russia has not acted yet, but we should not rule that out, especially if the military side of the Ukraine conflict gets worse.

Fujairah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 24.360 million barrels with a build of 1.507 million barrels, or 6.6% week-on-week as they moved past the 24-million-barrel level. The stocks movement saw builds across light distillates, middle distillates and heavy residues.
- Stocks of light distillates, including gasoline and naphtha, rose by 633,000 barrels or 8.9% on the week to 7.766 million barrels. The East of Suez gasoline complex strengthened during early trade Dec. 13, as demand from the Philippines was heard inching up ahead of the end of year holidays according to market sources. Market participants also maintain that gasoline supplies will continue to outpace demand, bolstered by high Chinese exports. Meanwhile loosening covid restrictions and increase in travel showed India's year on year gasoline consumption rise despite the end of the Diwali festivities.
- Stocks of middle distillates, including diesel and jet fuel, rose by 652,000 barrels or 20.6% on the week to 3.812 million barrels. The East of Suez gasoil market was slow Dec. 12, with uncertainty surrounding China's domestic consumption and export volumes remaining a key concern among market participants in Asia. Activity in the spot market has been muted recently, according to market sources, with some sellers entering a wait-and-see mode amid softening flat prices, while the demand outlook is also faltering amid recessionary fears, according to market sources.
- Stocks of heavy residues rose by 222,000 barrels, up 1.8% on the week as they stood at 12.782 million barrels. Spot trading activity at both the bunker hubs of Singapore and Fujairah was seen lukewarm during the first trading day of the week started Dec. 12, according to market sources. In the bunkering hub of Fujairah offers for marine fuel 0.5%S was heard offered at $565-$577/mt, with lower range of offers for product deliverable from Dec. 17-23 onward. The grade was assessed at $568/mt Dec. 12, down $17/mt day on day. The same grade was in Singapore was assessed at $563/mt Dec. 12, $19/mt lower on the day. In recent days, fewer LSFO suppliers at the UAE's bunker hub of Fujairah were seen offering deliveries at prompt lead times as barges reportedly await refueling slots for extended durations, however, the logistical bottlenecks are not widespread as refueling operations at other terminals in Fujairah are reportedly unaffected, according to market sources.

Source: S&P Global Platts

Commodities

Oil prices rose again yesterday with both Brent and WTI futures ending the day up 2.5% at USD 82.7/bl and USD 77.28/bl, respectively. A section of the North American Keystone pipeline was reopened yesterday, after having been shut last week due to an oil spill. The EIA reported that US crude stockpiles rose more than 10 million barrels last week, the most since March 2021.

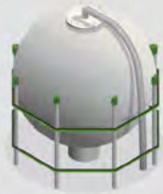
Equities

US equity markets fell back yesterday after a 2-day rally following the Fed policy decision. The NASDAQ, Dow Jones, and the S&P 500 fell 0.76%, 0.42% and 0.61% respectively. Asian markets also fell back yesterday after having been broadly positive on Tuesday, with the Hang Seng falling 1.69% and the Nikkei down 0.27%. Locally, the DFM closed up 0.32%. Saudi Arabia's Tadawul added 0.26%, as it continued to benefit from a rise in oil prices.

FX

The Dollar traded weaker against most major currencies, as the Fed slowed its pace of tightening to a 50bps point hike. Sterling reached a 6-month high yesterday, closing 0.49% higher at 1.2426, while EUR closed up 0.46% against the Dollar to reach 1.0682.

Source: Emirates NBD Report



Energy Markets Views You can Use

Vibhuti Garg

Director - South Asia
IEEFA

India is witnessing high economic growth with substantial growth in oil demand.
Still, the recent drop in oil prices is good news for our current account deficit, which has gone from bad to worse because of higher prices for most of this year. If OPEC were to pursue a strategy of pushing prices back towards $90 again, that would prompt us to increase oil imports from Russia. But while the share of Russian oil as part of India's overall imports has gone up, that does not mean that volumes from other countries, such as Saudi Arabia or Iran, have gone. They remain big suppliers, so the discounted Russian oil has helped offset some of the effects of higher prices, but India is not completely protected.

How have energy consumers managed with high energy prices this year?
So far, the government has increased subsidies on fertilizers and LPG for example which has protected consumers, but it has also been a financial burden on the state as they are not able to generate enough revenue to meet those expenses. They are looking at various options to increase revenue, whether it's monetization of assets or further increasing their debt and that's not good for economic growth.

Is India having to compete with European consumers for gas?
The share of gas in our total energy mix is just 6%, though we had targeted it to increase to 15% in the next 5 years but because of the higher prices this year for a lot of sectors, the government has come up with restrictions. The government is trying to balance the country's gas needs by managing prices in such a way that it encourages domestic gas production and reduces reliance on LNG.

Daniel Richards

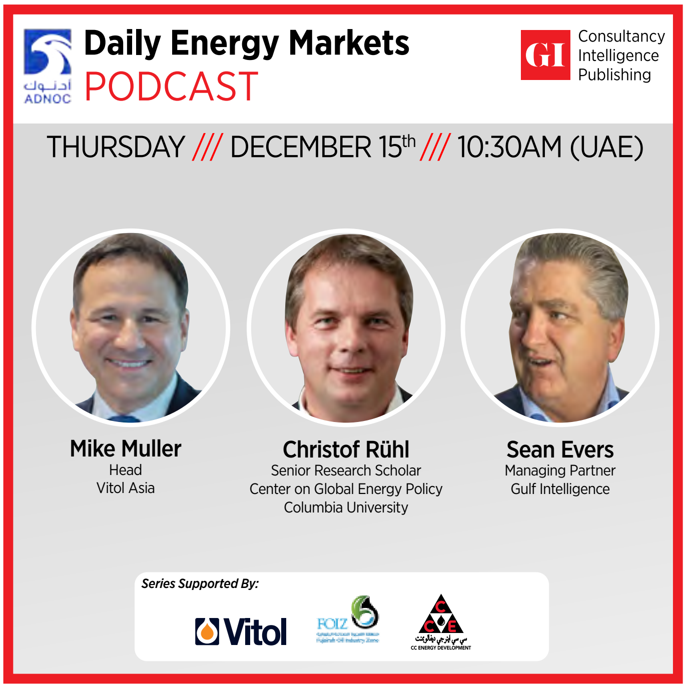
MENA economist
Emirates NBD

I don't think we're looking at a US Fed pivot anytime soon.
For months, markets have been pinning hopes on that, but the conditions aren't there yet. Even if the FED is not hiking 75 or 50 basis points every time, it's not going to be cutting anytime soon. The labor market is still showing an extraordinary level of job openings overall, despite the slight insignificant uptick in initial jobless claims last week, so any expectation of a pivot by the Fed is premature. We would expect the extraordinarily fast monetary tightening that we have seen this year, to slow, but 50 basis points is still strong compared to what we've been used to. The main factor to be looking out for now is renewed predictions - is it going to be 5%? Could it be higher and how long do we keep this restrictive policy in play? The likelihood is that the economy is coming off the boil and the second half of 2023 should be somewhat weaker, so presumably we start to maybe ease off in the second half of the year.

Fed policy has achieved objectives well so far?
The housing sector is one where we have seen interest rate hikes manifesting in terms of a slowdown, but if you look at the services sector, it's been picking up through the periods that the Fed has been hiking, and the labour market and most other key macro indicators haven't yet shown a significant slowdown. But as the Fed has said, there will be a cumulative effect and that could come into play pretty quickly in the coming months as the pandemic era savings are eradicated.

Energy Markets COMMENTARY

WEEK IN REVIEW



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Energy Markets Views You can Use

James McCallum

CEO & Chairman, Xergy Group
Professor of Energy, Strathclyde University

Russian oil will continue to reach markets.
If there is demand, a solution will always be found for oil to flow to countries like India and China. The big question is how demand holds up. But if that Russian oil was to disappear, we would see a significant hike in prices from the $80 we have today but I don't think that's going to happen into the first quarter.

US oil production trajectory into 2023?
The interesting story that's emerged this year is that the US companies committed to a hydrocarbon-based strategy as opposed to an energy transition one - and principally that falls into a US IOC supermajor versus European supermajor argument - have won out in terms of share price. Exxon Mobil are buying back their shares at about 65% on the year. Compare that to the BPs or Shells of this world at about half of that figure. So, clearly there's a very strong feeling in the US that conventional production is going to be a big part of the energy mix going forward.

Outlook for the UK economy?
We are in for a major 'winter of discontent' and that's a direct response to the UK government's failure to address public sector needs against a high inflationary environment. There is an urging of caution over a slowing down of that inflationary impact on the economy now and I think we are seeing some early settlement in some of these strikes. Elsewhere, China is in for a very harsh first quarter in terms of the impact of the virus as it sweeps through the population, particularly where they have such a tight family unit through the generations. Still, I end the year with a degree of optimism because a lot of the moving parts are settling down. As far as oil markets go, OPEC+ has maintained its position in terms of being able to address the price where it needs to be, and Saudi Arabia and UAE in particular, will maintain a leadership position going into the first quarter.

ENERGY MARKET NEWS

1. ASIAN STOCKS SAG WITH DOLLAR AS HAWKISH FED SPURS RECESSION FEARS
2. POWELL SAYS FED WILL NOT CHANGE 2% INFLATION GOAL
3. CHINA'S REOPENING SPARKS A SURGE IN AIR TRAVEL
4. FED RAISES KEY RATE BY HALF-POINT & SIGNALS MORE TO COME
5. EU LNG STOCKS FALL TO TWO-MONTH LOW
6. WHAT'S IN STORE FOR OILFIELD SERVICE COMPANIES IN 2023?
7. RUSSIA SETS UP OIL-TRANSFER SITE IN BALTIC SEA TO EASE TANKER CHAOS
8. WHAT IRON ORE PRICES TELL US ABOUT WHERE CRUDE OIL IS HEADED
9. US DOLLAR FALTERS AS INVESTORS CHALLENGE FED'S HAWKISHNESS
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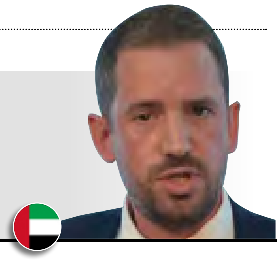

Matt Stanley
Partnerships Lead, Middle East
Kpler

The market is waiting to see what's going to happen come Q1.
The price cap has been largely ignored by the markets. I can't see how it will be enforced - it's more political than anything to do with fundamentals. What happens in Q1 next year when the EU bans Russian oil products in February and what happens with gasoil predominantly, is what will drive the first couple of months because right now, the rest of the world can't replace that flow. But up until year end, flat prices are getting a boost from supply issues.

What impact have sanctions had on the tanker and insurance markets?
The whole market is still trying to understand it. It's clear that there's a fracturing of what goes into the clean market and what goes into the dark market and that will evidence itself more over the coming months. Also, where the product goes - Africa will likely take in most of the diesel and oil products that Russia exports. But ship owner rates have increased 200% since September because of a whole number of forces that happened to have come together. China clean products exports are at record highs – hitting 1.6 million bd in November, and there are less ships available in the market in general. Whether that rolls out into crude will depend on what happens with Chinese demand. We also have seasonal changes which are normal for this time of year, causing an uptick in demand, but people keep attributing that to what's happening vis a vis Russia. Having said that, trade patterns have changed – for example, we see ship to ship operations happening offshore Kalamata in Greece. That's a new region, but new regions form whenever there is a change in market dynamics.

How much of an unknown is the China factor for commodity markets in 2023?
I would argue that the recessionary headwinds have largely been priced in. I don't see the $40 to $50 oil calls materialising. The world has had a culmination of issues that should have made the flat price drop to those levels, predominantly because China demand has not yet resurfaced, and yet it's still at $80. When China does open, the $100 oil argument is more than there.

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
December 12th - 15th

1. The closer we get to peak rates and uncertainty subsides, the more likelihood of a soft landing for OECD economies and reduced volatility for oil markets.

2. Shipping insurance will be the biggest constraint for oil markets as we move into the new year.

3. India is witnessing huge increase in economic growth this year and has managed to swallow the rising energy costs as government subsidies are still generous.

4. European energy crisis may still be tested as artic winter weather has arrived to start draining the gas storage reservoirs.

5. OPEC+ is waiting and watching for any impact from the EU energy embargo on Russia but so far there nothing much to see.

6. The speed of China reopening and its impact on energy demand is the last big question for oil markets to price-in before the end of 2022.

7. The commodity bullish Supercycle that many analysts were calling for at the beginning of the year has clearly not transpired!

8. China is expecting to face a major surge in COVID infections over the next 3 months which could challenge the country's decision to move away from its lockdown policies.

9. US Supermajors share price growth this year would appear to indicate that they have won out on the argument of sticking with a hydrocarbons-only strategy, rather than energy diversification.

10. Central Bank policy makers still have a long way to go to reach their 2% inflation targets.

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