Fujairah New Silk Road WEEKLY NEWSLETTER

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

Europe & Asia Facing Winter of Discontent with Record Gas Prices!

Valery Chow, VP – Head of APAC Gas & LNG Research, Wood Mackenzie

We really see no respite for global gas and LNG markets at present. TTF prices have been skyrocketing since mid-June. If Russian gas flows stop in 2023, our estimates suggest that Europe could be drawing down a further 40 to 50 extra million tons of LNG and this is where the Asian angle comes in. A lot of the competition that's going on between Europe and Asia is really being driven by Europe at this point. Assuming that the Europeans are still able to pay these prices, that's going to just suck up all the spot volumes available, out of the Asian market. Asian countries can't really compete at these prices, with the exception perhaps of Northeast Asian economies and maybe Singapore. We're seeing adjustments happen quite rapidly across Asia already. China's spot demand has tanked - overall year to date LNG imports have dropped by 20% and in India, they are down by 10%. Both China and India do have fallback options, coal being the main source, and domestic production has been ramping up very, very quickly. India has just taken almost 100 coal mines, which were previously mothballed, into production again. And the same thing in China. China also has the luxury of contracted LNG which it's still bringing in, but if by the turn of this year China doesn't have enough coal and not enough hydropower because of the heat, it's going to be back in the spot market again. Chinese gas storage levels are reasonable for now, but it won't stay that way for ever. And given the state of the economy, if President Xi starts reopening, once China's industrial capacity starts humming again, you can be sure that gas demand will shoot up again and that will be competing against the Japanese, the Koreans and Europe. It's a massive conundrum. I can't imagine where prices can go from here.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

8,422,000 bbl	2,808,000 bbl	10,557,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues



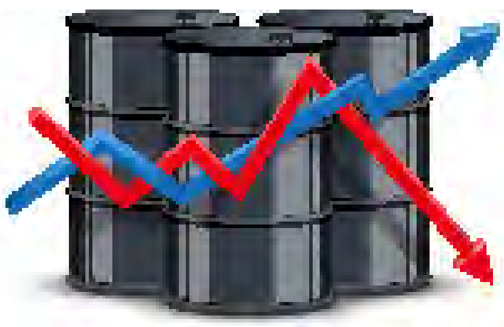
Source: FEDCom & S&P Global Platts

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:	$98.64/bl
WTI Crude:	$92.34/bl
DME Oman:	$96.03/bl
Murban:	$98.83/bl

*Time Period: Week 4, August 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO	MGO	IFO380
High = $844.50/mt	High = $1,378.00/mt	High = $510.50/mt
Low = $800.50/mt	Low = $1,331.00/mt	Low = $490.00/mt
Average = $818.50/mt	Average = $1,349.50/mt	Average = $498.50/mt
Spread = $44.00/mt	Spread = $0.00/mt	Spread = $20.50/mt

*Source: Ship and Bunker, *Time Period: Aug. 17 - Aug. 24, 2022*

Fujairah Bunker Sales Volume (m^3)

262 180cst Low Sulfur Fuel Oil	**518,374** 380cst Low Sulfur Fuel Oil	**112,223** 380cst Marine Fuel Oil
1,032 Marine Gasoil	**33,237** Low Sulfur Marine Gasoil	**4,864** Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Valery Chow, VP – Head of APAC Gas & LNG Research, Wood Mackenzie

"Europe is going to run out of gas by the first quarter of 2023"

What does Russia do with its gas now and how is Europe impacted?
My view is that Russia will still have an outlet for its gas. Even before the Ukrainian invasion, they were already pivoting eastwards to China, mainly because China is a more price sensitive market than Europe, but it also offers the potential for very big volumes. I think in the coming decade, especially if you look at it from a political standpoint, both countries are obviously getting much closer with each other. As far as Europe is concerned, it's going to go through a very rough winter this year. It's already had a massive heatwave and nuclear and hydro capacity are in short supply. The big one of course is the reduced flows from the Nordstream 1. Even as we speak, that's running at 20% capacity. It's unclear how this is all going to evolve over the coming weeks. Nordstream 1 capacity could be back to 40%, but however you crunch the numbers, Europe is going to run out of gas by the first quarter of 2023. The only way it can save itself is to basically max out on everything that it has in its arsenal both on the supply and demand side. We've already seen it going ahead with a lot of the regasification terminals, with the German ones probably coming first by the end of this year. It's also been drawing more on Norwegian and Algerian pipeline flows. On the demand side, we are starting to see gas and power rationing and a switch over to more coal generation. In a best-case scenario, where Europe's able to maximize LNG imports and do demand side management measures, storage might just make it to the EU 80% target, but anything below that is going to be catastrophic. In our modeling, almost 30% of industrial capacity would need to be curtailed if Europe can't manage to meet that target.

Outlook for global oil demand?
It's under significant pressure, partly due to price inflation. The synchronized slowdown in economic growth across the US, Europe and China is certainly weighing on our GDP outlook. We saw second and third quarter demand erosion this year, particularly across the transportation fuel sector. Retail fuels have come off the June highs, but that's created a knock-on impact in terms of economic contraction. We expect liquid demand this year to grow by about 2.5mbd, to around 99mbd by the end of this year. The supply side is probably one of the brighter spots that we we've seen. We think that liquid drilling could go from 96mbd in 2021 to maybe 100mbd by the end of this year and that's largely on account of OPEC+ capacity coming through. Russian production will also continue to go up. Even today, it is producing around 10.8mbd versus 11mbd before the invasion of Ukraine. The other thing to factor in is that towards the back end of this year, the EU oil import ban potentially starts to go into place so prices could rebound in the short-term. The reshuffling of global oil flows will cause some upward pressure and we expect the market to eventually stabilize to around $105-110 over that period of time.

Can we therefore dismiss demand destruction?
Recessionary fears are very much in the air, and I think the forward view is not so rosy. We're starting to see some layoffs in the US, even in the tech sector and US consumers are obviously doing quite badly now with credit card debt rising very quickly and interest rates set to continue going up. Energy prices remain high even in the US, and its housing market is falling off a cliff. Ultimately, all this will have a knock-on effect - maybe not this summer but certainly towards the end of this year.

Is there an opportunity not to be missed today for E&P investment?
A lot of price inflation has come through to the upstream industry in particular and certainly during the pandemic period, a lot of capacity was cut, in terms of equipment and human capital. If those resources are to be redeployed now, they will be at much more elevated prices. At the same time, the oil industry as a whole has faced this conundrum over the last few years, where on one hand, demand is picking up, especially on gas, but also ESG considerations have been holding back investment. Outside of the Gulf states, we've not seen a major pickup in investment. And with the global macroeconomic outlook fast deteriorating. I think that's a point of concern for developers on just how fast and how quickly they want to proceed with new projects.

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أدنوك
ADNOC

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Energy Markets Views You can Use

Amena Bakr
Deputy Bureau Chief & Chief OPEC Correspondent
Energy Intelligence

Unilateral action is not something that Saudi Arabia or other Gulf producers would consider.
If Saudi was going to do anything by themselves, why would they not announce it now? At this point in time, OPEC+ unity is the top priority, so any action needs to be agreed on by the entire group, whether it's a consideration to increase output or cut. Also, when we saw the increase that happened last time, it was symbolic so perhaps they will similarly come up with an idea for a cut, but it would just be to send a signal to the market. We know how OPEC can get very creative with their policies.

Expectations on what OPEC+ will do at their meeting in September?
There is a big problem with the quota system, but our understanding is that it's not going to be discussed this year at all. They're going to keep the current system at least for 2022. Previous ways they've managed to get around this – and that was just OPEC alone – was by having a collective ceiling set, where they would agree on a number and whoever could produce would just contribute to that number. That could be one way of going around the quota system, but for now, it's difficult to say what they will do.

What oil price should we expect OPEC+ is willing to defend as we go into Q4?
It's not about prices. The price is at a good level. This is more about reducing volatility. Saudi Arabia, like other Gulf states, doesn't want to see these sharp contrasts in price. They don't want to see overly bearish or bullish news. We know that Saudi Arabia is playing the long game. They want to ensure energy security and they want to make sure that investments flow into the upstream sector and for the awareness to be out there that more spare capacity is needed in order to have long term energy security. Saudi knows that volatility impacts trading and hedging and that in turn impacts industrial activity and therefore demand. That's what they are worried about.

Is a deal with Iran on the JCPOA imminent?
We've been hearing that the latest negotiations are not going to be the final approval or green light from the US to sign the agreement. Our understanding is that this deal is not going to happen any time soon and it's hard to say if it will happen at all. It's still very complicated and less imminent than some people make it out to be. Of course, if the Iranian barrels do come into the market, that's a new dynamic for OPEC+ to consider. Iranian officials have already said they're not going to accept any kind of quota before they return their production to pre sanction levels.

Neil Atkinson
Former Head of Oil Markets Division
International Energy Agency (IEA)

Did the market get ahead of itself on OPEC's comments about cuts?
I think people are getting a little bit carried away by the remark made by the Saudi minister the other day. OPEC+ is not due to meet for at least another ten days. I think the biggest concern right now is demand, and not how much or how little OPEC+ might increase or decrease production.

Are higher gas prices feeding through to the oil market?
The narrative of switching to oil from gas in some parts of the world, in the power generation sector, is one of the reasons the IEA increased its expectations for demand in the short term. We also need to consider the price of products – that's what matters. In this environment, the eventual imposition of tough sanctions on Russian oil is bound to lead to higher crude prices, and product prices. Lots of Russian diesel finds its way to Europe. Of course, fundamentals will influence the outlook for this market, but this new geopolitical element plays a significant role as well. That's a big difference which makes it very difficult to forecast the market.

What's going to happen to Russian oil?
If the EU, the US, and other countries are to be consistent in their policy decision to support Ukraine and to impose tough sanctions against the Russian energy sector, then the Russian exports, certainly to Europe and elsewhere, must fall significantly. Russia will of course, attempt to make up for lost sales to Europe and elsewhere by increasing sales to China and India. So, the drop-off for Russia will most likely not be in the region of 3 million barrels a day. There is also the possibility now that Iranian barrels may return to the market in the reasonably near future, which will to some extent act as an offset to the fall in any Russian supply. But all in all, if the EU sticks to its intentions, Russian supplies will be impacted, and the market will adjust accordingly.

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Fujairah Spotlight

Oil product stocks drop to 8-week low as demand picks up

Oil product stockpiles at the UAE's Port of Fujairah fell to an eight-week low led by a 14% decline in fuels used for shipping and power generation for the week ended Aug. 22, according to Fujairah Oil Industry Zone data. The total inventory was at 21.787 million barrels as of Aug. 22, down 8.3% from a week earlier and the lowest since June 27, the port data provided exclusively to S&P Global Commodity Insights on Aug. 24 showed. However, inventories were 12.21% higher than the same time last year.

Source: S&P Global Commodity Insights

Oil exports from Fujairah's offshore terminals are back after 2 weeks

Crude oil and condensate exports from the UAE are set to gain traction as shipments out of Fujairah's off-shore export terminals resume after a hiatus of more than two weeks caused by heavy rains and flooding. "Loading operations have partially recommenced at Fujairah Main Oil Terminal and reinstatement activities continue," ADNOC Onshore said in a statement. The company continues to use alternative loading points at Fujairah and Jebel Dhanna to export oil, it added. ADNOC diverted crude to Jebel Dhanna after disruption caused by flooding.

Source: Gulf News

Fujairah ranks 1st in Safety Index by City, outperforms 466 international cities

Fujairah was ranked first in the 'Safety Index by City' compiled by Numbeo, which provides regular statistics on economic, social and safety areas worldwide. Fujairah received a score of over 93 per cent, outperforming 466 international cities, which is attributed to its high living standards and the significant support from its leaders in making the emirate a safe place for families from all nationalities and an attractive destination for foreign investment.

Source: Khaleej Times

Brooge Energy Sees Unusually-High Trading Volume

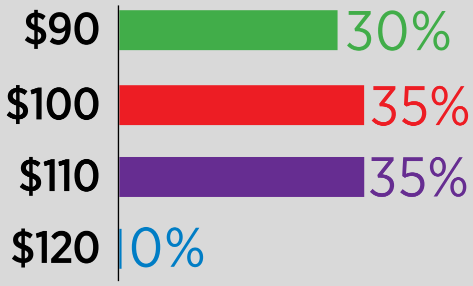
Brooge Energy Limited shares saw an uptick in trading volume on Friday . 100 shares changed hands during trading, a decline of 94% from the previous session's volume of 1,625 shares.The stock last traded at $8.46 and had previously closed at $8.45.

Source: Defense World

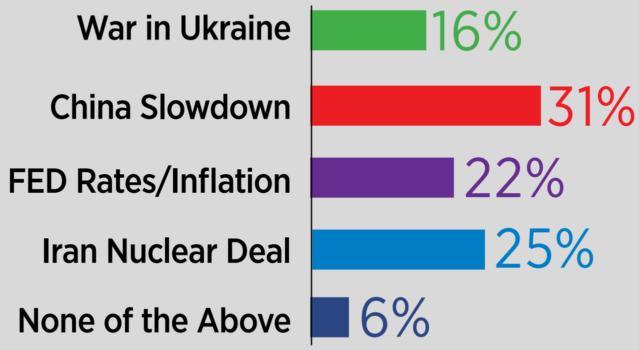
Consultancy Intelligence Publishing

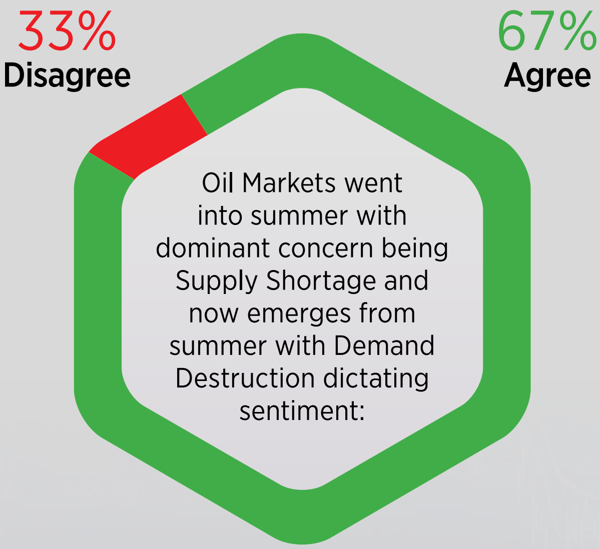
Weekly Surveys

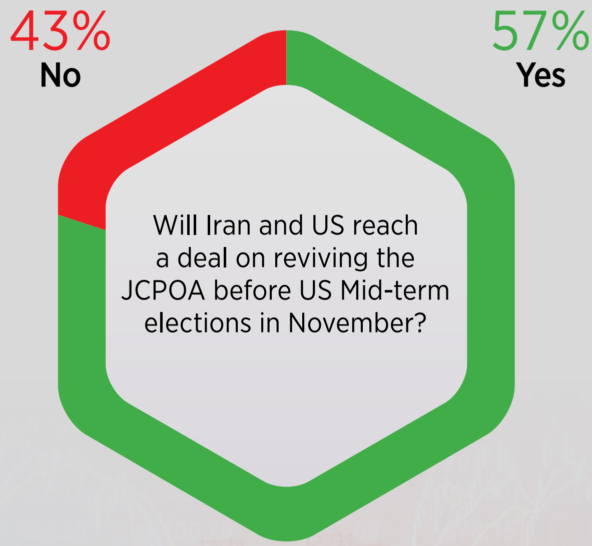
What will brent crude oil price be at end of Summer holiday season Aug 31: Closer to?



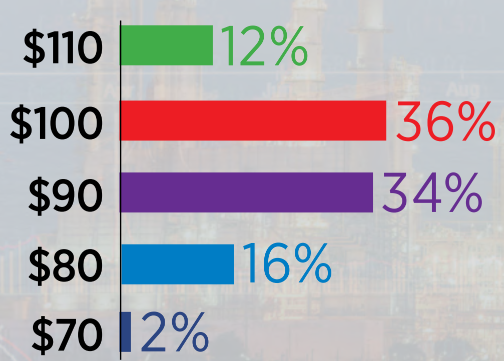
What will have biggest impact in determining direction of oil prices in September after market actors return after summer holidays?







What oil price floor do you expect OPEC+ to Defend in Q4?



Source: GI Research March 2022

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Energy Markets Views You can Use

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

Relevance of OPEC + today?
The two countries that have spare production capacity - Saudi Arabia and the UAE - are not willing to pump at the maximum and so leave the market exposed, which I think is the only bullish factor in the market. However, this is countered by the weak Chinese demand and the uncertainty on the supply side.

How are inflation and interest rate adjustments impacting the oil market?
The outlook is quite uncertain. Inflation in the UK is unbelievably high – I don't know how people pay off their energy bills. And with interest rates going up, you will see a slowdown that will take a toll on demand. The oil price falling to $95 is counterbalanced by the strength of the dollar, but again that's because of speculation of another rise in interest rates. And given the market's extreme volatility, traders don't want to deal with oil, let alone other commodities so long as the Ukraine-Russia war carries on.

Is $95/bl oil even a big deal?
Prices would be lower if it were not for the Ukraine premium. Yes, oil is still flowing but don't forget the Seaborne crude embargo coming into effect in Europe. More importantly, it is gas that will be the issue coming into the winter season. The reduction in Russian gas supplies will have a significant impact on the economies of Germany, France, and the UK. France is importing electricity from Germany and meanwhile, Germany doesn't want to revive its nuclear power plants but instead burn coal, which is expensive. All in all, I think we're in for a very bitter winter.

Rustin Edwards
Head of Fuel Oil procurement
Euronav NV

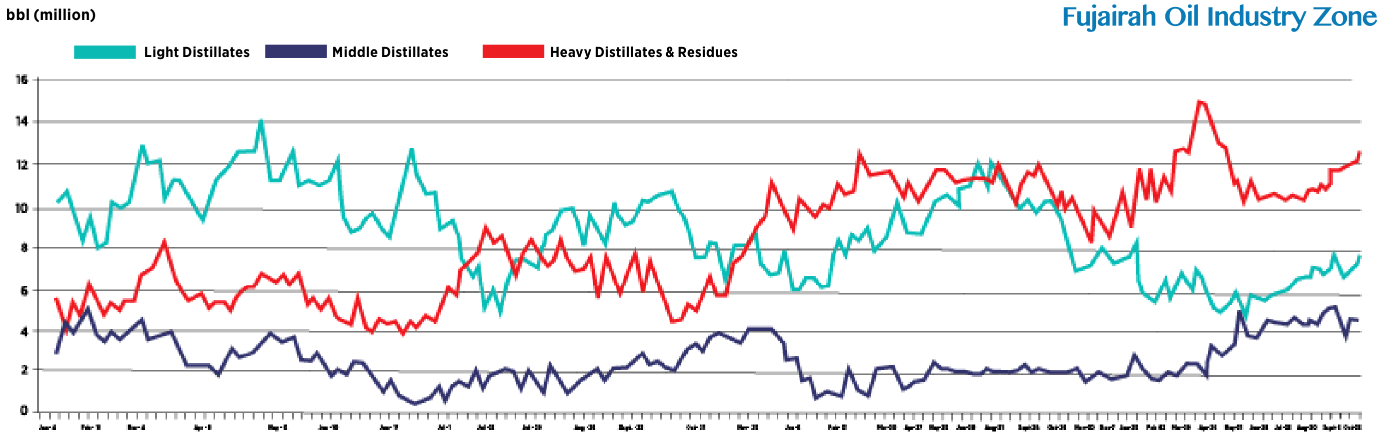
Demand destruction continues to be the dominant theme
The market is building stocks in certain regions. Despite the statistics provided by the EU and the US, Asia is predominantly building crude oil stocks. The EU and the US have a big issue on their hands as this economic slowdown is impacting one of their biggest demand profiles. On top of that, they are facing competition from Russian flow coming in. They need to figure out how they are going to support the oil price with a global economic recession looming. The Middle East looks great, but when you look at the other developing nations – Pakistan, Sri Lanka, Western Horn of Africa, Bangladesh – they're struggling not only from inflation but from a lack of energy sources given that the EU is outbidding everyone for power. Cheap energy is being diverted into Europe where producers get a better netback and payment.

Tanker freight rates have skyrocketed
TCE rates on VLCCs are hitting $54,000 a day, according to Clarksons. We are seeing that in different tanker companies' earnings reports and they're all having forward guidance. A lot of this has to do with the IMO CII regulation that's coming out in Q1, as well as that they are getting more and more ton-miles as Russian flow sucks in certain ships and the fact that there is a slowdown in demand in Asia. Cargoes keep getting pushed to Asia and the ships don't necessarily get out of Asia on time which raises the need for ships on a go-forward basis.

Does OPEC have a fictional level of production?
They're underproducing by approximately 2.9 million barrels, but it does nothing to the market given the excess supply. Saudi realizes this and understands where the price is sitting because they see where actual demand is. They see prices going down, refinery runs aren't ramping up as much as they'd like to see happen, and product demand is down, so they are anticipating where the market is heading. Their statement on cutting production was done to support the floor of the market. I think the fear in the market is not so much in OPEC's reduction, but rather Saudi doing something outside of OPEC as they did back in 2020, where they cut the additional 4 million from their production to help balance the markets.

Fujairah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 21.787 million barrels a fall of 1.983 million barrels, or 8.3% week-on-week as they fell from their recent highs. The stocks movement saw draw across all three stock categories with light distillates, middle distillates and heavy residues all falling.
- Stocks of light distillates, including gasoline and naphtha, fell by 181,000 barrels or 2.1% on the week to 8.422 million barrels. The East of Suez gasoline complex strengthened on a combination of expectations on lower supplies from Taiwan and higher demand from Pakistan. In Taiwan gasoline supplies are expected to tighten amid upcoming refinery turnarounds while in Pakistan there is an expectation of greater gasoline import demand due to expectations that the International Monetary Fund will provide Pakistan with a $1.18 billion loan.
- Stocks of middle distillates, including diesel and jet fuel, fell by 120,000 barrels or 4.1% on the week to 2.808 million barrels. The East of Suez gasoil complex was finding support on higher flows to the West of Suez coupled with recent strength in the European gasoil complex. In addition, refinery turnarounds and higher seasonal demand in the West could lend further support to the East of Suez gasoil complex, sources noted.
- Stocks of heavy residues fell by 1.682 million barrels or 13.7% on the week to 10.557million barrels, falling to their lowest level since mid-June. Trading activity for bunkers in the Port of Fujairah was tepid amidst an uptick in crude oil prices which was having a knock-on effect on bunker prices. A premium for prompt bunker supplies at the port remained, sources noted. "There seems still a significant premium for prompt [marine fuel 0.5%S deliveries] ... but prices are lower for later dates," a Fujairah-based bunker supplier said. Fujairah delivered marine fuel 0.5%S bunker was assessed at $795/mt on Aug 23, reflecting a rise of $5/mt day on day. In contrast delivered marine fuel 0.5%S bunker in Singapore was assessed $36/mt lower than Fujairah at $759/mt on Aug 23, reflecting a rise of $12/mt day on day.

Source: S&P Global Platts

Commodities
Oil prices rose for a second day running, closing up 1% in the Brent market to settle at USD 101.22/b and up by 1.2% in WTI to close at USD 94.89/b. Several other OPEC+ members have supported the message from Saudi Arabia's oil minister earlier in the week that the producers' bloc may need to step in to cut output to help support prices. OPEC+ next meets on September 5th.

Equities
Equity markets enjoyed some respite yesterday as most major global indices closed higher after days of losses. In the US, the Dow Jones, the S&P 500 and the NASDAQ gained 0.2%, 0.3% and 0.4% respectively, while in Europe the DAX added 0.2% and the CAC 0.4%. By contrast, the UK's FTSE 100 ended the day down -0.2%.

FX
Commodity currencies generally closed weaker though CAD showed some relative resilience. USDCAD added less than 0.1% to 1.2967 while AUDUSD fell by 0.3% to 0.6909 and NZDUSD dropped almost 0.5% to 0.6187.

Source: Emirates NBD Report

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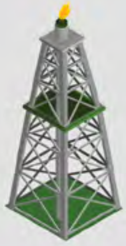

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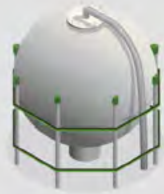

STORAGE
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Today, we continue to look for new and innovative ways to maximize the value of our resources, pioneering those approaches and technologies that will ensure we are able to meet the demands of an ever-changing energy market, and continue to have a positive impact on the Sharjah economy for future generations.

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Energy Markets Views You can Use

Ole Hansen
Head, Commodity Strategy
Saxo Bank

Bearish Macro, Bullish Micro Regime Persists
Commodities traded with a softer bias last week as the focus continued to rest on global macro-economic developments, in some cases reducing the impact of otherwise supportive micro developments, such as the fall in inventories seen across several individual commodities. The US dollar found renewed strength and bond yields rose, while the month-long bear-market bounce across US stocks showed signs of running out of steam. The trigger being comments from Federal Reserve officials reiterating their resolve to continue hiking rates until inflation eases back to their yet-to-be revised higher long-term target of around 2%. Those comments put to rest expectations that a string of recent weak economic data would encourage the Fed to reduce the projected pace of future rate hikes.

Elevated Risk of Global Economic Slowdown
The result of these developments being an elevated risk of a global economic slowdown gathering pace as the battle against inflation remains far from won, not least considering the risk of persistent high energy prices, from gasoline and diesel to coal and especially gas. A clear sign that the battle between macro and micro developments continues, the result of which is likely to be a prolonged period of uncertainty with regards to the short- and medium-term outlook. Overall, however, these developments do not alter our long-term views about commodities and their ability to move higher over time. Some of the reasons why we see the so-called old economy, or tangible assets, performing well over the coming years, is driven by underinvestment, urbanization, green transformation, sanctions on Russia and deglobalization.

Combating inflation and its impact on growth remains top of mind
Apart from China's slowing growth outlook due to its zero-Covid policy and housing market crisis hitting industrial metals, the most important driver for commodities recently has been the macro-economic outlook currently being dictated by the way in which central banks around the world have been stepping up efforts to curb runaway inflation by forcing down economic activity through aggressively tightening monetary conditions. This process is ongoing and the longer the process takes to succeed, the bigger the risk of an economic fallout. US inflation expectations in a year have already seen a dramatic slump but despite this the medium- and long-term expectations remain anchored around 3%, still well above the Fed's 2% target. *(Source: Saxo Bank)*

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

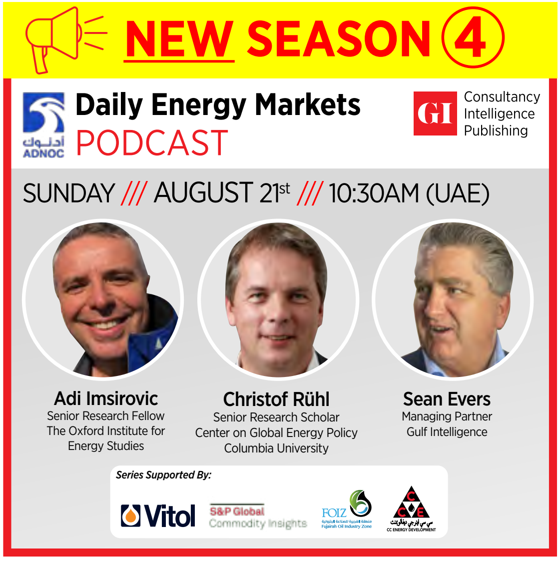
The trend on oil is downwards and volatility is huge.
Given that current forecasts are converging towards excess supply for the third and fourth quarter, oil prices are likely to decrease to the $80-90/bl range. There are also safety valves in the system such as the SPR release still taking place and OPEC spare capacity of around three million bd, and the fact that there are members under sanctions where supply could be activated. OPEC has two goals. They like $100 better than $80 and want to keep a floor on prices. Secondly, they want Russia to continue to be part of the organization. They don't want to lose the 'Plus' in OPEC Plus, and the last thing Russia needs is lower oil prices, so the argument for stable prices holds water. On the other hand, with margins and spare capacity very thin, any surprise on the political side has the potential to produce huge price spikes. But even there, Russian discounts would soon normalize and that in turn would have an impact on China's ability to increase their inventories. Inventories are low in the OECD but that's not necessarily true for China and India.

Outlook for gas?
Everything points toward a big conflict in the winter. Russia has lost so much gas shipments into Europe that they must know they're unlikely to get that back. This means there's very little for them to lose and probably something to gain by increasing the pressure towards winter. That's what everybody here in Germany at least is getting ready for.

Has US Fed policy now been fully absorbed into markets?
We're in a better place than we were when the Fed was denying inflation. The markets know that the Fed has to act. Still, within the US, the flexibility in adjusting to this interest rate shock is extraordinarily high so the risk now is the Fed overshooting on the other side because there will be a softening of the impact on inflation from energy markets, which is a substantial part of these very high aggregate numbers. But the underlying problem is still that core inflation is unchanged or rising, and the real issue is inflationary expectations, so the Fed will have to step on the brakes a little longer. The most likely scenario right now is that we don't get a very deep recession. We may have a slowdown in growth, but it's all on a very comfortable level.

Energy Markets COMMENTARY

WEEK IN REVIEW



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Energy Markets Views You can Use

Adi Imsirovic
Senior Research Fellow
The Oxford Institute for Energy Studies

Rapid Disappearance of Steep Backwardation

If I was OPEC I would be worried as there are several factors driving the market's weakness at the front end: record US exports of about 5 million barrels, low Chinese demand, the return of Libya into the market and continued Russian exports to Asia. We're even seeing a build in gasoil. Given these, I am not bullish. However, given this incredibly volatile period, I am also not bearish.

Russian volumes set to decrease

The most pressing issue now is Russia's oil production, which will have to drop once European sanctions are imposed in December. Once that happens, Russian fields are at risk of getting damaged, further exacerbating the impact on global oil markets. If we look back to 2020, when Russia cut its output, it took them about two years to bring their production back to where they were prior to the pandemic. Now, with the additional sanctions, the problem kicks in for the more complex wells which need western technology and spare parts. Long term, Russian output is on a downward trajectory – it's probably peaking where it is right now.

Inflation, higher interest rates to stay even if oil prices drop

What is vital for the oil market is that the FED is likely to do what it takes to get inflation back down to 2%. We should expect to see some large increases in interest rates and this increase in the cost of borrowing and huge volatility leading to high margin calls, will place a huge dampener on the commodity prices which are being reflected in the market today. If you want to speculate in commodities, you better make sure that the price is going up. People are not going to get very long anytime soon and that includes a lot of funds that use oil for hedging purposes.

What does a stronger dollar mean for demand?

For everyone outside the United States, oil becomes more expensive when the dollar appreciates. This should worry OPEC to a certain extent; when we look back to the oil shocks of 1979, it almost mirrors the conditions we are seeing today. Not only was there a recession, but a lot of government policies aimed at cutting demand for energy. Given the likelihood of recession today, we could see a big fall in demand – something that must be monitored very carefully.

Energy Markets Views You can Use

Narendra Taneja
India's Leading Energy Expert

Asia very worried about gas diversion to Europe
We have seen reports that cargoes originally heading for Bangladesh and Pakistan have been diverted to Europe and given India's dependence on natural gas, it is worrying that LNG ships are shifting course to the highest bidder. In addition, if Europe were to take a hit this winter with a recession looming, and an impending gas shortage, this would exacerbate what is already happening and India would be badly affected. Demand for gas in India is only going to grow - India's demand for petroleum products will grow by 7.7% in 2022. The same applies to petrol, diesel, LNG, turbine fuel, and so forth. If Europe becomes a disruptive competitor, this will hurt India not only in terms of prices but also supply.

How do you see the economic duress playing out across South Asia?
Sri Lanka was a very exceptional case and the situation there was terrible. It was partly due to overdependence on China and that cost them heavily and it's a similar story with Pakistan. When you look at Pakistan's balance sheet and the economic landscape, it's very worrying. Bangladesh is a much stronger and bigger economy than Pakistan and it has very close ties with economies like India, the US and Singapore. But when we look at a big energy importer and consumer like India, we should be worried. It's not only what is happening to the spot market, but long-term contracts are also being breached in some countries. It's in our interest that Europe finds a solution to its energy crisis because otherwise it will have an adverse impact on us. Europe should look at the sanctions on Russian oil and gas a little bit more carefully in the sense they can continue with them, but they should let Russian oil and gas flow into the global market. They should worry about the global economy and in particular, those 3 billion people who are 'energy poor'. When it comes to energy security, either every country is secure or no country is. We live in a highly globalized world.

ENERGY MARKET NEWS

1. OIL PRICES RISE ON POSSIBLE OPEC SUPPLY CUTS
2. US HAS RESPONDED TO IRAN COMMENTS ON NUCLEAR DEAL PROPOSAL
3. LAGGING DEMAND WON'T KEEP GAS PRICES FROM SOARING AGAIN
4. CHINA ADDS 1TRN YUAN MORE OF STIMULUS TO RESCUE GROWTH
5. INDIA SEEKS CONSENSUS BEFORE COMMITTING TO RUSSIAN OIL PRICE CAP
6. RUSSIA'S OIL PRODUCTION ON TRACK FOR FIRST DROP IN FOUR MONTHS
7. FRENCH NUCLEAR WOES STOKE EUROPE'S POWER PRICES
8. US SET TO SHIP RECORD CRUDE INTO 2023 AS ENERGY CRISIS DEEPENS
9. UK ENERGY CRISIS IS 'BIGGER THAN THE PANDEMIC'
10. JAPAN TURNS BACK TO NUCLEAR POWER IN SIGNIFICANT POLICY SHIFT AS FUEL PRICES SOAR

RECOMMENDED VIDEO & REPORTS
- FOREIGN MINISTER ON WHY INDIA IS BUYING RUSSIAN OIL
- WHAT WALL STREET HOPES TO HEAR FROM THE FEDERAL RESERVE AT JACKSON HOLE
- LNG INVESTMENT TO PEAK IN 2024 AT $42BN
- EXCLUSIVE-GERMAN GOVERNMENT SEES PROBLEMS WITH COAL, OIL SUPPLIES
- DARK CLOUDS OVER ASIAN NAPHTHA MARKET UNLIKELY TO CLEAR AMID CHINA'S ECONOMIC STRUGGLES
- REPORT: ENERGY POLICY CONFUSION
- OPEC NATIONS LINE UP BEHIND SAUDI CALL TO ACT IF NECESSARY
- AFGHANISTAN IS NOW AN ASIAN PROBLEM

GI Soundings Week in Review

Oil Price Capped by Demand Concerns, While Winter Gas Shortage Looms!

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.

- **Peter McGuire, CEO, XM Australia**
- **Sara Akbar, Chairperson & CEO, OiLSERV, Kuwait & Non-Executive Director, Petrofac**
- **Matt Stanley, Partnerships Lead, Middle East, Kpler**
- **Ali Al Riyami, Consultant & Former Director General of Marketing, Ministry of Energy & Minerals, Oman**
- **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**
- **Omar Najia, Global Head, Derivatives BB Energy**

Peter McGuire, CEO, XM Australia **USD:** "The relentless rally in the US dollar is gathering momentum as market participants seek refuge from the troubles in other major currencies and brace for a more forceful tone from a Federal Reserve trying to wrestle back control of financial conditions."

Sara Akbar, Chairperson & CEO, OiLSERV, Kuwait & Non-Executive Director, Petrofac **IRAN:** "I don't think the world will get more oil out of the Iran deal, at least not in the short run. In my view, one million more barrels is a long shot. Iran is already exporting their oil through barter mechanisms so additional crude entering the market is negligible. In the medium to long term however, they will be able to bring more crude to market."

Matt Stanley, Partnerships Lead, Middle East, Kpler **GAS:** "We are facing extreme inflation in the EU, yes, but the forecast for gas supply is still a huge concern. Gas prices are up over 500% since June 2020 – where will they go? That, coupled with massive headwinds from recession fears, will prove to be an issue for the market."

Ali Al Riyami, Consultant & Former Director General of Marketing, Ministry of Energy & Minerals, Oman **INVESTMENT:** "There is a lot of upstream investment taking place very soon. Without that, I wouldn't be surprised if we see prices in the $140 a barrel region in one or two years. Oil-producing countries need to invest in upstream and for that to happen, the oil price needs to be around $90/bl."

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy **EU GAS:** "The EU is trying to fill its gas storage as quickly as possible ahead of winter, but if we see the same winter as we saw in 2021, this storage will not suffice and they will have to implement some rationing."

Omar Najia, Global Head, Derivatives BB Energy **OIL PRICE:** "We are heading lower, regardless of a potential Iran nuclear deal, the Ukraine war, or any other political global issue. We will not see new highs although there is potential for WTI to bounce back up to the $105-110 range, but whether we get that or not, I see WTI diving towards the $60/bl region."

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
August 21st - 25th

1. The top priority of all OPEC+ members would be to maintain unity within the group as the global economy inches closer and closer to a recession.
2. The market appears a little uncertain about the FED's stated determination to tackle 40-year high inflation and return it towards 2% target level - let's see?
3. Asia and Europe have already started competing for LNG spot cargoes ahead of Northern Hemisphere winter, which is causing a lot of stress across governments of India, Pakistan, Bangladesh and other regional Asian economies.
4. China's economic problems are starting to appear to be much deeper than the Zero-COVID policy, with ageing demographics, water shortages, real estate collapse, 'national chip fund' corruption - the list goes on.
5. OPEC+ should be getting a little nervous about the collapse in the oil market backwardation structure, from $10 to almost 10 cents.
6. Oil market may be getting a bit ahead of itself with rally to $100 on back of Saudi comments on possible supply cuts when you consider that OPEC+ production quotas are well over 2 mbd above actual production.
7. Iran nuclear deal once again looks imminent or is it -- with the market whiplashed from the boy who cried wolf a few times too many - oil market will believe it when it sees it!
8. UK is facing ridiculously high inflation of 18%, followed by many other EU states not far behind - so where we go with energy prices over winter could trigger a depression, not a recession.
9. Tanker freight rates have taken off like a rocket over the summer with current VLCC rates hitting $54,000.
10. Record droughts in Europe and China will leave along legacy of impact in its wake, from a significant reduction in hydropower to a big reduction in food production.

Port of Fujairah

10th Anniversary

ITINERARY

ENERGY MARKETS FORUM

October 4th - 6th, 2022 | Novotel, Fujairah

GI Consultancy Intelligence Publishing

DAY 1 - OCT. 4th

What: Port of Fujairah Executive Boat Tour
Where: Port of Fujairah
Time: 2:00pm




What: FOIZ Oil Storage Terminals Industry Tour
Where: Port of Fujairah
Time: 2:00pm


What: The Aramco Trading New Silk Road CEO of the Year Awards 2022
Where: Novotel, Fujairah
Time: 7:00pm

DAY 2 - OCT. 5th

What: Industry Forum - East of Suez Outlook
Where: Novotel, Fujairah
Time: 8:00am - 3:00pm

What: International Energy Journalism Awards Dinner
Where: Novotel, Fujairah
Time: 7:00pm

DAY 3 - OCT. 6th

What: Energy Markets Workshop - Benchmarks
Where: Novotel, Fujairah
Time: 8:00am - 2:00pm




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