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NEW SILK ROAD Fujairah WEEKLY NEWSLETTER

Feb 22nd 2024

Vol. 183

Supported By: FOIZ منطقة الفجيرة للصناعة البترولية Fujairah Oil Industry Zone · Port of Fujairah ميناء الفجيرة United Arab Emirates

SOUNDING

EUROPE ENERGY

"There's no alarm mood in Brussels with regards to energy supply. Post Ukraine invasion, they feel that all is under control, and that they can work on energy security while also continuing with their plans for the Green Deal."

Laury Haytayan
MENA Director
Natural Resource Governance Institute

TOP SURVEY

Oil markets have priced in rates to stay higher for longer?

Disagree	10%
Agree	90%

Red Sea Shipping Attacks Having Monumental Impact on Suez Canal Traffic!

Cem Saral, CEO, Cockett Group

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS
Average Range
$3.57 - 4.09/m^3

Highest: $4.50/m^3
Lowest: $3.30/m^3

PODCAST OF THE WEEK

FUJAIRAH WEEKLY OIL INVENTORY DATA

6,293,000 bbl	2,050,000 bbl	8,305,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues



THE WEEK IN NUMBERS

WEEKLY AVERAGE OIL PRICES

BRENT CRUDE	WTI CRUDE	DME	MURBAN
$82.70/bl	$77.84/bl	$82.25/bl	$82.51/bl

*Time Period: Week 3, February 2024
Source: IEA, OilPrice.com, GI Research

FUJAIRAH WEEKLY BUNKER PRICES

VLSFO	MGO	IFO380
High = $634.00/mt	High = $891.50/mt	High = $438.50/mt
Low = $619.50/mt	Low = $882.00/mt	Low = $431.00/mt
Average = $628.50/mt	Average = $888.00/mt	Average = $436.00/mt
Spread = $14.50/mt	Spread = $9.50/mt	Spread = $7.50/mt

*Source: Ship and Bunker, *Time Period: Feb. 14 – Feb. 21, 2024*

FUJAIRAH BUNKER SALES VOLUME (M^3)

341 180cst Low Sulfur Fuel Oil	436,604 380cst Low Sulfur Fuel Oil	207,124 380cst Marine Fuel Oil
122 Marine Gasoil	30,441 Low Sulfur Marine Gasoil	4,372 Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

Cem Saral, CEO, Cockett Group

About 26,000 ships transited the Suez Canal in 2023, which represents roughly 12% of total global shipping activity. About 40% of all oil and gas imports into Europe transit through the Canal, showing its importance for European energy security and supply. The last estimate we have is that about 85% of all container companies have stopped transiting through Suez. Tanker and bulk activity have also started to reduce. In normal traffic conditions, containers form about 42% of the Canal traffic, followed by tankers at 23% and bulk at 19%. Transit times have significantly increased for containers via South Africa into Europe. A typical distance from Singapore to Rotterdam is about 8500 miles through the Canal, whereas around the Cape, it adds about 42%, or 3500 miles and an average 12 days of additional voyage time. That means higher marine fuel consumption, and higher emissions, and obviously adds a significant load on to the existing traffic. If the current status quo continues for the entire year, we estimate around 3-7% additional demand on marine fuel and matching emissions. The most drastic hikes in freight costs are for the container segment, specifically to the Far East and North Asia. Rates have almost tripled from their December values. We are not seeing a direct impact on the cost of marine fuel globally, with the market quite balanced, and demand simply shifting from one location to another, but the higher freight rates are being felt by shippers and consumers.

Is there excess refining capacity coming online in Asia and the Middle East?

In China, we're seeing an additional million barrels a day capacity coming online to the existing capacity of 18.3mn b/d in the next 2 to 3 years, and that follows a 50% increase in 2023 year-on-year. But reforms in the Chinese refining system anticipate that the capacity will be capped at 20mn b/d. Also, refineries with a capacity of under or around 40,000 b/d, will be decommissioned, so there is a rebalancing act going on that is in line with the country's target of peak emissions by 2030. In the Middle East, refining capacity was just under 11 million b/d as of the beginning of 2023, a 700,000 b/d increase on 2022. The most important change this year comes with the 615,000 b/d Al Zour refinery in Kuwait. We also have an additional 260,000 b/d capacity coming on in Q1 of 2025, mostly from Bahrain and Iraq. So, net-net, there will be a surplus of fuel in the region, making the market a bit more heavily reliant on exports than local consumption.

How committed are shipping and marine fuel industries to curbing emissions?

We had 102mn b/d of global oil consumption in 2023, with projections into 2024 for an additional 1.5mn b/d. Most of the net demand will come from aviation fuels, which unfortunately brings a matching increase in emissions. Coal consumption is above 8 billion tons a year, with projections through to 2026 at the same rate. So, the sector's ambitions are high, but actual fossil fuel-based emissions will continue to rise, at least for the next 2 to 3 years.

WATCH FULL INTERVIEW HERE

Is the IMO proving an effective guide to the sector in the green transition?

The International Maritime Organisation is targeting GHG projections to be nearing net zero around 2050 and it has recently identified additional measures to curb emissions, such as incorporating additional technologies, and creating both market-based and industry-based fuel alternatives into the marine supply chain. There are already alternatives ready for use today - biofuels, LNG, ammonia, ethanol – but the issue is one of scale and economics. We have about 60,000 fleets globally but only 1200 ships, or 2%, have the capacity to consume alternative fuels. And looking at the order book of about 4700 ships, there are only 1000-1300 of those that match alternative fuels. So, there are headwinds for the marine industry to add significant additional growth in the alternative fuel space.

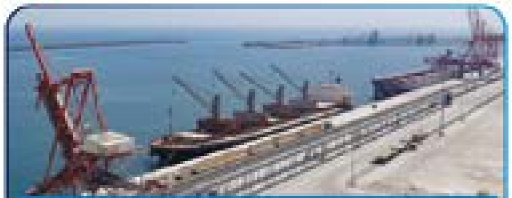
Is there enough policy clarity to spur effective marine sector decarbonisation?

Ambitions set by the likes of the IMO and COP28 are all well and good, but they need to be turned into policy at the state level. When it comes to marine decarbonization, we see the three pillars as regulation, innovation, and infrastructure. Regulation is the key component and needs to set a clear track to 2030 and beyond, moving from perhaps being prescriptive to descriptive so that investment can accelerate. The entire industry is waiting for clearer signals on this.

THE MULTI PURPOSE PORT

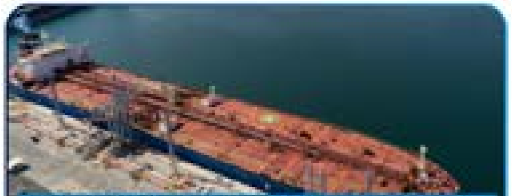
ONE OF THE WORLD'S LEADING ANCHORAGE AND BUNKERING LOCATIONS

Port of Fujairah
ميناء الفجيرة
Port of Fujairah
United Arab Emirates



Dry Bulk Cargo - Key regional aggregate export hub.

Stategically situated on the East Coast of the UAE outside the Straits of Hormuz.



Fujairah Oil Tanker Terminals (FOTT) - The Middle East's premier hub location for oil trading activities.

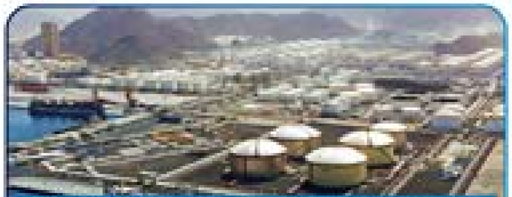
Bunkering at Fujairah Offshore Anchorage Area - Fujairah is the world's third largest Bunkering Hub.

Fujairah Terminals "FT" - FT provides a full range of container, general and project cargo services.

Extensive pipeline infrastructure connecting the Tank Storage Terminals with FOTT

Liquid Bulk Tank Storage Terminals - The Middle East's largest oil storage hub.

Fujairah Grain Silos - Strategic & commercial grain storage and trading.



FOTT Matrix Manifold System - This unique system provides terminals access to all berths as well enable ITTs between Terminals.

VLCC Berth - The first VLCC Berth on the Indian Ocean, which accommodates oil tanker up to 330,000 DWT.

Service Harbour - A Key facility to support one the world's biggest maritime service hubs.

www.fujairahport.ae

FUJAIRAH SPOTLIGHT

BUNKER HUB PRICE WATCH: FUJAIRAH

The price of high sulphur fuel oil (HSFO), very low sulphur fuel oil (VLSFO) and low sulphur marine gasoil (LSMGO) increased week-on-week at the Port of Fujairah, according to Bunkerspot Price Index (BPi) data.The price of HSFO edged up $1, from $433 per metric tonne (p/mt) on 13 February to $434 p/mt today (20 February). On 20 February 2023, HSFO at Fujairah was $398 p/mt.

Source: Bunkerspot

EtihadWE highlights cutting-edge initiatives in Fujairah

Etihad Water and Electricity (EtihadWE), a pioneer in sustainable water and electricity services, has displayed its most innovative initiatives and projects at “Innovate to Thrive” exhibition, organised by Fujairah Municipality.

Source: ZAWYA

FUJAIRAH DATA: OIL PRODUCT STOCKPILES DROP TO FOUR-MONTH LOW AS DEMAND RISES

Stockpiles of oil products at the UAE’s Port of Fujairah declined 13% in the week ended Feb. 19, the biggest weekly drop in seven months, according to latest data from the Fujairah Oil Industry Zone. The total fell to 16.648 million barrels as of Feb. 19, the lowest in four months and the biggest weekly drop since the week started July 17, the data published Feb. 21 showed. This was the first time this year that stockpiles have been lower than the end of 2023, down 4% since.

Source: S&P Global Commodity Insights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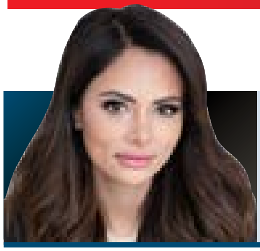


Amena Bakr
Senior Research Analyst
Energy Intelligence

OPEC+ cuts have proven to be effective so far.
We're seeing inventory levels that usually build up during the first quarter drop. Initial estimates for January show them down by about 60 million barrels. Brent is holding strong in the $80s, which is great for many of the group members. In the first week of March, they're expected to decide on what to do with the latest tranche of voluntary cuts of 2.2mn b/d, whether to extend for another quarter or bring back some of that supply gradually.

Are expectations for demand shifting?
Our estimates still see growth in demand of around 1.2mn b/d this year, which is much below the 2.2mn b/d that OPEC expects, mainly in the second half of the year. If that does happen, it leaves space for the group to bring back some of that supply into the market, which will happen gradually and on a pro-rata basis to avoid any shocks.

Is Saudi Arabia abandoning its role as swing producer?
It's a fine line between the traditional policy where Saudi used to keep spare capacity for the security of the global markets, versus keeping spare capacity for market management. What the Kingdom has said is that it will no longer keep that buffer for global security. And the spare capacity it decides to keep for market management will be at its discretion. At the same time, Saudi is still investing in capacity. There's a misconception that because it has abandoned the plans for 13mn b/d, that they're not putting money into maintaining capacity, but that is still ongoing. Plus, the plan is to use non-associated gas from the Jafura project, which will displace 1.4mn b/d of liquids, so that additional capacity could potentially be exported.

Dr. Iman Nasseri
Managing Director – Middle East, FGE Dubai

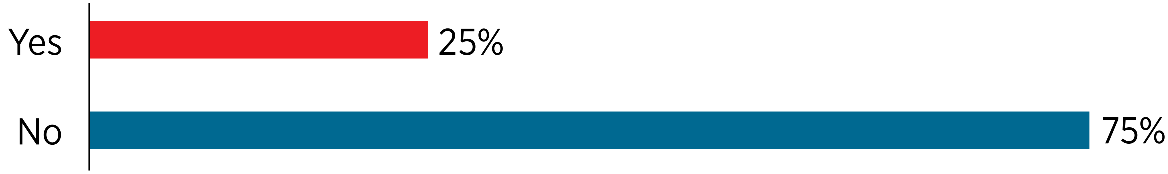
What is OPEC+ likely to decide about post-Q1 supply?
There are signs of demand recovery and an upward trend through the year. That indicates that OPEC+ would have a trajectory ahead of them to gradually phase out some of the cuts. That would basically keep the market balanced and prices at around $80 to $85, incorporating expected continued growth in China and the 400,000 b/d of post-Covid impact yet to be recovered. Overall, the trend suggests that there is an opportunity for OPEC+ to unwind about half of the latest 2.2mn b/d cuts this year.

How is the market pricing in supply disruptions from the Red Sea?
The market is getting more and more confused on how to price in the multiple geopolitical risk factors. Last year, we had a recovery in Iranian and Venezuelan barrels and the market has built in uncertainty about how long that will last. Then we had Gaza and Bab Al Mandeb. If we look at the short term, the fundamentals of the market are not as tight as the prices suggest, so that could just be an overcooked situation of the impact of trade reroutes of oil supply. But at the end of the day, the size of the risk has shrunk. All the above individual factors would have had a $5 to $10 impact in the old days, but now, all of them combined might be adding a $5 risk premium, at most.

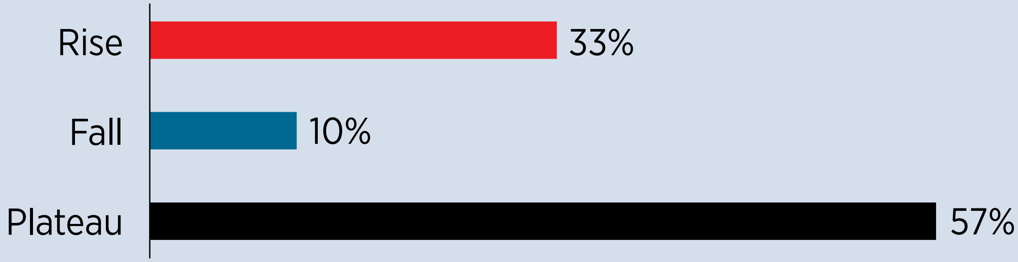
Outlook for LNG prices?
Current low LNG prices are a very short-term phenomenon. Everyone expected a tight 2024 and 2025, but due to the warm winter and to portfolio players stocking up on spot cargoes, that tightness didn't happen, and so we ended up with low prices and an oversupplied market.

GI WEEKLY SURVEYS

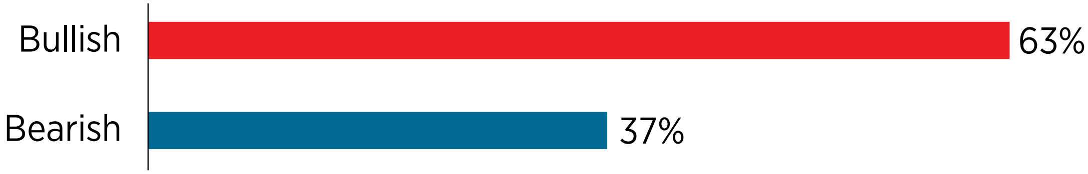
Tourism revenues in China during the Lunar New Year holidays that ended on Saturday surged by 47.3% year-on-year and surpassed 2019 levels -- will this be the trigger to reignite Chinese economy and drive prices to $90 by end of Q1?



Brent Crude Oil climbed 10% in first-half of Q1 – what will it do in 2nd-half of Q1?



The CEO of the world's most valuable chip maker "Nvidia" says Artificial Intelligence & Accelerated Computing have hit the tipping point with Demand surging worldwide across companies, industries and nations:
– will the era of AI be Bullish or Bearish for oil prices?



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ENERGY MARKETS VIEWS YOU CAN USE

Vibhuti Garg
Director - South Asia, IEEFA

India is exhibiting very strong economic growth and consumer demand.

We're seeing tremendous growth in vehicle sales, both electric and ICE. On refined products, diesel demand might drop because of good alternatives and India's climate, ambitions, but there's still a strong push on LPG and other refined products by the government. Moreover, India is poised to have an export led refining products strategy, even if it is not consumed domestically.

Outlook for AI impacting hydrocarbon demand in India going forward?

India has big ambitions on hydrocarbons, so the efficiency that will come with technology innovation will have a big impact. On the other hand, it also has a big push on biofuels, and we've started blending ethanol with petrol, already achieving a target of 20% and with an ambition to raise that further, which will drive demand for oil down. And while oil prices have softened a bit, the strategy for the country is still to try and reduce oil consumption because it's the first time in many years it has been able to reduce the current account deficit and so is in a better position with its economic growth.

Impact on India's fuel mix as it seeks to build additional nuclear capacity?

India has been looking at expanding nuclear capacity for a long time but due to limited availability of fuel and a lack of strong tie ups with other nations for supply, the plan has been postponed quite a few times. But given the country's energy demand is now expanding at a rate of 7%, nuclear is being considered. The government is eyeing small nuclear reactors, rather than big projects, and I would say it's going to be a wait and watch policy, with a limited share in the total energy mix.

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

Egypt is having problems with its gas.

Production is going down continuously while domestic demand is rising. There are a few new small discoveries that will be developed but in the meantime, opportunities for Cyprus have opened up for gas exports to Egypt. Chevron is expected to come back with a revised plan for the Aphrodite field there by April and ENI is making progress on its gas discovery in Block 6 within a couple of months and will also put forward a plan to develop that gas and sell it to Egypt. The East Med gas market remains active, with oil majors persevering with their efforts, and developments centering around Egypt. There could be more drilling in Cyprus, but Egypt is where the future opportunities are, with a growing domestic demand market. And despite the problems the government is having with production, it's still pushing for increasing use of gas in transport.

Could Egypt become a large gas exporter again?

Exports of LNG from Egypt last year were only 3.7 million tons, and this year they're expected to be even less. It's the domestic market that's attracting investment interest – gas prices compared to production costs are still quite healthy. That's why, for example, Chevron has embarked on a $24 billion project to expand production at the Tamar field by 60%, with most of the gas destined for Egypt.

Fujairah Weekly Oil Inventory Data

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 16.648 million barrels with a fall of 2.501 million barrels or 13.1% week-on-week. The stocks movement saw a fall across all three stock categories. Heavy residues posted the highest outright fall in stocks, followed by middle distillates with light distillates showing the smallest outright draw.

- Stocks of light distillates, including gasoline and naphtha, fell by 636,000 barrels or 9.2% on the week to 6.293 million barrels. In Asia, the gasoline complex faced some downward pressure amid a rise in gasoline imports from the Middle East, sources said. In tenders, India's Nayara was heard offering up to 35,000 mt of non-oxy gasoline 92 RON for loading over March 18-22 via a tender that closes Feb. 20, sources said.

- Stocks of middle distillates, including diesel and jet fuel, fell by 818,000 barrels or 28.5% on the week to 2.050 million barrels. Fundamentals in the East of Suez gasoil complex were largely steady as trade sources await further pricing cues from the recent flurry of spot tenders. Bahrain Petroleum Company is offering 40,000 mt or 60,000 mt of 10 ppm sulfur gasoil loading over March 19-22 at the Mean of Platts Arab Gulf gasoil assessment, FOB Sitra. Looking West, European gasoil/diesel demand remains weighed down by weak economic growth especially in the manufacturing sector, analysts from S&P Global Commodity Insights said in a late-Feb. 19 note. Still, trade sources observed that there is demand for Asian-origin cargoes from Europe. "East-West arbitrage demand is a bit shaky but I do see some cargoes moving from Asia to Europe," a regional gasoil trader said.

- Stocks of heavy residues decreased by 1.047 million barrels, down 11.2% on the week as they stood at 8.305 million barrels. Inclement weather around Fujairah has slowed downstream refueling operations and reloading of bunker barges at the local terminals, whereas downstream demand was seen at least moderate despite disruptions, traders said. "Bunker demand isn't too bad ... There's delivery delays and some suppliers encountered [logistical] issues, but nothing critical," a Fujairah-based bunker supplier said. During and outside the MOC process, Fujairah-delivered marine fuel 0.5%S was heard offered at $622-$634/mt, with lower to mid-range offers for product deliverable from Feb. 26-March 1 onwards; no bids or offers were heard during the MOC process. Platts assessed the grade at $625/mt Feb. 20, $2/mt higher on the day.

Source: S&P Global Commodity Insights

ENERGY MARKETS NEWS

1. Oil edges higher, holding to gains made on signs of tighter supply
2. Western Hemisphere oil output surges, with a helping hand from OPEC: Kemp
3. Britain to exit Energy Charter Treaty over failure to align with net zero
4. US Crude Oil, Gasoline Inventories Boom
5. Japan's Nikkei nears record peak after Nvidia beat, rest of Asia muted
6. Egypt: Suez Canal revenues down by half, says Al-Sisi
7. Dollar rangebound, an array of PMI data awaited
8. European Natural Gas Demand Tumbles to 10-Year Low
9. US Court Ruling Sends Venezuela's Oil-Backed Bonds into Collapse
10. Gold edges higher on safe-haven demand, weaker dollar

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Fujairah Oil Industry Zone

The Gateway to the World's Fastest Growing Energy Consumers!

As the UAE's only emirate on the Arabian Sea coast, Fujairah is at the heart of the new energy corridor opening up East of Suez to Asia. The emirate is already established as a world-scale storage and bunkering center alongside Rotterdam and Singapore and is set to benefit in the next few years from companies' plans to expand crude and petroleum product facilities to avail of the state-of-the-art physical infrastructure on offer.

STRATEGY

Developing the petroleum strategy for investment in the region

REGULATORY AUTHORITY

Regulating all aspects associated with the Oil and Gas industry

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Providing administrative services to stakeholders for smooth operation of the business

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Infrastructure enablement & provisioning for companies investing in the region.

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GI SOUNDINGS WEEK IN REVIEW

"Brent Crude Continues to Hold in 'Goldilocks' $80-85/bl Range!"

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.

OIL PRICES

"I think we're going to see, not only new all-time highs, but maybe a doubling of the oil price over the next three or four years. There are a lot of issues – with supply, with shale, with investment, with refineries, with shipping - so you have to take a bigger view."

Omar Najia , Global Head, Derivatives, BB Energy

DEMAND PROJECTIONS

"There are so many factors to consider when it comes to long term oil demand. There are the classic ways of forecasting economic and population growth, but today we also have phenomenons like AI, and no one can really predict how that may impact electricity or energy demand."

Dr. Sara Vakhshouri, Founder & President, SVB Energy International

US OIL

"There's one primary force to stop US supply, and that's low prices. We're still around $80 WTI which is well above the $50 breakeven cost of production. The only way OPEC can shut off that supply is to increase production so that prices drop to around $40."

Mike McGlone, Senior Macro Strategist, Bloomberg Intelligence

GI SOUNDINGS WEEK IN REVIEW

RUSSIAN GAS

"Russian gas started to decline into Europe from the summer of 2021. Even if Europe were to ask for additional volumes, Russia might not agree and even if they did, that would have political implications that many in Europe would not like, so that scenario remains very unlikely."

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

MIDEAST TENSION

"The instability in the Middle East is a big concern for China's energy security and trade. It has not disrupted oil flows yet, but the tension can push up prices and push up Chinese refineries' costs, and that would dampen its demand, for crude and domestic fuels like gasoline."

Victor Yang, Senior Analyst, JLC Network Technology

OPEC+ MORE OF THE SAME

"I would say that it is likely that OPEC+ will extend their portfolio of oil output cuts into Q2 given where prices are at present. OPEC+ seem very content with where oil markets are at right now, so I think it's more of the same for the time being."

Paul Hickin, Editor-in-Chief, Petroleum Economist

AI – BEARISH OR BULLISH?

"At the end of the day, ARTIFICIAL INTELLIGENCE is going to be something that will reduce net fossil fuel demand at least and accelerate green energy usage in the process while reducing per unit of GDP the amount of energy required."

Jamal Qureshi, Managing Director, Analysis & Strategy, Petro-Logistics

GI Consultancy Intelligence Publishing

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