APRIL 9th 2020
VOL. 24

Fujairah New Silk Road WEEKLY NEWSLETTER

EXCLUSIVE INSIDE
GLOBAL OIL EXPERTS SHARE THEIR INSIGHTS PAGE 3

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

AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

"IT'S AS IF OPEC WENT THROUGH THE FIVE STAGES OF DENIAL."

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

The US shale oil industry has surged over the last decade and benefited greatly from the efforts of OPEC to support oil prices. Where was the US shale industry before the current market crisis?

I blame OPEC and its members not because they increased prices, but simply because they ignored shale. They were warned between 2011-2013 to pay attention. OPEC was advised to reduce prices at the time, which were between $100/bl - $110/bl because of the Arab Spring. The problem was their naivety behind the shale industry's potential. OPEC and its members finally woke up at the end of 2014, but it took them five years to realize the impact of shale. It's as if they went through the five stages of denial. While all the focus is currently on oil and shale, this is only part of the story. The Gulf nations and other OPEC members made four strategic decisions over the past three decades to invest in energy intensive industries:

1. They developed petrochemical plants based on the idea that natural gas was very cheap.
2. They built mega refineries that cost billions of dollars to produce petroleum products for exports.
3. They shifted their focus to natural gas liquids (NGL), because they are not included in the OPEC quota.
4. They made a giant pivot towards Asia because of the growing demand for crude.

It worked fine for a while until the US shale industry came online. It hit all four of the strategic decisions that the Gulf nations and OPEC members implemented. On the petrochemical side, ethane is abundant in the US and it is extremely cheap. Natural Gas is abundant in the US and is very cheap; in fact, we have negative prices for it at the moment. Also, from the refining side, when the US export ban was lifted refineries made a fortune exporting to other countries. NGL prices in the US are currently 1/3 of their original price.

WATCH FULL INTERVIEW HERE

Fujairah Weekly Oil Inventory Data

5,726,000 bbl	2,530,000 bbl	15,445,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues



Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.54 – $4.38/m³

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

*Time period: Weekly

Source: GI Research

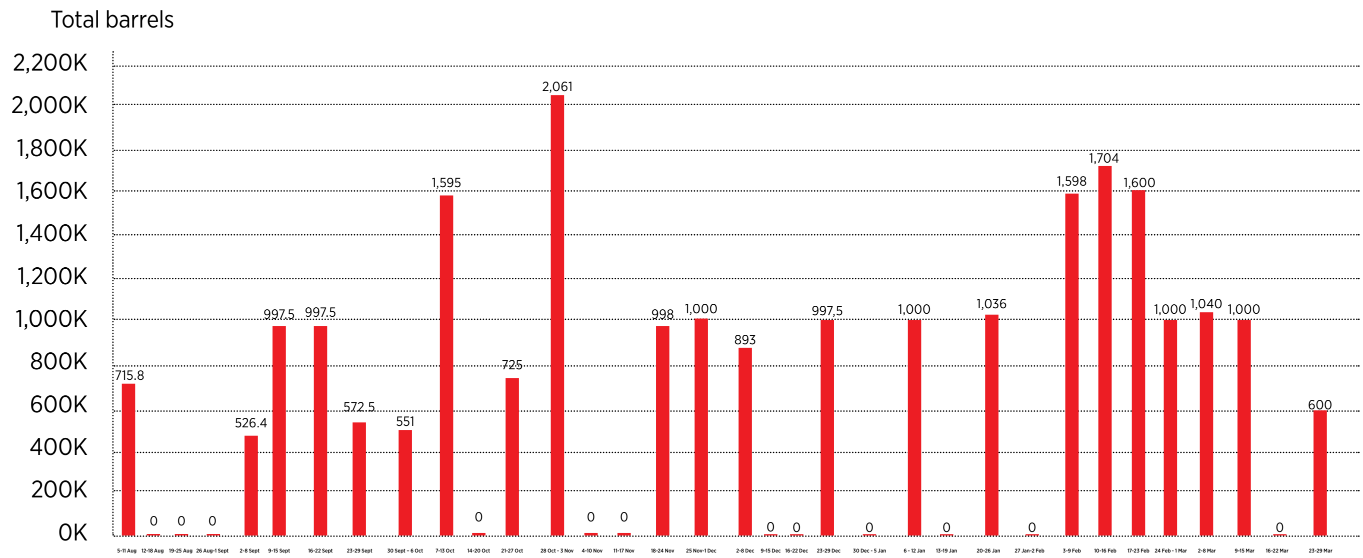
Insights brought to you by: 2010 GI 2019 Publishing Thegulfintelligence.com

Weekly Average Oil Prices

Brent Crude:	$33.18/bbl
WTI Crude:	$25.89/bbl
DME Oman:	$29.36/bbl
Dubai:	$33.42/bbl

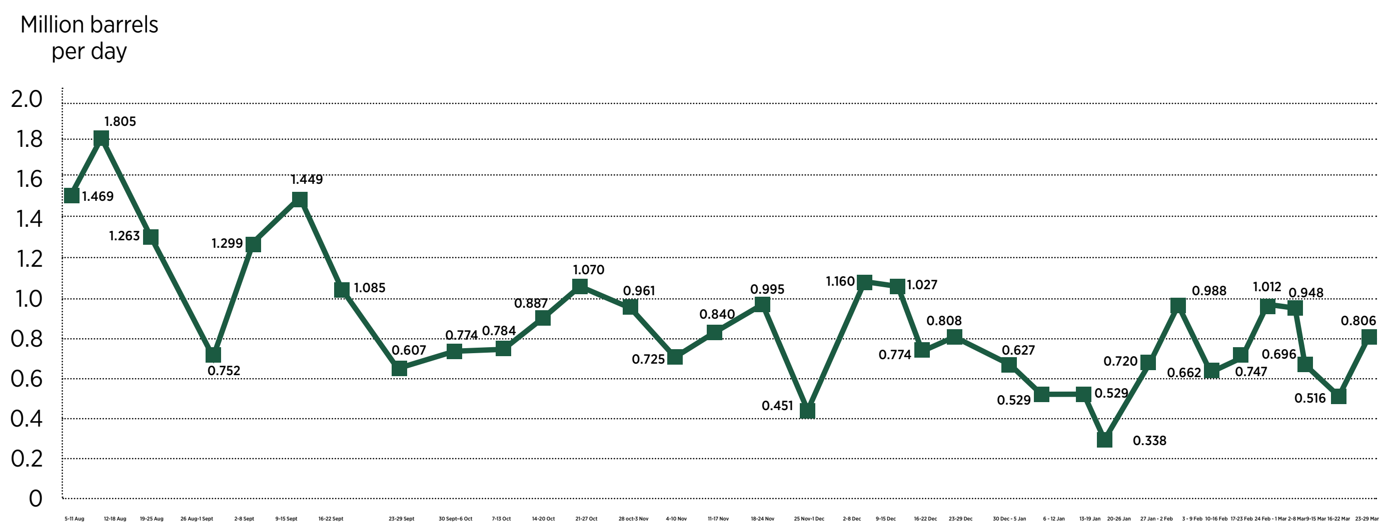
Time Period: Week 1, April 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

GIQ EXCLUSIVE SOUNDINGS

OPEC++

Oil faces a critical day as Saudi Arabia, Russia and other global producers will meet to try and secure a deal aimed at stemming the crash in oil prices. A deal between the world's oil powers is far from certain, as is US additional production cuts.

Over the last week, GIQ has engaged with oil market experts in Asia, the Middle East and Europe. The intelligence below is harvested from these exclusive briefings.

Dr. Anas Al Hajji, Managing Partner, Energy Outlook Advisors LLC
"Those who are participating with full authority are faced with three major questions:

1. What is the base of the production cuts? Are you going to start from April 2020 or are you going to look at the average over Q1 2020? The Saudis prefer to count April 2020, because they have already increased production. The Russians prefer to count the average over Q1 2020 because the Saudis will have to cut more.
2. What is the definition of a cut? Do we include shutdowns as a cut? Do we count previously planned growth for production in 2020 that's no longer viable as a cut?
3. What is the duration of the cut? Is it for 60 days, 90 days, or until the end of the year? If it is only for 60 days, then it will have no impact on the market except for a short rally. If the cuts last until the end of the year, then it will have tremendous impact on the medium-term."

Adi Imsirovic, Research Associate, The Oxford Institute for Energy Studies
"Most analysts have pointed out that any agreement is unlikely. I wouldn't disagree with that, but the times are so dire that I also wouldn't exclude some sort of general understanding that cuts have to be made."

Christoph Ruhl, Senior Research Scholar of International and Public Affairs, Columbia University
"This situation that we have now was not caused by too much competition. It is not going to be solved by having a quota regime and government interventions."

Vandana Hari, Founder and CEO, Vandana Insights Singapore
"There still remains a commitment between Saudi Arabia and Russia to do something about the oil price crash. Both countries have said they want the US to join in the effort of collective curbs but the big question now is whether the US will join."

Malek Azizeh, Commercial Director, Fujairah Oil Terminal
"This is the perfect storm. Oil production cuts are absolutely necessary now. But how much will it help? Demand itself is low. If they hadn't overproduced, maybe we wouldn't have felt the pain as much as it is today."

Omar Najia, Global Head of Derivatives, BB Energy
"The bottom line is people tend to forget the extent of this demand destruction."

Gaurav Sharma, Senior Market Columnist, Forbes
"If we look at where OPEC is going, this is one of the most crucial meetings ever. But it must be caveated on what their capacity is, in order to act on what they are saying."

GIQ EXCLUSIVE

SUPER CONTANGO

The Rise and Fall of Oil Tanker Freight Rates

The sharp drop in prices has resulted in an oil market structure of super-contango levels – where the contango structure is to remain several months out and storage becomes a major feature of oil pricing.

This is the result of a unique combination of declining demand and oversupply of crude in the market fueled by uncertainty and instability. However, a potential new agreement on production cuts during OPEC++ meeting brings promise of more stability in the market and an end to the oil price war. The question is, when will crude oil's forward curve change from contango to backwardation?

+ $10/b
is Dubai Mercantile Exchange's totaled six-month contango as of April 2
Source: Dubai Mercantile Exchange

12.4mn bpd
is the projected oversupply of crude in the market for Q2, 2020
Source: IHS

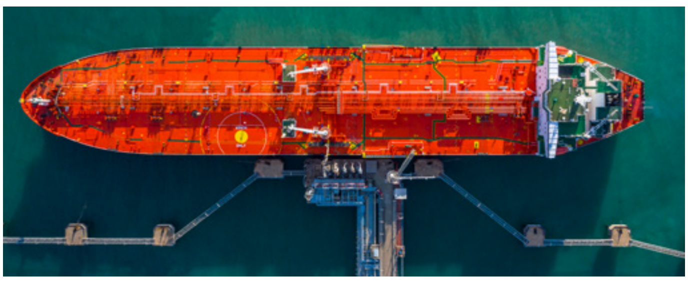
2.1mn b/d
Is the projected rise in demand in 2021
Source: The International Energy Agency(IEA)

25%
Decline in Crude tanker rates in the week ending on April 9th
Source: Lloyd's List

Traders are resorting like never before to storing oil. Cheap crude is finding itself in government facilities, state-owned enterprise storage, the independent storage companies, and commercial storage units until prices rise again. However, the strong pick up, especially in floating storage is not sustainable given that the current market imbalances are unlikely to last.

"The Saudi-Russia crude price war is temporarily offsetting a slowdown in demand for dirty tankers, but this will only underpin the market for so long - and the outlook is not shaping up positively in the medium term. On the contrary, the medium term outlook is gloomy."

Peter Sand
Chief Shipping Analyst
BIMCO



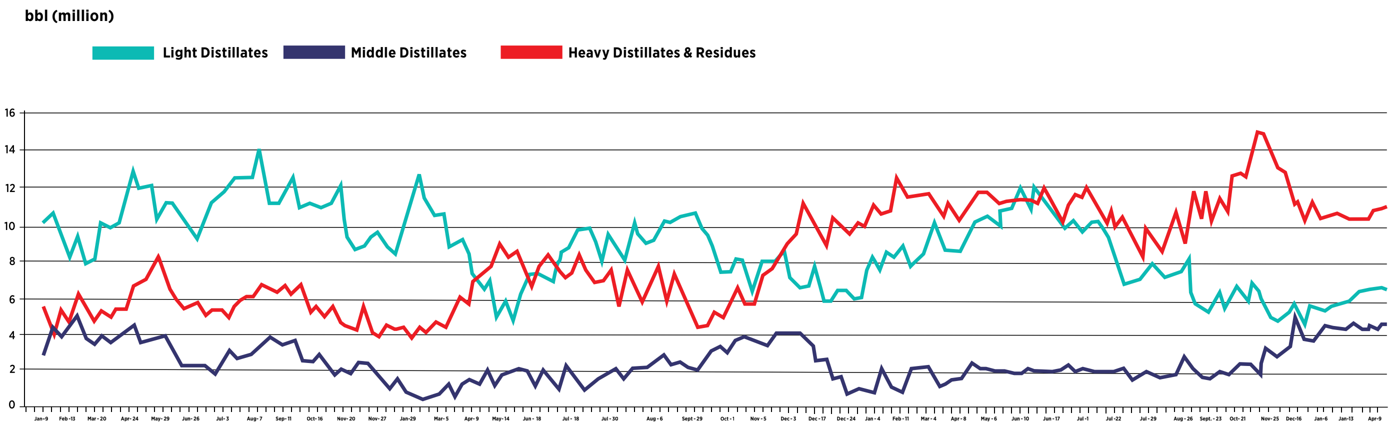
Crude Tanker Spot Market

From under $30,000 Per day in January
Increased to Highs of $280,00 Per Day in February
Declined to Highs of 200,000 Per day in March
Further decline to $125,000 per day on April 8th

Source: Clarksons Research

Fujariah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

Monday, April 6

- **Total oil product stocks in Fujairah stood at 23.701mn barrels. Stocks rose by 3.5% or 804,000 barrels week on week, with heavy residue stocks hitting a fresh record high of 15.445mn barrels.**

- **Stocks of light distillates saw a fall of 381,000 barrels or 6.2% week on week. Total volumes stood at 5.726mn barrels. The East of Suez gasoline market was characterized by growing regional supplies continuing to outstrip demand. At the pump demand levels have fallen significantly in recent weeks, as Middle East countries limit movement to stop the spread of the coronavirus. This in turn was putting pressure on values, with the gasoline crack turning deeply negative. Physical 92 RON gasoline cargoes slumped to a $10.74/bl discount to front month ICE Brent futures on Tuesday, their lowest level since November 2008.**

- **Stocks of middle distillates rose by 9.8% or 226,000 barrels to stand at 2.530mn barrels at the start of the week. The middle distillates market similar to the gasoline market remained under downward pressure, weighed down by weak demand against a backdrop of ballooning supplies. The bearishness comes as spot gasoil volumes, both for the ultra-low sulfur as well as medium sulfur grades, were seen being readily available.**

- **Stocks of heavy distillates rose by 6.6%, adding 959,000 barrels on the week to stand at 15.445mn barrels setting a fresh record high. The previous record high was 15.425mn barrels seen on November 18, 2019. Traders noted that demand for low sulfur bunker fuel picked up this week in Fujairah.**

Source: S&P Global Platts

"Today is crunch day for OPEC and their new buddies and things don't seem to be going that well."

BY MATT STANLEY
DIRECTOR
STAR FUELS

Brent is trading this morning at $33.35/bl up 0.51 and WTi is trading at $25.96/bl up 0.87 from last night's close. I'll keep today short and sweet. I was going to start today with a joke about Easter Eggs. But it's not all it's cracked up to be. Ooooh that one was too much almost, even for me. OK, on to other madness - this oil market. So, a gargantuan build on US oil stocks yesterday, which hardly came as a surprise. Today is crunch day for OPEC and their new buddies and things don't seem to be going that well. I think it can be safe to say, as I have been saying all week, that not one of the big three, i.e. Russia, Saudi and the US are going to do anything without the other. And who can blame them? It's hardly belligerence when the market share battle has intensified so acutely over the last month - especially with demand dropping so dramatically. I imagine we will see the US cut production, not out of goodwill to balance the market, but out of pure economic pressures. Russia will likely have calculated what the drop in US production level will be and match it, but only after having ramped up production in March and the Saudi's will likely do the same. What do we reckon that will total? 6mn b/d? And that's from March remember, which has seen a sizeable increase in production. Let's wait and see but don't expect the deal of the century to be thrashed out over Skype. However, do expect the bulls to jump on any kind of headline and take us up to a frankly dizzy $40/bl before you can say, "oh go on then, just one more mini egg". To all those celebrating it - Happy Easter. And to everyone, everywhere, stay safe and stay home. Have a good long weekend!

April 9, 2020

ENERGY NEWS Highlights

Saudi Arabia Sends Wave of Supertankers to US Ahead of Oil Meeting

The world's top oil exporter, Saudi Arabia, is making good on its promise to flood the world with oil even as demand collapses, with a surge in tankers carrying Saudi crude to the United States. So far this month, at least seven supertankers carrying a total of 14mn barrels of oil are currently traveling to the US Gulf Coast.

Sources: OilPrice, Bloomberg

Trump's Coming Oil Shock: Shale Can't Cut Enough to Save Itself

The reality is this: It doesn't matter what Russia or Saudi Arabia do. Any possible production cuts are irrelevant in the short term because no matter how deep they go, they are no match for the impact that Covid-19 lockdowns are already having on oil demand and will not raise oil prices high enough to save the US shale industry. Some will go bankrupt, others will be weakened. U.S. production will experience a steep decline.

Source: Forbes

India shuns Gulf producers, diverts refiners' oil to SPR

India will divert 19mn barrels of Gulf oil from state-run firms to strategic petroleum reserves (SPRs) skipping direct purchases from producers to help refiners get rid of extra oil as their storage is full. India's decision to divert cargoes meant for state refiners will not soak up excess oil from the market following the demand collapse caused by the coronavirus pandemic, but it will help local companies to avoid demurrage charges at a time of expensive freight.

Source: Reuters

Global Oil Deal in Sight as Russia Signals Readiness to Cut

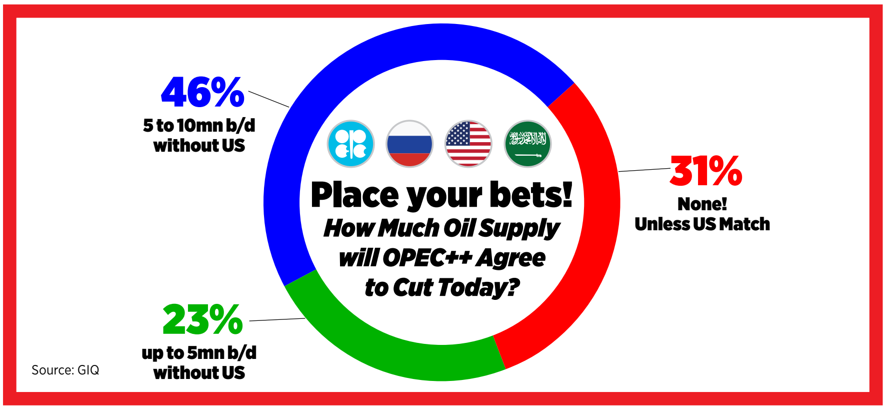
Moscow, whose grudge against US shale is arguably the biggest obstacle for a deal, said Wednesday, April 9, it's willing to reduce output by 1.6mn b/d, or roughly 15%.

Source: Bloomberg

Oil Tanks at Vital Africa Hub Almost Full as Crude Floods Market

Oil tanks at one of the world's largest storage hubs on Africa's southern tip already are almost full, limiting traders' options as a historic flood of crude hits the market. The 45mn barrel Saldanha Bay crude oil storage terminal, the largest in the Southern hemisphere, has been a vital outlet for surplus crude in past slumps, such as the Great Recession of 2008-09. This time, as the combination of the coronavirus pandemic and Saudi Arabia's price war with Russia creates a record-breaking oversupply, its role may be more short-lived.

Sources: Transport Topics, Vitol



Source: GIQ

Gulf Intelligence
~ Presents ~

THE ARAMCO TRADING
NEW SILK ROAD

CEO

– OF THE YEAR –
AWARDS 2020
FUJAIRAH
SEPT. 28th 2020

aramco trading

International Selection Committee 2020

CHAIRMAN
Ibrahim Al-Buainain
President & CEO
Aramco Trading

Capt. Mousa Morad
Managing Director
Port of Fujairah

Mike Muller
Director – Oil Business Development
& Head of Trading
Vitol Asia

Martin Fraenkel
President
S&P Global Platts

Datuk Md Arif Mahmood
Executive Vice President &
CEO of Downstream
PETRONAS

Thomas Waymel
President Trading & Shipping
Total Oil Trading SA

Roger Chia Kim Piow
Chairman & Managing Director
Rotary Group of Companies

Consultancy
Intelligence
Publishing