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Fujairah New Silk Road WEEKLY NEWSLETTER

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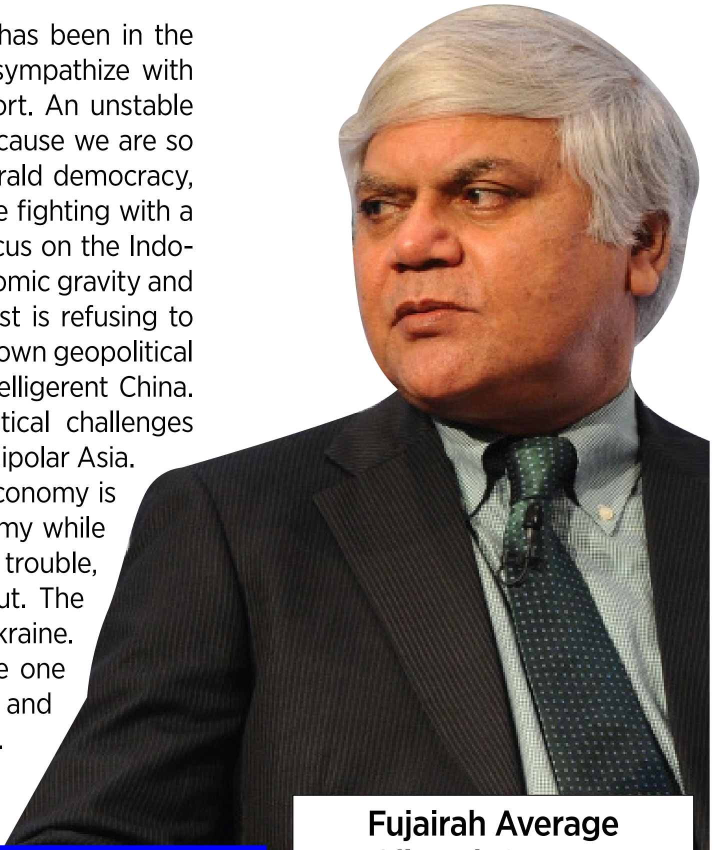
EXCLUSIVE INSIGHTS /// ACTIONABLE INTELLIGENCE /// DATA TRENDS /// LATEST NEWS

"West should focus on China's rise and not declining power like Russia!"

Narendra Taneja, India's Leading Energy Expert

Any democracy which is invaded the way Ukraine has been in the modern civilized world in 2022, is unacceptable. I sympathize with the people of Ukraine, and they have my full support. An unstable Europe is also terribly bad news for India, simply because we are so dependent on each other. Of course we need to herald democracy, but the West should not get bogged down in Europe fighting with a declining power like Russia. We want the west to focus on the Indo-Pacific region. That's where the centre of global economic gravity and centre of energy gravity has moved to, but the West is refusing to acknowledge it. They will end up compromising their own geopolitical interests and facilitating the further rise of a very belligerent China. The Indo-Pacific region is where the real geopolitical challenges start, with China at its centre. China wants to see a unipolar Asia. Also, from an economic point of view, the Russian economy is much smaller than ours. We have a $3 trillion economy while Russia's is $1.75 trillion. When Russia's Rosneft was in trouble, India's national oil company, ONGC, bailed them out. The West needs to consider what they are doing for Ukraine. Are they fighting for its people or looking to topple one individual, Vladimir Putin? The threats, the challenges and the opportunities, are all here in our part of the world.



CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

6,787,000 bbl	2,464,000 bbl	9,773,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

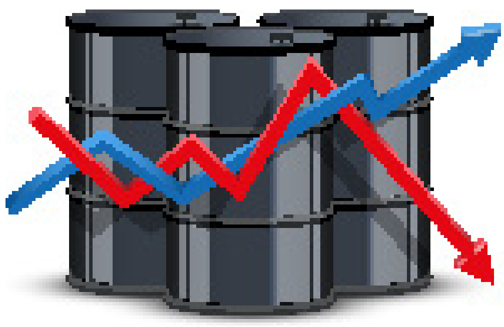
Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.54 - 4.38/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.20/m³

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude:	$106.22/bl
WTI Crude:	$103.66/bl
DME Oman:	$99.59/bl
Murban:	$101.13/bl

*Time Period: Week 1, March 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $868.50/mt

Low = $767.50/mt

Average = $801.50/mt

Spread = $101.00/mt

MGO

High = $1, 028.50/mt

Low = $930.00/mt

Average = $968.50/mt

Spread = $0.00/mt

IFO380

High = $613.00/mt

Low = $543.000/mt

Average = $567.00/mt

Spread = $70.00/mt

*Source: Ship and Bunker, *Time Period: February 23 – March 2*

Fujairah Bunker Sales Volume (m^3)

288 180cst Low Sulfur Fuel Oil	497,670 380cst Low Sulfur Fuel Oil	119,747 380cst Marine Fuel Oil
1,215 Marine Gasoil	27,169 Low Sulfur Marine Gasoil	5,341 Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Narendra Taneja, India's Leading Energy Expert

How vulnerable does the war in Ukraine leave India in terms of flow of oil?

We are not so worried about the physical supply of oil because that will continue. The bulk of our oil comes from the Middle East, the US, and other geographies. Less than 2% of our energy imports come from Russia. Also, our investments in Russia are well protected and Rosneft's recent investment in a big oil refinery in India is very well protected, from the Russian viewpoint. The issue for India is when oil prices go above $72, because our budget is based on that. It affects our fiscal discipline, fiscal deficit, the value of the Rupee and practically everything. The fact remains, we are very much an oil economy.

> "The issue for India is when oil prices go above $72, because our budget is based on that. It affects our fiscal discipline, fiscal deficit, the value of the Rupee and practically everything. The fact remains, we are very much an oil economy."

Will we see demand erosion if oil settles solidly around $100?

As far as Indian demand is concerned, there can't be any destruction. Our target is to go back to a 9% growth rate, and so we are going to need oil, at whatever the price. In Delhi, there is already discussion on how the central government and various state governments should go about cutting taxes, so that the burden of the high oil price on the ordinary consumer can be reduced, to the extent possible. The other worry is long-term energy security. If the oil price is sustained at $100, that's very bad news for us. That's why we are keeping in contact 24/7 with Saudi Arabia, with the UAE and with our other friends. It's also bad news for a developing economy like ours because that would come to some extent at the cost of our efforts on the energy transition, renewables and so forth, because we'll have to actually invest even more in oil and gas, where we can. It is very complex for large economies like India, which are 85% dependent on imported oil.

Energy Markets Views You can Use

Vandana Hari
Founder & CEO, Vanda Insights

OPEC+ has completely lost touch with the realities on the ground.
This has to be a wake-up moment. I was in favor of the steps they took in 2020 and 2021 and the caution that the Saudi leadership especially, advocated as we were still getting out of Covid. But as we stand now, it's absolutely damaging for the group to stand their ground and say that they expect this year to be swinging into an average surplus of 1.1 million bd. Customers are having to buy oil at $100 in the market today. The group's entire argument of balancing and restoring stability to the markets and that they don't care for prices, is no longer valid. They ought to care about prices - that's what their customers care about, and they are in pain. Nevertheless, OPEC+ is likely to stick to their production plans regardless, and I would not expect Russia to walk out of the alliance either.

Demand and geopolitical risks will continue to support prices
For the most part, the world has put Covid behind it, demand is going to continue bounding higher and geopolitical risks to supply continue to multiply. Global oil inventories have been drained far beyond the 2015-2019 average target and several OPEC members are also struggling to revive output and will most likely continue to do so. A potential coordinated release of SPR barrels appears to be the only quick countermeasure to crude's rally. OPEC+ will need to keep a close eye on that as it can chip away at their stranglehold over modulating global oil supply and erode their image as a market-balancing agent. A revival of the Iran nuclear deal could also help but maybe not in time to offset the Ukraine price premium.

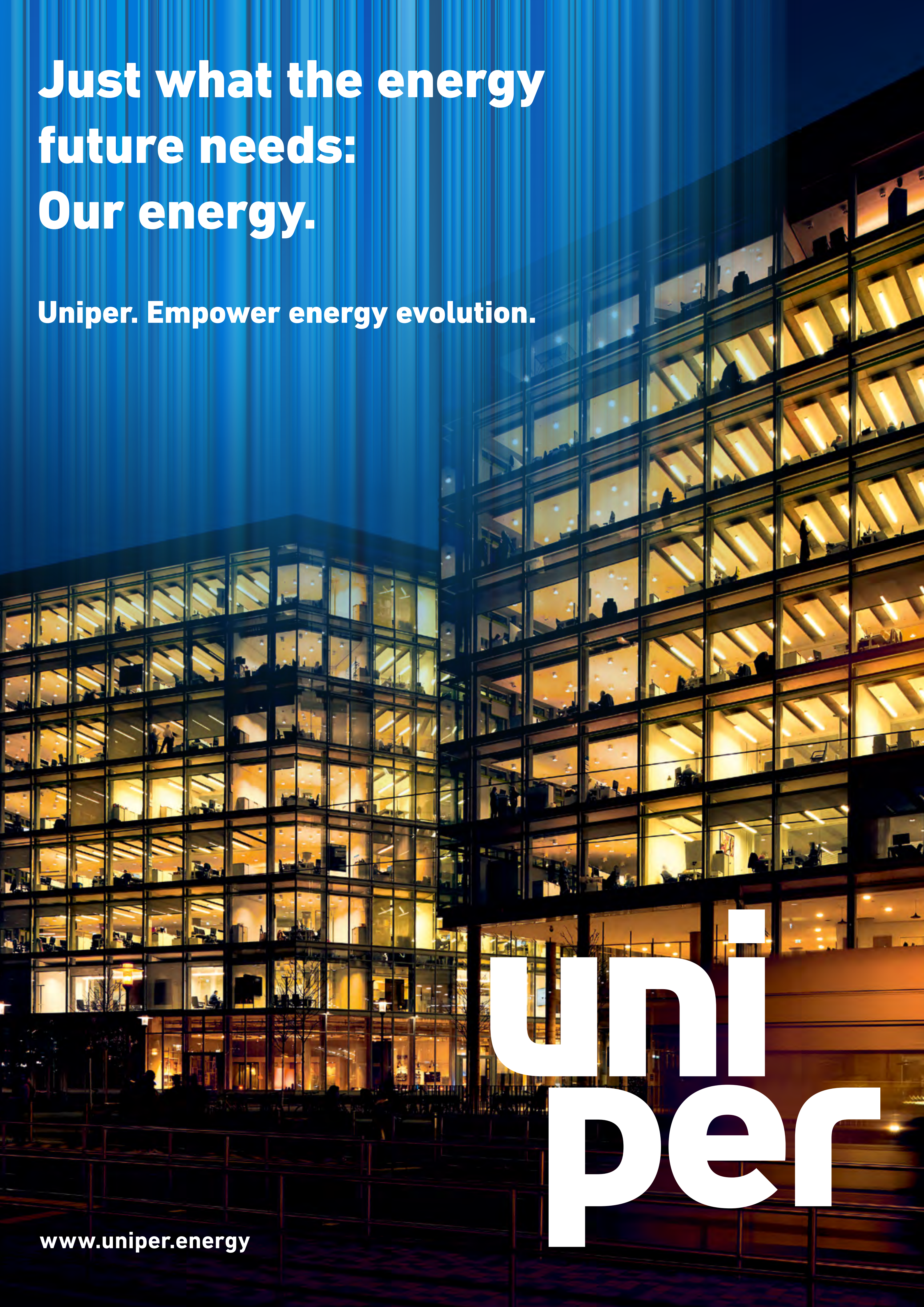
Randall Mohammed
Managing Director, PetroIndustrial USA

Will OPEC+ act to protect against any potential disruption of Russian oil?
It all depends on whether they believe it will be curtailed. If they do, they're going to have to step up production. The issue is where to find the extra barrels. Saudi Arabia, as the swing producer, can put two million bd onto the market within 90 days and between Kuwait and the UAE, you probably have about 600,000 bd in spare capacity. The question is, are they willing to tow the line and my sense is they're not. They did reach about 420,000 bd in February but I'm not sure they can sustain that.

Biden seems to have had a change of heart on US production?
The White House may have implied that the US needs to increase production but at the end of the day, those are private producers so it's all about the margin. If anything is done, it will be on the quiet. Biden won't want to antagonize those environmentalists and he will continue with his green policy and roll out of 500,000 EV charging stations.

Do you expect the Fed to change its plans because of the war in Ukraine?
We are still grappling with extremely high inflation of 7.5% in the US and gas prices at the pump right now are pushing in excess of $3.53 per gallon. My general sense is that Fed Chairman Powell is going to be a lot more conservative now. He will stick with the 25 basis point increase in March and gradually increase that over a period of seven quarters, and scale down asset buying by $15 billion per month over an eight month period. And they have to keep an eye on the S&P 500, unemployment claims, and the money supply.

Response in the US to how Biden has acted on the Ukraine invasion?
The average American is more concerned about food prices and having to pay an extra thousand dollars a year to fill up his tank. I expected to hear the banning of crude imports. The US imports just under 600,000 bd from Russia. If the U.S. does decide to curtail or cut that, we could look to the south. We've got Venezuela, and Guyana is now producing upwards of 300,000 bd. And let's not take Iran off the table just yet. The US should try to conclude that negotiation and get some of those barrels onto the market. That would be a huge plus for Biden going into the midterm elections.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Energy Markets Views You can Use

Andrei Belyi, PhD
Professor, Founder & CEO
Balesene OÜ

How much economic pain is the West willing to take to pressure Russia?
The fact that Western countries decided to freeze Russian central bank assets of around $600 billion, means that they are ready to make sacrifices. We don't know to what extent they are ready to go any further. In turn, Russia will certainly now buy gold and at some point, it will have to sell gold, so that could be an interesting area to watch.

How serious could the energy supply question get for Europe?
The question is whether the Europeans are willing to implement solutions. In the medium term, they could but they would have to be more supportive towards LNG. Since the announcement of the Green Deal, Europe has not been, as it sees LNG as an old fuel and that has actually been quite beneficial for piped gas exporters, mainly Russia. Even the hydrogen argument favors piped gas because you cannot enrich hydrogen with LNG, so that strategy would also allude to more cooperation with Russia.

Why did the west and so many global analysts read Putin so wrong?
I didn't expect the developments which started at the end of February. The cost-benefit analysis for the last eight-year standoff between Russia and Ukraine meant Moscow not having a direct involvement. Now, by recognizing and conducting a military operation to defend two breakaway republics, the Kremlin has entered into a new logic of cost benefit and one can only guess at what that is. The West has perceived this as a step towards real escalation and implemented sanctions that will be harmful to the Russian economy. Until now, the implicit position had been no direct intervention in Ukraine, no serious sanctions. The next stage will be a real standoff between Russia's military superiority on the regional level and Western superiority on the global financial level.

Adi Imsirovic
Senior Research Fellow
The Oxford Institute for Energy Studies

The oil market is in denial to the conflict in Ukraine.
There's absolutely no way that the West can even make a dent in Russia's willingness to negotiate anything unless that eventually involves energy. It is almost half of the Russian budget and a big chunk of their exports. I would not be surprised if we see a loss of some Russian supply. We are already seeing people avoiding loading Russian crude which is also why we've seen with deepest discounts ever. Russian crude in Northwest Europe is trading about $11 below dated Brent. Shipowners are avoiding Russian ports. Freight rates and insurance premiums are going through the roof. Russia exports up to half a million barrels of fuel oil to the US and a lot of gasoline components to the US Gulf, Brazil and elsewhere. If there's a shortage of diesel in Europe, that will affect the arbitrage from Asian markets. The spread on Brent between M1 and M12 is already close to $15 a barrel so even a loss of one to two million barrels would result in much higher oil prices. I'm very surprised that the market is trading at these levels and not at $110 or $120.

Has the purpose of OPEC Plus run its course?
The purpose of the group is short term revenue maximization, so I don't' expect them to do anything different, particularly because the whole organization is very fragile right now because of the Russian involvement. The market could certainly do with more supply but there's always enough oil at a price and the backwardation and premiums today are reflecting that shortage of oil at the right price.

How important is the Black Sea vis-a-vis movement of commodities?
Roughly two thirds of all Russian exports are seaborne. Turkey has clearly put its weight behind Ukraine rather than Russia, which makes it very interesting. Outside the US, Turkey is the most powerful country in terms of size of army. If it were to block the Bosphorus Straits and so forth, we would very quickly lose about 1.5 million barrels of crude and products. I would not be caught short in this situation – it's so fluid and so complex. The West will very soon realize that ending Putin's reign is probably the only way to bring some stability back to Europe.

GI Soundings Week in Review

Oil Soars beyond $110/bl as OPEC+ Hold Firm On Production Plans

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.

- **Joseph McMonigle, Secretary General of the International Energy Forum (IEF)**
- **Edward Bell, Senior Director, Market Economics, Emirates NBD**
- **Yesar Al-Maleki, Gulf Analyst, Middle East Economic Survey (MEES)**
- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**
- **Kate Dourian, FEI, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington**
- **Robin Mills, Chief Executive Officer, Qamar Energy**

Joseph McMonigle, Secretary General of the International Energy Forum (IEF)

"The oil market is vulnerable to volatility given tight supply/demand balances, reduced inventories, and low spare production capacity. The shortfall in investment in upstream oil and gas projects and supply chain bottlenecks have further exposed the global energy system to risks." (Source: IEF press release)

Edward Bell, Senior Director, Market Economics, Emirates NBD

"This week, eyes will turn to the response of OPEC+ to the Ukraine conflict. We expect they will maintain plans to add another 400k b/d when they meet on March 2nd. Russia does still remain part of the producers' alliance and most of the crude actually departs via ports far from the conflict."

Yesar Al-Maleki, Gulf Analyst, Middle East Economic Survey (MEES)

"Russia understands that weaponizing energy commodities may backfire on its economy long term. It's a double-edged sword that Moscow is too intelligent to utilize. At the same time, the West doesn't want to go down that route. So, we are currently pivoting between these two options and business as usual."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence

"The crude oil market is likely to mirror past reversion patterns from elevated prices. Brent crude has dropped about 80% on three occasions since the 2008 peak. It's possible that Russia's invasion of Ukraine triggers global recession and accelerates electrification and decarbonization trends." (Source: Bloomberg Intelligence)

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

"As far as we know, OPEC+ intend to stick with the current agreement because they really need Russia to be on board. We are now seeing new sanctions coming up and phone calls from President Macron to Saudi Arabia and Qatar around energy security and so OPEC could argue that to provide that, Russia has to be part of the equation."

Robin Mills, Chief Executive Officer, Qamar Energy

"China has been Iran's only window on the world for its oil. It's not going to play that role for Russia even though Russia perhaps was counting on that. China will help Russia out in certain other ways under this economic pressure, but they can't possibly replace most of the rest of the world as an economic partner."

GI Weekly Surveys

Does the reason for the creation of current OPEC+ agreement still exist?

37% No

63% Yes

OPEC+ produced 972,000 b/d less in Jan than the targets agreed in its supply deal - does the market still believe OPEC+ will deliver if it announces a further 400k hike?

66% No

34% Yes

Will Russia's invasion of Ukraine turn out to be a defining moment (ala OPEC embargo 1974) in weaning Europe off Russian gas?

26% No

74% Yes

Do OPEC+ need to Consider the disruption to Russian oil supplies when they meet today to map out April supply?

27% No

73% Yes

OPEC+ has added about 2mn b/d thus far in the current supply agreement since August -- do you expect Russian output to fall by less or more than that with Ukraine crisis?

29% Less

71% More

Source: GI Research Jan 2022

Energy Markets Views You can Use

Andy Laven
Chief Operating Officer, Sahara Energy Resources

Are we heading into a stagflation recession structure?
We've got the war going on in Ukraine and an economic war outside of Ukraine.
Traders are not touching Russian oil and that's making the market a lot tighter than the supply demand balance really says it should be and that's why prices continue to go up. There are so many moving parts to the puzzle. The increase in energy prices, especially in the western world, is a big part of inflation. If the energy crisis is resolved, a lot of that would go away much quicker than any central bank impact on inflation. But I do think this is a watershed moment for East-West relations, for Europe, and depending upon how this whole scenario plays out, a watershed for global economics. And without an exit ramp for Russia, I don't see sanctions being rolled back.

Will other sanctions be added?
I think we will see more ratcheting up of sanctions on the Russian oligarchs. The West seems to believe that will have an influence. I think it will but to make a real change, they're going to have to make some very hard decisions about stopping oil and gas flow.
My money is that the crisis will keep going until we see a recession start.

Legacy and timeframe for the Majors pulling out of Russia?
It will take many months for them to move out. But this is going to make oil and gas companies, and western companies in general, much more wary about what countries they invest into and that they really need to understand that country risk. That means they're going to start investing closer to home, like you've seen Europe talking about building LNG regasification facilities. Once you do that, the whole economics change. I think there's going to be a radical change in the infrastructure and how the flows happen, post whenever this crisis gets sorted out.

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

The freezing of Russian central bank assets is a game changer.
Cutting off 'Fortress Russia', with its $640 billion foreign currency reserves, will turn it into a financial pariah. This has never happened to a G20 country or one with those size of reserves. Russia won't be able to pay its debt back and it will not pay dividends anymore so will really be cut off in terms of assets and ability to service debt, and secondly it will immediately affect its capacity to deal with energy. The step of kicking some Russian banks out of the global swift financial system is secondary. It will have an impact on increasing transaction costs of trade and will affect oil and gas exports but eventually, money will find channels. Brokerage houses will be set up and energy trade will continue because it has not been directly sanctioned. We may have oil price spikes for a few weeks, but then it will settle into a new normal.

Impact of this conflict on global GDP outlook and commodity prices?
We are in a deep globalization period. We have all sorts of bottlenecks. We have China trying to walk a tightrope in the middle. If this conflict leads to more bottlenecks for commodity exports, higher grain prices for poor countries, higher precious metal prices, higher energy prices, the mixture is so combustible and so uncertain that it will fuel inflation and affect growth negatively.

Will sanctions on Russia encourage more energy flows to China?
Russian gas, and commodities like coal can be rerouted east and China would be the immediate beneficiary from that. President Xi will try to avoid things which rock the boat, but he will, if in doubt, be pushed more towards Russia than the US. But the Russian people see themselves more as Europeans and want to do trade and business with Europe and the US, more than with the east. Ultimately, this becomes a question of whether the current Russian leadership is capable of steering the ship through all these difficult currents.

TA'ZIZ and Proman partner to develop world-scale methanol facility in Ruwais

Abu Dhabi, UAE – March 3, 2022: Abu Dhabi National Oil Company (ADNOC) has signed an agreement with Proman, one of the world's leading producers of methanol, to develop the UAE's first world-scale methanol production facility at the TA'ZIZ Industrial Chemicals Zone in Ruwais, Abu Dhabi. Under the terms of the agreement, Abu Dhabi Chemicals Derivatives Company RSC Ltd. (TA'ZIZ) and Proman, will construct a natural gas to methanol facility, with an anticipated annual capacity of up to 1.8 million tons per annum. The facility will meet growing domestic and international demand for this clean and versatile chemical commodity which is gaining momentum as a lower-emission fuel alongside existing uses spanning industrial products. The project is subject to relevant regulatory approvals.

TA'ZIZ is a joint venture between ADNOC and ADQ, an Abu Dhabi-based investment and holding company. The proposed partnership will capitalize upon ADNOC's attractive value proposition for downstream petrochemicals, ADQ's diversified portfolio and Proman's extensive construction and operational expertise as the world's second largest methanol producer.

His Excellency Dr. Sultan Ahmed Al Jaber, UAE Minister of Industry and Advanced Technology and Managing Director and Group CEO of ADNOC, said: "We are pleased to welcome Proman as a strategic partner as we develop the UAE's first domestic methanol production facility. This world-scale plant advances the TA'ZIZ mission to diversify the UAE's economy and accelerate industrial development, by enabling local supply chains through the production of new chemicals in the UAE. As Proman's first investment in the UAE, our agreement underscores the continued appeal of the UAE as a highly attractive destination for international capital, supporting long-term industrial growth for Abu Dhabi's private sector."

David Cassidy, Proman Chief Executive, said: "We look forward to bringing our full value-chain expertise to this development and expanding Proman's global footprint to the UAE, in close partnership with ADNOC and ADQ. This will be the first methanol production facility in the UAE and will be one of the most energy efficient and low-emitting plants in the world. Growing global interest in methanol as a cleaner fuel, particularly for the shipping sector, is set to drive a significant increase in worldwide methanol demand over the coming decade. As such, this is a particularly opportune time to invest in the UAE's domestic downstream production capacity. We are excited to help drive forward the ambitious TA'ZIZ industrial development and the UAE's downstream growth strategy, as well as growing our partnership with TA'ZIZ in the future."

Production of this versatile chemical in the UAE for the first time supports the Ministry of Industry and Advanced Technology's mission to diversify the UAE's economy and accelerate industrial development. Methanol is a critical chemical building block with a wide range of industrial applications including in fuels, adhesives, solvents, pharmaceuticals and construction materials. Growth is expected to be driven by emerging economies in Africa and Asia, while production of methanol in the UAE will support decreased reliance on imports, enabling local manufacturers to "Make it In the Emirates" and establish greater resiliency among domestic supply chains.

TA'ZIZ comprises of three industrial zones, the first of which is an Industrial Chemicals Zone that will host chemicals production, with seven proposed world-scale projects already in the design phase. The second is the Light Industrial Zone, which will be home to downstream conversion industries that will convert the outputs of the Industrial Chemicals Zone into consumable products, and finally an Industrial Services Zone, which will house a variety of companies providing the necessary services required by the TA'ZIZ industrial zones and the wider Ruwais Industrial Complex.

The TA'ZIZ development has received significant interest from local and international investors since its launch in November 2020. Partnership agreements have been signed with Fertiglobe, GS Energy, and Mitsui for the proposed development of a low-carbon ammonia production facility and with Reliance Industries for a proposed ethylene dichloride (EDC), chlor-alkali (CA), polyvinyl chloride (PVC) production facility. Eight UAE-based investors have signed investment agreements with TA'ZIZ, for up to a 20% stake in a portfolio of chemicals projects within the TA'ZIZ Industrial Chemicals Zone, marking the first domestic Public Private Partnership in Abu Dhabi's downstream and petrochemicals sector. Final Investment Decisions for these chemical projects are expected later this year and are subject to relevant regulatory approvals. An agreement has also been signed with AD Ports Group to develop a new world class ports and logistics facility at TA'ZIZ.

MEDIA RELEASE

Fujariah Weekly Oil Inventory Data

FOIZ
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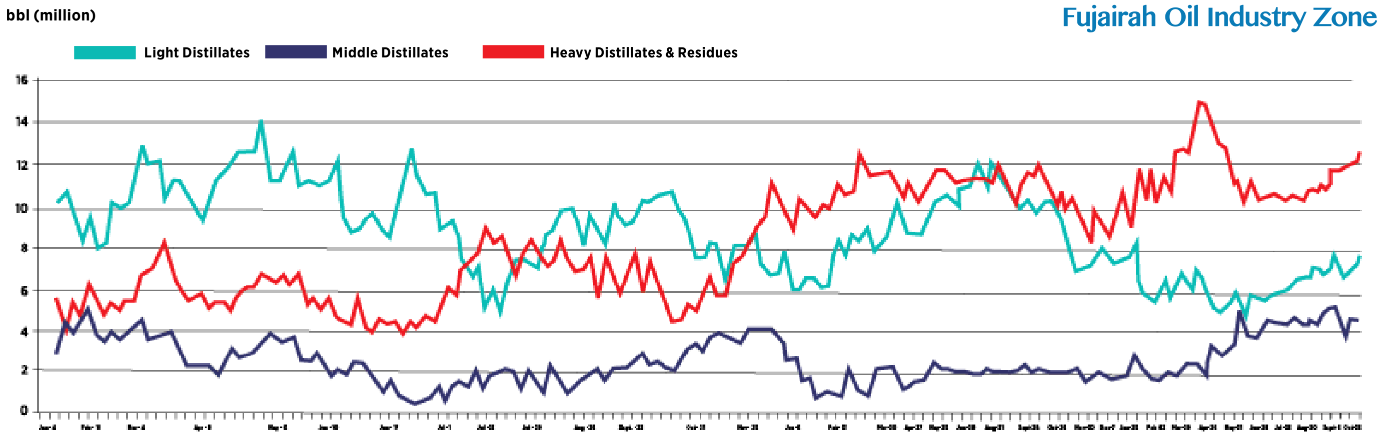
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 19.024 million barrels – marginally down from last weeks levels. Total stocks fell 94,000 barrels with overall stocks down 0.5% week-on-week. Middle distillates, and heavy residues posted draws which were largely offset by a build in light distillate stocks.
- Stocks of light distillates, including gasoline and naphtha, increased by 700,000 barrels or 11.5% on the week to 6.787 million barrels. The East of Suez gasoline market remained characterized by rising demand as COVID-19 travel restrictions continued to ease. India has lifted the majority of COVID-19 restrictions in the capital of Delhi, following a fall in recorded omicron variant cases, local media reported. Physical gasoline cracks were seen moving up with the FOB Singapore 92 RON gasoline crack against front month ICE Brent crude futures assessed at $13.93/b on March 1 trade after being assessed at $11.22/b on Feb. 28.
- Stocks of middle distillates, including diesel and jet fuel, fell by 115,000 barrels or 4.5% on the week to 2.464 million barrels. Volatility stemming from the uncertainty surrounding the escalation in Russia-Ukraine conflict on energy markets continued to buoy the gasoil complex, with steepening backwardation reflected a strengthening market. The ongoing risk of direct sanctions being imposed on the Russian oil product exports, alongside risk premiums being incorporated into freight from the Black Sea, continues to strengthen the gasoil complex. Already, Canada has imposed an embargo on crude oil imports from Russia late Feb. 28, making it the first G7 country to impose a direct sanction on the Russian energy sector, according to the AFP news agency.
- Stocks of heavy residues fell 679,000 barrels or 6.5% on the week to 9.773 million barrels. At the Port of Fujairah, a well-supplied market led to ample inventories of high sulfur fuel oil for buyers, trading sources noted. During and outside the Market on Close assessment process March 1, offers for delivered marine fuel 0.5%S fuel in Fujairah were heard at $812-$825/mt with offers around the lower end of the range for product deliverable from March 8 onwards. The same grade was assessed at $810/mt March 1, up $18/mt on the day, the data showed. The assessed level in Fujairah reflects a $15/mt premium to delivered bunkers in Singapore which were assessed at $795/mt.

Source: S&P Global Platts

The EUR/USD closed relatively unchanged at around 1.1119 overnight despite Fed chair Jerome Powell's endorsement of a 25bps hike at the FOMC later this month, even as the war in Ukraine continues. That limited moves in the broad dollar index and held it around 97.40. USD/JPY moved higher, rising by 0.5% to 115.52 while GBP/USD rose strongly, abetted by the sharp rise in gilt yields. Sterling settled at 1.3406, up 0.6%. Commodity currencies were stronger against the dollar, benefitting from the Bank of Canada carrying out a 25bps hike at its meeting overnight. USD/CAD moved lower by 0.9% to 1.2631. AUD/USD rallied by 0.6% to 0.7297 while NZD/USD added 0.5% to 0.6787. Equity markets staged a modest resurgence yesterday, with European and North American indices turning green after consecutive losses. In Europe, the DAX added 0.7%, and the CAC 1.6%. In the US, all three major indices closed higher as the NASDAQ added 1.6%, the Dow Jones 1.8% and the S&P 500 1.9%. The MSCI and FTSE Russell will cut Russian stocks from their widely followed equity indices. The Russian stock exchange will remain closed today, as it has all week, but Russian firms with dual listings abroad have plummeted. As expected, OPEC+ agreed to maintain the planned production increase for April at their March 2nd meeting. Even as oil prices have been screaming out for additional barrels, the producers' alliance chose to keep the integrity of their group, which includes Russia, over easing the current tightness in oil markets. Brent futures surged up 7.6%, closing at $112.93/bl while WTI added almost 7% to settle at $110.60/bl. With no apparent moderation of fundamentals at place in the market, a move even higher in oil looks a certainty. The backwardation in Brent markets is enormous at more than $5/bl on the 1-2 month spreads. For WTI, the same spread is at record levels at almost $4/bl. Hardly helping oil markets, the EIA reported a draw in US crude stocks of 2.6 million barrels last week, with declines also coming across much of the rest of the barrel. Production in the US was unchanged at 11.6mbd.

Emirates NBD

GI Consultancy Intelligence Publishing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ADNOC
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For over fifty years, we've helped drive the prosperity of our world, our nation, our partners and our customers. But this is just the start of our story. We are determined to constantly improve our products, optimize our costs, drive greater efficiencies and deliver more value. All while innovating to protect our environment and to empower the communities we serve. That's not simply our purpose, it's our promise to future generations.
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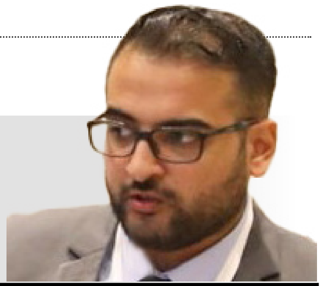
Abu Dhabi National Oil Company

Energy Markets Views You can Use



Yesar Al-Maleki
Gulf Analyst
Middle East Economic Survey (MEES)

How close are we to a deal between the US and Iran?
We are at a very advanced stage and could be weeks away from a deal but there are still obstacles. For example, Iran wants a guarantee that if sanctions are removed, they will not snap back, but that is not something the Biden administration can provide. So, what's being discussed now is an interim deal with verifications, such as the Iranians getting back some frozen funds and prisoner swaps, as building blocks to a bigger deal. But even if and once a deal happens, it will take up to three months to verify how to implement it all. Iranian exports will not happen overnight - customers will need to go back to getting waivers from the US etc.

What volume of exports could Iran reach potentially?
They could do 400,000 to 700,000 bd, in stages. They have around 60 to 85 million barrels in storage, onshore and offshore, 30 million of which is condensate. That's a sizable amount. I think the Iranians will go for a phased approach because it's not in their immediate interest to dampen oil prices, especially after years of hard currency shortages. Iran will want to gradually restore its market share with customers in Asia like South Korea, Japan and India, countries that have switched to other crudes since sanctions, and it's been preparing an allocation list and engaging with some of those customers for some time.

What about exports beyond what is already in storage?
They do have issues with onshore production. Current production volumes are around 2.5 million bd, 1.3 million bd below what Iran produced in 2018. Last year, the country refined on average two million bd of crude and average exports were one million bd, 680,000 bd of which was crude and the rest condensate. Iran wants to get its crude production capacity back to presanctions levels of 4 million bd this year but it does face technical and financial challenges.

Could we see foreign firms confidently move back into the sector?
NIOC has a 10-year plan to revamp the oil and gas sector, which will cost $160 billion. They want to reach a capacity of 5.7 million bd in oil, and 1.5 bcm per day of gas. International companies weren't keen under the previous petroleum contracts, as the terms were seen as poor, and NIOC had a lot of control over operations and targets. But Iran needs the money. Chinese investment is one conduit. Iran has a broad strategic agreement with China that stretches to $400 billion, and energy is key in that deal.

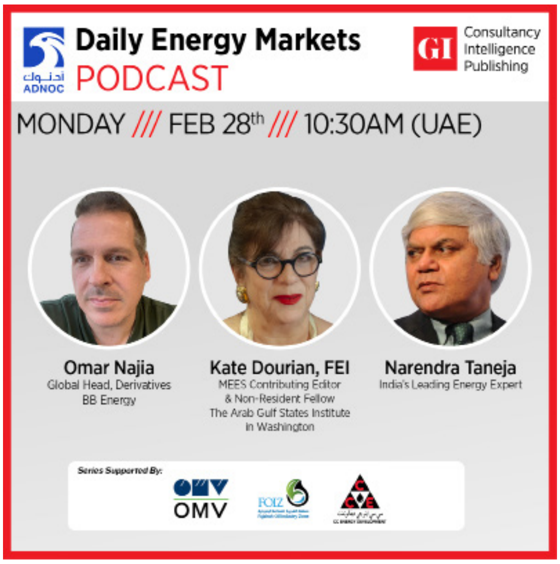
Ole Hansen
Head of Commodity Strategy, Saxo Bank

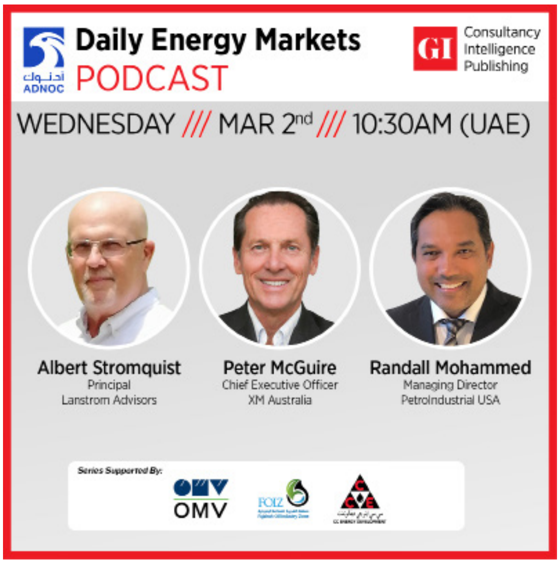
Impact of the Ukraine crisis on commodities so far?
It has already led to a significant surge in gas prices in Europe, starting to kill demand but the higher crude oil prices have not done that yet. Unfortunately, wheat prices have surged to multi-year highs and that's a major concern, especially in countries that can least afford it. And in Europe, interestingly, we have also seen carbon prices collapse on speculation that the continent will want to get rid of Russian oil and gas dependency over the coming years and that in the short term, measures could be introduced that reduce the need for carbon.

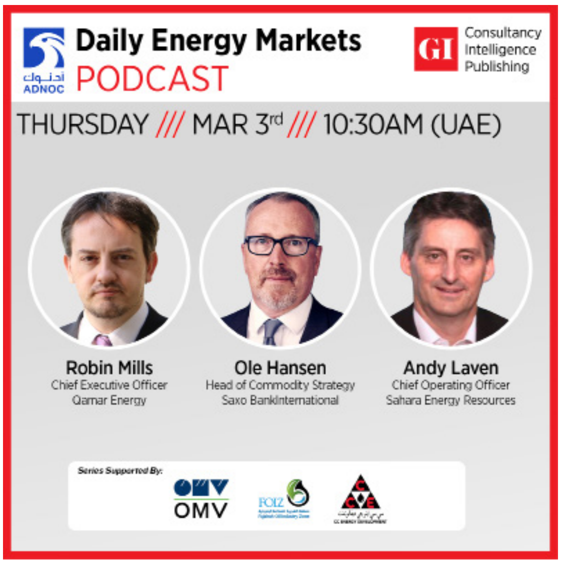
How do you read the US Fed guidance on how the crisis will impact policy?
The Fed cannot ignore the inflation aspect, which has deteriorated even further with the higher energy and commodities prices. Rate hikes are coming but perhaps not at the pace predicted just a couple of weeks ago. Still, it's a precarious situation. We have inflation expectations going up, interest rates going up and that can only lead to lower growth. We have a lot of systemic risk in the system right now. The four biggest Russian companies have lost 95% of their market value, a $190 billion loss, in less than a week. That is ending up as losses in books of lenders around the world, who otherwise would have considered these relatively secure stocks in really robust sectors. That's the reason why the market is fairly cautious in the belief of how high interest rates can go at this point. If we're digging ourselves in for a prolonged period with sanctions against Russia, then obviously it will hurt us all.

Energy Markets COMMENTARY

WEEK IN REVIEW







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Fujairah Spotlight

Fujairah LNG bunkering may start soon amid expansion in services

The Port of Fujairah on the UAE's east coast may soon introduce LNG bunkering operations as the world's third largest bunkering hub seeks to expand its services, the director of the Fujairah Oil Industry Zone said Feb. 24. "A dry bulk export facility to ship from Fujairah's Dibba is set to open later in 2022, providing a boost to bunkering activities, while LNG bunkering may soon be introduced," Captain Salem al-Hamoudi told a virtual workshop organized by Dubai-based Gulf Intelligence. Fujairah Oil Industry Zone, or FOIZ, is the authority managing the land used for storage tanks and refining in the eastern UAE emirate.

Source: S&P Global Commodity Insights

Fujairah Cement Industries narrows 2021 net loss to $28mln

Fujairah Cement Industries on Friday said it narrowed its net loss to 102.7 million dirhams ($28 million) for the full year 2021, from 130.5 million dirhams in 2020. In a statement on the Abu Dhabi Securities Exchange (ADX), the cement maker said that, adjusting for a surplus of 34.7 million dirhams on land revaluation, total comprehensive loss came to 67.9 million dirhams. Revenues for the year fell 25 percent to 419.9 million dirhams year-on-year due to lower sales and lower average selling prices.

Source: Zawya

Fujairah Ruler receives victorious Fujairah Shooting and Equestrian Club team

H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, received, in the Al Rumailah Palace, the members of the team from the Fujairah Shooting and Equestrian Club who won the 10th Annual Shooting Competition, which took place at Al Reef Shooting Complex in Abu Dhabi. Sheikh Hamad congratulated the club's team, which won first place in the tournament, lauding the keenness of the club's administration to develop the skills of its members and encourage them to engage in sporting competitions. The team's members thanked Sheikh Hamad for his warm welcome and for supporting sports.

Source: Emirates News Agency-WAM

Banned products worth more than Dh25m seized at Fujairah port

UAE authorities have seized banned products – including the chewable drug paan – worth more than Dh25.2m ($6.9m) and arrested a group of men who attempted to smuggle the goods into the country. The Federal Authority for Identity, Citizenship, Customs and Port Security was tipped off about 14 containers arriving to Fujairah port carrying the prohibited products. Officers from Fujairah Customs Department, with help from other authorities, confiscated the containers and arrested the suspects, who are said to be Arab and Asian nationalities. The suspects tried to bribe a customs employee into allowing the shipments into the country for Dh280,000.

Source: The National UAE

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
Feb 27th - March 3rd

- Oil markets are still in denial as to the extent that the Ukraine crisis will disrupt energy exports coming out of Russia, which has already started.
- There is virtually no chance that the US stock market can keep going higher under these circumstances – it is lose-lose for risk assets.
- OPEC+ may be making a big mistake not recognizing that oil market dynamics have significantly changed, and it is time to adjust their posture.
- Europe has demonstrated a willingness to sacrifice some economic growth to counter Russia's invasion of Ukraine – how much farther they are willing to go is big question.
- OPEC+ may be wise to take a cue from oil traders who are already acting with the understanding that Russian oil supply will be disrupted by the Ukrainian crisis one way or another, hence $110 Brent.
- China is facing a COVID crisis with hospitals already overflowing in Hong Kong and a zero-tolerance infection policy throughout China set to last for another year.
- There are three words battling for headline writers' attention at the moment – with UKRAINE (Putin/Russia) having taken over from COVID as the dominant narrative, while the biggest challenge to all our long-term health and stability is probably INFLATION and it is getting only a few copy inches on the inside pages.
- The longer the Russian invasion of Ukraine continues, the longer and higher commodity prices will go, and then the result of this pathway only ends up in one place – DEEP RECESSION.
- OPEC+ appears to be agnostic to the raging fire in the room, so don't expect any new supply cavalry coming over the hill to dampen down decade-high oil prices.
- Russian oil disruption is likely to end up being much greater than the 2MBD OPEC+ has added back to the market over the last 6 months.

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