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Fujairah New Silk Road WEEKLY NEWSLETTER

Supported By:
FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone
Port of Fujairah
ميناء الفجيرة
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EXCLUSIVE INSIGHTS /// ACTIONABLE INTELLIGENCE /// DATA TRENDS /// LATEST NEWS

"China's Volatile Economic Policy Will be Confusing to Energy Markets!"

Michal Meidan, Head of China Energy Research, The Oxford Institute for Energy Studies

It will be a year of two halves for Chinese economic growth, but the opening of the economy was always going to be a bit more complicated. There was a huge amount of exuberance and expectation that China would go back to previous big boom cycles where there was big infrastructure stimulus and a huge increase in activity. Think about local government finances and all they've had to spend on health and welfare, and declining revenues from real estate - there just isn't enough money in the kitty for infrastructure stimulus. The plan anyway was for consumption to be the big driver of growth, but even that is a bit of a mixed bag; we haven't seen a big uptick in sales of consumer goods. Demand for gasoline and jet has risen strongly on renewed mobility, but Chinese consumers remain cautious and concerned about their future. They do have disposable income, but they're worried about burning it. The real estate sector remains weak. All of these are big drivers of employment, and youth unemployment is really high in China. Certainly, the policy plan has been to encourage more consumption and increased productivity, with the demographic trends showing a decline in population, but what we need to get used to is, not so much a service-oriented China, but rather a China with quite a bit of policy volatility and mixed messages. The National Bureau of Statistics has an index of China's new economy, including the digital economy, electric vehicles – that is roughly 17% of GDP and 10% of growth. So, the old economy of infrastructure and real estate is still a big driver. Without that, we're not going to see GDP growth exceeding the 5% that the government is talking about. It's too soon to say that China has changed its economic model and that's very confusing for energy markets, both within and outside of the country.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,878,000 bbl	4,355,000 bbl	12,090,000 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
$3.52 - 4.40/m^3

↑ Highest: $4.52/m^3
↓ Lowest: $3.38/m^3

THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	$76.74/bl
WTI Crude:	$72.22/bl
DME Oman:	$75.02/bl
Murban:	$75.81/bl

*Time Period: Week 2, June 2023
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $567.00/mt

Low = $547.00/mt

Average = $557.00/mt

Spread = $20.00/mt

MGO

High = $855.50/mt

Low = $822.00/mt

Average = $837.50/mt

Spread = $33.50/mt

IFO380

High = $432.00/mt

Low = $413.50/mt

Average = $422.00/mt

Spread = $18.50/mt

*Source: Ship and Bunker, *Time Period: May 31 – June 7, 2023*

Fujairah Bunker Sales Volume (m^3)

480
180cst Low Sulfur Fuel Oil

441,912
380cst Low Sulfur Fuel Oil

126,943
380cst Marine Fuel Oil

257
Marine Gasoil

26,738
Low Sulfur Marine Gasoil

4,270
Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Michal Meidan, Head of China Energy Research, The Oxford Institute for Energy Studies

How reliable is Chinese data as a guide to its real macroeconomic model?

It's getting better, especially in the energy sector and in oil markets where there was so much tax avoidance and evasion that skewed the data considerably. We've now had a large crackdown on some of those practices. The macro indicators are probably as good as Beijing gets, so we have to use that, along with anecdotal evidence and what we're seeing on the ground, and then try and triangulate all of that. From what we see so far, travel has recovered very strongly with gasoline and jet demand. Refining and chemicals are back but steel, cement, the real estate and construction infrastructure - those are the ones that are open questions. And that's a big question mark for distillate demand if we're thinking about the oil market, and for gas demand because industry is the biggest consumer of gas in China.

Is sanctioned Iranian or Russian oil obfuscating the demand picture?

If it was just a matter of the diluted bitumen, we'd be in a good position. But then you have to add fuel oil, which some of the independent refiners are bringing in. They're using that with Iranian condensate and Russian and Iranian naphtha as well, for feedstocks into chemicals. Some Russian crude is flowing through pipelines from Myanmar and potentially from Kazakhstan. There are other sources of potential feedstock coming in that we're not fully quantifying, but we're probably talking in total about 500,000 to 700000 b/d. Within the context of 14 million b/d of total consumption, that's not huge, but it's still a number to be reckoned with that is creating a lot of uncertainty. If you consider that these feedstocks are coming in, then they are also weighing on crude demand and potentially crude from the Gulf in particular.

Is Russian crude creating market competition in China for Gulf producers?

That depends on how strong the growth is. Our numbers for the year are talking about product, rather than crude demand, of 700,000 b/d. But in terms of the refining activity bringing in that crude, we have to look at who is importing. There's a big difference between the Shandong independents, where most of the competition is for sanctioned crudes from Iran, Venezuela and Russia - versus the state-owned majors that do have to worry about their term contracts and relationships with Gulf producers. The new mega refiners that are starting up also have term contracts with some of the bigger suppliers and are a bit more cautious about the prospects of secondary sanctions. But I wouldn't overestimate how much more Russian crude can come into China. I think we're looking at a 400,00-500,000 b/d increment, which is a lot, but that doesn't completely offset the need for Gulf supplies or undermine US supplies either. Saving a few bucks on discounted crudes this year is still not an important enough consideration for China to undermine longer term relationships and contracts.

When could China reach peak oil demand?

China still has a huge amount of oil demand for chemicals that will continue through the 2030s. I can see peak demand for gasoline and diesel, mainly for gasoline, in the next couple of years. Electrification is gaining pace but even with all the EVs that are being added in China, that is new mobility that isn't necessarily removing existing internal combustion engines from the roads. There is movement to electrify rail and maritime transport also, but again, that doesn't take your cars and trucks off the road. And if China does manage to move towards a more consumer and service industry, that is still a lot of goods being moved around by e-commerce and trade. China's urbanization is not over – it will probably peak somewhere towards the 2030s and all of that still generates a huge amount of demand for oil. The question might be whether it grows by 1mn b/d or 3mn b/d and then peaks, but most scenarios have China as the biggest consumer and importer of oil well into the next decade.

WATCH FULL INTERVIEW HERE

MARK YOUR CALENDAR
October 10th & 11th, 2023

#EMFWEEK23 ITINERARY

Port of Fujairah

ميناء الفجيرة

Port of Fujairah
United Arab Emirates

ENERGY MARKETS FORUM

October 10th - 11th, 2023
Novotel, Fujairah

GI Consultancy Intelligence Publishing

aramco trading · Vitol · ADNOC · enoc · S&P Global Commodity Insights · MERCURIA · nbf National Bank of Fujairah · FOIZ Fujairah Oil Industry Zone · Vopak Horizon Fujairah Limited · SNOC · GPS CHEMOIL

OCT. 10th

Time: 11:00AM
What: Open Registration

Time: 1:00PM
What: Port of Fujairah EMFWEEK23 Welcome Lunch

Time: 2:00PM - 4:00PM
What: FOIZ Onshore Terminal Tours

Time: 2:00PM - 5:00PM
What: ENOC Oil Markets Workshop

Time: 7:00PM - 9:00PM
What: Aramco Trading Gala Awards Dinner

Time: 9:30PM - 10:30PM
What: GI Networking Social Hour

OCT. 11th

ENERGY MARKETS FORUM 2023

Time: 8:00AM - 9:00AM
What: Breakfast Briefings

Time: 9:00AM - 11:00AM
What: Plenary Session

Time: 11:30AM - 1:00PM
What: Industry Roundtables

Time: 1:00PM - 2:00PM
What: International Energy Journalism Awards Lunch

Time: 2:30PM - 3:30PM
What: Professional Learning Seminars & Industry Roundtables

Time: 2:30PM - 4:30PM
What: Port of Fujairah BOAT TOUR

5:00PM - END OF EMFWEEK23

Fujairah Spotlight

Final Unit of Barakah Plant commences operational readiness preparations

The Emirates Nuclear Energy Corporation (ENEC) has announced that Unit 4, the fourth and final unit at the Barakah Nuclear Energy Plant in Abu Dhabi, has begun its operational readiness preparations. The operations team at Barakah have now commenced the operational readiness testing required to demonstrate the unit is ready to receive the Operating License from the UAE's independent nuclear regulator, the Federal Authority for Nuclear Regulation (FANR). The lessons learnt from the previous three units have been effectively applied to the next unit, ensuring the swift and safe transition to operational readiness, with each unit passing through the phases of preparation in a more efficient manner while maintaining the same standards of quality and safety. The news comes following commercial operations of Unit 3 earlier in 2023, which joined Units 1 and 2 in generating 30TWh annually.

Source: Emirates News Agency - WAM

Oil product stockpiles hit three-week high

Stockpiles of oil products at the UAE's Port of Fujairah, the world's third-largest bunkering hub and a major oil trading center, reached a three-week high as of June 5, with all categories showing gains from a week earlier, according to June 7 data from the port's Fujairah Oil Industry Zone. Total inventories rose 4.8% on the week to 24.323 million barrels as of June 5, the highest since May 15, the FOIZ data provided exclusively to S&P Global Commodity Insights showed. Total inventories were up 18% since the end of 2022.

Source: S&P Global Commodity Insights

Fujairah Crown Prince attends sustainability graduation ceremony

H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, emphasised the value of higher education and its role in developed societies, applauding universities for their efforts in supporting the academic sector and providing the labour market with a qualified workforce.

Source: Emirates News Agency - WAM

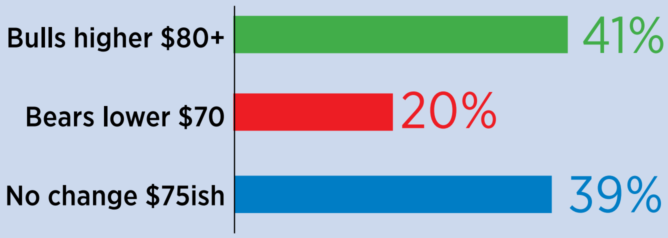
Fujairah Ruler briefed about Awqaf Dubai

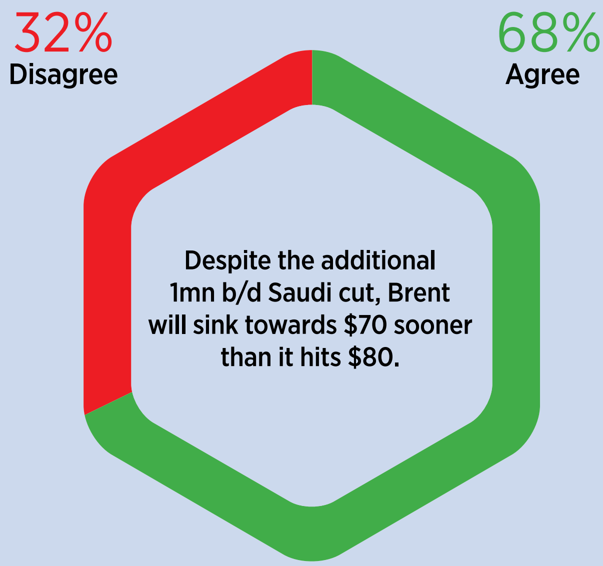
His Highness Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, has received a delegation of Dubai's Awqaf and Minors Affairs Foundation (Awqaf Dubai) led by Issa Al Ghurair, Chairman of the Board of Directors of the Foundation. During the meeting held at Al Rumaila Palace, Al Ghurair was accompanied by several officials and heads of departments from the Foundation.

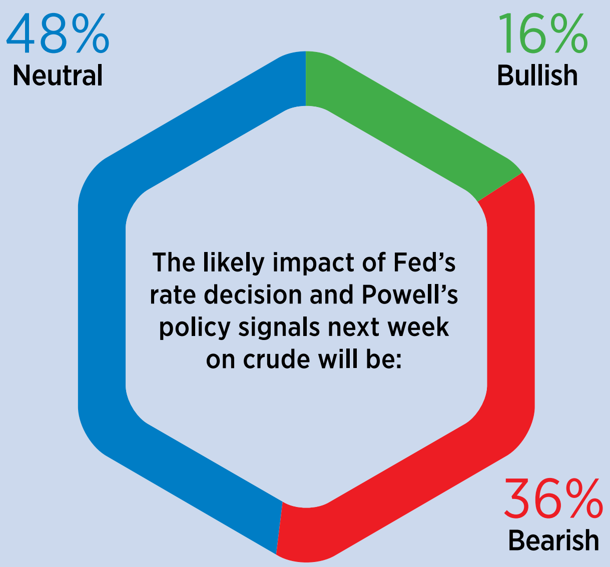
Source: Sharjah24

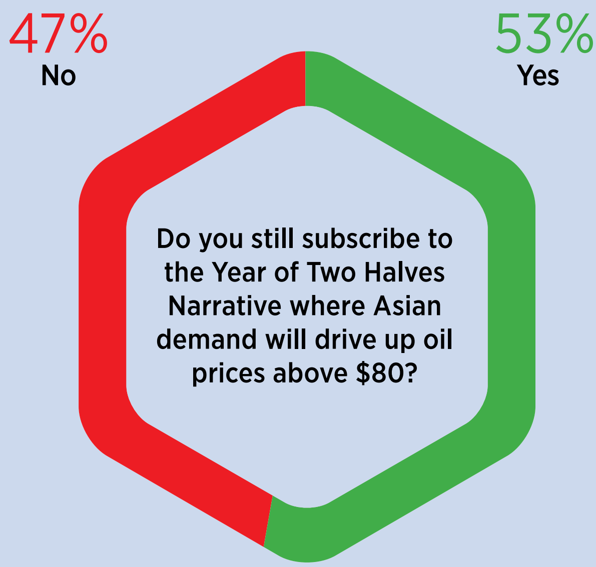
Weekly Surveys

How Will all of the announcements made by OPEC+ yesterday impact Brent oil over summer months?









Source: GI Research March 2023

Consultancy Intelligence Publishing

Fujairah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

TOP TAKEAWAYS

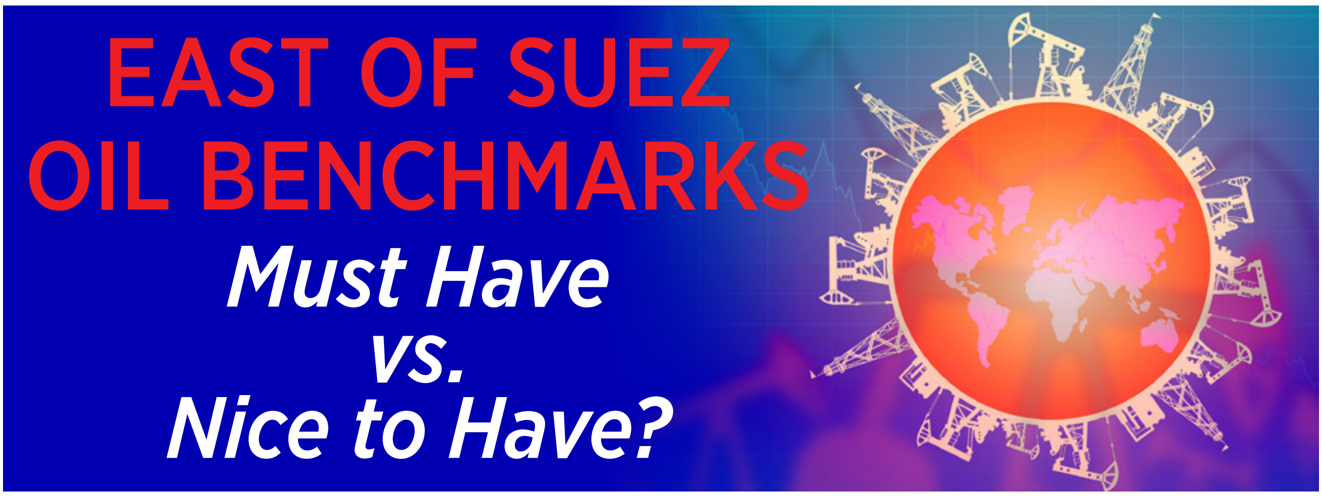
- Total oil product stocks in Fujairah were reported at 24.323 million barrels with a rise of 1.105 million or 4.8% week-on-week rising past 24-million-barrel level. The stocks movement saw a rise across the board for light distillates, middle distillates and heavy residues.

- Stocks of light distillates, including gasoline and naphtha, rose by 587,000 barrels or 8.1% on the week to 7.878 million barrels. The East of Suez gasoline market was steady to slightly firmer June 6, supported by a stronger US RBOB-Brent crack and unexpected demand from Japan and India for July delivery cargoes, sources said. Chinese exports for June were heard around 900,000 mt, higher than the original expectations of 800,000 mt but still lower than the expected May exports of about 1.1 million to 1.3 million mt, sources said. "Quite a lot of Chinese exports are on offer now, the market is a little bearish," a Singapore-based trader said. Buy interest from Southeast Asia remained lackluster with Malaysia and Indonesia demand yet to pick up ahead of Eid al-Adha festivities. However some pockets of demand were heard from Japan. In India, gasoline import interest was seen arising from scheduled refinery maintenance, sources said, with HPCL seeking two 38,000 mt cargoes of 91 RON non-oxygenated cargoes for delivery over June 22-25 into Ennore, then Visakhapatnam and Mundra.

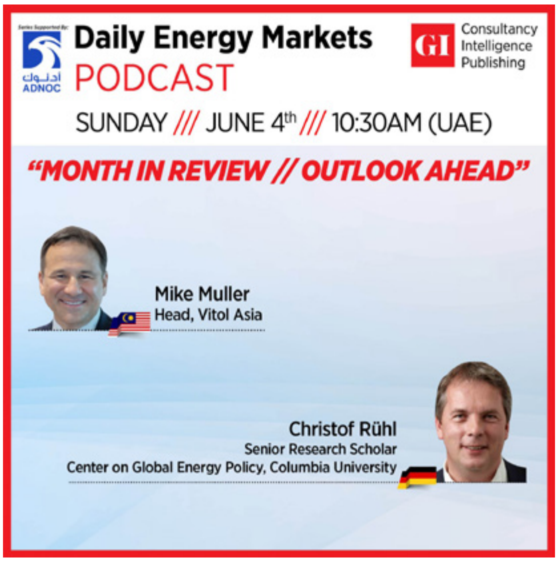
- Stocks of middle distillates, including diesel and jet fuel, increased by 427,000 barrels or 10.9% on the week to 4.355 million barrels. The gasoil complex east of Suez sought fresh cues June 6 with largely steady near-term demand and supply fundamentals keeping the market on an even keel. Over in the Gulf, unviable arbitrage economics continue to weigh on the Middle East gasoil complex with open interest for front-month June FOB Arab Gulf gasoil swap contracts that traded on ICE halving to 311,000 barrels in May, the ICE data showed. Asian gasoil traders said Persian Gulf and India-origin gasoil cargoes were pointed toward Asia, with the moves driven by poor East-West arbitrage economics.

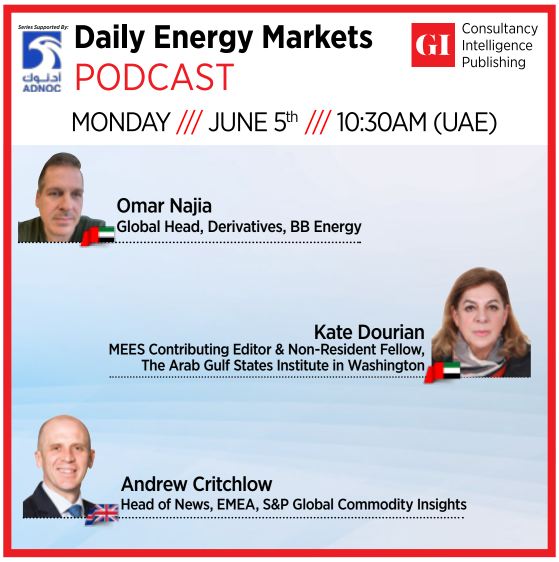
- Stocks of heavy residues rose by 91,000 barrels, up 0.8% on the week as they stood at 12.090 million barrels. Spot trading activity at both the key bunker hubs of Singapore and Fujairah was seen to be mostly above average amid active buying activity owing to a flat price drop, according to market sources June 6. Recent offers for June-loading term ex-wharf HSFO cargoes were in the range of premiums at $9-$10/mt, down from premiums in the low-teens previously inked for May's supply, according to traders. Competitive selling activity in the end-user market and elevated stockpiles are key factors contributing to further downward pressure on premiums despite healthy demand, as suppliers are keen to move their cargoes, bunker suppliers said. "There's stable HSFO [bunker] demand, but downstream premiums are sometimes low because some players are being very competitive," a Singapore-based bunker supplier said. As a result, margins from HSFO bunker deliveries have so far performed below expectations and dampened sentiments, with ex-wharf buyers refraining from meeting their monthly procurements at higher premiums, suppliers also said.

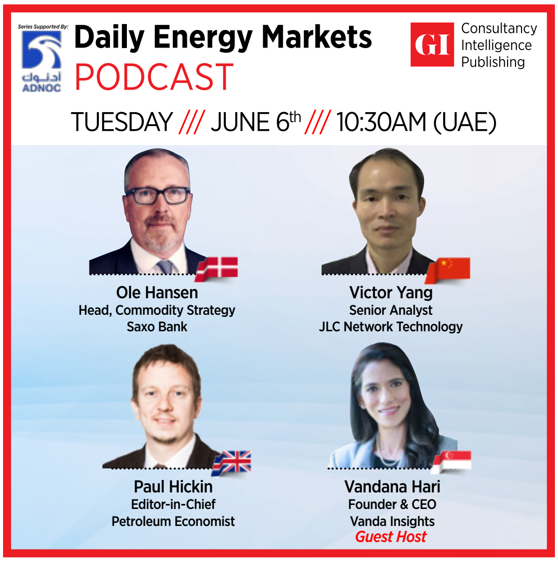
Source: S&P Global Commodity Insights

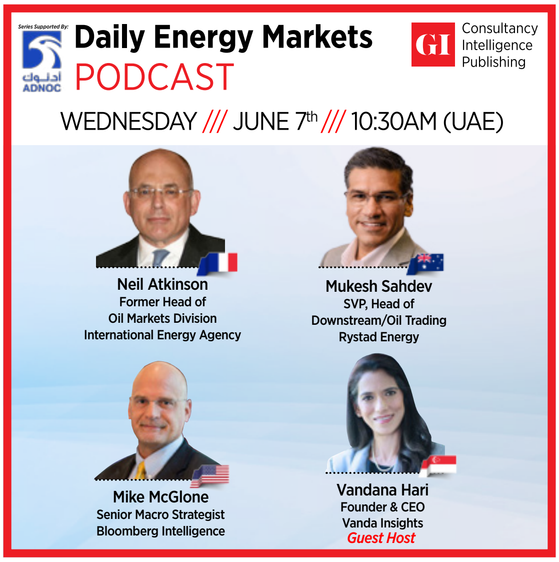


Energy Markets COMMENTARY WEEK IN REVIEW









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Energy Markets Views You can Use

Mike Muller
Head, Vitol Asia

Outlook for Chinese demand as we approach 2H 2023?
Mobility data in China is strong but the diesel segment in particular for industrial use and in freight, has been a little disappointing. Diesel exports, which had been running at 2 million tons a month, are now about a quarter of that, mainly because of weak export margins. China is still accounting for a good chunk of the shortfall in jet fuel demand. We're running around 250,000-300,000 b/d below 2019 levels. Gasoline demand is up a couple of percentage points on 2019, with exports steady at a million tons a month. Other sectors such as petrochemicals, with the main piece of that being naphtha, are up 20% on early 2020 levels. So, all together, that puts Chinese crude runs at about 15 million barrels a day, which is an all-time high.

What about demand elsewhere?
Most people who have a view on the outlook for summer and for Q3, see a very significant increase in the northwestern hemisphere and advanced economies. And coming into the latter part of the year, they see a big demand surge into Asia, which could be boosted by year-on-year surprise numbers because China's consumption into Q3 of last year was still impacted by COVID. So, there is an expected stock draw in the offing for the balance of this year, and that should in some way support markets. That obviously has to be counterbalanced by people's forward views on disappointing demand data.

Given the divergence emerging within OPEC+ on quotas, is the group still relevant?
OPEC+ has achieved its stated objective to secure the balance of supply and reasonable price stability. Some people say certain OPEC members would like to see Brent higher than its current range, but we're not far off the number of $80 that some people suggest is their target. The data on Russia is difficult to get hold of and has a time lag, but the consensus amongst external observers now is that there is a slightly diminished volume coming from Russia. Third party sources have output around 300,000 b/d lower in April versus March, so it would seem there is some contribution to the OPEC+ cuts after all.

ENERGY MARKET NEWS

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Energy Markets Views You can Use

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

OPEC has some serious homework to do.

In the short-term, excess supply is clearly visible along with price pressures. At the heart of it, there was disappointment that the April cuts did not result in sustained higher prices or stability. Medium term, a technical adjustment on quotas is necessary, with some countries unable to meet their commitments and others like the UAE who justifiably argue that their production capacity has increased significantly. And long term, there is the question of what happens to OPEC+ as a group, given Russia's geopolitical situation.

Outlook for US and China economies?

I would bet on the US rather than China. China is running into big difficulties with the official growth target down to 5% and the actual rate closer to 2%. The Chinese population did not have the monetary stimulus after lockdown, to spend and bounce back as they did in the US. The issue for the US and some other economies, however, is going to be interest rates because of the impact on ability to pay, by leveraged households and mortgage and car owners. Whether another 0.25% increase happens in June or September is much less important than how what's already been done, feeds through the system. But for now, even if we look at Europe, Germany for example is officially in a recession but it's not visible at all because this technical decline in GDP is taking place at such a high level. The problems today come from stability in the financial sector, not from the growth of investment capacity.

Outlook for gas markets?

The balance globally of gas prices is being determined, as before, by Asia. In Europe, we're seeing a mixture of a successful adjustment of infrastructure, coupled with a benign winter in Europe and efficiency improvements. We should expect the outages from Russian pipeline exports to Europe to last and we should not overestimate the Russian capacity to produce LNG – these projects are very time consuming and technically without finance from the West, they will take even longer. So, Russia will be badly hurt in terms of its gas revenues – it has lost 60% of its market at least for the next 7 to 10 years. After that, they can compensate for it probably with the pipeline to China, but that draws less money than pipelined gas to Europe.

GI Soundings Week in Review

"Oil Markets see OPEC+ Announcement as a Mirage in the Desert!"

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.

- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Andrew Critchlow, Head of News, EMEA, S&P Global Commodity Insights**
- **Kate Dourian, FEI, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington**
- **Ole Hansen, Head, Commodity Strategy, Saxo Bank**
- **Victor Yang, Senior Analyst, JLC Network Technology**
- **Mukesh Sahdev, SVP, Head of Downstream/Oil Trading, Rystad Energy**
- **Mike McGlone, Senior Macro Strategist, Bloomberg Intelligence**
- **Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency**
- **Dr. Raad Alkadiri, Managing Director - Energy, Climate & Resources, Eurasia Group**
- **Narendra Taneja, India's Leading Energy Expert**
- **Peter McGuire, Chief Executive Officer, XM Australia**

Omar Najia, Global Head, Derivatives, BB Energy OPEC "All that matters now for OPEC+ is that they have an interest in pushing oil as high as possible for as long as possible, so that they maximize revenue. Doesn't every economy do the same thing?!"

Andrew Critchlow, Head of News, EMEA, S&P Global Commodity Insights Russia–OPEC "OPEC's relationship with Russia has always been contentious and fragile. So, what has changed? Russia isn't aligned to OPEC because it likes Saudi Arabia. It's not aligned with OPEC because it likes this oil exporters group. It is aligned because it ruthlessly serves its national interest and its own foreign policy goals."

Kate Dourian, FEI, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington TIGHT MARKET "When you look at the OPEC and IEA numbers -- they are both pretty bullish on demand growth overall for 2023. The IEA has it at 2.2mn b/d and OPEC has it at 2.3mn b/d, so how do you reconcile that with cutting production? I think there is a potential for a much tighter market in 2H 2023."

Ole Hansen, Head, Commodity Strategy, Saxo Bank US FED "If the US somewhere down the line changes their inflation outlook - accepting that long term inflation is not going to come back to 2% but rather somewhere in the 3% to 4% region - if they change that outlook, then obviously they will leave room for the FED to cut rates sooner rather than later."

Victor Yang, Senior Analyst, JLC Network Technology CHINA IMPORT RULES "China's crude imports have been much larger than what the customs data shows because a lot of cargoes have been imported labelled as bitumen blend or diluted bitumen, which have been flowing from sanctioned cargoes. The government is now stepping up its regulations and trying to stop this."

Mukesh Sahdev, SVP, Head of Downstream/Oil Trading, Rystad Energy REFINERIES "if gasoline and diesel decline, there is no way refining can sustain. Our assessment in the most aggressive scenario, could be that as much as 40% of the refining capacity doesn't need to exist from a road transport perspective by 2050. A big shift in refining is certainly on the way."

Mike McGlone, Senior Macro Strategist, Bloomberg Intelligence CRUDE PRICE "The US is tilting towards recession, and that's the key fact I've been saying about crude oil - it's a bear market. What we see right now is that it's down 40% on a year-on-year basis. Trying to pick a bottom in that bear market is what OPEC is trying to stabilize and that's not hurting the US; it's hurting its clients and customers."

Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency OPEC+ COHESION "There are stresses and strains, and there will be for the rest of this year, but there always have been. Don't forget, the Iran-Iraq war went on for nearly a decade. You had the Iraq invasion of Kuwait, and various other incidents, and somehow, the organization managed to remain largely intact. I suspect it will ride through this one as well."

Dr. Raad Alkadiri, Managing Director - Energy, Climate & Resources, Eurasia Group OIL MARKET SHORTS "This is a market that is betting against higher oil prices. There was a time when a million-barrel- a-day cut would be seen as bullish in the market. So, it is difficult to see what Saudi Arabia can do next. The markets are waiting to see definitive signs that demand is not going to crash. Until you get those signs, we are in a twilight zone where the opposite of every cloud has a silver lining, whereas in this case every silver lining has a cloud. The market is focused very much on the clouds, not the silver!"

Narendra Taneja, India's Leading Energy Expert MARKET SHARE "It is all about market share and revenue now. Saudi Arabia on the one hand wants Brent crude oil prices to be in the region of $85 per barrel minimum, and at the same time, they want to protect their market share in geographies like India and China and beyond. On both these points, Saudi Arabia is losing market share in many Asian geographies, and they are also clearly not able to push prices up."

Peter McGuire, Chief Executive Officer, XM Australia OIL PRICES TO RISE "We are all sitting here scratching our heads and wondering why prices are not rising. I think the appetite for oil is still very strong. I do not think there is any doubt that the Saudis want to see another ten bucks strapped on the oil price. And we are going to achieve that over this summer period."

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