Fujairah
New Silk Road
WEEKLY NEWSLETTER

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

"CHINA REACHING PEAK OIL DEMAND..."

Dr. Xavier Chen, President, Beijing Energy Club

We should revise the hypothesis that Chinese oil demand will continue as it has done in the past ten years. It is reaching a plateau and may be already peaking at around 15mn b/d. One reason is weakening macroeconomic prospects. As recently as December, the government acknowledged that domestic demand and economic growth prospects are weakening. Combined with growing supply chain disruptions, we have weaker growth. China achieved 3.2% GDP growth in 2020. The government projections for 2021 were 8%. It has downgraded growth projections for 2022 to 5%. Government policy is putting more emphasis on economic stability and security and less focus on growth. In the past, when China had a problem with economic growth numbers, it would implement stimulus packages, but the government today does not have much money to do this and is focusing on security of employment and domestic issues. Contributing to this weakening perspective is the deteriorating international environment – China's political relationship with the US and trade wars with various countries. So, I'm less optimistic about continuing oil demand. There's also massive substitution taking place for oil. In 2020, China sold 1.3 million EVs and 3.3 million last year. Chinese gas demand, however, will continue. It grew an estimated 12% in 2021. I believe that the country still has room to double its gas demand in the next 20 years. Gas will be a new focus, not only for domestic Chinese energy companies, but also a new source of demand for OPEC countries and neighboring suppliers like Turkmenistan, Russia and Myanmar.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

4,511,000 bbl	2,426,000 bbl	9,950,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

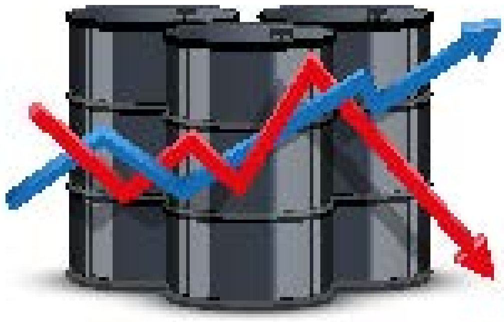
Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.54 - 4.38/m³

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

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude:	$87.24/bl
WTI Crude:	$85.20/bl
DME Oman:	$85.88/bl
Murban:	$87.22/bl

*Time Period: Week 3, January 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $693.50/mt

Low = $648.50/mt

Average = $675.00/mt

Spread = $45.00/mt

MGO

High = $822.00/mt

Low = $801.00/mt

Average = $813.00/mt

Spread = $21.00/mt

IFO380

High = $517.00/mt

Low = $485.50/mt

Average = $501.00/mt

Spread = $31.50/mt

*Source: Ship and Bunker, *Time Period: January 12 - January 19*

Fujairah Bunker Sales Volume (m^3)

1,411 180cst Low Sulfur Fuel Oil	560,565 380cst Low Sulfur Fuel Oil	108,405 380cst Marine Fuel Oil
2,868 Marine Gasoil	24,443 Low Sulfur Marine Gasoil	4,936 Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Dr. Xavier Chen, President, Beijing Energy Club

What's the economic outlook for 2022 given China's approach to Covid?

I do not agree that the 'zero Covid' approach is the right the way to manage it. Covid has become a political issue. China wants to maintain absolute control through this policy to ensure no disruption to the Winter Olympics in early February and also a successful political party Congress in October. So until then, it's unlikely that China will manage Covid in any other way, as other countries in the world might be doing. That's going to mean more restrictions and more cities under lock down, which will restrict demand for oil and transport.

Was last year's energy crisis a result of how China managed its economy?

China had widespread power shortages last year, essentially due to shortages of coal, which accounts for 70% of the country's power generation. There were also excessive efforts to close down the coal mines in addition to the political issue with Australia which caused a disruption of exports to China. The government also had a domestic power pricing issue when they set caps on what prices coal fired power plants could charge, even as coal prices rose, reducing the incentive for power plants to generate electricity. All of these factors combined, caused a lot of power rationing and disruption.

FACT BOX

- **China's GDP grew just 4% in Q4 2021 compared to 6.5% a year earlier, pointing to challenges ahead for its economy.**
- **China's annual crude oil imports fell 5.4% to 10.26mn b/d in 2021, dropping for the first time since 2001.**

Is China committed to the energy transition?

China is already in the implementation stage of its energy transition and it has realized what problems that can also bring, such as power shortages. There was also a race last year to reach net zero by the provincial authorities, with dramatic measures to cut supply and control energy demand. Following December's government economic policy meeting, the communique declared that the climate change war could not be won in one battle and that coal fired power should be phased down based on the availability and reliability of alternative energies. These were very powerful statements, showing that China has again put supply security ahead of de-carbonization. Reducing CO_2 emissions is subject to a number of boundary constraints such as energy supply security, continued economic growth, employment and financial security.

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Energy Markets Views You can Use

Bora Bariman
Managing Partner,Hormuz Straits Partnership

Where does geopolitics and the current oil price come together?

It's a very concerning geopolitical environment. We haven't seen this much tension between the major powers since the end of the Cold War. But, I don't know if that is what's moving the markets. There's a focus on what central bank policy will be in 2022 and inflation expectations are seemingly entrenched. The consensus from analysts is that the Fed will move on four hikes this year but inflation is still at 7%. The tone has changed but no action has been taken yet so markets are skeptical. Equities are still near all time highs. Likewise, oil, another liquid asset class, is at a decade high. If those rate rises come in and at least begin in Q1, then we could see a major change in the temperature but right now, at the macro level, the markets are hot and that is what's creating this buoyancy.

Are oil and commodities driving inflation?

It's not the oil tail wagging the dog. There are more dollars and unprecedented stimulus out there. OPEC has been as accommodative as we could expect it to be given that only two players have spare capacity. The other players are affected by the fact that it's difficult to raise large scale finance for carbon intensive industries today. The main systemic banks are certainly keeping them at more than arm's length. The focus on net zero commitments and carbon credits is getting a bit over engineered. Oil majors are acquiring portfolios of carbon credits from wherever they can - from renewable promoters and others who have a pipeline of these in their development strategy and it's all because banks are requiring that.

Is there a common European position tackling the Russia Ukraine crisis?

This is the key point that is creating tension in the world - the lack of credibility in well established states and leaders such as President Biden and PM Boris Johnson. We don't know if the Russias, Chinas and Irans of this world feel deterred. So, there's a risk of miscalculation and of little aggressions spiraling out of control. This year is going to be geopolitically very unpredictable.

Vandana Hari
Founder & CEO, Vanda Insights

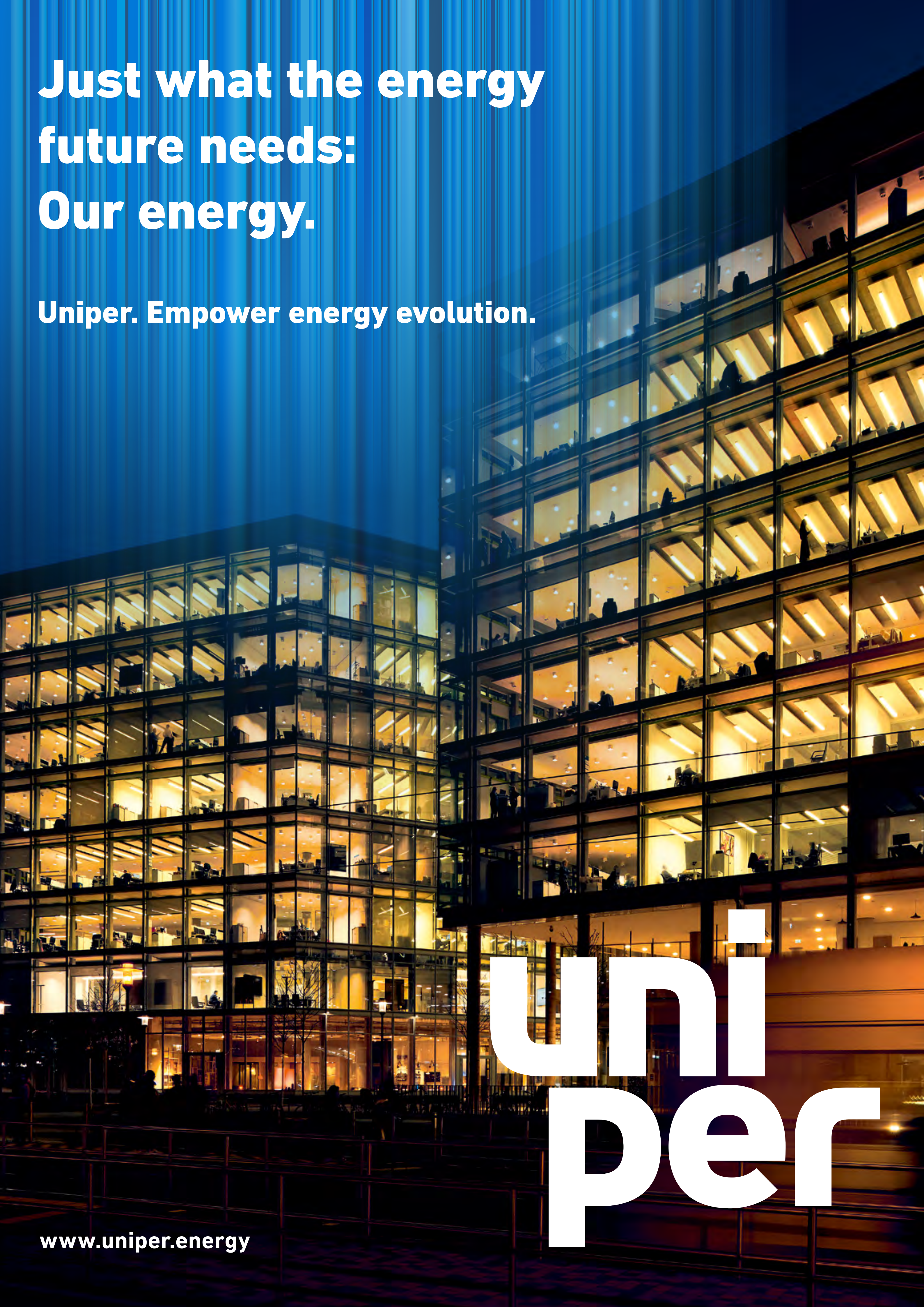
Injection of Fear Premium in Crude Oil May Subside Soon

Yemen's Houthi rebels claimed a deadly aerial attack on the UAE capital Abu Dhabi late-Monday, triggering a surge in fear premium in crude, which catapulted Brent futures to above $87/barrel in early Asian trading Tuesday. ICE Brent futures had last settled above $87 in October 2014. 2. A drone strike by the Iran-backed Houthi militia blew up several fuel oil tanker-trucks and killed three people in Abu Dhabi, according to news reports.

The Houthis routinely attack infrastructure in Saudi Arabia across Yemen's northern border but confirmed attacks on the UAE are rare. Though there were no reports of any impact on oil production or shipments from the UAE or elsewhere in the region, the potential for a worsening conflict sent crude prices surging. Saudi Arabia and the UAE are OPEC's largest and third-largest producers respectively, pumping about 9.9 million b/d and 2.9 million b/d in December, according to Platts data. The two are also among only a handful of countries in the 23-member OPEC+ alliance that have ready spare production capacity.

The OPEC/non-OPEC alliance has "done a lot" in bringing about stability in the energy markets, Saudi Energy Minister Abdulaziz bin Salman said on Monday. The Kingdom does not plan to pump beyond its quota to plug a shortfall from several of its peers, Abdulaziz told reporters on the sidelines of a renewable energy conference in Dubai.

Most of the latest injection of fear premium in crude may subside if tensions between the UAE-Saudi coalition and Yemen's Houthi rebels cool off. However, some of it will linger, adding to the anxiety caused by the recent events in Libya and Kazakhstan, all of which adds up to a growing concern over reliability of supply from the world's biggest oil-producing region.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"Current Oil Prices Are Justified Given Very Very Tight Market"

Mike Muller, Head of Vitol Asia

Brent back at $86 -Are you surprised given the global economic and demand outlook?

The high prices in the market today are justified. Brent is at the highs of the move in October last year and we were last at or above that level in October 2018. Any higher than that and you would have to go back to 2014 when prices fell off that plateau of $150/bl. So, we are pushing towards this triple top of the market and possibly new highs. WTI is close to $84, so that's also come along even faster and we have a much more responsive upstream scene with investment prospects in the Permian Basin that's incentivizing drilling. European gas also continues to make headlines. It had hit as high as around 180 Euros per megawatt hour last year and is now sitting at 83 Euros, so these are extremely volatile markets. There are pockets of tightness everywhere so the front end backwardation in oil is very much justified.

Does OPEC need to consider adding more oil?

The concerted action of OPEC+ to bring down global inventories to pre-pandemic levels succeeded months ago and the group is continuing to forge on with their policy, so much so that many of the producers can't really put their share of the 400,000bd monthly increase into the market any longer. There is only one party that has spare capacity in terms of refining capacity and inventories today - China. And if we look at Europe, you have a phenomenon where despite the fact that the aviation sector is still in recovery, the differential between jet fuel and diesel is trading positive for the first time in a very long time. That tells you there's not enough jet fuel around. Moreover, 0.5% VLSFO inventories are back down to the levels we had pre IMO 2020, when the world was panicking about whether we could blend enough of that. So, we could see the risk off mindset that we have had since the end of last year, move, with a lot of managed money sitting on the sidelines that might be thinking oil is about to pop towards $90 or beyond.

How strongly will non-OPEC+ supply feature in 2022 markets?

All of the new supply sources - in Brazilian deepwater, the Surinam, Guyana, and a little from Norway - have already been accounted for and there can't be any delays in these projects coming on stream because the world is counting on it. As for the more responsive stuff, it's really the Permian investments and although the rig count will come, it won't be as before because there's physically no time to get a response in the coming months. That is a concern. What is left then is Strategic Petroleum Reserves and we saw a lot of posturing around the concerted effort, led by the Biden administration, to have SPR releases in Japan, China, Korea, and even the UK on products. The current market has priced that in and also deemed it insufficient. The question is whether the US will release even more and what response that will provoke. We also need to watch China, which is less interested in releasing SPR in the low $70s than they might be now in the mid to high $80s.

China's weaker economic outlook impact on energy demand, and particularly oil?

China is at the forefront of transitioning certain segments of its energy consumption economy and from a geopolitical standpoint, it's something they clearly would like to do. But oil demand has not peaked. Most sectors of the economy are robust and there's still a heavily orientation towards manufacturing and energy consuming businesses. We will however see a blip in Q1 because China has already shut down many emitting polluting industries around Beijing to keep the skies blue for the Olympics in February. Otherwise, China is still bringing on stream new refineries and new petrochemical facilities and also has a semi idle independent refining sector with a lot of spare capacity, which the world will need. They do want to do something about deleveraging overheated sectors, most visibly the property fiasco, and to save face in terms of reassuring investors.

Has China's Covid policy helped or hindered economic performance?

China is facing some challenges in its zero Covid policy but I don't see that hitting demand. There's a clear difference in policy between Shanghai and Beijing, which cannot possibly be closed down in their entirety, and the provincial cities and the rest of the country, which can. It is also a largely vaccinated country and the transmission data so far is non troublesome. There are people speculating on what a virus outbreak in a major Chinese container port would mean for the supply chain, for consumer prices and for inflation in destination markets for Chinese goods. I personally think we're still quite far from that. And whilst it looks inevitable that Omicron will take hold in a greater way in China, it doesn't look impossible for the Chinese to continue to contain it by imposing these bubbles and advising their population to restrain their travel plans over Chinese New Year.

Significance of Iran nuclear talks on supply beyond OPEC+?

The big question on Iran is how high it is on Biden's agenda of priorities. There's no way that he is going to be able to push a softening stance and concessions to Iran through the House. The market thinking is that we will not see any Iranian oil over and above what's already leaking out, until Q3 this year, and that is already priced in. Could the US really allow Iran to bleed more exports into the market in the meantime? We are already seeing in excess of a million tons a month of fuel without any sanctions being imposed, on top of the crude oil flows. Another area of geopolitical significance for the markets is the Russia Ukraine equation. That's been the focus of attention around gas markets in a very big way. The hike in gas prices has definitely led to demand destruction in various sectors such as textiles and fertilizers in Asia, and even across Europe certain industries are not churning out normal inventory. That is going to have to be replenished at some point and it does serve to remind us that people will abstain from buying expensive energy at some point. The question is at what point does that kick in for oil.

Energy Markets Views You can Use

Rustin Edwards
Head, Fuel Oil Procurement, Euronav NV

The BTU story has been the main driver behind the recent oil price recovery

Distillates have rallied in the last couple of weeks. The backwardation on the ICE gasoil futures contract has ramped up to almost $15 today and cracks have been moving higher, also pulling up fuel oil cracks. A lot of it is predicated on the gradual resumption of economic activity, outside of Covid slowdowns. A lot of countries have stopped on controls and restrictions at a certain point because they want to avoid a slowdown in economic activity and also on the assumption that Omicron is not as bad as Delta. That has all helped drive demand.

Any chance that global supply chain backlogs are clearing?

Backlogs in US ports are still running 25 to 35 days, especially on the West Coast. There have been some moves to alleviate that by pushing ships further offshore to allow a a more thorough loading process of vessels in and out. This is an exponential problem because the supply chain stretches all the way back to China and all the way back to the US. Part of the concern that people have is that the current Covid outbreak in China might create a second wave of supply disruption going into Q2 and Q3 because these things permeate about four to five weeks into the supply chain. Price wise, people are expecting to see container freight prices spike up again. A lot of this is also predicated on a higher oil price because that fuel surcharge that shipping companies charge is passed through to the consumer, and again, that takes anywhere between seven or eight weeks to permeate through. Dry bulk is weakening because of the export ban on Indonesian coal and tanker freight is currently lower than it was in 2021.

Outlook for China growth in 2022?

I'm bearish. They've got economic headwinds with their property development prices and even more defaults have happened over the last three weeks. Q1 is going to be a very problematic quarter when the actual demand figures come in, mainly driven by the fact that we have the Chinese locking down for Covid. In Europe, we've had restrictions in place but demand will come back once those reside. So, I'm not too bullish on Q1 demand at all. We've also got accelerating inflation. Higher oil prices also lead to higher inflation, which inevitably will lead to an economic slowdown. We had China's President Xi saying earlier today that governments' increasing interest rates are going to stall global growth.

Peter McGuire
Chief Executive Officer, XM Australia

UK employment – the bright spot of the economy.

UK Rate hike speculation for the Bank of England has gone into overdrive again and the triad of UK data releases this week are bound to heat things up even further. The employment report is out first on Tuesday, followed by the latest inflation figures on Wednesday, with retail sales wrapping up the week on Friday. All are due at 07:00 GMT. The pound is currently taking a breather from its four-week rally but there could be more gains in store if the data is strong.

The tight labour market was a key factor for the Bank of England in tilting the balance in favour of a rate hike at the December meeting. The UK economy may have suffered a bigger blow from the pandemic than its main competitors but the jobs market has been surprisingly resilient. Now that GDP has finally surpassed its pre-pandemic peak and inflation is spiralling, policymakers have even more reason to be vigilant about how tight conditions are getting in the labour market.

Employment likely grew 125k in the three months to November, having risen by 149k in the prior three months. The unemployment rate is expected to hold steady at 4.2%, which is still few percentage points above the multi-decade lows reached right before the virus crisis struck. This suggests there's yet to be a full recovery.

However, with Brexit and the pandemic creating a shortage of workers in critical sectors, there is significant upward pressure on wages. Average weekly earnings peaked at 8.8% year-on-year in June. They are forecast to have eased further from 4.9% to 4.2% in November. But wage growth could accelerate again in the coming months as Omicron has worsened the staff shortages due to swathes of the population having to self-isolate.

Fujariah Weekly Oil Inventory Data

FOIZ
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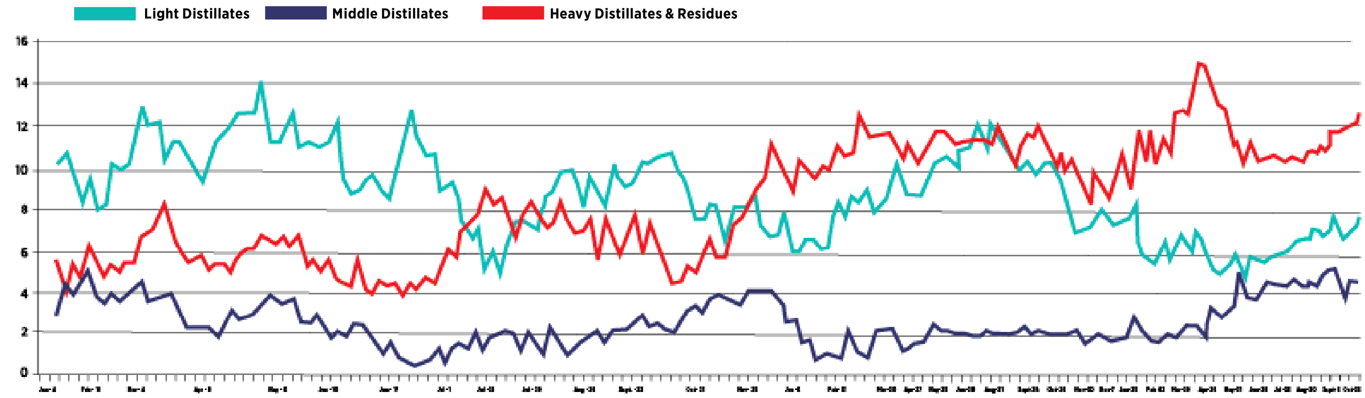
Fujairah Oil Industry Zone

bbl (million)



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 16.887mn barrels. Total stocks rose 1.578mn barrels with overall stocks up 10.3% week-on-week. The total stock build was driven by rising stocks of middle distillates and heavy residues, while light distillates recorded a net draw.

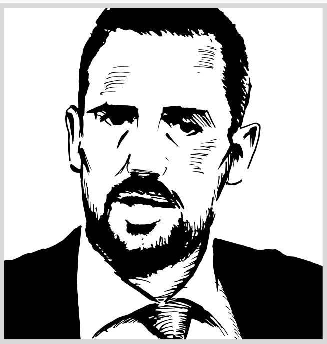
- Stocks of light distillates, including gasoline and naphtha, fell 374,000 barrels or 7.7% on the week to 4.511mn barrels. The East of Suez gasoline market was under some pressure as an uptick in regional supply availability - reflected in more spot supply tenders this week was adding to length in the market. Regionally, a fire Jan. 15 at Kuwait National Petroleum Co.'s Mina al-Ahmadi oil refinery during maintenance work has had no impact on refinery operations as the unit was already out of service, market sources said.

- Stocks of middle distillates, including diesel and jet fuel, rose by 1.180mn barrels or 94.7% on the week to 2.426mn barrels as stocks nearly doubled. The East of Suez gasoil market saw backwardation continuing to steepen as tight supplies boost near-term market sentiment, sources said. Market participants continue to point towards tight near-term availability as a key factor behind recent bullishness in the market, which could persist in the next few months amid lower exports of oil products from China due to limited export quotas.

- Stocks of heavy residues rose by 772,000 barrels or 8.4% on the week to 9.950mn barrels. Demand for bunkers was average at the port of Fujairah, market sources said. December bunker fuel sales at Fujairah inched lower for the second consecutive month to total 702,628 cu m amid a slowdown in shipping activity, though it was still the third highest sales volume across all months in 2021. The outlook for January remains generally buoyant, sources said. Offers for delivered marine fuel 0.5% sulfur fuel in Fujairah were heard at $685-$700/mt. The price of delivered marine fuel 0.5% sulfur in Fujairah was assessed at $687/mt Jan. 18, up $17/mt day on day, Platts data showed. The price of marine fuel 0.5% sulfur bunkers in Fujairah represents a $5/mt discount to Singapore which saw its delivered bunkers on the same basis assessed at $692/mt.

Source: S&P Global Platts

Hello to Thursday! Brent is trading this morning at $88.39/bl down 0.05 and WTI is trading up 0.08 at $85.88/bl. OK, where to start, I KNOW! Let's have a look at our friends over the pond that are The American Petroleum Institute and what weekly oil inventory statistics looked like, shall we? "This week, the API reported a build in gasoline inventories for the third week in a row, at 3.463 million barrels for the week ending January 14—on top of the previous week's 10.86 million barrel build." Here is the thing - this is what I have read for the last three weeks when journo's have been reporting about weekly US oil inventories "U.S. crude stockpiles unexpectedly increased last week at a time when expectations for demand continue to lean bullish." Does oil care? Absolutely not a chuff, your honour. Ok, so that's



BY MATT STANLEY
DIRECTOR
STAR FUELS

that. Let's now talk about the "explosion" on the Kirkuk - Ceyhan pipeline that was reported about late Tuesday evening, shall we? Just before this news came out Brent was trading at $86.65/bl. Justifiably, crude oil futures rose against this outage owing to the fundamental fact that it would take around 450,000 bbls per day off the market for an unidentifiable period of time. Fine, I can live with that. Then, at 10am yesterday morning, I read this "*TURKEY-IRAQ OIL PIPELINE RESUMES FULL FLOW: TURKISH OFFICIAL". There was a negligible market reaction to this which was quickly shrugged off and up we went yesterday, to a high of $89.19/bl before closing down 0.21 at $88.44/bl. So, let me get this right, just humour me for a moment please - so gasoline inventories in the USA have increased every week of 2022, yet markets are still up. Supply disruption that caused markets to rally on Tuesday that are now resolved also mean that markets trade up. Honestly all this shrugging of shoulders is making me look like Gladstone Small. Is there anything, and I literally mean anything that can stop this bull run the oil is on? I know!!! OPEC+, they will control this oil market. Now hold your horses there sunny - this from Energy Intelligence "[As of now] Opec-plus cannot ease the market situation," said Al-Rumhy, Omani oil minister". This is a fair comment, and I think a clear sign that OPEC+ know that this market we are in is nothing based on the fundamentals, something HE Al-Ruhmy mentions too, "The fundamentals do not support these increases. The market is well supplied; therefore, I expect a correction soon,". The problem is that I don't see that correction coming before prices hit $100/bl. Hold your horses and remember, negative news is good news! Stats later. Ignore those though. Good day.

January 20 2022

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ENERGY TO LIFE
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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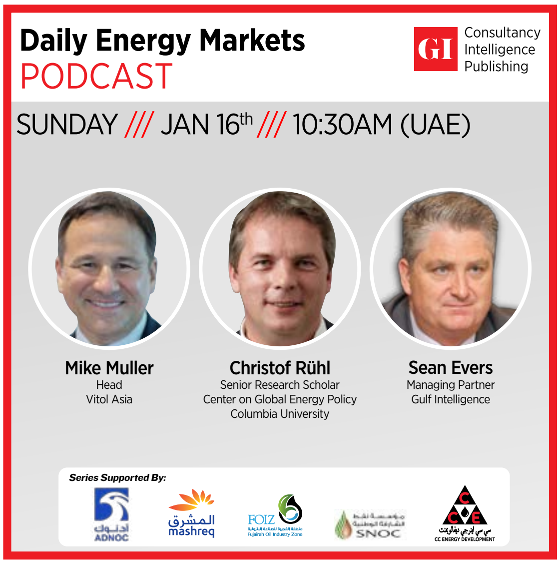
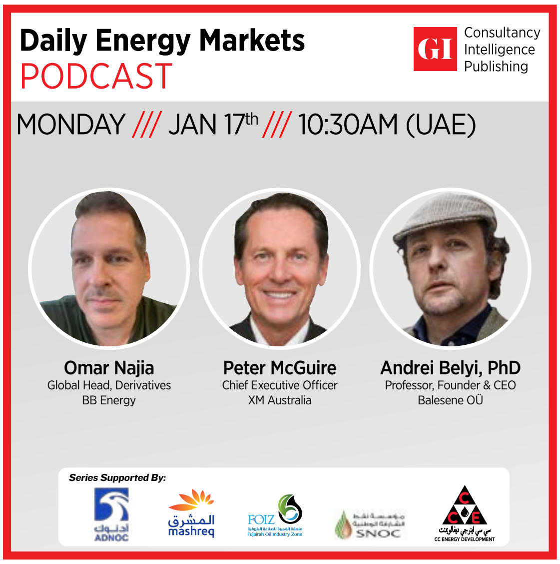
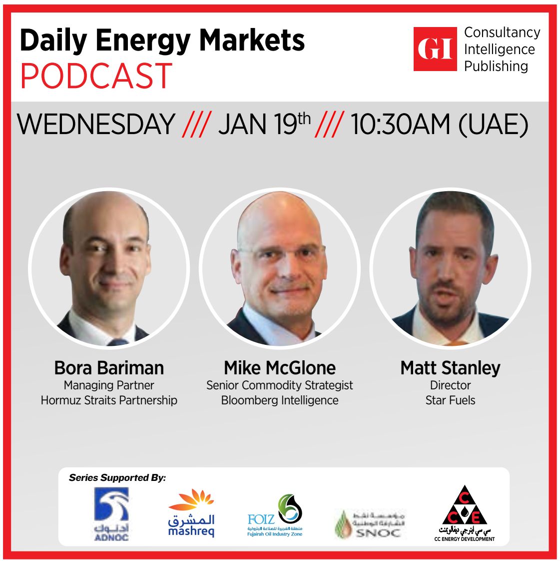
Abu Dhabi National Oil Company

Energy Markets COMMENTARY

WEEK IN REVIEW







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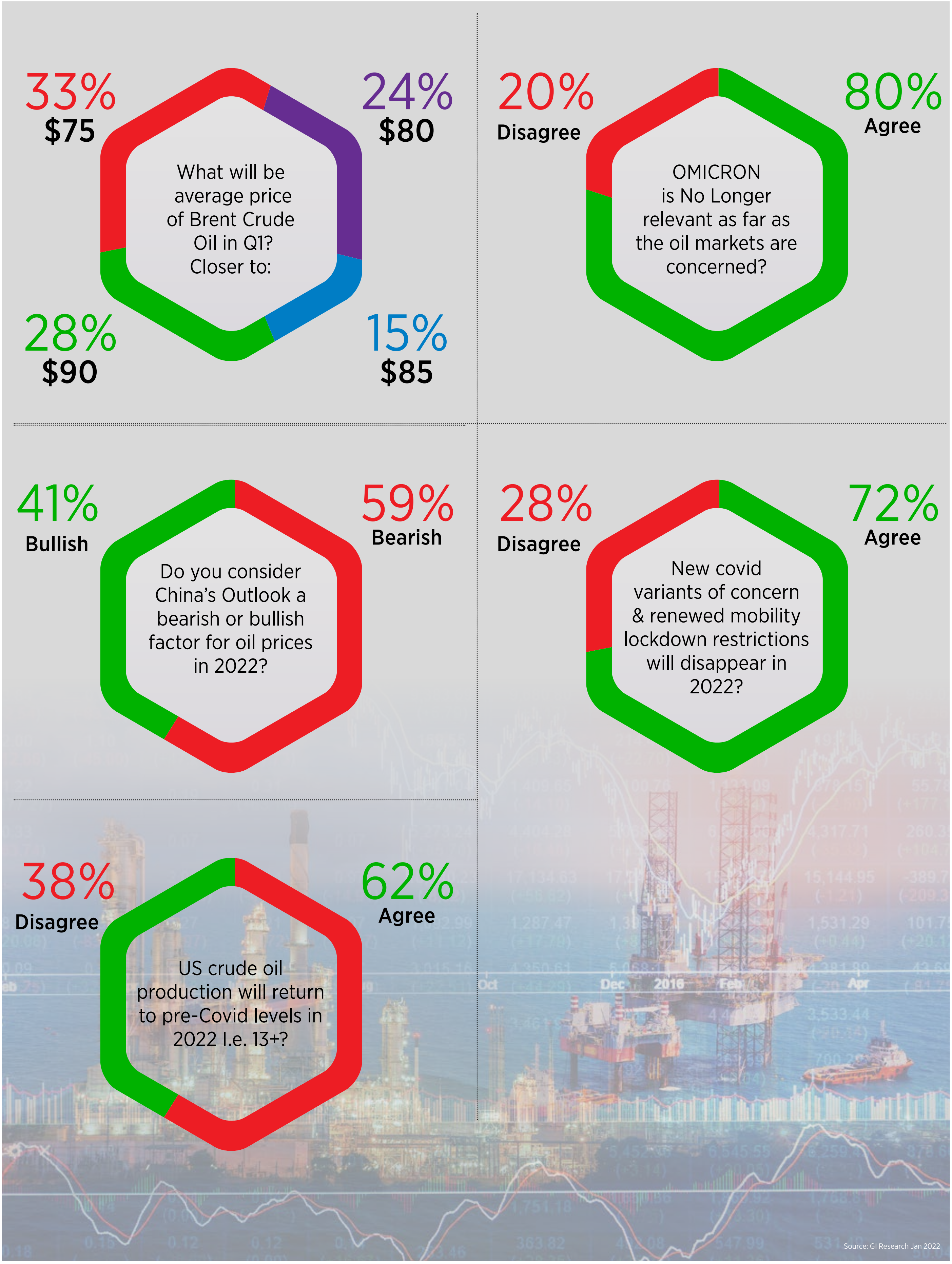
GI Weekly Surveys



Energy Markets Views You can Use

Narendra Taneja
India's Leading Energy Expert

Any oil price above $65 is bad news for India
And so today's prices are even more challenging, particularly when the government plans to present its national budget on February 1st and we also have elections in the north of the country. Still, overall energy demand in India is resilient and the economy is doing well, with good forward projections. Foreign direct investment in the country is also registering record growth.

Are the higher oil prices not proving a deterrent to growth?
The Indian economy is an oil economy and has to keep growing. Even if prices go up to $90 or $100 tomorrow, it won't have a huge impact in terms of demand. The only option then would be for the state government to take the hit and cut taxes. Today, 52% of prices at the petrol pump are a tax component. Consumers here are used to paying high prices of petrol and diesel.

Does Covid remain a concern at all?
The data for the last 18 days shows that demand for petrol and diesel has dropped about 14.2% on the back of Omicron and related curfews. But although we don't have access to data on the Omicron numbers, we do know that ICU hospital beds are 85% empty. Most households are carrying on with normal social and economic life and I think demand for oil and petroleum diesel will come back to normal within two to four weeks.

India's view on the dynamic geopolitics in the Middle East?
The Middle East is going to be in turmoil geopolitically for some time. In the context of energy, that's why India has been strategically diversifying its sources of supply and reducing its dependence on the region. Saudi Arabia and the UAE are strategically and economically very important to India, also because of their relationship with and conduit to Iran. But the US has also emerged as an increasingly bigger supplier of crude oil to India in the past year and is a huge trading partner. The US presence in the region is also declining and there's not one single country that has emerged to replace it. It's a complex situation. We are also looking to diversify natural gas supply as much as possible so the geopolitics around Russia, as one of our suppliers, also matters. Any US sanctions on the country would have a huge impact on the markets and on importing countries like India.

> "We are all trying to congregate around the idea of reducing emissions of all greenhouse gasses. Are we really trying to achieve that goal or are we trying to take that hope as a pretext to get rid of hydrocarbons? I really would like to see the true colors of everybody."

H.R.H Prince Abdulaziz bin Salman,
Minister of Energy, Saudi Arabia

Source: Abu Dhabi Sustainability Week (ADSW)

ENERGY MARKET NEWS

1. BIDEN WHITE HOUSE AGAIN UNDER PRESSURE AS OIL PRICES RACE TOWARD $90/B
2. PERMIAN OIL OUTPUT HITS RECORD
3. WOODSIDE AND SANTOS REPORT RECORD QUARTERLY REVENUES
4. UKRAINE TENSION: BIDEN SAYS HE THINKS PUTIN WILL 'MOVE IN'
5. PETROCHINA LAUNCHES INTERNAL REVIEW AFTER SUBSIDIARY CAUGHT IN ILLEGAL CRUDE OIL TRADING
6. CHINA'S SINOPEC FLOODS LNG SPOT MARKET WITH CARGOES FOR 2022
7. OIL PRICES EASE FROM 2014 HIGH, SUPPLY CONCERNS LIMIT LOSSES
8. CHINA PLAYS DISCREET, BUT CRITICAL ROLE IN IRAN NUCLEAR NEGOTIATIONS
9. WHITE HOUSE READY TO DEPLOY "TOOLS" FOR OIL PRICE CONTROL
10. SAUDI ARABIA WILL DOMINATE THE HYDROGEN MARKET, ENERGY MINISTER SAYS

RECOMMENDED VIDEOS & REPORTS

- 2022 EMERGENCY WATCHLIST
- "CHINA'S OIL DEMAND MAY HAVE PEAKED!" - XAVIER CHEN
- MARKET FOCUSES ON SHRINKING SPARE CAPACITY
- IEA TWEAKS OIL DEMAND PROJECTIONS HIGHER
- THE EMERGING GLOBAL NATURAL GAS MARKET AND THE ENERGY CRISIS OF 2021-2022

aramco

trading

Where Trade Flourishes

London Dhahran(HQ) Fujairah Singapore

Port of Fujairah Spotlight

4,808	14,774	123.86 mn
Vessel Calls – Last 12 Months	FOAA Vessels – Last 12 Months	Cargo Handled (MT) – Last 12 Months

Source: GI Research Jan 2022

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
Jan 15th - Jan 20th

Market reaction to ever increasing rate hikes has been somewhat muted thus far because ultimately we are starting a tightening cycle from what is an historically very low base i.e. money has been free.

US shale oil production would appear to have moved from a standing still posture – from zero to 60 if you will in record time – will this be deja vous all over again for OPEC+

Geopolitics, evaporating spare capacity and continuing to decline global oil inventories will provide three solid floor boards to 2022 oil markets.

China's oil demand is reaching a plateau or peaking near 14.5-15 million bpd for a number of reasons, but principally because the country's macroeconomic prospects are weakening, the deteriorating geopolitical environment and COVID-zero control policy.

The Chinese government now puts more emphasis on stability and security, less focus on growth. In the past when China had problems with growth numbers they would just introduce stimulus packages, but now the government doesn't have much money available to stimulate the economy.

China is already in the implementation stage of tackling climate change, they are no longer in the talking phase, but this transition has led to many surprises like power shortages and excessive control of energy demand by provincial authorities.

OPEC+ succeeded many months ago to reduce global oil inventories below pre-pandemic levels, and in many cases there are pockets of tightness in the market which would have me say that a front-end backwardation and a strong market is very much justified.

All of these new oil supply sources – Brazilian deepwater, Surinam and Guyana, a bit of extra oil out of Norway – this is all accounted for and needs to be on time, there can't be any delays in these projects coming on stream because the world is counting on having that supply.

We are likely to see a blip in Q1 energy demand because China has already shut down many emitting polluting industries around Beijing to keep the skies blue for the February Olympics.

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