Fujairah New Silk Road WEEKLY NEWSLETTER

NEW SEASON '23-'24

OCTOBER 19th 2023

VOL. 172

Supported By:

FOIZ منطقة الفجيرة للصناعة البترولية Fujairah Oil Industry Zone

Port of Fujairah ميناء الفجيرة United Arab Emirates

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

"Fujairah is a Frontrunner to Become One of the UAE's Hydrogen Oases!"

H.E Eng Sharif Al Olama, Undersecretary for Energy and Petroleum Affairs, UAE Ministry of Energy & Infrastructure

The UAE anticipates that by the year 2031, we will be producing around 1.4 million tons of hydrogen per annum - both green and blue. We are taking measurable steps in terms of delivering what we anticipate will be a major contributor to our vision for diversifying our energy mix. We have around seven projects that are currently at different levels of maturity. Today, there's only grey hydrogen in our refineries and the quantities are very limited. But we have test sent blue ammonia cargoes to Europe and Japan through ADNOC. We are also working on studies to produce pink hydrogen, capitalizing on the heat from our nuclear reactors. As part of the hydrogen strategy, we have identified hydrogen oases – one in Ruwais and one is KIZAD, Abu Dhabi. I see Fujairah as a frontrunner to become one of these future hydrogen oases. It is the third biggest bunkering port in the world, with significant storage facilities and has all the infrastructure required to enable hydrogen. Fujairah's geographical location and access for shipping routes is also key; it could allow us to import all the equipment we need to produce hydrogen and allow us to export to the likes of Japan, South Korea, and others. Today, only blue hydrogen is economically feasible, so this is where we are going to start, eventually transitioning into green as we've seen done in Europe.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

5,467,000 bbl	1,631,000 bbl	11,411,000 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

$3.54 - 4.38/$m^3$

↑ Highest: $4.50/$m^3$

↓ Lowest: $3.20/$m^3$

Weekly Average Oil Prices

Brent Crude:	$90.42/bl
WTI Crude:	$86.28/bl
DME:	$90.92/bl
Murban:	$92.01/bl

*Time Period: Week 3, October 2023
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO	MGO	IFO380
High = $671.50/mt	High = $964.00/mt	High = $504.50/mt
Low = $639.00/mt	Low = $927.00/mt	Low = $479.00/mt
Average = $654.00/mt	Average = $948.50/mt	Average = $490.00/mt
Spread = $32.50/mt	Spread = $37.00/mt	Spread = $25.50/mt

*Source: Ship and Bunker, *Time Period: Oct. 11 – Oct. 18, 2023*

Fujairah Bunker Sales Volume (m^3)

0 180cst Low Sulfur Fuel Oil	425,942 380cst Low Sulfur Fuel Oil	172,945 380cst Marine Fuel Oil
1,688 Marine Gasoil	28,064 Low Sulfur Marine Gasoil	3,944 Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

H.E Eng Sharif Al Olama, Undersecretary for Energy and Petroleum Affairs, UAE Ministry of Energy & Infrastructure

Main challenges to the UAE developing a hydrogen hub?

One has been cost. When the UAE started with renewable energy back in 2006, the kilowatt hour was around $33. Today, it's about $1.32, so a big improvement. That is critical for green hydrogen because you need cheap energy to produce that. Today, green hydrogen is sold in the market at around $6 to $8, which is still excessive. We are trying to find solutions through R&D to bring that cost down. The other challenging aspect is transportation and distribution. From a customer perspective, the UAE has established many international partnerships with countries like Germany, Japan, India, and South Korea. By 2030, Japan will require around 2.1 to 3 million tons of hydrogen, rising to 12 million tons by 2040 and up to 20 million tons by 2050. And you could multiply those amounts two or threefold for India. We are exchanging information on technologies with these countries and understanding what policies and regulations they have established for a hydrogen economy. Certification is another important factor. Eventually, when we are to export hydrogen, these requirements need to match with the importing country. We are talking to international organizations like the IPA and also the EU Commission, to establish a standards certification process to enable us to export.

Will there be stricter decarbonization requirements for industry going forward?

The UAE has launched a demand supply national management program which includes four sectors – industry, transportation, buildings and agriculture. The target is a reduction of 40% in power consumption and 50% in water consumption, which would save the country around AED 226 billion by the year 2050. As an example, in the transportation sector, we have huge plans to develop infrastructure for EVs so that they can reach 50% of the country's total car fleet by 2050. In the industry sector, we have done a comprehensive study on the 50 biggest plants in the UAE and put ten recommendations on how they can improve their energy efficiency.

Is integration of UAE infrastructure required for realizing all these ambitions?

We have seen different approaches taken by ADNOC such as storing CO_2 in salt domes, in aquifers and even using CO_2 for mineralization and injecting it into rock formations. Today in the GCC, we have an Interconnection Authority (GCCIA) that provides three major benefits - emergency support, a reserve spending reserve and electricity trade. We took that model and recently announced the formation of an electricity market in the UAE with four major authorities. The idea is to allow trade and competition between these authorities to bring down prices and be more efficient. This is just the first phase. We want to expand further to heavy industries that consume a lot of power and give them the opportunity to buy the cheapest and most efficient power available in the market.

Source: Edited Comments, Energy Markets Forum, Fujairah October 11th

ACCELERATING TOWARDS NET ZERO

Marking a new chapter in ADNOC's transformational journey to a lower carbon future, we have brought forward our Net Zero ambition to 2045 and aim to achieve zero methane emissions by 2030.

Energy Markets Views You can Use

Sara Akbar
Chairperson & CEO, OiLSERV, Kuwait
& Non-Executive Director, Petrofac

It's a turning point in the region.

Israel and the region were thinking we are going into a peace process – there is no way that can happen now after they've seen the atrocities that Israel is conducting in Gaza in front of everybody's eyes - that cannot just pass by. It will throw everything back a decade probably, if not more. It's a wake-up call to say that there are Palestinians here and they have rights, and we should not forget them in the agreements that we are conducting with Israel. We'd like to have peace in the region, but it should be fair for all. Things will not be as smooth as we expected.

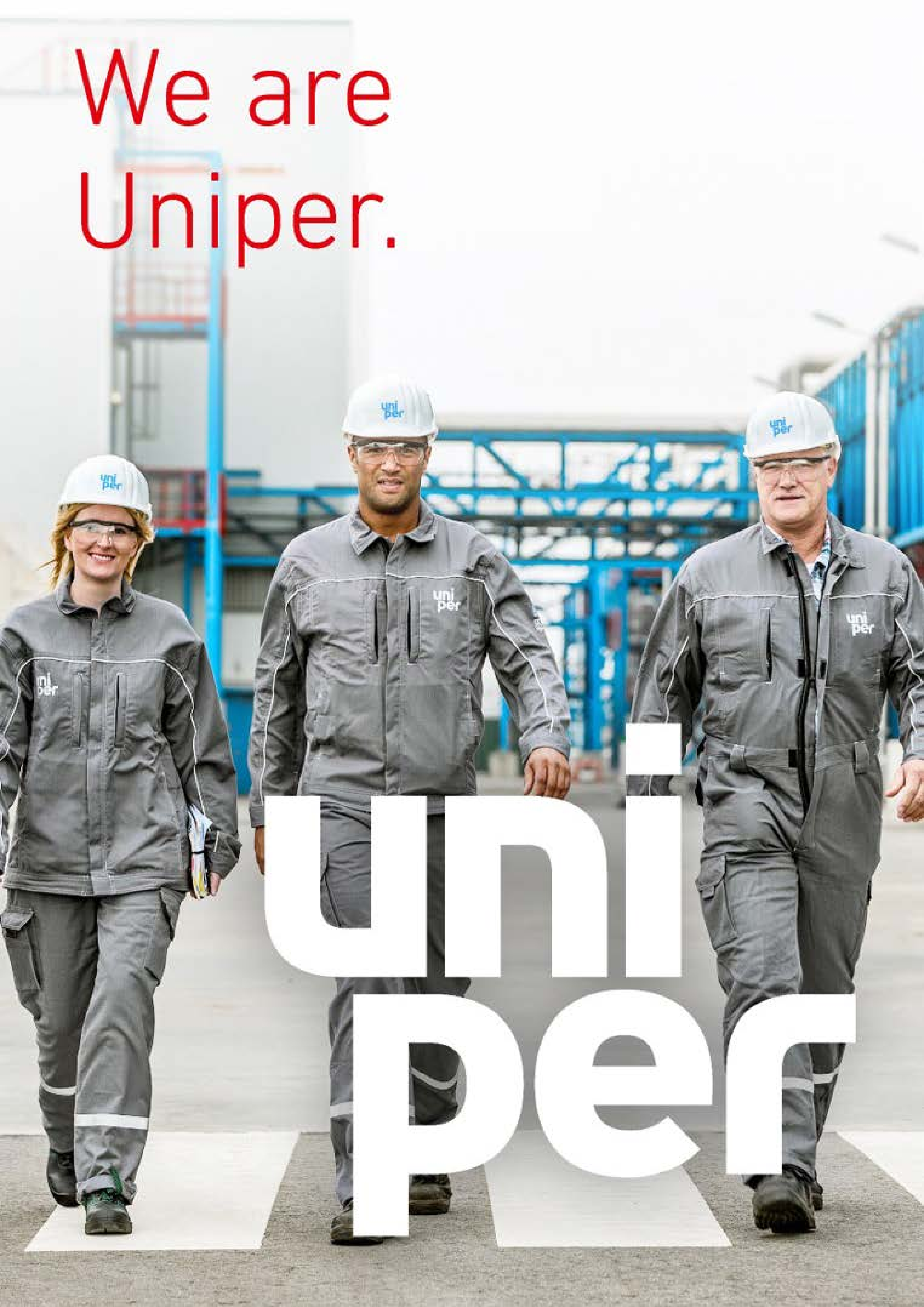
Will the regional turbulence impact investment plans for the industry?

The industry goes through cycles, but our project plans are long term so they will be implemented – we will maybe just see risk mitigation mechanisms kick in if needed. The message today is clearly, continue to invest in the industry and raise it. We need around $480-$500 billion every year to maintain production and meet demand, while also investing in emissions control and the Energy Transition in parallel.

Do you expect the Saudi voluntary cuts to roll into 2024?

It looks like it because they don't see any reason right now to bring the supply back to market. This price is very suitable for OPEC+. The story might change if winter demand drives prices to above $100 but for now they are evaluating the market and if there's a real need to add, they will. We're even seeing additional non-OPEC production coming soon, so it doesn't look feasible for Saudi to put that 1 million barrels back on the market.

We are Uniper.



Fujairah Spotlight

UAE President receives Ruler of Fujairah and Crown Princes of Fujairah and Ajman

President His Highness Sheikh Mohamed bin Zayed Al Nahyan today welcomed at Qasr Al Bahr in Abu Dhabi H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, along with H.H. Sheikh Ammar bin Humaid Al Nuaimi, Crown Prince of Ajman, and H.H. Sheikh Mohammed bin Hamad Al Sharqi, Crown Prince of Fujairah.During their meeting, Their Highnesses exchanged cordial greetings and engaged in fraternal discussions.

Source: Emirates News Agency – WAM

FUJAIRAH DATA: Oil product stocks drop for first time in three weeks

Stockpiles of oil products at the UAE's Port of Fujairah dropped 6.4% in the week ended Oct. 16, the first decline in three weeks, according to data from the Fujairah Oil Industry Zone. The total fell to 18.509 million barrels as of Oct. 16, after climbing 20% in the previous two weeks, the FOIZ data published Oct. 18 showed. The total stockpile is now down 10% since the end of 2022.

Source: S&P Global Commodity Insights

INTERVIEW: Vitol's VTTI mulls Fujairah storage expansion as Russian oil fills tanks

Vitol-backed storage terminal owner and operator VTTI may look to expand its storage footprint at the Port of Fujairah on the UAE's east coast in the coming years as displaced Russian crude and product flows continue to spur demand for oil storage at the key regional hub, VTTI CEO Guy Moeyens said.

Source: S&P Global Commodity Insights

Energy Markets Views You can Use

Dave Ernsberger
Head of Market Reporting & Trading Solutions
S&P Global Commodity Insights

We see a similar pattern of balances into 2024, but more in miniature.
In 2023, the US added 1.4 million b/d of production capacity and China brought back more than a million b/d of oil demand. Next year, we see that cutting in half, with an extra 700,000 b/d of US production coming to market and about 450,000 b/d of demand recovery in China. So, the marginal outcome is the same, only smaller.

Have current geopolitical risks been factored into prices?
The reason markets didn't respond more bullishly last week is because of the implied production capacity that is being held back from the market that is theoretically there in the event of a price spike. Crude prices are up $25 a barrel in total since the OPEC+ production cuts came into effect; that's the big driver that's started to eat significantly into visible inventories over time and that's been the catalyst for higher headline prices.

Economic sentiment for Europe as we head into winter?
Europe has been fortunate to be able to afford the very high price that it's paid with the diversion of relatively affordable energy supplies - not just oil, but also natural gas, and the replacement of that with relatively expensive sources. Higher interest rates will continue to layer pressure, but it has shown resilience. I'm not suggesting it's about to go on a growth spurt, but it's treading water and seems to be cutting back on infrastructure projects where they're not needed. All of this ultimately depress growth in the long term, but I'm not necessarily expecting to see a huge recession kick in either.

Daniel Richards
MENA Economist, Emirates NBD

Outlook for GCC economies in Q4?
It's been an extraordinary year for the non-oil sector. Any slowdown we're seeing on headline GDP is largely on the back of the voluntary oil production cuts. Dubai had a strong 1H, with GDP growth in Q2 at 3.6% year on year and as it stands, the forecast for the whole of 2023 is 4%. But the turbulence we are now seeing in the wider region does raise some risks. Tourism has been the key driver of growth in Dubai, not only through the direct effect of hotels and transport, but also passing through to construction and real estate. In Saudi Arabia, we do expect a modest budget deficit this year of around 0.5% of GDP, down from a surplus of 2.5% of GDP last year.

Is the Belt and Road Initiative still driving economic growth across Asia?
The headlines indicate that it remains a key policy objective of the Chinese government, both from an economic standpoint and in helping them build up their power play through the Asian region to boost regional trade influence. Questions on the durability of the Chinese economy have come to the surface more this year, and also questions over longer term growth projections in terms of demographics. So, making a success of the BRI is becoming ever more important. It's a more challenging outlook perhaps than when it was launched, but it remains a center point of their objectives.

Energy Markets Views You can Use

Hatem Al-Mosa
Chief Executive Officer
Sharjah National Oil Corporation

To produce blue hydrogen, you need to get rid of the CO2 somewhere.
That goes hand in hand with carbon sequestration and storage. Oil producing countries typically have reservoirs that have been depleted. One example is in Sharjah, which has an ideal reservoir perfectly suited to capture and store the CO2 coming out of the production of blue hydrogen. The availability of such facilities is also a major catalyst to eventually achieve the transition from blue hydrogen to green hydrogen.

What is SNOC doing about decarbonizing its own operations?
We have announced that we want to achieve net zero by 2032. It's an ambitious target. The UAE has set 2050 as its target date. As one step, SNOC plans to build its own 60-megawatt solar power plant, that will take us a significant part of the way towards achieving our net zero target. We have also initiated studies on how to convert our gas consuming equipment to run on electricity. To be able to achieve net zero, we must also to be able to measure emissions today and have them verified and reported by independent parties. SNOC has issued a GHG emissions report for 2021 and 2022 internally, to establish a baseline and we're in the process of getting it verified by an independent third party, after which it will be published. We hope to set an example for the industry on transparency of emissions.

What's the main purpose of the recent deal with RAK Gas?
It's the same logic as integrating grid and pipeline infrastructure. We should also integrate gas storage infrastructure. Sharjah has its own gas storage facility and plant that's designed originally to manage the variations for seasonal demand and supply for SEWA. But ideally you also want to make this available for the entire country's energy security. Ras Al Khaimah has its own gas demand and supply variability issues. With this agreement, RAK will have access to Sharjah's gas storage facilities to retrieve gas when they need it.

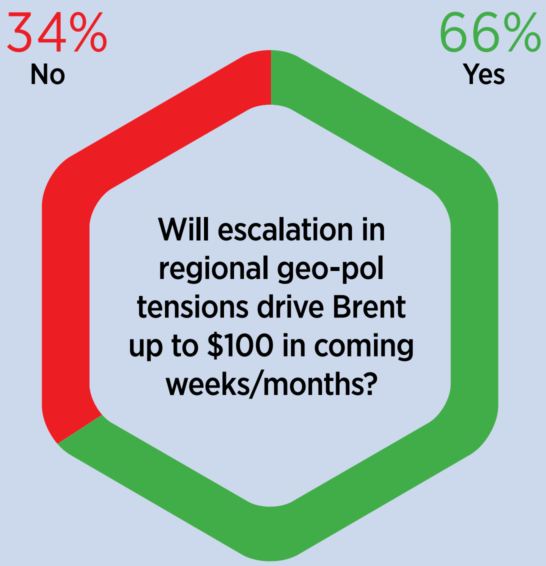
Robin Mills
CEO, Qamar Energy

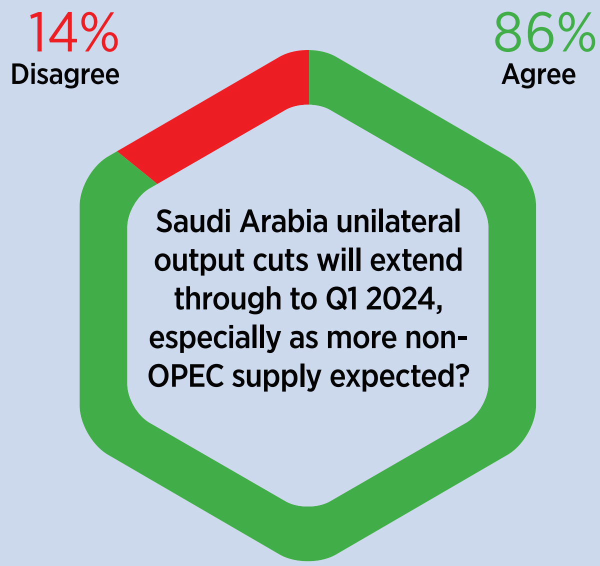
We need to bring down the cost of producing both blue and green hydrogen.
It's about building an industry. Today, green hydrogen is less than 1% of global hydrogen production. The first challenge is scaling up and doing what the UAE and others have done very successfully in solar power and wind. The transport side of hydrogen is even more challenging. The Middle East is not going to be a center of sending pure hydrogen to Japan and Europe. The real opportunity here is producing a product that generates a much broader based economic growth. Ammonia is the first step. It is a fertilizer but can also be a fuel for green steel and other green materials, methanol, and chemicals - all kinds of downstream products which are much easier to transport around the world and that also generate much more value locally.

Will we see multiple centers for hydrogen?
It's going to be a competitive business. Green hydrogen needs open land, sun, port access. A lot of countries have that – the UAE, North Africa, Australia, parts of South America. So, to be a winner, you have to create advantages – in infrastructure, good regulation, technology, access to finance.

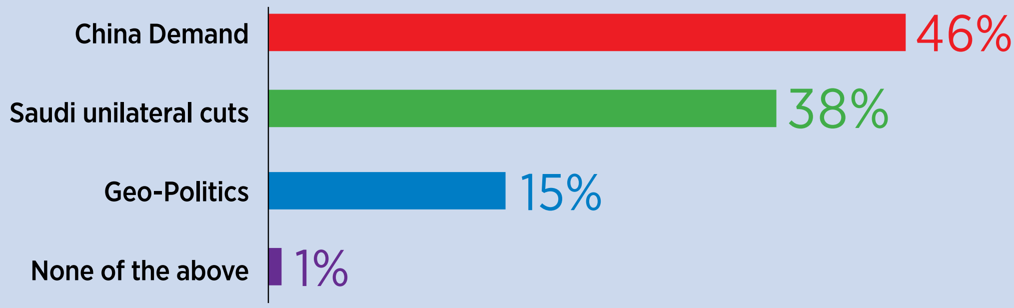
Is there serious accountability for decarbonization within the industry?
It's a very serious commitment within government companies. Everybody sees where they have to be by 2030, 2040 and 2050. There are some elements of a strategy for hydrogen and carbon capture, which will serve the power sector and industrial sector. The price element is also critical to give the right incentive. There's likely to be a carbon price here of some kind, for hydrogen and carbon capture and storage.

Weekly Surveys





What is having the greatest underpinning for $85-$90 oil market?



Source: GI Research March 2023

Energy Markets Views You can Use

Kieran Gallagher
Managing Director, Vitol Bahrain E.C

Global markets have found a way to work around distorted products flows.
We have seen a couple of months of significant volatility in 2H 2023 in middle distillates, but markets have calmed a little bit. There's additional refining capacity coming out of the Middle East in the coming months. Elsewhere, we do still see a few distortions like we did ten days ago with the Russian export ban on diesel that caused volatility, but in the main for the first time in in many years, we can point to some significant refinery capacity coming to market that will perhaps add a bit of stability going into 2024.

Outlook for demand in Q4, and might we see $100?
Demand is looking quite healthy, but we need to remember that the run from $85 to $95 a couple of weeks ago happened quite quickly – there was a huge amount of managed money in that, which then came out of the market quite quickly again, when it hit $95. Reaching $100 because of fundamentals would be questionable but demand is enough to keep us at $90.

How much support is there for oil markets from China in 2024?
There's a cautious optimism around China, with the expectation of generous government stimulus going into 2024. The bulk of oil demand forecasts do fall east of Suez again, primarily in China and India also. In the OECD economies, there are certainly economic headwinds, but I don't think anyone is calling for a recession.

Magid Shenouda
Deputy CEO & Global Head of Trading
Mercuria Energy Group

G7 economies have a high probability of going into recession.
The market is fading the impact of these high interest rates and the implication on raising capital for producing assets, especially in regions that are not cash rich. I don't think inflation is under control. There are people trying to raise capital at 20 plus percent. It's just not sustainable. There is no capital that's available for this industry.

Outlook for product prices given the continuing Russia Ukraine conflict?
People are consuming Russian gasoil and exporting their own just to make sure that they take advantage of the arbitrage. If there is good demand next year, I think there's enough crude out there and enough refinery capacity, so 2024 should look like a much more balanced picture than 2023. There are Middle East refineries that are coming online and enough product out there to run.

Could we hit $100 before year end given recent regional tensions?
The consensus from traders is that we were going to see significant crude draws in Q4 and so they were expecting the market to go up anyway, but not many expected it to reach $100. At the moment, the market is not pricing in much of a conflict. Prior to the events in the region, volatility was running at about 15%. It then went to 32%, but the price action was quite muted. Of course, if the situation escalates further, prices could rise.

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 18.509 million barrels with a drop of 1.257 million barrels or 6.4 % week-on-week staying just below the 20-million-barrel level. The stocks movement saw a drop across the board for light distillates, middle distillates and heavy residues.
- Stocks of light distillates, including gasoline and naphtha, decreased by 358,000 barrels or 6.1% on the week to 5.467 million barrels. The East of Suez gasoline complex strengthened Oct. 17 amid continued expectations of low Chinese exports towards the end of the year and as gasoline prices were heard to have been supported by sporadic demand from Egypt and South Africa, sources said. "I think recently there have been pockets of gasoline demand from South Africa's Engen and Egypt's EGPC," a Singapore-based trader said. Australia's automotive gasoline imports were up 8.21% month on month and 21.37% on the year at 5.66 million barrels in August, showed data from the Department of the Environment and Energy, amid an uptick in domestic demand despite the ongoing winter period, sources said. "Australia was heard importing gasoline in August in preparation for the summer season," a trader said. Domestic gasoline demand edged up despite the winter period. Australia's automotive gasoline sales were up 3.19% on the month but down 0.20% year on year at 8.46 million barrels in August, the data showed.
- Stocks of middle distillates, including diesel and jet fuel, fell by 863,000 barrels or 34.6% on the week to 1.631 million barrels. The East of Suez gasoil market was seen steady to slightly firmer Oct. 17, with some traders saying that emerging spot demand from Southeast Asian buyers had lent a measure of support to the middle distillate. "The gasoil market is not too bad, at least the East side is better this week," a regional trader said, adding that there was some spot demand seen from some Southeast Asian countries who had emerged to seek cargoes on the back of lower flat prices. South Korea will extend tax cuts on auto fuels by two months through the end of December to help cushion consumers from rising international oil prices amid the war between Israel and militant group Hamas, S&P Global Commodity Insights reported Oct. 16, citing the country's finance minister. Some Asian middle distillate traders said that while they did not expect any significant impact on the gasoil market due to the tax cut extension, there could be a slight increase in export volumes of gasoil from South Korea. "Should have the impact on gasoil, but not massive [export] volume," a Singapore-based trader said.
- Stocks of heavy residues decreased by 36,000 barrels, down 0.3% on the week as they stood at 11.411 million barrels. Spot trading activity at both the key bunker hubs of Singapore and Fujairah inched up from the previous trading day owing to a flat price dip, while few deals were heard done amid competitive bids, market sources said Oct. 17. Ship fuel sales at the UAE's Port of Fujairah, the world's third-largest bunkering hub, dropped to a three-month low in September, according to latest data published on the S&P Global Commodity Insights platform. Low sulfur fuel oil sales, with a maximum of 0.5% sulfur content and inclusive of both the 180 CST and 380 CST grades, recorded a seven-month low of 425,942 cu m, down 16.3% on the year and 5.4% month on month, according to the latest FOIZ data.

Source: S&P Global Commodity Insights

ENERGY MARKET NEWS

1. OIL FALLS AS ISRAEL EMBARGO CONCERNS FADE, VENEZUELA SANCTIONS TO EASE
2. FROM HOSPITAL, TO SHELTER, TO DEADLY INFERNO: FLEEING PALESTINIANS LOSE ANOTHER SANCTUARY IN GAZA
3. OPEC+ PLANS NO IMMEDIATE ACTION AFTER IRAN URGES ISRAEL OIL EMBARGO, SOURCES SAY
4. DOLLAR HOLDS NEAR 150 YEN AHEAD OF FED CHAIR REMARKS
5. US OIL AND GAS FINDS WARMER WELCOME IN CAPITAL MARKETS
6. RUSSIAN PRESIDENT PUTIN AND CHINESE LEADER XI MEET IN BEIJING AND CALL FOR CLOSE POLICY COORDINATION
7. QATAR SUPPLIES GAS TO EUROPE, VYING WITH US TO REPLACE RUSSIA SUPPLY
8. VENEZUELA TO DIVERT BARRELS FROM CHINA IF US CONTINUES EASING SANCTIONS
9. US NATGAS PRICES EASE TO TWO-WEEK LOW ON RECORD OUTPUT, MILD WEATHER
10. TRADERS DUMPED OIL DESPITE MIDDLE EAST TENSIONS

RECOMMENDED READING:

CHINA AND RUSSIA VIE FOR INFLUENCE AS MIDDLE EAST CRISIS ESCALATES
RUSH BY WEST TO BACK ISRAEL ERODES DEVELOPING COUNTRIES' SUPPORT FOR UKRAINE
3 FRENCH AIRPORTS, PALACE OF VERSAILLES EVACUATED IN LATEST SECURITY ALERTS
CHINA AND INDIA STRUGGLE TO CURB FOSSIL FUELS: KEMP
US TO EASE OIL SANCTIONS ON VENEZUELA IN ELECTION DEAL
FED DONE HIKING RATES, BUT HIGHER FOR LONGER MESSAGE GAINING TRACTION
US AIRLINE INVESTORS WORRY THE TRAVEL BOOM MAY BE COMING IN FOR A LANDING

Energy Markets Views You can Use

Victor Yang
Senior Analyst
JLC Network Technology

Premiums on Russian crudes have gone up quite significantly.
China reduced its imports from Russia in September. At the beginning of 2023, premiums on Russian crude exports were about minus $10 against Brent, but now, they are positive. So, that jump has dampened interest from refiners, particularly the independents and so we've seen a decline in Russian cargoes. By contrast, we're seeing quite a lot of Venezuelan heavy oil and diluted bitumen cargoes, mostly taken by independent refiners again.

Outlook for China product exports in Q4?
The remaining quotas in the last quarter are quite limited. For November and December, it's only about 3 million metric tons each month - for gasoline, diesel and jet fuel. That's a decline on previous months and the government is not showing any signs of releasing more quotas yet. So, we should not expect to see a repeat of the boost in exports that we saw at the end of 2022.

Status of crude inventories?
China built up its stockpiles in the first eight months by about 700,000 b/d. In September, it actually processed more crude than it imported. We don't expect the country to import larger volumes of crude because prices have been quite high, so we will see a modest decline in crude stockpiles for the rest of the year.

Are government economic stimulus measures proving effective?
The government announced an action plan in September for payments due to private sector companies to be made. It's also helping local governments that have been financially restrained in the past two years, rolling out a plan to help them resolve their debt issues. Inner Mongolia was the first region, and it has been followed by eight or nine others. So, we are now seeing stimulus policies coming out to boost investment and this will be a major direction for the next few months.

Energy Markets COMMENTARY WEEK IN REVIEW

Listen on

Spotify

APPLE PODCAST

SOUNDCLOUD

Consultancy
Intelligence
Publishing