Fujairah New Silk Road WEEKLY NEWSLETTER

JULY 15th 2021
VOL. 83

Supported By:

FOIZ منطقة الفجيرة للصناعة البترولية Fujairah Oil Industry Zone

Port of Fujairah ميناء الفجيرة Port of Fujairah United Arab Emirates

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

AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

YOU CAN'T RUN A SUCCESSFUL TERMINAL STORAGE BUSINESS WAITING FOR CONTANGO MARKETS!

Tony Quinn,CEO, Tankbank International

The storage business has had a good turnover of volume this year, propelled by a backwardated market and more throughput. Companies don't want to hold product very long and that's a positive thing for us. We want our customers that store with us to turn their products over very, very quickly. Hence the investment that we're making to expand our facilities in Fujairah. We've just started the process of putting in a brand new VLCC pipeline from our FOT facility, to be commissioned next year. We've had the best year ever in 2020 in terms of volume throughput at our two terminals in Fujairah, partly because we managed the pandemic very well with virtually no infections. Our Caribbean terminal also had a good year. The success of storage is all about stability. People think that when the market is backwardated, that storage terminals are empty. That's totally untrue. We build our terminals and business around the long-term strategy of our customers. That's what makes the big difference. Our customers in Fujairah are very solid, long term players who have been with us since the beginning, working alongside us in our terminals and alongside the Port of Fujairah. The development of what's been happening there has been very impressive over the years.

CONTINUED ON PAGE 3

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

Source: GI Research – Weekly Phone Survey of Terminal Operators

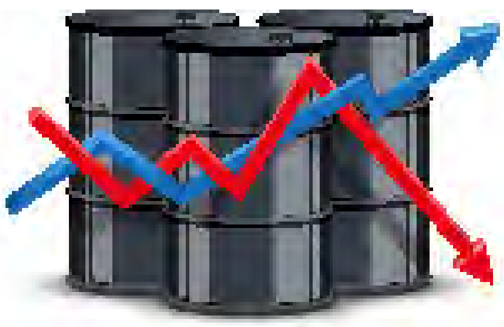
Fujairah Weekly Oil Inventory Data

6,202,000 bbl	3,727,000 bbl	11,712,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude:	$75.21/bl
WTI Crude:	$74.51/bl
DME Oman:	$74.30/bl

Time Period: Week 2, July 2021
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $553.50/mt

Low = $537.50/mt

Average = $547.50/mt

Spread = $16/mt

MGO

High = $660,50/mt

Low = $638/mt

Average = $652.50/mt

Spread = $22.50/mt

IFO380

High = $428.50/mt

Low = $414.50/mt

Average = $420.50/mt

Spread = $14/mt

*Source: Ship and Bunker, *Time Period: July 7 – July 14*

Fujairah Bunker Sales Volume (m^3)

1,360
180cst Low Sulfur Fuel Oil

510,633
380cst Low Sulfur Fuel Oil

122,422
380cst Marine Fuel Oil

786
Marine Gasoil

30,963
Low Sulfur Marine Gasoil

5,693
Lubricants

Source: FEDCom & S&P Global Platts

Tony Quinn,CEO, Tankbank International

CONTINUED FROM PAGE 1

Will China maintain its 100+ days of storage capacity this year?
Tony Quinn: It has to – it's one of the few countries in Asia that needs a compulsory stock position, for everything – from its security and military to factory operations. China has been using much more of its product internally this year and not turned it around as gasoline and diesel and fuels to send back out. That has encouraged refiners in South East Asia to produce more and sell more into their own markets. The main problem however is that the high-priced barrel is producing higher priced commodities. That's not really an affordable long-term position. I think some sense will come into the market and we'll see a price drop. I don't see oil going to $100.

Will we get to the six million barrels global demand recovery by year end?
Tony Quinn: Global demand is stable, but we have a long way to go still with some of the adverse effects of the Covid variants - that's adding to demand uncertainty. And in Asia, I don't see aviation picking up much – there's still not much activity across Australia, China, Singapore, Malaysia, Vietnam and Thailand. Restrictions on quarantine haven't been lifted. We've also had a complacency on vaccines in some of these countries which has led to infection rates rising this year. These are critical countries for oil demand.

How does China's oil demand look for 2H 2021?
Tony Quinn: Volumes have been okay and have picked up and we see a relatively good forthcoming six months. Again - the only problem we have is what happens with pricing. I'm a great believer in prices being stable and my level has always been the $40-50 mark. But we're now sitting at a very unusually high point. The danger therefore is that demand will slow down. And even though the Chinese are great buyers, they're not going to buy at this rate or certainly not in the volumes they would have done in the past. If prices come back to the $50 mark, we will see Asian demand picking up.

Can Asia coexist with Covid and deliver high rates of GDP growth?
Tony Quinn: Asia is now treating Covid-19 as an endemic – not a pandemic anymore. It's not going to go away. And the countries are very resilient in that respect. Even throughout the pandemic last year, we saw growth in China, which no one thought would happen. They're now predicting up to 7.4% GDP growth for 2021. And India is looking at an increase of 12.5%. So, that consistent growth feeds the demand for all products.

How do you see the future of storage evolving?
Tony Quinn: A lot of producers are now eyeing different instruments and products to move into and they're putting in the infrastructure for that. They're looking at all sorts of things like hydrogen and ammonia. And as a terminal business, we're also seeing our customers are doing that - coming up with new development plans for renewables and sustainability in an area that never thought about things like that 10 years ago. Most companies also have investors who now require more sustainable strategies – that's a real driver.

Where are we at with prospects for LNG as a bunker fuel?
Tony Quinn: LNG is a tough business. Will it be surpassed by newer solutions like hydrogen? Probably not because in a sense, you can sort of store LNG, you know what you're doing with it and the conversion and so on. But it's also very expensive, which is why we predominantly see LNG managed by states and cities and countries, rather than big oil. LNG bunker vessels are catching on and certainly if we had $100 oil, they would do very well. It's a good clean alternative but I also think we will probably have something else come along as we always do. There's always something new.

WATCH FULL INTERVIEW HERE

GI Consultancy Intelligence Publishing


أدنوك
ADNOC
WE BRING 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.
adnoc.ae @adnocgroup
Abu Dhabi National Oil Company

ENERGY MARKETS COMMENTARY WEEK IN REVIEW

CLICK HERE TO LISTEN

GIQ EXCLUSIVE SOUNDINGS

Oil Slips as Market Eyes More Supplies

Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the Middle East, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.

- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Edward Bell, Senior Director, Market Economics, Emirates NBD**
- **Andrei Belyi, PhD, Professor; Founder & CEO, Balesene OÜ**
- **Vandana Hari, Founder & CEO, Vanda Insights**
- **Jose Chalhoub, Political Risk & Oil Analyst**
- **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**
- **Rustin Edwards, Head, Fuel Oil Procurement, Euronav NV**
- **Peter McGuire, Chief Executive Officer, XM Australia**

Omar Najia, Global Head, Derivatives, BB Energy
"The Covid-19 resurgence will not have a measurable impact on demand. While it is possible to see more aggressive variants of the virus, it will not have much effect on the markets - people put their money where things are probable as opposed to where things are possible."

Edward Bell, Senior Director, Market Economics, Emirates NBD
"The Chinese government has the tools to support growth through easier monetary policy or more extensive fiscal support. Data this week showed Chinese exports doing far better than expected. It looks like it's going to be sustaining growth pretty well into the second half of the year."

Andrei Belyi, PhD, Professor; Founder & CEO, Balesene OÜ
"There is a willingness from OPEC+ members to reach an agreement - nobody wants to repeat a new price war as it was in March 2020. Russia is certainly closer to Saudi Arabia's position nowadays. However, we have not seen a decline in Russian oil output in recent months either."

Vandana Hari, Founder & CEO, Vanda Insights
"The slowdown in Chinese demand, compared to the first half of 2020, is not entirely surprising. But in general, the theme of the Chinese growth decelerating is very much a part of the market narrative."

Jose Chalhoub, Political Risk & Oil Analyst
"When it comes to Venezuela's oil production, PDVSA can't recover its production unless there is massive investment, and this won't happen for another two years or so. US sanctions will stay in place for another six months, and at least until we see the outcome of municipal elections in November."

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
"There will not be a drastic change in oil prices within the next couple of weeks. However, the certainty that an agreement will be reached by the OPEC+ members is a good sign to calm the market."

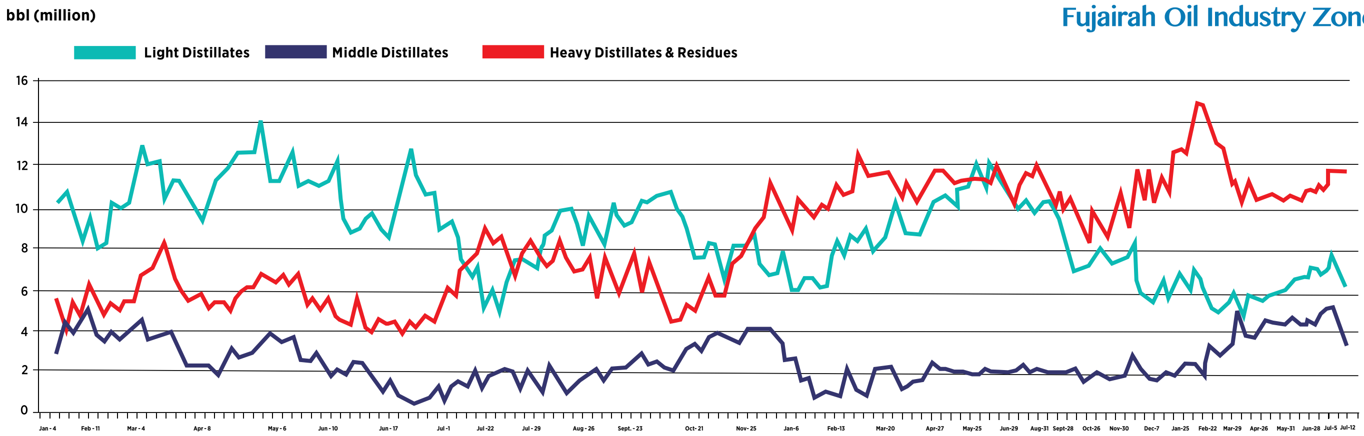
Rustin Edwards, Head, Fuel Oil Procurement, Euronav NV
"When you dig into the data from the EIA report, it is not as bullish as many may interpret it. Not to rain the bulls' parade, but shale is coming back."

Peter McGuire, Chief Executive Officer, XM Australia
"When it comes to China, the overall sentiment is positive. Last week, we saw the Central Bank loosening capital requirements for the commercial banks. So, we understand it's a debt-driven economy, which incentivizes more borrowing. But that could be an issue again moving forward over the next three to six months."

GI Consultancy Intelligence Publishing

Fujariah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

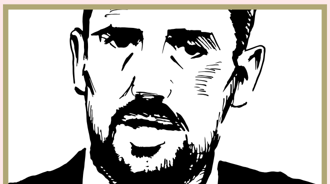
- Total oil product stocks in Fujairah were reported at 21.641mn barrels. Total stocks rose by 465,000 barrels with overall stocks rising by 2.2% week on week. This comes after last week's total stocks draw of 1.888mn barrels. A draw was seen in light distillates, while builds were reported in middle distillates and heavy residues - with the greatest overall build in heavy residues.

- Stocks of light distillates, including gasoline and naphtha, fell by 267,000 barrels reflecting a draw of 4.1% week on week to stand at 6.202mn barrels. US gasoline stocks declined 1.6mn barrels in the week ended July 9, according to analysts surveyed by S&P Global Platts. The drawdown put total inventories at around 233.9mn barrels, placing inventories at a five-week low - but still near the five-year average. Traders reported demand from Sudan and Kuwait who both issued gasoline tenders this week. Sudan is seeking a total 80,000kt of 90 RON gasoline, to be delivered in two MRL cargoes, in August 1-3 and August 17-20 to Port Sudan. Kuwait is seeking 35,000kt of 91 RON gasoline for delivery in August 5-16 to Mina al-Ahmadi. Meanwhile, India's domestic consumption of gasoline was reported to have rebounded in June, marking the highest month-on-month increase in a year as a decline in Covid-19 cases and the easing of lockdown measures in the country boosted driving activity. Indian gasoline demand totaled 2.41mn mt in June, up 21% from May when it hit a one-year low, according to data from the Petroleum Planning and Analysis Cell.

- Stocks of middle distillates, including diesel and jet fuel, rose by 71,000 barrels to 3.727mn barrels – up 1.9% on the week. This is the first build after two consecutive weekly draws in previous weeks. The Asian jet fuel/ kerosene sector extended bearish sentiment July 13 amid poor demand, as the coronavirus pandemic continued to weigh on the market. India's jet fuel consumption fell to a 10-month low, since August 2020, after travel restrictions were placed to combat the spread on a Covid-19 delta variant outbreak. Travel restrictions also continued to weigh down on jet fuel demand as Saudi Arabia's flight restrictions with the UAE, Ethiopia, Vietnam, and Pakistan continue. Traditionally this time of year sees pilgrims from around the world travelling for Haj in Saudi Arabia.

- Stocks of heavy residues rose by 661,000 barrels or 6.0% on the week to 11.712mn barrels. Spot trading activity at Fujairah and Singapore hubs was heard to be lukewarm on July 13, market sources said. Sales of IMO-compliant grades, including 100 CST, 180 CST, 380 CST and 500 CST bunker fuel, were up 3.5% on the year to 2.75mn mt in June, but down 1.1% from May. During and outside the MOC process, offers for delivered marine fuel 0.5% in Fujairah were heard between $545/mt and $553/mt. The lower end of the price range is for prompt delivery from July 15 onwards. The same grade was assessed at $545/mt July 13, up $5/mt on the day. The price assessment in Fujairah for delivered bunkers represents a $5/mt discount to Singapore. Premiums for Fujairah-delivered marine fuel 0.5% fell to 40 cents/mt on July 13 from $1.87/mt the previous day.

Source: S&P Global Platts



BY MATT STANLEY
SENIOR BROKER
STAR FUELS

Brent is trading down 0.96/bl this morning at $73.80/bl. WTI is trading at $72.01/bl, down 1.12/bl. Twitter blew up on the back of an "OPEC source" claiming that the UAE and Saudi had reached an agreement. It turns out, this "source" was not useful as the claim was denied by the UAE Ministry of Energy & Infrastructure. Nobody could work out really what was going on, but the Brent futures market dropped 1.10/bl before you could say "but but but when? and who is increasing? and by how much?". The market then wiped away excited tears and steadied itself. Then we had the weekly EIA data, everyone waiting, 1530 GMT, waiting, waiting. But 1530 GMT came and went. A "technical issue" apparently. When stats did come out (crude-7.8, gasoline +1, disty +4.3, production +100,000b/d) the market certainly woke up and noticed real facts. At one stage last night, it felt like total support had broken in the Brent futures market and we traded down to a low of $73.79/bl, before closing at a much more palatable $74.76/bl. We have been going on all year about the demand picture in the second half of this year and the first rise in US products stocks in about six weeks does not fit those never-ending forecasts we heard from so many. Gasoline inventories rising over the 4th of July weekend was not something people were expecting. On the other hand, US production rose to 11.4mn b/d. This upward trend from across the pond has to be watched very carefully by OPEC+. My view is OPEC+ will come together and agree on something fair for all. It just might take longer than people wish for. In the meantime, the danger the market has is that there is not enough supply to keep up with the seemingly increased demand. Yesterday's data does not fit particularly well with that argument. I expect a range-bound market until we see some solid, confirmed news.

July 15, 2021

ENERGY MARKETS VIEWS YOU CAN USE

Jorge Montepeque
President
General Index

WHAT IMPACT IS THE DISPUTE WITHIN OPEC PLUS HAVING ON THE MARKET?

We are seeing a serious and almost immature fight between the UAE and other OPEC members. The market has taken into consideration that they could bring in more barrels and they are in fact already bringing in 100,000-150,000 bd over what they are supposed to produce. But demand is growing faster than that, so market impact has been minimal. Ahead of the OPEC meeting, the perception was that prices could rise above $80 very soon. Instead, they are now levelling off in a range of $75-$80 so it's just the angle of the price elevation that's changed.

IS COHESION WITHIN OPEC AT REAL RISK?

The new normal is increased friction between the UAE and Saudi Arabia. If you look back over the last two years, the countries have gone from being partners really tied at the hip in various policies (such as the war in Yemen), to a very steady deterioration in objectives and goals. On the oil front, the UAE clearly wants to optimize revenue now by increasing production. Saudi Arabia wants to optimize revenue by limiting production. We should be mentally prepared for a resetting in the relationship. The UAE is aggrieved that the world doesn't see how much they have cut relative to the rest of the group. Saudi Arabia has also been investing for decades in extra production to be ready to supply the world. Everybody has an angle.

HOW DOES THIS DISPUTE AFFECT DISCIPLINE AMONGST OTHERS WITHIN THE GROUP?

It does not really matter. The only members that have the power to reduce or increase production quickly are Saudi Arabia, the UAE and Kuwait. Russia is not going to reduce its exports by 10% and neither are Nigeria or Iraq for example. They don't have that flexibility.

WAS THERE AN URGENCY TO DISCUSS QUOTAS FOR BEYOND APRIL OF NEXT YEAR?

That is what is more puzzling about the UAE strong position. They could have accepted a structure for 2022, and then reviewed it along with anticipated demand in six months' time. There could be a new variant of Covid that is so strong that it sets us all back for example. OPEC should observe and make the decision on increased allocation in Q1 of next year. That's the right thing to do.

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

WHY DOES THIS MARKET NOT CARE THAT OPEC PLUS IS IN A STATE OF CRISIS?

Markets hope that the rift will be healed but they are also smart enough to realize that shale and other private production won't return for at least another six months. Many shale producers locked in low prices thinking the pandemic impact on demand would be worse. That hedging has backfired. It's a golden opportunity today for OPEC and it would be extremely silly on their part not to use it and to start a price war now. The market won't react until it's clear what real production quotas will be. Also, Saudi Arabia still has its million barrels extra cut which it can use to keep markets steady if needed.

DO YOU SEE THE SITUATION BEING RESOLVED BETWEEN THE UAE AND OPEC PLUS?

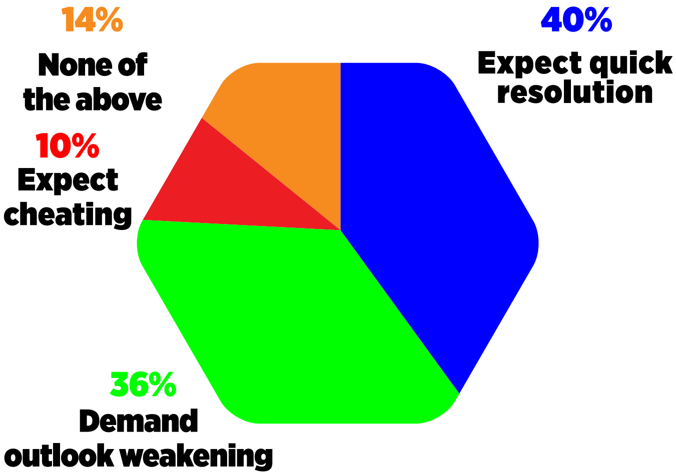
OPEC has realized what analysts still have not – that once oil demand peaks, the struggle for market share will begin and for that you need large and cheap capacity. The UAE has a case – its production capacity is much larger than what it's producing, and it wants this to be considered. Because of this rationale, the issue is likely to be resolved. Even in the worst-case scenario and if there is a big fall out, it won't be the end of OPEC. That will only come when oil demand is sustainably falling.

OUTLOOK FOR MARKETS IN THE WEEK AHEAD?

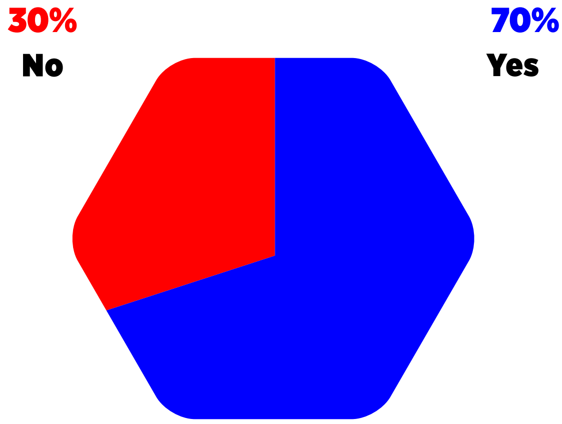
At the moment, everything is in favor of the Federal Reserve's strategy of calming down expectations on inflation. Bond yields have also fallen so those companies which have structured their portfolios as such have done exceedingly well. We expect some data on European inflation numbers - the ECB has given a revised target which is not going to be very inflationary. So, we seem to be in a phase where inflation expectations have come down. But this is temporary - it tells us nothing about the long term.

GIQ Weekly Surveys

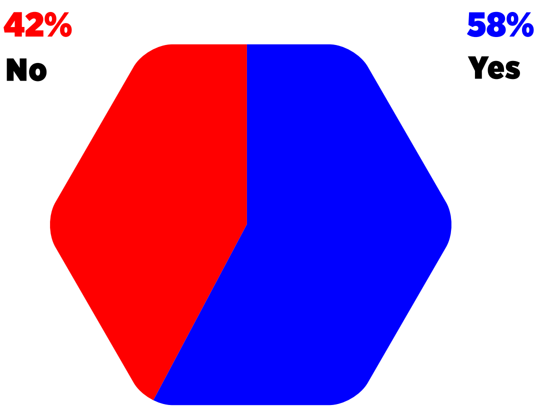
Oil Market reaction to OPEC+ Impasse has been muted because:



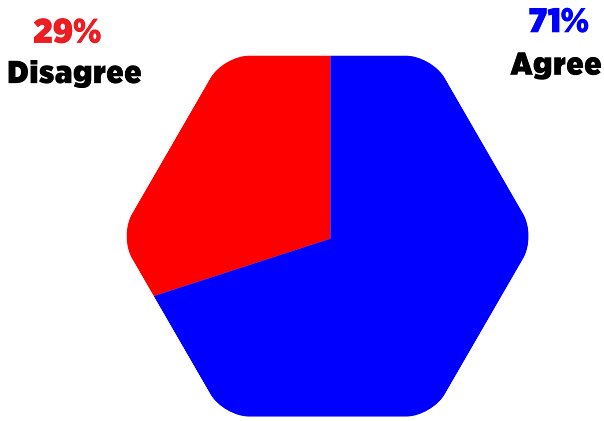
Covid-19 infections are rising in 70 countries, with the daily rate pointing upwards since late-June: will this curtail expected demand recovery in Q3?



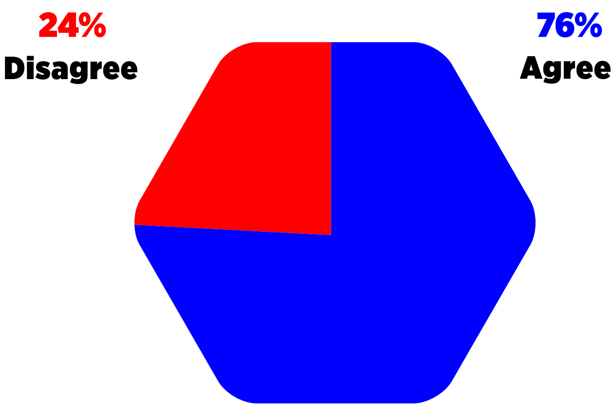
China Customs reported H1 crude oil imports fell 3%. Will that trend continue in H2?

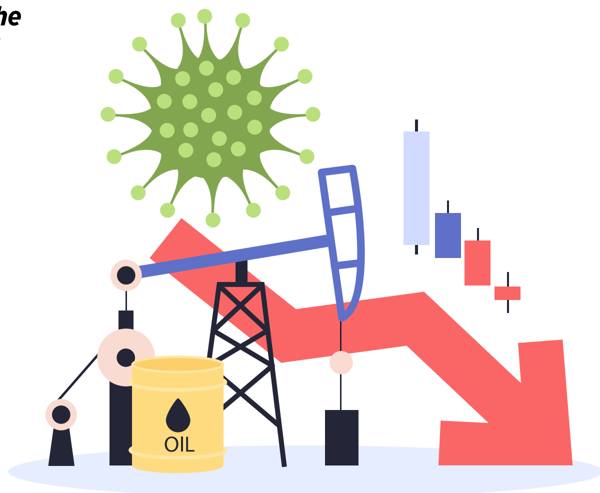


If OPEC+ doesn't agree to raise supply soon, high oil prices will likely lead to demand destruction in cost-sensitive emerging markets, especially India?



Regardless of when OPEC+ finally agrees a supply increase for the remainder of 2021 I.e. from August or September – it should still add up to 2mn b/d before December to keep prices in the $70s?





Source: GIQ

GI Consultancy Intelligence Publishing

ENERGY MARKETS VIEWS YOU CAN USE

Andy Laven
Chief Operating Officer
Sahara Energy Resources

WHY IS THE OPEC+ IMPASSE HAVING A MUTED IMPACT ON OIL MARKETS?

The OPEC plus conversation is about the longer term and where we are going with decarbonization. The group will be taking a much bigger share of the market in the next 10-15 years and so people are jockeying for position in the recognition that some members, like the UAE, have made significant investments in the upstream to increase their production. That has put a disconnect to the deal they had to make early last year. There also hasn't been a significant price impact because everybody expects they'll come up with a compromise for the short-term. There are also conflicting economic signals globally, for the market to be able to pick a direction. We've started to come out of the crisis caused by the pandemic, but we have very different paces of returning to normality across the world. That's going to feed into very different responses in terms of demand.

DOES THE MARKET NEED AN ANSWER TODAY ON OPEC QUOTAS BEYOND APRIL 2022?

No and there's not going to be a massive fall out between the Saudis and the UAE. They will do what they need to do to protect prices, market share and revenues. OPEC is trying to look at what the world needs in the future and not just today, while taking into mind the geopolitics between its members.

HOW LONG CAN THESE PRICES HOLD WITHOUT DIRECTION?

In my view, we have an overpriced market in terms of actual demand and that's because we all want normality to come back and so the desire is for momentum to go up. Prices are really focused on the Western Hemisphere coming back and that's because they have this inherent belief that they can vaccinate their way out of the crisis. And it seems to be working. But it's also going to increase this gap between those who have vaccines and those that don't. Realistically, the world can't take off until we get back to being a global economy.

Laury Haytayan
MENA Director
Natural Resource Governance Institute

DOES THE RIFT BETWEEN SAUDI ARABIA AND THE UAE STRETCH BEYOND OPEC QUOTAS?

For the time being, it's about the future of oil globally and in the region. We cannot deny anymore the impact of the energy transition on anyone, even on low-cost producers.

Everybody - Saudi Arabia, Qatar, Kuwait and the rest of the region want to make sure that even though they may be the last man standing in this oil business, they need to diversify their economies beyond oil to be more sustainable for future generations. And that means optimizing oil revenues now. The UAE happens to be putting that on the table today - we shouldn't be reading beyond that.

THE US-IRAN NUCLEAR NEGOTIATIONS SEEM TO HAVE GONE OFF THE RADAR?

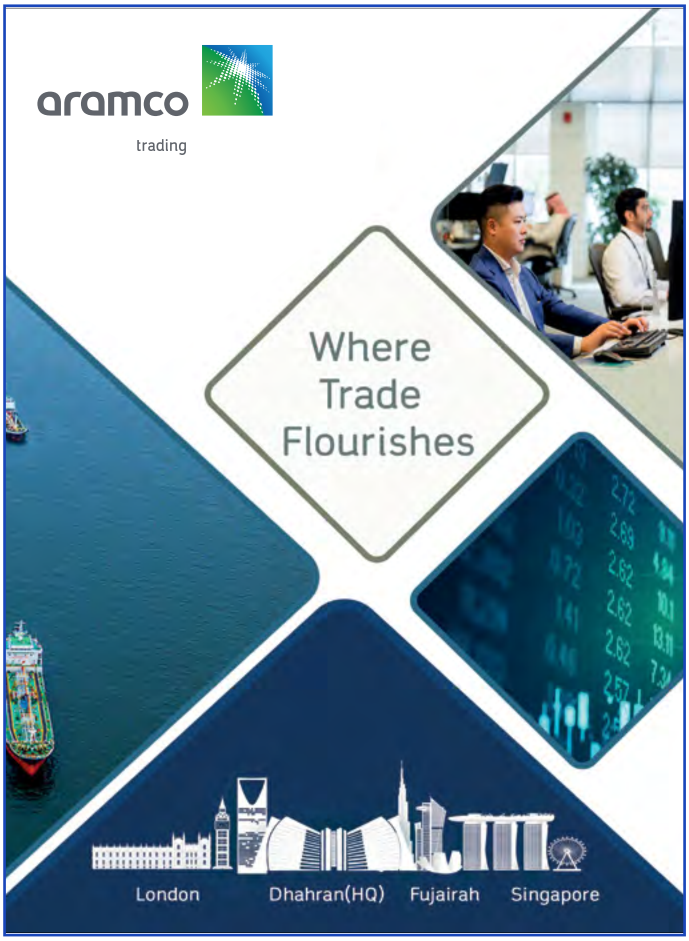
There's been no set date for the next round of talks. The new Iranian President takes over on August 4th, so unless they're having under the radar talks (which I doubt) this will take time. I'm not sure we will now see Iranian oil before the end of the year, contrary to previous expectations.

WHAT'S THE BIDEN ADMINISTRATION POINT OF VIEW ON ADVANCING THE TALKS

There are other factors influencing these negotiations. When US bases in Iraq are constantly being attacked, it does not really help. The US will be looking at how a restrengthened Iran could impact its support for proxies. Many in the region are seeing it that way. Iranian oil coming back means a lot of money. At the same time, we know there are bilateral discussions between the Iranians and Saudi Arabia and there is talk now that Oman will be taking over from Iraq to moderate these as it has excellent relations with Iran.

"You could very easily see oil hitting $100/bl – potentially even higher. On the flip side, it is equally possible that prices could collapse too. If there isn't any (OPEC+) agreement, you could have a collapse, as we witnessed in 2020."

Dan Brouillette, Former Secretary of the US Department of Energy



ENERGY MARKET NEWS

RECOMMENDED READING

1. CHINA'S CRUDE OIL RUNS HIT RECORD HIGHS IN JUNE
2. EIA INVENTORY REPORT SENDS OIL PRICES HIGHER
3. TALKS WITH OPEC+ STILL UNDER WAY, UAE ENERGY MINISTRY SAYS
4. ADNOC INVESTS OVER $750MN IN DRILLING-RELATED SERVICES
5. CHINA H1 CRUDE IMPORTS DECLINE FOR FIRST TIME SINCE 2013
6. IRAN'S SUMMER OF POWER CUTS COULD BE WORST
7. S&P 500 ENDS HIGHER AFTER FED CHAIR POWELL LULLS MARKET
8. BIGGEST US BANKS SMASH PROFIT ESTIMATES AS ECONOMY REVIVES
9. SHIPPING INDUSTRY SEEKS TO COMBAT DARK OIL TRANSFERS AT SEA
10. FED'S POWELL KEEPS TO SCRIPT ON JOBS RECOVERY

Series Supported By:

RECOMMENDED VIDEOS & REPORTS

- US TO EVACUATE AFGHAN INTERPRETERS WHO HELPED MILITARY
- RUSSIA WARNS UK: SAIL NEAR CRIMEA AGAIN, SAILORS GET HURT
- CHINA'S CARBON EMISSIONS TRADING SET TO LAUNCH
- EU UNVEILS SWEEPING CLIMATE CHANGE PLAN
- IRAN CAN ENRICH URANIUM TO 90% PURITY - WEAPONS GRADE - IF NEEDED
- HOW MUCH NEW $3,000 CHILD TAX CREDIT COULD BE WORTH TO YOU

Fujairah Spotlight

National Bank of Fujairah, APICORP Extend $34mn for TotalEnergies' RE Project

The National Bank of Fujairah and the Arab Petroleum Investments Corp. (APICORP) have extended $34mn to the French energy giant TotalEnergies to develop a 50MW renewable energy portfolio in Dubai. TotalEnergies is supporting 30 industrial and commercial (I&C) customers in Dubai through turnkey solutions that reduce the overall energy bill and carbon footprint. This way, up to 95 per cent of clients' needs will be covered by renewable energy. This is TotalEnergies' first distributed generation project financing in the UAE. The solar portfolio will represent an annual production of 83 GWh and 36,600 tons of CO_2 emissions avoided per year. TotalEnergies is targetting a solar portfolio of 250 MW in the Middle East under development for I&C customers in the next five years, including 100 MW already in operation or awarded.

Source: Gulf News

Sheikh Mohammed Inaugurates New Roads Connecting Various Emirates

A series of road networks and strategic development projects worth Dhs1.95bn have been inaugurated by Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai. The three road projects which link Sharjah's Mleiha with Abu Dhabi's Al Shuwaib; Hatta Dubai with Ajman's Masfout and Al Qour Mountain in Ras Al Khaimah; and Sharjah's Al Madam with Hatta Dubai aim to shorten the distance and transportation time between various regions and emirates in the country.

Source: Gulf Business

Brooge Energy Leases Fujairah Refinery Project to Blue Ocean

Brooge Energy Ltd. has signed an agreement to sublease land to Blue Ocean Energy FZE, on which it will construct a 25,000 b/d modular refinery, according to regulatory filings. The deal between the companies was disclosed on the NASDAQ stock exchange and the US Securities and Exchange Commission on July 9. The refinery is intended to produce IMO compliant, very low sulfur fuel oil, and will be located near the Port of Fujairah, Brooge said. Blue Ocean Energy will be responsible for building the refinery and financing the cost of construction. Brooge will then be responsible for operating the refinery, earning revenue from tolling fees on a take-or-pay basis. The deal between the two firms includes a tolling contract of 20 years, consisting of a five-year contract to commence upon completion of the construction of the refinery, and three renewal periods of five years each, Brooge said.

Source: S&P Global Platts

Fujairah Crude Storage Set to Reach 10mn CBM

Crude oil storage facilities at Fujairah are expected to have a capacity to hold around 10mn CBM once major additions are completed, and authorities are in talks for further projects, according to the director of the Fujairah Oil Industry Zone. Currently there is more than 10mn CBM of crude and oil products storage capacity at Fujairah, most of which is for oil products, but additions from Abu Dhabi National Oil Co. and two other UAE companies will help boost crude storage, Captain Salem al-Hamoudi told Dubai-based Gulf Intelligence in an interview posted July 7. Fujairah Oil Industry Zone or FOIZ is the authority managing the land used for storage tanks and refining in the eastern UAE emirate.

Source: TankTerminals.com

ENERGY MARKETS VIEWS YOU CAN USE

Vitaly Yermakov
Senior Research Fellow
The Oxford Institute for Energy Studies

IS IT HEALTHY FOR OPEC+ TO KEEP THE MARKET GUESSING?

The impasse is quite convenient for producers. They're making money on rising prices rather than volume for now, especially given the slow reaction from US shale, so they're also not worried in the short term about losing market share. How long this situation can last though is the key question.

WHY IS SHALE NOT RESPONDING FASTER TO THESE STRONGER PRICES?

We should be mindful of the difference between the observed prices in the market and the realized prices for shale producers, especially for those who had to hedge, locking themselves into $50 oil because of financial institution requirements. Those producers have not seen any of the upside price wise. There's also pressure on large, vertically integrated international oil companies from the energy transition agenda which might give pause to investing further in shale. We should also remember that it took shale producers a decade to produce positive cash flow, only by 2020. They produced significant volumes but in terms of returns for investors, that has been a very sad story. Investors now expect to see profitability first and growth second.

OUTLOOK FOR RUSSIA'S ECONOMY FOR THE REMAINDER OF THIS YEAR?

The economic outlook is looking quite bright - Russia's Ministry of Economy recently increased its GDP forecast for 2021 to 5%. Russia has also benefitted from a consistently strong gas market this year. The tightness in the global LNG market continues, primarily due to a significant increase of imports into Asia, which has also pushed natural gas prices in Europe this summer to over $12 per MBTU.

Bora Bariman
Managing Partner
Hormuz Straits Partnership

OIL MARKETS ARE NOT MOVING MUCH DESPITE THE OPEC+ IMPASSE?

The market is looking at many complex countercurrents and so deciding to stay in a holding pattern. It's very difficult to say whether we are going to have a ramp up in demand as would be indicated by the continued liquidity, or some type of slowdown driven by the spread of the Covid variant around the world. At the same time, there's pressure to put more oil into the markets by certain members of OPEC plus and to put more investment into the US shale patch.

WHERE DOES SHALE PRODUCTION STAND GOING INTO THE SECOND HALF OF THE YEAR?

If we don't see some serious investment now, we may never see it. There's perfect alignment backing up the case for US shale today - a relatively high oil price, relatively loose credit in the US and American banks looking to earn fees through mergers and acquisitions across major industrial sectors and the energy patch would be one of those. But uncertainty about the energy transition may be holding back the investment case and participation of certain lenders.

DEMAND GROWTH PROSPECTS FOR ASIAN MARKETS IN 2H 2021?

Asian demand will improve. There are reasons to argue against that, such as the Delta variant and how various country policies open up their economies, but oil demand is increasing simultaneously. The question for Asian economies will be how effective vaccination campaigns are.

CHINA GROWTH EXPECTATIONS VERSUS US AND EUROPE?

China is in a pretty good space. When you look at the US and Europe, their growth has been driven by central bank policy. In China, we have strong household wealth that's been relatively contained due to capital controls. People are probably getting a bit restless now and want to spend their money. We've already seen the positive economic impact of allowing mobility in Europe and the US, so if the virus can be controlled, China looks strong.

ENERGY MARKETS FORUM
NEW SILK ROAD LIVE

GI Consultancy Intelligence Publishing

TOP 10

JULY 11th - 15th

MARKET OBSERVATIONS FOR THE WEEK

1. Oil markets remain relatively calm about OPEC+ impasse because the majority of stakeholders expect producer group to find quick resolution.
2. The list of countries within OPEC+ that can really make a difference i.e. willing & able to adjust production at short notice – is shrinking month by month as production levels rise.
3. Iran Nuclear Talks Unlikely to Reconvene Before New President Takes Office in August.
4. A resurgence of Covid-19 infections, which are rising in 70 countries since late-June, will likely curtail expected demand recovery in Q3.
5. Alignment of high oil price, loose credit & strong M&A drive in the US creating perfect conditions for US shale recovery – lack of serious investment now could be a missed opportunity.
6. Current 'blackout' period from Fed and OPEC+ combined with countercurrents of easy money and Covid-19 resurgence, keeping oil markets in holding pattern of $70-80 for the time being.
7. China's oil import decline in H1 is no surprise as markets rebalance in the return to pre-covid normal.
8. Elevated oil prices – up over 50% thus far this year – are likely to trigger demand destruction in the emerging markets of Asia if they continue through H2 2021.
9. An OPEC+ deal may still have some distance to run as they open the Pandora's box of new quotas.
10. Peak shipping freight rates are coming off record highs, but they are still much higher than normal and keep upward pressure on inflation.

Consultancy
Intelligence
Publishing