

# Fujairah

## New Silk Road

### WEEKLY NEWSLETTER

MAY 27<sup>th</sup> 2021  
VOL. 76

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#### AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

## "SOMETHING HAS TO BE DONE NOW TO CARRY THE MIDDLE EAST TOWARDS A SUSTAINABLE SITUATION!"

**Fuad Siniora, Former Prime Minister of Lebanon**

Over the past years, let us say America was in the leading position in the Middle East, and Russia was actually a blocking factor. Now, you have got Russia in Syria. They are now in the driving seat in the region, and the United States is in the blocking seat. We look forward to a constructive role that can be played by Russia, and it must be because now they are here, they have to play a constructive role. But without underestimating the role that can be played by the Arab world, and what we are seeing as possibilities that might take place between, let us say, Egypt and Saudi Arabia, in developing a role so that the interests of the Arabs in Syria and Iraq can be respected and heard. Otherwise, if you are not there, if you do not stand up, nobody is going to really take care of you or listen to you. It is very important on the one hand, Russia has to really be proactive in trying to propose some solutions to the problems that we are seeing in Syria, and ultimately in Palestine and Israel. At the same time, it is the duty and the responsibility of the Arab world to stand up with a clear stance, as we have previously formulated when the Arabs proposed the Arab Peace Initiative, something has to be done now in order to carry the region towards a sustainable situation. This current situation in the Middle East is definitely unsustainable and will carry with it lots of conflicts and disasters for all.



CONTINUED ON PAGE 3

#### Fujairah Weekly Oil Inventory Data

**5,127,000 bbl**

Light  
Distillates



**3,393,000 bbl**

Middle  
Distillates



**11,869,000 bbl**

Heavy Distillates  
& Residues



Source: FEDCom & S&P Global Platts

#### Fujairah Average Oil Tank Storage Leasing Rates\*

**BLACK OIL PRODUCTS**

**Average Range  
\$3.61 - 4.38/m<sup>3</sup>**



**↑ Highest: \$4.50/m<sup>3</sup>**

**↓ Lowest: \$3.40/m<sup>3</sup>**

Source: GI Research - Weekly Phone Survey  
of Terminal Operators



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**SUNDAY-THURSDAY @ 10:30AM (UAE TIME)**

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# THE WEEK In Numbers



## Weekly Average Oil Prices

**Brent Crude:** **\$68.09/bl**

**WTI Crude:** **\$65.56/bl**

**DME Oman:** **\$66.64/bl**

**Murban:** **\$66.53/bl**

Time Period: Week 4, May 2021  
Source: IEA, OilPrice.com, GI Research

## Fujairah Weekly Bunker Prices

### VLSFO

**High = \$503/mt**

**Low = \$482.50/mt**

**Average = \$492.50/mt**

**Spread = \$9.50/mt**

### MGO

**High = \$617.50/mt**

**Low = \$602.50/mt**

**Average = \$611/mt**

**Spread = \$15/mt**

### IFO380

**High = \$399/mt**

**Low = \$393/mt**

**Average = \$396/mt**

**Spread = \$6/mt**

Source: Ship and Bunker, \*Time Period: May 19 - May 26

## Fujairah Bunker Sales Volume (m<sup>3</sup>)

**596**

**180cst Low Sulfur Fuel Oil**

**532,374**

**380cst Low Sulfur Fuel Oil**

**112,952**

**380cst Marine Fuel Oil**

**2,508**

**Marine Gasoil**

**25,866**

**Low Sulfur Marine Gasoil**

**5,042**

**Lubricants**

Source: FEDCom & S&P Global Platts

# Fuad Siniora, Former Prime Minister of Lebanon

CONTINUED FROM PAGE 1

## ***What is the Legacy of the Arab Spring?***

**Fuad Siniora** The Arab spring – what really started was this accumulation of anger and inability to communicate with the various regimes in these countries, but the problem was, what was supposed to be a real Spring in the Arab world, turned out to become a stormy wintertime. It ended up with reducing the role, or eliminating the role, of the Nation states in these countries, and trigger the beginning of the rise of major, major non-state actors such as militias that are taking over in countries like Libya.

We have also seen the rise of various forces in the region that are being fed by Iran, or they are acting on behalf of Iran, whether it is Hezbollah in Lebanon or the al-hashd ash-Sha'bī in Iraq, as well as certain militias in Syria and the Houtis in Yemen. They are all acting on behalf of Iran and being used by Iran based on certain causes that are helping to improve the negotiating power of Iran with the United States.

## ***Can the US-Iran Nuclear Talks Lead to a Breakthrough in the Region?***

**Fuad Siniora** Well, let me start by saying that we have to understand as Arabs and Iranians, that both of us are a fact of geography. We must live together and cooperate, and no matter how long it will take, we ultimately must deal with each other. So, we better do it now, rather than delaying it for more years, in which we fight more and destruct more, and we exhaust all our possibilities and economic resources.

That is what has been going on now for over 30 years, for over 30 years! What has been happening is not conducive until now for a movement towards real peace in the region. Each one, whether on the Arab side or the Iranian side, must realize that we must accept and respect the other party, and understand that fatigue has reached high levels on both sides.

## ***Could that Fatigue be a Catalyst for an Agreement in Vienna?***

**Fuad Siniora** Until now, we are repeating the scenario that took place five or six years ago, where the US is really keen on striking an agreement with Iran to take care of the nuclear issue only. But there are two other major issues – firstly, the issue of the ballistic missiles of Iran; and secondly, the issue of the intervention of Iran in other states through its various tentacles, which is contributing to the instability of the region.

As long as this situation continues, there is no way of moving ahead towards striking a permanent and viable peace. In either case, I do not think either party – the US or Iran – are keen to really arrive at an agreement before the Iranian Presidential elections in June.



## ***What is your Assessment of the Biden Administration's Handling of the Crisis in Palestine?***

**Fuad Siniora** Let me start by quoting an anecdote that was once said by Winston Churchill – the US will always do the right thing after trying everything else first. What we have been seeing with their trial-and-error approach, is at their own expense of the United States, but much, much more at the expense of the concerned countries, which we are suffering.

This is the thing that we have seen previously in Vietnam, that we have seen in Afghanistan, Iraq and in Syria, and now we are seeing similar in their role in Palestine. They still do not have a clear policy on how to deliver a viable state for the Palestinians.

## ***Does the Two-State Solution for a Palestinian State Remain Viable?***

**Fuad Siniora** It is a real dilemma for all, and particularly for the Israelis. When the Israeli politicians originally considered how they wanted to create the State of Israel, they wanted to establish a state for All and not just for the Jews. But this thinking has now converted into wanting an exclusive Jewish state.

This is what they are really working on towards evicting the Palestinians out. This is not going to work. You have got several million people that you have to deal with, you cannot really evict all these people or kill them or slaughter them. This is something that would have to be looked at now with great care.

I believe that the two different options for a state have to be put on the table – whether it is “One State”, which effectively I would consider providing it delivers the feeling of belonging to a state for the Palestinians, and the feeling of peace and security for the Israelis. Otherwise, the other option must stand, the “Two-State” solution, in alignment with all the international resolutions that called for the establishment of a state of Palestine.



**WATCH FULL INTERVIEW HERE**

# ADNOC TO BUILD WORLD-SCALE BLUE AMMONIA PROJECT

## TOP 3 TAKEAWAYS



■ **BUILDS ON ADNOC'S POSITION AS LEADER IN CARBON CAPTURE & STORAGE**

■ **DESIGN CONTRACTS HAVE BEEN AWARDED FOR THE INITIAL FRONT-END ENGINEERING AND DESIGN (PRE-FEED) TO WOOD** wood.

■ **PROJECT ACCELERATES ADNOC AND UAE LEADERSHIP IN EMERGING LOW-CARBON FUEL VALUE CHAINS**

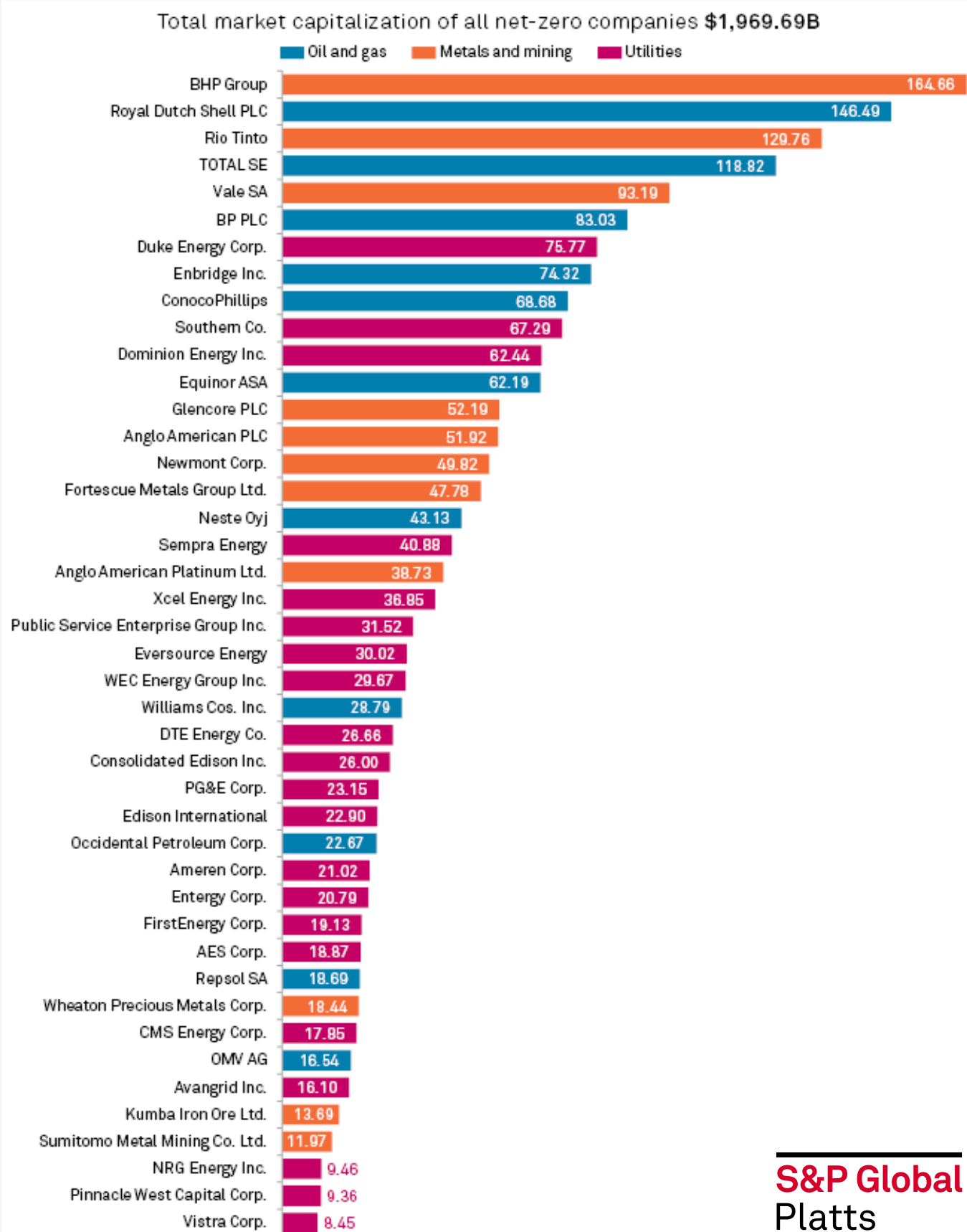
Source: ADNOC



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## Key large energy, metals and mining companies with net-zero targets ranked by market capitalization (\$B)



Data compiled April 13, 2021.

The market caps have been updated as of April 13, 2021, but the list of key companies in the table are based on the status of the largest 30 companies within the U.S. electric and gas utilities, North American and European oil and gas companies, and global metals and mining companies as of Dec. 8, 2020.

Source: S&P Global Market Intelligence



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# ENERGY MARKETS COMMENTARY WEEK IN REVIEW



## DAILY ENERGY MARKETS FORUM Consultancy Intelligence Publishing NEW SILK ROAD **LIVE** **PODCAST**

**SUNDAY /// MAY 23<sup>rd</sup> /// 2021**



**Maleeha Bengali**  
Founder  
MB Commodities Corner



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



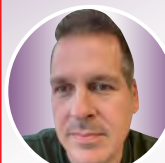
**Sean Evers**  
Managing Partner  
Gulf Intelligence

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## DAILY ENERGY MARKETS FORUM Consultancy Intelligence Publishing NEW SILK ROAD **LIVE** **PODCAST**

**MONDAY /// MAY 24<sup>th</sup> /// 2021**



**Omar Najia**  
Global Head, Derivatives  
BB Energy



**Vitaly Yermakov**  
Senior Research Fellow  
The Oxford Institute for Energy Studies



**Kevin Wright**  
Lead Analyst APAC  
Kpler

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**TUESDAY /// MAY 25<sup>th</sup> /// 2021**



**Peter McGuire**  
Chief Executive Officer  
XM Australia



**Leo Tameeris**  
Chief Executive Officer  
NRG Global



**David Rundell**  
Author  
Vision or Mirage, Saudi Arabia at the Crossroads

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## DAILY ENERGY MARKETS FORUM Consultancy Intelligence Publishing NEW SILK ROAD **LIVE** **PODCAST**

**WEDNESDAY /// MAY 26<sup>th</sup> /// 2021**



**Vandana Hari**  
Founder & CEO  
Vanda Insights



**Dr. Charles Ellinas**  
CEO  
e-CNH



**Bora Bariman**  
Managing Partner  
Hormuz Straits Partnership

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## DAILY ENERGY MARKETS FORUM Consultancy Intelligence Publishing NEW SILK ROAD **LIVE** **PODCAST**

**THURSDAY /// MAY 27<sup>th</sup> /// 2021**



**Dr. Carole Nakhle**  
Chief Executive Officer  
Cristol Energy



**Frank Kane**  
Senior Business Columnist  
Arab News



**Daniel Richards**  
Senior MENA Economist  
Emirates NBD

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# **EXCLUSIVE SOUNDINGS**

## *Markets Remain Range-Bound as Investors Eye Possible Return of Iranian Oil*

**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 of Derivatives, BB Energy**
- **Kevin Wright, Lead Analyst APAC, Kpler**
- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Dr. Charles Ellinas, Chief Executive Officer, e-CNH**
- **Bora Bariman, Managing Partner, Hormuz Straits Partnership**
- **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**
- **Frank Kane, Senior Business Columnist, Arab News**
- **Daniel Richards, Senior MENA Economist, Emirates NBD**

### **Omar Najia, Global Head of Derivatives, BB Energy**

"As long as the market stays above \$62.62/bl, then I'm looking for it to move to a minimum of \$72/bl, with a 60/40 chance of getting to \$78/bl."

### **Kevin Wright, Lead Analyst APAC, Kpler**

"In the last couple of months, we've seen quite a significant drop-off in crude imports in China. Some of that is related to maintenance. The big refiners – Sinopec, PetroChina and CNOOC – all have maintenance activity going on at the moment. We've seen close to 1.5mn b/d of throughput falling. Maybe there is a sign that the recovery isn't as quite as robust as people think."

### **Peter McGuire, Chief Executive Officer, XM Australia**

"Equities have bounced reasonably well over the last couple of trading sessions, with very big upticks in Asia. As far as crude is concerned, it's been nearly a mirror image of the previous 8- 10 days, when it got up to \$69/bl and then fell away. Then we saw another strong push from this time last week where we nearly broke at \$70/bl and then it just fell away. It seems to be an upward trajectory."

### **Dr. Charles Ellinas, CEO, e-CNH**

"As you know, the majors are in a state of siege. The report by the International Energy Agency (IEA) last week on the roadmap to net-zero called for the majors to stop oil and gas projects. It told banks to stop investing in oil and gas projects. All of these things are putting majors under pressure."

### **Bora Bariman, Managing Partner, Hormuz Straits Partnership**

"I think the market is being managed effectively by the official pronouncements of the OPEC+ group. As long as they keep a brave face of unity, I believe there won't be movements outside the realms of the market's risk appetite."

### **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**

"Iranian oil is already out there, but of course not at full capacity. The question is, when will they fully hit the market? OPEC will definitely keep an eye on that, and they will accommodate any potential return of Iranian oil. They are not really worried about it at the moment, because we have to wait for a deal to be signed."

### **Frank Kane, Senior Business Columnist, Arab News**

"OPEC are quite sanguine about the prospect of Iranian oil coming back. They think that there is enough demand out there to absorb that – 1mn bbl or so. There is a feeling they want to bring Iran from the OPEC+ fold, they've been outside the quotas for a long time now."

### **Daniel Richards, Senior MENA Economist, Emirates NBD**

"We're really starting to see the pace pick up in the last couple of months or so. That's really in tune with the rolling back of restrictions and a return in business and consumer confidence in France. As we look ahead to the summer, these vaccination programmes and roll-back on restrictions, should be supportive of the global economy."



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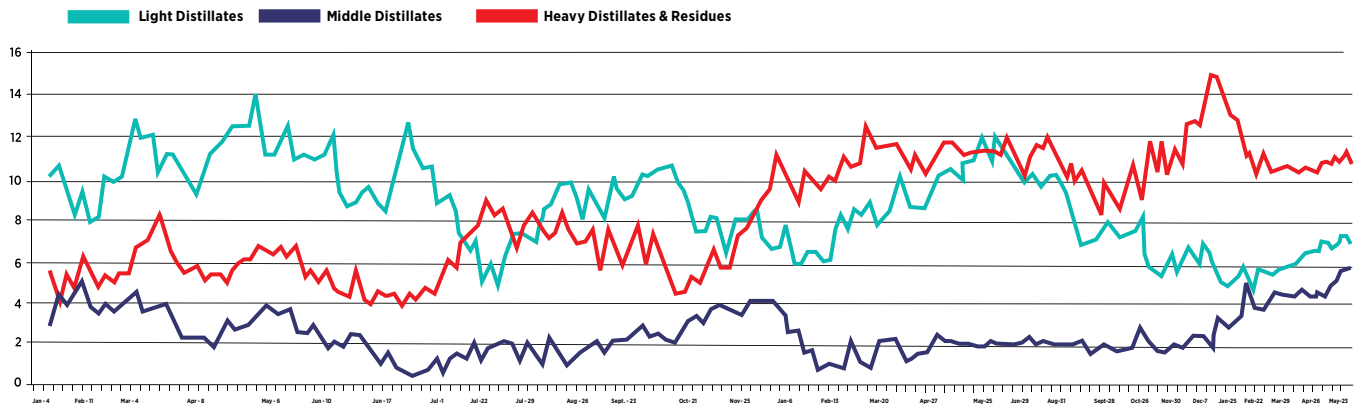
[vitol.com](https://vitol.com)



# Fujairah Weekly Oil Inventory Data



bbl (million)



## TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 20.389mn barrels. Total stocks fell by 3.056mn barrels with overall stocks falling by 13% week-on-week. This is the largest weekly draw since December 30th, 2019 when a fall of 3.680mn barrels was seen. Draws across all three stock categories were seen, with the greatest overall draw in heavy residues.
- Stocks of light distillates fell by 995,000 bbl reflecting a draw of 16.3% week-on-week to stand at 5.127mn barrels. The East of Suez gasoline market was under some downward pressure on higher supplies regionally. Indian private refiner Nayara Energy, issued a tender to offer up to 60,000 mt of 92 RON gasoline, with

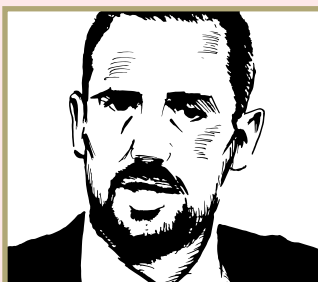
RVP maximum 62 kPa and maximum 50 ppm sulfur, for loading June 21st-25th from Vadinar in a tender that closes on May 27th, with same day validity

- Stocks of middle distillates fell by 345,000 barrels, to 3.393mn barrels – down by 9.2% on the week, as they posted a draw for the second consecutive week. The middle distillate market was largely balanced with an expectation of leaner gasoil supplies from China offsetting a continuation of uncertainty over regional demand due to a widespread resurgence of the coronavirus. Still, some in the market said hopes of a demand recovery in Europe, which could translate to a stronger pull for surplus barrels from Asia and the Middle East, could help to bolster sentiment.

- Stocks of heavy residues fell by 1.716mn barrels or 12.6% on the week to 11.869mn barrels. The draw in stocks comes as the April bunker sales data for the Port of Fujairah indicated that total bunker sales in the port rose to 679,338 cm<sup>3</sup>, reflecting a rise of 45,293 cm<sup>3</sup> month-on-month. Sales of low sulfur fuel oil rose by 51,757 cm<sup>3</sup> to 532,970 cm<sup>3</sup>, while sales of high sulfur fuel oil fell by 12,835 cm<sup>3</sup> to 112,952 cm<sup>3</sup>. In Fujairah activity in the port was heard to have slowed, with a slight tightening of supplies reported. Delivered bunker prices in Fujairah remained above those in Singapore, with delivered bunkers with a maximum 0.5% sulfur content assessed at \$485/mt on May 25. This represents a \$3.25/mt premium to delivered bunkers of the same quality in Singapore.

Source: S&P Global Platts

Morning all. It's been a while, a few technical issues and fairly serious ones if i'm honest. And no, that's not a euphemism for me taking advantage of relaxed Covid-19 dining restrictions, ok? Brent is trading this morning down 0.29, at \$68.58/bl. WTI is trading at \$65.95/bl, down 0.26/bl. I was a little reluctant to use that phrase, "relaxing of Covid-19 restrictions" and I'll tell you why. Here I am, sitting in a lovely office in a lovely city and I can plan to do things on a social level, things that haven't been on the radar for quite a while. Something called a "business lunch." Extraordinary concept this is. I'll explain. You call up a client and ask them if they want to have "lunch."



**BY MATT STANLEY**  
SENIOR BROKER  
STAR FUELS

They agree, you fix a date and venue, sit down and people bring you beverages and food! Amazing, really is. I jest of course, I don't eat food at these "lunches." Anyway, I am joking but then again, I'm not

because joviality is something that has to be enjoyed by everyone, regardless of subject. I am lucky to have readers of this commentary across the globe and those who are reading this in places that are locked down, trying to deal with a health care system under immense pressure, or seeing a surge in variant cases are not thinking about lunch. Lunch is just about the last thing on their mind. And it's this fractured recovery that concerns me. Whenever I hear "post COVID" I pick up on it and say something. What does this fractured recovery mean for the oil market though? Well let's take India, some forecast that renewed lockdowns

would have no bearing on oil demand. This yesterday - "US bank JP Morgan has cut its Indian oil demand projections by 690,000 b/d for May, with gasoline and diesel demand down by 275,000 b/d and 370,000 b/d respectively, and by around 400,000 b/d for June, compared with its forecasts at the start of April." Do I see things getting better during the second half of this year? Yes, I do. But that second half return will mostly be made up in Q4. July is only around the corner and the simple situation is that demand is still down, and supply is coming back. Oh, hello tin can, haven't seen you in a while, boooottt, see yaaaa. Good day to all.

# ENERGY MARKETS **VIEWS YOU CAN USE**

**Maleeha Bengali**  
**Founder**  
**MB Commodity Corner**



## **IS THE OIL MARKET STUCK AND LOOKING FOR A MORE TANGIBLE DIRECTION?**

It's at a plateau. Talk of any sort of liquidity withdrawal from the Fed can have massive consequences for the macro markets and that is why oil has not been able to go much above \$70. On the demand side, we see a massive increase in gasoline consumption, but jet fuel is still quiet because of mobility restrictions. On supply, we expect to have OPEC oil, US shale and Iranian oil coming back onstream. The only reason why this market is generally higher is that we anticipate a reopening of global economies and travel, but not for another three months.

## **THE POLITICAL MOMENTUM FOR STIMULUS SEEMS TO BE SEEPING AWAY IN THE US?**

The repo market, the nemesis of the equity market in the last two years, is showing signs of distress again. The Fed has put too much liquidity into the market and we have seen the repo market unable to absorb this, with banks unable to take those extra assets onto their balance sheet. That's placing some pressure on the White House to pull back on further expenditure commitments. We don't see the inflation concerns as transitory. The Fed needs to act now to avoid massive stagflation - supply bottlenecks are not going away anytime soon - and any removal of money will mean that commodity and equity markets face headwinds.

## **SHOULD WE EXPECT MORE VOLATILITY IN FINANCIAL MARKETS?**

The market is at an inflection point. We see stimulus in China being pulled back for example and therefore momentum taken out of asset classes. Another sign of inflection is the recent swings in cryptocurrencies. It's definitely a nervous and unsettling market today amid the inflation and liquidity argument. Once that is settled and if the Fed abandons any tapering argument, markets could go back up to their highs.

**Vitaly Yermakov**  
**Senior Research Fellow**  
**The Oxford Institute for Energy Studies**



## **HOW DO YOU INTERPRET THE US POSITION ON THE NORD STREAM 2 COMPLETION?**

It seems that the US has realized that it cannot stop the project. Now, it's about the next line of defense, which will be about levels of allowed utilization and what levels of transit should be secured via Ukraine. Today, US LNG, instead of going to Europe, is mostly going to Asia anyway, because this is where the price differential is leading them, so in practical terms, stopping the Nord Stream 2 project mainly hurts Europe and Germany in particular, because they would have to pay much higher gas prices. Europe has experienced a swing of the pendulum from a relative abundance of gas to scarcity. Gas inventories in Europe remain at extremely low levels and prices have gone up very significantly. That has left Europe desperately trying to source LNG while all flexible LNG gets sucked into Asia.

## **WHAT'S THE RUSSIAN PERSPECTIVE ON NUCLEAR RAPPROCHEMENT WITH IRAN?**

This has been going on for years. Today, the negotiations are hanging on a fence and it's anybody's guess which way they could go. Strategically, longer term, it's in Russia's interest to have Iran return into the global community. In the near term, it does affect oil prices and introduces a little bit of volatility into trades.





# Weekly Surveys

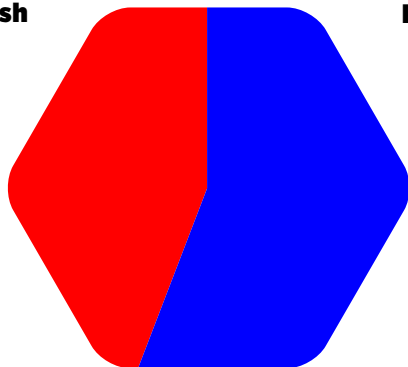
*Is the rate of vaccine rollout globally bullish or bearish for outlook of oil prices in 2021?*

**44%**

**Bearish**

**56%**

**Bullish**



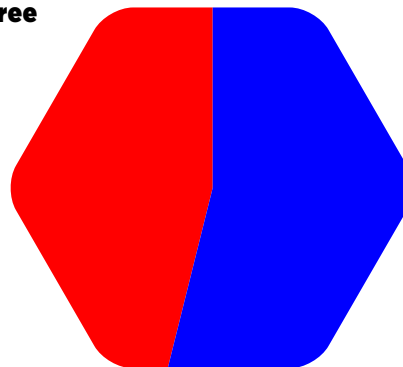
*One pillar of this year's blistering commodities rally – Chinese demand – may be teetering?*

**46%**

**Disagree**

**54%**

**Agree**



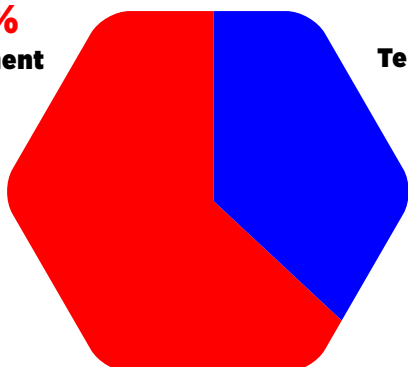
*How do you regard the inflation spikes we are seeing?*

**63%**

**Permanent**

**37%**

**Temporary**



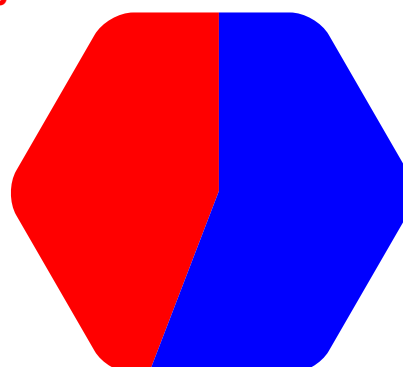
*Does the Oil Market Care if OPEC+ Countries compensate for their overproduction over the last year?*

**44%**

**No**

**56%**

**Yes**



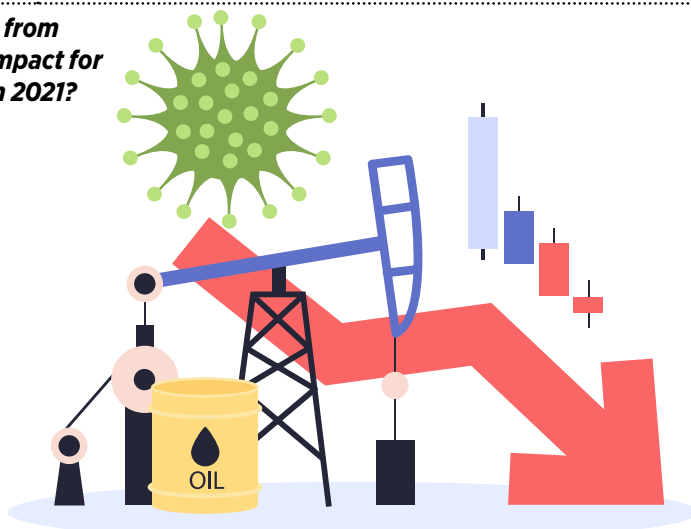
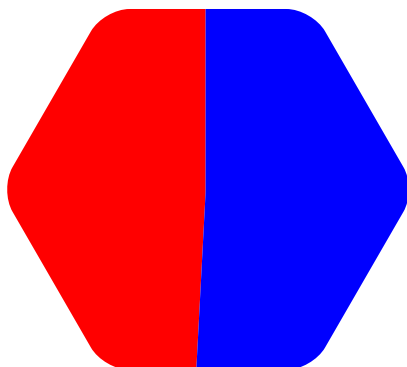
*Chinese industry is absorbing significant cost pressures from rising commodity prices – dampening the inflationary impact for the rest of the world. Will this Chinese 'gift' last through 2021?*

**49%**

**No**

**51%**

**Yes**



Source: GIQ

# ENERGY MARKETS **VIEWS YOU CAN USE**

**Christof Rühl**

**Senior Research Scholar - Center on Global Energy Policy  
Columbia University**



## **RECENT BEARISH SENTIMENT HAS BEEN DRIVEN BY POSITIVE NEWS ON THE IRAN DEAL**

It seems to be on the front foot of Biden's objectives and on the Iranian side, resistance to a deal is also crumbling. But what will make a real difference to market fundamentals is the return of US shale, and at these prices, it's just a matter of time. Other bearish pressures on the market have been questions on whether global demand can absorb OPEC spare capacity and the fact that we have uneven vaccination and economic recovery rates around the world.

## **THERE'S STILL A POSITIVE OUTLOOK FOR THE US ECONOMY?**

We're going to see inflation rates ticking up. US house prices are going through the roof, with a 20% year on year increase in median house prices and low supply. The Fed has started talking about tapering stimulus and it may be forced to intervene faster than most people thought. Whether that is fast enough to give the economy a soft landing or not is in question. As long as the money flows, we will see an increase of market volatility with people buying the dips. That will continue until we see firm data on inflation, after which it's likely we will see a big adjustment by the Fed.

## **IS CHINA DEMAND STILL THE BIG ANCHOR FOR OPEC OIL?**

OPEC and its partners have a dual task. They're probably facing a less stellar recovery than was hoped for and so will have to manage output releases in such a way that the prices remain stable while the market returns to normal over a much longer time period than they had envisaged. We should also bear in mind that OPEC compliance has been entirely due to the extra cuts that the Saudis have implemented. Other countries have been 90% compliant, which is good by historical standards, but Russia has continued to violate the rules. So, we do have a question around stability within the alliance with Russia moving one way and the Saudis the other.

**Vandana Hari**

**Founder & CEO  
Vanda Insights**



## **THE MARKET APPEARS TO STILL BE STUCK IN A RANGEBOUND BAND?**

If you look at financials, they haven't given much reason for crude to move decisively in either direction. Investors have lost some of their risk appetite on inflation fears -that's very much filtering through this week and it's proving hard for oil market participants to get a clear read on anything. In terms of fundamentals, it's a little bit of an equilibrium. There's cautious optimism over the US and also Europe reopening, while we see the flare up of the virus in India and certain parts of Southeast Asia.

## **EVEN US INVENTORIES REPORTS DON'T SEEM TO BE HAVING AN IMPACT?**

The market is waiting to see what happens with the financial markets and Iran and they remain focused on demand rebounding. The latter is manifesting clearly in the US with mobility way off the charts, but the market will seek continual validation when it comes to data.

## **HOW CRITICAL IS THE ADVENT OF IRANIAN OIL ON MARKET EXPECTATIONS TODAY?**

Iran has 60mn barrels plus of floating storage ready to sell but I don't see the Iran deal happening this week. If it does, traders will need to be poised with their fingers on the sell button. But again, the question is will we see a complete lifting of US sanctions? That's the only leverage the US has to ensure that Iran lives up to its commitments.

## **GIVEN DEMAND EXPECTATIONS FOR 2H 2021, COULD LOW CAPEX IN THE SECTOR BE BULLISH FOR OIL?**

The price pressures, low profitability and the prospect of demand never returning to pre COVID levels has accelerated a downward trend in CapEx that had begun even before last year. We need to see continued investment in oil and gas. If demand rebounds by 2022, we may be faced with not enough capacity and whatever spare capacity remains is increasingly concentrated in the Middle East.



# ENERGY MARKETS FORUM NEW SILK ROAD LIVE



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# TOP 10

MAY 23<sup>rd</sup> - 27<sup>th</sup>

## MARKET OBSERVATIONS FOR THE WEEK

1. Financial markets appear to be increasingly skeptical of claims by central banks that current inflations spikes are temporary.
2. OPEC+ is likely to rollover current output strategy at June 1st meeting -- adding 700,000 b/d each month from May to July.
3. The pace of the global Covid-19 vaccine rollout, which originally was extremely bullish for oil prices, may now be turning bearish as most of the world hasn't even had one dose of vaccine.
4. China's attempts to suppress soaring commodity prices may result in dampening oil demand.
5. Iran nuclear talks are likely to continue to deliver volatility into the oil markets until there is a definitive outcome.
6. It will be difficult for global oil demand recovery to reach 6mn b/d in 2021 when Covid-19 is still raging across Asia and South America, where vaccination rates are still at very low levels.
7. Brent crude oil could still climb above \$70/bbl before the end of May as markets get increasingly more comfortable with the return of Iranian oil sooner rather later.
8. Asia vaccine campaigns remain subdued and could keep economies grounded as countries keep borders shutdown.
9. Inflation may be surfacing, but it is pretty clear at this point that Central banks are going to ignore it for a long time, if not forever. How else can you deal with such massive sovereign debt levels?
10. Iran nuclear talks continue in Vienna as world oil markets wait in limbo for direction of travel on supply for H2, 2021.

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# Fujairah Spotlight



## Fujairah Marine Fuel Sales Climb 7% in April

Marine fuel sales volumes in the United Arab Emirates' (UAE) marine refuelling and oil storage hub of Fujairah climbed 7% in April to just over 674,000 cubic meters, data from S&P Global Platts showed. The higher volumes came amid better-than-expected demand during the month, trade sources said. Low-sulphur bunker sales totalled 561,000 cubic meters in April, Reuters calculations showed.

Source: Business Recorder

## Two Earthquakes Recorded in Dibba Al Fujairah on Monday Morning

Two minor earthquakes were felt in Fujairah early Monday morning, according to the National Seismic Network of the National Centre of Meteorology. '3.1 magnitude earthquake on Richter scale is recorded in Dibba Al Fujairah on May 24 at 4:54am' The quake occurred at a depth of 5km, the statement added. A second quake measuring 2.3 on the Richter scale was felt in the same region at 7:24am, NCM reported. The centre explained that by monitoring seismic activity in the area during the past 10 years, it has noticed that this activity ranges from light to medium and may occur several times during the year, which is considered a natural activity.

Source: Khaleej Times

## Fujairah Hotels See Average Daily Rate Increase by 30%

Fujairah hotels have seen a sizable increase in average daily rate (ADR) in the first quarter of this year, attributed to a stronger focus on domestic tourists. Results from Colliers International revealed the emirate had a YOY increase of 30 percent in ADR during Q1 2021, an improvement over the 11 percent drop in Q1 2020. The emirate is known for its range of diving experiences but home to only a handful of branded hotels. Fairmont Fujairah is one of the most popular, now falling under the leadership of cluster GM Kosta Kourotsidis who describes the hotel as "boutique and very modern."

Source: Khaleej Times

## Fujairah Ruler's Court Mourns Death of Sheikha Shamsa bint Majid

The Court of H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, mourned the death of Sheikha Shamsa bin Majid, wife of the late Sheikh Rashid bin Ahmed Al Mu'alla and the mother of Sheikh Mohammed bin Rashid, Abdullah bin Rashid, Ali bin Rashid and Marwan bin Rashid Al Mu'alla, who passed away this evening. The Ruler's Court has extended its deepest condolences to the family of the deceased.

Source: Zawya

# ENERGY MARKETS **VIEWS YOU CAN USE**

**David Rundell**

**Author**

**Vision or Mirage, Saudi Arabia at the Crossroads**



## **IS SAUDI SUPPORTIVE OF A RAPPROCHEMENT ON AN IRAN NUCLEAR AGREEMENT?**

I think that would be an optimistic point of view. The Saudis are a status quo power, and so they have a lot to lose if that changes. By contrast, Iran is a revolutionary power which would like to change the status quo. The Saudis would very much like to come to the table with the Houthis in Yemen and with the Iranians, but the question is are the Iranians interested. There will eventually be an Iranian nuclear agreement of some kind and Iranian oil on the market. Change has taken place between the Trump and Biden policies. One is maximum pressure and the other is maximum accommodation, but both are trying to reach the same goal.

## **HOW CONCERNED SHOULD WE BE ABOUT THE RETURN OF INFLATION?**

The question is basically whether you think inflation will be a short-term or long-term phenomenon and whether you believe it's caused by supply chain problems or by central banks printing money. I think it's both and whether it's your bread price, equity price or house price, we can't have the stimulus packages that we've seen without eventually causing inflation.

## **WHEN ARE WE GOING TO SEE THE FULL RETURN OF US SHALE?**

The publicly traded exploration and production companies have cut back their capital expenditures quite substantially to keep their investors happy with higher dividends and to reduce debt. But the smaller independents are still going ahead, and they are more numerous than the publicly traded independents. The small independents would see \$55 a barrel on WTI as a good internal rate of return.

**Leo Tameeris**

**Chief Executive Officer**

**NRG Global**



## **IS UNCERTAINTY ABOUT CHINESE DEMAND CREEPING INTO MARKET DYNAMICS?**

Production and demand in China remain strong. The former is growing by 7-8% year on year and steel output in the first four months of this year is up 16%. The impression that the government is putting the brakes on credit and spending is not accurate. Yes - there have been price increases, and to cool this down, stronger limits have been placed on speculative positions for example but it's not an aggressive overall drive.

## **IS CHINA ON TARGET FOR ITS AMBITIOUS REFINING CAPACITY INCREASE?**

They are very much on track on the projects that they've started and on those which are coming onstream this year or in the next few years. There's also strong consolidation within the sector, driven to a very large extent by domestic demand for petrochemicals and plastics. This will also allow the state-owned refineries to export more products, which from a competitive point of view, will lead to some refineries in the region having to shut down.

## **WHAT'S THE FUTURE DIRECTION OF RECOVERY FOR OTHER ASIAN ECONOMIES?**

They have started to improve but we do see setbacks in many countries such as India and Japan. The uptake in vaccines in Singapore also could have been much higher - only about one third so far. Surprisingly, a lot of people are resisting it. What impact is Iran's floating crude storage stockpiling having on the market? There's about 32 million barrels of floating storage in various locations, near China, Malaysia, Indonesia and in the Gulf. That's double what it was in January but still less than it was a year ago. It will ultimately find its way to China.



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## GOLDMAN SACHS Brent Outlook: \$70/bbl Over the Summer

"We expect a significant ramp-up in global oil demand in the next six months, owing to both vaccines and mobility trends increasingly becoming more resilient to virus waves. This is central to our thesis as to why we expect oil prices to 'overshoot' in Q2."

Source: Goldman Sachs

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- 3. DOLLAR FIRMS AS TRADERS BRACE FOR US INFLATION GAUGE**
- 4. DUTCH COURT RULES SHELL MUST REDUCE CO2 EMISSIONS**
- 5. EIA REPORTS -1.662MN BBL DRAW ON US SUPPLY**
- 6. FRANCE IMPOSES QUARANTINE ON UK TRAVELLERS**
- 7. CHINA: STOP SELLING COMMODITIES-LINKED PRODUCTS TO RETAIL BUYERS**
- 8. A HURRICANE-LIKE GASOLINE SUPPLY PINCH FACES HOLIDAY DRIVERS**
- 9. BANK HOLIDAY TRAFFIC DELAYS AS UK ROADS FACE BUSIEST WEEKEND OF 2021**
- 10. EXPLOSION AT IRANIAN PETROCHEMICAL PLANT KILLS 1 WORKER, 2 WOUNDED**

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- US-IRAN UNLIKELY TO REACH DEAL BEFORE IRANIAN ELECTION!**
- GOLDMAN SACHS: THE PATH TO HIGHER OIL PRICES**
- THOUSANDS DIED NEEDLESSLY AFTER COVID MISTAKES**
- CHINA'S CARBON EMISSIONS GROW AT FASTEST RATE FOR MORE THAN A DECADE**
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