Fujairah
New Silk Road
WEEKLY NEWSLETTER

NEW SEASON '23-'24

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Supported By:
FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone
Port of Fujairah
United Arab Emirates

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

"OPEC+ Will Continue to Adjust Volumes to the Market's Needs!"

Dr. Sara Vakhshouri, Founder & President SVB Energy International

When the conflict broke out between Israel and Gaza, both Saudi Arabia and Russia announced that they would continue with their voluntary production cuts and continue to monitor the market. That gave an assurance to the market that there were no expectations of an oil shortage or interruption, so they succeeded in tempering any sentiment of panic. We also know that fundamentals today show that there is no physical shortage in oil supply. It's hard to predict what OPEC will do in 2024, but I would say that they will continue to monitor the market and adjust their voluntary cuts if they see weaker demand or if the lower economic growth that's expected next year, materialises. Similarly, if there are any supply shortages, they're going to adjust their production. The variance in oil demand outlooks from different agencies does make it more difficult to navigate the market, but at the end of the day, these are just different scenarios and assumptions – so none of these projections define the absolute reality. We do have accurate supply data available nowadays, but we are again facing uncertainty in terms of where things are going because of the significant variations between different data producing organizations.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

4,499,000 bbl	1,786,000 bbl	11,588,000 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
$3.57 - 4.06/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.20/m³

THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	$82.26/bl
WTI Crude:	$77.99/bl
DME:	$85.94/bl
Murban:	$84.81/bl

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

Fujairah Weekly Bunker Prices

VLSFO

High = $690.50/mt

Low = $672.00/mt

Average = $680.00/mt

Spread = $18.50/mt

MGO

High = $977.50/mt

Low = $937.00/mt

Average = $960.50/mt

Spread = $40.50/mt

IFO380

High = $477.50/mt

Low = $450.00/mt

Average = $464.50/mt

Spread = $27.50/mt

*Source: Ship and Bunker, *Time Period: Nov 1 – Nov. 8, 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

Dr. Sara Vakhshouri, Founder & President SVB Energy International

Outlook for Chinese demand next year?

China has been that 'Trojan Horse' and point of uncertainty for demand. When the COVID restrictions were removed, many people were expecting a sudden increase in demand. It did not happen, but as we approach the end of this year, that demand performance has improved significantly. I would say that China will continue its strong demand both for power generation and petrochemicals. It has also been using a lot more coal, so this is an indication that they're expecting to continue to have strong demand.

Is the US turning a blind eye to higher Iranian oil exports?

Ever since the Biden administration took office, Iranian oil exports started increasing. Previously, they were exporting, on average, 250,000 barrels per day. Today, it's around 1.4-1.5 million b/d. Most of that oil is going to China, but unless the US wants to directly convince China to stop or reduce purchases, those exports will continue, and I don't know that the US has the will or capability for that. What's interesting is that with US sanctions on the Venezuelan oil industry temporarily lifted, some of the investment that Iran was making there might now be partially replaced by US companies.

Impact on supply of M&A activity in the US shale patch?

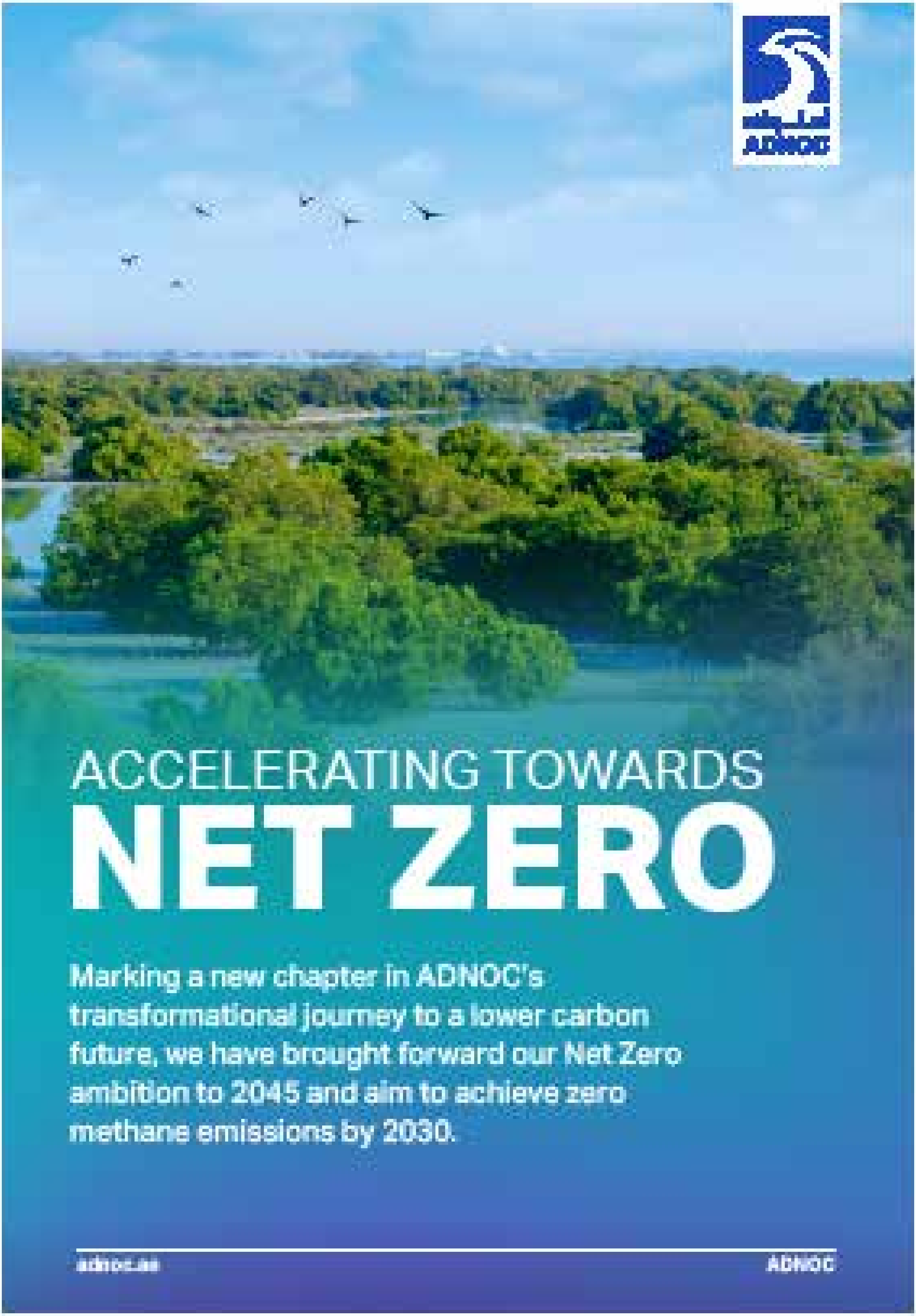
It does indicate that we will have an expansion of total US production. The shortages in the oil market post-COVID, the Russia Ukraine war and now crisis in the Middle East, have been a wake-up call to US policymakers and the market that, as important as the Energy Transition is, energy security and an affordable supply of energy for the global economy is also critical. I would say that companies and governments should be adding another 'S' for 'Security' to ESG. The Biden administration's rhetoric at the beginning of their term was to discourage fracking or investment in shale, but the government and companies have realized now that they should continue to invest. The most significant piece of the IRA legislation should be to focus on pushing more investment in technologies because the current ones still have a lot of limitations. We need that technological breakthrough to enable us to leap faster to the Energy Transition. Until then, fossil fuels will need to continue to meet any shortfall in demand.

Expectations from COP 28?

We need a practical global stock take so that we produce an efficient, rational and realistic result. Saudi Arabia and the UAE have demonstrated successful investment in renewables and hydrogen. Both are energy producers that are also very mindful of the transition and they are trying to invest profits that they are making from their operations in fossil fuels back into cleaner solutions. One subject that doesn't get enough attention at these meetings is demand management. Most of the discussions focus on emissions but we should also be asking what tools and materials we can use to improve demand management.

WATCH FULL INTERVIEW HERE

GI Consultancy Intelligence Publishing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Energy Markets Views You can Use

Jorge Montepeque
President & Founder
Global Markets

US interest rates, not geopolitics, are the biggest risk to the global economy.

Rates have been rising steadily, primarily to fund the US government budget deficit, and as these needs continue to grow, attractive US rates will continue to drain liquidity from the rest of the world. Importantly, it will also draw incremental investment from countries like China. And as instability grows in the Mideast, we won't see a bullish impact on oil prices – it will be the opposite because we could see capital flight from those areas and so a slowdown in their economies.

How is the European economy faring?

If we just look at Germany, advisers to the government have indicated that growth is going to be closer to 1% than the 2% that they were hoping for. Germany has lost major market share in China; they've lost access to cheap commodities, and they keep on diverting resources into wasteful war equipment. The German economy is built on three legs of a stool. Good engineering, access to very cheap commodities, and a global export market. One leg of that stool has fallen off - which is the access to cheap gas, cheap metals, cheap coal, cheap everything. They haven't quite crashed to the ground, but they are teetering on the verge of collapse. So, Europe is seriously having a hard time, and this is one reason why energy prices are not rising.

Is US oil production once again a concern for OPEC producers?

At the current price of $80 or even $60 and $70, the incremental production of shale is still profitable. The US will continue to export a lot of its domestic oil because it is not what many of the refineries there prefer to run. I think exports in 2024 will hit record levels again, and that means that countries which have the ability to mandate production, will be under pressure to keep it down. We've seen two new significant sources of increased production this year - Iran and Venezuela. That's going to make it even harder for Saudi Arabia to manage so that there's not a price collapse.

Fujairah Spotlight

Fujairah certified as a sustainable tourist destination by UNWTO

The United Nations World Tourism Organisation (UNWTO) has officially certified Fujairah as a sustainable tourist destination, awarding the Fujairah Adventures Centre a membership certification confirming its status as an Affiliate Member of the UNWTO.

Source: Gulf News UAE

FUJAIRAH DATA: Oil product stocks climb for second week

Stockpiles of oil products at the UAE's Port of Fujairah climbed 4.8% in the week ended Nov. 6, the second weekly gain in a row, according to data from the Fujairah Oil Industry Zone. The total rose to 17.873 million barrels as of Nov. 6, the FOIZ data published Nov. 8 showed. Stockpiles at the world's third-biggest bunkering hub are now down 14% since the end of 2022.

Source: S&P Global Commodity Insights

IBIA CONVENTION: Port of Fujairah Harbour Master Joins IBIA Middle East Board

The harbour master of the Port of Fujairah, one of the world's larges bunkering hub, has joined the regional board for the Middle East of industry body of IBIA.

Source: Ship & Bunker

Fairmont names new GM for Ajman, Fujairah properties

The Fairmont Ajman and Fairmont Fujairah have appointed Elias Chakhtoura as the new General Manager. Chakhtoura brings with him a wealth of experience and expertise garnered from an international career spanning Europe, the United States, Canada, and the UAE.

Energy Markets Views You can Use

Serena Huang
Head of APAC Analysis, Vortexa

China's onshore crude inventories have started to stabilize.
This comes after weeks and months of decline. We've been hearing that some state run and independent refineries have started to cut runs and others are looking to do so this month. This indicates bearishness on both domestic demand and from an export point of view. Meanwhile, the country's crude imports increased marginally on a month-on-month basis in October.

Indicators for global demand into 2024?
You can slice and dice global oil demand according to product and geography, but overall, sentiment is bearish. PMIs in the major economies - US, Europe and China – have suggested a contraction in the past couple of months. Naphtha, gasoline and fuel oil are not doing particularly well. Petrochemical margins have been languishing in China and South Korea. Gasoil is looking robust in Germany. Diesel has gained strength and will likely be supported by government subsidies kicking in, to support industries in this inflationary environment, so that is the product that will probably be the frontrunner in terms of demand this quarter.

Impact of Panama Canal drought on trade flows?
This is going to be a game changer for trade routes. Over the last 12 months, at least 2.5 million barrels per day of liquid bulk has been passing through the Panama Canal before the restrictions and another 10 to 11 million tons per annum of LNG cargoes. If we reduce the number of transits allowed, especially with oil tankers being deprioritized versus other vessels, it's going to lead to a rerouting of critical oil supply coming from the US Gulf to East Asia and to a certain extent to South America's west coast. So, we are facing longer distances, longer voyage time and inevitably higher freight costs. Eventually, all these costs will be passed onto consumers and lead to more inflation at a time when we're trying to control that as much as possible.

Mike McGlone
Senior Macro Strategist
Bloomberg Intelligence

We are tilting towards a global recession.
We clearly have declining economic growth in Europe. China is still having decent demand for crude oil because they're refilling most of their commodity stocks. The US is clearly heading towards a contraction with the effects of central bank tightening still in their early days. Unleaded gasoline demand is down about 5% below pre-COVID levels and natural gas demand is down to the lowest level since 2017. Diesel demand in the US is declining to about the same pace as it was during the great financial crisis, as are container board rates. Remember, the number one factor for all markets is liquidity, and the Fed still has its finger on the tightening button. The markets have been expecting that around this time next year, rates will be cut almost 75 basis points, but there's only one way for that to happen – if the stock market goes down. The Fed remains vigilant against inflation, which is still at double their target.

Trajectory for other commodities?
The average price of gold this year is about $1,931 an ounce, but to me, it's just a matter of time that gold breaks out and heads towards $3000. The US long bond market will also probably do very well. Everything else drops in tandem with a normal recession. Most have already reverted back to a normal trajectory after a big spike last year. If you look at industrial metals which are down almost 12% this year, that's a good indication of where crude oil goes next year.


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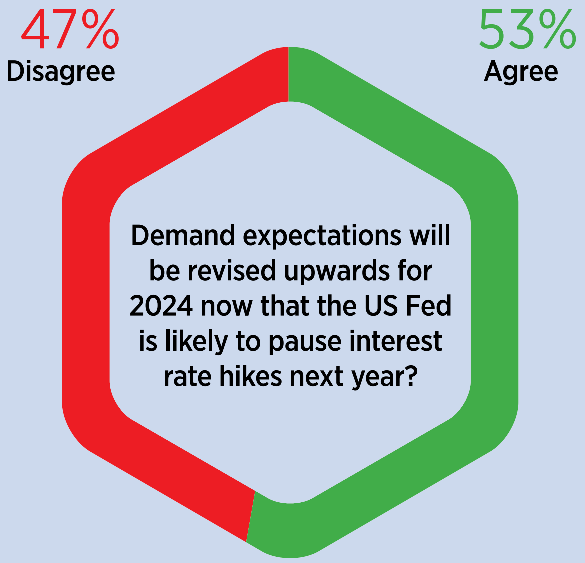
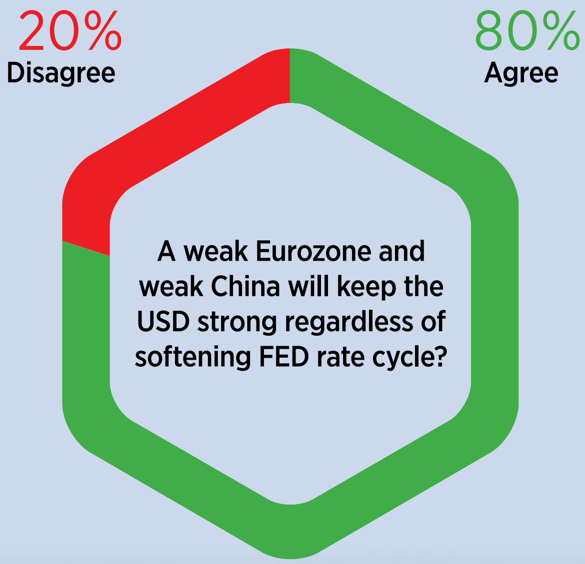
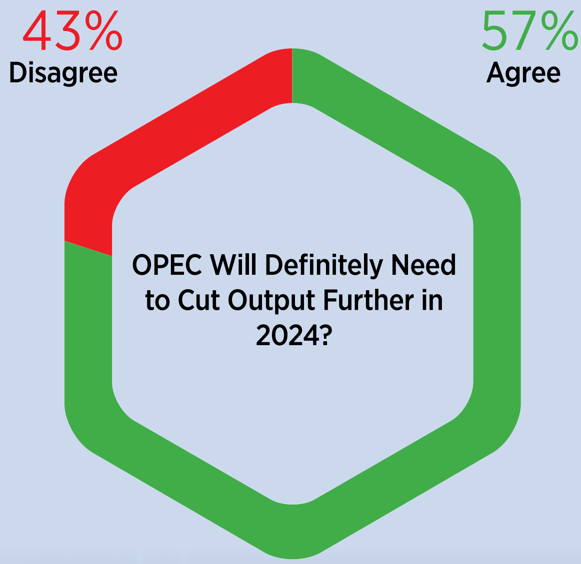






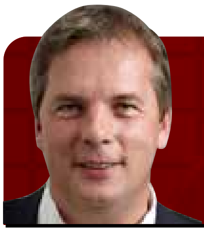
Source: GI Research March 2023

Energy Markets Views You can Use

Mike Muller
Head, Vitol Asia

What's the trajectory for the risk premium on oil today?
Some of the risk premium has gone out of the market four weeks into the Mideast conflict. There was some extra interest in the initial days to secure oil outside of Hormuz, but that has dissipated. At the very front end of the market, there's also quite a bit of spot oil around, and yet we still have healthy refining margins and $85 Brent. So, traders are less concerned than they were perhaps a month ago about requiring a bit of oil at the front end. We should also not forget that there's a risk premium in the gas markets, with regards to production in the offshore Levant area. But the main concern overall is still one of global economic welfare, and global trade, including how much money the Chinese government will use to stimulate the economy, to maintain the metrics they wish to see.

Is the outlook for China in 2024 similar to what we've seen this year?
Some feel GDP growth rates in China will take a lot of helping. But China fuel sale data on a weekly basis does not show evidence of economic weakness. Diesel sales are in line with expectations and jet demand has exceeded expectations. It's only gasoline that's shown a steeper than expected dip in October. One notable thing that's happened is that refining margins have dropped to the lowest levels in a long time, and certainly to the lowest this year - in some cases bordering on the negative. It could be because during Q3, runs were very high because of possibly unreasonably high demand expectations. And at the same time, there was a bit of destocking going on. As a result, we've seen that all translate into higher-than-expected stocks, and that will push domestic prices down, refining margins down. So, China will either need to continue running its refineries at low margins, or there'll be a drop in runs and that will manifest itself into a lower appetite for crude.



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

It's amazing how steady oil markets are.
We are in a world where oil supply is being cut to keep prices higher, we have little fires everywhere, including in the major oil producing region of the Middle East, and yet oil prices are barely hovering around $85 to $90. That is a sign that we are well-supplied with oil in the medium to long term. It's also a sign that oil supplies globally have become so much more diversified, including that the US is now energy independent. Also, the Biden administration has managed in the short-term, to tackle all sorts of geopolitical crises head on without major disruptions to the global economy. It looks like we are moving to a soft landing in the US. The global situation for the economy has remained sufficiently stable to allow this kind of diplomacy to be approached.

Have we reached the end of the rate rise period?
It's hard to tell. For the time being, central banks are still trying to stick to what they call data dependance to give forward guidance - models which have not shown, to be very accurate. Economic activity levels remain high in the US and Europe may be in recession but we still see labour shortages. Meanwhile, while China GDP is now closer to 5% than 10%, it seems that their policy of extinguishing hotspots in the economy, such as municipal debt to property markets, one by one, has worked. Secondly, they still have the means of a massive monetary stimulus, which they didn't use during and after COVID. So, even if the macro situation really goes down to 1% or if it has a confluence of crises, they have the kitchen sink still in their hands to throw at it. Overall, it's a benign picture in China compared to what we had expected 6 months ago.

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 17.873 million barrels with a rise of 825,000 barrels or 4.8% week-on-week staying well below the 20-million-barrel level. The stocks movement saw a rise for light distillates and heavy residues, while a slight drop for middle distillates.

- Stocks of light distillates, including gasoline and naphtha, increased by 265,000 barrels or 6.3% on the week to 4.499 million barrels. The East of Suez gasoline complex strengthened Nov. 7, as Australian demand was heard rising ahead of the summer driving season. Expectations of rising demand from the Philippines ahead of the Christmas festivities, sources said was also helping strengthen the complex. This is possibly reflecting firm Philippines gasoline import demand, Singapore exported 55,143 mt of gasoline to the Philippines in the week ended Nov. 1, sharply higher from 11,552 mt the previous week, latest Enterprise Singapore data released Nov. 2 showed. "Christmas demand is in effect in the Philippines," a source with knowledge of the matter said. Singapore's gasoline exports were down 24.10% week on week at 581,882 mt, while imports fell 40.23% to 198,743 mt, pushing net gasoline exports to 383,139 mt in the week to Nov. 1, down from 434,171 mt the previous week, the data showed. Outflows to Indonesia slipped 12.67% to 202,219 mt in the week ended Nov. 1 the data showed. Singapore gasoline exports to Australia more than doubled on the week to 112,604 mt in the week ended Nov. 1, up from 43,813 mt the week before, Enterprise Singapore data showed.

- Stocks of middle distillates, including diesel and jet fuel, fell by 5,000 barrels or 0.3% on the week to 1.786 million barrels. The Asian ultra low sulfur diesel market was holding steady to softer Nov. 7 as traders continue to weigh demand-side fundamentals while awaiting the release of spot cargoes for December-loading dates. Some market participants reiterated that downbeat demand in the Asian 10 ppm sulfur gasoil market was being reflected in softening cash differentials on the back of a lackluster pull for cargoes from the Northwest European market. The demand lull in the Asian gasoil market was taking place against a wider backdrop of demand concerns, with a rise in China's October crude imports failing to allay concerns of weak demand in the near term as crude oil futures slipped in midafternoon Asia trade Nov. 7. China's crude imports rose 3.6% on the month to 11.58 million b/d (48.97 million mt) in October, while oil products outflows extended the downtrend to reach a four-month low of 5.17 million mt, data from the General Administration of Customs showed Nov. 7.

- Stocks of heavy residues increased by 565,000 barrels, up 5.1% on the week as they stood at 11.588 million barrels. Spot trading activity at the key bunker hubs of Singapore and Fujairah was firm Nov. 7, as falling crude oil prices drew buyers into the market, while demand for the high sulfur fuel oil bunker grade remained strong as the hi-5 spread widened. Tightness continued to be seen in the Singapore LSFO and HSFO bunker market, contributing to the wide variation in prices. Most suppliers reported only being able to deliver bunker from Nov. 17 onwards, while more prompt dates commanded considerably higher premiums. "Prompt is crazy," one source said. In the Middle Eastern port of Fujairah, offers for delivered marine fuel 0.5%S bunker were heard in the range of $670-$685/mt during the MOC, with the earliest delivery dates from Nov. 12 onwards. Several trades were heard done in the low $660s/mt. Ample LSFO and HSFO bunker supplies in Fujairah, coupled with mostly steady demand, saw suppliers competing for limited enquiries and contributed to a decline in premiums.

Source: S&P Global Commodity Insights

ENERGY MARKET NEWS

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Energy Markets
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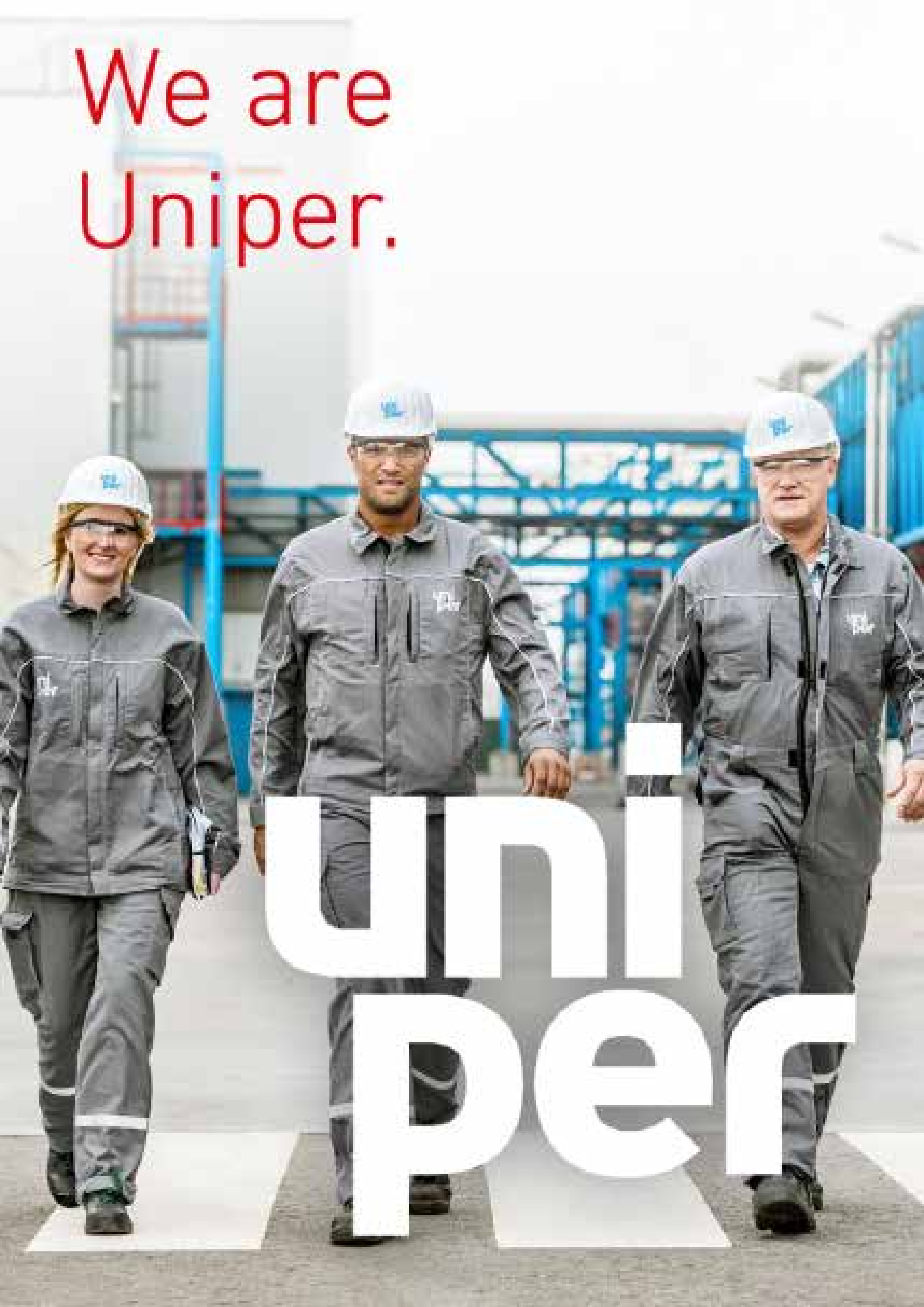
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GI Soundings Week in Review

"Weak Demand Outlook Blips Political Risk Premium, Pushing Oil Below $80/bl!"

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

- **Bora Bariman, Managing Partner, Hormuz Straits Partnership**
- **Omar Najia, Global Head, Derivatives BB Energy**
- **Yuriy Humber, Founder and President, Japan NRG/ Yuriy Group**
- **Paul Hickin, Editor-in-Chief, Petroleum Economist**
- **Andrew Laven, Senior Partner, E-Cons**
- **Richard Redoglia, CEO, Matrix Global Holdings**
- **Peter McGuire, CEO, XM Australia**
- **Rachel Ziemba, Founder, Ziemba Insights; Adjunct Fellow, Center for a New American Security**

Bora Bariman, Managing Partner, Hormuz Straits Partnership US ECONOMY "The drop in demand for diesel in the US and decline in manufacturing activity is contradictory to the bullish top line economic growth numbers. But, with this level of interest rates, many companies can't access capital in the single digits range, and so there's going to be a turndown in the real world of making things and moving things."

Omar Najia, Global Head, Derivatives BB Energy MARKET TRAJECTORY "I look at the market - I see winter coming, I see an inflationary market, I see geopolitics, and I don't want to sell anything. I don't want to sell the S&P, I don't want to sell commodities, I don't want to sell Bitcoin, gold or oil. I want to be long."

Yuriy Humber, Founder and President, Japan NRG/ Yuriy Group JAPAN MONETARY POLICY "A cost-of-living crisis sentiment is starting to kick in. When the Yen wasn't such an issue, some of the inflated commodity prices were able to be absorbed to an extent, with government subsidies, such as on fuel prices, creating a certain buffer, but now these pressures have really started to come through."

Paul Hickin, Editor-in-Chief, Petroleum Economist GEOPOLITICAL RISK PREMIUM "With the Gaza situation, you've got to make many leaps before you would get real supply disruptions. The market probably got ahead of itself even with the initial $5 to $10 risk premium. Supply and demand fundamentals are really what's driving this market now so it's where it needs to be in terms of where the risk premium is."

Andrew Laven, Senior Partner, E-Cons CHINA DEMAND UNCERTAINTY "There's plenty of oil, and some uncertainty about how cold the winter is going to be, and there's clear uncertainty about China's demand, and therefore oil is coming off. Everything else to be quite honest, from a pricing perspective, is mostly noise."

Richard Redoglia, CEO, Matrix Global Holdings US ECONOMY "We're moving along. The US economy seems to be relatively stable. Our demand is down a bit; gasoline demand has dropped quite significantly; interest rates have gone flat; the stock market's made a big recovery. Nothing is great, but everything's going back to sitting at a comfortable range."

Peter McGuire, CEO, XM Australia CHINA PROPERTY SECTOR "What's going to happen with the overhang of 90 million uninhabited homes in China? Are we going to see that absorbed by the market or is the Chinese property market going to be the one to capitulate everything? Who's holding that debt? Domestic banks in China and 120 global banks."

Rachel Ziemba, Founder, Ziemba Insights; Adjunct Fellow, Center for a New American Security US ECONOMY "People are drawing down on savings that they accumulated during the pandemic, interest rates are going up, credit card and auto loan delinquencies etc. are going up. Is this a recession necessarily? I'm not sure, but I do think that after some surprisingly strong economic data, that's slowing down."

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