

# Fujairah

## New Silk Road

### WEEKLY NEWSLETTER

JUNE 3<sup>rd</sup> 2021  
VOL. 77

Supported By:



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

#### AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

## WE SHOULD NOT EXPECT ONE BIG ANNOUNCEMENT ON EVERY ASPECT OF THE IRAN NUCLEAR DEAL

**Amos Hochstein, Former Obama-Biden Special Envoy for International Energy Affairs, US Department of State**

The US appears to see the goal of the talks in Vienna is to secure an amended nuclear agreement with Iran that is longer and stronger than its predecessor. That means the sunset provisions that expire in 2030 for example, would probably have to be extended as we have lost several years from the Trump administration's withdrawal from the agreement. The Biden administration is demonstrating an earnest desire to return to a negotiated framework with Iran and reach an agreement that both sides can work with, but whatever form this takes it may not necessarily be final. There could be many steps to the removal of certain sanctions aligned with progress on nuclear enrichment, followed by a more comprehensive agreement that would govern a new verification mechanism. These negotiations are not simply a matter of returning to the JCPOA of 2015. The ultimate goal for the US today is not to allow Iran to have nuclear weapons and the best way to achieve that is through an agreement. That was the rationale in 2015 and still is. But we live in a different world in 2021 and so we must make adjustments based on newly gathered intelligence. The region is not what it was six years ago, and I would hope that any administration coming in now would want to tweak any previous agreement, while not overhauling it too much so that it makes it impossible to reach agreement.



CONTINUED ON PAGE 3

#### Fujairah Weekly Oil Inventory Data

**5,225,000 bbl**

Light  
Distillates



**3,819,000 bbl**

Middle  
Distillates



**14,650,000 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



Consultancy  
Intelligence  
Publishing

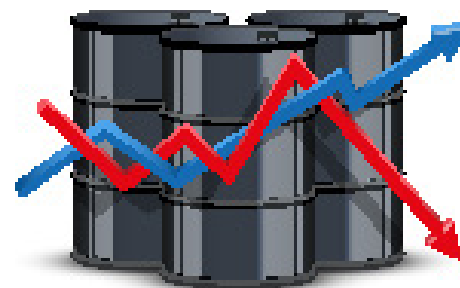
## DAILY ENERGY MARKETS FORUM

### LIVE WEBINAR

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

## REGISTER TO JOIN HERE

# THE WEEK In Numbers



## Weekly Average Oil Prices

**Brent Crude:** **\$70.24/bl**

**WTI Crude:** **\$67.75/bl**

**DME Oman:** **\$68.28/bl**

**Murban:** **\$68.76/bl**

Time Period: Week 1, June 2021  
Source: IEA, OilPrice.com, GI Research

## Fujairah Weekly Bunker Prices

### VLSFO

**High = \$517/mt**

**Low = \$493/mt**

**Average = \$503.50/mt**

**Spread = \$24/mt**

### MGO

**High = \$625.50/mt**

**Low = \$614/mt**

**Average = \$619/mt**

**Spread = \$11.50/mt**

### IFO380

**High = \$416/mt**

**Low = \$301/mt**

**Average = \$369/mt**

**Spread = \$115/mt**

Source: Ship and Bunker, \*Time Period: May 26 - June 2

## 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

# Amos Hochstein, Former Obama-Biden Special Envoy for International Energy Affairs, US Department of State

CONTINUED FROM PAGE 1

## ***Iran is already exporting close to 1 million bd - what is the US tolerance for that?***

**Amos Hochstein** The ability of Iran to cheat on oil sanctions is something the Biden administration should look at more carefully. The Iranian perspective meanwhile is that the US left the nuclear deal and therefore it is legitimate for them to export oil. Managing the position of Iran and sanctions on the oil sector will always be a challenge.

The oil price has a lot to do with Iran's willingness to negotiate. When we had \$100 oil almost 10 years ago and Iran was exporting 2.5 million bd, they were less interested. In 2014 however, oil prices collapsed, and everything changed; prices in the \$20s and mid-\$30s brought Iran to the table. Today we have \$70 oil and Iranian crude exports are at close to 1 million bd.

## ***How can that be controlled when countries facilitate it?***

**Amos Hochstein** As the oil price rises, so too does Iran's ability to do illicit trade because the risk reward for the buyer changes as well. Getting significantly discounted Iranian oil on the market is somewhat easier and Iran does have more partners that are willing to do that today. However, let us remember that Iran was exporting around 900,000 bd when they originally signed the JCPOA, and that was clearly not enough to sustain its economy. If Iran wants to return to some kind of normalcy, it will need to return to the family of nations.

## ***How is Biden's energy transition policy being viewed by the US oil majors?***

**Amos Hochstein** US oil majors had their heads in the sand on energy transition and have been jolted by the scale of the Biden climate agenda – they are still playing catch up with the speed that sentiment is changing against investment in oil. The Biden administration came in with a lot of momentum on climate and the energy transition, with regulatory proposals submitted to Congress and foreign policy initiatives to bring about global cooperation around its aggressive goals. Today, every agency of the US government has climate and energy transition in its sights.

The US oil majors still do not understand the public sentiment, not only around the world, but in the US itself. Governments everywhere are drafting strong policies that will create incentives for the industry to transition, whether it be pouring cheap money into the system, changing regulations, or using their purchasing power and pressuring industries. And the public is going along with that. We are also seeing institutional investors make that shift, which is making financing new oil and gas projects much more difficult – this is the key for change.

## ***How should the Middle East interpret Biden's climate transition agenda?***

**Amos Hochstein** The Middle East enjoys the lowest cost of oil production and will be the location of the last barrel of oil to be produced. It is an amazing ecosystem to look at in terms of the stress caused by the acceleration of the energy transition and an elevated oil price. As we move towards peak oil demand and as the use of fuels goes down, it will be the higher cost producers that will shut-in first.

The UAE is a prime example of this transition challenge – investing significant resources of the country into a greener future while balancing this with being an oil producer. Saudi Arabia is doing the same. It started with solar power and some wind power in the kingdom, but they also began investing in energy transition projects around the world. We are seeing an awakening in the Gulf towards the role that they can and want to play in shaping the future green economy.

## ***Do you expect Iran and the US to agree on restarting the JCPOA?***

**Amos Hochstein** I am not sure that whatever agreement is reached will be a final agreement – there may be several steps that are agreed to regarding certain sanctions removal accompanied with progress with enrichment. I do not believe that the Biden administration has kept an eye on the oil sales out of Iran, it is a weakness point for the administration that I am sure they will address.



**WATCH FULL INTERVIEW HERE**



# ***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.*

# ENERGY MARKETS COMMENTARY WEEK IN REVIEW



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

**SUNDAY /// MAY 30<sup>th</sup> /// 2021**



**John Defferios**  
Former - Emerging Markets Editor & Anchor, CNN  
and Chairman, The Agora Group



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



**Sean Evers**  
Managing Partner  
Gulf Intelligence

Series Supported By:



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

**MONDAY /// MAY 31<sup>st</sup> /// 2021**



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



**Laury Haytayan**  
MENA Director  
Natural Resource Governance Institute



**Randall Mohammed**  
Former VP, Energy Solutions  
Ahart Solutions International

Series Supported By:



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

**TUESDAY /// JUNE 1<sup>st</sup> /// 2021**



**James McCallum**  
Executive Chairman of Xergy  
Professor of Energy at Strathclyde  
University



**Vandana Hari**  
Founder & CEO  
Vanda Insights



**Rustin Edwards**  
Head, Fuel Oil Procurement  
Euronav NV

Series Supported By:



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

**WEDNESDAY /// JUNE 2<sup>nd</sup> /// 2021**



**Tony Quinn**  
Operating Partner, Prostar Capital  
CEO, Tankbank International



**Chris Wood**  
Chief Executive Officer  
Savanara DMCC



**Vladimir Langhamer**  
Managing Director, Supply & Trading  
OMV

Series Supported By:



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

**THURSDAY /// JUNE 3<sup>rd</sup> /// 2021**



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



**Andrei Belyi, PhD**  
Professor, Founder & CEO  
Balesene OU



**Amena Bakr**  
Deputy Bureau Chief  
Energy Intelligence

Series Supported By:



**CLICK HERE  
TO LISTEN**





**Just what the energy  
future needs:  
Our energy.**

**Uniper. Empower energy evolution.**

**uni  
per**

[www.uniper.energy](http://www.uniper.energy)

# GO EXCLUSIVE SOUNDINGS

## *Oil Rises on Bullish Western Demand Recovery and OPEC+ Continuation of Gradual Output Increase*

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.

- Vandana Hari, Founder & CEO, Vanda Insights
- James McCallum, Executive Chairman, Xergy
- Laury Haytayan, MENA Director, Natural Resource Governance Institute
- Rustin Edwards, Head – Fuel Oil Procurement, Euronav NV
- John Defterios, Chairman, The Agora Group; Former Emerging Markets Editor & Anchor, CNN
- Randall Mohammed, Former VP Energy Solutions, Ahart Solutions International
- Chris Wood, CEO, Savanara DMCC
- Andrei Belyi, PhD, Professor, Founder & CEO, Balesene OÜ

### ***Vandana Hari, Founder & CEO, Vanda Insights***

"I sense a lot of upward momentum in the market now, which might have been missing on previous occasions. Look at the US economy reopening and the statistics from Memorial Day weekend. What's not to like about the US demand story?"

### ***James McCallum, Executive Chairman, Xergy***

"There is no doubt that the short-term news we are reflecting on is good. Oil prices are rising, but let's not miss out on the big news last week surrounding the IEA's report and OPEC's response to it. We are firmly in the era of the low-cost producer, and it's their future to play with."

### ***Laury Haytayan, MENA Director, Natural Resource Governance Institute***

"We have two possible scenarios that could unfold. Either a deal is done before the Iranian elections on June 18th or after. It depends how much Iran wants to empower the likely president and everybody's talking about that being the conservative candidate, Al Raisi."

### ***Rustin Edwards, Head – Fuel Oil Procurement, Euronav NV***

"It's a fairly robust demand story in the US and the EU. The gasoline market is driving a lot of the refining margin in the US Gulf Coast and Atlantic Coast. That's going to help keep the distillate market tight."

### ***John Defterios, Chairman, The Agora Group; Former Emerging Markets Editor & Anchor, CNN***

"It's a commodity demand-driven push at this stage. WTI and Brent have been hovering around \$68 a barrel, the rig count in the US continues to go up and lumber prices are surging on the back of low interest rates in the US."

### ***Randall Mohammed, Former VP Energy Solutions, Ahart Solutions International***

"US production will come back but it will be a slow train. The capital simply isn't there. In the past, private equity poured money into shale because it was profitable and because Congress had approved certain tax deductions for drilling."

### ***Chris Wood, CEO, Savanara DMCC***

"If there's one thing I'm a little bit hesitant on, it's the Chinese investigation into their own oil industry. They're having a look at where the oil is going and who is using the oil with potential taxes. On top of that, they will be issuing their next quotas for the independent refineries in China."

### ***Andrei Belyi, PhD, Professor, Founder & CEO, Balesene OÜ***

"There is a certain trend in demand recovery and Iran's comeback might create downward pressure. In this context, it's logical to insist on the continuation of OPEC+ to keep oil prices stable. Markets are still oversupplied even though demand is recovering and spare capacity on the producer side is still high."





# At the heart of the world's energy markets

Serving customers with  
our expertise, logistical  
excellence and unique  
opportunities.

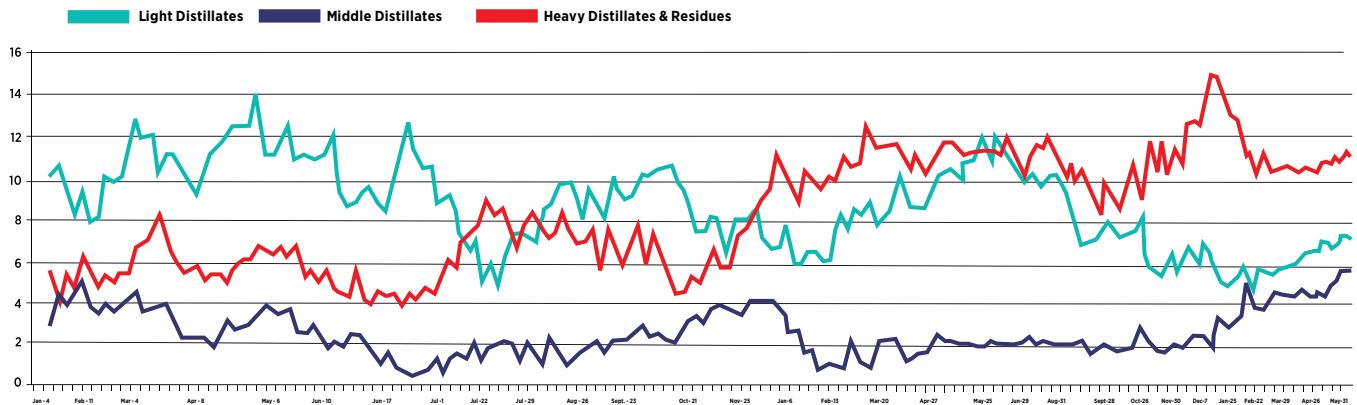
[vitol.com](https://vitol.com)



# Fujairah Weekly Oil Inventory Data



bbl (million)



## TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 23.694mn barrels. Total stocks rose by 3.305mn barrels with overall stocks rising by 16.2% week-on-week. This comes after last week's total stocks draw of 3.056mn barrels – the largest weekly draw since December 30, 2019 when a fall of 3.680mn barrels was seen. Builds across all three categories were seen, with the greatest overall build in heavy residues.
- Stocks of light distillates rose by 98,000 barrels reflecting a build of 1.9% week-on-week to stand at 5.225mn barrels. Indian private refiner Nayara Energy sold

up to 60,000 mt of 92 RON gasoline, with RVP maximum 62kPa and maximum 50 ppm sulfur, for loading June 21-25 for a premium of around 0-10 cents/bbl to the June average of Mean of Platts Singapore 92 RON gasoline assessments, FOB. Meanwhile Malaysia, a large buyer of high-octane gasoline, announced it will re-enter a nationwide two-week lockdown.

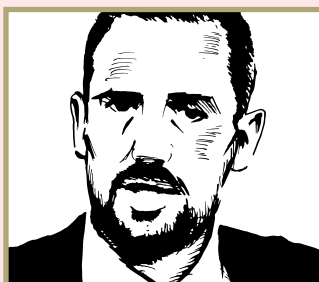
- Stocks of middle distillates rose by 426,000 barrels to 3.819mn barrels – up 12.6% on the week, the first build after posting a draw for two consecutive weeks. Operations at Kuwait's Mina Al-Ahmadi refinery are gradually returning to normal. Kuwait National Petroleum Company, or

KNPC, halted production at some units on May 11th due to a technical glitch.

- Stocks of heavy residues rose by 2.781mn barrels or 23.4% on the week to 14.650mn barrels. The build in stocks comes as Port of Fujairah bunker sales data for April indicated a total 679,338 cm<sup>3</sup> of bunkers including lubricants were sold, reflecting a rise of 45,293 cm<sup>3</sup> month-on-month. High sulfur fuel oil sales overall fell with 112,952 cm<sup>3</sup> sold, reflecting a fall of 12,835 cm<sup>3</sup>. Market participants said the rise in heavy residues was due to additional cargo arriving in Fujairah in May as a response to refinery issues in March.

Source: S&P Global Platts

Morning all and welcome to the day after the market reacted to the shortest OPEC meeting in history. Honestly, I don't reckon some ministers had even fired up their laptop before they heard "OK thanks guys, see you next month." Brent is trading this morning at \$71.74/bbl, up 0.39/bbl. WTI is trading up 0.34/bbl, at \$69.17/bbl. So, where to begin? OK let's start with OPEC+. I mean we can hardly complain about a quick meeting, can we? A quick game is a good game and all that. Let's bear in mind that it was only a couple of years ago that there were only two of these meetings per annum, you'd sit for hours waiting for the ministers to pop up and it was quite the most frustrating day. 20 minutes?



**BY MATT STANLEY**  
SENIOR BROKER  
STAR FUELS

I'll take it. For the uninitiated by the way, OPEC agreed to return a total of 800,000 b/d of production in July. This was widely expected. The market liked and continues to like the fact that there will be more oil pushed into a world that is still in the middle of a pandemic. So that's

good, isn't it? The reason for this bullish reaction? Well, obviously demand forecasts are great for the second half. Forget current lockdowns, yeah nah yeah, those don't matter, it will all be fine in the second half. The US will lead the way and gasoline consumption will absolutely roof. Yep, all fine, nothing to see here, \$80/bbl oil here we come. What's that? US gasoline stocks up last week? OK, well don't worry about that, tis merely a scratch. Honestly, I'm telling you it will be fineeeee. And the market is buying it. Literally. Look, let's balance this – demand is certainly much better than it was, and vaccination roll outs are good in the developed world, but again here's a stat for you regarding vaccination

progress – High Income 36.4%. Low Income 0.7%. I am getting pretty close to writing two commentaries. One for how developed nations are doing and supporting a bullish argument. And another, more sober and harder commentary to write on how things will, eventually, get better. I know that's grim, but it's the reality the world is facing. The issue is, and with all respect, that Wall Street and most investors don't care about the second commentary. They are buying the return of demand and ignoring issues in other places. End user prices at the pump are at 7-year highs, and look set to go only way. A Yazz market. Let's wait to see what stats show later. Good day.

# ENERGY MARKETS VIEWS YOU CAN USE

**Christof Rühl**

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



## **ANY SURPRISE AT THE PROPOSED US BUDGET FIGURE OF \$6 TRILLION?**

It's no surprise that it has been blown up by both the stimulus program and the start of the longer-term investment program. One surprise though has been growth forecasts. After all these giant expenditures, we have decent growth for 2021 and 2022 but then it slows down and is no different from the trajectory we had before the pandemic.

## **IS THAT A DISINCENTIVE FOR FURTHER CAPACITY INVESTMENT BY CORPORATES?**

It could actually be that because of the underlying forces slowing down growth, inflation turns into a flash in the pan, and we get back to low growth rates and a high debt burden and secular stagnation, not only in the US, but in many of the advanced economies.

## **CAN STRONG US TRAVEL NUMBERS TRUMP WEAKNESS WE'RE SEEING ELSEWHERE?**

We will continue to see a diverging but overall path of global recovery. US travel rates are now about 20% below 2019 levels. The EU is also trying to form a comprehensive travel regulation policy. But we still have outliers like Brazil where Covid has been totally mismanaged and India which has healthcare capacity restraints in handling the pandemic.

## **EXPECTATIONS FOR THE RETURN OF US SHALE?**

We already see the US private shale sector responding. In March, production was up 14% and with prices since then hovering up at around \$65, we should see that growth sustain when April and May numbers are released.

## **WILL US PAYROLLS DATA THIS WEEK GIVE FURTHER DIRECTION TO THE RECOVERY?**

It's a matter of nuances and we do need to treat job creation records with caution because the statistics don't always reflect the reality on the ground but I would expect stronger numbers this time. What is also relevant is that many of the big economies in the EU also publish unemployment statistics this week. Everything seems to be in short supply and subject to bottlenecks there so the data should give us some clarity on where one of the biggest economies of the world is heading in terms of future growth, employment and travel.

**Vladimir Langhtamer**

**Managing Director, Supply & Trading  
OMV**



## **OIL SEEMS SET TO CONTINUE ON THIS POSITIVE TRAJECTORY?**

While it has doubled in price in the last year, compared to other commodities like copper or even in agriculture, it's a bit of a laggard and just catching up. The micromanaging by OPEC has given stability to the market and the group seems to be happy with where the price is at. It's a question of what can happen should it go much higher.

## **DO YOU SEE PRICES CLIMBING HIGHER DESPITE CONTINUED CONCERNS ON COVID?**

This market can go higher. The question is by how much – I could see it somewhere between \$70-\$75. And even if demand does not come back at 6 million bpd this year as some expect, we will still see balance and get to the five-year average or potentially below.

## **IS OPEC LEAVING A GAP FOR IRANIAN BARRELS IN THEIR STRATEGY?**

There is uncertainty about Iranian volumes coming back to the market and OPEC did mention that at their recent meeting and how they would respond accordingly – that also gave some support to prices this week. But on the other hand, everyone in the market has already priced Iranian oil in.

## **COULD A US-IRAN DEAL BE BULLISH AS IT REMOVES THIS CLOUD OF UNCERTAINTY?**

If you remove one of the risks, it could make the market more investable yes but again, although it is still a big unknown, the markets have already priced Iranian oil to return at some point.

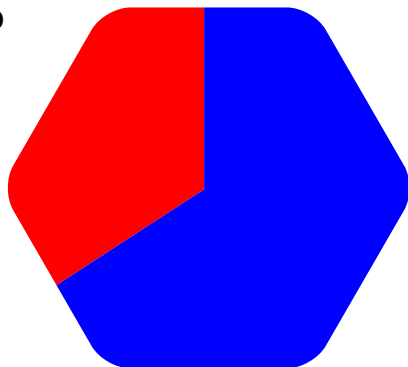




# Weekly Surveys

**Should OPEC provide outlook for supply beyond July when they meet this week?**

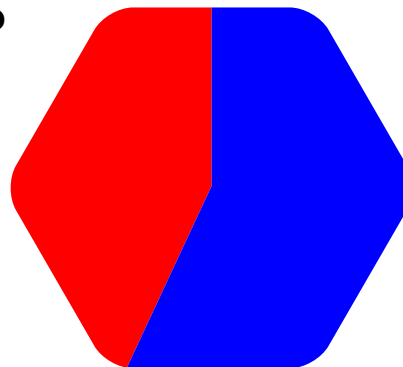
**34%**  
**No**



**66%**  
**Yes**

**Can OPEC add More Oil Supply and still enjoy \$70+ price this year?**

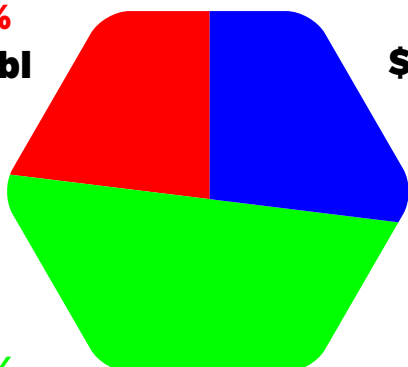
**43%**  
**No**



**57%**  
**Yes**

**What will be the average price of Brent crude oil in June – closer to?**

**23%**  
**\$75/bi**

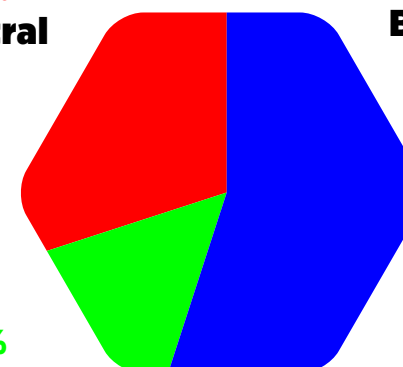


**27%**  
**\$65/bi**

**50%**  
**\$70/bi**

**What tone does the 30-minute OPEC+ meeting yesterday set for oil markets in June?**

**30%**  
**Neutral**

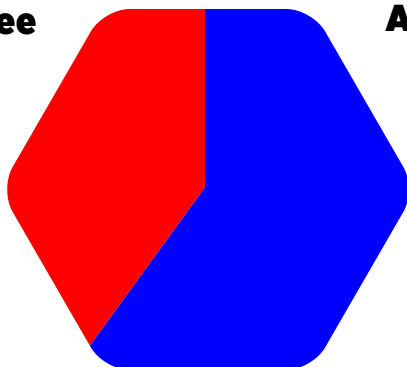


**55%**  
**Bullish**

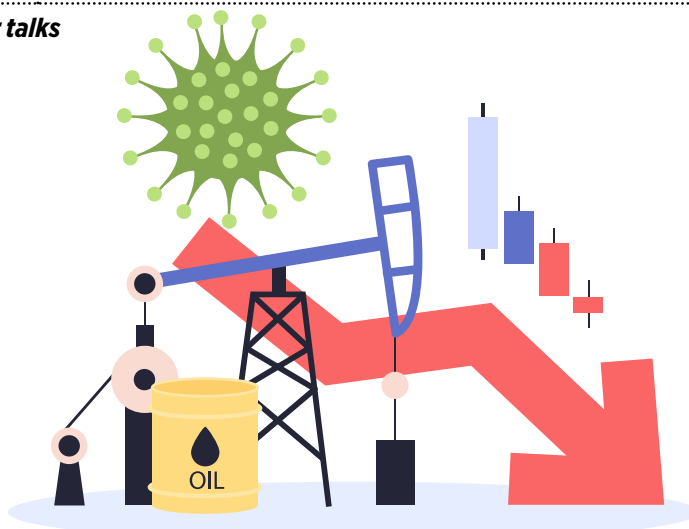
**15%**  
**Bearish**

**Oil prices holding above \$70/bi on slowdown in Nuclear talks between the US and Iran?**

**40%**  
**Disagree**



**60%**  
**Agree**



Source: GIQ

# ENERGY MARKETS **VIEWS YOU CAN USE**

**Tony Quinn**

**Operating Partner, Prostar Capital  
CEO, Tankbank International**



## **WHAT COULD STOP THE MARKET'S UPWARD PRICE MOMENTUM?**

It's being driven by Europe and the US and there's sentiment in there also. But the drivers aren't there to take the structure any higher. And if it does, it will hurt a lot of Asian economies where the big demand is. India was already complaining when we were at \$65. OPEC has to look at its customers' positions - many of these countries are today suffering severely from third or fourth waves of Covid-19.

## **IS THERE ANY REASON TO EXPECT ASIAN DEMAND TO DROP?**

The fuel business has been relatively resilient throughout the pandemic and the majority of countries that are being affected in Southeast Asia have not seen any significant volume dips. Countries with major problems are also relatively small importers. Chinese demand has been very resilient throughout and Singapore is doing extremely well with trade volumes now back to normal. Exports to other Asian countries are also being maintained. The big issue is if it starts to get expensive, it's going to hurt the economies of those countries that are really struggling with Covid cases, such as Indonesia and Malaysia.

## **WHAT'S THE OUTLOOK FOR OIL STORAGE AS THE GLOBAL STOCKPILE DECLINES?**

The storage market has been relatively flat. Everyone I talk to here in Singapore is more or less buying everything. Throughput is down a little, but storage terminals don't live totally on throughput. If a company doesn't do twelve turns a year, it's not going to be a real problem. If they do more than 12, that's a big bonus. Everyone is sitting within that average.

**Amena Bakr**

**Deputy Bureau Chief  
Energy Intelligence**



## **ANY SURPRISE AT OPECS DECISION THIS WEEK?**

No surprise but they do still have time to alter the agreement. They're going to meet on the 1st of July, so they have time to see how the market responds. One of the main reasons that the meeting was so short is that Iran was not discussed and that's because nobody knows when the nuclear talks will be concluded or how the sanctions will be lifted. Still, informal conversations have taken place with Iranian officials on plans for a timeline and volumes of oil returning to market once a deal is done. The Iranians have so far said that they will not accept a controlled come back and that they will do it at their own pace, regardless of what happens to prices.

## **HAS THE MOMENTUM ON THE TALKS IN VIENNA DIFFUSED A BIT?**

Many of the OPEC states do not see this nuclear deal as imminent anymore and that will give them more time to digest what Iran is capable of bringing back. We expect to see an increase in Iranian exports of around 350,000 bd by August and another 650,000 bd by early 2022, from about 900,000 bd today. And production will hit around 2.9mn bd from around 2.6mn now.

## **OPECS STANCE ON HIGHER PRICES VERSUS PUTTING MORE BARRELS INTO THE MARKET?**

One of the reasons they chose to roll over the current agreement is because they're happy with where prices are. But in the second half of the year, there's going to be a supply deficit and they do have room to continue to gradually ease those cuts.

## **HOW IS CAPITAL EXPENDITURE IN OIL AND GAS FAIRING IN 2021?**

We expect investment in upstream this year to be around \$370bn, \$25bn below 2019 levels. This includes many Gulf producers who are investing now to boost their capacity. Saudi Arabia has said it wants to go beyond 13 million bd. They're betting there will be a shortage in the market, and as low cost producers, they want to take advantage of the situation later on.



# ENERGY MARKETS FORUM NEW SILK ROAD LIVE



Consultancy  
Intelligence  
Publishing

# TOP 10

MAY 30<sup>th</sup> - JUNE 3<sup>rd</sup>

## MARKET OBSERVATIONS FOR THE WEEK

1. Commodity prices, including crude oil, are likely to ease off over coming months as supply returns.
2. OPEC+ should provide outlook for supply beyond July when they meet this week if they want to keep higher cost producers on the sidelines.
3. US Oil Majors are likely to face ever increasing pressure to get into alignment with the great energy transition.
4. US oil production trend line continues a downward trend despite some months when the presence of a heartbeat may be mistaken for a mirage of recovery.
5. Iran and the US are marching towards a deal slowly but surely, but the question is are they sleepwalking?
6. Shale oil is unlikely to attract big capital inflows back into new production as return on investment remains in doubt even at \$70/bl Brent.
7. Asian oil demand may be set back over the short term by Covid-19 resurgence, but the long term trend of providing global incremental demand growth is locked in.
8. OPEC+ may be at risk of killing the golden goose of Asian demand recovery by jawboning oil prices above \$70/bl.
9. Global Oil inventories are set to drop below 5-year average in Q3 as OPEC+ keeps a tight rein on new supply.
10. Aviation fuel is unlikely to benefit from return to the skies over summer holidays as most travel will be short haul.



### Independent Oil Storage Services

Vopak Horizon Fujairah Ltd. offers high quality logistic services to the oil industry

فوباك هورايزون  
الفجيرة المحدودة  
**Vopak Horizon  
Fujairah Limited**

**Vopak Horizon Fujairah Ltd.**  
Phone: +971 9 228 1800  
P.O.Box 1769, Fujairah  
United Arab Emirates  
[www.vopakhorizonfujairah.com](http://www.vopakhorizonfujairah.com)



## East of Suez Bunker Fuel Availability Outlook

Prompt delivery slots available amid more muted bunker demand in Fujairah, and weaker bunker demand weighs on VLSFO refinery margins in Singapore. Singapore's fuel oil inventories fell to two-month lows of 22.88 million bbls last week. Fujairah's fuel oil stocks were drawn for a second consecutive week last week, data from S&P Global Platts and the Fujairah Oil Industry Zone showed. The inventories fell nearly 13% lower to 11.87 million bbls on 24 May. The Middle Eastern region's fuel oil consumption normally increases in the lead-up to the peak season for air conditioning, which boosts fuel oil demand for power generation.

Source: Hellenic Shipping

## Digital Banking you can Bank on

The National Bank of Fujairah is putting its best foot forward towards adoption and automation in the banking sector. As the banking sector evolves to meet the transformative nature of the current situation, it must remain focused on maintaining the highest standards of convenience, efficiency and security that customers have come to expect. Innovation is a key component of this formula and the National Bank of Fujairah (NBF) has been ahead of the curve, focused on digitisation and new trends well ahead of the pandemic. This foresight eased the transition to adopting new technologies as online banking became more and more prevalent. Alongside its digital journey, the bank has also been integrating automation and robotics to minimise paperwork while simultaneously developing its trade finance payment facilities and digital platforms to further enhance the corporate banking segment.

Source: Khaleej Times

## Ajman, Fujairah to Host Events to Serve Female Entrepreneurs

Dr Amna Khalifa Al Ali-Board of Directors Member-Ajman Chamber of Commerce and Industry and Chairwoman of Ajman Businesswomen Council (AJBWC), received a delegation from the Fujairah Businesswomen Committee led by Aisha Mohammad Al Jassim, Board of Directors Member of Fujairah Chamber of Commerce and Industry - Chair of the Committee. The meeting aimed at discussing the cooperation, exchanging experiences and organising future events serving the female entrepreneurs. During the meeting, Abeer Eid Al Faraj, Director of the Ajman Businesswomen Council's Office, briefed the delegation about the Council's strategic plan, the key projects and initiatives to be carried out this year. The attendees were also briefed on the training plan that will be carried out in cooperation with partners from government and private entities.

Source: Gulf Today

## Fujairah Shuts 3 Outlets, Fines 168 More for Flouting Covid-19 Rules

The Fujairah Municipality authorities have shut down three food outlets during Ramadan and Eid Al Fitr holidays for their failure to comply with health regulations and precautionary measures to contain the spread of the raging Covid-19 pandemic. According to an official at the Fujairah Municipality the action has been taken during an inspection drive conducted across 7,717 food establishments within the civic body's jurisdiction. The municipality authorities also imposed penalties on 168 establishments, including 70 for violating Covid-19 preventive and precautionary measures. While warnings were issued to 211 outlets and a grace period was given to make amends.

Source: Khaleej Times



# ENERGY MARKETS **VIEWS YOU CAN USE**

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



## **CAN WE NOW ASSUME THAT WE ARE SECURELY ABOVE \$70 A BARREL?**

We have finally broken through that stubborn ceiling but it's too early to tell whether we're going to stay in that range or push a bit higher. There is a major sentiment of optimism sweeping through everything. European and US travel is picking up and the recent OECD report on the economic outlook for the rest of the year shows upward revisions for almost all countries. It also highlights that many major economies, including the US, will hit pre-Covid income per capita levels before the end of 2021.

## **HOW MUCH IS OPEC PLUS FACTORING IN IRANIAN OIL INTO DECISION MAKING?**

OPEC has said that it welcomes the return of Iranian oil to the market as long as it is done in an orderly and transparent way. Having visibility enables them to have greater control and they know that they will have to accept an increase in Iranian production and exports.

## **HOW NEGATIVE ARE DECLINING INVENTORIES AND HIGH PRICES FOR EMERGING ECONOMIES?**

Countries like Brazil and India are still struggling with their economic recovery because Covid is not under control so higher prices of energy and other commodities are going to have a negative impact on their economic recovery path.

## **CAN THE ECONOMIES THAT ARE RECOVERING WELL ABSORB \$75 OIL?**

There is a limit. We have had a demand shock and all eyes are still on demand. Economic growth will play a much more important role in the market than for example the return of Iranian oil, which will have a temporary impact. If prices heat up further and they are sustained, then we will definitely see a reversal of the growth and economic outlook everywhere, not just of emerging economies. But we're not there yet.

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



## **WILL THIS BE THE WEEK OIL COULD FINALLY CROSS AND CLOSE ABOVE \$70?**

The market consolidation since March has ended. Our next target for WTI is \$67.98 and then about \$72 and \$76 thereafter. We're coming into the peak demand season for gasoline and opening for tourism and travel. We see things accelerating higher and even for those who talk of the advent of US shale or Iranian oil, that has already been priced in. There are still shorts in the market and a lot of liquidity looking for a home - whether into futures, ETFs or commodities.

## **CAN OPEC INCREASE SUPPLY AND STILL ENJOY A \$70 PLUS PRICE?**

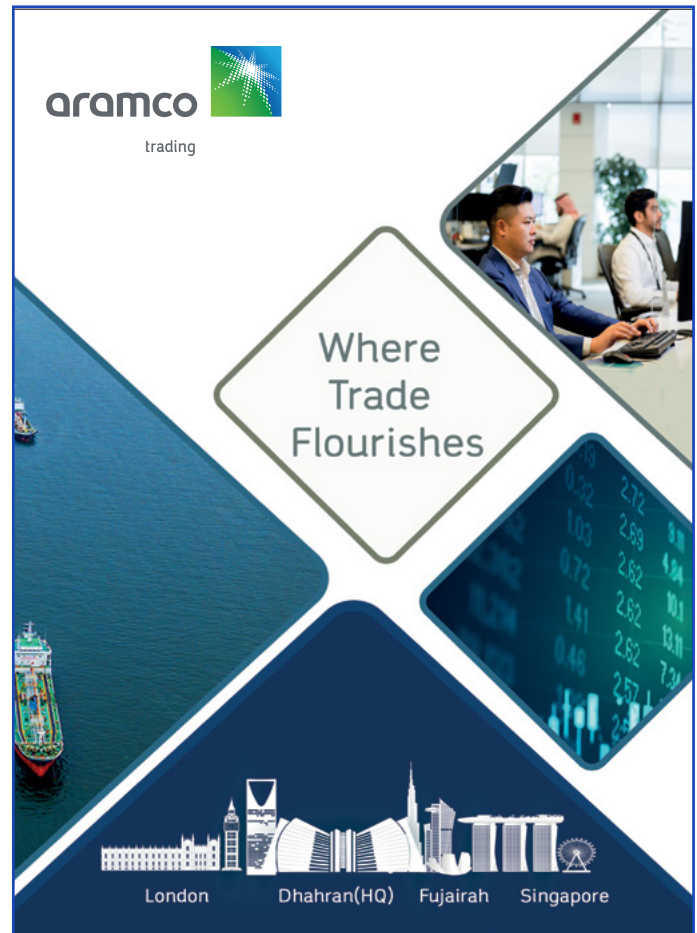
OPEC won't shoot themselves in the foot and increase output suddenly. But supply will increase with demand. OPEC wants to make money so the rational thing to do is increase supply. Today, there's no reason for them to do anything more than what they have stated because the market has already digested that. We need to also consider that unless more money flows into OPEC countries, no one else is going to continue investing in the sector and sooner or later we will see \$100 oil. Moreover, it's not just oil prices going up - house prices and commodities are across the board. If you want to point the finger of blame at the cause of that, it's the Fed and liquidity. Meanwhile, the US dollar is losing value and prices of goods keep rising in real terms.

## **IS US SHALE FINALLY ON A ROAD TO RECOVERY AT THESE PRICES?**

We have had short term blips to the upside but trend wise, production from the US is cratering. Even at these levels of interest rates, shale companies cannot attract capital because they have massive debts and don't make revenue. Revenue is what matters and that's made by controlling a market and its price and controlling it to the upside. That's what OPEC is doing.

*“The projections for oil are largely unchanged from our last meeting, with demand expected to grow by 6m b/d to around 96.5m b/d on average for the year, an increase of 6.6%. As with the economy, the market outlook for later this year looks especially promising. In fact, we anticipate that demand will surpass 99m b/d in the fourth quarter, which would put us back in the range of pre-pandemic levels.”*

H.E. Mohammad  
Sanusi Barkindo,  
Secretary General,  
OPEC



# ENERGY MARKET NEWS

## RECOMMENDED READING

- 1. OIL PRICES RISE ON OPEC+ DISCIPLINE, STRONG DEMAND OUTLOOK**
- 2. OIL & GAS STOCKS CARRY \$126BN COST FOR NORWAY'S SOVEREIGN FUND**
- 3. LARGER THAN EXPECTED CRUDE DRAW FUELS OIL PRICE RALLY**
- 4. IRAN NUCLEAR TALKS EXPECTED TO RESUME ON JUNE 10**
- 5. SAUDI ARAMCO LINES UP BANKS FOR BOND SALE**
- 6. RUSSIA, IRAN TO DEVELOP CONTACTS IN DEFENSE SECTOR**
- 7. CHINA'S SERVICES ACTIVITY GROWTH SLOWS IN MAY**
- 8. DOLLAR ON TENTERHOOKS AS PAYROLLS TEST LOOMS**
- 9. MASSIVE BLAZE ENGULFS TEHRAN REFINERY AFTER SINKING OF IRANIAN WARSHIP**
- 10. INDIAN OIL DEMAND TO RECOVER FROM JULY**

## RECOMMENDED VIDEOS & REPORTS

- IEA: UPSTREAM OIL & GAS SPENDING TO CEDE MORE GROUND TO RENEWABLES**
- SOUTHEAST ASIA'S COVID-19 SURGE PROMPTS SHUTDOWNS & ALARM**
- ISRAEL'S PRIME MINISTER OPPONENTS REACH A DEAL TO REPLACE HIM**
- US PUSHING FOR EXTENSION TO IRAN NUCLEAR DEAL SUNSET CLAUSE BEYOND 2030**

Series Supported By:





Consultancy  
Intelligence  
Publishing