

MONDAY /// MAY 9th

TOP 10 DAILY NEWS DIGEST

1. OIL SLIPS ON GLOBAL ECONOMIC CONCERNS, AHEAD OF EU VOTE ON RUSSIA OIL BAN
2. NOPEC: AMERICA'S LAST STAND AGAINST OPEC'S DRIFT TO THE EAST
3. G7 COMMITS TO PHASING OUT RUSSIAN OIL IMPORTS
4. SAUDI ARABIA LOWERS ARAB LIGHT CRUDE OIL PRICE TO ASIA, EU IN JUNE
5. AS THE US FIGHTS INFLATION WITH A STRONGER DOLLAR, WHAT ABOUT THE REST OF THE WORLD?
6. MEXICO PRESIDENT SAYS NO COUNTRY SHOULD BE EXCLUDED FROM AMERICAS SUMMIT
7. CALIFORNIA SAYS IT NEEDS MORE POWER TO KEEP THE LIGHTS ON
8. US IMPOSES SANCTIONS ON 27 GAZPROMBANK EXECUTIVES, RUSSIAN TV STATIONS
9. EU COULD BAN EUROPEAN INSURANCE & TANKER TRANSPORT FOR RUSSIAN OIL
10. CHINESE PREMIER ORDERS MORE ACTION ON JOB STABILITY IN LEAD-UP TO COMMUNIST PARTY CONGRESS



RECOMMENDED REPORTS

- FRAC SPREAD COUNT - MAY ACTIVITY KICKS OFF WITH A BANG
- RUSSIA'S GAZPROM CONTINUES GAS EXPORTS TO EU VIA UKRAINE
- ETHICS AND WAR: THE UKRAINIAN TRAGEDY
- RUSSIAN INVASION WILL ALTER ENERGY TRADE FLOWS FOR YEARS TO COME
- IS SAUDI ARABIA QUIETLY TRYING TO HELP EU'S OIL CONSUMERS?
- INDIAN CURRY LOSES ITS TANG AS UKRAINE WAR PUTS COOKING OIL ON BACKBURNER
- PHILIPPINES VOTES FOR NEW PRESIDENT, PROSPECT OF MARCOS REVIVAL LOOMS



Daily Energy Markets PODCAST



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Daily Energy Markets TOP 3 TAKEAWAYS



TOP 3

MONDAY /// MAY 9th

TAKEAWAYS

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COMMENTARY

Brent is trading this morning at \$110.96, down \$1.43 and WTI is trading at \$108.27, down \$1.50. The week opens up with the same questions it closed last week on. What will the EU do vis-à-vis banning Russian oil and by how much will oil demand be dampened by continued lockdowns in China? The oil market seemingly doesn't want to second guess the answers to either of



BY MATT STANLEY
DIRECTOR
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these, hence why we are dancing around \$110 per barrel. If you're an oil producer then this is something you'd happily do the Charleston to; oil above \$100

for Middle East producers especially is good for fiscal budgets and the Middle East is set to be the leader this year in global growth on the back of higher energy prices. What if you're not an oil producer though? Ahhh the old "end user" argument again. Well, this is also keeping a lid on prices and with monetary policy tightening around the world, the inflation/recession argument is

very much a concern the world faces. However, even with economic concerns, COVID seemingly refusing to be beaten in some countries and an equity market seemingly pricing in both, I would argue that the supply side of the oil equation right now is the biggest factor. It's just when the EU can get together before we really see oil markets pricing in a lack of supply that is the key.

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Daily Energy Markets VIEWS YOU CAN USE



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Mike Muller

Head
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The market has gone back to \$110 pretty decisively.

One reason is that the EU consensus around shedding the need for Russian oil has been more decisive than many expected. Secondly, despite the restrictions on mobility, the Covid situation in China has not snowballed into something really dramatic, so the demand loss projections there have not worsened. Meanwhile, the reality on the ground is that there is increasing backing in of supplies from Russia, because we're now virtually on top of that date where the international banking system cannot make payments to Russian entities work.

Energy demand outlook for China?

There's clearly been a hit on oil consumption in the transportation sector. The Chinese tourist is virtually absent. The Chinese domestic aviation sector had recovered but that's now virtually wiped out. Flights out of Hong Kong are down 88% on pre-Covid numbers. But China seems to have managed to stem the spread of the virus and has reinforced its commitment to its zero Covid policy. The economy has been kept running in certain parts, with companies providing the food and bedding required for people to be able to stay at work to literally keep making manufactured goods and running the financial sector.

Scale of Russian oil supply disruption so far?

Before the Ukraine invasion, Russia was producing at or above its quota of 10.6 million bd and putting 5.7 million bd into its refining system. Market consensus would seem to be that both those numbers are down about a million barrels a day, which is a relative drop in the ocean compared to the intended impact of sanctions on Russia. Also, most countries in Asia – notably China and India – and Africa and Latin America, have no formal sanctions against Russia.

Will the 2H growth outlook put downward pressure on demand and prices?

Outside of China, the consumer wishes to spend and resume normal life. US Henry Hub gas is trading at about \$8 per MMBtu – that's something. And nationwide average gasoline prices in the US are hitting \$4.30 a gallon, close to record levels. Diesel is above that. The reality is that there are very tight fundamentals in middle distillates and there's very little space in the supply system for delays arising from cargoes running late, which happens when we have backwardation and inventories 35 million barrels below normal levels.

Relevance of OPEC Plus for the remainder of this year?

Most of OPEC Plus production is maxed out. They will continue as is until the end of their agreement in September but in reality, it's only those two or three countries that can still produce extra oil. Unless we see massive demand destruction because of recession or high prices, the spare supply cushion from OPEC will get to a point which will be alarming, and coupled with lower SPRs, is why we will have an upward bias in prices. ■

**Paraphrased Comments*

Daily Energy Markets



Mashreq 60-SECOND SOUNDBITE

Omar Najia

Global Head, Derivatives
BB Energy

**"The Era of Cheap Oil
& Gas is Done!"**

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Daily Energy Markets



Mashreq 60-SECOND SOUNDBITE

Ahmed Mehdi

Research Associate
Oxford Institute for Energy Studies

**"There is no extra spare
capacity in the global oil
refinery system!"**

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TUESDAY /// MAY 10th /// 10:30AM (UAE)

UK



Jamie Ingram

Senior Editor

Middle East Economic Survey

OMAN



Ali Al Riyami

Consultant &

Former Director General of Marketing
Ministry of Energy & Minerals, Oman

VENEZUELA



Jose Chalhoub

Political Risk & Oil Analyst

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Daily Energy Markets INDUSTRY SURVEY



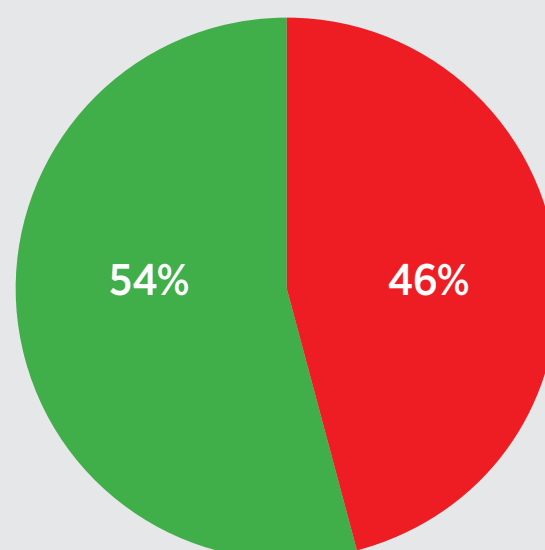
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***What phase of economic slowdown/
collapse are we in?***

Answer:

■ **Beginning of End**

■ **End of Beginning**



Source: GI Research May 2022

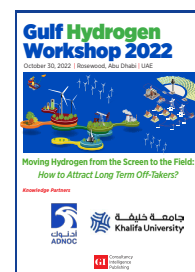
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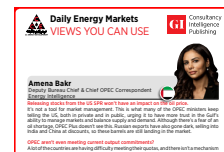
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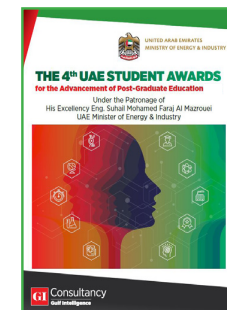
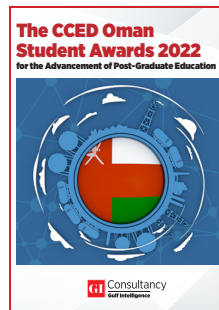
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