

Fujairah White Paper 2024

Fujairah Technical Workshop

Platts, part of S&P Global Commodity Insights, held a technical workshop in Dubai on May 23, 2024, in close collaboration with the Fujairah Oil Industry Zone (FOIZ) and the Port of Fujairah.

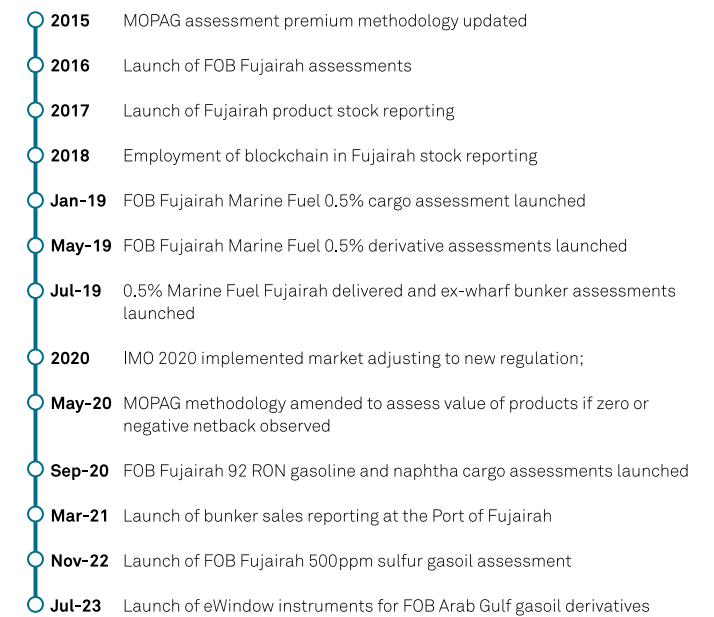
The Port of Fujairah is a crucial hub in today’s energy market as a global logistics and commodities location – including for oil and dry bulk materials. With the energy transition and the enduring importance of the Middle East region in global markets, activity in Fujairah – which offers access to some of the world’s major shipping routes – is important to the smooth functioning of markets.

The workshop provided an opportunity to update market participants on infrastructure developments, data reporting in Fujairah, and to explore potential sources of information for publishing.

The workshop also covered the development of refined product price assessments in the Middle East including the initial launch of FOB Fujairah price assessments and subsequent additions to that suite of assessments as Fujairah continues to evolve as a benchmark price referencing location.

The event generated in-person dialogue with market participants who shared their views on what has been a rapidly evolving market in recent years.

Platts Middle East oil coverage developments



It was attended by a broad range of market participants including but not limited to national oil companies, integrated energy companies, independent trading houses, bunker suppliers, storage companies and futures exchanges.

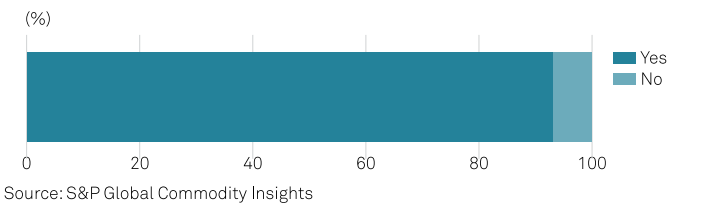
Weekly stock reporting

The publication of Fujairah refined oil products stock reporting on a weekly basis began at the start of 2017 as a partnership between FOIZ, the Port of Fujairah and Platts. The stock reporting is across three categories: light distillates, middle distillates and heavy distillates/residues.

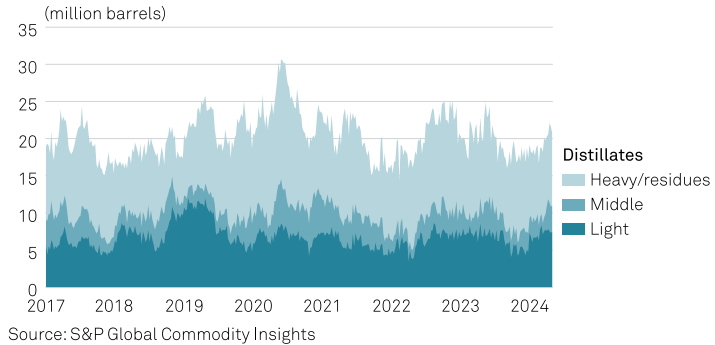
The stock reporting is a key point of reference by the market and is used globally by industry participants including key international energy organizations. The stock reporting is published in the monthly oil market reports of both OPEC and the IEA.

More than 90% of the workshop’s responding participants agreed that the publication of the weekly stock data has raised the profile of Fujairah’s activity as a trading hub.

Has the publication of weekly refined product stock levels helped raise the profile of Fujairah's activity as a trading hub?



Fujairah weekly stocks across three product categories



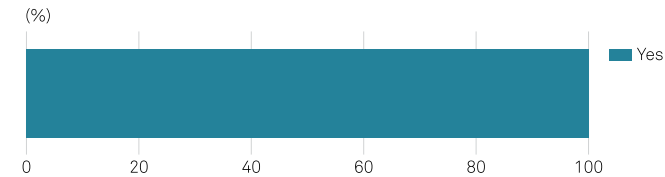
Monthly bunker sales reporting

In addition to the weekly Fujairah stock reporting is the monthly publication of the bunker sales data at the Port of Fujairah. This is also done as a partnership between FOIZ, the Port of Fujairah and Platts. The bunker sales data reporting goes back to the start of 2021 and is done across six categories including: 380cst and 180cst low sulfur fuel oils; 380cst marine fuel oil; 180cst low sulfur fuel oil; marine gasoil; low sulfur marine gasoil; and lubricants.

The bunker sales reporting has driven transparency of activity at the port in-line with other key global bunkering hubs with 2023 seeing 7.5 million cubic meters of bunker fuel sold at the port. This places the Port of Fujairah as the third busiest bunkering hub in the world after Singapore and Rotterdam. The data also helps show the percentages of different types of bunker fuel sold at the port. The data has shown an increase in recent years of sales of high sulfur bunkers as a wide spread between high and low sulfur fuel oil sales encourages the use of scrubbers by shipowners.

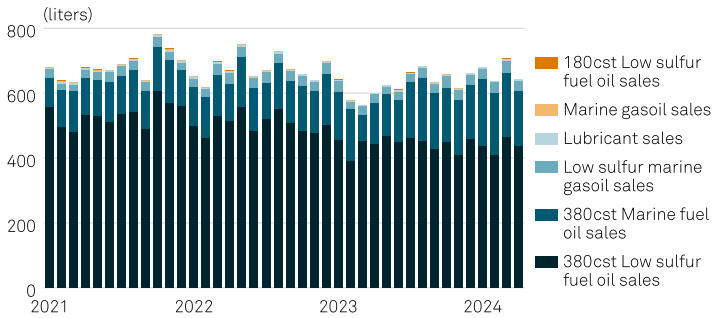
All the workshop's responding participants said the publication of bunker sales volumes have helped publicize the role of Fujairah as a global bunker hub.

Has the publication of bunker sales volumes helped publicize the role of Fujairah as a global bunker hub?



Source: S&P Global Commodity Insights

Fujairah Bunker Sales data has over 3 years of history



Source: S&P Global Commodity Insights

Platts

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Contact Client Services:

E-mail: ci.support@spglobal.com; Americas: +1-800-752-8878; Europe & Middle East: +44-20-7176-6111; Asia Pacific: +65-6530-6430

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Additional data reporting

On potential new sources of data, workshop participants indicated that terminal throughput data would be most helpful to raise awareness of trading and bunkering activity at Fujairah, followed by crude inventories and lastly, intertank transfer activity.

In order of 1-3 with 1 at the top, what information if published would help to raise awareness of trading and bunkering activity at Fujairah

- 1 Terminal throughput
- 2 Crude stocks
- 3 Intertank transfer

Source: S&P Global Commodity Insights

There was also some discussion around the potential publication of crude oil inventories at the port. It was noted that in the past there had been a limited number of terminals storing crude and as a result there were concerns around the lack of anonymity of activity. This has changed in recent years as new terminals that can store crude have been constructed, adding liquidity. In addition, ADNOC has constructed 40 million barrels of underground storage caverns in Fujairah.

Platts refined product assessments in the Middle East

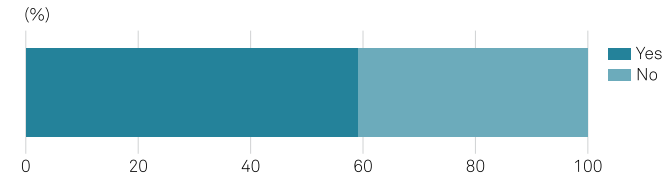
The workshop happened less than six months before the eighth anniversary of Platts' independent refined product price assessments in the Middle East, which are assessed on an FOB Fujairah basis. These were launched in October 2016 and allow market participants to look at the values of refined products in Fujairah and compare them with other key trading hubs including Singapore and Northwest Europe as they make critical trading decisions daily.

The independent assessments came following the significant growth of refining and storage capacity in recent years in the Middle East as well as growth in physical oil trading and market participation. In the last year, additional Middle East national oil companies (NOCs) have announced they are developing trading divisions as they look to optimize their refined product and crude oil sales.

The independent assessments complement Platts' netback refined product price assessments which have been assessed since 1978, when the first MOPAG naphtha and MOPAG fuel assessments were launched. The MOPAG prices are assessed as the Singapore refined product price (MOPS) minus freight between Singapore and the AG, except for naphtha which is calculated as the Japan Naphtha price (MOPJ) minus freight between Japan and the AG.

Workshop participants were asked if the FOB Fujairah product assessments are a reference point in their workflow, and 59% responded that these assessments are serving as a reference, while 41% responded they do not reference the Fujairah product assessments.

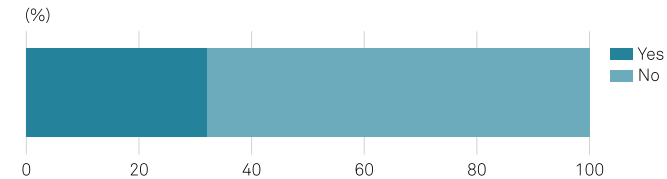
Platts launched independent oil product assessments on an FOB Fujairah basis in October 2016 – are these a reference point in your workflow?



Source: S&P Global Commodity Insights

The audience was also asked if recent geopolitical events had led them to shift focus from West of Suez to East of Suez, with 68% responding that they have shifted their focus while 32% responded that they have not shifted their focus.

Have recent geopolitical events led you to shift your focus from West of Suez to East of Suez?

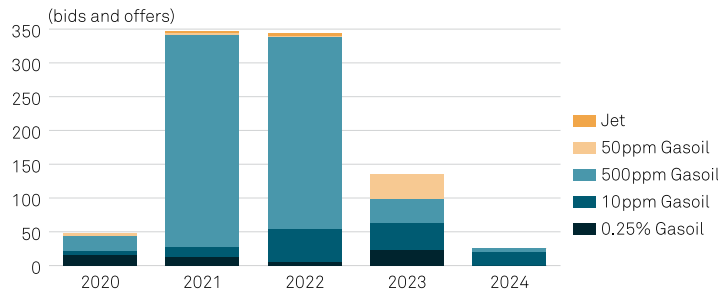


Source: S&P Global Commodity Insights

Platts Middle East MOC activity

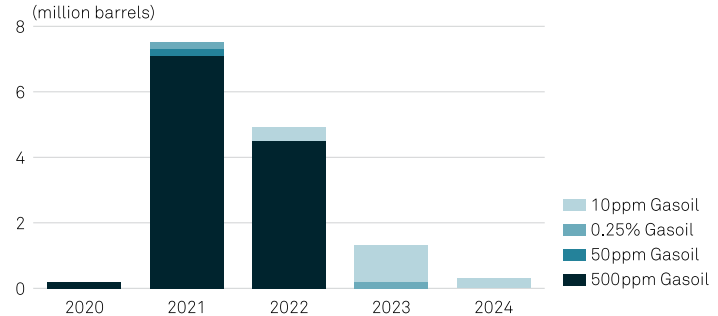
Market on Close activity in the Middle East in recent years has been centered around Middle Distillates with the most active product being 500ppm gasoil. Platts in November 2022 added an assessment for FOB Fujairah 500 ppm gasoil cargoes. In addition, The Intercontinental Exchange (ICE) in September 2023 launched 500 ppm Gasoil FOB Fujairah Futures, marking the first FOB Fujairah related derivatives to be listed on a futures exchange.

MOC activity in Arab Gulf centered around middle distillates - bids and offers



Source: S&P Global Commodity Insights

MOC trades in Arab Gulf centered around gasoil



Source: S&P Global Commodity Insights

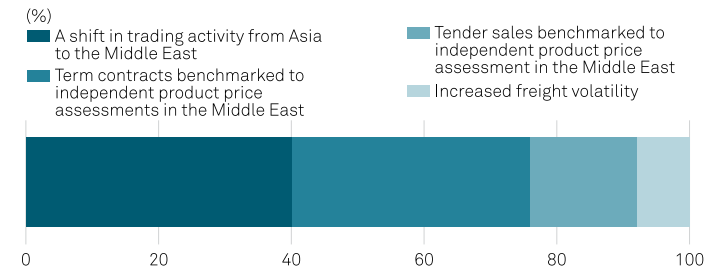
Independent product price adoption and liquidity

There is now more than seven and a half years of price history for the independent refined product price assessments on an FOB Fujairah basis that the market can reference and study.

Workshop participants were asked what would be the most important factor to drive the liquidity for the derivatives market in the Middle East?

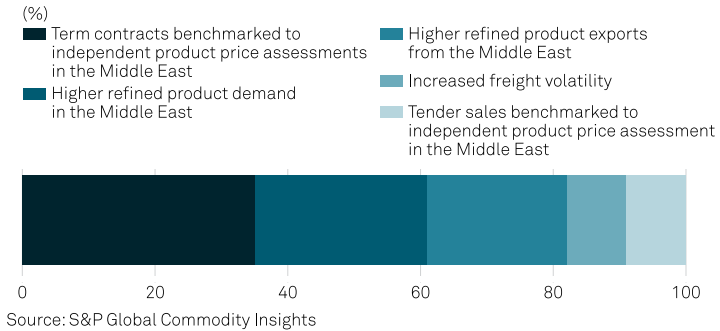
40% of respondents said that a shift in trading activity from Asia to the Middle East would be the most important factor, while 36% of respondents said that term contracts benchmarked to independent product price assessments in the Middle East would be the most important factor, 16% of respondents said tender sales benchmarked to independent product price assessments in the Middle East would be the most important factor ; and 8% responded that increased freight volatility would be the most important factor.

What would be the most important factor to drive the liquidity for the derivatives market in the Middle East?



Workshop participants were then asked what factor will most drive usage of independent product price assessments in the Middle East spot market?

What factor will most drive usage of independent product price assessments in the Middle East spot market?



34% of respondents said that term contracts benchmarked to independent product price assessments in the Middle East would be the most important factor to drive the usage of independent product price assessments in the Middle East spot market while 26% said that higher refined product demand from the Middle East would be the most important factor with 22% saying that higher refined product exports

from the Middle East would be the most important factor, while 9% said that that increased freight volatility would be the most important factor and 9% said that tender sales benchmarked to independent product price assessments in the Middle East would be the most important factor.

Workshop participants discussed the use of various price assessments by the industry in the Middle East. Some were keen to know how term refined product sales in the Middle East are negotiated and it was noted that they continue to be benchmarked against Platts MOPAG price assessments. The market has the option of using and comparing the different price assessments that are being published by Platts daily for the region, according to participants.

Potential for the region

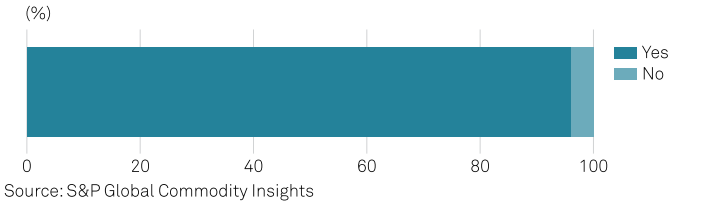
The Middle East remains one of the most dynamic places for the oil industry with additional refineries coming online and growth in demand particularly in Africa set to ramp up in the future.

There was near consensus by participants that the increased in refining capacity in the Middle East will lead to more spot trading of refined oil products in the region with 96% of respondents voting positively and only 4% disagreeing

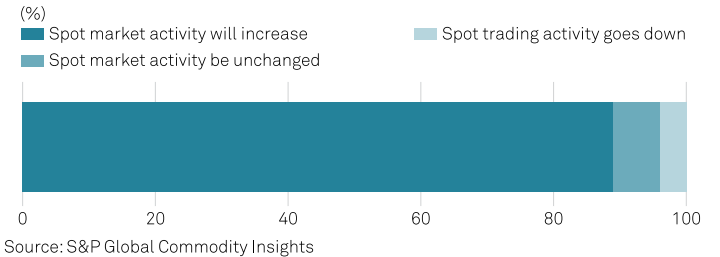
Participants were also asked how shifting demand balances from Asia towards Africa will this impact the Middle East refined oil markets?

Nearly 90% of respondents said that spot market activity will increase while 7% responded that activity will be unchanged and 4% thought that spot trading activity will go down in the future.

As refinery capacity grows in the Middle East will this lead to more spot trading of refined oil products in the region?



As demand balances shift from Asia towards Africa, how will this impact the Middle East refined oil markets?

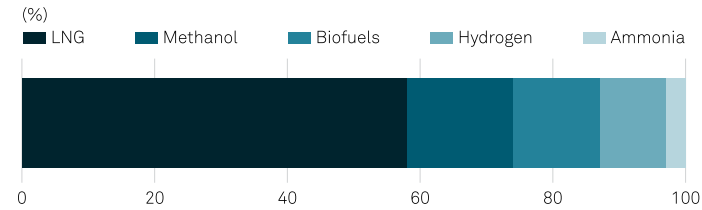


Alternative bunkering

The role of alternative fuels in the bunker sector is a widely discussed topic and the workshop covered some of the potential fuels of the future for the sector. Each alternative fuel has its strengths and weaknesses, and the wider shipping industry will ultimately decide how it approaches what is both a challenge and an opportunity as fresh regulations on emissions are set to be in force in the years ahead, potentially limiting the use of traditional ship fuels.

The audience was asked which fuel they saw as having the greatest potential as an alternative fuel for bunkering. 58% responded that LNG has the greatest potential as an alternative fuel, followed in 16% by methanol with 13% responding that biofuels have the greatest potential, 10% responded that hydrogen has the greatest potential and 3% responded that ammonia has the greatest potential.

Bunkering activity currently revolves around refined oil products, which fuel has the greatest potential as an alternative fuel for bunkering?



Source: S&P Global Commodity Insights

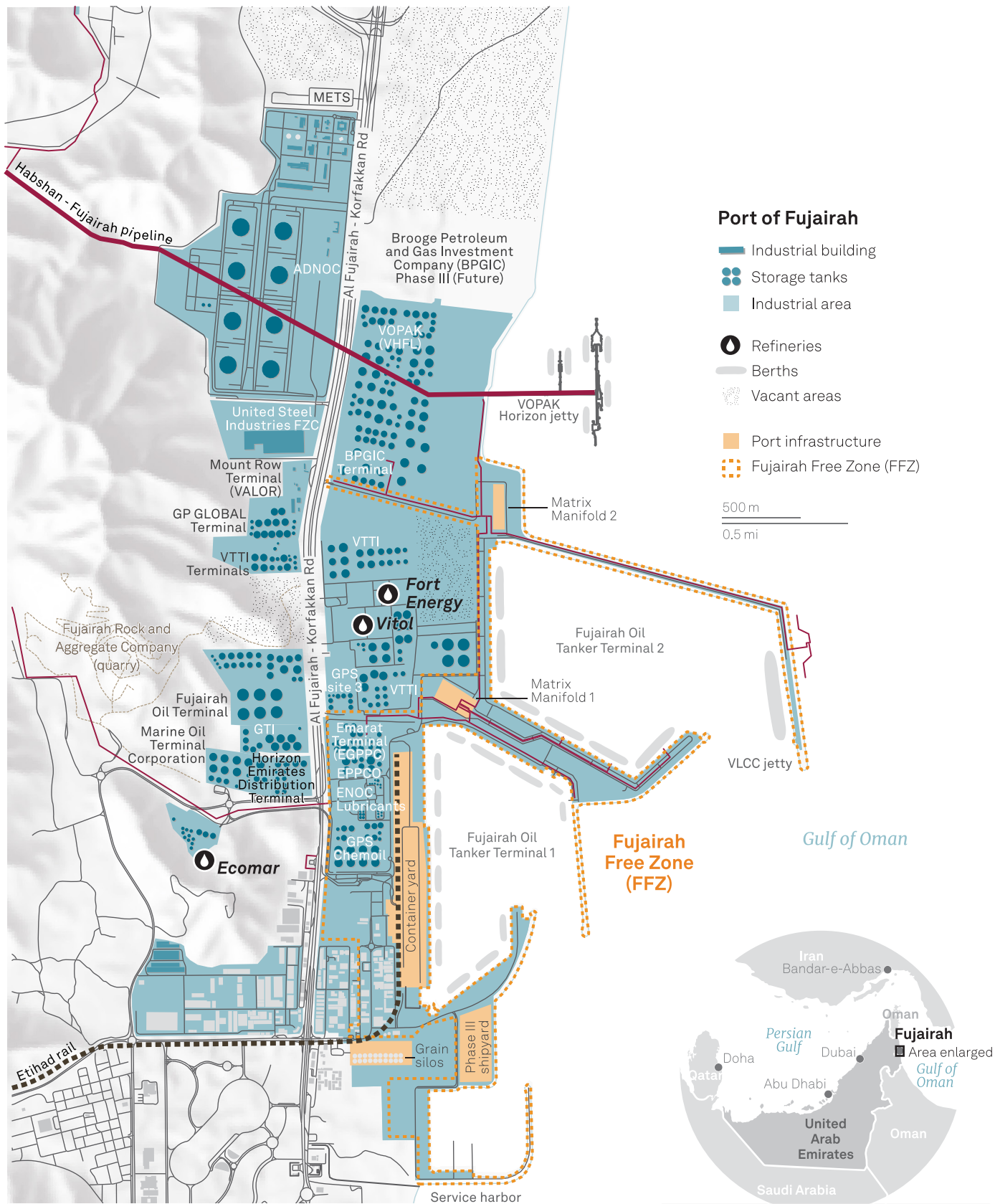
An audience member asked about biofuels at the Port of Fujairah, and we heard that the Port did one biofuel bunker barge loading last year. However, currently the price of biofuel is not attractive to tankers which is limiting demand for the fuel. We heard that there is an existing vision and plan for the Port of Fujairah to support the delivery of greener low carbon fuels including methanol and ammonia.

Conclusions

The region has witnessed a growth in spot trading, refining capacity, storage infrastructure and the involvement of new market participants including NOCs developing trading arms. Fujairah on the eastern coast of the UAE, is pivotal to this growth and it has shown the ability to expand and adapt to the requirements of the energy industry. With discussions around the future of both oil products and marine fuels gaining momentum this event reaffirmed the readiness of the Port of Fujairah to meet upcoming challenges and opportunities.

Fujairah: The Middle East’s gateway for energy and commodities

Helped by its strategic location outside the Strait of Hormuz, Fujairah has grown to become the world’s third-largest global bunkering hub. The port also includes crude storage, refining, and dry bulk freight, and provides open access to trade routes linking the Arabian Peninsula to India and major energy export markets in East Asia.



Source: S&P Global Commodity Insights; Open Street Map, FOIZ
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