



Trends in Mediterranean Transport Fuel Markets and what it means for Israel

April 2017

Andrew Bonnington
Editorial Director, EMEA Market
Engagement
S&P Global Platts

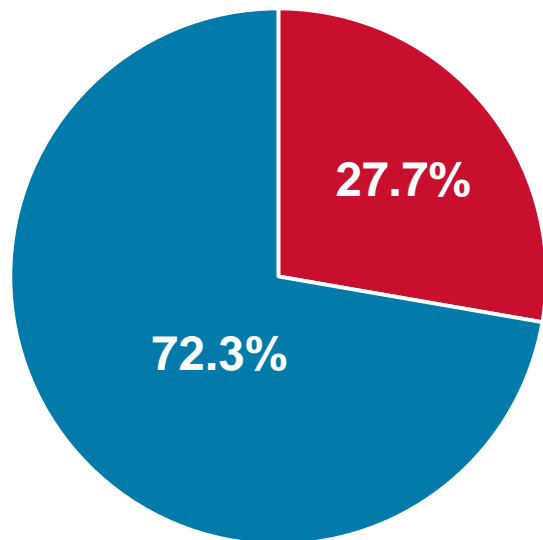


Agenda

- Global crude market overview
- Crude outlook in wake of OPEC action
- Mediterranean refinery margins especially buoyant
- Israeli refining sector supported by flexible crude supply
- Refined product overview
- Upcoming Mediterranean refinery developments relevant to Israel

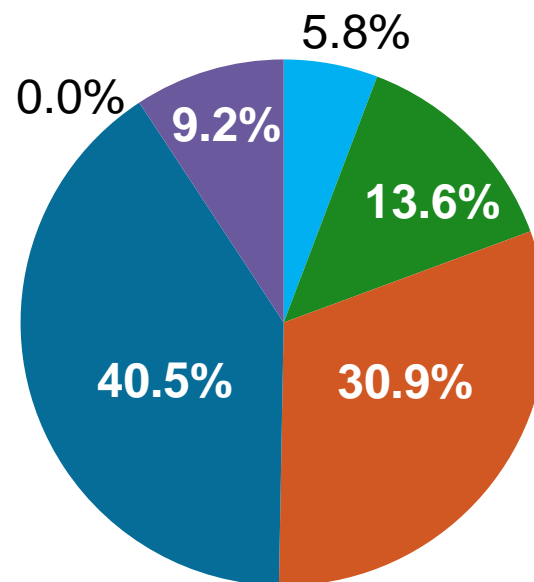
This time last year...

Will OPEC agree to cut its production in 2016?



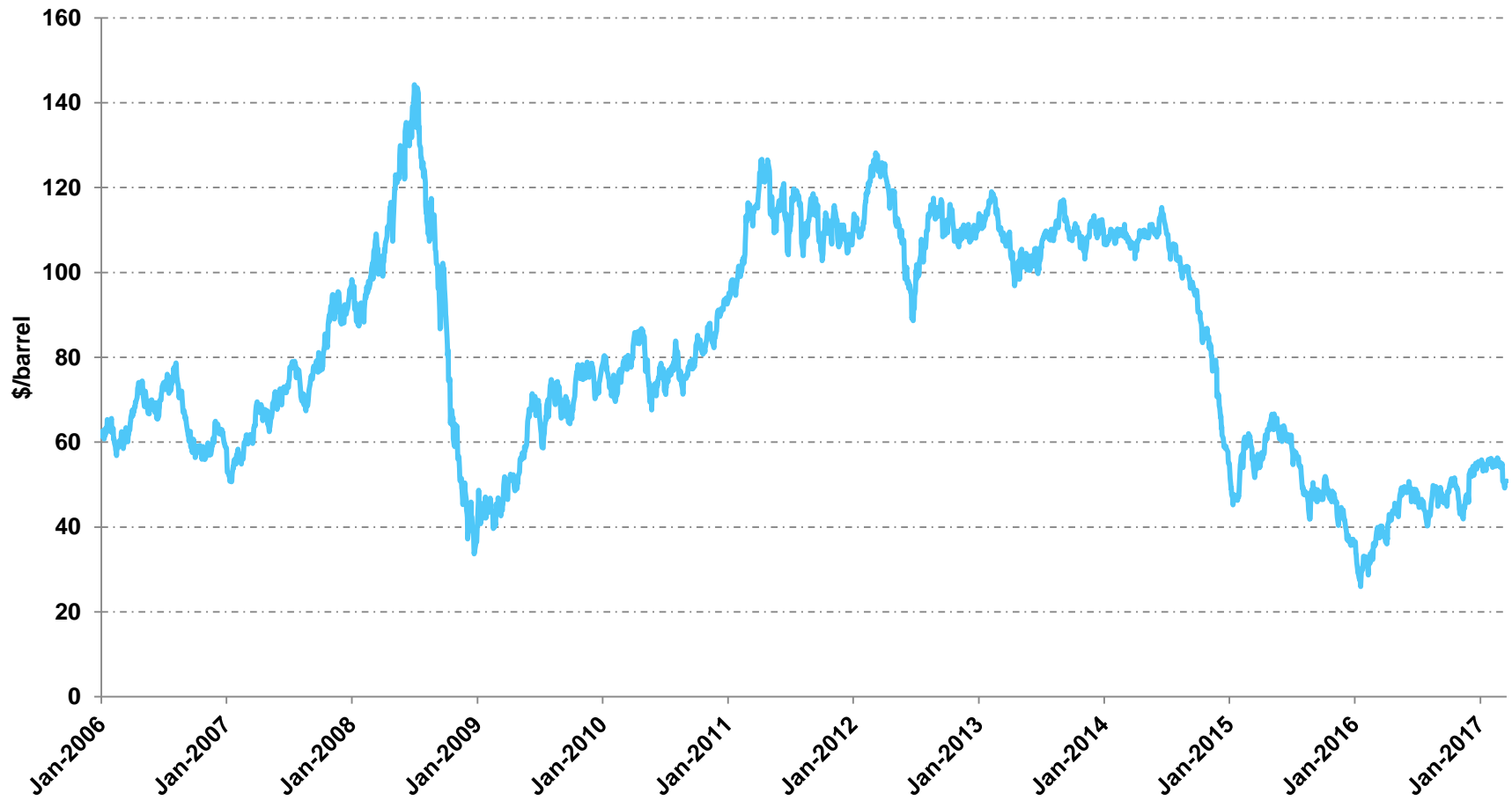
■ Yes ■ No

What price will front-month ICE Brent futures be trading this time next year?

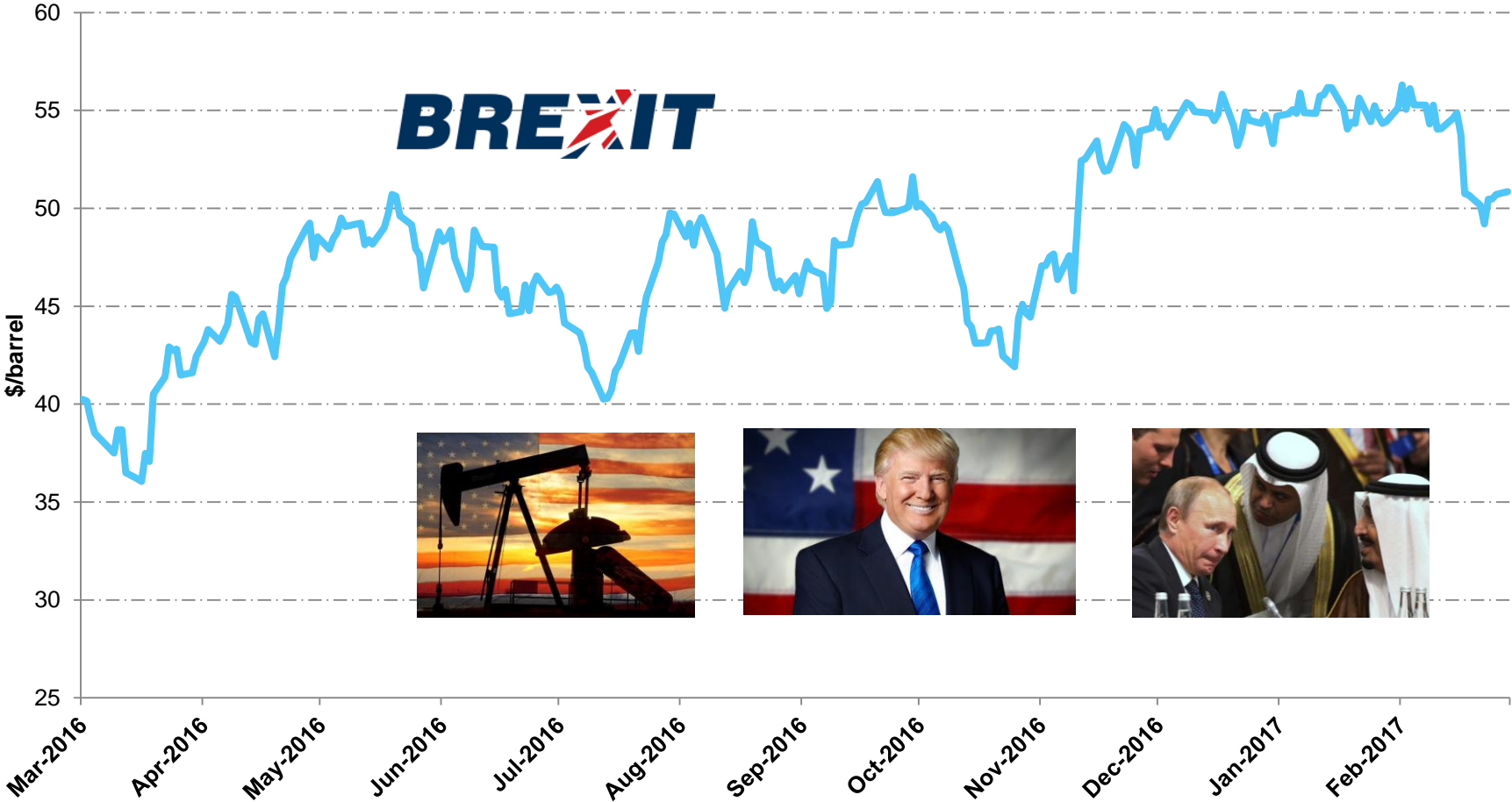


■ \$15/b or lower ■ \$15-25/b
■ \$25-35/b ■ \$35-45/b
■ \$45-55/b ■ \$55/b or higher

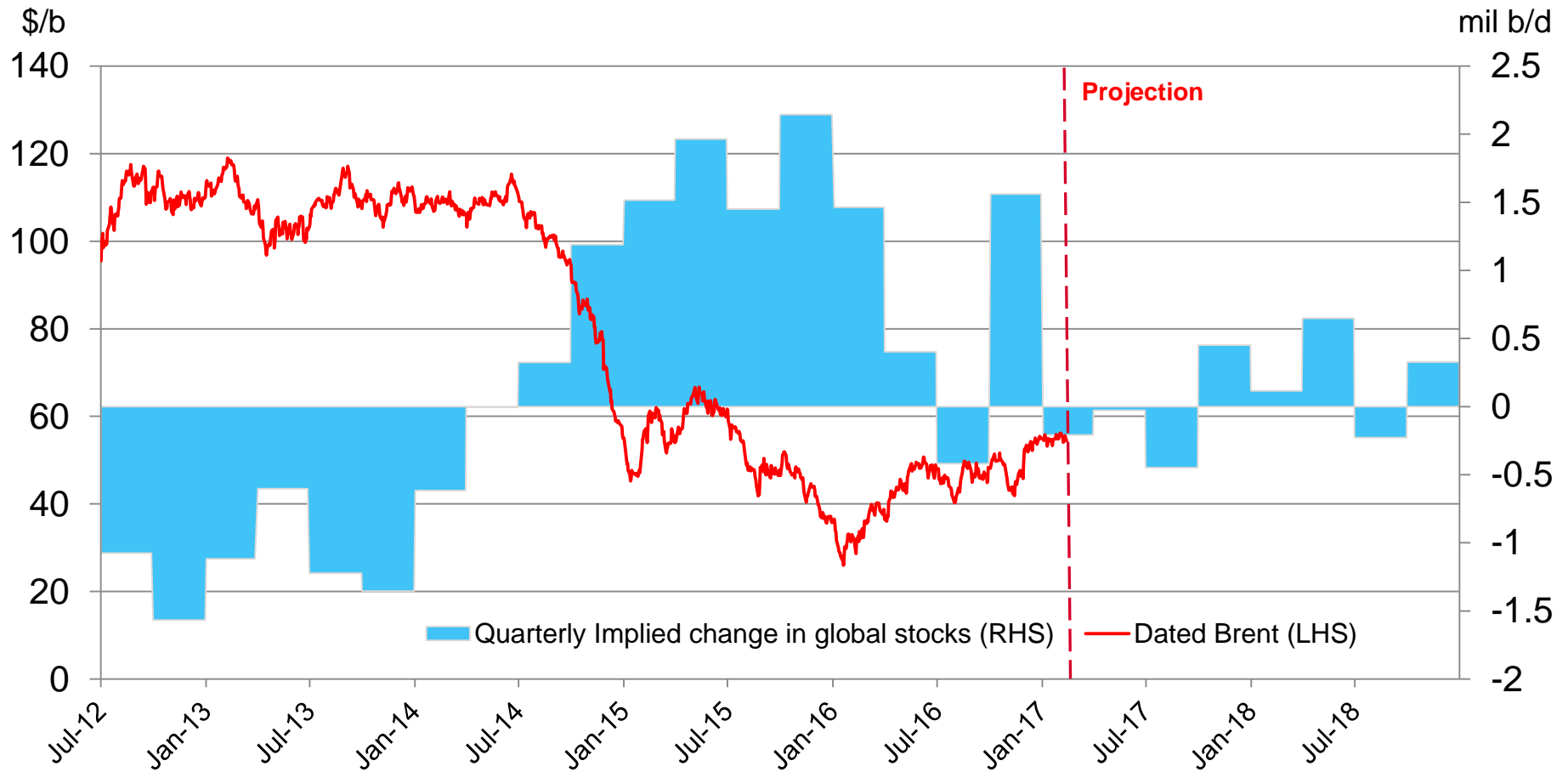
Dated Brent - history



A year to remember in the oil market

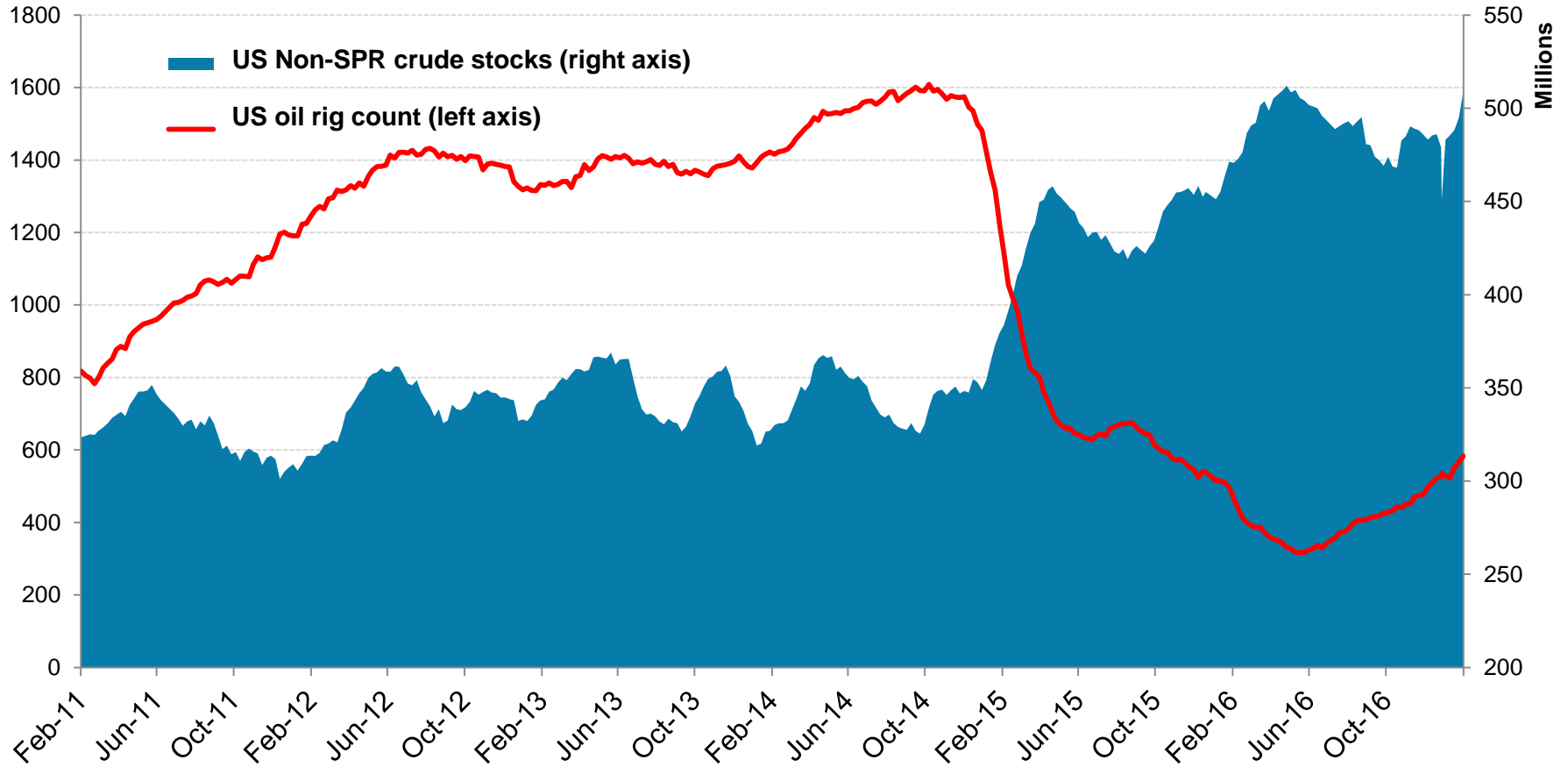


Crude prices – oil in the balance



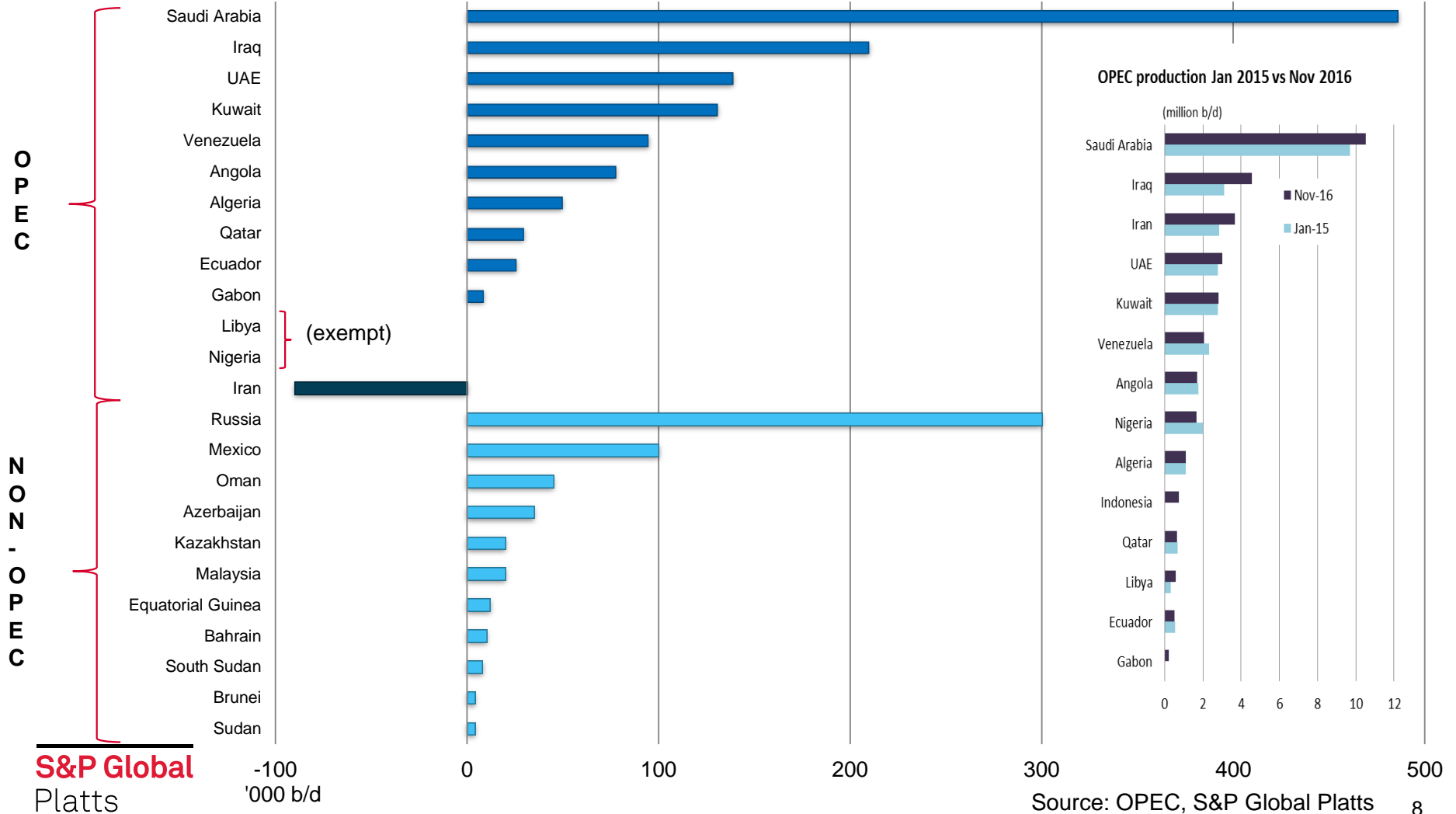
Source: S&P Global Platts, EIA

US rigs & stocks












Source: Baker Hughes North American Rig Count, EIA

OPEC/non-OPEC cuts address the balance



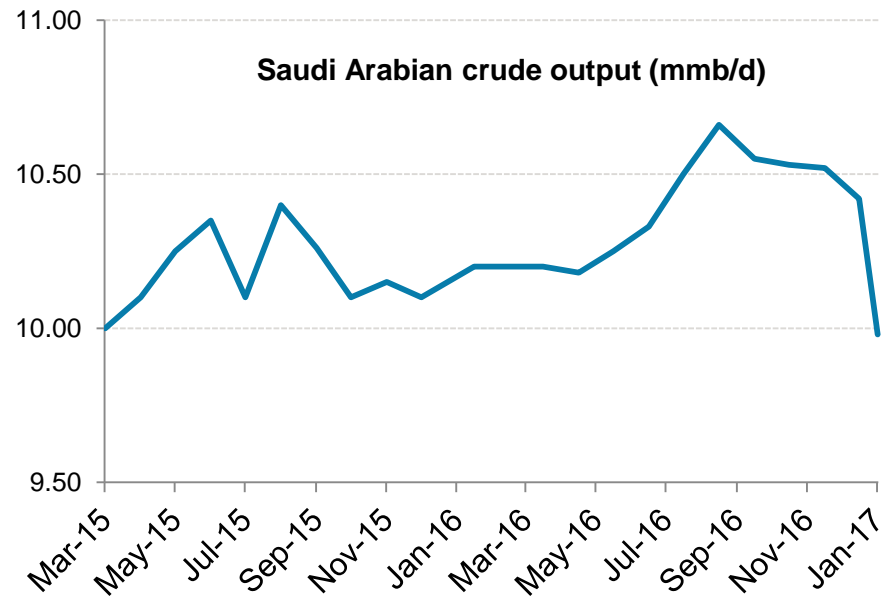
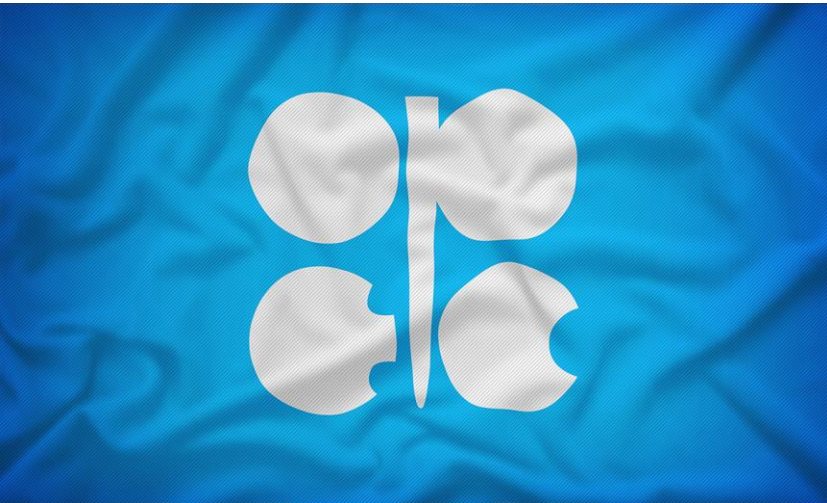
OPEC compliance

(million b/d)

COUNTRY	DEC OUTPUT	FEB OUTPUT	DIFFERENCE	EW OPEC ALLOCATION	CUTS REQUIRED
 Algeria	1.10	1.04	-0.06	1.039	0.001
 Angola	1.66	1.66	-0.00	1.673	0.013
 Ecuador	0.53	0.52	-0.01	0.522	0.002
 Gabon	0.21	0.19	-0.02	0.193	0.003
 Iran	3.69	3.75	+0.06	3.797	0.047
 Iraq	4.63	4.40	-0.23	4.351	0.049
 Kuwait	2.83	2.71	-0.12	2.707	0.003
 Libya	0.62	0.67	+0.05	Exempt	---
 Nigeria	1.44	1.70	+0.26	Exempt	---
 Qatar	0.64	0.63	-0.01	0.618	0.012
 Saudi Arabia	10.42	9.85	-0.57	10.058	0.208
 UAE	3.03	2.90	-0.13	2.874	0.026
 Venezuela	2.05	2.01	-0.04	1.972	0.038

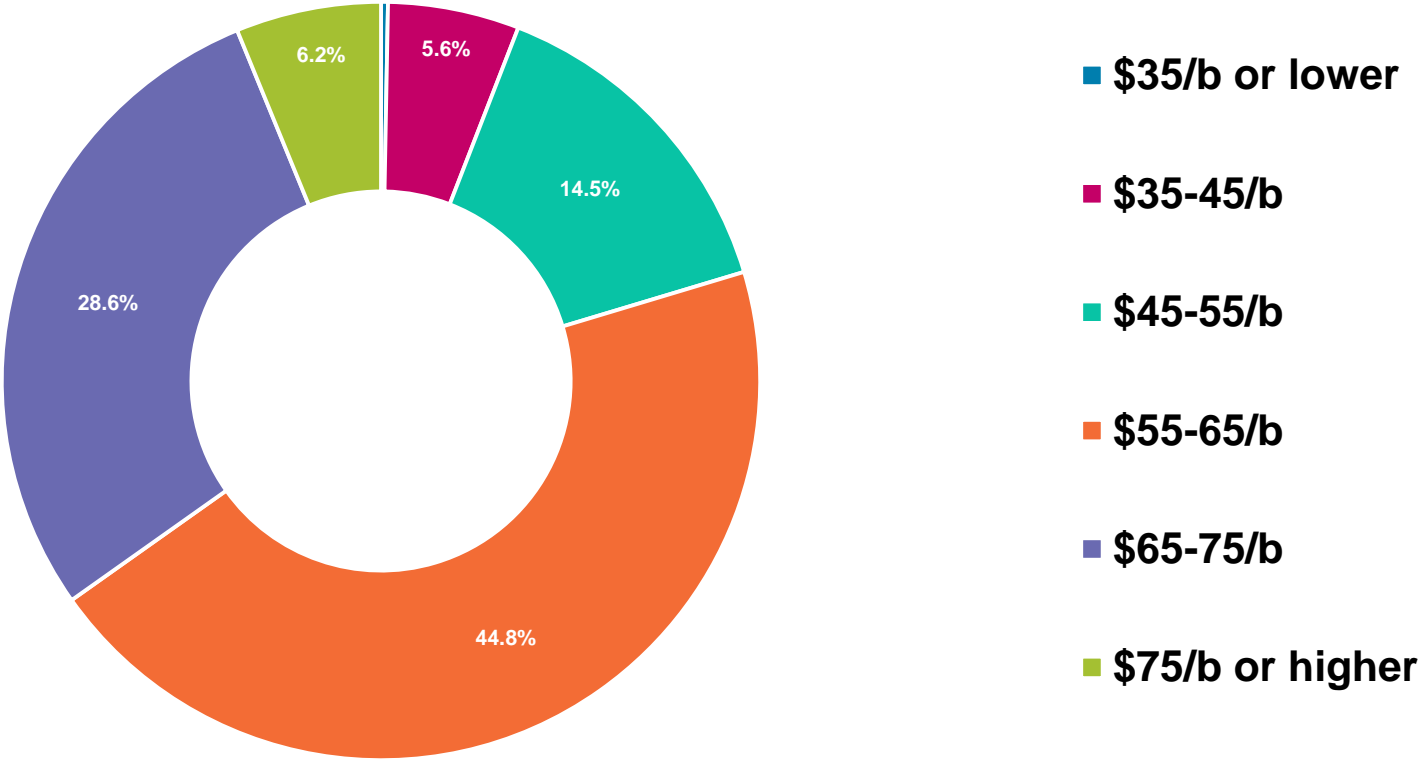
Can the cuts bring balance?

- Saudi Arabia has taken the lead, with Russia following
- Compliance appears strong so far
- Cuts come at a time of record output and seasonal lulls
- A lasting deal is not easy

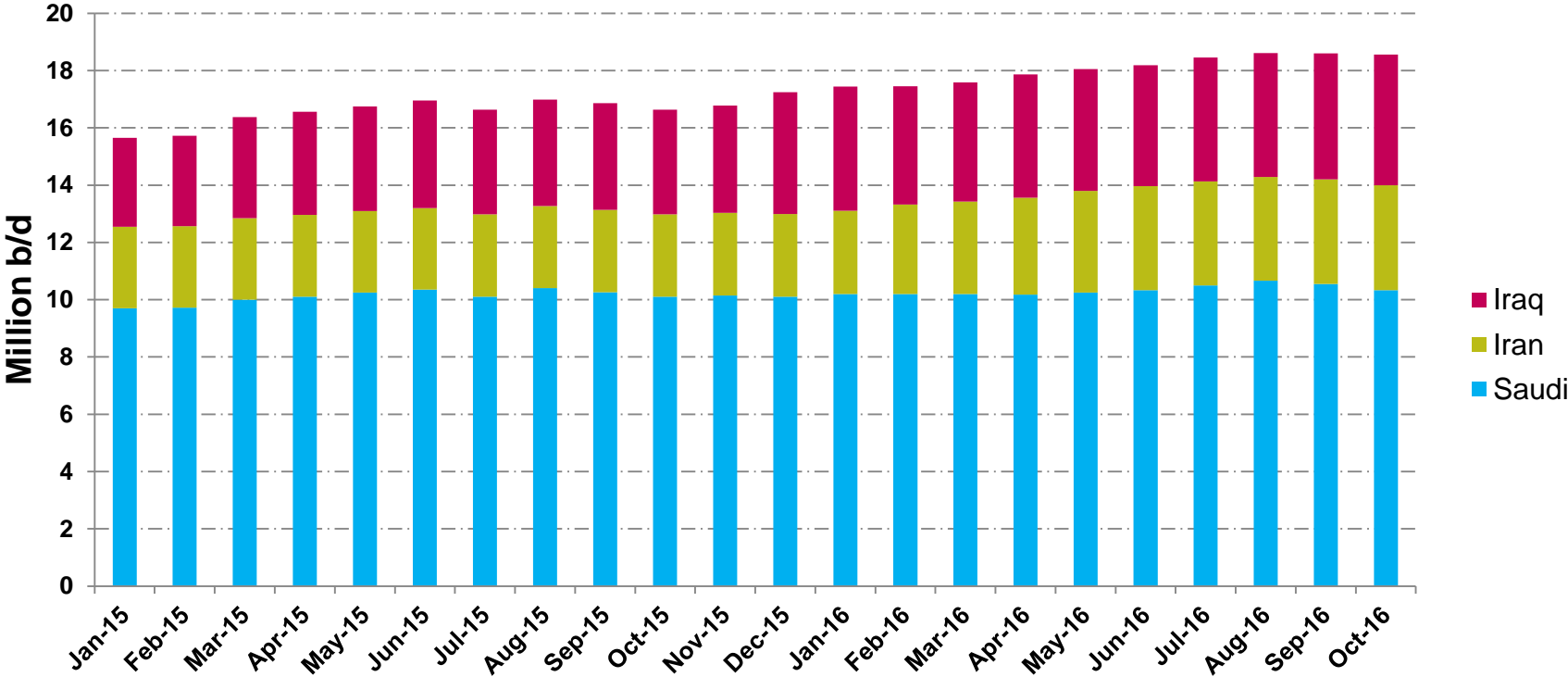


Source: S&P Global Platts

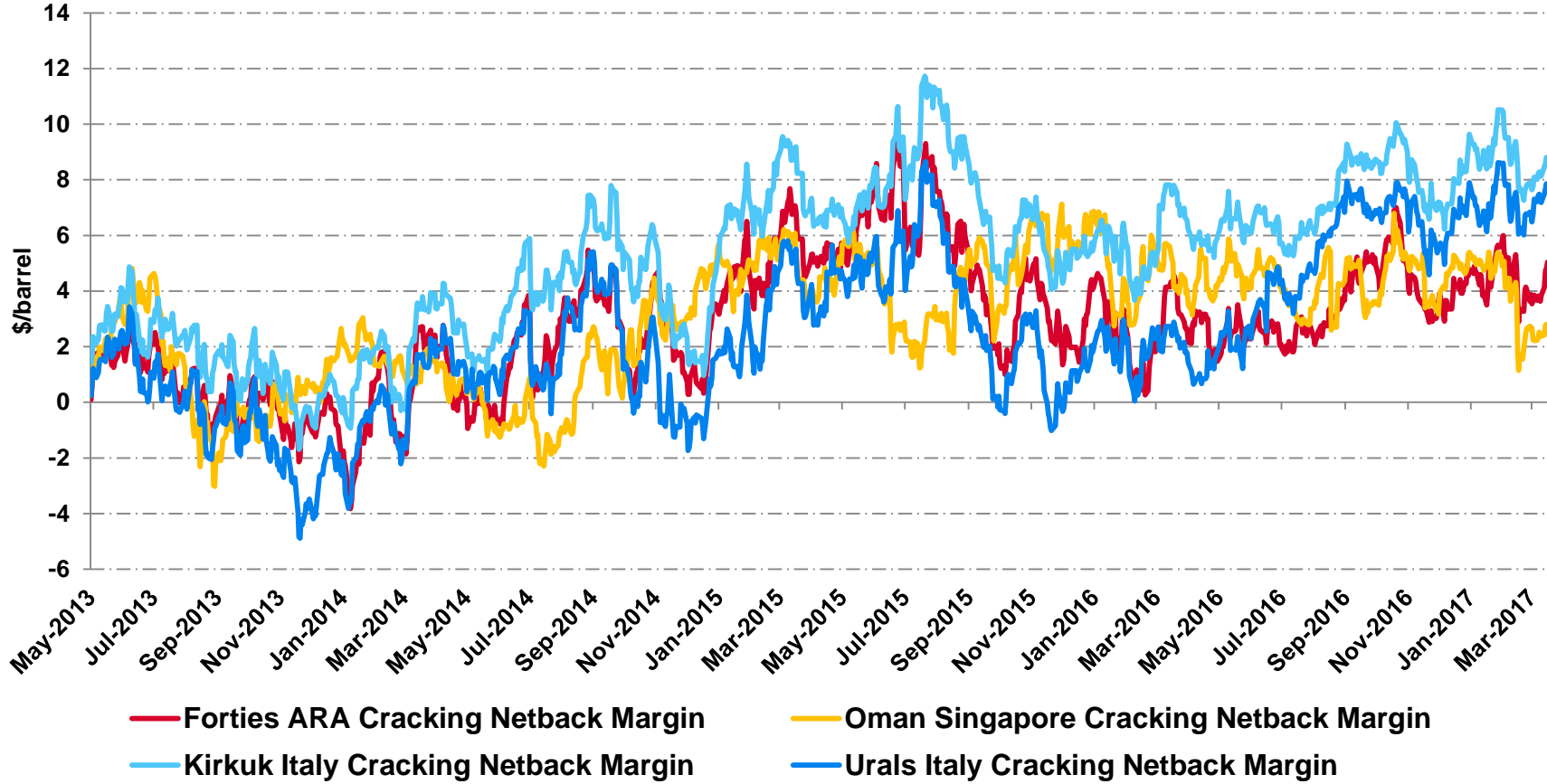
February 2017 IP Week poll – where will front month ICE Brent be trading in Feb 2018



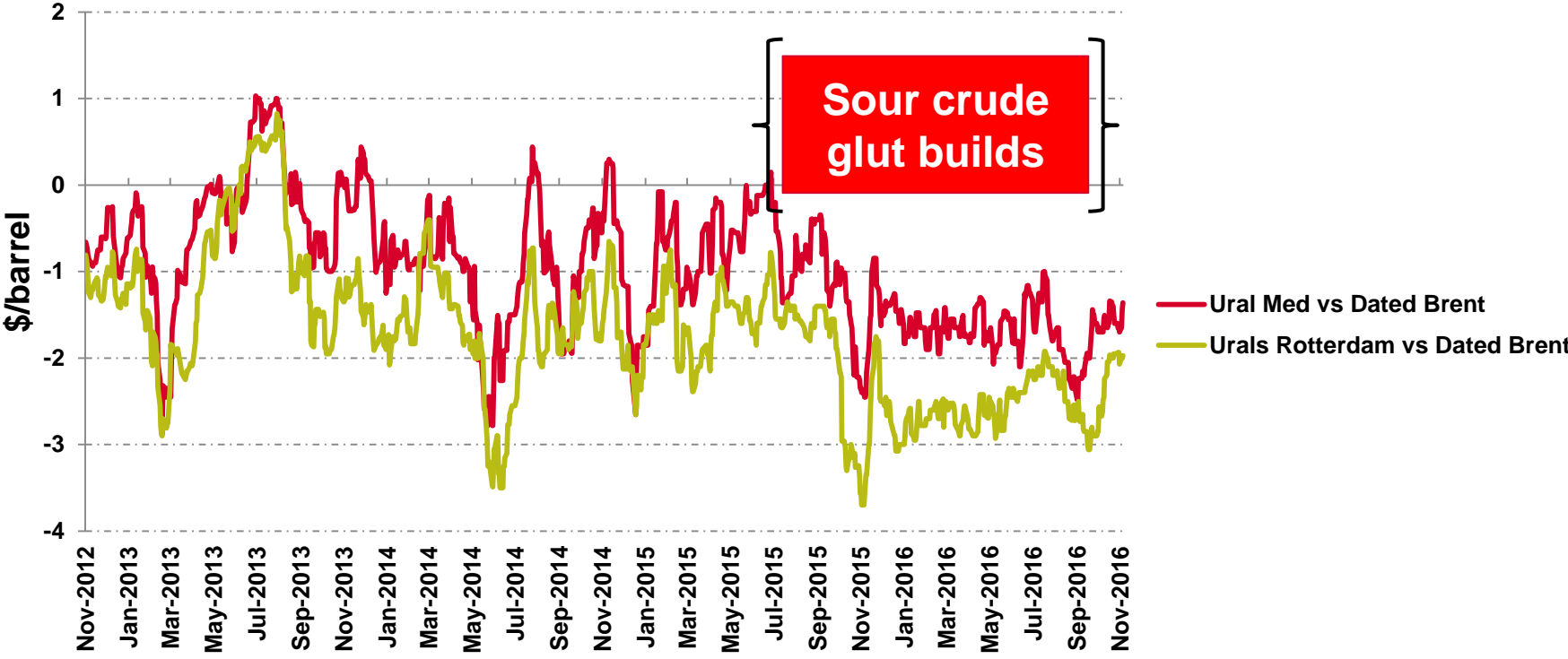
OPEC supply growth is story of past 18 months..



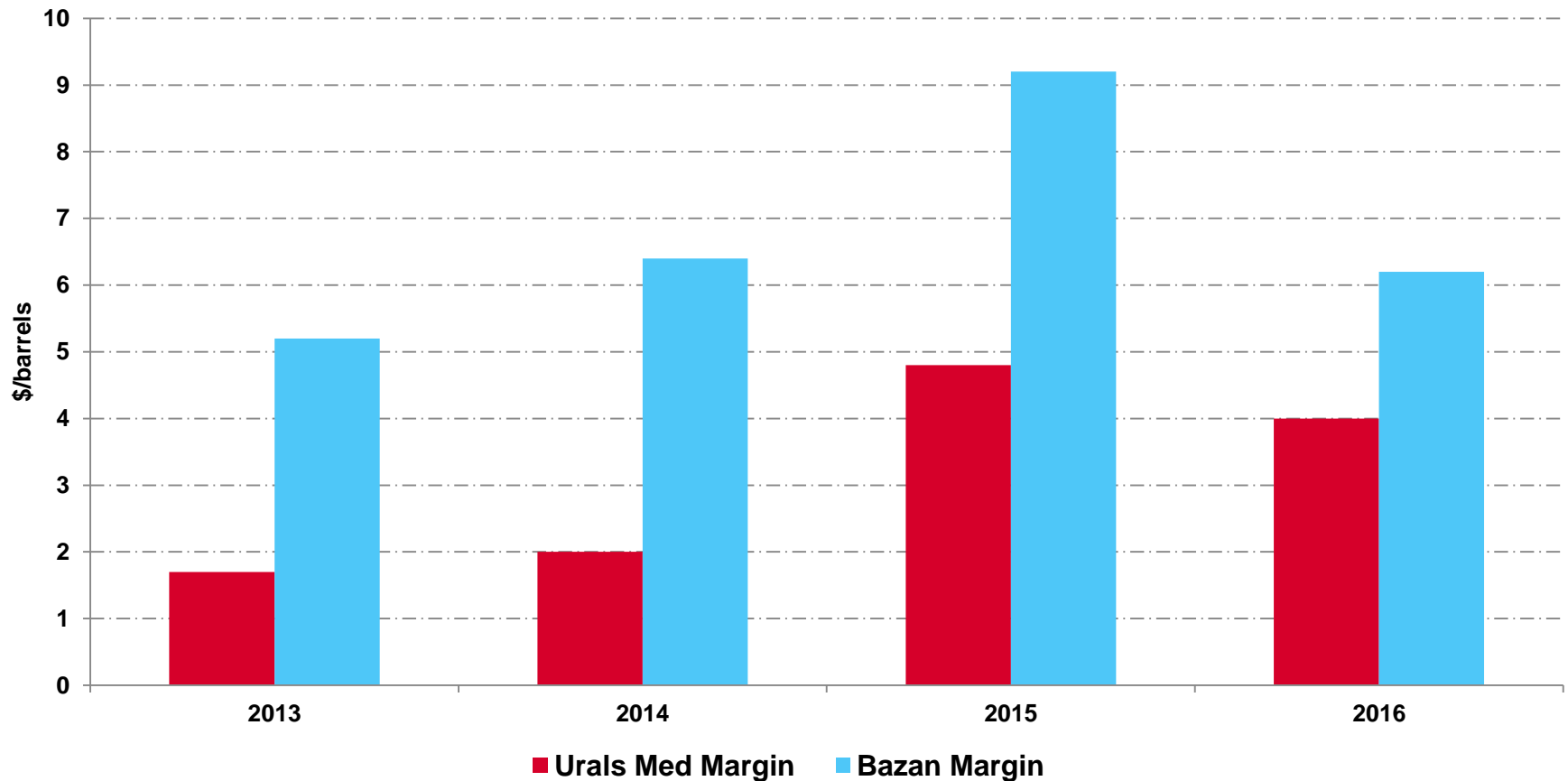
Sour crude margins in particular remain robust



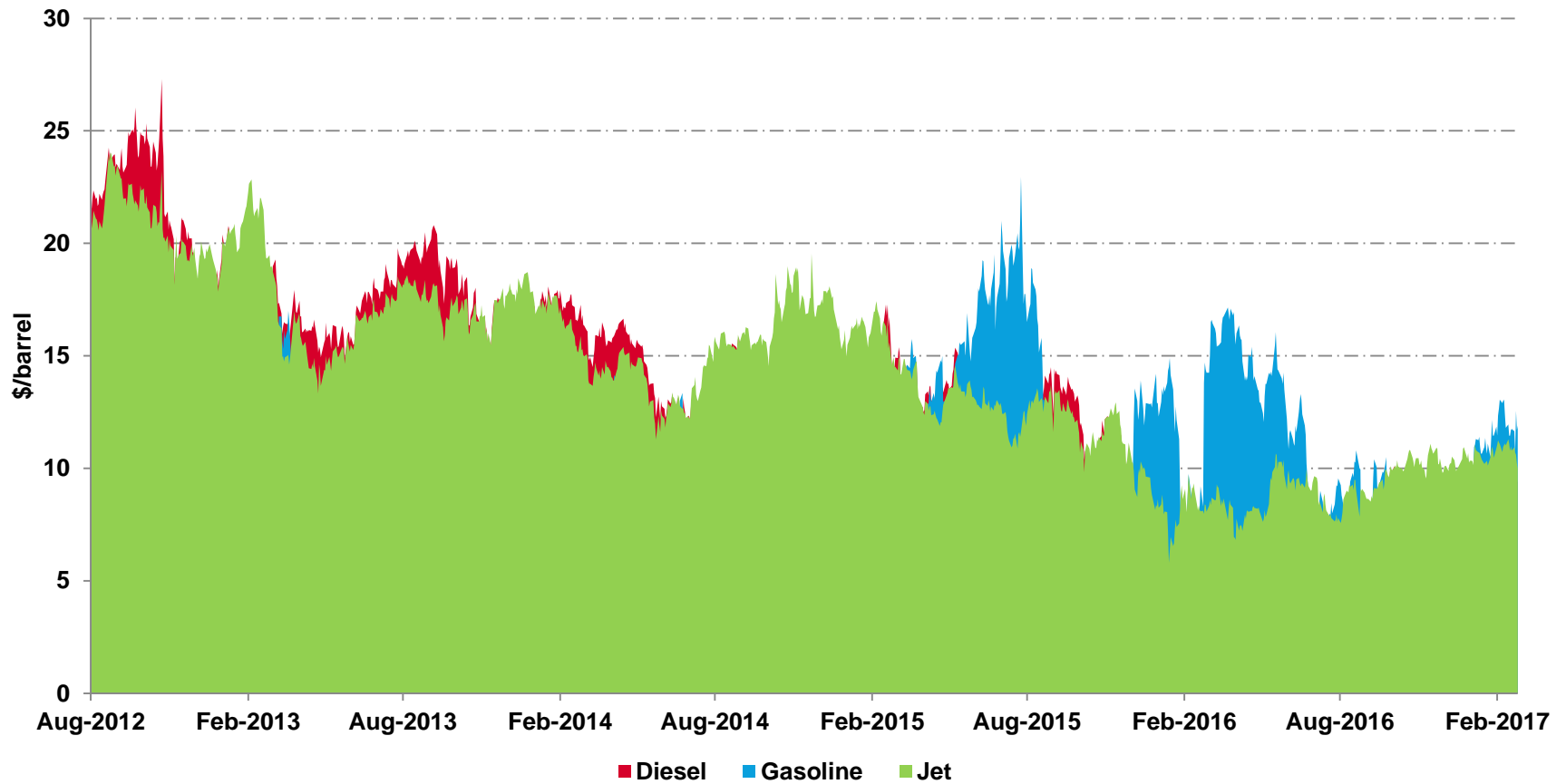
Sour crude glut puts Urals differentials under pressure



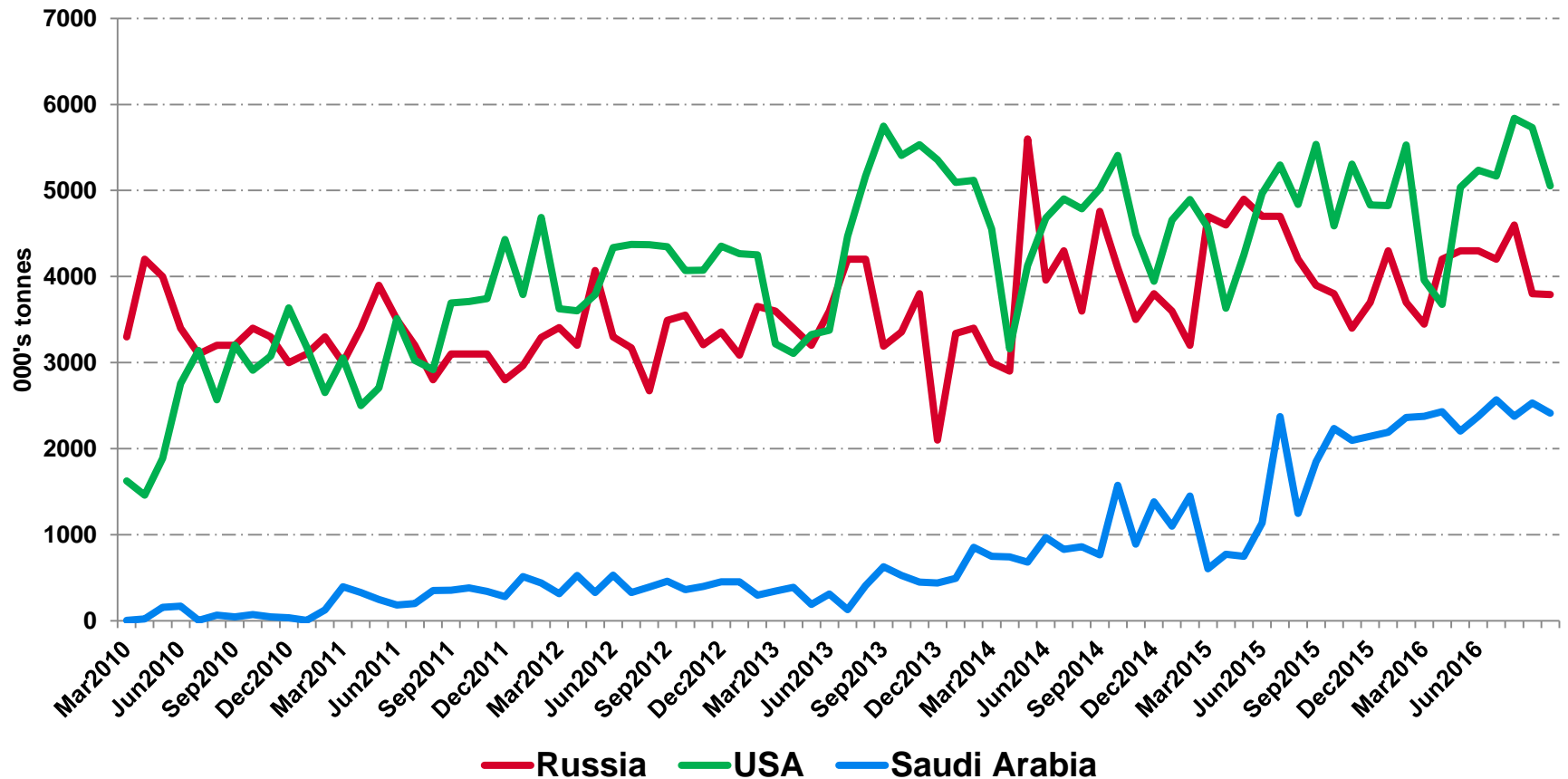
Israel refinery margins supported by sour crude weakness/flexibility of supply sources



Relative strength in global gasoline returns

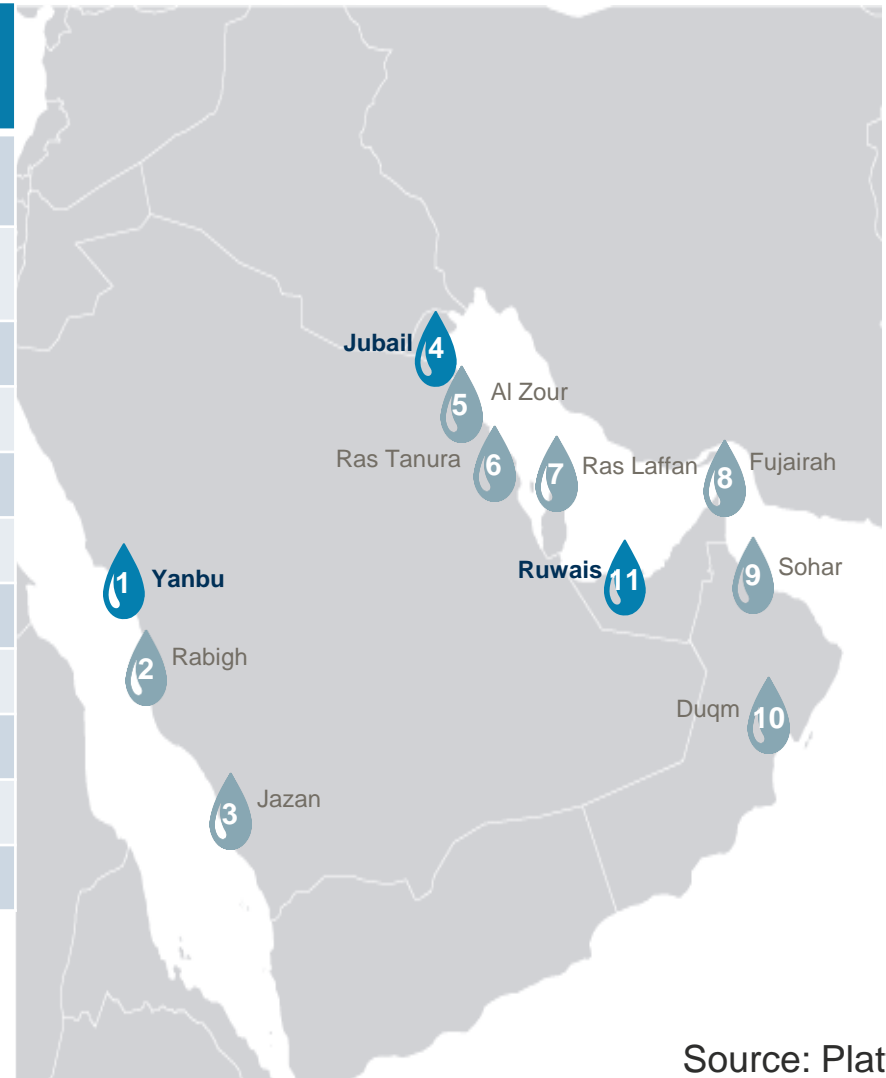


Explaining structural weakness in diesel

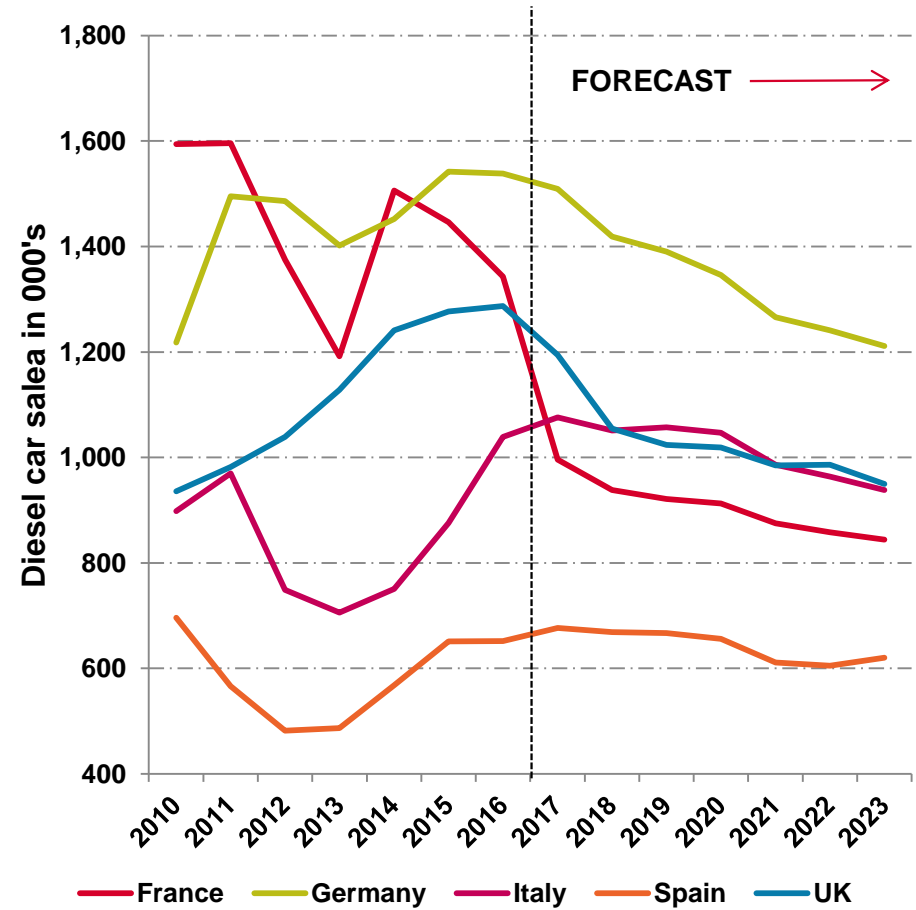
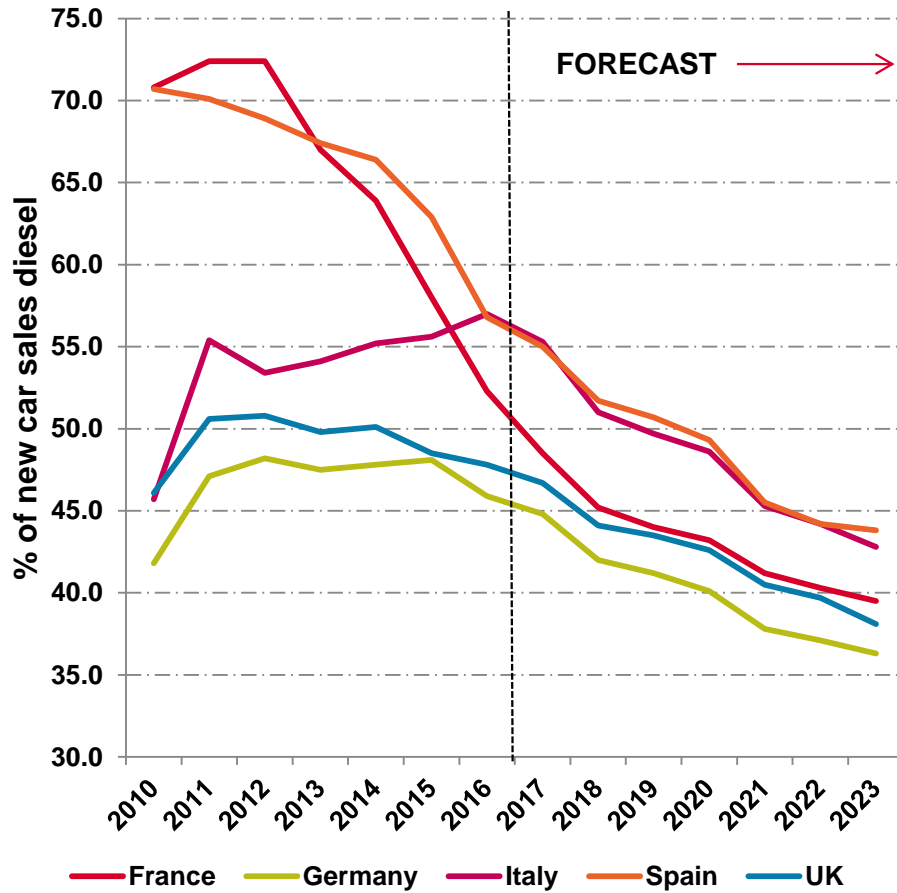


Middle East refinery expansions

	Refinery	Owner	Capacity / Expansion	Completion
1	Yanbu	Aramco/Sinopec	400 kb/b	2014
2	Rabigh	Aramco/Sinopec	Upgraded/Phase 2	2016
3	Jazan	Aramco	400 kb/b	2018
4	Al Zour	KNPC	615 kb/b	2019
5	Jubail	Aramco/Total	400 kb/b	2013
6	Ras Tanura	Aramco	Upgrade	TBC
7	Ras Laffan	QP/Total	+146 kb/b	2017
8	Fujairah	IPIC	200 kb/b	2019
9	Sohar	QRPIC	+82 kb/b	2017 (Q2)
10	Duqm	KPI/OOC	230 kb/d	2021
11	Ruwais	ADNOC	+417 kb/b	2015



Diesel set to be supplanted by gasoline



STAR REFINERY TURKEY 214,000 B/D (2018)

- **REPORTED ANNUAL PRODUCT YIELDS:**
 - ❖ 4.8 million tonnes per year of ULSD
 - ❖ 1.6 million tonnes per year of naphtha
 - ❖ 1.6 million tonnes per year jet fuel
 - ❖ 300,000 tonnes per year of LPG

- **IMPACT ON TURKEY BALANCE:**
 - ❖ New production accounts for 40% of current ULSD imports
 - ❖ Turkey to become net naphtha exporter?
 - ❖ Jet fuel exports to grow – but countered by demand growth

EGYPTIAN REFINING COMPANY PROJECT 100,000 B/D (Q2 2017 PRODUCTION)

- **REPORTED ANNUAL PRODUCT YIELDS:**
 - ❖ 2.3 million tonnes per year of ULSD
 - ❖ 800,000 tonnes per year of high octane gasoline
 - ❖ 60,000 tonnes per year of jet fuel
- **IMPACT ON EGYPTIAN BALANCE:**
 - ❖ New production accounts for 30-35% of gasoil imports
 - ❖ Brings prospect of specification change in country

Questions & Answers

