

VLSFO pricing & availability needs careful watching

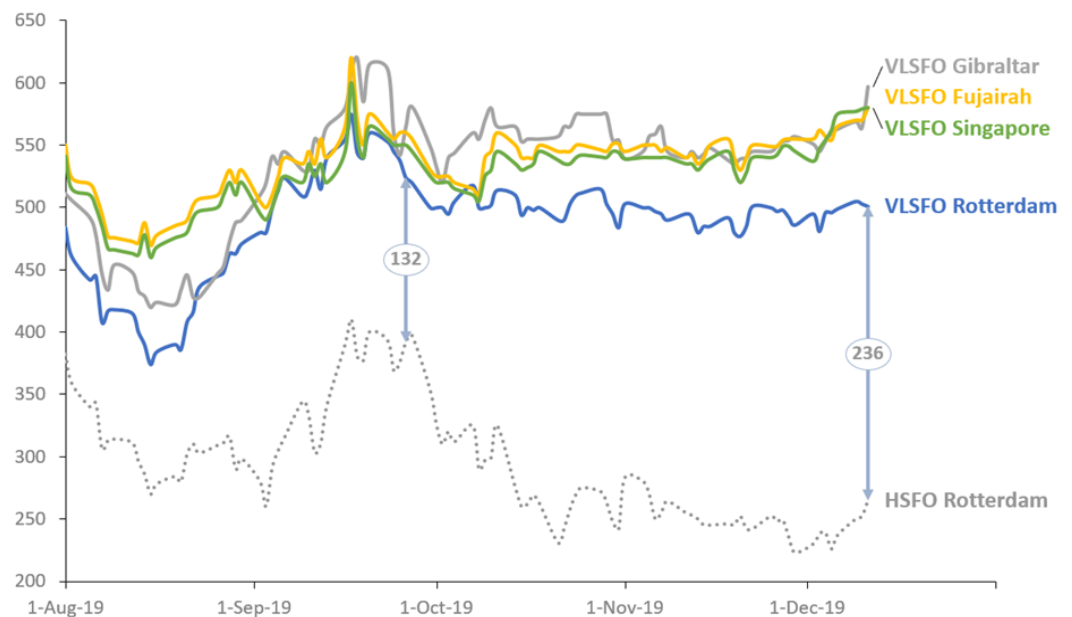
As we approach January 1st 2020, the VLSFO price premium to HSFO has widened considerably

We are clearly well into the IMO 2020 transition; changes in bunker infrastructure, availabilities and pricing are all having a major impact, posing challenges to bunker buyers and these are not going to go away quickly.

The process of switching infrastructure (storage and barges) from HSFO to VLSFO has been noticeably underway since September. We have seen a significant strengthening and then weakening in HSFO prices (see Integr8 briefing note 22nd November 2019) and now we are at the next stage, where buyers have/are switching rapidly towards VLSFO. The impacts of this change-over are again easily seen, in terms of terminal congestion, barge delays, availabilities and of course price.

Since October the quoted price of HSFO has fallen sharply, whereas the price of VLSFO in Rotterdam has been around \$480-500/ton. VLSFO prices in Gibraltar, Fujairah and Singapore rising fast and well above the \$540-560/ton range we saw in October/November. This means quoted VLSFO prices are now around \$230-240/ton above HSFO.

VLSFO delivered prices
\$/ton



The moves in VLSFO pricing reflect owners shifting towards these new compliant fuels and that there are constraints on infrastructure and availabilities in the VLSFO supply chain. The extent of this is not only seen in VLSFO price differences between main bunkering regions, but also VLSFO pricing within a given region. The graph below illustrates the significant variation in VLSFO pricing within the Mediterranean, with for

The team in this article

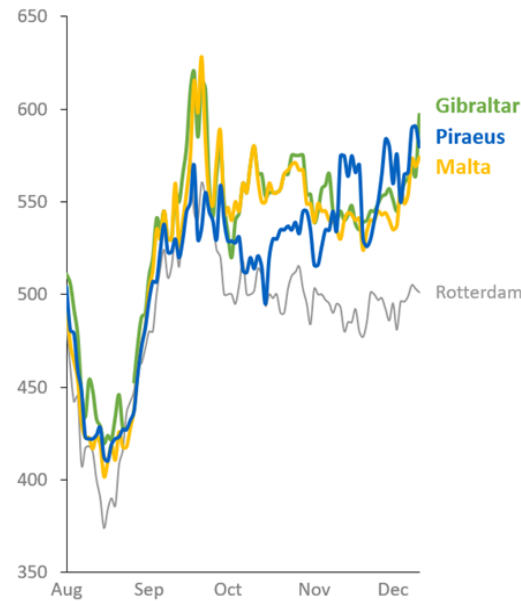
Steve Christy
Strategic Communications Director

P: +44 207 4675 860
E: Steve.C@integr8fuels.com

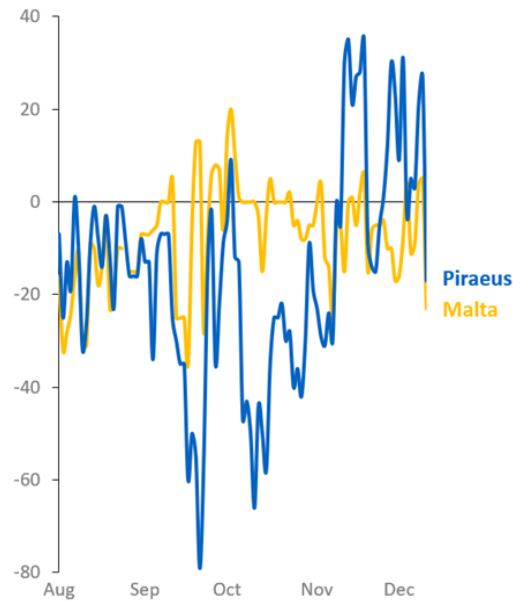
VLSFO prices can vary by as much as \$80 per tonne in the same region

instance quoted prices at Piraeus sometimes anywhere between \$20-80/ton below Gibraltar prices and prices in Malta still plus or minus \$20/ton compared with Gibraltar quotes. These positions mean as a buyer, being adaptable and looking at possible alternate bunkering locations could be very attractive.

VLSFO delivered prices - focusing on the Med
\$/ton

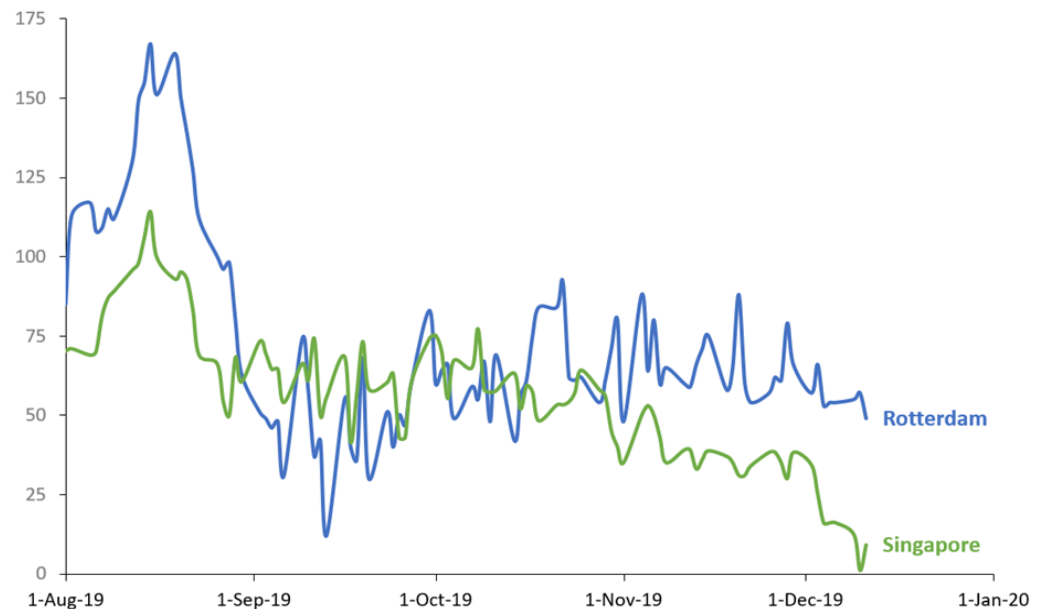


Med VLSFO delivered prices relative to Gibraltar
\$/ton



Finally, these squeezes in VLSFO have already led to instances where there is an extremely small price differential between VLSFO and MGO (or even some instances where MGO has been priced below VLSFO). Currently, there is less than \$10/ton differential between quoted prices for MGO and VLSFO in Singapore, down from around a \$75/ton differential a couple of months ago. This is another strong case for buyers being adaptable in that bunkering MGO could be the 'best option'.

MGO premium to VLSFO delivered prices
\$/ton



In some instances MGO prices are only a small premium to VLSFO

These developments in the Med and Singapore markets are only illustrations of what can happen in other global regions and reflects the squeezes on the VLSFO system at certain times and in certain areas. There is no 'quick fix' here and issues will continue to arise well beyond the January 1st IMO 2020 start date, as shipowners start burning VLSFO and will have to build and replenish VLSFO stocks on board.

We are providing buyers with access to this information and analysis on any tightness in availabilities, any constraints on terminal and barging operations and ultimately the knowledge on pricing, all of which will assist decisions in this complex and consistently changing market.

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