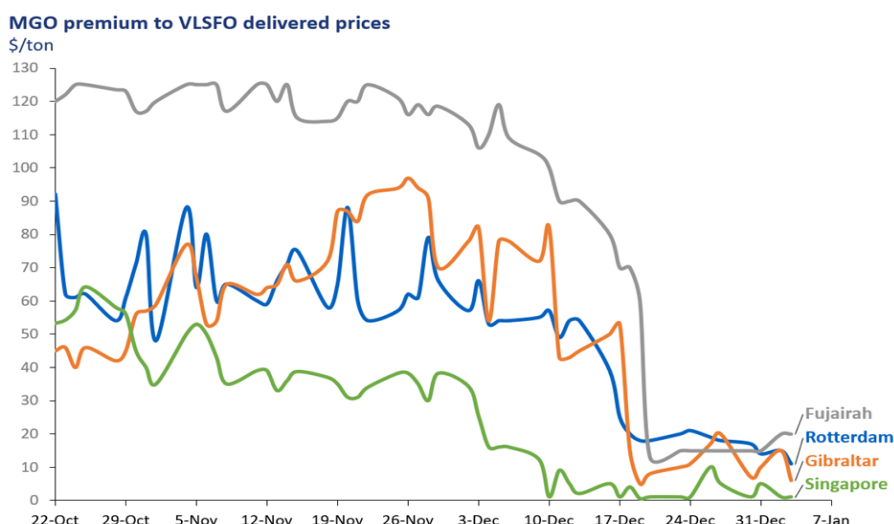


## VLSFO prices are now very close to MGO

**VLSFO prices have now risen so sharply that are reaching MGO prices, with the difference being less than \$20 per ton.**

In our last research note in December we pointed out that the differential between quoted prices for MGO and VLSFO in Singapore had fallen from \$75/ton to only \$10/ton over a couple of months. This squeeze in the MGO/VLSFO differential is now commonplace in all the main bunkering centres.

As we moved through the later part of December and now fully into 0.5% sulphur compliance, so VLSFO prices have risen sharply, not only in absolute terms (up 25-35% since early December) but also higher relative to crude oil. The pricing of VLSFO reflects all the issues around the market, including demand and availability (or lack of it). One fallout is that reported prices for VLSFO are now extremely close to MGO, with the difference now typically less than \$20/ton, compared with VLSFO 'discounts' anywhere from \$40/ton to \$120/ton just one month ago.



This means we have moved from a market where, on price, VLSFO was a clear and obvious fuel choice in the run-up to IMO 2020, to a market now where MGO may be the best option, especially considering generally higher energy content and no heating requirements.

Clearly, there are major issues in availabilities, delays and pricing highlighted by these developments, and possible technical issues between using different grades, but again this stresses the need for information and analysis in what is now a very different and complex bunker world.

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