

THE MARKET THIS WEEK

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CHINA BOOSTS VLSFO EXPORT QUOTAS

The Chinese government has allocated 8 million mt of **VLSFO export quotas** for bonded bunkering in its first round for 2023. China's export quota is up by 23% from last year's first quota of 6.5 million mt, data from information provider JLC showed. The quotas have been allocated to five major refiners. The fresh quotas could contribute to weigh on Zhoushan's VLSFO price relative to other regional hubs over the coming weeks, a traders said.

HOUSTON SUPPLIERS RUSH TO CLEAR BACKLOGS FROM RECENT FOG DISRUPTIONS

Calmer weather conditions have allowed bunker suppliers in the Houston area to clear most of the **backlogs** from the recent Houston Ship Channel closures. Some suppliers in Houston are delivering on a first-come, first-served basis to catch up on backlogs, a source said. Securing stems for very prompt dates (0-2 days) can be difficult in Houston, while deliveries with a slightly longer lead time of 3-5 days are still possible.

PORT OF SOUTHAMPTON PLUGGED 15 SHIPS INTO SHORE POWER IN 2022

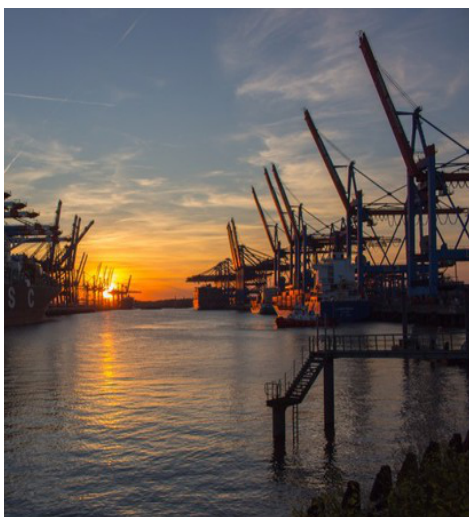
The Port of Southampton says it plugged 15 ships into **shore power** a total of 42 times last year at its two cruise terminals – Horizon and Mayflower. Southampton switched to shore power at two of its five cruise terminals in April last year in a bid to achieve zero emissions in port. The port received 489 cruise calls last year and expects the number to increase to 492 this year. It is working to roll out an "air quality strategy" to achieve zero emissions at berth.

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GERMAN BUNKER AVAILABILITY NORMAL AS SCHWEDT STOPS RUSSIAN CRUDE IMPORTS

Bunker fuel availability remains steady in German ports, but could come under more pressure after the **Schwedt refinery** halted all crude oil imports from Russia on Sunday. Fuel oil supplied as bunker fuels in Hamburg and other northern German ports is mostly produced at Schwedt. Crude oil has historically piped into the refinery from Russia via the Druzhba pipeline. The refinery has already replaced Russian crude oil with oil from Poland and other sources in recent months. In addition, the German government is working to upgrade the Rostock-Schwedt pipeline so that it can transfer large volumes of crude oil from Rostock Port by the Baltic Sea to the refinery.

Supply of VLSFO and LSMGO is normal in Hamburg, requiring lead times of 3-5 days. But HSFO supply remains subject to enquiry.

FUJAIRAH'S FUEL OIL INVENTORIES SHARPLY DOWN ON THE MONTH

Fujairah's fuel oil stocks have averaged **9% lower** in the first week of January compared to their average across December, Fujairah Oil Industry Zone (FOIZ) and S&P Global data shows.

The port's middle distillate stocks have averaged roughly the same levels between December and January. Fujairah continues to see high bunker demand, and tight prompt bunker availability from loading delays and congestion, a source says. Lead times of 6-8 days are recommended for VLSFO in Fujairah, but some suppliers can deliver on prompter dates. Recommended lead times for LSMGO are also around 6-8 days, while HSFO is more readily available.

Average Fuel Oil Stocks in January

10.40m
bbls

Average Fuel Oil Stocks in December

11.48m
bbls

H2CARRIER, ANORI TO PRODUCE GREEN AMMONIA IN GREENLAND

Norway-based H2Carrier and Greenland-based wind turbine company Anori have agreed to develop Greenland's first commercial wind farm. Electrical power generated by the wind farm will then power a floating **green hydrogen** and **ammonia** production facility developed by H2Carrier. The facility is a very-large gas carrier converted to a floating production, storage and offloading unit (FPSO) with a scalable production capacity of 100,000-230,000 mt/year.



LNG STILL TOP CHOICE AMONG ALTERNATIVE FUELS FOR NEW SHIPS

LNG was the preferred choice for **alternatively fuelled vessel** orders for a second consecutive year in 2022, despite surging gas prices, DNV data shows. The 222 new LNG-fuelled ship orders were recorded by DNV in 2022, making up 81% of all alternatively fuelled ship ordered in the year. The tally was also close to the record 240 LNG-fuelled ships ordered in 2021. Methanol-powered ships were in record demand last year, with 35 new orders.

WEEKLY BRENT DEVELOPMENTS

Front-month Brent is heading for a massive **9% fall** on the week. A rise in Covid-19 cases in China and fears of a global recession have weighed heavily on market sentiments.

Downward pressure:

Brent has been in a bind due to concerns about a Covid-19 resurgence in China. EU member nations have unanimously decided to impose restrictions on incoming Chinese travellers, and have set negative Covid-19 tests as a precondition for entry.

The International Monetary Fund's (IMF) managing director Kristalina Georgieva has warned that one-third of the world will see a recession this year. She told CBS News that 2023 will be tougher than 2022 because the US, EU and China "are all slowing down simultaneously."

Upward pressure:

Energy experts have predicted that tighter supply from a potential increase in Chinese oil demand, and reduced Russian production, will push Brent above \$100/bbl this year.

Investment bank ING has forecast Brent to average \$104/bbl this year.

Wood Mackenzie has predicted oil demand growth to increase by 2.3 million b/d in 2023.

"This resumption of the upward trend in demand is likely to jolt the oil market out of its current doldrums and provide support to prices," Wood Mackenzie's Ann-Louise Hittle said.

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