

Weekly Market News

11th-15th December 2023

Bunker Quality Trends Report Q3 2023: Analyses data from 120 million mt of supply to reveal key quality trends

READ REPORT



COP28 vows to ditch fossil fuels, but faces criticism

The COP28 climate summit in Dubai concluded after an overtime effort to move away from fossil fuels. The final draft text was revised to include the phrase "**transitioning away from fossil fuels**". Small island states and low-income nations are concerned that this will be insufficient to combat the devastating impact of climate change on their economies.

Other critics of the earlier draft text later lauded the joint effort of 200 nations and cheered the revisions that included more ambitious language to combat global greenhouse gas (GHG) emissions. The deal "marks the beginning of the post-fossil era", said Ursula von der Leyen, President of the European Commission.

US bill could boost biofuel bunkering demand

A bill put forward by two US representatives aims to promote use of biofuel blends by **ocean-going vessels** and address the regulatory barriers that have held back uptake of biofuels in the US. If the bill passes through Congress, it should make biofuel blends more cost-effective for ocean-going vessels in the US, Iowa Biodiesel Board's executive director Grant Kimberley told ENGINE. Suppliers would be able to supply biofuel blends to ocean-going vessels while preserving the value of the biofuel credits that they previously had to forfeit. This can, in turn, enable more competitive bunker pricing against other regions.

"International shipping companies and cruise lines are increasingly seeking low-carbon biodiesel and renewable diesel to meet climate goals and consumer demand," said Kurt Kovarik, vice president of the US biofuel trade association Clean Fuels Alliance America.

MPA calls for methanol bunker suppliers in Singapore

The Maritime and Port Authority of Singapore (MPA) has invited companies to propose how they can supply methanol as a bunker fuel in the Port of Singapore. It expects methanol-capable vessels to call at the port in the coming years and wants to facilitate methanol bunkering there **by 2025**. The first-ever ship-to-ship bunkering was performed in Singapore in July this year, when Maersk's container vessel took 300 mt of biomethanol. There have not been any deliveries since, but with a flurry of recent methanol-capable vessel orders the future looks more promising for methanol suppliers. "Arising from industry feedback & demand projections, methanol demand volume in the Port of Singapore has the potential to exceed 1 million tons per annum (MTPA) before 2030," MPA's chief executive Eng Dih Teo said.

RED II limits biofuels supply, but builds trust - DNV

The Renewable Energy Directive (RED II) will ensure better adoption of marine biofuels in the long run, said DNV's principal consultant in maritime environmental technology Eirik Ovrum. Ovrum referred to the EU's RED II, which sets out to avoid biofuel-associated **indirect land-use change (ILUC)**. This has, in turn, sparked debates on potential constraints in biofuel availability. Speaking to ENGINE, Ovrum said, "It will hold back adoption right now, such that we won't use a lot of agricultural land to produce the biofuel. However, it could help promote certainty that these biofuels are sustainable and subscribe to RED II norms."

The directive sets out rules for the types of biofuel feedstocks that should be used as EU member states can count them towards national targets. But it also places limits on use of certain food crops as biofuel feedstock, and this can contribute to hold back large-scale production of biofuels.



OPEC keeps global oil demand growth forecast at 2.5 million b/d

Total world oil demand is forecast to average 104.4 million b/d in 2024, according to the group. “Oil demand is expected to be supported by resilient global GDP growth, amid continued improvements in economic activity in China,” OPEC said. It expects non-OPEC liquid fuels supply to grow by 1.4 million b/d. “The main drivers for liquids supply growth next year are expected to be the US, Canada, Guyana, Brazil, Norway and Kazakhstan.”



Algoa Bay offshore bunkering could resume from February

Offshore bunkering in Algoa Bay could resume again from **1 February**, after having been suspended since September, a port agent told ENGINE. Other traders argue that this date is speculative as South African authorities have not confirmed anything officially. Algoa Bay deliveries came to a halt in September after authorities detained bunker barges over import duty disputes. Supply has been limited to in-port deliveries by one supplier in Port Elizabeth.

ARA fuel oil stocks in December

7.95 mill bbls

ARA fuel oil stocks in November

7.66 mill bbls

ARA fuel oil stocks rise in December

The ARA's independently held fuel oil stocks have averaged **4% higher** so far this month than across November, according to Insights Global Data.

The region has imported 167,000 b/d of fuel oil so far this month, down from 225,000 b/d imported in November, according to cargo tracker Vortexa. Germany has been the ARA's biggest fuel oil import source this month, accounting for 19% of the region's total imports. Poland followed close behind, accounting for 17% of the total imports, followed by the UK (16%). The bulk of fuel oil cargoes have departed for Nigeria (44% of ARA's total exports), the Netherlands (15%) and Cape Verde (14%). Cargoes have also been exported to Bahrain (10%) and Canada (8%).

Meanwhile, the ARA hub's independent gasoil inventories — which include gasoil and heating oil — have held steady. The ARA has imported 589,000 b/d of gasoil this month, up from 382,000 b/d in November. Kuwait (19%) has become its biggest import source.

Weekly Brent developments

Front-month Brent is on track to **rise by 1%** on the week, propped up by declining US crude inventories and a potential interest rate cut, while countered by slowing Chinese demand.

Upward pressure:

Brent's price moved up after the US Energy Information Administration (EIA) reported a bigger-than-expected US crude stock draw. Commercial US crude inventories dropped by 4.26 million bbls on the week, to 440.77 million bbls on 8 December, according to the EIA.

The US Federal Reserve left interest rates unchanged after it concluded a two-day Federal Open Market Committee (FOMC) meeting on Wednesday. However, the central bank signalled that it will consider interest rate cuts next year. The anticipation of lower interest rates fuelled Brent's rally further.

Downward pressure:

Concerns about slowing demand in China topped with the latest disappointing US Consumer Price Index (CPI) report have added some downward pressure on Brent futures.

China's latest oil import data for November disappointed the market, analysts said. Imports fell to 10.33 million b/d, a decrease of more than 1 million b/d from October. The drop could signal declining oil demand in the world's second-largest crude oil importer.

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