

Weekly Market News

4th-8th December 2023

Bunker market intelligence: A look at the fundamentals and analysts' views on bunker fuel prices for next year

READ
REPORT



Höegh explores US and Singapore ammonia bunkering

Norwegian RoRo shipping firm Höegh Autoliners and Japanese conglomerate Sumitomo will look into supply of **clean ammonia** as a **bunker fuel** for Höegh Autoliners' upcoming 12 pure car and truck carriers in Singapore and Jacksonville, US. The duo plans to pursue ammonia bunkering for these vessels in the two ports from 2027. Meanwhile, the Port of Singapore plans to begin ammonia bunkering from 2026. The firms will analyse the ammonia bunkering facilities at the identified ports and will look into shore-to-ship and ship-to-ship bunkering options. The new vessels can run on both ammonia and methanol, Höegh Autoliners claims.

LNG bunkering facility planned in Port Hedland

Australian firm Pilbara Clean Fuels (PCF) will set up an LNG production plant at Port Hedland in Western Australia, with a production capacity of 500,000 mt/year. As part of the project, shipping company Oceania Marine Energy will develop **LNG bunkering** there, and Norwegian firm Kanfer Shipping will provide LNG bunker vessels. The facility will be used to supply LNG to iron ore carriers doing roundtrip voyages between the Pilbara and Asian locations. LNG bunkering will be conducted via ship-to-ship deliveries. Market analysis conducted for Port Hedland found that its LNG bunker demand could reach 1 million mt/year by 2030, according to the project partners.

Scatec to explore green methanol bunkering in Egypt

The Suez Canal Economic Zone (SCZONE) and Norwegian renewable energy firm Scatec will explore **green methanol bunkering** at Egypt's East Port Said. Scatec might be granted a green methanol bunker licence. The duo also plans to develop a green methanol production facility in East Port Said to produce 100,000 mt/year of green methanol by 2027. It will house a 190-megawatt (MW) electrolyser powered by renewable electricity generated from wind and solar energy to produce green hydrogen – a key component for the production of green methanol. In September, OCI Global's low-carbon fuels subsidiary OCI HyFuels secured a permit to supply green methanol for bunkering in the port.

Temperature-sensitive biofuels need Goldilocks zone

Used cooking oil (UCO)-based biofuels tend to have **higher pour points**, Integr8 Fuels' bunker quality and claims manager Chris Turner says. The pour points of biofuels blended with MGO are seen to increase corresponding to a rise in the blend percentage of fatty acid methyl esters (FAME), with levels between 6-12°C not uncommon for biofuel blends with more than 80% FAME content (B80+), a recent bunker quality trends report from Integr8 found. Turner argues that given the pour point levels noted for cooking oil methyl ester (UCOME)-based biodiesel, "it is highly likely that heating the fuel will be necessary to prevent operational difficulties onboard the vessel and will require storage tanks with heating coils." However, too much heating can lead to oxidative degradation, which is when biofuel molecules fall apart in contact with the oxygen in the air. That's why we can call them "goldilocks fuels", where, just like the porridge in the children's story, it mustn't be too hot or too cold but stored 'just right', he says.



Wärtsilä develops four more methanol ship engines

Finnish ship engine maker Wärtsilä is planning to roll out four more **dual-fuel methanol engines**, bringing the company's methanol engine line-up to five. Wärtsilä's first methanol engine was a four-stroke dual-fuel engine. The next four engines will be available for commercial deliveries from 2025 onwards. These engines can run on both methanol and conventional fuel grades. Wärtsilä is also working on retrofit options for these engines.



US to explore Global South green corridor opportunities

The US Department of State and Department of Energy will **green shipping corridors** in five countries in the Global South. The government departments have teamed up with the Danish government and the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping (MMMCZCS) to conduct pre-feasibility studies for potential green shipping corridors in Namibia, Panama, Fiji and two more countries that have yet to be announced, MMCZCS said.

Implied US Fuel Oil Demand in November

294,000 b/d

Implied US Fuel Oil Demand in October

272,000 b/d

Implied US fuel oil demand grew 8% in November

US fuel oil supply, or implied demand, averaged **8% higher** in November than across October, and to their highest monthly level since February, data from the Energy Information Administration (EIA) shows. More fuel oil was supplied out of storage to outlets like bunker fuel blenders and bulk terminals, to refinery coking units for upgrades to other higher-value products, or to power generation. Total US fuel oil production also increased by 8% - from 255,000 b/d fuel oil produced in October, to 275,000 b/d in November. East Coast refiners led the increase and produced 22% more fuel oil in November, followed by Gulf Coast refiners that produced 15% more fuel oil. West Coast refiners, however, produced 1% less fuel oil last month. Overall US refinery utilisation averaged 88% in November, slightly down from 86% in October and much lower than 91% and 94% in September and August, respectively. Total US fuel oil stocks averaged 26.84 million bbls in November, which was 2% lower than in October. The country's overall fuel oil stocks declined for a second consecutive month.

Weekly Brent developments

Front-month Brent is heading for a massive **5% fall** on the week due to growing concerns about a slowdown in oil demand in the US and China.

Downward pressure:

US gasoline stocks grew by 5.42 million bbls on the week, to 223.60 million bbls on 1 December, according to the US Energy Information Administration (EIA). A larger-than-expected build in gasoline stocks indicated weak demand for oil products in the US. Brent futures came under more pressure after ratings agency Moody's downgraded the outlook for China from stable to negative. Moreover, China's state-owned refineries Sinopec and PetroChina reduced their crude runs in November, when demand was also dented by fewer public holidays and declining temperatures.

Upward pressure:

The oil market gained some confidence after Russia's President Vladimir Putin and Saudi Arabia's Crown Prince Mohammed bin Salman met on Wednesday to discuss further cooperation on oil production and exports. The meeting followed an announcement by the whole OPEC+ group to continue voluntary cuts into the first quarter of 2024. Both countries will comply with OPEC+'s targets for 2024, Russian state-owned media agency TASS reported.

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