

Weekly Market News

1st-5th January 2024

Read the latest bunker research: Prices have been falling over the past month, even after OPEC+ announced a 2.2 million b/d cut

READ
REPORT



US and 12 other nations call on Houthis to end attacks

“Ongoing Houthi attacks in the Red Sea are illegal, unacceptable, and profoundly destabilizing,” read a joint statement issued by the governments of the US, Australia, Bahrain, Belgium, Canada, Denmark, Germany, Italy, Japan, Netherlands, New Zealand, Singapore and the UK. Yemen’s Houthi rebel group has been attacking commercial ships in the southern Red Sea and the **Bab el-Mandeb strait** between Yemen and East Africa since November. Ships owned by A.P. Moller-Maersk, Mediterranean Shipping Company (MSC), CMA CGM and others have been attacked. “Let our message now be clear: we call for the immediate end of these illegal attacks and release of unlawfully detained vessels and crews,” the 13 nations’ statement said.

African bunker demand up as vessels avoid the Red Sea

Several ports in South Africa, Mozambique, Mauritius and Angola have seen an increase in bunker-only calls from vessels rerouted around Africa to avoid attacks in the Red Sea, multiple sources have told ENGINE. There has been a notable rise in bunker-only calls at the **Luanda** anchorage in Angola, which has led to tighter barge availability, a trader said. The Mozambican ports of **Nacala** and **Maputo** have also seen a spike in bunker-only calls from rerouted vessels. Prompt VLSFO and LSMGO stems can be difficult to secure in Maputo because of tight barge availability, a supplier told ENGINE. The South African ports of **Durban** and **Richards Bay** have seen an uptick in bunker demand, and LSMGO availability remains very tight in both ports with lead times of over 10 days recommended. VLSFO availability is relatively better there, with shorter lead times of 5-7 days. Demand has also been stronger in **Port Louis** in Mauritius.

Few oil tanker diverted despite Red Sea attacks – Vortexa

There has been only a marginal decline in the number of oil tankers passing through the Bab el-Mandeb strait, Vortexa’s crude market analyst Armen Azizian told ENGINE. The second half of December saw an average of 26 tankers/day transiting through the Bab el-Mandeb strait, Vortexa’s Azizian said. That was only five less than the average of 31 tankers/day during the first half of December. Vortexa’s data includes both ballast and laden tankers over 10,000 dwt. Only 10 oil tankers sailing from Asia to Europe have been diverted away from the Red Sea and Suez Canal to sail the longer route via the Cape of Good Hope since 19 December. That is an average of **less than 1 tanker/day**.

But if the attacks persist, we could see more tankers being rerouted for safety, Azizian said.

Zhoushan VLSFO squeeze to ease with export quota

Zhoushan’s VLSFO supply is likely to improve by mid-January as refineries ramp up production to meet their allocated VLSFO export quotas for 2024, a source says. The Chinese government has recently allocated **8 million mt of VLSFO** export quotas for bonded bunkering in the first round for 2024, according to information provider JLC. The quotas have been allocated to five major Chinese refiners, with a major chunk going to Sinopec and PetroChina, JLC data shows. The fresh quotas could boost VLSFO supply in the Chinese bunkering hub Zhoushan. VLSFO supply has been very tight in Zhoushan in recent weeks. As a result, most bunker suppliers have held back from supplying the grade for prompt delivery dates and refrain from providing indicative delivery dates. The supply tightness has been largely due to lower domestic VLSFO production. Several Chinese refineries have reduced their VLSFO production levels in recent months because of a lack of export quotas, JLC claims.



EU ETS for shipping emissions takes effect

Responsible shipping firms will have to surrender EU Allowances (EUAs) in 2025 to cover 40% of their ships' **carbon dioxide (CO2)** emissions between EU ports in 2024. They will be able to purchase these EUAs through the European Energy Exchange (EEX) and Intercontinental Exchange (ICE), or over-the-counter. Emissions data for 2024 must be submitted to the EU by 31 March 2025 and EUAs must be surrendered by 30 September 2025.



Alternative fuels set to take on a bigger role in 2024

The IMO's CII and EU's ETS for shipping are now in action, while FuelEU Maritime will come into effect from next year. Rising regulatory pressures from the IMO and EU will contribute to spur some shipping companies to consider installing engines that can run on fuels with low- and zero-emission potential like **ammonia** and **methanol**, or use **biofuels** as drop-in fuels in existing engines. Widespread adoption is still far away, but the transition has started.

Dutch rebate biofuels multiplier in 2024

0.4

Dutch rebate biofuels multiplier in 2023

0.8

Dutch biofuel bunker prices soar after policy change

Rotterdam's advanced B20-VLSFO and B30-VLSFO bunker prices have increased by around \$50-74/mt over the past week after the Dutch government **cut support**. A change in Dutch emissions policy has meant that physical bunker suppliers selling sustainable marine biofuel grades to ships will only get half as much support from Dutch authorities. Suppliers will now get around \$50/mt for advanced B20-VLSFO (20% biofuel, 80% VLSFO) sold and \$80/mt for advanced B30-VLSFO, as the Dutch government halved the rebate multiplier for marine biofuel sales from 0.80 to 0.40 with effect from 1 January. Dutch biofuel blends have also become significantly more expensive compared to conventional oil-based fuels. The multiplier reduction has contributed to increase Rotterdam's price premiums for advanced B20-VLSFO and B30-VLSFO grades over VLSFO to \$120-170/mt over the past week, from around \$30-50/mt. According to Dutch biofuel bunker supplier GoodFuels, the reduction was adopted to "rebalance" renewable fuel supply from marine to road transport.

Weekly Brent developments

Front-month Brent crude is trading at a **similar level** as last week's settlement.

Upward pressure:

The ongoing Israel-Hamas conflict and Houthi attacks in the Red Sea have raised concerns about potential impacts on crude flow in the region.

Local protests in Libya compelled the country's largest oil field el-Sharara to fully shut operations on Wednesday, Reuters reported. The el-Sharara oilfield produces about 300,000 b/d of crude and has been subjected to both local and political protests in the past.

Commercial US crude inventories dropped by 5.50 million bbls on the week, to 431.07 million bbls on 29 December, according to the EIA.

Downward pressure:

Some downward pressure on Brent futures this week can be attributed to weak economic data from China and the US. Despite a slight improvement in December, US manufacturing activity has been in decline for more than a year now. Chinese manufacturing activity rose in December, but is also still contracting.

"Global economic news proved bearish for energy demand," said Stephen Innes, managing partner at SPI Asset Management.

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