

Weekly Market News

19th - 23rd February 2024

Find out why Integr8 Research contributor Steve Christy thinks European VLSFO prices are worth watching

READ
UPDATE



Tight supply in Japan as refineries divert volumes

Availability of bunker fuel oil grades has tightened in several Japanese ports as most of the country's refineries have **diverted fuel oil** supply to the power generation and bitumen sectors, a source said. A 7.6-magnitude earthquake that struck Japan's Noto Peninsula on 1 January caused significant damage to infrastructure that has needed repair, particularly of roads. This has spurred the demand for bitumen. Lead times vary across key Japanese ports, with around five days recommended in Tokyo, Chiba, Osaka and Kobe, approximately eight days in Nagoya and Yokkaichi, and longer periods of 12-13 days in Mizushima and Oita. This has contributed to push Japanese VLSFO prices up to premiums over ports in Hong Kong and South Korea.

Scorpio to retrofit entire fleet with emulsion bunker tech

Monaco-based tanker shipping company Scorpio Tankers has inked a deal with energy company FOWE Eco Solutions to implement its emulsion bunker fuel systems on Scorpio's fleet of **over 100 vessels**. Emulsion fuels are mixtures of two or more immiscible liquids, usually water and oil, stabilised by emulsifiers. Since 2022, Scorpio has been testing FOWE's emulsion bunkers on two of its ships. The company now plans to retrofit its entire fleet by the end of this year to use emulsion fuels. FOWE's technology allows ships to produce stable emulsified bunkers onboard without additives, which are usually added to emulsion fuels to enhance their properties or performance. Tests conducted in December at an Alfa Laval test facility showed potential fuel consumption savings of up to 6% with a 15% emulsion fuel. Subsequent testing in January confirmed savings of 8.7% at 50% load and 6% at 100% load.

China's VLSFO production surged to improve availability

Chinese refiners produced 1.33 million mt of VLSFO in January, a massive increase from 433,000 mt in December, market intelligence provider JLC said. The Chinese government's release of new VLSFO export quotas spurred the refiners to bolster their VLSFO production. The refineries had trimmed VLSFO production in December due to a lack of export quotas. Last month, the Chinese government allocated 8 million mt of VLSFO export quotas for bonded bunkering in the first round for 2024. The quotas were allocated to five major Chinese refiners, with a major chunk going to **Sinopec** and **PetroChina**, JLC data shows. Sinopec's daily VLSFO production more than doubled to 19,000 mt in January. PetroChina also boosted its VLSFO production in January. Higher production has helped bunker fuel availability in Zhoushan.

LNG bunker demand to hit 5 million mt this year - Shell

Global LNG bunker demand is projected to rise to around 5 million mt this year, up from around 3 million mt last year, oil and gas major Shell projects. A lot more dual-fuel ships are scheduled to enter into operation, while more of the ships already in operation are expected to start burning LNG instead of oil-based marine fuels as lower LNG bunker prices result in more oil-to-gas switching. Shell expects a the biggest chunk of this demand to come from container ships, followed by Ro-Ro vessels and tankers. According to DNV data, the current LNG fleet is made up of 493 vessels, with another 221 vessels set to join this year. Shell projects global LNG bunker demand to reach **10 million mt/year by 2028**, which would be a doubling from its projected demand for this year. Rotterdam's fossil LNG sales increased by 52% to 251,000 mt in last year. That was roughly equivalent to 3% of total bunkers sold (conventional marine fuels + LNG). The biggest bunker hub - Singapore - sold 111,000 mt of fossil LNG.



Mabanaft to build new green methanol plant in Australia

Mabanaft has partnered with Australian energy company Vast to build the green methanol plant SM1 in Port Augusta, South Australia. It plans to produce **7,500 mt/year** of green methanol at the plant. Electricity generated from Vast's concentrated solar thermal power energy systems will power a 10-MW electrolyser, Mabanaft said. The plant is expected to be operational by 2027, after Mabanaft secured €12.4 million (\$13.4 million) in funding.



NYK looks to Chile to bunker bulk carriers with ammonia

NYK Bulk & Projects Carriers wants to source green ammonia from an upcoming plant in Chile to fuel the **10-15 ammonia-capable** bulk carriers it has on order for delivery later this decade. These vessels will be used to "transport copper products from Chile to the Far East."

The shipowner will explore whether it can source green ammonia from Enaex's upcoming plant in Mejillones, Chile, which is expected to produce 18,000 mt/year.

Panama bunker sales in January

378,000 mt

Panama bunker sales in December

393,000 mt

Panama's bunker sales take a hit as arrivals decrease

Fewer vessels arriving for bunkers contributed to drag Panama's total bunker sales down by 4% from December to January. The number of ships bunkering in Panama's ports dropped by 14 to 496 – the **lowest since November 2020**. The average stem size was roughly 761 mt in January, down from 769 mt in December, according to preliminary figures from the Panama Maritime Authority. VLSFO sales dropped by 7% on the month – the lowest since February last year. Bunker calls in January decreased by 28%, or 194, compared to a year earlier in January. An average of 595 vessels arrived for bunkers in 2023, down from 629 vessels in 2022. This decline can be attributed to a decrease in vessel transits through the Panama Canal, caused by low water levels in Gatun Lake, which is an important part of the canal. The daily transits were reduced to just 24 in January by the Panama Canal Authority, which is significantly lower than the typical average of 35-36. The Panama Canal has restricted the number of vessel transits due to the El Nino drought. This has led some operators to seek alternative routes.

Weekly Brent developments

Front-month ICE Brent is on track to **shed less than 1%** from last Friday's settlement, as US inflation remains persistently sticky to deal with for policymakers.

Upward pressure:

Brent futures pared some losses in the second half of the week as tensions in the Middle East have escalated again. The Iran-backed Houthis have now started targeting US naval ships, the Yemeni militia's spokesperson Yahya Sare'e confirmed.

The US Central Command (CENTCOM) also confirmed retaliating to these attacks with four self-defense strikes against seven mobile anti-ship missiles and one ballistic anti-ship missile.

Downward pressure:

The hotter-than-expected US inflation data released last week has sparked concerns that the US Federal Reserve (Fed) could delay interest rate cuts for this year, subsequently capping demand growth for crude oil. The US Consumer Price Index (CPI) rose 0.3% month-on-month in January, higher than the 0.2% expectation by analysts. Higher US interest rates can reduce global demand for oil as it makes buying costlier for non-dollar currency holders.

Commercial US crude oil inventories grew by 4 million bbls - roughly in line with expectations - to reach 443 million bbls on 16 February, according to the Energy Information Administration.

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