

# Weekly Market News

18th - 22nd March 2024

New Integr8 Research report hot off the press: VLSFO and HSFO prices are stable for now, but Hi5 spreads could widen going forward

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UPDATE



## IMO to form ammonia, hydrogen bunkering guidelines

The IMO's sub-committee on Carriage of Cargoes and Containers (CCC) is currently developing guidelines for the use of **ammonia** and **hydrogen** as marine fuels. At the ongoing Marine Environment Protection Committee 81st session meeting (MEPC 81), IMO member states have endorsed the work plan of the CCC to develop these guidelines. The final draft of these guidelines is expected to be reviewed and approved by the IMO's Maritime Safety Committee (MSC) in December. Ammonia is highly toxic and corrosive in nature, and this has contributed to hold back adoption. New guidelines could benefit ports such as Singapore, which seeks to facilitate ammonia bunkering by 2026.

## TFG Marine, GRM team up to supply bunkers in Port Louis

TFG Marine and Mauritian bunker supplier Groupe Roland Maurel (GRM) have partnered to cater to **rising bunker demand** in Port Louis, spurred by the Red Sea vessel diversions. The newly formed joint venture, TFG GRM, will offer **HSFO, VLSFO** and **LSMGO** grades in Port Louis, a TFG Marine spokesperson told ENGINE. It will also offer biofuel blends in the future, depending on customer demand in Port Louis. TFG GRM's bunker vessel Hakkassan is already deployed in Port Louis and will be fitted with a mass flow meter in the coming months. The decision to start physical supply in Port Louis was prompted by high bunker demand from "the growing number of shipping customers traversing the Cape of Good Hope," TFG Marine said. The demand for bunkering services in Port Louis has increased in recent months due to the disruption to shipping routes caused by Houthi attacks in the Red Sea, the spokesperson said.

## Bio-bunker demand wanes in Singapore and China

Demand for **B24-VLSFO** has been slow in Singapore, sources say. Recent bio-blended bunker sales data from Singapore's port authority also reflects the slowing demand trend. Only 16,000 mt of bio-VLSFO (mostly B24) was sold in February, which was the least since August 2022. More broadly, shipowners are increasingly adopting technologies like air lubrication to enhance vessel efficiency and improve Carbon Intensity Indicator ratings. This shift towards efficiency technologies is favoured by some over bunkering bio-blends in ports like Singapore, a source says. China is also experiencing slow demand. Not many B24-VLSFO stems have been booked in Chinese ports in recent weeks. B24-VLSFO is almost out of stock in Zhoushan, China's biggest bunker port.

## IMO members favour GHG pricing mechanism - UMAS

At an IMO working group last week, the majority of member states backed a **GHG pricing mechanism** with a universal price, such as a levy, combined with a global **GHG fuel standard**, University Maritime Advisory Services (UMAS) said in a report. Starting prices for GHG were proposed in the range of \$20-150/mt for CO<sub>2</sub>-equivalent emissions (\$20-150/mtCO<sub>2</sub>e), the report said. Some nations suggested a starting price of \$30/mtCO<sub>2</sub>e, which would rise to \$100/mtCO<sub>2</sub>e over time as emission reduction targets tighten, while others suggested a "flat rate" of \$100/mtCO<sub>2</sub>e from the outset. A GHG price between \$20-150/mtCO<sub>2</sub>e will generate \$50 billion or more in revenue annually, UMAS estimated. 27 member states recommended that the income from the pricing mechanism should be directed to the maritime sector, while 10 member states suggested that it should be divided between maritime and other sectors. It will be discussed further in September-October, and is expected to be adopted next March.





## Erik Thun Group wants to run LNG-fuelled ships on e-methane

Swedish freight vessel operator Erik Thun Group plans to run its LNG-fuelled vessels on **e-methane**. It is currently discussing an offtake agreement with methane producer Electrochaea's Danish subsidiary BioCAT Roslev. Green hydrogen will be processed into e-methane by combining it with biogenic CO2 captured during biogas production at the Rybjerg Biogas plant in Denmark. It will be produced with electricity from renewable wind energy.



## Nordic duo to build biogas liquefaction plant in Gothenburg

Swedish energy infrastructure firm Nordion Energi and Finnish biogas supplier ST1 will build a biogas liquefaction plant connected directly to a gas network in western Sweden. Liquefied biogas will be used to make **marine fuels** for bunkering of vessels calling at the Swedish Port of Gothenburg, Nordion Energi said. The plant will be capable of liquefying up to 250 gigawatt hours (GWh)/year of biogas and will commence operation by 2026.

### US fuel oil production in March

449,000 b/d

### US fuel oil production in February

389,000 b/d

## US fuel oil production jumps to highest level since 2018

US fuel oil production has surged to its highest level in more than five years, marking a significant **15% increase** this month compared to February's average production levels, according to Energy Information Administration (EIA) data. This uptick, the highest since December 2018, has primarily been driven by greater refinery production on the East Coast. Refineries there have produced 81% more fuel oil so far this month compared to February's average.

The amount of fuel oil supplied out of storage to various outlets such as bunker fuel blenders, bulk terminals, refinery coking units, and power plants has increased by 6% on the month. Fuel oil supply has climbed from 261,000 b/d in February to 277,000 b/d so far in March. Despite a surge in implied fuel oil demand, US fuel oil inventories have gained by 1% this month, largely attributed to record production. Meanwhile, US fuel oil imports have dropped by 38% month-on-month, from 118,000 b/d in February to 73,000 b/d this month.

## Weekly Brent developments

Front-month ICE Brent is on track to **rise by 1%** on the week, supported by a drop in US crude inventories and mounting supply concerns due to escalating geopolitical tensions.

### Upward pressure:

US commercial crude oil stocks fell by 1.95 million bbls to 445 million bbls on 15 March, driven in part by rising refining activity, Energy Information Administration (EIA) data shows.

The ongoing Houthi attacks in the Red Sea and recent Ukrainian drone strikes on Russian energy facilities have heightened concerns over tight global supply. "Tightening supplies helped push crude oil prices higher. Drone strikes over the weekend on oil refineries in Russia have added pressure on fuel markets, leading to rising demand for available crude oil cargoes," said ANZ Bank's senior commodity strategist Daniel Hynes.

### Downward pressure:

Brent futures felt some downward pressure after the US Federal Reserve (Fed) decided to keep its interest rates unchanged in the range of 5.25-5.50%. The Fed has committed to three interest rate cuts this year, but it has reduced its projected rate cuts for 2025 from four to three. The anticipation of a prolonged period of higher interest rates is expected to pose challenges for risky assets, including oil, Hynes said.

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