

Weekly Market News

4th - 8th March 2024

Integr8 Research contributor Steve Christy explains why European VLSFO prices are worth watching

READ
UPDATE



Scrubber economics boost with Singapore's Hi5 spread

Singapore's wider **Hi5 spread** has made bunker fuel much more affordable for scrubber-equipped vessels than those running on VLSFO. Singapore's Hi5 spread has widened by \$45/mt since early January to **\$190/mt** now. The widening of the spread has come amid steeper price gains for VLSFO than for HSFO in the port. Scrubber-fitted VLCCs consume around 53 mt/day of HSFO at 80% load, which means that they can save an average of \$10,600/day compared to VLCCs running on VLSFO when the Hi5 spread is \$200/mt, scrubber manufacturer Clean Marine said. HSFO has also been tight in the port, but steady inflows of HSFO from Russia and other countries have increased availability of HSFO, a source said.

Callao's HSFO prices could improve with replenishment

Supply of **HSFO** is set to improve in Peru's Callao, where a replenishment cargo load is expected to arrive next week, a supplier told ENGINE. With the arrival of cargo, the port's HSFO price is expected to come down and become more competitive against Ecuadorian ports. HSFO is currently priced over \$200/mt higher in Callao than in Ecuadorian ports, where ample supply has kept prices lower. In Callao, another supplier has a ample HSFO supply and can provide stems for prompt delivery dates. But the significant HSFO price premiums over Ecuador have subdued demand. Ecuador's competitive advantage lies in its refineries' high residual fuel oil yields. This makes it more lucrative for bunker buyers to lift HSFO than low-sulphur grades in Ecuadorian ports, which also have HSFO price advantages compared to other regional ports. This advantage challenges Callao's HSFO market position.

Offshore bunkering remains suspended in Algoa Bay

In South Africa's Algoa Bay, **offshore bunkering** has been suspended since September last year, when the South African Revenue Service (SARS) detained bunker barges over import duty disputes. Since then, bunker deliveries have only been offered by one supplier in the adjacent Port Elizabeth. Bunkering is progressing normally in other South African ports such as Durban, Richards Bay and Cape Town. Availability of all bunker fuel grades is good in Cape Town, according to shipping agent Trade Ocean. But vessels calling for bunkers in Cape Town are encountering delays of 24-48 hours due to port congestion caused by additional demand coming from Red Sea diversions, Trade Ocean said. LSMGO availability is dry at both Richards Bay and Durban. VLSFO is available, but it is typically tight for very prompt delivery dates.

Suez tanker traffic picked up through February

The number of oil tankers being rerouted around the Cape of Good Hope **dipped slightly** in the second half of February. Yemen's Houthi rebel group has been attacking commercial ships in the southern Red Sea and the Bab al-Mandeb Strait between Yemen and East Africa since last November. At least 14 oil and chemical tankers have either been hit or attempted hit and missed by missiles from the Houthis, according to marine risk management firm Ambrey. These attacks have forced several tanker owners and operators to reroute their ships around the Cape of Good Hope instead of the shorter Suez Canal route. It now appears that tanker traffic on the Suez Canal route is gradually gaining momentum again, following a sharp decline in the first half of February. The comeback is in spite of ongoing security threats in the Red Sea. In the second half of February, an average of 13 tankers/day passed through the Suez Canal, up from 11 tankers/day in the first half of the month, according to the IMF's PortWatch data.



Gasum to expand e-methane supply for marine fuel market

Finnish energy firm Gasum will procure up to 800 gigawatt hours per year (GWh/year) of **e-methane** from power-to-gas firm Nordic Ren-Gas to bolster supply of the fuel for bunkering and other outlets. It will procure e-methane from two upcoming Finnish plants in Lahti and Kotka. “Gasum has the infrastructure in place for effective distribution of e-methane to our customers in land and maritime transport,” said chief executive Mika Wiljanen said.



Orderbook for ammonia-capable vessels continues to grow - DNV

Classification society DNV latest tally shows that there are now 14 confirmed **ammonia-capable** vessels on order for delivery towards 2026. One order is a retrofit project while 13 others are newbuilds, according to DNV’s Alternative Fuel Insight (AFI) database. Bulk carriers (8) account for the largest share of these orders, followed by gas tankers (3), tugboats (2) and container ships (1), according to DNV’s latest update.

US fuel oil production in February

389,000 b/d

US fuel oil production in January

328,000 b/d

US fuel oil production and imports soared in February

In February, US fuel oil production surged to its highest level in nearly five years, marking a significant **19% increase** compared to January’s average production levels, according to the Energy Information Administration (EIA). This uptick, the highest since July 2019, was primarily driven by refineries in the Gulf Coast region, which saw a 40% increase in fuel oil production compared to January.

Supply of fuel oil from storage tanks to various outlets such as bunker fuel blenders, bulk terminals, refinery coking units and power generation rose by 3% last month. This rise marks a rebound from January’s decline, which was influenced by several refineries undergoing maintenance activities. Fuel oil supply climbed from 253,000 b/d in January to 262,000 b/d in February.

Despite a surge in implied demand, US fuel oil inventories gained by 9% in February, largely attributed to the record-level rise in production.

Weekly Brent developments

Front-month ICE Brent is on track to **shed 1%** from Friday’s settlement after facing headwinds from a build in US crude stocks and growing expectations of a delay in US interest rate cuts.

Downward pressure:

Commercial US crude stocks increased for the sixth consecutive week, rising by 1.4 million bbls to 448.5 million bbls in the week that ended on 1 March, according to the EIA.

US Federal Reserve chair Jerome Powell has indicated that the central bank plans to reduce interest rates this year. However, the timing of these rate cuts remains uncertain due to the ongoing inflationary pressures in the country.

Upward pressure:

OPEC+’s decision to extend its oil supply cuts of 2.2 million b/d until June has lent some support to Brent’s price.

“The tightness is exacerbated by the OPEC production cuts, which are slowly making their way through the market,” ANZ Bank’s senior commodity strategist Daniel Hynes said.

Growing tensions in the Middle East also supported Brent. The latest drone attack launched by Yemen’s Houthi militia claimed the lives of three seafarers, US Central Command said.

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