

Weekly Market News

1st - 5th April 2024

Integr8 Research's Steve Christy has spotted a rare recent trend in VLSFO pricing

But in his latest paper he argues that nothing lasts forever

READ
UPDATE



HMM strikes methanol, LNG supply deal with Shanghai

South Korea's Hyundai Merchant Marine (HMM) has partnered with Shanghai International Port Group (SIPG) on supply of **methanol** and **LNG** as marine fuels in Shanghai Port. "Through this cooperation with SIPG, we have expanded our green fuel supply chain in China, following Korea and Singapore," said an HMM official in a statement.

In February last year, HMM signed newbuilding contracts for nine 9,000 TEU vessels powered by methanol and is set to operate two 7,700 TEU LNG-powered vessels by the end of this year. SIPG said it has facilitated bonded LNG bunkering for many shipping companies in the past, and that it is prepared for **green methanol bunkering** in Shanghai Port.

Repsol and Bunge to boost biofuel supply in Spain

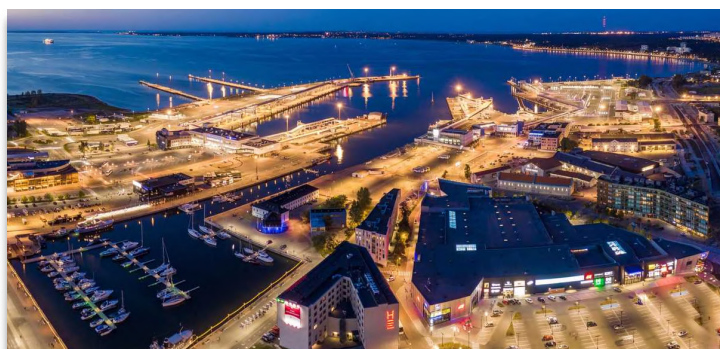
Spanish energy company Repsol and US-based agribusiness firm Bunge have teamed up to increase production and availability of **biofuels** in Spain. Under the deal, Repsol will acquire a 40% stake in three industrial facilities of Bunge Iberica, a subsidiary of Bunge on the Iberian Peninsula. Through this partnership, the company aims to ramp up production of advanced biofuels, a spokesperson from Repsol told ENGINE. This deal, subject to standard closing conditions and regulatory approvals, will allow Bunge to continue operating its plants in the Spanish cities of Bilbao, Barcelona and Cartagena. Repsol, on the other hand, will gain access to a wide range of feedstocks from Bunge for biofuel production to cater to demand from sectors such as shipping. Repsol already has a biofuel production capacity of 1.1 million mt/year. The company aims to increase this output by up to 55% by 2027.

Baltimore accident spurs bunkering surge in New York

The closure of Baltimore Port after a section of the Francis Scott Key Bridge collapsed last week has triggered a surge in **bunkering enquiries** in New York and other neighbouring ports. Authorities have established two temporary alternative channels near the collapsed bridge to accommodate essential vessels, albeit with limited capacity and operating hours. The incident has prompted operators to seek alternative bunkering options. New York is a key bunkering hub and the closure of Baltimore has led demand to increase there. New York's VLSFO price has risen by more than \$10/mt in the past week, but the gain has come amid rising Brent values. Availability of all fuel grades is normal in New York. Other alternative locations, such as Norfolk and Marcus Hook in Philadelphia, are also being considered for bunkering, a source said.

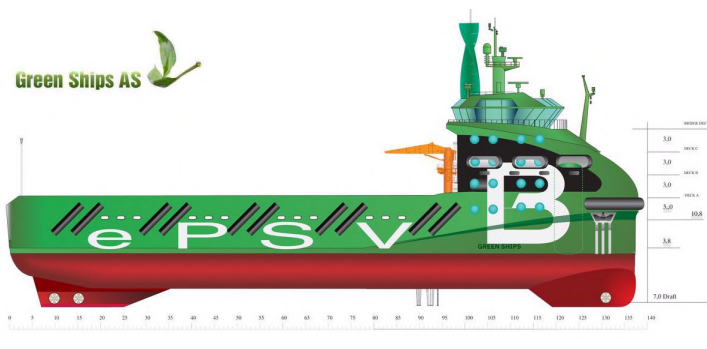
Overlap of IMO, EU regs could cause chaos – DNV

Shipping is poised to face "a complex rest of the decade", when the **IMO's mid-term measures** will overlap with the EU's FuelEU Maritime regulation, said DNV's director of marine environment Eirik Nyhus this week. The IMO's future regulations will be "layered" on top of the EU's FuelEU Maritime and EU ETS regulations. Under the FuelEU Maritime, ships will be required to gradually decrease the GHG intensity of the energy they use, starting with a 2% drop by 2025 that is scaled up to 80% by 2050. The IMO is expected to adopt mid-term measures in March next year, with implementation anticipated in 2027. If the IMO sticks to its timeline, then shipowners and operators will have to comply with the new measures and the EU's regional regulations simultaneously from 2027 onwards, Nyhus explained. He also highlighted that IMO regulations are likely to have different targets and requirements than the EU's regulations because it is a global regulator with more member states with differing views.



Bio-methanol plant proposed in Estonia to meet shipping demand

Dutch project developer Power2X is exploring the possibility of building a 500,000 mt/year **bio-methanol** plant in the Niidu industrial area in Pärnu, Estonia. The biofeedstock for this project will be derived from “locally sourced sustainably harvested biomass and residual forestry streams,” Power2X said. Green hydrogen will also be produced at the facility, using offshore wind power as renewable energy input, it said.



Amogy and ITOCHU to explore ammonia-to-power vessel

US-based startup Amogy will provide its **ammonia-to-power** technology for vessels chartered by Japanese trading company ITOCHU. The technology transforms liquid ammonia into electrical power by “cracking” it into its base elements – hydrogen and nitrogen. The hydrogen is then funnelled into a fuel cell for efficient generation of electricity onboard a vessel. The duo will explore to deploy this technology on existing vessels, or design new ones.

Implied US fuel oil demand in March

336,000 b/d

Implied US fuel oil demand in February

261,000 b/d

US fuel oil demand hits 13-month high in March

US fuel oil supply, or implied demand, averaged **29% higher** in March compared to February, and hit its highest since February 2023, data from the Energy Information Administration (EIA) shows. More than 300,000 b/d of 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 in March.

Higher demand could have spurred more production lately. Total US fuel oil production increased by 7% - from 389,000 b/d fuel oil produced in February, to 418,000 b/d last month. East Coast refiners led the increase and produced 109% more fuel oil in March.

Overall US refinery utilisation averaged 88% in March, up from 82% in February. Despite a surge in production and demand, overall US fuel oil stocks increased by 749,000 b/d last month. Fuel oil stocks on the West Coast dwindled by 3%. This was in contrast to a 6% increase in Gulf Coast stocks, which represent the biggest share of the US’ total stocks.

Weekly Brent developments

Front-month ICE Brent is on track for a **3% rise** on the week amid concerns over tight global supply and signs of stronger economic growth in the US and China.

Upward pressure:

OPEC+ decided to maintain its total output level and supply cuts through June amid a backdrop of recovering global economies, notably in the US and China. Both countries reported upbeat manufacturing data for March. “Optimism for economic growth was bolstered by manufacturing reports from the world’s two largest economies at the start of April, providing further support for oil prices,” SPI Asset Management’s managing partner Stephen Innes said. Tensions in the Middle East escalated following an Israeli airstrike on the Iranian embassy in Syria, ANZ Bank’s senior commodity strategist Daniel Hynes said.

Downward pressure:

US commercial crude oil stocks rose by 3.21 million bbls to 451 million bbls on 29 March, Energy Information Administration (EIA) data shows. “The increase reported by the EIA appears to be driven by lower crude exports, which fell by 159,000 barrels per day week-on-week, while refinery run rates were also marginally lower over the week,” two ING Bank analysts said.

DISCLAIMER

This article is prepared by, and expresses the opinions of, Integr8 as of the date of writing (the “Materials”). Integr8 may (but does not have to) update or revise the Materials, without notice. The Materials are intended as general information, not to be relied upon or read as business, investment, legal, tax or other advice. The Materials are not addressed to, and do not contemplate, the individual circumstances of any person. Integr8 makes no representation as to the Materials’ accuracy, completeness, authenticity or source. Each person must independently evaluate the Materials. Save for this disclaimer, the Materials are not intended to create legal relations, and are not an offer or invitation from Integr8, its affiliate or any other person. In preparing the Materials, Integr8 has acted on its own behalf and not as an agent or representative. To the fullest extent permitted by applicable law, Integr8 shall have no liability in contract, tort (including negligence) or otherwise for any loss or cost whatsoever, whether direct, indirect, incidental, special, punitive or consequential, in any way connected to the Materials. The Materials may not be used, copied, reproduced, disseminated, quoted or referred to in any publication or other document (with or without attribution) without the prior written consent of Integr8.