

Weekly Market News

6th - 10th May 2024

Integr8 Research's Steve Christy explores weak oil fundamentals and geopolitical risk

Is it time to worry when all the analysts are in agreement?

READ
UPDATE



Gasum completes LNG bunkering in Travemünde

Finnish state-owned LNG supplier Gasum conducted its first **ship-to-ship LNG bunkering** operation in the German Port of Travemünde in the Bay of Lübeck.

A total of 700 mt of LNG was delivered by Gasum's chartered LNG bunker vessel Coralius. The stem was delivered to two ships - Baltic Enabler and Botnia Enabler - owned by the Swedish shipping company Wallenius. Gasum took two days to deliver the LNG stems last week.

In February, Gasum delivered an undisclosed amount of LNG to a vessel owned by CMA CGM in the German Port of Bremerhaven. It also delivered an unspecified volume to the Tidewater Rederi-owned offshore supply vessel Arctic Tide in Norway's Tananger in the same month.

High-water threat holds up Houston Ship Channel traffic

Vessels and barges have been held up by **restrictions** around Houston Ship Channel in the past week. A high-water threat was raised when powerful water currents entered the channel, causing high currents at critical turning points in Houston. Restrictions on vessel and barge movements were lifted on Monday, and on movements of smaller boats on Wednesday. At the Enterprise terminal, special barriers must be deployed for bunker barges to dock and small boats are needed. The closures led to significant **delays for bunker suppliers** in Houston, Texas City and Galveston, where barge fleets are concentrated.

There are no transit restrictions anymore, but barges are still working to catch up with backlogs. They need to reload and wait for terminal space so most are facing delays. Several suppliers canceled their bunker bookings in the affected area.

Brazilian ports grapple with fuel supply challenges

Brazilian petroleum firm and bunker supplier Petrobras will temporarily be unable to provide **LSMGO** in **Rio de Janeiro** while its LSMGO supply barge is undergoing maintenance.

The scheduled maintenance will commence on 12 May and continue until mid-June. Petrobras has informed its customers that LSMGO will not be available in Rio de Janeiro during this period. It will continue to offer VLSFO in Rio de Janeiro, along with LSMGO in other Brazilian ports such as Paranaguá, Rio Grande, Santos and Suape.

Bunker operations have been suspended by authorities in **Rio Grande** because of severe flooding. Brazilian energy firm Raizen has been forced to redirect stems that were originally booked in Rio Grande to Salvador, and there is no immediate comeback for Rio Grande in sight.

GCMD and NYK to study impact of biofuel use on ships

The Global Centre for Maritime Decarbonisation (GCMD) and Nippon Yusen Kabushiki Kaisha (NYK Line) will analyse the impact of continuous use of fatty acid methyl ester (**FAME**)-based **biofuels** in marine engines. The six-month long project will see trials of **B24-VLSFO** blends on an NYK Line-owned vessel. These blends are made up of 24% FAME and 76% VLSFO.

NYK Line will manage the bunker fuel procurement for the project.

The trials will focus on how continuous and long-term use of FAME impacts engine performance and fuel supply system operations. Specifically, it will study "corrosion of engine systems and valve failures, related to continuous biofuels use", and measures to mitigate these effects. The findings will be used to set operational guidelines for vessels using biofuel blends. "This pilot will also evaluate the total cost of ownership of using biofuels, covering the cost of fuel and additional maintenance costs associated with its use," GCMD said.



Ammonia bunker demand to reach 2.3 million mt/year by 2030 – DNV

The maritime sector's appetite for **ammonia** will shoot up to **62 million mt/year** by 2040, and then quadruple to **245 million mt/year** by 2050, predicts class society DNV. It sees renewable ammonia demand growing from near zero today to **2.3 million mt/year** by 2030, and be split between blue and green ammonia in the 2030s. Blue ammonia demand will make up 186 million mt/year (76%), and green ammonia the remaining 59 million mt/year (24%).



WinGD to supply ammonia engines for AET's tankers

Swiss engine maker WinGD will supply engines for two **ammonia dual-fuel** tankers slated for construction for Malaysian shipping firm AET, an MISC subsidiary. Both vessels will be equipped with six-cylinder, 62-bore engines, which are expected to be available by 2026, alongside other engine sizes based on market demand. WinGD has also received orders for its 52-bore and 72-bore ammonia dual-fuel engines. It plans to have these ready by 2025.

Implied US fuel oil demand in May

417,000 b/d

Implied US fuel oil demand in April

327,000 b/d

US fuel oil supply hits highest level since Nov 2021

In the first week of May, US fuel oil supply, or **implied demand**, has **surged by 28%** compared to the April average, marking the highest average monthly level since November 2021, according to data from the Energy Information Administration (EIA).

More than 400,000 b/d of fuel oil has been supplied out of storage to outlets like bunker fuel blenders and bulk terminals, refinery coking units for upgrades to higher-value products, or to power generation in the first week of May.

Despite higher implied demand, fuel oil **production** in the US has declined in the first week of this month. Total US fuel oil production has plunged by 21% - from 362,000 b/d in April, to 285,000 b/d in May so far. Gulf Coast refiners have led the drop and produced 58% less fuel oil this month.

The country's fuel oil **stocks** have declined by 573,000 b/d amid lower production. Fuel oil stocks on the East Coast and Gulf Coast have been drawn by 1% and 3%, respectively.

Weekly Brent developments

Front-month Brent is on track to **rise by 2%** on the week, supported by a surprise draw in US crude stocks, and as peace talks between Israel and Hamas hang in the balance.

Upward pressure:

US commercial crude oil stocks declined by 1.36 million bbls to 460 million bbls in the week that ended 3 May, EIA data shows. "A fall in US inventories signalled a tight physical market," ANZ Bank senior commodity strategist Daniel Hynes said.

Ceasefire negotiations between Israel and Hamas came to a halt after Israel rejected Hamas' latest truce proposal this week. "The Gaza crisis continued to fester, with Israel poised to launch a ground offensive in Rafah, while its ceasefire negotiations with Hamas remained stuck in a difficult deadlock," VANDA Insights' founder and analyst Vandana Hari said.

Downward pressure:

Concerns about a potential slowdown in the US economy weighed on Brent's price after the country released a poor manufacturing index reading and jobs data this week. The US Federal Reserve is expected to hold interest rates steady until it gains greater confidence about bringing inflation down to its target level of 2%. Higher interest rates make the US dollar stronger, which in turn could drive down demand for dollar-denominated commodities like oil.

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