Integr8 Fuels

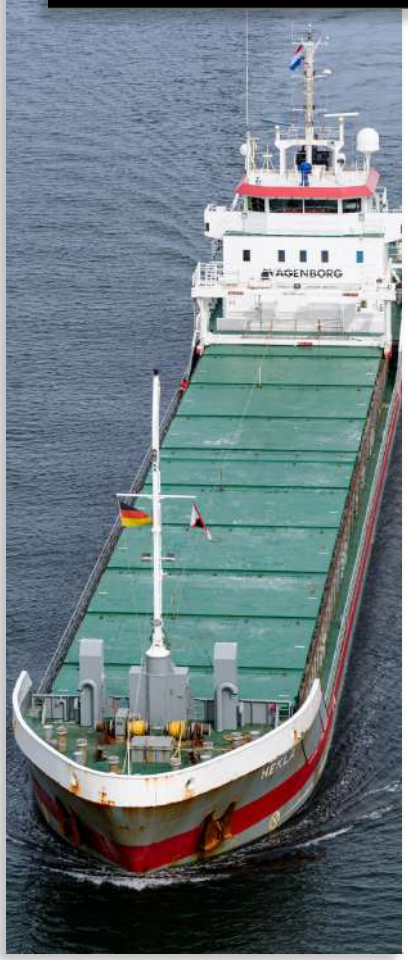
Weekly Market News

3rd - 7th June 2024

Hot off the press: Integr8 Research's latest report on

How OPEC+ policies impact Brent and bunker prices in key bunkering hubs

READ UPDATE



Tugboats in Sohar set to run on biofuel

Oman's port of Sohar has announced that it will run all tugboats operated by Svitzer in the port on biofuel. The announcement came after one of the tugs successfully trialled the **B20 marine biofuel blend**. The B20 blend was made up of 20% biofuel and 80% conventional marine fuel, according to Sohar Port and Freezone. The bunkering was carried out in collaboration with local biofuel supplier Wakud and Omani bunker supplier Hormuz Marine. The B20 biofuel component was derived from used cooking oil and is certified under International Sustainability and Carbon Certification (ISCC), Hormuz Marine's chief executive Sulaiman Alhadhrami told ENGINE. The company is the first supplier to offer bio-bunkers in Sohar.

Panama Canal raises draught limit ahead of schedule

The Panama Canal Authority has **raised the draught limit** for vessels transiting the vital waterway, signaling a recovery from the severe drought that had affected operations.
With effect from 30 May, the highest permitted draught has been raised to 13.71 meters (45 feet). Initially planned for 15 June, this adjustment has been brought forward in anticipation of the upcoming rainy season in the Panama Canal Watershed and the forecasted water levels of Gatun Lake. After more than a year of restrictions due to drought conditions, the Panama Canal is now gradually moving towards normal operations.
Since 16 May, the daily transits in the Panamax locks have risen from 17 to 24. Additionally, from 1 June, the daily transits in the Neopanamax locks have risen from 7 to 8. These changes will boost the total daily vessel transits to 32, thereby expanding the canal's overall capacity.

Bunker supply tightens in Zona Comun due to strike

Bunker operations in Zona Comun have been severely impacted due to a **nationwide tugboat strike** called by the Seamen Union. The 48-hour strike has impacted deliveries and further tightened **VLSFO** and **LSMGO** supply in the area. According to Antares Ship Agents, tugboat services are expected to resume on Saturday. The earliest delivery date for VLSFO and LSMGO with one supplier is around 11 June, but this could be pushed further due to the ongoing disruptions at the anchorage. Bunker demand has been strong in Zona Comun over the past few weeks, driven by an uptick in grain shipments from Argentina. This has led to more bunker demand. The shipping agency anticipates a "busy year" ahead for bunkering at the anchorage, which could put more pressure on bunker fuel supply.

Majority of EU green marine fuel projects risk delays

Around 66% of the total **e-fuel projects** proposed in the EU may not be operational in this decade, a recent Transport & Environment (T&E) study has warned. According to the study, just 30% of the total planned e-fuel projects in the EU are guaranteed to be operational within this decade, as fuel suppliers remain reluctant to invest in new projects.
The T&E survey covered 61 synthetic fuel or e-fuel projects throughout the EU. Among them, 17 projects focus exclusively on the shipping industry, the T&E report stated. A majority of these 17 projects are still in the discussion phase, with only six having been decided. The study showed that six projects will produce only 79,000 mt/year of e-fuel by 2026. E-fuels are non-fossil fuels produced using green hydrogen and carbon dioxide as feedstock. These are green hydrogen and its derivatives, including green ammonia, e-methane and e-methanol. At present, no shipping-focussed projects are operational in the EU, the report stated.

Classification societies approve ammonia container ship design

Classification societies American Bureau of Shipping (ABS) and Lloyd's Register (LR) have approved the design of a new **ammonia-fuelled container ship**. The design has been prepared by a consortium of marine industry stakeholders, which includes A. P. Møller-Mærsk, Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping and MAN Energy Solutions (MAN ES). The ship will feature a MAN ES ammonia engine and a 4,000-cbm capacity ammonia tank.

Methanol vessel orderbook surged in May - DNV

Classification society DNV's latest tally shows that there are now 304 confirmed **methanol-fuelled vessels** in operation and on order. 23 methanol-fuelled vessels were added to DNV's database in May. This addition has increased the total number of methanol-fuelled vessels in operation and on order to 304 for delivery by 2028 from 281 in April. The largest share of newbuild orders for these vessels are container ships (179), followed by tankers (53).

Implied US fuel oil demand in May

277,000 b/d

Implied US fuel oil demand in April

326,000 b/d

US fuel oil implied demand dipped in May

US fuel oil supply, or implied demand, averaged **15% lower** in May than across April, data from the Energy Information Administration (EIA) shows.

Much less 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. Supply, or implied demand, came down sharply from 326,000 b/d across April to 277,000 b/d in May.

Refineries in the US reduced fuel oil production, partly because of lower implied demand. The country's fuel oil production dropped by 21% last month and averaged 287,000 b/d, down from an average of 362,000 b/d produced in April. Gulf Coast refineries produced 113,000 b/d of fuel oil in May - the lowest since last November.

Total US fuel oil stocks remained almost unchanged last month at 28.79 million bbls. Overall refinery utilisation averaged 92% in May, up from 88% in April.

Weekly Brent developments

Front-month Brent is heading for a **2% fall** on the week amid growing concerns about demand growth after the US Energy Information Administration (EIA) reported a build in crude stocks.

Downward pressure:

US commercial crude oil stocks rose by 1.23 million bbls to 456 million bbls in the week that ended 31 May, the EIA data shows. "The official US weekly released on Wednesday had a bearish element with unexpected stock-builds," VANDA Insights' analyst Vandana Hari said.

Additionally, OPEC+ decided to gradually phase out its combined supply cut of 2.2 million b/d, starting from October 2024. Oil market participants expected the output cut policies to remain in place until the end of this year, ANZ Bank's senior commodity strategist Daniel Hynes said.

Upward pressure:

Brent's price drew some support from the OPEC+'s decision to extend supply cuts into the third quarter of this year. The oil-producers' group decided to extend supply cuts till September-end, allowing its eight key members to continue their combined output reduction of 2.2 million b/d, which they started in November 2023. The group also confirmed that Iraq, Russia, and Kazakhstan will submit their respective compensation plans by the end of this month for surpassing their production quotas.

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