

Weekly Market News

1st-5th July 2024

Integr8 Research's Steve Christy looks speculative positions in the crude oil market

Speculators are buying; it looks like prices are going up!

READ
UPDATE



Consort orders biofuel and methanol bunker tankers

The latest order of four tankers will take Consort Bunkers' total tally of biofuel and methanol bunker tankers to 13. They will be IMO type 2 chemical tankers, which are designed for transporting moderately hazardous chemicals according to International Maritime Organisation (IMO) standards.

IMO type 2 chemical tankers are allowed to carry biofuels up to B100 (100% biofuel), while other bunker tankers (oil tankers) are only permitted to carry biofuel blends with a maximum biofuel concentration of 25%. That's why the typical biofuel bunker grade in Singapore and most other ports is B24. Suppliers want to err on the side of caution of the hard 25% limit.

Trafigura claims first ammonia STS transfer operation

Commodity trader Trafigura and shipowner Purus completed their first **ammonia ship-to-ship (STS) cargo operation** near Ceuta in the Gibraltar Strait last week.

Around 6,000 mt of ammonia cargo meant for the fertiliser industry was transferred to the gas carrier Green Power, which is on a time charter to Trafigura from Purus.

Malta-based STS service provider International Fender Providers carried out the operation. STS transfers have not been widely adopted by the ammonia industry until recently, Trafigura said. The latest operation demonstrates that ammonia bunkering will be possible in the future, said Andrea Olivi, Trafigura's head of wet freight. In May, Trafigura placed an order for four ammonia-capable gas carriers. They are being built by South Korea's HD Hyundai Mipo Dockyard and the first vessel is slated for delivery in 2027.

Vitol to expand LNG bunker fleet with three new vessels

Global energy firm and bunker supplier Vitol has ordered two **LNG bunkering vessels** of 12,500 cbm and 20,000 cbm-capacity from the Nantong CIMC Sinopacific Offshore & Engineering shipyard in China. These vessels are scheduled for delivery in the fourth quarter of 2026 and the third quarter of 2027, respectively. It has also agreed to charter a new 20,000 cbm-capacity LNG bunkering vessel from UK-based LNG supplier Avenir LNG. Upon delivery in the fourth quarter of 2026, Vitol will charter the vessel for a period of seven years, with an option to extend it to up to 10 years. LNG can curb CO2 emissions by about a quarter compared to conventional bunker fuels. But its methane emissions can be 36 times more potent as a greenhouse gas compared to CO2 over a century, according to a World Bank study.

Sweden set to ban discharge of scrubber washwater

The Swedish government seeks to prohibit discharges from ships fitted with **open-loop scrubbers** from 1 July 2025. Discharges from all scrubbers, which include closed-loop scrubbers, could be banned from 1 January 2029, according to the official statement.

"The ban is proposed to be introduced in two stages," it said.

Scrubbers, or exhaust gas cleaning systems, allow ships to comply with the International Maritime Organization's 0.50% sulphur cap by capturing sulphur dioxide from exhaust gases. While the shipping industry maintains that scrubbers are effective in mitigating pollution, opposition voices like the Clean Arctic Alliance argue that scrubbers are an outdated solution. Many countries and ports have restricted these discharges in specific areas of their national waters. In April, Denmark decided to ban discharge of washwater from open-loop scrubbers in a range of 22 km (12 nautical miles) from the Danish coastline from 1 July 2025.



Brazilian duo wants to produce e-methanol for shipping

Power company Eletrobras and pulp producer Suzano Papel e Celulose will explore the feasibility of producing e-methanol using biogenic CO₂ in Brazil to meet marine fuel demand. They plan to capture biogenic CO₂ from “burning of biomass and black liquor derived from the pulp production process at Suzano’s mills”. Eletrobras will supply green hydrogen as a feedstock for the fuel. E-methanol is produced by combining biogenic CO₂ with green hydrogen.



Seaspan Energy launches third LNG bunkering vessel

Canadian LNG bunker firm Seaspan Energy has launched the final in a series of three 7,600 cbm-capacity LNG bunker vessels. The **Seaspan Baker** is expected to be delivered in 2025, after the other two this year. It will serve the Long Beach container ship market and join Seaspan Lions in providing LNG bunkering for vessels along the West Coast of North America. The vessels will deliver LNG ship-to-ship and operate in short-sea and coastal areas.

ARA fuel oil stocks in June

9.75m bbls

ARA fuel oil stocks in May

9.92m bbls

ARA fuel oil stocks dropped 2% in June

The ARA’s independently held fuel oil stocks averaged **2% lower** in June than across May, according to Insights Global data.

The region imported 239,000 b/d of fuel oil in June, down from 252,000 b/d in May, according to data from cargo tracker Vortexa. The ARA imported low-sulphur fuel oil (LSFO) and HSFO in a 54/46 ratio in May. This trend continued in June, with the ratio tilting even more towards LSFO at 66/34.

The UK emerged as the ARA’s top fuel import source in June, accounting for 16% of the region’s total imports. France and the Bahamas shared the second place, each accounting for 14% of the total imports, followed by Lithuania and Germany (9% each).

The ARA hub exported 181,000 b/d of fuel oil in June, up from 119,000 b/d of fuel oil exported in May. The majority of fuel oil cargo volumes departed for Singapore (20%), Saudi Arabia (14%), Spain (11%), the Ivory Coast (9%) and the UK (8%).

Weekly Brent developments

Front-month Brent is on track to **rise by 2%** on the week, backed by a massive fall in US crude stocks and growing tensions in the Middle East.

Upward pressure:

Commercial US crude oil stocks declined by 12.16 million bbls to 449 million bbls in the week ending 28 June, the US Energy Information Administration (EIA) data shows. The draw marked the “biggest weekly decline since July 2023,” two analysts from ING Bank said.

Concerns about supply disruption in the global oil market grew following reports that Israeli forces struck several residential areas in southern Gaza on Tuesday. “Escalating Middle East tensions raised concerns of a broader conflict,” analysts from Saxo Bank said.

Downward pressure:

The US Federal Reserve (Fed) chairman Jerome Powell said on Tuesday that the central bank would need more time to be confident before cutting interest rates this year. Powell’s comment has left several analysts confused about the Fed’s preferred path for interest rate cuts. Powell “still exercised caution regarding future policy decisions,” SPI Asset Management’s managing partner Stephen Innes remarked. Higher interest rates can strengthen the greenback against other currencies and ultimately dampen demand for dollar-denominated commodities like oil.

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