

Weekly Market News

26th - 30th August 2024

Integr8 Research's Steve Christy analyses VLSFO prices in key bunker hubs and argues that

VLSFO prices could touch fresh lows next year.

READ
UPDATE



LSMGO premium over VLSFO shrinks in Singapore

The premium of LSMGO over VLSFO in Singapore has shrunk to its **lowest level since January 2022** due to tight VLSFO supply. VLSFO cargoes have been in short supply in Singapore, two sources said. Ex-wharf supply has also tightened as most barge loadings are scheduled for next month. Lead times of up to 10-13 days are now advised by several suppliers.

The margin of delivered VLSFO over FOB VLSFO cargo has averaged \$23/mt this month, up from \$18/mt in July and \$16/mt in June. LSMGO supply is better in the port and its prices have not seen the same rise as VLSFO prices have. As a result, Singapore's LSMGO premium over VLSFO has averaged \$84/mt this month, down from \$118/mt in July and \$125/mt in June.

Bunker One conducts first bunker operation in Sepetiba

Bunker One has completed its first **bunker operation** at the outer anchorage of Sepetiba in Brazil. It has partnered with Acelen, Brazil's largest private refiner, to provide bunkering services in the Sepetiba outer port limit (OPL) area, which is located between the ports of Santos and Rio de Janeiro. The duo will offer VLSFO and LSMGO deliveries to vessels, including general cargo ships, bulk carriers and tankers. This presents a new refuelling option for ships sailing to and from the ports of Santos and Rio de Janeiro, as well as routes in the southeast Atlantic. "Sepetiba OPL's proximity to major ports and its status as the only offshore bunkering option in the area could attract vessels, especially those waiting off Santos for weeks, or those en route to or from Zona Comun needing to top up," a source said. Acelen has set a target to deliver 20,000 mt/month of bunker fuel at Sepetiba.

Methanex conducts methanol bunkering in Trinidad

Canadian methanol producer Methanex bunkered a chemical tanker with **grey methanol** in Point Lisas last week.

The ship-to-ship bunkering of the Waterfront Shipping-operated vessel Seymour Sun was done by Alsia Swan, a tanker operated by Danish shipping company Uni-Tankers.

Trinidad's infrastructure readiness for methanol bunkering underscore the Caribbean nation's potential as a "key player" in maritime decarbonisation and positions Point Lisas at the forefront of future methanol bunkering, Methanex said.

While this operation used grey methanol as bunker fuel, establishing methanol infrastructure in Trinidad can also facilitate supply of **green methanol** there going forward.

UAE, IPTA want CII formula change to address fuel loss

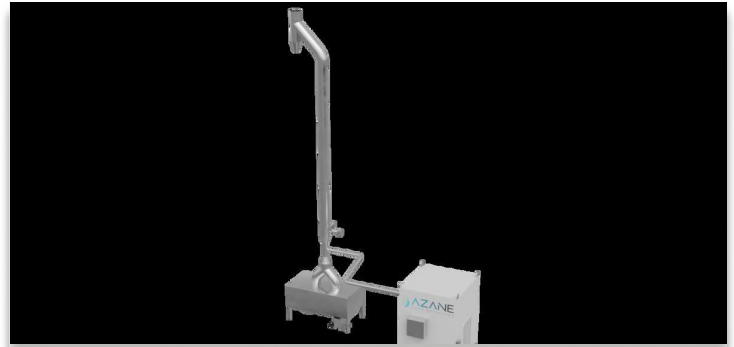
The UAE and the International Parcel Tankers Association (IPTA) have proposed a new formula for **carbon intensity indicator** (CII) that adds an assumed value for equivalent transport work into the calculation. The assumed value for equivalent transport work will adjust for fuel losses due to factors beyond the ship's control by estimating how far the ship could have travelled with that extra fuel under ideal conditions, according to the proposal.

The proposed metric will help to address limitations in the current CII formula, which overlooks fuel used for non-propulsive activities, such as powering onboard systems while docked, the duo argues. Besides, the current formula fails to account for increased fuel consumption due to adverse weather or hull fouling. The IMO's CII metric measures how efficiently a ship transports goods or passengers. The CII is expressed in grams of CO2 emitted per metric tonne of cargo per nautical mile. Ships are rated annually from A to E, with A being the highest.



Uniper wants to supply e-methanol to ships

Swedish e-fuel company Liquid Wind will build a 100,000 mt/year **e-methanol plant** in Östersund for Germany-based energy supplier Uniper. The fuel produced will primarily be supplied to the shipping and chemical sectors, Uniper said. E-methanol is produced using 100% biogenic CO₂ and green hydrogen. Jämtkraft, a Swedish electric utility firm, will provide renewable electricity to power production of e-methanol and green hydrogen at the plant.



Azane receives approval for ammonia safety system

Norwegian ammonia firm Azane Fuel Solutions has obtained an approval from classification society DNV for its ammonia release mitigation system, a safety measure designed to **limit ammonia emissions** on ships. It captures and contains ammonia leaks from fuel supply and engine systems, thereby ensuring that emissions remain below hazardous levels. This follows DNV's previous approval of Azane's floating bunkering terminal in 2022.

Implied US fuel oil demand in August

212,000 b/d

Implied US fuel oil demand in July

291,000 b/d

Implied US fuel oil demand falls to 11-month low

US fuel oil supply, or implied demand, has averaged **27% lower** so far this month than across July, data from the Energy Information Administration (EIA) shows.

Much less fuel oil has been 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 power generation. Supply, or implied demand, has dropped from 291,000 b/d in July to just 212,000 b/d this month. Implied demand has fallen to its **lowest since September 2023**.

US refineries have produced less fuel oil this month. Production has decreased by 3%, averaging 305,000 b/d in August so far, down from 313,000 b/d in July. East Coast refineries have reduced production by 5%, while Gulf Coast refineries have produced 2% less fuel oil.

Total US fuel oil stocks have dropped by 252,000 bbls on the month. On the West Coast, fuel oil stocks have been drawn by 6% to 4.23 million bbls.

Overall, refinery utilisation has averaged 92% so far this month.

Weekly Brent developments

Front-month Brent is on track to **rise by 1%** on the week despite signs of sluggish demand growth from the world's two largest oil consumers: the US and China. Brent has drawn support from supply concerns in Libya and other parts of the Middle East.

Upward pressure:

Several oilfields in Libya have reportedly stopped production amid a dispute over the control of the country's central bank. "Libyan output has more than halved this week amid a political dispute," ANZ Bank's senior commodity strategist Daniel Hynes remarked. "Output is at risk of falling further as more fields close," he added.

Hopes of a ceasefire deal in Gaza subsided after the armed Hezbollah group launched over 150 drones and missiles toward Israel on Sunday.

Downward pressure:

China's crude processing fell in July, while the US unemployment rose. These developments have raised concerns about the economic health of both countries and weighed on oil prices.

The US Energy Information Administration reported a drop of 846,000 bbls in commercial US crude oil stocks, which fell to 425 million bbls on 23 August. This was a smaller-than-expected draw and has bolstered oil demand growth concerns.

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