

Weekly Market News

2nd - 6th September 2024

Integr8 Research's Steve Christy analyses VLSFO prices in key bunkering ports and asks

What's driving VLSFO prices these days?

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UPDATE



Norwegian Cruise Line taps Cepsa for B24 blend

Spanish bunker supplier Cepsa delivered a **B24 biofuel** blend to Norwegian Escape, a cruise ship operated by Norwegian Cruise Line (NCL). The stem was delivered in the Spanish **Port of Barcelona** in July. The B24 blend comprised 24% used cooking oil (UCO)-based biofuel and 76% conventional marine fuel, Cepsa said.

Cepsa also supplied B24 blends to two other NCL cruise ships, and said it will continue to supply biofuel stems to NCL-operated cruise ships "throughout the current cruise season in the European Union." NCL and Cepsa have not specified the exact number of vessels that will receive bio-bunkers during the season.

Indonesia considers raising biofuel tax

Indonesia's government looks to increase its export levy for palm oil waste products, including **palm oil mill effluent (POME)** and palm acid oil (PAO), PRIMA Markets reported.

PRIMA is a biofuel specialist and partner with ENGINE on biofuel bunker price benchmarks. It reported that POME's duty and levy are expected to "go up by \$30/mt and would sit at \$60/mt, at parity with that of crude palm oil (CPO)", adding that this is yet to be confirmed by the Indonesian government. A higher POME feedstock price in combination with Chinese anti-dumping duties would make biofuels more expensive, a European biofuel supplier said. POME is a by-product generated during palm oil production that can be further processed into POMEME by biodiesel refineries. POMEME-based biofuels are popular in Dutch ports as they qualify for advanced biofuel rebates through the Dutch HBE system.

Typhoon Yagi hits bunkering in Hong Kong

Bunkering in **Hong Kong** has been **suspended** since Wednesday evening due to bad weather induced by Typhoon Yagi, a source said. The port is forecast to experience strong gale force winds of up to 45 knots and waves of over four metres on Friday. The typhoon is located about 360 kilometres southeast of Hong Kong and will move west-northwest across the northern part of the South China Sea, according to local weather agency Hong Kong Observatory. Small vessels have been advised to seek typhoon shelters immediately. It is hard to say when bunker operations will fully resume in Hong Kong, the source said. Yagi is expected to make landfall by Friday evening in southwest China, near the northern tip of Hainan. Bunkering in **Shenzhen, Guangzhou, Zhuhai, Zhanjiang** and **Haikou** could be impacted, another said.

Shipping could tilt towards abated LNG and HSFO

Ships will continue to mostly consume a mix of fossil fuels, including **HSFO, LSMGO** and **fossil LNG**, until at least 2028, according to a new forecast by classification society DNV.

Scrubber-fitted ships equipped with carbon capture and storage technology will continue to use HSFO from 2028 through 2050. The same is predicted for dual-fuel ships running on LNG. VLSFO and MGO are likely to remain part of the shipping fuel mix in 2050, DNV says.

But from 2028 onwards, it expects ships to gradually consume less fossil fuels in favour of biofuels and e-fuels. The bunker fuel mix could mainly feature liquid biofuels, bio-methanol, bio-LNG and blue ammonia between 2028 and 2038. If e-fuel availability remains limited, biofuels will continue to be popular alternative fuels towards 2050, while nuclear propulsion could gain prominence from 2040.



ABB and SeaFjord Energy introduce e-bunker vessel concept

Swiss automation company ABB and Swedish cleantech firm SeaFjord Energy have developed an e-bunker vessel concept. It will use electricity for propulsion and feature a large battery pack to **supply electric power** to ships in areas where traditional shore power is less accessible, such as remote fjords and offshore locations. It can be charged with shore power or draw energy from a wind farm. It will deliver up to 50 megawatts of electricity to ships of various sizes.



Hexagon Purus to supply hydrogen fuel system for Greenpeace ship

Norwegian cleantech firm Hexagon Purus Maritime will supply a **compressed hydrogen fuel system** for a newbuild vessel that will be commissioned by non-profit Greenpeace. A compressed hydrogen fuel system stores hydrogen gas under high pressure and uses it to generate electricity to power an engine. The hydrogen fuel system is set to be delivered by 2027 to a ship which will feature hydrogen and methanol power systems.

Fujairah fuel oil stocks in August

8.51m bbls

Fujairah fuel oil stocks in July

9.64m bbls

Fujairah's fuel oil inventories fell by 12% in August

Fujairah's fuel oil inventories averaged **12% lower** in August than in July, Fujairah Oil Industry Zone (FOIZ) and S&P Global data shows.

Some 390,000 b/d of fuel oil was imported to the UAE port in August, an increase of 71,000 b/d from the 319,000 b/d imported in July, according to cargo tracker Vortexa. During the same period, fuel oil exports from Fujairah rose by 32,000 b/d to 289,000 b/d.

Fujairah's biggest fuel oil import source in August was Iraq (36%), followed by Iran (23%) and Russia (18%). Almost half of Fujairah's fuel oil exports were destined for Singapore (45%), with China and Malaysia (14% each) the second biggest destinations.

The port's middle distillate stocks also fell in August, averaging 18% lower than in July.

Availability of all bunker fuel grades has **tightened**, with most suppliers recommending 7-10 days of lead times, up from 5-7 days advised last week. However, some suppliers are still able to accommodate stems with shorter lead times.

Weekly Brent developments

Front-month Brent is on track to **plunge 4% lower** on the week due to demand growth concerns for the US and China. The global oil market is now awaiting fresh cues from OPEC+.

Downward pressure:

Purchasing Managers' Indexes (PMIs) for manufacturing in China and the US came in at 49.1% and 47.2% in August, respectively. These figures fell short of market expectations and prompted concerns about a slowdown in factory activity, analysts said. "Concerns over global economic growth - amplified by disappointing Chinese manufacturing data - are fuelling doubts about future oil demand," SPI Asset Management's Stephen Innes said.

Oil investors are now awaiting clarity from OPEC+ about the group's plans to start unwinding ongoing production cuts. "A key uncertainty for the market is OPEC+ policy," analysts from ING Bank said.

Upward pressure:

Brent's price found some support after the American Petroleum Institute (API) reported a big draw in US crude stocks, easing some demand concerns in the US. Crude oil inventories in the US declined by 7.4 million bbls in the week that ended 30 August, the API reported. The drop in crude stocks was "constructive," two analysts from ING Bank remarked.

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