

Weekly Market News

9th - 13th September 2024

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

VLSFO prices could drop to fresh lows next year

READ
UPDATE



Gas-to-oil switching in Rotterdam

Dual-fuel vessel owners are increasingly **switching from LNG to oil**, some LNG suppliers told ENGINE. One supplier noted a shift away from smaller LNG stems, which carry higher delivery premiums per mt of fuel than larger ones.

VLSFO and LSMGO prices are now more attractive than LNG in Rotterdam, even with estimated EU Allowance (EUA) costs added. HSFO has been the cheapest fuel option in Rotterdam since 7 May. VLSFO became cheaper than LNG on 27 May. LSMGO recently dipped below LNG, too, and according to a supplier gas-to-oil switching has picked up in the port. All of these prices are **VLSFO-equivalents** and therefore comparable with one another.

OCI Global sells methanol business to Methanex

Bio-methanol producer and supplier OCI Global has sold its entire methanol business to Canadian Methanex, the **world's biggest** methanol producer. The deal is worth \$2.05 billion and includes OCI's methanol assets in the US and Europe. Methanex will pick up OCI's plant in Beaumont, Texas, which has capacity to produce 910,000 mt/year of methanol and 340,000 mt/year of ammonia. The acquisition covers OCI HyFuels, which produces and supplies **bio-methanol for bunkering**. Methanex will also take ownership of OCI Global's idle 1 million mt/year methanol facility in Delfzijl, Netherlands. OCI Global's methanol business has "extensive distribution and storage capabilities near major industrial demand centres and key bunkering hubs," it said. Methanex, which also supplies grey methanol for bunkering, delivered an unknown volume of grey methanol to a chemical tanker in the Port of Point Lisas on 21 August.

Western Australian ports could face bunker tightness

A bunker barge operating in the Western Australian ports of **Fremantle** and **Kwinana** will be in dry dock from early September to mid-November, making VLSFO and LSMGO unavailable by barge in these ports during this period, according to a source.

The bunker barge Absolute 1 is the sole operating barge in this region, according to fuel quality data. Although VLSFO will not be available at these ports, LSMGO can be supplied at berth, the source said. The Western Australian port of Kembla will not be affected by the drydocked barge, as bunker deliveries there are handled exclusively by truck and ex-pipe. The ports of Melbourne and Geelong in Victoria have ample supplies of VLSFO and LSMGO, though prompt HSFO deliveries could be difficult.

Bunkering off Algoa Bay: A year of lost opportunity

The South African Revenue Service (SARS) **suspended** bunkering off Algoa Bay in September last year. Ports like Mozambique's Nacala and Maputo, as well as South Africa's Durban and Cape Town, witnessed a **demand surge** as bunker buyers looked for alternative bunkering locations in the region. When the Houthi militia started attacking commercial ships sailing through the Red Sea and Suez Canal in November, shipping companies started **rerouting** vessels around mid-December. Commercial vessels avoided Suez Canal transits and opted instead for the longer route around the Cape of Good Hope. These diversions led to increased demand in other African ports, while Algoa Bay **missed out** on the opportunity because of its offshore bunkering shutdown. In December, South Africa's Maritime Business Chamber (MBC) called SARS' suspension "a significant misstep that hampered South Africa's golden opportunity in the maritime sector".



Auramarine introduces ammonia fuel supply system for ships

Finnish firm Auramarine has launched an **ammonia fuel supply system** for ships. A fuel supply system stores, filters and regulates the flow of fuel from storage tanks to the engine, and should deliver the fuel at the right pressure and temperature for efficient combustion. The system can work with both two-stroke and four-stroke engines. It has safety features such as gas and leak detection, ammonia capture and ammonia release mitigation functions.



India says IMO should redistribute carbon funds to capacity-building

The revenue generated from the IMO's mid-term economic measures should be allocated towards projects that help developing countries build capacity to meet the **IMO's interim GHG emission targets**, India noted in its proposal to the regulator. It suggested that revenue from these measures should be allocated towards projects that promote the use of low- and zero-emission fuels on ships, onboard carbon capture projects and green fuel bunkering.

Implied US fuel oil demand in September

236,000 b/d

Implied US fuel oil demand in August

260,000 b/d

US fuel oil demand falls coming into September

US fuel oil supply, or implied demand, has averaged **9% lower** so far this month than across August, 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. Implied demand has come down from 260,000 b/d across August to 236,000 b/d so far this month. Fuel oil production in the US has increased by a marginal 7,000 b/d to 309,000 b/d this month.

Total US fuel oil stocks have dropped by 765,000 bbls from August to 25.54 million bbls in September. On the East Coast, fuel oil stocks have been drawn by 9% to 4.37 million bbls.

US fuel oil imports have plunged 72% lower to just 24,000 b/d so far this month. Mexico has remained the US' biggest fuel oil import source, accounting for 26% of total imports so far in September, according to data from cargo tracker Vortexa.

Weekly Brent developments

After sliding below \$70/bbl earlier this week, front-month Brent has recovered and is trading **2% higher** than its closing level last week. Brent has been supported by OPEC+'s decision to extend its ongoing output cuts, and Hurricane Francine's shutting in US crude production.

Upward pressure:

OPEC+ members decided to extend ongoing output cut of 2.2 million b/d for two more months.

They were previously set on unwinding production cuts from October.

US crude oil supply disruption fears escalated after Hurricane Francine made landfall in southern Louisiana on Wednesday.

"The storm has prompted oil companies to shut in roughly 25% of Gulf crude output," ANZ Bank's senior commodity strategist Daniel Hynes said.

Downward pressure:

OPEC lowered its global oil demand growth forecast to 2.03 million b/d, with total consumption to reach 104.2 million b/d in 2024.

Sluggish economic growth in the US has concerned the market. Oil market analysts expected 161,000 jobs to have been created in August, while US Bureau of Labor Statistics data only showed 142,000 jobs created.

DISCLAIMER

This article is prepared by, and expresses the opinions of, Integr8 as of the date of writing (the "Materials"). Integr8 may (but does not have to) update or revise the Materials, without notice. The Materials are intended as general information, not to be relied upon or read as business, investment, legal, tax or other advice. The Materials are not addressed to, and do not contemplate, the individual circumstances of any person. Integr8 makes no representation as to the Materials' accuracy, completeness, authenticity or source. Each person must independently evaluate the Materials. Save for this disclaimer, the Materials are not intended to create legal relations, and are not an offer or invitation from Integr8, its affiliate or any other person. In preparing the Materials, Integr8 has acted on its own behalf and not as an agent or representative. To the fullest extent permitted by applicable law, Integr8 shall have no liability in contract, tort (including negligence) or otherwise for any loss or cost whatsoever, whether direct, indirect, incidental, special, punitive or consequential, in any way connected to the Materials. The Materials may not be used, copied, reproduced, disseminated, quoted or referred to in any publication or other document (with or without attribution) without the prior written consent of Integr8.