argus consulting services
argusmedia.com

Issue 25-7
Wednesday
23 July 2025

Argus Marine Fuels Outlook

Global conventional and alternative marine fuels

Overview

The introduction of Emissions Control Area (ECA) sulphur regulations in the Mediterranean has boosted MGO crack spreads in Europe. And these spreads are poised to stay elevated as product supply is forecast to be tight. With less lower-sulphur diesel available, refineries are likely to prioritise road fuel production over MGO. The introduction of the ECA should be a key driver for European MGO demand in 2026. Demand for MGO in Europe is expected to rise by 28pc this year. HSFO bunker demand will continue to climb, further limiting demand for VLSFO.

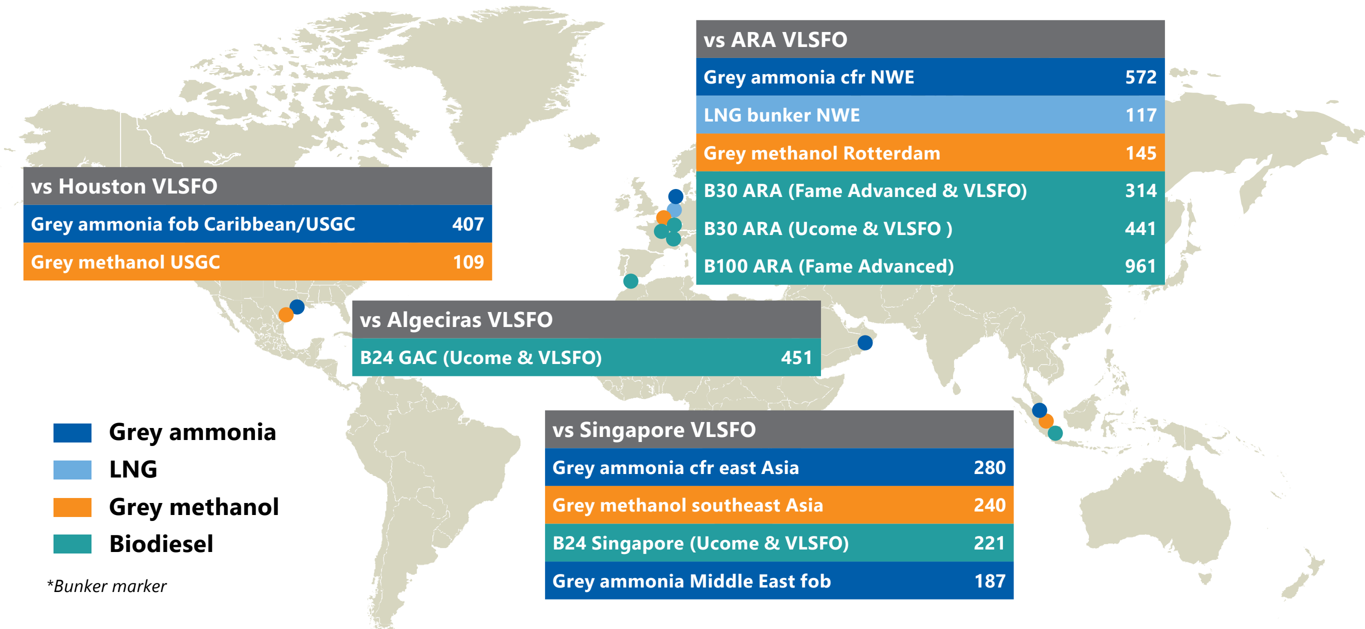
In Singapore, the scrubber spread widened in July to its highest level since November 2024 as the HSFO market softened with oversupply. The weak HSFO market has been underpinned by the supply glut in Singapore — a result of heavy buying in June. The Israel-Iran ceasefire has now assuaged concerns over lower HSFO exports from the Middle East — a factor that had previously supported HSFO prices. The downtrend in HSFO delivered prices is likely to continue, but prices could find some support if demand re-emerges from China's Shandong refiners.

In the bio-bunker market, prices for B24 Ucome bio-blends in Singapore fell in July, as a weakening VLSFO market continues to exert pressure, despite rising biodiesel values. This downwards trend could persist, with VLSFO prices expected to soften further.

Key bunker prices, dob

	May 25	Jun 25	Jul 25mtd	Aug 25f	Sep 25f
3.5%S fuel oil (HSFO) 380cst					*$/t*
Rotterdam	415	437	432	411	393
Singapore	427	443	443	404	394
Houston	381	406	416	406	391
Fujairah	408	428	399	385	378
0.1%S (MGO)					*$/t*
Rotterdam	598	657	696	724	709
Singapore	592	647	647	689	701
Houston	674	721	744	772	764
Fujairah	693	720	724	742	754
0.5%S (VLSFO)					*$/t*
Rotterdam	455	485	500	488	475
Singapore	500	520	520	500	490
Houston	444	480	486	477	463
Fujairah	493	522	511	499	487
Marine biofuel					*$/t*
B30 ARA (Fame Advanced & VLSFO)	666	705	728	715	703
B30 ARA (Ucome & VLSFO)	790	816	805	816	804
B100 ARA (Fame Advanced)	1068	1127	1170	1154	1144
B24 Singapore (Ucome & VLSFO)	709	713	700	678	669
B24 Algeciras-Gibraltar (Ucome & VLSFO)	773	770	758	771	759
Grey methanol					*$/t VLSFOe*
Methanol Rotterdam	592	662	612	634	622
Methanol southeast Asia	769	746	731	740	732
Methanol US Gulf coast	638	582	594	586	581
LNG					*$/t VLSFOe*
LNG NWE bunker	563	604	571	605	622
Bunker marker					
Grey ammonia					*$/t VLSFOe*
Ammonia cfr NWE	984	993	1053	1060	1071
Ammonia cfr east Asia	765	774	769	780	825
Ammonia fob Caribbean	870	825	865	884	907
Ammonia fob Middle East	653	659	675	687	709

Alternative marine fuel vs VLSFO next month forecast *$/t VLSFO-equivalent*



vs Houston VLSFO	
Grey ammonia fob Caribbean/USGC	407
Grey methanol USGC	109

vs ARA VLSFO	
Grey ammonia cfr NWE	572
LNG bunker NWE	117
Grey methanol Rotterdam	145
B30 ARA (Fame Advanced & VLSFO)	314
B30 ARA (Ucome & VLSFO)	441
B100 ARA (Fame Advanced)	961

vs Algeciras VLSFO	
B24 GAC (Ucome & VLSFO)	451

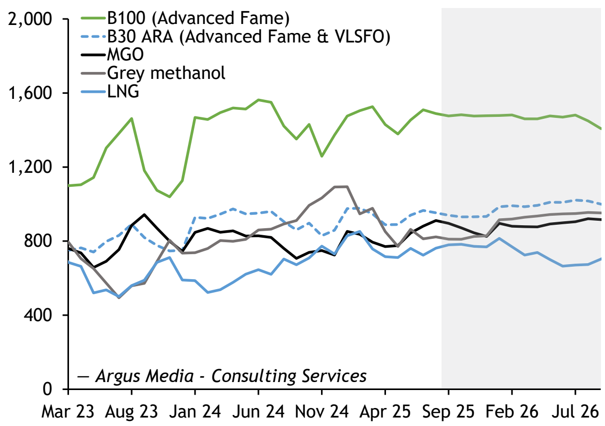
vs Singapore VLSFO	
Grey ammonia cfr east Asia	280
Grey methanol southeast Asia	240
B24 Singapore (Ucome & VLSFO)	221
Grey ammonia Middle East fob	187

EUROPE

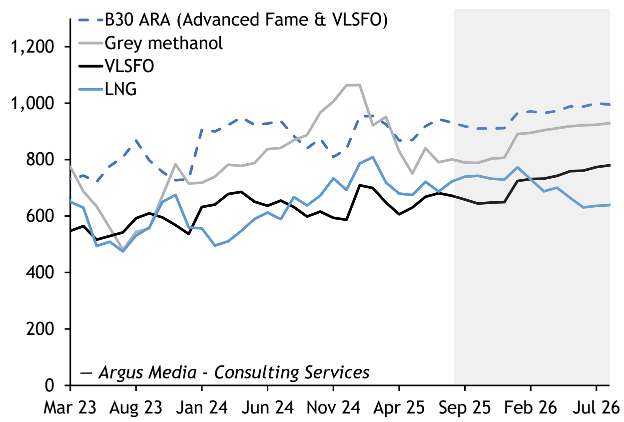
European bunker forecast											$/t
	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	4Q25	1Q26	2Q26	3Q26
Crude price forecast											
North Sea Dated	483	537	535	527	512	505	497	497	497	525	536
Conventional											
Fob NWE											
3.5%S HSFO 380cst	405	431	425	404	386	373	366	367	361	393	407
0.1%S MGO	597	663	692	708	701	668	644	645	597	597	614
0.5%S VLSFO	447	482	490	479	465	449	452	451	443	461	476
Dob											
3.5%S HSFO 380cst Rotterdam	415	437	432	411	393	379	373	374	368	401	420
0.1%S MGO ARA	598	657	696	724	709	682	656	657	604	601	619
0.1% fuel oil Rotterdam	585	638	618	646	631	604	578	579	526	523	541
0.5%S VLSFO ARA	455	485	500	488	475	458	462	460	453	470	486
3.5%S HSFO 380cst Algeciras	458	480	467	451	430	420	421	419	422	452	460
0.1% MGO Algeciras	682	737	758	774	763	739	715	715	662	648	660
0.5%S VLSFO Algeciras	512	531	531	517	502	488	497	494	484	497	507
Alternative											
Dob											
B30 ARA (Fame Advanced & VLSFO)	666	705	728	715	703	693	694	693	687	698	704
B30 ARA (Ucome & VLSFO)	790	816	805	816	804	794	797	795	785	800	814
B100 ARA (Fame Advanced)	1068	1127	1170	1154	1144	1149	1144	1146	1142	1138	1121
B24 Algeciras-Gibraltar (Ucome & VLSFO)	773	770	758	771	759	747	750	749	739	754	769
$/t VLSFOe											
B30 ARA (Fame Advanced & VLSFO)	747	790	816	803	789	780	780	780	773	784	788
B30 ARA (Ucome & VLSFO)	884	919	940	929	917	906	909	907	897	912	927
B100 ARA (Fame Advanced)	1342	1415	1469	1449	1437	1443	1436	1439	1434	1430	1408
B24 Algeciras-Gibraltar (Ucome & VLSFO)	813	835	830	969	953	938	942	940	929	947	966
Grey methanol Rotterdam	592	662	612	634	622	620	634	630	646	659	663
LNG bunker NWE	563	604	571	605	622	623	613	615	553	484	462
$/t MGOe											
B30 ARA (Fame Advanced & VLSFO)	768	812	839	825	811	801	801	801	794	806	810
B30 ARA (Ucome & VLSFO)	909	945	966	955	942	931	934	932	921	937	952
B100 ARA (Fame Advanced)	1378	1454	1509	1489	1476	1483	1476	1478	1474	1469	1446
B24 Algeciras-Gibraltar (Ucome & VLSFO)	835	875	875	995	979	964	968	966	954	973	992
Grey methanol Rotterdam	608	694	645	651	639	636	652	647	663	677	681
LNG NWE bunker	594	637	602	638	656	657	647	649	583	510	487
European bunker marker											
Grey ammonia cfr NWE $/t VLSFOe	984	993	1053	1060	1071	1082	1127	1112	1071	1034	1101
Grey ammonia cfr NWE $/t MGOe	1011	1020	1082	1089	1101	1112	1158	1143	1101	1062	1131

European bunker forecast with EU ETS CO2 added combustion cost	May 25	Jun 25	Jul 25	Aug 25	Sep 25	4Q25	1Q26	2Q26	3Q26
Conventional including CO^2 cost									
0.1%S MGO ARA	776	844	881	911	896	847	885	890	914
0.5% fuel oil Rotterdam	630	668	681	672	659	647	729	754	776
Alternative including CO^2 cost									
B30 ARA (Fame Advanced & VLSFO)	789	833	855	844	831	824	880	897	906
B30 ARA (Ucome & VLSFO)	913	945	932	945	933	926	979	998	1017
B24 Algeciras-Gibraltar (Ucome & VLSFO)	906	910	896	911	899	890	949	970	989
$/t VLSFOe									
B30 ARA (Fame Advanced & VLSFO)	869	918	943	931	918	911	967	983	991
B30 ARA (Ucome & VLSFO)	1007	1048	1067	1058	1045	1038	1090	1110	1130
B24 Algeciras-Gibraltar (Ucome & VLSFO)	946	975	968	1108	1093	1082	1139	1163	1186
Grey methanol Rotterdam	751	840	791	801	789	800	897	917	927
LNG bunker NWE	675	722	687	722	740	735	730	665	647
$/t MGOe									
B30 ARA (Fame Advanced & VLSFO)	890	940	966	953	940	932	988	1004	1013
B30 ARA (Ucome & VLSFO)	920	962	982	1083	1071	1063	1115	1135	1155
B24 Algeciras-Gibraltar (Ucome & VLSFO)	968	1015	1013	1135	1119	1108	1164	1189	1212
Grey methanol Rotterdam	771	863	812	823	811	821	921	942	952
LNG NWE bunker	711	761	724	762	780	775	770	701	682

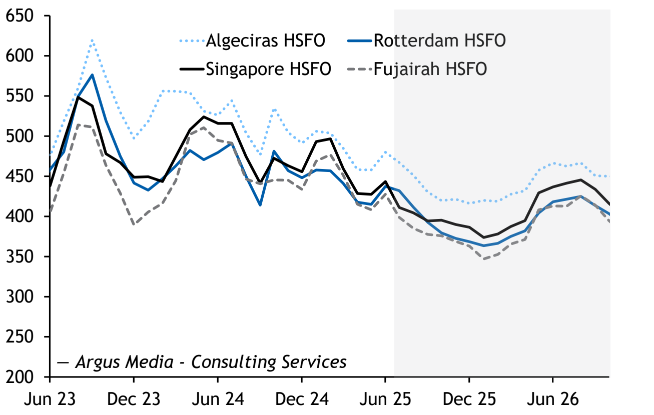
European bunker forecast with EU ETS CO2 added combustion cost *$/t MGOe*



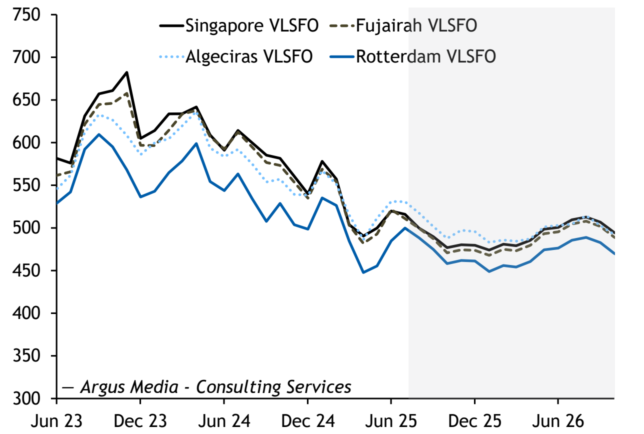
European bunker forecast with EU ETS CO2 added combustion cost *$/t VLSFOe*



HSFO price forecast, dob *$/t*



VLSFO price forecast, dob *$/t*



Prices

Conventional fuels

MGO cracks to stay elevated

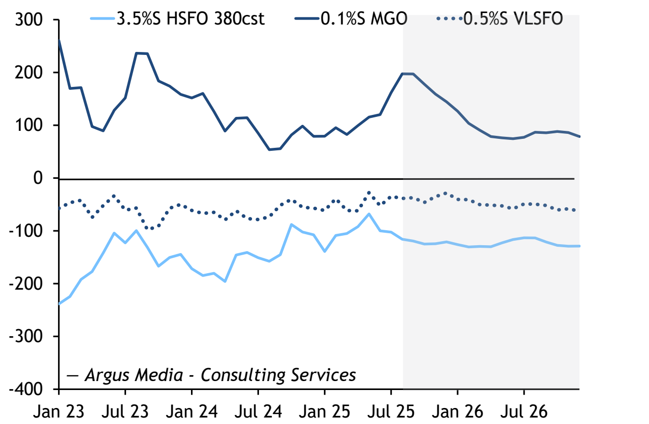
MGO cracks spreads in Europe strengthened in July on firm demand in the Mediterranean and limited supply. The introduction of new sulphur regulations in the Mediterranean has significantly boosted demand for MGO. The region was designated an Emissions Control Area (ECA) on 1 May, with the sulphur cap for marine fuels falling from 0.5pc to 0.1pc. But supply has struggled to keep up with demand, pushing MGO crack spreads higher. MGO dob Algeciras prices have averaged a $223/t premium to North Sea Dated in July — the highest since February 2024.

MGO supplies in the Mediterranean from European refineries have been limited, resulting in a rising differential between heating oil in northwest Europe and the Mediterranean. Fob western Mediterranean heating oil prices have averaged a $24/t premium to fob Rotterdam values in July, up from $15/t in June.

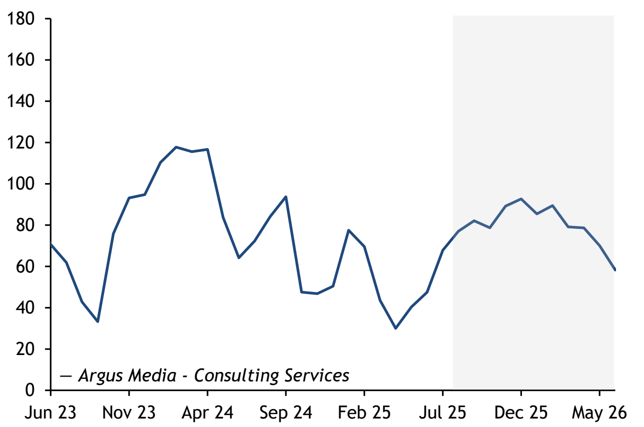
MGO cracks in Europe are likely to stay elevated. With lower-sulphur diesel supply tightening, refineries are likely to prioritise road fuel production over MGO, despite the shortages of MGO in the Mediterranean. European distillate markets are robust, driven by increasingly constrained regional supply. Independently held diesel and gasoil inventories dropped at the end of June to their lowest since January 2024. Although there has been a modest rebound since, stocks remain low. Diesel and gasoil imports into the EU and UK fell sharply in June, largely because of a significant drop in shipments from the Mideast Gulf. European distillate supply could tighten further following Prax's entry into insolvency arrangements in late June, leaving the future of the UK's 107,500 b/d Lindsey refinery in doubt.

Reduced higher-sulphur distillate production across Europe is also expected to lend support to MGO prices. ExxonMobil plans to shortly start up units at its Fawley refinery, potentially boosting low-sulphur diesel output by 40pc at the expense of higher-sulphur distillates. This shift could reduce MGO exports to the Mediterranean, where Fawley has been a key supplier.

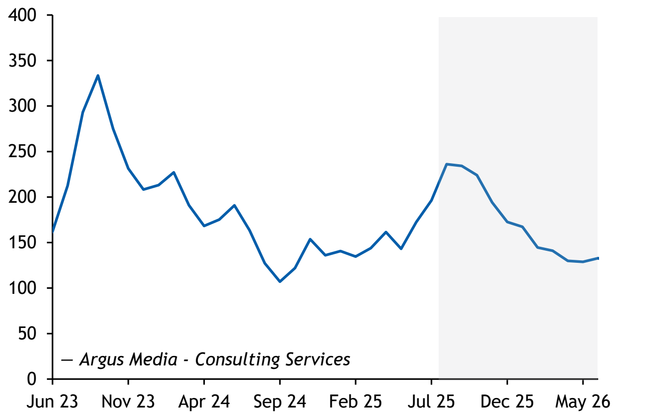
NWE bunker cracks vs NSD *$/t*



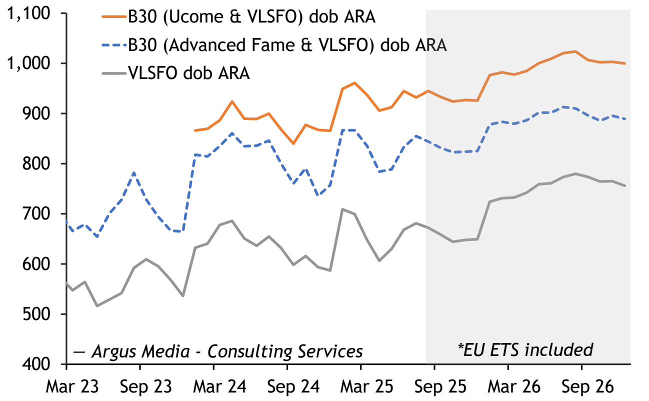
NWE VLSFO-HSFO spread *$/t*



NWE MGO-VLSFO spread $/t



NWE marine biofuels vs conventional fuels $/t



Delivered HSFO cracks are set to weaken

Delivered HSFO crack spreads edged down in July to a $103/t discount to North Sea Dated. Cracks are likely to keep falling, and at an accelerated pace towards the end of summer. Europe has been well supplied with HSFO this month. Saudi Arabia emerged as the leading supplier of fuel oil in July, ahead of Mexico and the US.

The apparent end of Israel-Iran hostilities has eased concern about disruption to regional natural gas supplies. These worries had driven expectations of an increased reliance on HSFO for power generation, leading to reduced HSFO exports and a spike in prices during June.

With Israeli gas exports resuming, Egypt's state-owned EGPC has reportedly scaled back planned fuel oil imports for August. And Egypt has been increasingly turning to LNG to manage potential demand surges and extreme heat events. The country received its third floating storage and regasification unit (FSRU) in July, and a fourth FSRU is scheduled for installation at Damietta next month.

Alternative fuels

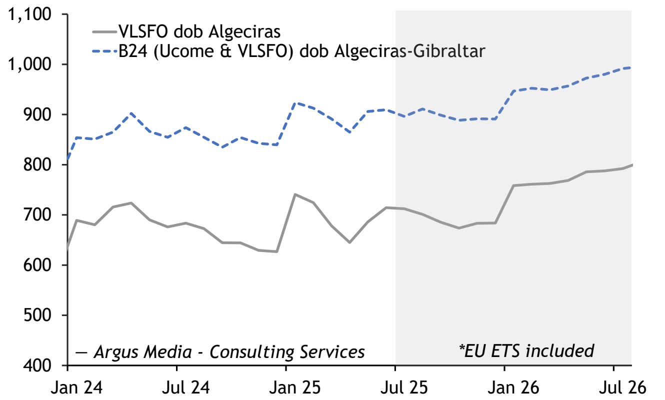
Biofuels

Ucome-based bunker biofuel prices continue to slide

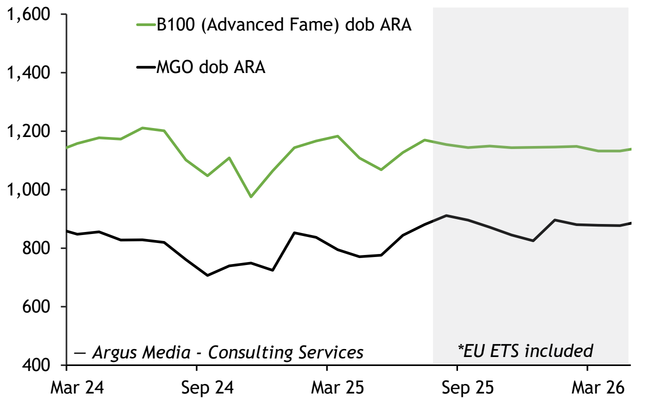
Used cooking oil methyl ester (Ucome)-based bunker biofuel values in Europe stayed on a downward trend in the first half of July. B30 VLSFO dob ARA prices have slipped to $805/t in July, down by $11/t on the month. Prices are expected to rise slightly in August and then drop back in the fourth quarter, pressured by losses in the conventional VLSFO market.

Biodiesel prices fluctuated across June. Ucome fob ARA prices rose by $38/t on the month to $1,433/t. A rally in the first half of June was driven by diesel prices rising on supply disruption in the Middle East and refinery outages in the US. Prices then fell, but outright values and premiums were up on May. Strengthening premiums were partly down to support from feedstock values, but also a market reaction to the German RED III transposition draft. Ucome fob ARA prices continued to trend upwards in July, rising to $1,461/t. Prices are expected to remain at this level in the near term.

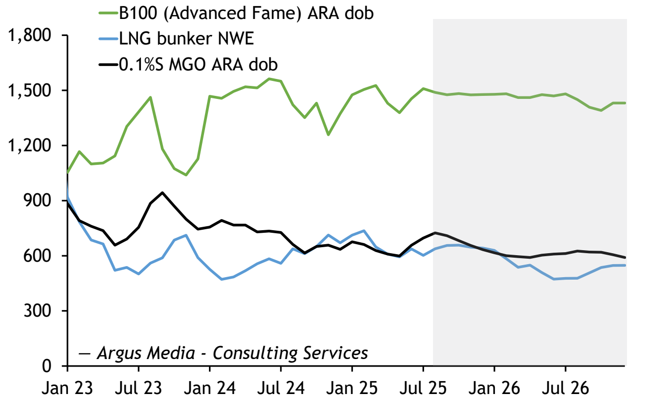
Med marine biofuels vs VLSFO $/t



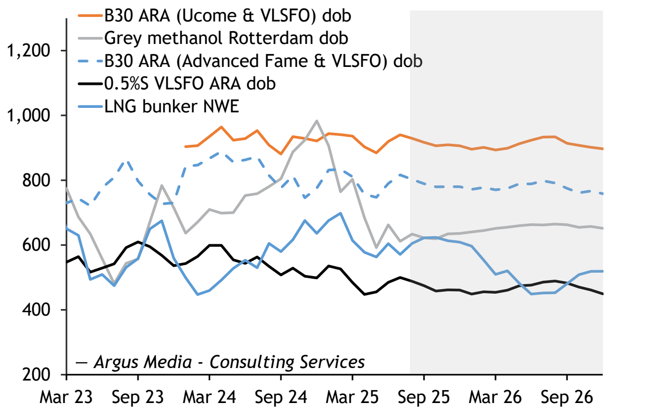
NWE B100 vs MGO $/t



NWE LNG, B100 vs MGO *$/t MGOe*



Alternative marine fuels vs VLSFO *$/t VLSFOe*



Advanced Fame marine bioblends prices firmed

B30 Advanced Fame 0 dob ARA prices — which include a deduction of the value of Dutch HBE-G renewable fuel tickets — have risen to $728/t in July from $705/t in June. Prices might soon fall, pressured by underlying fuel oil values. But Advanced fame prices will probably stay supported.

The spread between Advanced Fame 0 and Ucome widened in July to $130/t from $97/t in June. This followed publication of Germany's RED III draft, which proposes ending double-counting from 2026. This spurred demand for advanced biodiesel as obligated parties sought to overcomply while double-counting is in effect. Although overcompliance will not carry into 2026, it could count toward 2027 targets. Advanced Fame 0 is expected to retain its premium to Ucome, supported by German policy changes and broader RED III-driven demand for advanced biofuels.

LNG

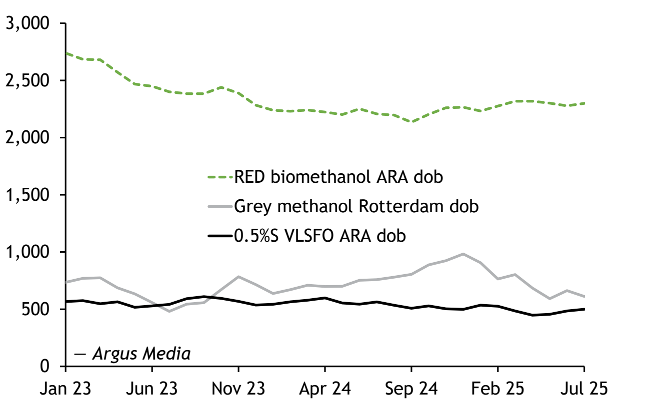
LNG discount to MGO could narrow

Northwest Europe LNG dob prices fell to $14.88/mn Btu from $15.75/mn Btu, reflecting losses at the TTF with the ceasefire between Israel and Iran. TTF prices are likely to rise slightly in August and keep rising until the start of the fourth quarter, which will support LNG bunker values.

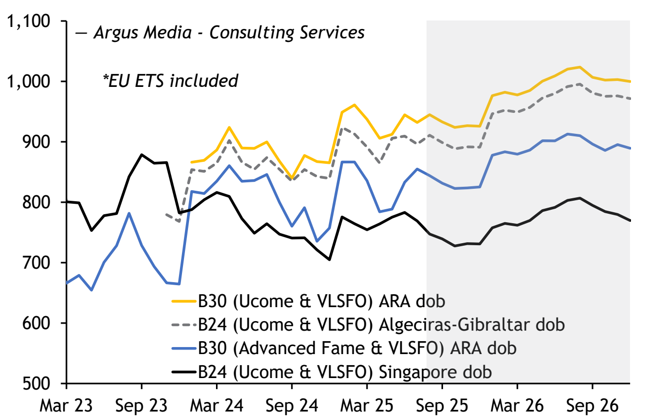
LNG delivered prices, including EU ETS compliance costs, have fallen by $37/t MGOe to $724/t MGOe in July. The gap between LNG bunker fuel and delivered MGO — its primary bunkering competitor — has widened to $125/t MGOe from $83/t MGOe. This discount is expected to hold steady through August, but may begin to narrow from September, driven by anticipated declines in MGO prices.

Interest in bio-LNG has grown this year, following the launch of FuelEU Maritime, which mandates a 2pc GHG emissions cut, rising to 80pc by 2050. Efforts to meet these regulations are driving interest in subsidised bio-LNG, given that it is compliant with FuelEU and costs less than unsubsidised bio-LNG. But unsubsidised bio-LNG — especially when backed by manure-based renewable gas guarantees of origin — offers greater carbon savings, despite its higher cost. Given that regulatory uncertainty, particularly around forthcoming

Biomethanol, grey methanol vs VLSFO *$/t VLSFOe*



Marine biofuels Europe vs Singapore *$/t*



IMO rules, some firms are building flexibility in to contracts, allowing them to switch between subsidised and unsubsidised bio-LNG.

Regulation

Netherlands publishes updated RED III draft

On 20 June, the Dutch government released an updated draft law to implement the EU's Renewable Energy Directive (RED III). This introduces a greenhouse gas (GHG) reduction mandate for inland shipping, maritime shipping and road transport, but notably excludes aviation, which had been included in an earlier draft.

Under the new rules, obligated parties must meet their emission reduction targets by surrendering a sufficient number of emission reduction units (EREs) for each sector. The system allows some flexibility — EREs generated in the land transport sector can be used to partially meet obligations for inland and maritime shipping. But EREs from shipping cannot be used to meet land sector requirements.

The share of biofuels from Annex IX Part B — such as used cooking oil (UCO) and animal fats (categories 1 and 2) — will be limited to 4.29pc in the land sector and 11.07pc in inland shipping. These fuels cannot be used to generate EREs in maritime shipping.

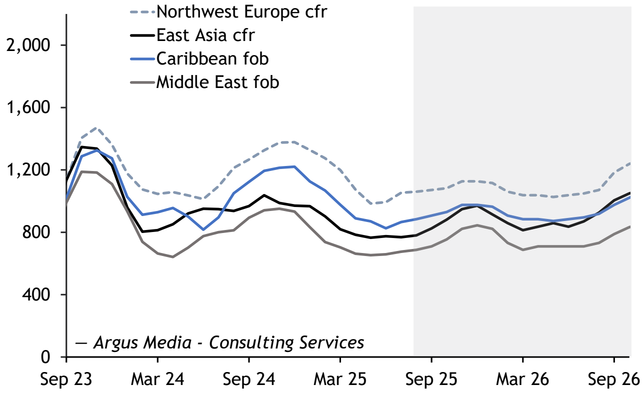
The draft also sets minimum emission reduction shares that must come from Annex IX Part A biofuels and renewable fuels of non-biological origin (RFNBOs) across all sectors. The share of crop-based biofuels in the land sector will be capped at 1.4pc of total energy content through 2030. These fuels cannot count toward targets in maritime, inland shipping or aviation.

Companies can carry forward excess EREs to the next year — up to 10pc for obligated parties and 4pc for registered entities. Existing Dutch renewable fuel tickets (HBEs) will be converted into EREs on 1 April 2026.

Belgium drafts legislation to implement RED III

Belgium has introduced draft legislation to transpose the EU's recast RED III. Mandates are set by transport sector and based on total fuel supplied — including renewable fuels, not just fossil fuels. International maritime operators must blend 7.2pc in 2026 and 16.4pc in 2030. Inland shipping starts at 6pc in 2026, rising to 29pc by 2030.

Grey ammonia bunker marker *$/t VLSFOe*



The proposed regulation splits fuels into seven groups, each linked to a system of renewable fuel certificates. Category A includes biofuels that comply with European or Belgian standards, while Category B covers biofuels that lack a formal specification but are authorised for use in Belgium. Category C consists of biofuels derived from waste-based feedstocks listed in Annex III of the Royal Decree dated 14 December 2023, which aligns with RED Annex IX but excludes cover crops. Category D refers to renewable fuels of non-biological origin (RFNBOs) used directly in transport, while a separate category, DPI, applies to RFNBOs used as intermediates in the production of transport fuels. Category E includes recycled carbon fuels, and Category F covers renewable electricity supplied to the transport sector.

Advanced biofuels are subject to sub-mandates of 2.5pc in 2026 and 8.5pc in 2030 for both road and maritime transport. These include specific targets for RFNBOs — 4pc for road transport and 1.2pc for maritime. Inland shipping is exempt from these sub-mandates. A 2pc cap on recycled carbon fuels applies across all three sectors starting in 2026.

Biofuels produced from feedstocks listed in Part B of Annex III — such as used cooking oil and tallow (categories 1 and 2) — are capped at 2pc for road transport. These fuels are not allowed in international maritime transport, but the cap for inland shipping will increase from 3pc in 2026 to 11pc in 2030. Unclassified biofuels — those not derived from food or feed crops and not listed in Annex III — are limited to 1pc in each transport sector.

Non-compliance will result in fines of €1,400 for every 34 GJ shortfall, increasing to €2,800 for deficits involving advanced biofuels or RFNBOs. Certificates can be carried over to meet up to 10pc of the following year's obligation, but cannot be rolled forward again. The deadline for compliance is 30 April of the subsequent year.

Demand

Red Sea diversions still supporting demand

We now assume diversions around the Cape of Good Hope will continue through our forecast period, and not end in 2026. Two vessels were attacked near the Bab el-Mandeb strait at the start of July, and the conflict in Gaza rumbles on. Even during an extended period of no attacks — this month's were the first of 2025 — vessels continues to divert. Monthly transits through Bab el-Mandeb in the first half of 2025 were down on January-June 2024, when over 50 attacks were reported. Transits averaged 910 a month in the first six months of this year, down from 1,015 in the same period of 2024 and 2,222 in the same period of 2023. We now see stronger global bunker demand in 2026 and 2027 than previously anticipated. We still expect conventional bunker demand to fall in 2026, but by just 0.4pc to 268.7mn t, reflecting increasing demand for alternative fuels. In 2027, demand falls by 0.7pc to 267.7mn t as demand for alternative fuels continues to grow. Regulations such as FuelEU Maritime and IMO targets, focused on reducing GHGs and carbon intensity, is encouraging greater uptake of alternative fuels every year.

Med ECA supports MGO demand in Europe

With the introduction of the Mediterranean ECA at the beginning of May there has been an increase in demand for MGO and ULSFO, both of which meet the zone's new 0.1pc sulphur limit. Meanwhile there has been a drop in demand for VLSFO, which does not meet the new regulations. The volume of MGO in deals reported to Argus at 10 Mediterranean ports in June was up 152pc on the year, while the volume of VLSFO deals was down by 39pc. Prior to April 2025, no ULSFO deals were reported at any of these ports, but ULSFO deals were reported at Istanbul in April, May and June, although for much smaller volumes than VLSFO or MGO. Tighter supply is probably limiting ULSFO demand.

The introduction of the ECA is a key driver for European MGO demand in 2026. We expect demand for MGO to rise by 28pc to 22.6mn t this year, then to 25.2mn t in 2026. VLSFO demand should drop by 16pc to 23.5mn t in 2025 and then to 20.6mn t in 2026.

HSFO demand will continue its steady climb, further limiting demand for VLSFO. But with the expansion of the scrubber-fitted fleet slowing, we also see HSFO demand growth slowing in the coming years. We expect HSFO demand to rise by 12pc to 9.6mn t in 2025, but only by 3pc to 9.8mn t in 2026.

MGO sales in Rotterdam rise

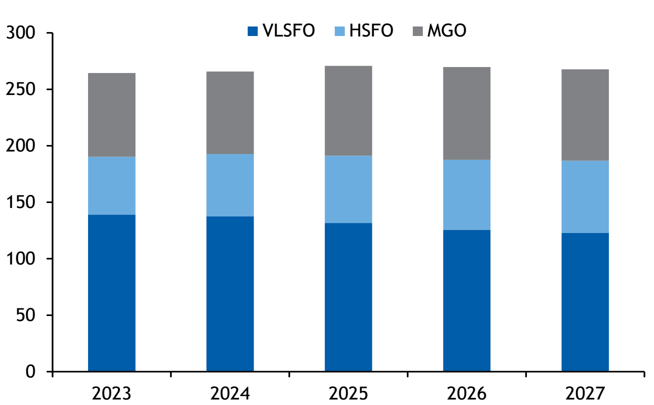
Bunker sales at the Port of Rotterdam in the second quarter rose by 1pc on the year to 2.41mn t, according to port data.

Rotterdam's relative proximity to the Mediterranean means it saw an uptick in demand for MGO and ULSFO in April-June, following the introduction of the Mediterranean ECA. MGO demand in the first quarter reached 340,000t, up by 28pc on the year and the highest for any quarter since January-March 2020. ULSFO sales also hit a multi-year high in the first quarter — at 226,000t, the highest since April-June 2021.

Sales of VLSFO had all already been down on the year every quarter since the second half of 2023, reflecting rising demand for HSFO from scrubber-fitted vessels. But the Mediterranean ECA is further limiting demand for VLSFO. In April-June 2025, demand for VLSFO fell by 17pc on the year to 747,700t — the lowest for any quarter on record. Demand for HSFO was firm, rising 11pc on the year to 953,200t.

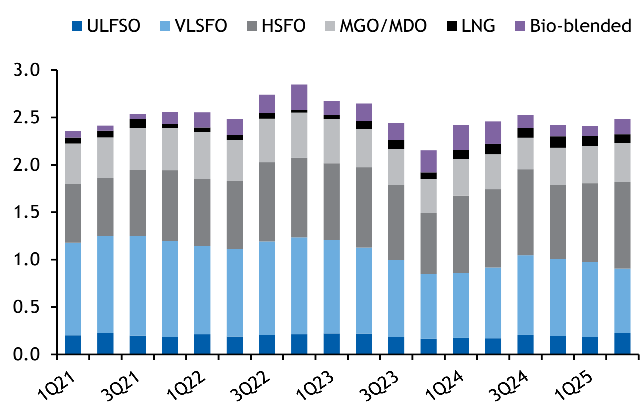
Despite FuelEU maritime taking force in 2025, bio-blended fuel demand fell by 30pc in the second quarter to 165,200t. But this was up on the preceding three quarters, reflecting a shift in demand to east of Suez, where prices have been

Global conventional bunker demand forecast *mn t*



— *IEA, Argus Media Consulting Services*

Rotterdam bunker sales *mn t*



— *Port of Rotterdam*

Europe bunker fuel demand					*mn t*
	2023	**2024**	**2025**	**2026**	**2027**
VLSFO	29.3	28.1	23.5	20.6	19.9
HSFO	8.1	8.5	9.6	9.8	10.6
MGO	18.1	17.7	22.6	25.2	24.7
Total	**55.4**	**54.3**	**55.7**	**55.7**	**55.2**

more competitive, along with a drop in voluntary demand. Bio-LNG sales hit a quarterly high, but volumes were just 2,200t. Fossil LNG sales were at 93,100t, down 16pc on the year, probably reflecting the fact that LNG costs less in Asia.

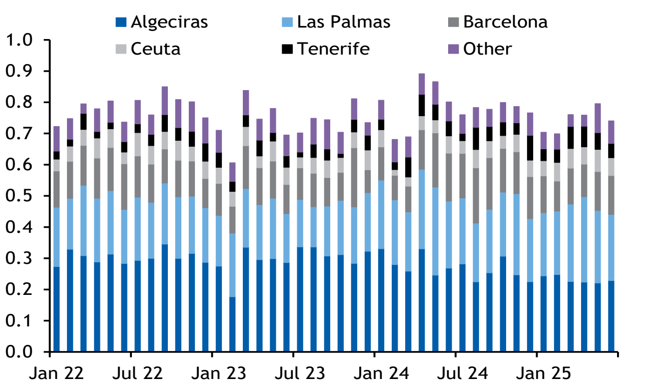
Spain demand falls in June

Demand in Spain fell by 8pc on the year to 740,500t in June, according to the transport ministry. Demand at each of the three biggest bunkering ports — Algeciras, Las Palmas and Barcelona — fell. In Algeciras, demand dropped by 15pc to 226,400t. Las Palmas demand fell by 1pc to 212,400t, but sales there are still being supported by the diversions away from the Red Sea. Demand was up by 36pc on June 2023, before the diversions started. Las Palmas is in the Canary Islands, which are on the longer route around the Cape of Good Hope. Demand at Tenerife, also in the Canary Islands, has also been supported by the diversions. June demand in Tenerife was at 45,500t, down by 4pc on the year, but up by 24pc on June 2023. In Barcelona, demand was down by 19pc on the year, at 124,500t.

Netherlands demand continues to fall

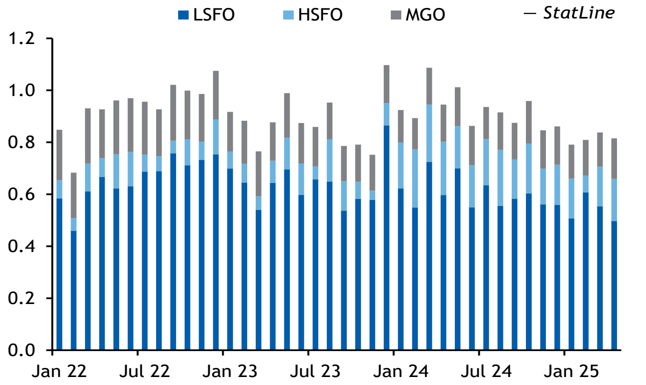
Demand for conventional bunker fuels in the Netherlands fell on the year for the fifth month in a row in April — by 14pc to 815,000t, according to Statline. Only MGO demand rose — by 9pc to 156,000t, a six-month high. LSFO demand fell by 17pc on the year to 497,000t, a more than three-year low. HSFO demand fell by 21pc to 162,000t.

Spain marine fuel sales *mn t*



— Ministerio de Trasnportes y Movilidad Sostenible

Netherlands bunker demand *mn t*



— StatLine

Supply

ARA stocks rebound, but still below seasonal norm

Independently held fuel oil stocks in the ARA region rose during the first two weeks of July and had reached 6.6mn bl by 17 July, up from 6.2mn bl at the beginning of this month, but still nearly 1.5mn bl lower than the five-year average. Fuel oil stocks have remained towards the lower end of the range since February, because of reduced European supply following refinery closures and upgrades.

The ARA region typically receives over 70pc of the fuel oil shipped by European refiners, with particularly strong receipts from the UK and Poland. UK fuel oil exports to the region hit 2.66mn t in 2024, while Poland sent 1.33mn t, most of which was HSFO. But flows from these two countries have slowed this year. The UK exported a little over 1mn t to ARA in the first half of 2025, and Poland's deliveries fell from 175,000t in January to less than 50,000t in May, before rebounding to 80,000t in June, according to Vortexa data.

Over half the UK's 2024 fuel oil exports to ARA came from Scotland's 150,000 b/d Grangemouth refinery, which scaled down operations in the first quarter and eventually halted crude processing in April. And the 105,700 b/d Lindsey refinery in northeast England, another regular VLSFO supplier to ARA, is set to close after owner Prax entered insolvency arrangements last month. Lindsey has not received any crude since 24 June. Prax typically sends around 20,000 t/month of VLSFO to ARA, Kpler data show.

Poland, meanwhile, saw the launch of a new visbreaker at the 373,000 b/d Plock refinery in May, which should boost the yield of diesel and gasoline at the expense of fuel oil. The decline in the country's HSFO exports since January probably reflects preparations for the new unit's launch.

As domestically produced supply in Europe is still tight, buyers are turning their attention further afield. The stock recovery in July is mainly down to higher receipts of fuel oil from west Africa and Mexico — these hit a combined 270,000t on 1-22 July, according to preliminary Vortexa data.

MGO tightness to persist

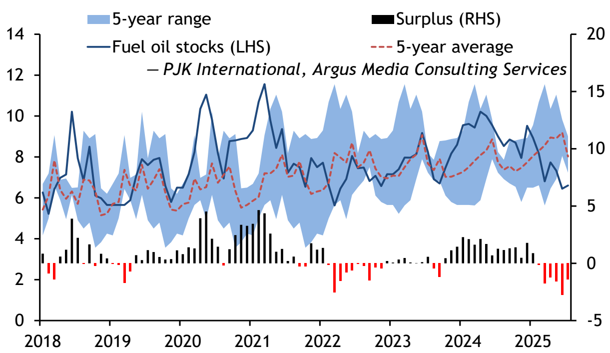
MGO looks set to be tight in the short-term as demand continues to remain supported by the implementation of the new ECA rules in the Mediterranean whilst supplies in the European market are pressured by a series of refinery closures. Reduced supplies have been reflected in low stock levels.

Latest IEA data suggest middle distillates stocks trended even lower in April to 467mn bl, down by 10mn bl on May, and 24mn bl lower on the year. ARA stocks of diesel and other gasoils were at their lowest since January 2024 by 17 July, at 13.1mn bl. But macroeconomic readings are looking more supportive for the demand side, with the latest HCOB eurozone manufacturing PMI rising to a 34-month high of 49.5 in June, up from 49.4 in May. Diesel and other gasoil demand could find support from further improvements in economic conditions in major European economies, which will probably exacerbate the MGO tightness in the Mediterranean.

European diesel imports are largely unchanged from June at less than 1.4mn b/d in July, according to preliminary Vortexa data. Low stocks in the US had limited transatlantic flows and weak arbitrage economics pressured Indian exports to Europe. But the recent surge in European prices has probably improved arbitrage economics and could draw more cargoes from Asia to the west. The renewed attacks on vessels mean Red Sea diversions are likely to remain the norm for now, bringing longer voyages and higher freight costs.

Mediterranean imports have been strong since May, and Saudi volumes that do not need to transit the Bab el-Mandeb strait are flowing largely undisrupted. At the same time, diesel and other gasoils are also being pulled from northwest Europe to the Mediterranean, contributing to a larger premium for heating oil in the region than in northwest Europe.

ARA fuel oil stocks *mn bl*



LNG bunkering expands beyond Spain and Marseille

LNG bunkering has extended to Italy's Offshore LNG Toscana (OLT) terminal and Portugal's Sines, growing beyond its previous limits in Spain and Marseille. The 3.9mn t/yr OLT launched LNG bunkering after the infrastructure and transport ministry published standardised regulations last month. It is the first terminal in Italy to offer LNG bunkering. OLT tested the service using the 7,500m^3 *Avenir Aspiration* bunker vessel, chartered by Swiss utility Axpo.

Axpo also supplied 2,700t of LNG to shipper MSC through ship-to-ship transfer at Portugal's Sines port, marking the port's first LNG bunkering operation. The delivery was probably made by the *Avenir Aspiration*. Owned by UK-based Avenir and chartered short-term by Axpo, the vessel is part of Axpo's growing LNG fleet. Axpo expects delivery of a new 7,500m^3 LNG bunkering vessel this year, set to operate off Naples under a 10-year charter.

Asia-Pacific

Asia-Pacific bunker forecast											$/t
	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	4Q25	1Q26	2Q26	3Q26
Crude price forecast											
Dubai	461	501	505	502	481	475	469	469	469	496	507
Conventional											
Fob Singapore											
3.5%S HSFO 380cst	421	447	407	388	378	379	374	375	364	404	424
0.5%S VLSFO	491	513	508	492	481	468	472	470	469	487	502
Dob Singapore											
3.5%S HSFO 380cst	427	443	443	404	394	395	390	391	380	420	440
0.1%S MGO	592	647	647	689	701	686	655	662	613	600	619
0.5%S VLSFO	500	520	520	500	490	477	480	479	478	495	510
Alternative											
Dob											
B24 Singapore (Ucome & VLSFO)	709	713	700	678	669	657	661	659	657	675	691
$/t VLSFOe											
B24 Singapore (Ucome & VLSFO)	754	758	744	720	712	698	703	701	698	717	735
Grey methanol southeast Asia	769	746	731	740	732	723	728	728	735	740	747
$/t MGOe											
B24 Singapore (Ucome & VLSFO)	774	779	764	739	731	717	721	719	717	736	755
Grey methanol southeast Asia	789	787	777	760	751	743	748	747	755	760	767
Asia-Pacific bunker marker											
Grey ammonia cfr east Asia $/t VLSFOe	765	774	769	780	825	881	948	933	862	843	933
Grey ammonia cfr east Asia $/t MGOe	786	795	789	801	847	904	973	958	885	866	958

Prices

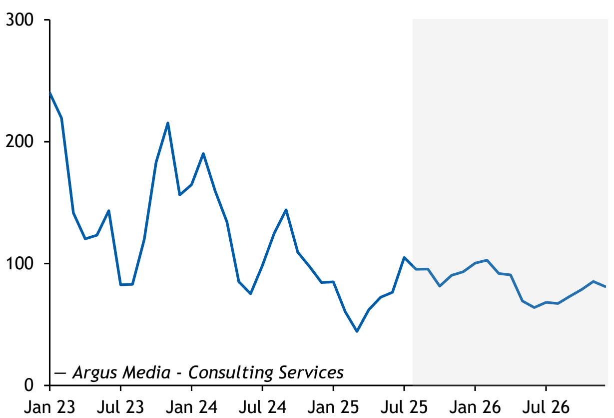
Conventional fuels

Singapore scrubber spread to stay wide

The scrubber spread — the difference between delivered VLSFO and HSFO prices in Singapore — has averaged $105/t this month. This is the highest since November 2024 as the HSFO market has softened.

The delivered HSFO crack spread has widened to a $95/t discount to Dubai crude — the lowest since April 2024. HSFO bunker prices followed the trend in cargo market, where cracks have been falling since the end of June. HSFO fob Singapore cargo prices dropped to a $97/t discount to Dubai crude, out from a $53/t discount in June. The market flipped to a contango, which is atypical for summer, when HSFO demand for power generation usually peaks, especially in the Middle East.

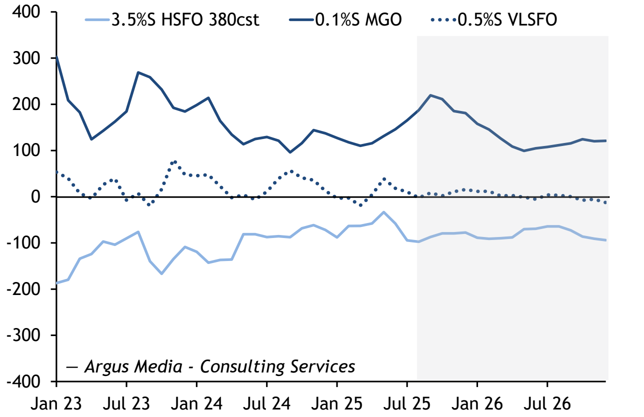
Singapore VLSFO-HSFO spread *$/t*



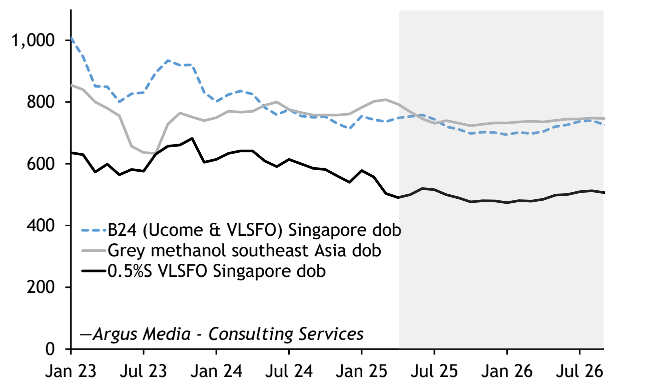
Weakness in the HSFO market was underpinned by the glut in Singapore — a result of heavy buying in June. The surge in availability has probably pushed many buyers' inventories to capacity. As a result, these buyers were compelled to reoffer cargoes, further swelling an already oversupplied market, pressuring HSFO cracks that were already in negative territory. The Israel-Iran ceasefire eased concerns over lower HSFO exports from the Middle East — a consideration that had previously supported HSFO prices.

July's oversupply has been fuelled by increased exports from India and the Middle East. Bahrain's state-owned Bapco was offering fuel oil cargoes for June-July loading at Sitra as the refinery underwent planned maintenance in June. Indian state-owned refiners HPCL and BPCL have stepped up their HSFO cargo offerings for July and August loading, and have been joined by rare offers from MRPL and IOC. This increase aligns with the onset of the monsoon, which typically slows

Singapore bunker cracks vs Dubai crude *$/t*



Alternative marine fuels vs VLSFO *$/t VLSFOe*



down road construction and refining operations. Refiners often divert more HSFO to the export market during this period. Elevated exports from India should persist until September, which will continue to pressure Singapore HSFO cracks.

US sanctions on Iraqi entities appear to have had little impact on HSFO exports from Iraq. On 3 July, the US Treasury imposed sanctions on businessman Salim Ahmed Said and several of his affiliated companies, including UAE-based VS Tankers, VS Petroleum and Rhine Shipping, as well as Iraq's VS Oil Terminal. While sanctions have led to some uncertainty around fuel oil loadings from VS Oil Terminal, exports from Iraq's other terminals are continuing without disruption. VS Oil Terminal represents only a relatively small portion of Iraq's overall fuel oil export capacity.

The downtrend in HSFO prices is likely to continue. Upside risk could come from the re-emergence of demand from China's Shandong refiners. Lower HSFO prices, potentially lower freight costs, and a reduced consumption tax for some refiners should lead to more fuel oil buying.

Delivered VLSFO cracks could weaken

Delivered VLSFO crack spreads in Singapore have fallen in July to a $10/t premium to Dubai crude, down from $18/t in June. The crack will probably stay pressured by higher product availability. Significant volumes of medium-sulphur fuel oil are being drawn out of Europe east of Suez, particularly to Singapore. The arbitrage for bunker components from Europe to Singapore have been open since June. Chinese state-owned CNPC subsidiary Senning recently offered more heavy sweet Dar Blend crude for August loading. And more supply of low-sulphur straight-run fuel oil (LSSRFO) could emerge from Nigeria's 650,000 b/d Dangote refinery, which is looking to bring forward a 40-day RFCC maintenance shutdown to August from October. Dangote recently restarted the RFCC unit, following a 10-day unplanned shutdown.

Alternative fuels

Biofuels

Bioblends prices in Singapore eased

B24 dob Singapore prices — 24pc UCOME and 76pc VLSFO — have declined to $700/t in July, down from $713/t in June, as a weakening VLSFO market continues to exert pressure, despite rising biodiesel prices. This trend could persist, with VLSFO prices expected to soften further.

The B24 dob Singapore discount to B30 Ucome dob ARA, inclusive of EU ETS costs, has remained steady at around $160/t in July. But this spread is likely to widen further into the fourth quarter.

In the biodiesel market, Ucome fob China prices rebounded in June, reversing declines in April and May. Prices rose by $13/t to $1,104/t, driven by stronger demand for marine bio-blends, elevated feedstock costs and limited availability of waste oils. Singapore's B24 and B30 biofuel blend consumption more than doubled year on year to 556,390t in January-June. In June alone, 114,300t of B24 VLSFO blend was bunkered, up by 19pc from May.

Ucome fob China prices continued to strengthen in July, reaching $1,160/t by 8 July. But the upward momentum seems to be slowing. While summer demand and feedstock constraints are expected to offer short-term support, prices are projected to soften from September through January, following the seasonal trend. Additionally, Europe's anti-dumping duties on Chinese biodiesel are likely to accelerate the shift toward marine fuel applications, reinforcing Ucome fob China's strategic pivot to the maritime sector.

Demand

Conventional demand to fall from 2026

We see conventional demand in Asia-Pacific rising by 2pc to 133.1mn t in 2025. Our assumption that diversions away from the Red Sea will continue through 2027 has strengthened our forecast for conventional fuel demand. But we still see consumption falling slightly in 2026 and 2027, reflecting rising demand for alternative fuels. In the first half of 2025, demand in Singapore for bio-blends and LNG — the most common alternative fuels — more than doubled on the year according to port authority data. In 2026, we expect demand to fall by 0.4pc to 132.6mn t and in 2027 by 1.2pc to 131mn t.

But HSFO demand will continue to rise in 2026 and 2027 — by 3pc in both years to 35.4mn t and 36.2mn t, respectively — as the scrubber-fitted fleet erodes demand for LFSO. We expect LFSO demand to fall faster than overall demand — 3pc both years to 64.8mn t and 62.8mn t, respectively. MGO demand is expected to rise to 32.4mn t in 2026, and then to fall in 2027 to 32mn t.

Strong demand in Singapore in June

Total bunker demand in Singapore rose by 7pc on the year to 4.59mn t in June, according to port authority data.

Bio-blended fuel demand grew particularly strongly in June — by 227pc to a record 156,200t. But bio-blends still only accounted for 3pc of demand in Singapore. Blended LFSO was the most popular, with sales of 114,300t. Bio-blended HSFO demand hit 38,800t, and bio-blended MGO demand was at 4,500t. Demand for LNG hit a record high of 55,400t in June.

Demand for alternative fuels was firm throughout the first half of 2025. Demand for bio-blended fuels was up by 168pc on the year and demand for LNG by 15pc. This was supported by competitive pricing in Singapore for bio-blends and LNG, along with incentives such as FuelEU maritime. Demand for alternative fuels is expected to continue to rise, including for ammonia. Japanese trading firm Itochu has ordered an ammonia bunkering ship and plans to begin demonstrating ammonia bunkering in Singapore in October 2027.

Asia-Pacific bunker fuel demand *mn t*

	2023	2024	2025	2026	2027
VLSFO	68.2	67.6	66.6	64.8	62.8
HSFO	29.6	31.5	34.3	35.4	36.2
MGO	32.0	31.4	32.2	32.4	32.0
Total	**129.9**	**130.5**	**133.1**	**132.6**	**131.0**

Sales of conventional fuels also rose in June — by 5pc to 4.44mn t. MGO demand rose by 28pc to 366,500t, the highest since February. This is supported by vessels using the Mediterranean, which has been an ECA zone since May. Some switching to MGO — as a result of the Mediterranean ECA — is weighing on LSFO demand, which was already being eroded by the growing fleet of scrubber-fitted vessels. Scrubber-fitted vessels can burn lower-cost HSFO while still meeting sulphur limits. Demand for LSFO has fallen on the year for all but one month since March 2024. In June, demand fell by 1pc to 2.31mn t. HSFO sales rose by 9pc on the year to 1.7mn t, the fifth consecutive such rise.

Japan bonded sales continue to fall in May

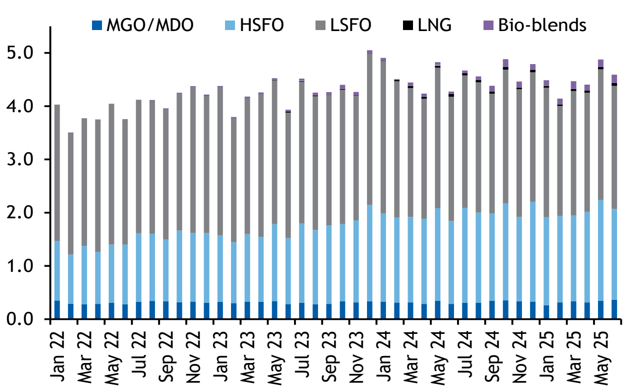
Bonded bunker sales fell by 10pc on the year to 217,000t in May, according to the Petroleum Association of Japan. The drop reflects continued low refinery utilisation rates — these averaged just 69.5pc in May, down by 2 percentage points on the year and 11.8 points on April.

Supply

Singapore stocks up on higher imports

Singapore fuel oil inventories edged up from 23.13mn bl at the end of June to 23.39mn bl by mid-July. The city state's imports are up by around 100,000 b/d on the month in July at 800,000-900,000 b/d, Vortexa and Kpler data show. At the same time, the Singapore market appears to have absorbed the build-up in floating fuel oil storage that was probably triggered by the influx of sanctioned supplies from Russia, Iran and Venezuela, much of which would have headed for China if tax changes at the start of the year had not made importing fuel oil for use as a feedstock less economical.

Singapore bunker sales *mn t*



— *Maritime & Port Authority of Singapore*

Overall Middle Eastern HSFO exports to Singapore have started to slow seasonally, but Iraqi flows have remained robust, undisrupted by US sanctions. Singapore's imports of Middle Eastern fuel oil remained below 150,000 b/d in April and May, but have risen to over 240,000 b/d in July, according to Vortexa. The seasonal uptick in demand for power generation in the Middle East is expected to continue eroding flows along this route, but this could be partially offset by stronger Indian exports during the monsoon, which usually ends in September.

China: Independents receive higher tax rebates

Several independent refiners in Shandong, China, have received higher tax rebates for fuel oil, which are expected to support their imports of fuel oil as feedstock.

Independents have been scaling back fuel oil imports and turning to crude instead since January, when the government cut tax rebates that made importing fuel oil to be used as refinery feedstock much less economical. As a result, Shandong independent refinery run rates dropped to 62pc last month, the lowest since February, and the January-June rate averaged just 65pc, down from 71pc in the first half of 2024.

Six refiners can now claim a 75-95pc rebate, up from the previous 50-70pc, from the Shandong tax bureau. These refiners, with a combined refining capacity of 680,000 b/d, have overused their crude import quotas because of lower fuel oil intake. A 95pc rebate raises M100 fuel oil refining margins to minus $1/bl, up from minus $7.70/bl with a 70pc rebate, according to *Argus China Petroleum*. At the same time, the HSFO market has weakened following the ceasefire between Israel and Iran and at a time of abundant supplies in Singapore. Lower HSFO prices, coupled with a reduced rate of consumption tax for some of the independent refiners, should encourage more fuel oil purchases.

Singapore preparing for bunkering licence rollout

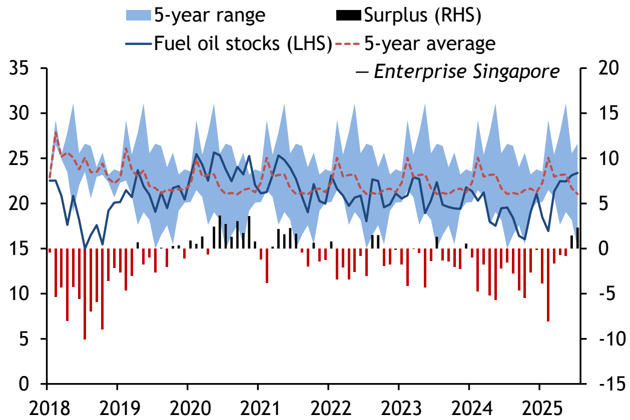
Singapore's Maritime and Port Authority (MPA) held a large-scale methanol spill drill on 15 July to test safety protocols and technologies ahead of issuing its first methanol bunkering licences. It was held off Singapore's southern coast to assess readiness for commercial methanol bunkering. MPA is reviewing 13 applications submitted in response to a March open call. The five-year licences, valid from 1 January 2026 to 31 December 2030, will be awarded to firms that meet safety and operational standards.

Shanghai Electric produces on-spec green methanol

Shanghai Electric began producing on-spec green methanol on 14 July at its 50,000 t/yr hybrid plant in Taonan, Jilin province. The facility combines bio and e-methanol production and is the world's first plant to integrate fluid-bed biomass gasification with green hydrogen generation. The project received ISCC EU certification in December 2024, confirming compliance with the EU Renewable Energy Directive and its greenhouse gas reduction standards. In March, Shanghai Electric signed a long-term agreement with shipper CMA CGM and Shanghai International Port for the supply, transport and bunkering of green methanol.

This marks China's fourth operational green methanol plant, joining Towngas' 50,000 t/yr biomass-based facility, Heilongjiang Boneng's 5,000 t/yr biogas unit, and CNOOC Chemical's 2,500 t/yr biogas plant.

Singapore fuel oil stocks *mn bl*



Regulation

India sets biofuel bunkering rules

India's Directorate General of Shipping (DGS) has released new biofuels bunkering guidelines, with a view to cutting greenhouse gas emissions and aligning with international standards. The rules apply to all vessel types and transfer methods, including ship-to-ship, truck-to-ship and shore-to-ship operations. Suppliers must be DGS-certified, meet safety and environmental standards, and obtain port clearances. Required documentation includes Bunker Delivery Notes (BDNs), ISCC certificates, and quality certificates to verify blend ratios.

The guidelines will be updated regularly based on technological and regulatory developments. This move supports India's broader biofuels strategy, including the Global Biofuels Alliance launched at 2023's G20 summit to promote international biofuel trade.

Americas

North America bunker forecast											$/t
	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	4Q25	1Q26	2Q26	3Q26
Crude price forecast											
WTI Houston	482	530	530	526	511	504	500	498	499	522	534
Conventional											
Fob Houston											
3.5%S HSFO 380cst	376	409	420	407	386	367	362	363	353	377	398
0.5%S VLSFO	67	73	74	72	70	71	71	71	70	70	75
Dob Houston											
3.5%S HSFO 380cst	381	406	416	406	391	375	370	371	367	391	413
0.1%S MGO	674	721	744	772	764	753	728	726	674	657	681
0.5%S VLSFO	444	480	486	477	463	465	469	467	460	461	493
Alternative											
Dob US Gulf coast											
$/t VLSFOe											
Grey methanol	638	582	594	586	581	582	595	615	758	611	615
$/t MGOe											
Grey methanol	686	619	631	630	625	626	640	661	815	657	661
North America bunker marker											
Grey ammonia fob Caribbean $/t VLSFOe	870	825	865	884	907	930	976	960	918	880	930
Grey ammonia fob Caribbean $/t MGOe	936	888	931	951	975	1000	1049	1033	988	946	1000

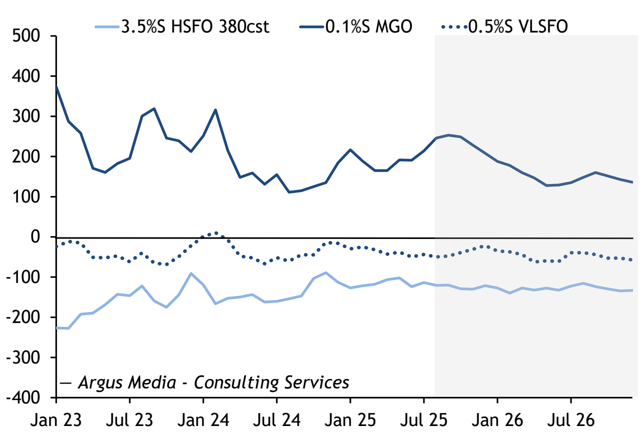
Prices

US Gulf cost prices rise on tighter inventories

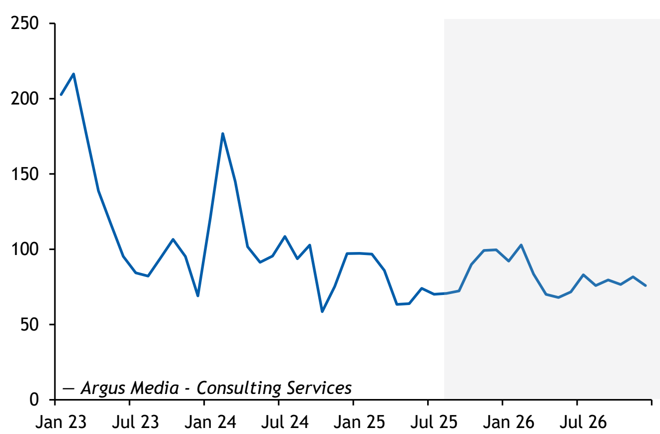
The HSFO Houston ex-wharf prices continued to strengthen on limited supply, underpinned by low Mexican exports and increased US exports. US Gulf coast residual fuel oil stocks fell for a third week to 9.88mn bl in the week to 11 July, down from 16.53mn t a year earlier. US fuel oil stocks fell to a fresh low of 20.14mn bl, according to the US Energy Information Administration (EIA). Prices also received support in July from a revised EIA 2025 oil production forecast and renewed Red Sea attacks by Yemen's Houthi rebels.

But the strength in HSFO values pushed companies to look for fuel oil alternatives. HSFO cargo prices in US Gulf coast exceeded WTI crude values in the second half of July. US Gulf coast refiners primarily use HSFO and LSFO as feedstock to process into more lucrative products, such as gasoline and diesel. But higher HSFO prices pushed Gulf coast refiners to occasionally run heavy sour crude. Strong fuel oil values on the US Gulf coast have left Canadian heavy crudes an attractive option for regional refiners.

USGC bunker cracks vs WTI Houston $/t



VLSFO-HSFO Houston ex-wharf spread $/t



Demand

Demand to deviate from global trend in 2025

Bucking the global trend, we see conventional demand in the Americas falling in 2025 — by 2pc to 39.3mn t. We see US trade policy, even with many tariffs lower than those unveiled on "Liberation Day", weighing on trade at US ports particularly heavily, driving a regional drop in demand. We estimate that US tariffs, and the uncertainty around them, could reduce bunker demand by nearly 1mn t in 2025. The RWI/ISL Container Throughput Index suggests global trade has remained robust since Liberation Day, with the seasonally adjusted flash index rising by 0.4 points to 138.3 points in May. But on the US west coast, notably where imports from China are received, container throughput has fallen.

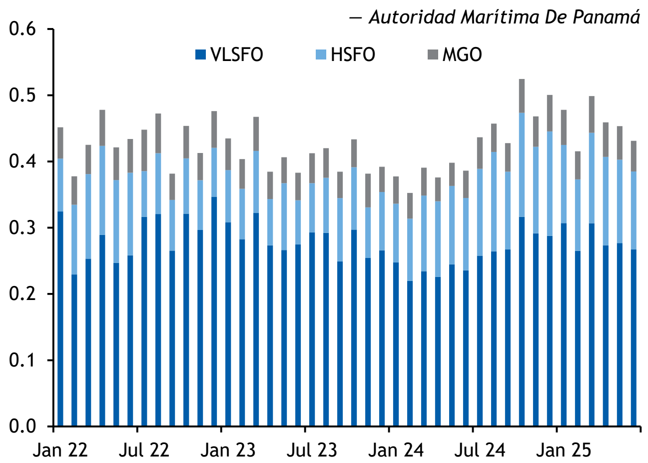
Demand for conventional marine fuels will continue to fall in 2027 — by 0.6pc to 39mn t — as we expect US policy to continue to weigh on US trade, albeit to a lesser extent. In 2027, our working assumption is that US trade will grow again, as we move further from the initial tariff shock. This will contribute to a rise in demand for conventional bunker fuels in the whole region — by 1pc to 39.5mn t.

Panama demand continues to ride in June

Demand in Panama rose by 12pc on the year to 431,100t in June, according to the canal authority. This was the 13th consecutive rise, reflecting rising vessel transits after drought conditions limited movements in 2023-24 . The canal now has plenty of water, but Panama is also planning to build a 500km^2 third lake to feed the canal, to mitigate future droughts.

Demand for all fuel types rose in June. VLSFO demand rose by 13pc to 267,100t, with VLSFO in Panama the lowest priced in Latin America. HSFO demand was up by 8pc to 117,800t and MGO demand rose by 13pc to 46,300t.

Panama bunker sales *mn t*



Americas bunker fuel demand					*mn t*
	2023	2024	2025	2026	2027
VLSFO	19.5	19.5	18.4	18.0	18.1
HSFO	5.8	6.2	6.4	6.7	7.3
MGO	14.5	14.3	14.4	14.4	14.2
Total	**39.8**	**40.1**	**39.3**	**39.0**	**39.5**

Demand for alternative fuels in Panama will be supported by the introduction of a net-zero transit spot for Neopanamax vessels. For ships to qualify, the fuel they use must have a lifecycle GHG intensity of below 75g CO2e/MH — a threshold conventional fuels VLSFO, HSFO and MGO all exceed.

Supply

US stocks trend lower on robust exports

US residual stocks had hit a new historical low of 23.23mn bl by mid-June, and had trended lower to 20.14mn bl by 11 July, according to the latest weekly EIA data.

The drop is partly attributed to robust exports of fuel oil. The latest EIA data show fuel oil exports edged up on 1-11 July to 169,000 b/d, from June's average of 165,000 b/d, while preliminary Vortexa data indicate US fuel oil exports climbed to almost 300,000 b/d on 1-22 July. US exports to Singapore have been on the rise since April — around 75,000 b/d has been exported from the US to Singapore this month, up from less than 30,000 b/d in April, according to Vortexa.

At the same time, latest EIA data also show a jump in fuel oil supplied domestically — a proxy for domestic consumption. Residual consumption probably rose to 360,000 b/d on 1-11 July, up from June's 240,000 b/d, according to the EIA. The latest container statistics from major US ports suggest a recovery in trade volumes in June, up from a recent low in May, in the wake of reciprocal US and Chinese tariffs.

If trade stabilises into peak season, US residual fuel stocks will probably remain on a downward trend. But there are still uncertainties. Trade talks between the two largest economies in the world are progressing slowly, even as the 90-day tariff deadline approaches on 12 August. The US at the same time continues to impose tariffs on other trade partners, including long-established allies.

Middle East

Middle East bunker forecast — $/t

	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	4Q25	1Q26	2Q26	3Q26
Crude price forecast											
Dubai	461	501	505	502	481	475	469	469	469	496	507
Conventional											
Fob Fujairah											
3.5%S HSFO 380cst	408	430	396	379	369	367	361	361	352	395	412
0.5%S VLSFO	491	519	508	497	485	468	472	470	469	487	502
Dob Fujairah											
3.5%S HSFO 380cst	408	428	399	385	378	376	369	369	355	397	417
0.1%S MGO	693	720	724	742	754	739	708	715	667	654	673
0.5%S VLSFO	493	522	511	499	487	471	474	473	472	489	505
Middle East bunker marker											
Grey ammonia Middle East fob $/t VLSFOe	653	659	675	687	709	754	822	807	747	709	743
Grey ammonia Middle East fob $/t MGOe	672	678	696	707	730	777	846	831	769	730	765

Prices

Fujairah fuel oil cracks weakened

HSFO prices in Fujairah have maintained a premium to Mideast Gulf 380cst cargo values, averaging around $16/t in July. This is a recovery from June, when prices briefly fell to an unusual discount relative to cargo values — largely attributed to weak bunker demand. But delivered HSFO crack spreads in Fujairah have weakened to a $107/t discount to Dubai crude — the lowest monthly level since January. The decline is being driven by ample prompt supply and aggressive pricing from Khor Fakkan suppliers. Crack spreads are expected to remain under pressure in the coming months.

The scrubber spread — the difference between delivered VLSFO and HSFO — widened to $112/t in July, up from $94/t in June and its highest since October. This is largely underpinned by the sharp drop in HSFO cracks.

VLSFO crack spreads have also weakened, falling to a $5/t premium to Dubai crude, down from $20/t in June. With fundamentals softening, VLSFO cracks are likely to remain on a downward trajectory until the end of summer.

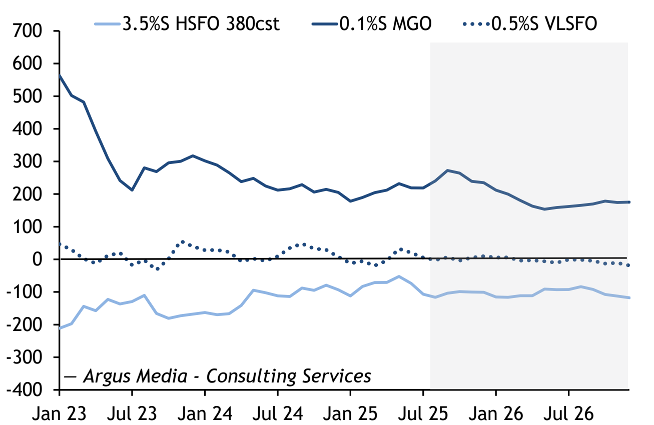
Demand

Falling demand in Fujairah

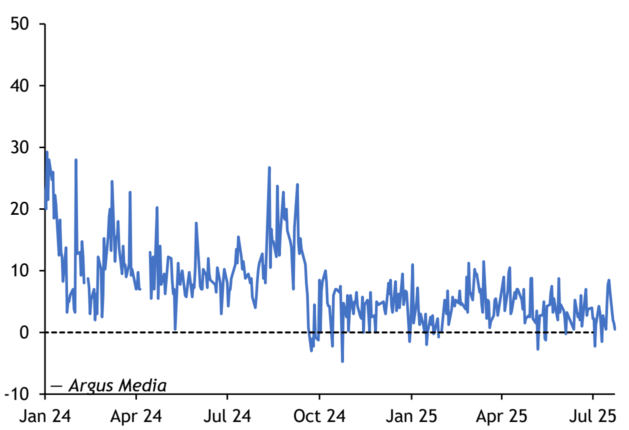
Demand in Fujairah fell by 8pc to 530,700t in June, probably because of the Iran-Israel exchanges, as vessels limited time spent in the region. January-June demand had in any case already been weak — down by 5pc on the year.

VLSFO demand was down by 14pc on the year at 350,300t, the lowest since data started to be published. But HSFO and MGO demand both rose — by 7pc to 152,100t and 8pc to 28,200t, respectively.

Fujairah bunker crack spreads vs Dubai crude $/t



Fujairah dob VLSFO diff. to VLSFO fob Singapore $/t



Supply

Iraqi flows unaffected by new sanctions

Sanctions on Iraqi businessman Salim Ahmed Said and firms affiliated to him appear not to have had much impact on overall fuel oil exports from Iraq, at least for now. The sanctioned VS Oil Terminal handles a very small volume of fuel oil exports — less than 150,000t in January-June, Kpler data show. Iraq typically exports 1.3mn-1.4mn t/month. Loadings at other terminals have been normal since the sanctions announcement, and Iraqi exports could approach 1.5mn t in in July, Kpler data suggest. Most Iraqi exports head for Asia, particularly Singapore and Malaysia.

More Saudi fuel oil for export as crude burn rises

Saudi Arabia's HSFO exports have been unseasonally strong — April exports stood at 510,000t, up from 340,000 a year earlier, and May exports rose to 580,000t, up from 310,000t a year earlier.

This was probably related to HSFO strength from mid-May to mid-June, before the market weakened again following the ceasefire between Israel and Iran, which had stoked concerns about shipping in the strait of Hormuz. At the same time, Saudi Arabia stepped up crude burn in May, according to the latest JODI data. Direct use of crude in Saudi Arabia increased to 489,000 b/d in May, up from 377,000 b/d in April and much higher than May 2024's 398,000 b/d. The higher rate of crude burn is likely to have freed up more HSFO for export. But with HSFO looking well supplied in Asia at the moment, there might no longer be such an economical incentive to prioritise HSFO exports.

Argus *Marine Fuels Outlook* is published by Argus Media group

Registered office
Lacon House, 84 Theobald's Road,
London, WC1X 8NL
Tel: +44 20 7780 4200

ISSN: 2517-6269

Publisher
Adrian Binks

Global compliance officer
Vladas Stankevicius

Chief commercial officer
Martin Gijssel

President, Oil
Euan Craik

SVP Consulting services
Lloyd Thomas

Head of forecasting
Francis Osborne

Editor
Elena Domashenko
Tel: +44 78 6374 1838
elena.domashenko@argusmedia.com

Customer support and sales:
support@argusmedia.com
sales@argusmedia.com

London, Tel: +44 20 7780 4200

Houston, Tel:+1 713 968 0000

Singapore, Tel:+65 6496 9966