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Argus Freight

Daily international freight rates and market commentary

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DIRTY TANKERS

Mideast Gulf VLCC rates hold

Chartering activity for VLCCs out of the Mideast Gulf remained slow on Tuesday with charterers testing the market at lower rates on the back of increasing tonnage availability.

The Mideast Gulf to east Asia rate closed flat at WS34. PetroChina's shipping arm Glasford has still not finalised a booking for a Mideast Gulf to east Asia cargo, after two days of negotiations. The charterer reportedly countered at WS34.5 yesterday, but did not find a willing shipowner at that price. It then began negotiations on Tuesday with a lower bid of WS30. China's state controlled Unipec was responsible for the only other cargo in the market, from the Mideast Gulf to east Asia, loading from 15-17 July. Unipec reportedly countered at WS29 after receiving interest from several shipowners, and negotiations did not conclude before London closing time. If a vessel agrees for a Mideast Gulf to east Asia voyage at or below WS30 that would probably mean that earnings barely cover operating expenses, so shipowners may prefer to wait and save on bunker consumption, a market participant highlighted.

Norway's Equinor made a cargo available from west Africa, loading from 28-30 July, the only cargo in that market. The charterer pushed for lower rates based on higher vessel availability, and took the Agitos at WS35.5.

European Suezmax rates edge higher

Chartering activity remained muted for Suezmax vessels loading from west Africa and Europe, but freight prices for regional European voyages edged higher.

The cross-Mediterranean and the Black Sea to the Mediterranean rates edged WS2.5 higher and both closed at WS50. Trafigura took the Ottoman Courtesy from Novorossiysk to the UK continent, loading from 6-7 July at WS50. The fixture was reportedly negotiated off the market at the end of last week, but details have just reached the spot market. There were no other fixtures on Tuesday but because

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PRICES

Dirty freight rates				
Route	Size '000t	Daily Worldscale	±	$/t
Middle East and Asia-Pacific				
Mideast Gulf-East (double hull)	270	34	nc	7.97
Mideast Gulf-Singapore	270	36.5	nc	5.54
Mideast Gulf-UKC/Med	280	25	nc	7.37
Mideast Gulf-US Gulf	280	23	nc	8.80
Mideast Gulf-East - fuel oil	80	57.5	nc	8.69
SE Asia-EC Australia	80	55	nc	10.02
Red Sea-China	80	62.5	nc	16.29
Indonesia-Japan	80	57.5	nc	8.35
Kozmino-Yosu*	100	330,000	-20,000	3.30
Kozmino-north China*	100	430,000	-20,000	4.30
Kozmino-Chiba*	100	430,000	-20,000	4.30
Kozmino-Singapore*	100	470,000	-20,000	4.70
Northern Europe				
North Sea-northeast Asia*	270	5,100,000	-150,000	18.89
UKC-US Gulf	260	47.5	nc	9.65
Cross UKC	135	60	nc	4.40
UKC-US Gulf	135	40	nc	8.12
Cross UKC	80	72.5	-2.5	4.42
UKC-US Atlantic coast	80	50	nc	7.65
Primorsk-UKC	100	42.5	-2.5	3.91
UKC-US Gulf fuel oil	55	60	+5	12.47
Baltic-UKC fuel oil	30	125	+2.5	11.51
Baltic-Med fuel oil	30	120	+2.5	19.76
West Africa				
West Africa-US Gulf	260	40.5	-2	9.04
West Africa-China	260	35.5	-2	13.07
West Africa-Singapore	260	40.5	-2	11.74
West Africa-W coast India*	260	3,400,000	-100,000	13.08
West Africa-India*	130	1,750,000	nc	13.46
West Africa-US Gulf	130	37.5	nc	8.37
West Africa-UKC/Med	130	42.5	nc	7.37

**$ lumpsum*

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of lower tonnage availability conversations centred at the assessed rate.

Enquiry out of west Africa slowed with the remaining Cepsa, Total and Chinese state controlled Unipec cargoes from Monday using either their owned vessels or withdrawing without fixing. The west Africa to the UK continent/ Mediterranean rate closed flat at WS42.5. Trading firm Petraco sought a Suezmax vessel later on the day from west Africa to Israel, loading from 20-21 July but negotiations did not finalise into a fixture before London closing time. Vessel availability may currently stand at decreased levels but a combination of persistently absent demand and the softening VLCC market could potentially weigh on freight rates in the short term, market participants commented.

East of Suez Kozmino rates fall

Rates were mixed on Tuesday for Aframaxes east of Suez, as few fresh cargoes and slow fixing activity continued to counter the steady tightening of tonnage in the region.

Rates for the Mideast Gulf to east Asia and Red Sea to China routes remained unchanged for the fifth consecutive trading day, closing respectively at WS57.5 and WS62.5. Tonnage in the Mideast Gulf region continued to tighten gradually, but cargoes available to be worked for Aframaxes continued to be limited and two east Asia-bound Mideast Gulf cargoes from the region were reported withdrawn without fixing which added to the scarcity of cargoes along the route. Meanwhile, the southeast Asia to east coast Australia and Indonesia to Japan routes went quiet on Tuesday, with no fixing activity or fresh cargoes reported which kept rates flat for both routes which closed at WS55 and WS57.5 respectively.

The Kozmino to north China route picked up on fixing activity as charterers covered their prompt-loading 100,000t cargoes from Kozmino to north China, with delays being reported at Chinese ports. However, charterers were able to secure lower rates given more than ample tonnage available. China's state-controlled CNOOC and commodity trader Ursa both covered their early July-loading cargoes but rates for both bookings were unreported as of close, and Chinese petrochemical company ChemChina took the charterer-offered vessel Petrogaruda – which it already placed on subjects for a 3 July-loading cargo – for its Kozmino cargo loading from 14 July. Trafigura also took the 2018-built Southern Rouse for its 100,000t Kozmino to north China cargo loading from 10 July at a $430,000 lumpsum – $20,000 below last done for the route – which led to the Kozmino to north China route to close at the rate and followed by routes across the Kozmino region.

Dirty freight rates

Route	Size '000t	Daily Worldscale	±	$/t
Black Sea and Mediterranean				
Novorossiysk-Med	140	47.5	+2.5	4.80
Black Sea-Med	135	50	+2.5	4.99
Cross Med	135	50	+2.5	3.19
Med/Black Sea-US Gulf	135	40	nc	9.01
Med/Black Sea-East*	135	2,500,000	nc	18.52
Cross Med	80	57.5	nc	4.23
Black Sea-Med	80	57.5	nc	5.73
Med/Black Sea-US Gulf	80	50	nc	11.56
Med-US Gulf fuel oil	55	60	+5	14.21
Cross Med fuel oil	30	110	+5	7.37
Black Sea-Med fuel oil	30	120	+5	12.17
Americas				
Caribbean-China*	270	6,000,000	nc	22.22
Caribbean-Singapore*	270	5,000,000	nc	18.52
Caribbean-WC India*	270	4,500,000	nc	16.67
USGC-China*	270	6,000,000	nc	22.22
USGC-Rotterdam*	270	3,250,000	-100,000	12.04
USGC-Singapore*	270	5,000,000	nc	18.52
USGC-South Korea/Japan*	270	6,000,000	nc	22.22
USGC-WC India*	270	4,500,000	nc	16.67
Brazil-China	260	36	nc	15.03
USGC/Caribs-Singapore*	130	2,950,000	nc	22.69
USGC-China*	130	3,600,000	nc	27.69
USGC-Europe	150	45	nc	9.51
Caribbean-USGC	130	70	+3	6.33
Caribbean-UK continent	150	45	nc	8.15
Caribbean-Panama	130	80	+3	3.57
Caribbean-US Gulf	70	65	nc	6.50
USGC-east coast Canada	70	75	+2.5	10.65
USGC-Europe	70	70	+2	14.82
East coast Mexico-USGC	70	65	nc	3.45
Caribbean-UK continent	70	70	+2.5	12.71
Caribbean-US Gulf	50	75	nc	7.50
Ecuador-USWC	50	235	nc	31.21
East coast Mexico-USGC	50	75	nc	3.49
USGC Aframax reverse lightering*	-	230,000	-	-

**$ lumpsum*

Turkish straits delays and demurrage

Route	Units		±
Delay at Turkish straits NB	*days*	1	nc
Delay at Turkish straits SB	*days*	1	nc
Black Sea-Med Suezmax demurrage	*$/day*	25,000	nc
Black Sea-Med Aframax demurrage	*$/day*	19,000	nc

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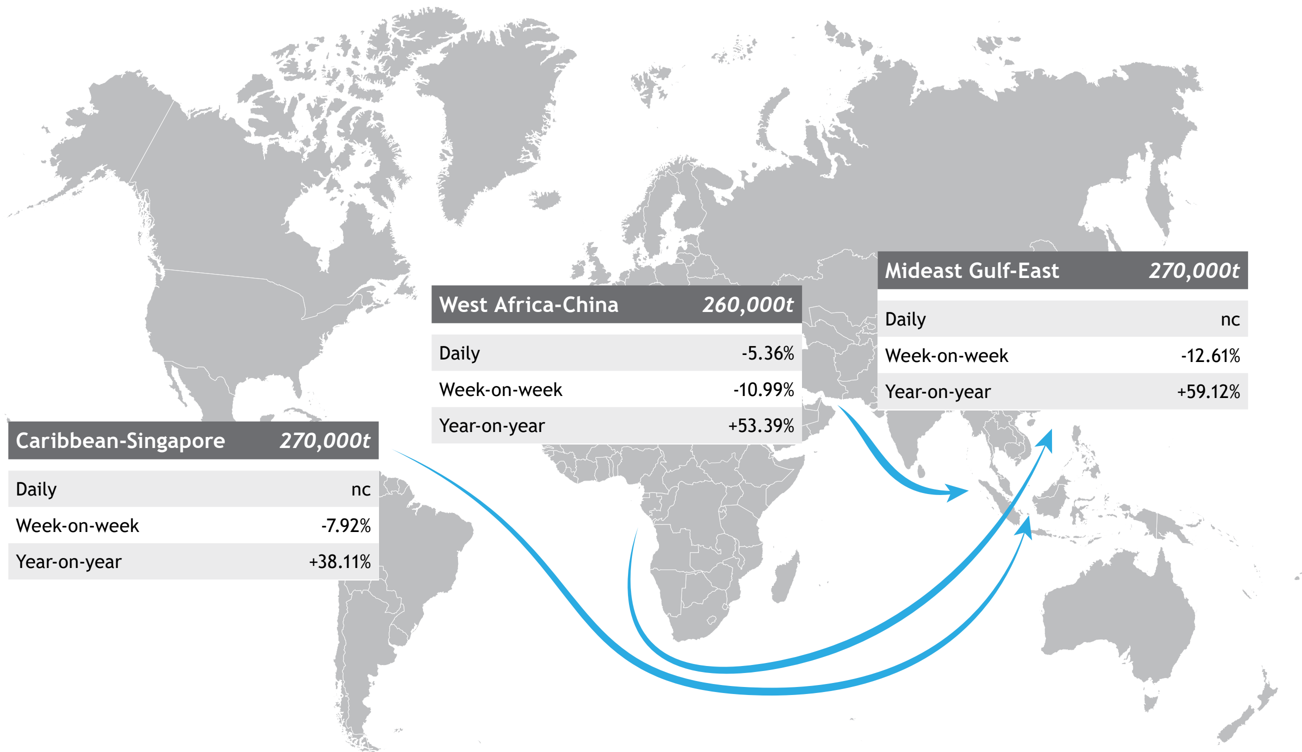
VLCC FREIGHT RATES



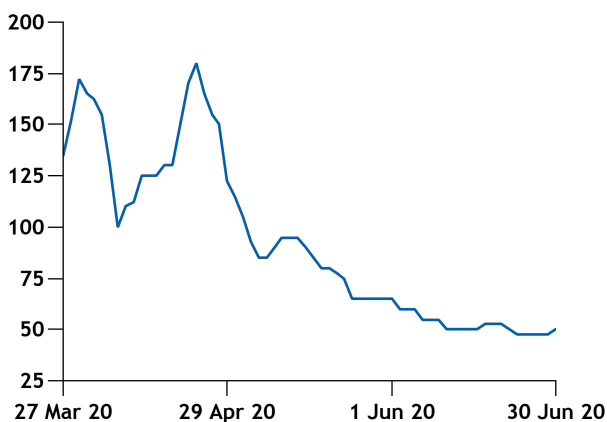
European Aframax rates edge lower

Demand for Aframax vessels out of Europe remained low throughout Tuesday, and oversupply of vessels weighed on freight rates in Northern Europe.

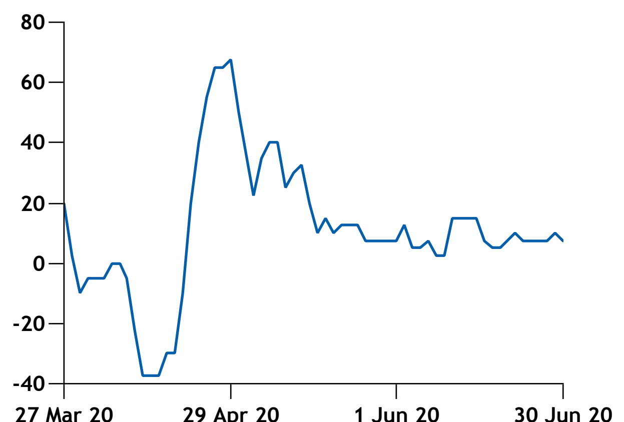
The Baltic to the UK continent and the cross-UK continent rates edged WS2.5 points lower, to WS42.5 and WS72.5, respectively. Tonnage availability has been high in recent weeks, weighing on negotiations for the few available cargoes, although there has been a lack of recent fixtures on the main routes in the area. Elevated tonnage availability could put further pressure on freight rates when cargoes become available, a market participant highlighted. Trading firm Petraco and BP sought one vessel each from Northern Europe with the former taking the Seaborn from east coast UK to the Mediterranean, loading from 8 July at WS52.5 with an option for a discharge destination in Israel for WS47.5.

The cross-Mediterranean and Black Sea to Mediterranean rates closed flat at WS57.5. Integrated refiner Petroineos and Spain's Repsol offered the only available cargoes in the area. Petroineos took the Karavas, loading from 8-9 July at WS47.5 for a Mediterranean to the UK continent voyage and negotiated the fixture at a discount due to the specifics

Dirty: Cross Med 135kt *Worldscale*



Dirty: Cross Med 80kt vs Black Sea-Med 135kt *Worldscale*



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of the deal. Repsol booked the Nissos Schinoussa from the Mediterranean to Spain, loading from 11-13 July at WS62.5. Repsol negotiated the Nissos Schinoussa on a premium over the prevailing cross-Mediterranean rate because the voyage is unusually short.

Dirty Americas tankers: Rates hold

Most rates in the dirty Americas tanker market were unmoved as supply matched demand amid a day of subdued chartering inactivity.

Glencore booked the Aphrodite VLCC for a Bahamas-Singapore voyage from 25 July.

Lukoil sought a VLCC for a US Gulf coast-Asia voyage from 10-15 July.

The US Gulf coast-China VLCC rate stayed at $6mn lump sum, and the US Gulf coast-Singapore VLCC rate stayed at $5mn.

Unipec booked the Front Clipper Suezmax for a voyage out of Brazil from 24 July with a discharge option in Europe at WS42.5 and discharge option in Asia at WS52.5.

Petrogal booked a Frontline-operated Suezmax for a Brazil-Portugal voyage from 17 July at WS42.5.

Reliance booked the Delta Sky Suezmax for a US Gulf coast-west coast India voyage from 15 July for $2.85mn.

The US Gulf coast-Singapore Suezmax rate was flat at the last-fixture level of $2.95mn, and the US Gulf coast-Europe Suezmax rate was flat at the last-fixture level of WS45, as no fresh activity was heard on either route.

Unipec booked the Caspian Sea Aframax for a US Gulf coast-Europe voyage from 14 July at WS70, lifting the rate on the route by WS2.5 to the level of the deal.

The Caribbean-US Gulf coast Aframax rate was unmoved at the last-fixture level of WS65.

Marathon booked the Energy Champion Panamax for a Caribbean-US Gulf coast voyage from 7 July at WS75, holding the rate on the route steady at that level.

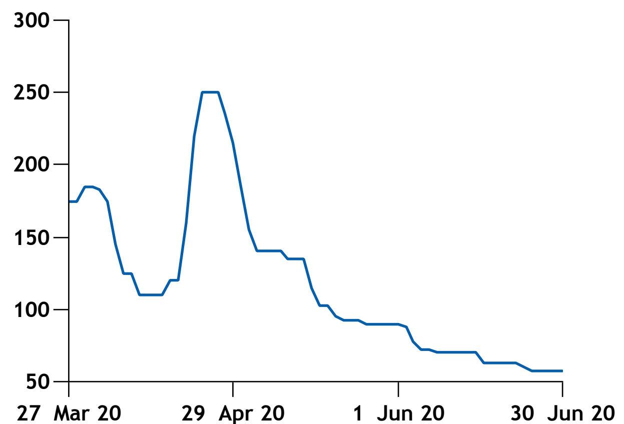
Higher Handysize demand drives up rates

Higher Handysize demand for fuel oil cargoes pushed rates higher on Tuesday, particularly in the Black Sea where charterers have reportedly offered fresh cargoes.

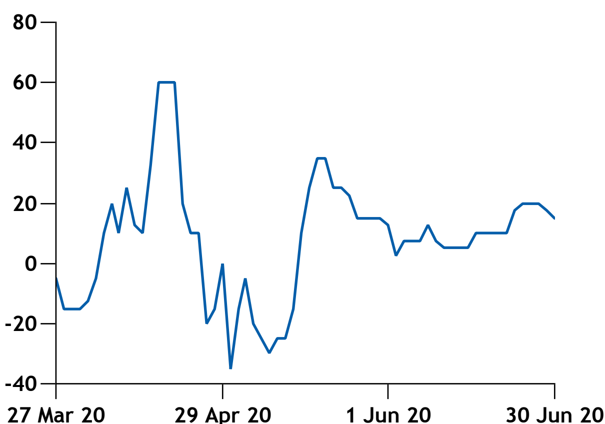
The Black Sea to Mediterranean Handysize rate increased by WS5 points to WS120. Tupras had initially booked a ship at WS117.5, according to a market participant. But this level was the surpassed by an unconfirmed charterer who booked the Sloman Thetis on the route at WS120. The PS Milano was also on subjects for a Black Sea cargo destined to the Mediterranean. Rates increased because demand on the route has been increasing since the end of last week and tonnage supply is not as excessive as previously.

In the Panamax market, the UK continent to US Gulf rate increased by WS5 points to WS60. A refiner and a trader both fully fixed Panamaxes on the route for early- and mid-July respectively, at WS60. Vessel supply will more limited moving forward, with two ships departing for the US Gulf, a shipbroker said, suggesting that the market had reached a bottom at WS55.

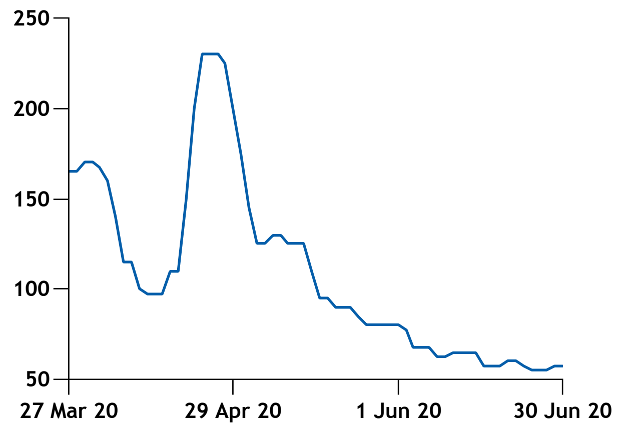
Dirty: Black Sea-Med 80kt *Worldscale*



Dirty: Cross UKC 80kt vs Cross Med 80kt *Worldscale*



Dirty: Cross Med 80kt *Worldscale*



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CLEAN TANKERS

North Asia MR rates declined further

Rates for transpacific MR shipments from Northeast Asia fell on Tuesday, owing to heightened competition for cargoes among shipowners.

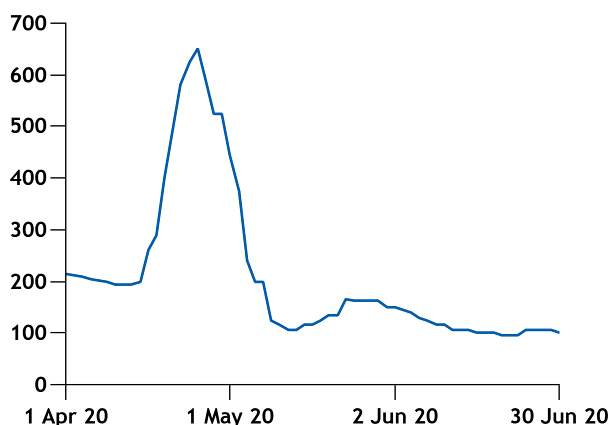
The lumpsum rate to ship a 35,000t cargo from South Korea to the US west coast decreased to $785,000 from $800,000. No deals were done, and charterers are expected to push for lower rates to reflect an oversupply of vessels in the area. Shell sought for a MR coverage for a 35,000t jet fuel shipped from South Korea to the US west coast, loading from 5-6 July, with shipowners offering at $785,000-800,000, but no deal was finalised before the end of the day. The current Time Charter Equivalent rate for MR vessels in the Asia Pacific was around $7-8,000 per day, a market participant said, whereas it was around $13-14,000 per day at the beginning of June.

The lump sum for a 35,000t shipment from South Korea to Singapore dropped by another $3000 to $272,000. In contrast to long-haul shipments, demand for short trips between South Korea and China has increased since May because of interest in light cycle oil (LCO) imports to China. China imports LCO to blend with kerosene for production of bunker fuels or gasoil. But the short trip of just 1.5 days means that tonne-mile utilisation is limited, so there is less impact on the balance of available vessels than if the voyages were longer. Ample vessel availability continued to weigh on rates as a result. US trader Apex sought coverage for a 35,000t LCO shipment from South Korea to Zhoushan, mid China, loading from 9 July.

The cost to ship a 30,000t cargo from southeast Asia to east coast Australia ticked down to $122.5 from WS125, in a quiet market. No fresh fixtures were reported on the route, but tonnage oversupply limits shipowners' negotiation power.

The Mideast Gulf tanker market remained quiet, with

Clean: Cross Med 30kt



Clean freight rates

Route	Size '000t	Daily Worldscale	±	$/t
Black Sea and Mediterranean				
Med-Japan*	80	1,700,000	-300000	21.25
Med-Japan*	60	1,500,000	-100000	25.00
Cross Med	30	100	-5	7.20
Black Sea-Med	30	115	-5	12.83
Med-UKC	30	110	-5	14.44
Med-US Atlantic coast	37	80	nc	14.13
Med naphtha premium	30	0	nc	-
Med gasoline premium	30	0	nc	-
Med jet premium	30	0	nc	-
Cross Med naphtha	30	100	-5	7.20
Cross Med gasoline	30	100	-5	7.20
Cross Med jet	30	100	-5	7.20
Med-UKC naphtha	30	110	-5	14.71
Med-UKC gasoline	30	110	-5	13.57
Med-UKC jet	30	110	-5	13.57
Middle East and Asia-Pacific				
Mideast Gulf-UKC*	90	2,100,000	-50000	23.33
Mideast Gulf-Japan	75	75	-2.5	18.79
Mideast Gulf-Japan	55	80	nc	20.04
Mideast Gulf-UKC*	65	1,425,000	+25000	21.92
Mideast Gulf-Singapore	55	97.5	nc	14.12
Mideast Gulf-Singapore	35	125	nc	18.89
Mideast Gulf-Japan	35	85	nc	21.03
Mideast Gulf-East Africa	35	95	nc	11.38
Singapore-Japan	30	102.5	-5	12.77
South Korea-Singapore*	35	272,000	-3000	7.77
South Korea-USWC*	35	785,000	-15000	22.43
SE Asia-EC Australia	30	122.5	-2.5	21.06
Northern Europe				
UKC-US Atlantic coast	37	80	nc	12.24
UKC-east coast Mexico	37	70	nc	14.25
UKC-South America	37	92.5	nc	17.93
UKC-West Africa	60	90	nc	16.25
UKC-West Africa	37	92.5	nc	16.70
Cross UKC	22	110	nc	6.12
Cross UKC	30	85	nc	4.73
Baltic-UKC	30	95	nc	8.60
Others				
ARA-Walvis Bay	-	-	nc	20.47
ARA-Durban	-	-	nc	24.62
Mideast Gulf-Walvis Bay	-	-	nc	20.67
Mideast Gulf-Durban	-	-	nc	14.65

**$ lumpsum*

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rates unchanged on the majority of assessed routes. Shell booked an MR at WS95 for its 35,000t shipment from Jubail to east Africa, loading from 4-5 July. But fundamentals indicate that rates could come under pressure in the near

Clean Americas tankers: Rally continues

Rates in the clean Americas tanker market rose further because of continued strong US Gulf coast-Latin America oil product shipment demand.

ExxonMobil booked and then released the Apostolos for a US Gulf coast-Chile voyage from 7-9 July for $1.185mn lump sum, lifting the rate on the route by $85,000 to that level.

Petrobras booked the Elandra Redwood for a US Gulf coast-Brazil voyage from 1-5 July at WS104, lifting the rate on the route by WS6.5 to the level of the deal.

A charterer booked the Nord Integrity for a US Gulf coast-Caribbean voyage for $425,000, lifting the US Gulf coast-Pozos rate by $35,000 to that level.

PMI booked the Horizon Theano for a US Gulf coast-east coast Mexico voyage from 5-7 July for $220,000, lifting the rate on the route by $45,000 to that level.

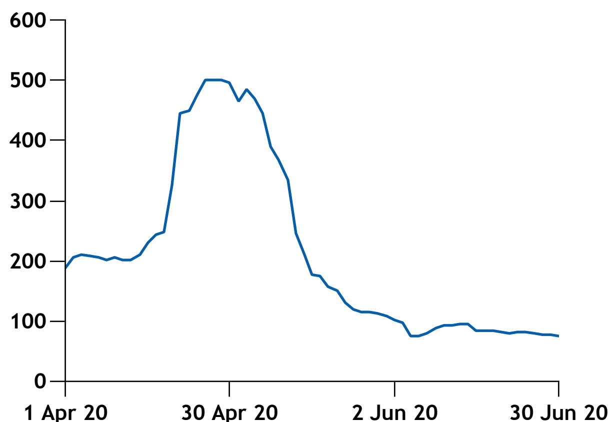
A charterer fixed the Torm Anabel for a voyage out of the US Gulf coast with a discharge option in Europe at WS70, lifting the rate on the route by WS5 to that level.

On the Pacific coast of the Americas, rates increased slightly, despite continued inactivity in the region. The US west coast-Chile rate edged up by $12,500 to $962,500, and the US west coast-Rosarito rate firmed by $25,000 to $312,500.

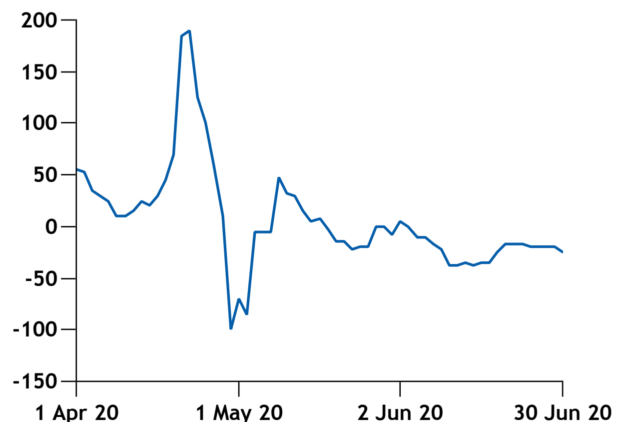
Clean freight rates - Americas

	Size '000t	Rate	±	$/t
Worldscale				
Caribbean-USAC	38	105	+5	10.96
USAC-UKC	38	65	+5	10.24
USGC/Caribbean-UKCM	38	70	+5	12.71
USGC-east coast South America	38	104	+6.5	
USGC-north Brazil	38			17.52
USGC-south Brazil	38			23.23
USGC-Argentina/Uruguay	38			27.14
USGC-east coast Canada	38	97.5	nc	12.87
Lump sum				
EC Canada - USAC	38	300,000	nc	7.89
USGC-Chile (not south of Coronel)	38	1,185,000	+85,000	31.18
Quintero diff	38	-50,000	nc	-1.32
Caldera diff	38	-100,000	nc	-2.63
Mejillones/Antofagasta diff	38	-125,000	nc	-3.29
USGC-Dominican Republic	38	375,000	+35,000	9.87
USGC-east coast Mexico	38	220,000	+45,000	5.79
USGC-Ecuador	38	885,000	+85,000	23.29
USGC-Guaymas	12	-	-	29.61
USGC-Japan	38	1,200,000	nc	31.58
USGC-Las Minas	38	375,000	+35,000	9.87
USGC-Lazaro Cardenas	38	935,000	+85,000	24.61
USGC-Peru	38	985,000	+85,000	25.92
Callao/Conchan diff	38	-50,000	nc	-1.32
USGC-Pozos	38	425,000	+35,000	11.18
USGC-Rosarito	38	1,085,000	+85,000	28.55
USWC-Chile (not south of Coronel)	38	962,500	+12,500	25.33
Quintero diff	38	-50,000	nc	-1.32
Caldera diff	38	-100,000	nc	-2.63
Mejillones/Antofagasta diff	38	-125,000	nc	-3.29
USWC-Guaymas	12	-	-	16.56
USWC-Lazaro Cardenas	38	462,500	+25,000	12.17
USWC-Rosarito	38	312,500	+25,000	8.22
USWC-Topolobampo	19	-	-	11.38
Demurrage				*$/day*
Atlantic coast Americas MR	38	-	-	17,000

Clean: MEG-Japan 75kt *Worldscale*



Clean UKC-USAC 37kt vs Caribs-USAC 38kt *Worldscale*



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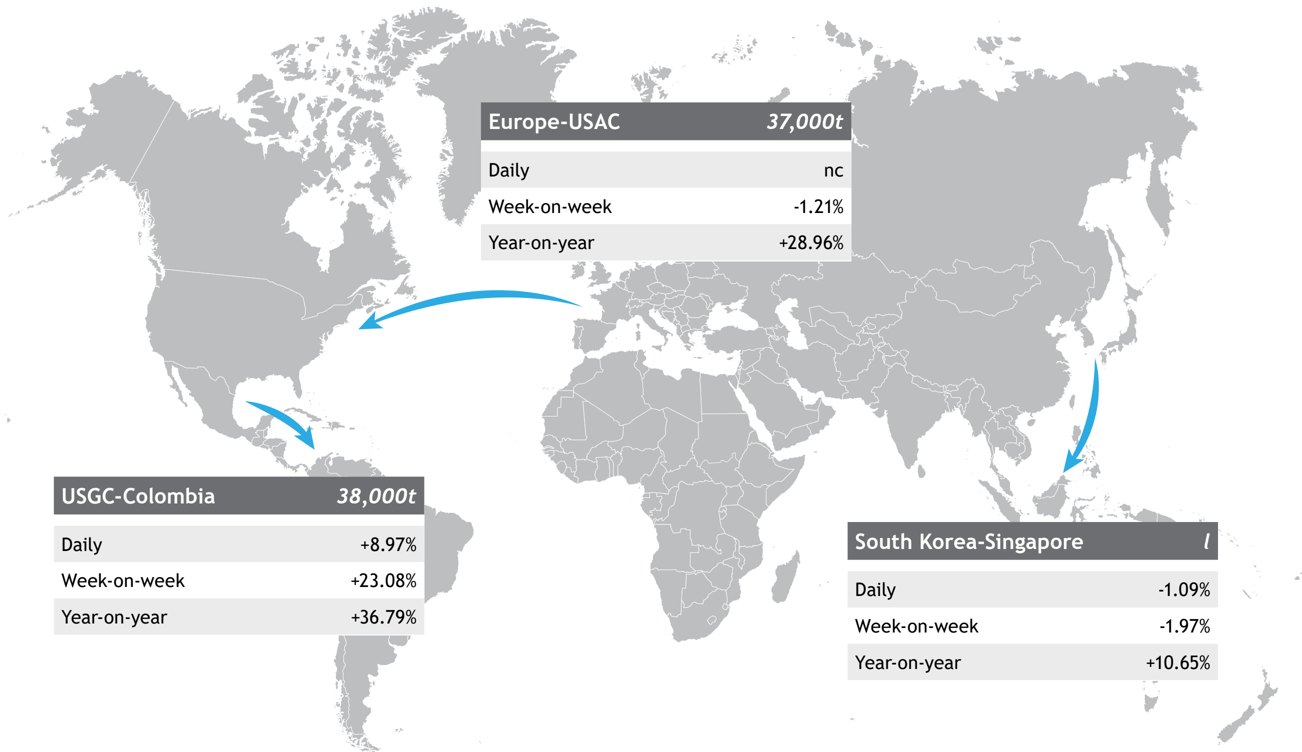
MR FREIGHT RATES

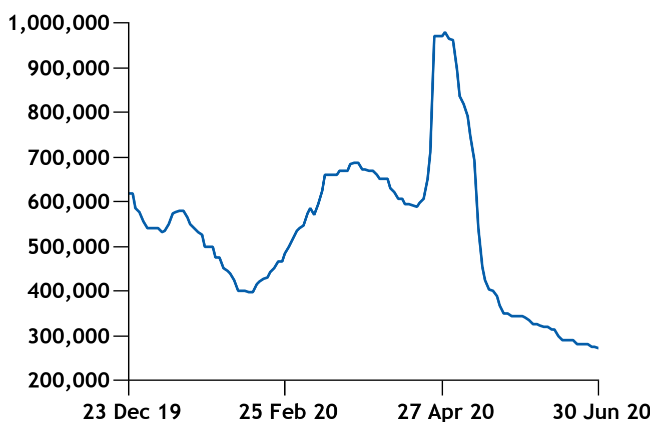


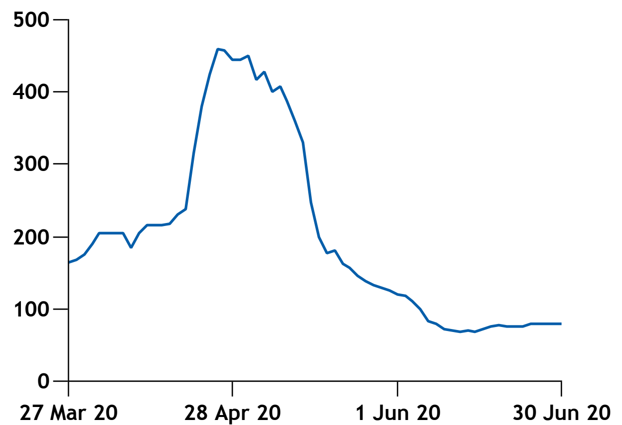
MRs stay flat while LR2s correct downward

European MR rates remained flat on the day, despite anticipation from some market participants of a new wave of cargoes, while LR2 rates fell significantly owing to vessel oversupply.

The UK continent to US Atlantic coast MR rate remained flat at WS80, with the UK continent to east coast Mexico rate also flat at WS70. Mexican state oil firm PMI, which has actively returned to the MR spot market in recent weeks, booked the Torm Timothy from ARA to east coast Mexico at WS70, with an option to the US Atlantic coast at WS80. A deal was done at an equivalent of WS82.5 for a UK continent to US Atlantic coast voyage, but the loading dates were quite far ahead and market participants indicated that this higher rate was less reflective of the market level, with only two cargoes left seeking vessels.

The Mediterranean to Japan LR2 rate fell substantially by $300,000 to $1.7mn, with the market heavily oversupplied. Saudi Aramco's Singapore trading arm ATS booked the Bneider from Milazzo, Italy to Japan at this rate, loading around





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mid-July.

In the Handysize market, the cross-Mediterranean rate fell by WS5 points to WS100. The market continued to show weakness, particularly from the demand side. Two deals were done at WS100, although one fell through. The Black Sea to Mediterranean rate also fell by WS5 points to WS115, in line with the most recent confirmed deal on the route, by Lukoil subsidiary Litasco.

LPG

VLGC rates firm

The recent recovery in the Ras Tanura to Chiba route persists, with bookings reported in the mid to high $20s/t range, although details were sparse.

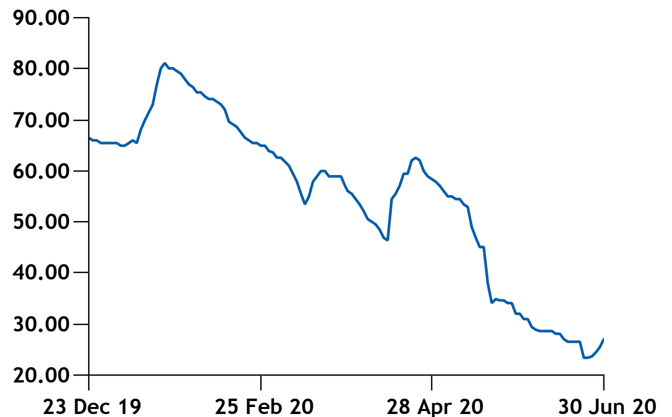
A reduction in the number of open vessels touting for July cargoes have helped lift rates out of the low $20s/t touched last week. But further increases could be limited by faltering Asian demand, particularly since the competitiveness of Mideast supply is undercut by the Saudi CP's substantial premium to AFEI.

The imbalance between plentiful available vessels and scarce spot demand from charterers continues to dampen the northwest European market for coasters. Rates on the Tees to ARA route moved a touch higher, but with little expectation of further gains. Exxon fixed the Maingas for a shipment from Slagen.

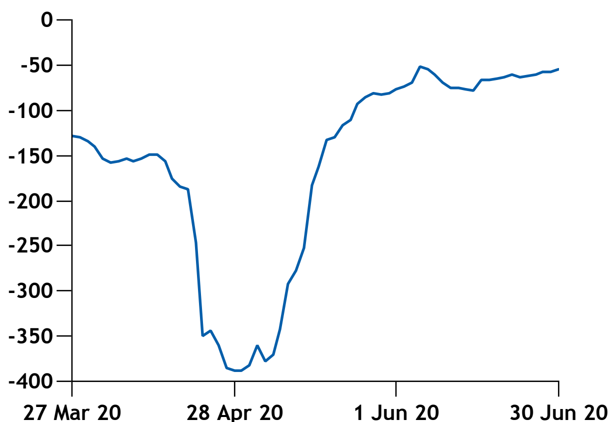
LPG freight rates

Route	Size	*$/t*
Mideast Gulf-Japan	VLGC	27.00
Houston-Chiba	VLGC	60.00
Houston-east coast Mexico	Handy	30.00
Houston-Flushing	VLGC	31.00
Tees-Lisbon butane	1,800t	56.00
Tees-ARA	1,800t	17.00

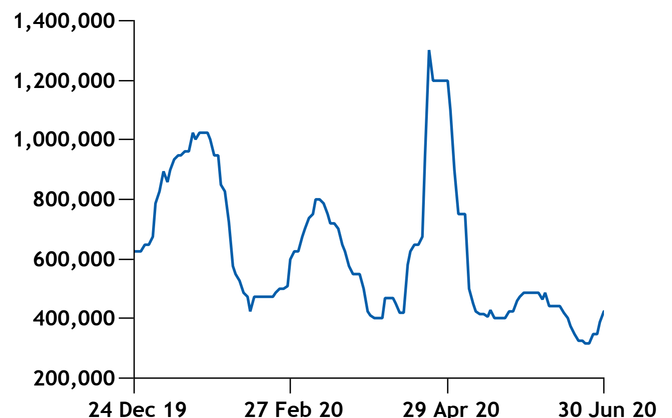
LPG Mideast Gulf-Japan VLGC freight *$/t*



Clean: MEG-Japan 55kt vs MEG-Japan 75kt *Worldscale*



Clean 38,000t US Gulf coast-Pozos freight *$/t*



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DRY BULK

Pacific Capesize market climbs to new peak

Capesize freight rates pushed higher again in the Pacific on Tuesday, but the pace has slowed with charterers looking to a continued slowdown in the south Atlantic basin and becoming more resistant to increases.

Fewer charterers have made Brazil to China cargoes available than previously expected and — despite very few vessels being available for end-of-July bookings — rates fell with charterers pushing late-July cargoes into August wherever possible to benefit from higher ship availability. The cost of freight between Tubarao and Qingdao sank by 50¢/t to $21/t. Chartering focus has started to shift towards August loading dates, which were under discussion at less than $20/t, although price discussions for the end of July period were still close to $22/t.

The cost of freight between west Australia and north China rose by 20¢/t to $10.45/t — a fresh peak for 2020. Price discussions rose from $10.20-10.40/t early in the day. The slowdown in the south Atlantic has started to weigh on market sentiment, although this is countered by a continuing shortage of available tonnage in the Pacific basin is supporting rates.

Fixing activity was still comparatively slow in the north Atlantic, but there were so few ships available that the market continues to climb higher. The rate between Puerto Bolivar and Rotterdam rose by 40¢/t to $11.20/t and it could rise further if the supply/demand balance of vessels remains tight. The few cargoes available in the north Atlantic market were largely from Canada or the US.

Dry bulk freight rates

Route	Size '000t	$/t	±
Panamax			
Murmansk-Rotterdam, coal	70	6.10	nc
Richards Bay-Rotterdam, coal	70	8.20	nc
Puerto Bolivar-Rotterdam, coal	70	9.10	nc
EC Australia-Japan, coal	70	10.20	nc
EC Australia-S Korea, coal	70	9.90	nc
EC Australia-S China, coal	70	11.20	nc
EC Australia-EC India, coal	70	13.20	nc
Indonesia-S China, coal	70	6.50	nc
Indonesia- EC India, coal	70	6.90	nc
Indonesia-Japan, coal	70	6.60	nc
Indonesia-South Korea, coal	70	6.20	nc
Capesize			
Richards Bay-Rotterdam, coal	150	10.60	+0.90
Puerto Bolivar-Rotterdam, coal	150	11.20	+0.40
EC Australia-S China, coal	150	11.60	+0.35
Richards Bay-S China, coal	150	14.85	nc
Richards Bay-Krishnapatnam, coal	150	10.15	nc
Saldanha Bay-Qingdao, iron ore	160	15.75	nc
WC Australia-N China, iron ore	160	10.45	+0.20
Tubarao-Antwerp, iron ore	160	11.10	+0.20
Tubarao-Qingdao, iron ore	160	21.00	-0.50
Queensland-Rotterdam, coal, 30 Jun	160	15.70	+0.60

Weekly Americas coal rates 29 Jun

Route	Size '000t	$/t	± 22 Jun
Panamax			
US east coast-ARA	75	11.00	+0.50
US east coast-Japan	75	30.00	-1.00
US east coast-India	75	29.00	-1.00
West coast North America-ARA	60	14.25	-0.25
West coast North America-Japan	75	13.25	-0.25
US Gulf-ARA	70	14.00	+0.50
Capesize			
US east coast-ARA	140	12.25	+2.00
US east coast-India	140	32.25	+3.75

Dry bulk vessels scrapped in 2020

Class	Total	Average age	Total DWT
Very Large Ore Carrier (VLOC)	7	27.14	1,994,890
Capesize	19	20.95	3,178,363
Post-Panamax	0	0.00	0
Panamax	4	30.75	300,119
Supramax	2	17.50	109,275
Handymax	8	28.50	359,211
Handysize	8	27.38	230,003
Total	**48**	**24.85**	**6,171,861**

Last updated 19 May 2020

Petroleum coke freight rates

Route	Size '000t	$/t	±
US Gulf-ARA	40-50	12.75	nc
Venezuela-ARA	45-50	11.75	nc
US Gulf-Turkey	45-50	15.25	nc
USWC-Japan	60	13.75	nc
US Gulf-Brazil	45-50	10.75	nc
US Gulf-China	45-50	31.00	nc
US Gulf-east coast India	45-50	30.75	nc
EC Saudi Arabia-west coast India	45-50	8.50	nc

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NEWS

Aramco CEO: Global oil demand at 90mn b/d

State-controlled Saudi Aramco's chief executive Amin Nasser said global oil demand has rebounded from the lows of April to levels that could be maintained in the second half of the year.

"In April, we were looking at demand of around 75mn-80mn b/d, with significant supply. Currently, you are looking at [demand of] almost 90mn b/d, so I am very optimistic about the second half of this year," Nasser said in an interview released by the IHS CeraWeek conference organisers on Tuesday. "The worst is behind us," he said.

Nasser's remarks align him broadly with the most recent demand forecasts from the IEA and Opec, which see demand this year averaging 91.7mn b/d and 90.6mn b/d respectively. Still, these all suggest a fall of around 10pc from last year's levels, reflecting the huge economic effect of the Covid-19 pandemic. The IMF's most recent update to its *World Economic Outlook* (WEO) forecasts a 4.9pc decline in global GDP this year, down from a projected 3pc drop in its April outlook.

The one bright spot in the IMF's outlook was China, where it forecasts the economy will grow by around 1pc this year. Gasoline and diesel demand in China "is picking up to pre-Covid levels, and has risen to around 90pc of pre-pandemic levels", although jet fuel demand continues to lag because of air travel restrictions, Nasser said.

The demand outlook is broadly contingent on whether or not there is a second wave of the pandemic, but the world is much better prepared to deal with that than it was when the virus emerged at the start of the year, he said.

Aramco produced at its maximum sustainable crude capacity of 12mn b/d in April, when it topped up supplies with 300,000 b/d from inventories, said Nasser. The dramatic output rise was prompted by Riyadh's push for market share after the Opec+ supply restraint deal collapsed in March. The higher output, which coincided with a global collapse in demand under the weight of pandemic-related restrictions, contributed to the price collapse that month. Under the new Opec+ deal, Saudi production fell back to 8.5mn b/d in May, according to *Argus* estimates.

By Samira Kawar

ConocoPhillips to restore some US production

Independent producer ConocoPhillips in July plans to begin restoring some of the 225,000 b/d oil equivalent (boe/d) of production it curtailed in the second quarter.

The company said it expects to report second-quarter production of between 960,000-980,000 boe/d. Excluding Libya production and other adjustments, second-quarter production is expected to be in line with the second quarter of 2019 and about 5pc below the first quarter of 2020.

Of the total second-quarter production curtailments, approximately 65pc were in the lower 48 US states, 15 percent were in Alaska and 15 percent were from its Surmont operation in Canada. The remainder of the curtailments were in Malaysia.

The US production will begin to return in July based on current crude and natural gas prices. At Surmont the company is also planning to increase production sometime in the third quarter.

US clean tanker rates climb with exports

Americas clean tanker rates are rising as resurgent US refined products exports absorb tonnage supply in the US Gulf coast.

US Gulf coast-Pozos, Colombia, rates for clean medium range (MR) tankers have pushed up by 35pc to $425,000 lump sum or $11.20/t and US Gulf coast-Chile MR rates are up by 22pc to $1.185mn or $31.19/t since 24 June.

US oil product exports reached a two-month high of 4.6mn b/d on the week ending 19 June, according to the US Energy Information Administration (EIA). Heavy fixing chartering activity in the US Gulf coast for shipments to Latin America in recent weeks suggests that the trend of rising exports is likely to continue in the near future.

Rising US Gulf coast refinery utilization has helped to spur exports. US Gulf coast refinery utilization for the week ending 19 June is 77pc, up from the early May level of 72pc, the lowest level since 2017 when Hurricane Harvey knocked out a fifth of US refining capacity.

Another factor lending support to the Americas freight market is the higher-than-usual chartering activity as the regional market wants to finalize booking arrangements ahead of the US holiday weekend, according to shipbrokers.

Rising Americas rates have bucked the trend of falling clean tanker rates in Europe and Asia. Since 24 June, the Europe-US Atlantic coast MR rate has stayed at a multi-year low of $12/t and the Singapore-Japan MR rate dipped by 7pc to $13/t as tanker supply in those regions has been more than sufficient.

By Nicholas Watt

Primorsk diesel exports to fall below 1mn t

Diesel export loadings from the Russian Baltic Sea port of Primorsk will fall below 1mn t next month for the first time since September.

Rising domestic demand and a government-mandated ban on imports may have limited the availability of diesel for export in July.

Loading schedules show just 930,000t of diesel will leave

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the port in July, down from 1.17mn t this month — a fifth consecutive monthly decline. Russian refiners have reduced runs in recent months, and have brought forward planned maintenance work, to counteract the cut to demand arising from the Covid-19 pandemic.

The Russian government instituted a ban on fuel imports in late May, in an attempt to protect the country's refining sector. The energy ministry said last week that it has no plans to lift the ban, even though domestic road fuel demand is rising albeit to levels around 10-15pc lower on the year in June.

The sharply lower export schedule will probably support diesel margins in northwest Europe, which have recovered somewhat in recent sessions from a low base. Russia is the primary supplier of diesel to Europe. But the reduction may simply trigger an increase of supply from refiners in northwest Europe, most of which are operating at reduced capacity because of sluggish demand for core products.
By Harry Riley-Gould

Shell to take up to $22bn of impairments

Shell has followed in the footsteps of BP by announcing hefty impairment charges in its upcoming second-quarter results after lowering its outlook on oil and gas prices.

Shell said it expects to write down the value of its assets by $15bn-22bn on a post-tax basis. The impairments are being triggered not only by a revision to the firm's oil and gas price assumptions but also by changes to its outlook on refining margins. The revisions reflect "the expected effects of the Covid-19 pandemic and related macroeconomic as well as energy market demand and supply fundamentals", Shell said.

Shell's new Brent oil price assumptions are $35/bl for this year, $40/bl next year, $50/bl in 2022 and $60/bl in 2023. Last year, it assumed $60/bl in 2020-22 for impairment testing. It has also lowered its Henry Hub gas price assumptions for the next few years. Its long-term price outlooks for Brent and Henry Hub are $60/bl and $3/mn Btu in real terms.

The changed price outlook will result in $8bn-9bn of impairments in the firm's integrated gas division, mainly related to Australian LNG assets, and a further $4bn-6bn of upstream write-downs, largely associated with shale assets in North America and deepwater fields in Brazil.

"The upstream and integrated gas asset valuation updates, including of related exploration and evaluation assets, are largely driven by the change in long-term prices with some impacts due to a changed view on the development attractiveness," the company said.

The remaining $3bn-7bn of impairment charges relate to downstream assets, triggered by Shell revising down its assumptions for longer-term refining margins by about 30pc. The write-downs will be " across the refining portfolio" and reflect "Shell's strategy to reshape and focus its refining portfolio to support the decarbonisation of its energy product mix, leveraging assets and value chains in key markets", the company said.

Shell expects the impairments to push its net debt gearing up by 3 percentage points. The firm's gearing stood at about 29pc at the end of March.

The write-downs are on a similar scale to the $13.5bn-17bn flagged up by BP two weeks ago.
By Konstantin Rozhnov

US northeast refined products exports surge

The low demand-fueled growth of US refined products stocks has prompted a rare surge of diesel and gasoline exports from the US northeast.

Approximately 93,000 b/d of diesel has loaded out of the New York Harbor and Philadelphia region so far in June to destinations in Morocco, Brazil, France and the Netherlands, according to estimate from oil analytics firm *Vortexa*. This was up from just 10,000 b/d that loaded in April and 40,000 b/d that loaded in June 2019.

June exports out of New York Harbor also included several gasoline cargoes to Europe and Canada, *Vortexa* data show. New York Harbor is structurally short on gasoline, and typically relies on Europe and Canada for imports.

Refiners have also kept run rates at around 50pc since early May in response to the lower demand from Covid-19-related restrictions, data from the Energy Information Administration (EIA) show. Excluding last June's shutdown of the region's largest, 330,000 b/d Philadelphia refinery, the remaining refineries have been operating at around 70pc. These cuts are deeper than on the Gulf coast, where refiners began to bring production to the high 70s percentage range this month.

East coast refiners also trimmed distillates production in favor of gasoline over the past few weeks. Atlantic coast distillates output fell to 207,000 b/d during the week ended 19 June, the lowest level since late March. Gasoline production in the region has risen steadily to 2.86mn b/d during the week ended 19 June, the highest level since 20 March.

In addition, New York Harbor buyers have cut their intake of Gulf coast products. The Colonial pipeline has been mostly operating under capacity since late March and early April.

Exports from the Gulf coast also rose this month as refiners sought to clear excess supplies. Around 820,000 b/d of diesel has loaded out of the Gulf coast so far this month, up from 540,000 b/d in May but still lagging the 1.3mn b/d that loaded in June last year, Vortexa estimates show. Similarly, gasoline loadings out of the Gulf coast rose to 390,000 b/d in June, up from 210,000 b/d in May but down from 670,000 b/d a year ago.

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US distillates stocks hit 1.76mn bl earlier this month, approaching the highest level in 10 years, according to the EIA. Gasoline stocks stood at 2.55mn bl around mid June, nearly 10pc higher than year-ago levels.
By Chunzi Xu

China's steel PMI decreases in June

China's steel sector purchasing managers' index (PMI) decreased by 1.6 points from May to 49.3 in June, reflecting slow recovery in the steel industry, according to the China steel logistics professionals committee (CSLPC).

Sub-indexes showed that steel production increased but steel demand softened in June, leading to higher steel inventories at mills. Prices for raw materials kept rising while mill purchases slowed on the expectation of lower prices. Steel demand is likely to weaken in July but strengthen later, while steel production would continue to rise on the month but feedstock prices may fall in July, the CSLPC forecasted.

The *Argus* 62pc Fe index has averaged at $102.58/dry metric tonne (dmt) each month to date, down from an average of $92.29/dmt in May. The month-to-date average of *Argus*' domestic China rebar price stood at 3,594.76 yuan/dmt, up 2.1pc from the May average.

The steel PMI's sub-index for new domestic orders dropped by 6.5 points to 46.4 on weak downstream demand from heavy rainfall in southern China, including floods in some areas since mid-June. The sub-index had been rising for three consecutive months prior to June. The export orders index was at 31.9, down by 0.7 point from May, and below 40 for a fourth consecutive month because of weakening overseas demand as the spread of Covid-19 accelerated.

The steel production sub-index rose by 1.1 points from a month earlier to 57.5, a fourth straight month of gains. China iron and steel association data showed that steel output at its key member mills averaged 2.1257mn t/d in June, up by 2.89pc on the month and higher by 3.05pc from a year earlier.

Finished product inventories jumped quickly at mills as steel demand decreased but steel production rose, with delivery of products delayed in the rainy season. The inventory sub-index gained 15.1 points to 44.3 in June.

Higher prices of raw material in June resulted from stronger demand from mills and tighter supply for imported iron ore with shipments affected by the global spread of Covid-19.

The higher prices are pressuring margins across steelmakers, CSLPC said. Prices for imported iron ore are likely to trend down in the second half of this year with supply expected to improve, it forecasted. Brazilian supply remains uncertain given the rapid spread of Covid-19. Steel demand would continue to increase in the second half of this year, and steel production is also likely to extend gains. This could increase oversupply under restocking pressure. There is limited room for gains in steel price, CSLPC forecasted.

China's manufacturing PMI rose to 50.9 in June from 50.6 in May, according to the national bureau of statistics. This was the fourth month of expansion in factory activity after it cratered to 35.7 in February.
By China staff

Norway to test ammonia bunkers full scale

Marine technology firm Wartsila will start testing ammonia as a bunker fuel in a four-stroke combustion engine from the first quarter next year, the company said.

Wartsila has already conducted early tests of the ammonia, while this will be the first full-scale testing of ammonia bunkers. The previous tests were "promising", although they showed some issues during the ammonia combustion, including poor ignition and burning, toxicity and corrosiveness.

The testing will involve an ammonia-driven fuel cell on the Eidesvik Offshore's *Viking Energy* supply vessel to better understand how ammonia combusts, Wartsila market innovation manager Egil Hystad said.

Wartsila said ammonia could be used on ships in operation within a few years and that several shipowners have shown interest.

The tests will take place at the Sustainable Energy Catapult Centre in Stord, Norway and are backed by a 20mn kroner ($2.1mn) grant from government research agency the Norwegian Research Council.

Energy minister Tina Bru said Norway would like to see increased use of ammonia as a shipping fuel and in the offshore sector, and that know-how from this project will also help develop regulations for ammonia and other low-carbon fuels.

Most ammonia on Tuesday is produced with fossil fuels that are not carbon-neutral, but Wartsila envisions ammonia as a carbon-neutral fuel produced with clean energy from offshore wind and other renewable energy sources.

The International Maritime Organisation (IMO) aims to cut maritime greenhouse gas emissions (GHG) in half by 2050, including a 40pc reduction in CO2 emissions by 2030 and a 70pc cut by 2050 compared with 2008 levels.
By Erik Hoffmann

Rotterdam bunker margins narrow

Sluggish bunker demand and more stable prices have narrowed delivery margins for bunker fuels in Rotterdam.

Delivered bunker premiums to barges of marine fuel oils and gasoil fell to their lowest this year in June, after peaking in March and April.

The monthly delivered premium for the main bunker fuel — 0.5pc sulphur fuel oil — has fallen to $7/t so far in June,

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down from $11/t in May, and sharply down from a peak of $29/t in March. June's average premium is the lowest since *Argus* launched the price assessment in October 2019.

The margin for delivered 0.1pc sulphur marine gasoil (MGO) surged from a discount of $2/t in February to a premium of $12/t in April, before dropping to a discount of $4/t in June, the widest discount since September 2019.

When high-sulphur fuel oil (HSFO) was still the main bunker fuel last year, its delivered margin was slim and usually averaged less than a $10/t premium to the barge price. But HSFO's delivered margin surged in March and peaked at $50/t. Since then it has come down to $8/t in June — the lowest since July last year.

These are the physical bunker delivery margins for bunker suppliers and low margins may be a sign of higher competition among bunker suppliers, amid lacklustre demand. The margins peaked in March as bunker demand was still steady and have come down with reduced demand from April as much of the world locked down because of the Covid-19 pandemic.

Margins are also slimmer when prices are less volatile. The average daily price change for 0.5pc fuel oil peaked at $20/t in March and fell steadily to $8/t in June. MGO also peaked in March, at $19/t, and has since come down to $10/t. HSFO has become even less volatile, with the average price change at a high of $14/t in March and April and only $7/t in June.

Ample supply from European refiners might have also narrowed delivered bunker premiums for 0.5pc fuel oil. European refiners that reduced run rates or shut down completely started coming back on line in June. Shell restarted its 420,000 b/d Pernis refinery in Rotterdam earlier this month. The company produces 0.5pc fuel oil and MGO at Pernis. Europe had been running an oversupply of 0.5pc fuel oil in most of 2020, as the continent did not export IMO-compliant fuel oil amid lack of arbitrage opportunities. Some European ports received more 0.5pc fuel oil in June from Scandinavian refiners, adding to the oversupply. HES International's 260,000 b/d Wilhelmshaven refinery in Germany also started producing 0.5pc fuel oil in June and the firm shipped some of the product to the Amsterdam-Rotterdam-Antwerp hub.

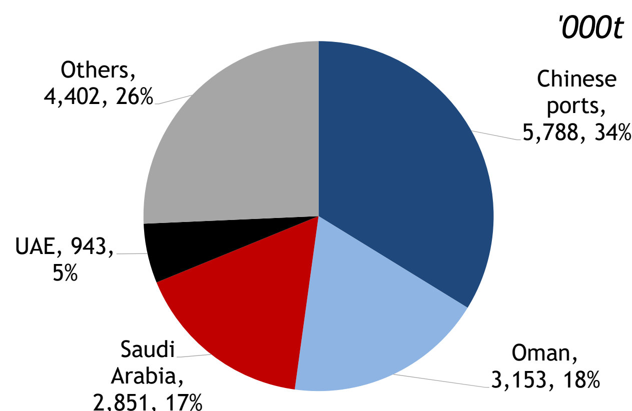
By Erik Hoffmann and Enes Tunagur

Fertilizer industry assesses India-China tensions

Growing tensions between the Indian and Chinese governments has resulted in delays to the discharging of a phosphates vessel this week, prompting concern from some fertilizer industry participants.

The relationship between the two nations has increasingly soured following military clashes earlier this month, resulting in prohibitive measures taken by the Indian government. India has banned dozens of Chinese mobile apps on Tuesday, and there are increasing reports of delays of customs clearance for Chinese goods.

Indian imports of urea, DAP and MAP by origin in 2019



A vessel loaded with Chinese phosphates, the *Princess Coco*, has experienced delays discharging at Mumbai, following its arrival and berthing on 23 June, having left Shanghai on 4 June. The vessel discharged 700t of MAP, but this was suspended on 24 June and the vessel has since remained at anchorage. The trading firm that fixed the vessel to ship the phosphates has attributed the delay to a customs issue.

The delays to the vessel's discharge has prompted a variety of responses from some participants, with a major southern Chinese phosphates producer now very concerned by the situation. A China-based trading firm will refrain from shipping any phosphates on this trade route for the time being, partly given the lack of clarity.

Latest tender highlights continued mutual dependence

But some fertilizer industry participants have dismissed the measures as posturing, citing India's reliance on Chinese fertilizers.

The overall importance of fertilizers to India's agricultural industry was emphasised by governmental measures at the end of March, designating the supply of fertilizers as an essential service in the wake of the Covid-19 pandemic.

State-owned Indian importer RCF's issuance of awards under a major urea purchase tender today, in which Chinese product will feature, highlights the mutual dependence of fertilizer trade between the two nations.

The India-China trade route is of particular importance for fertilizer products, notably Chinese exports of urea and DAP, with India the largest global importer. Suppliers shipped 3.25mn t of urea from Chinese ports last year, marking the highest share of the Indian urea import market, trade data show. In terms of phosphates, Chinese DAP producers accounted for 37pc, or 2.15mn t, of total Indian imports in 2019, *Argus* data show. Chinese producers domi-

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nated DAP supply into India in 2012-18.

The trade route is also crucial for India-origin fertilizers, with China the primary destination for Indian sulphur. Indian suppliers increased sulphur shipments to 632,000t to China in 2019, accounting for 94pc of all Indian exports.
By Harry Minihan

Iino Lines orders coal carrier for J-Power

Japanese shipping firm Iino Lines has commissioned a new bulk carrier to transport thermal coal to electricity wholesaler J-Power's coal-fired power generation plants in the country.

Iino Lines took delivery of the 84,854dwt Camellia Island on Monday. The new carrier was built by Japan's Namura Shipbuilding at its Imari shipyard in Saga prefecture.

The scrubber-installed Camellia Island will mainly ship thermal coal from Australia, Indonesia and Russia to help ensure feedstock supplies for J-Power, one of Japan's biggest coal-fired power producers.

J-Power operates seven coal-fired power plants in Japan with total generation capacity of 7,812MW. Kashima Power, the firm's 50:50 joint venture with Japanese steel mill Nippon Steel, is scheduled to start up a new 645MW coal-fired power generation unit in Ibaraki prefecture's Kashima next month.

Japan's demand for thermal coal is being sustained by an additional 4,150MW of capacity start-ups between October 2019 and March 2021, despite weaker power demand amid a manufacturing slowdown induced by the Covid-19 outbreak and related restrictions. Major supplier Australia is projecting that thermal coal shipments to Japan will be higher than previously expected in 2020, partially offsetting an overall decline in demand.

Japan's thermal coal imports fell by 9pc from a year earlier to 7.2mn t in May. Imports of thermal coal in the April 2019 to March 2020 financial year edged down by 2pc to 111mn t, according to government data.
By Rieko Suda

US gasoline demand for April hit 50-year low

April gasoline demand plummeted to a 50-year low under nationwide restrictions to limit the spread of Covid-19, according to the Energy Information Administration (EIA).

Demand averaged 5.9mn b/d for the month, the lowest April volume since 1970 and the lowest volume outright since January 1974. Monthly average consumption was 37pc lower than April 2019. Monthly federal energy data offers higher confidence but on a much slower release schedule than weekly figures.

Business and travel restrictions in April locked down transportation in communities across the country to counter the rapid spread of the coronavirus pandemic. Initial weekly EIA data during the month fell as low as 5.1mn b/d and averaged roughly 5.6mn b/d. Weekly implied demand data has since climbed to within 10pc of year-ago consumption.

Gasoline exports were slower to dip than demand, averaging 762,000 b/d in the monthly report. That export volume was 13pc higher than April 2019.

Monthly EIA data confirmed a historic drop in jet fuel consumption to 691,000 b/d — less than 40pc of April 2019 and a 50-year low for the fuel. Jet fuel demand has recovered much more slowly as continued restrictions on international trips, reduced business travel and consumer wariness of air travel continue to limit US demand.

Diesel consumption in April averaged 3.5mn b/d, which was 12pc lower than last year and the lowest April consumption since 2009.
By Elliott Blackburn

Russia boosts gasoline output in June

Russian refineries increased gasoline production by 35pc in June, following the recommendation of the country's energy ministry, which called on them at the beginning of the month to oversupply the domestic market with gasoline even though demand had not yet recovered in full.

Gasoline output totalled 80,200 t/d (680,000 b/d) on 1 June, but rose to 99,600 t/d on 14 June and 107,900 t/d on 28 June, director of oil and gas refining department at the Russian energy ministry Anton Rubtsov told the *Argus* Oil Products Market 2020 conference on Tuesday.

Total gasoline production in June reached 3.05mn t or around 101,700 t/d, according to the ministry's preliminary estimates, very close to June 2019, when it totalled 3.18mn t (105,900 t/d). Gasoline output in May was 2.34mn t (about 75,400 t/d), a 22pc decline from 3.03mn t in May 2019, according to Rubtsov's presentation.

Actual gasoline consumption in Russia in June was 18pc below last year's level, Rubtsov told the conference on Tuesday. The energy ministry said in early June that gasoline consumption in the country will be at least 10pc below the level of the same month in 2019. Average gasoline demand in Russia has not returned to 2019 levels yet, and the recovery in consumption is uneven across the country, Rubtsov said.

The Russian energy ministry recommended that refiners not only boost gasoline output, but also cut exports of the product. At the same time, the ministry imposed a temporary ban on gasoline imports that is valid until 1 October. The ministry will consider lifting the ban when the Russian domestic market returns to balance. "The demand for gasoline has not recovered in full," Rubtsov said on Tuesday.
By Anastasia Krasinskaya

Japan's crude imports tumble in May

Japan's crude imports slid to just 2.3mn b/d in May as

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domestic refiners slashed runs as demand slumped for oil products because of the impact of the Covid-19 pandemic.

Japan's crude imports in May were down by 25pc from a year earlier and down by 15pc from April, according to data released on Tuesday by the industry ministry (Meti). Imports were pressured by a sharp fall in crude runs in May as domestic refineries' product output dropped by 27pc from the previous year to 1.9mn b/d.

Crude imports from Saudi Arabia fell by 5pc from a year earlier to around 932,000 b/d in May, while imports from the UAE dropped by 29pc to around 730,000 b/d. Japan also imported 241,000 b/d from Kuwait, down by 3pc from a year earlier, and 153,000 b/d from Qatar that was down by 39pc.

Japan only increased its crude imports from Bahrain in May, up by 8pc from a year earlier to 64,000 b/d.

Japan's Middle East oil dependence increased to 92.9pc in May from 87.2pc a year earlier and 90.6pc in April.

Imports of crude from Russia also dropped by 35pc from a year earlier to 92,000 b/d in May. There were no imports from the US in May compared with 66,000 b/d in May 2019.

Domestic product sales dropped by 13pc from a year earlier to 2.1mn b/d in May, according to Meti. Gasoline sales tumbled by 22pc to 629,000 b/d, while jet fuel sales plummeted by 75pc to around 20,000 b/d as Covid-19 has cut into aviation activity.

But Japan's product imports increased by 9pc from a year earlier to 544,000 b/d in May. Imports of gasoline more than doubled to 53,000 b/d.

The head of Japan's petroleum association Tsutomo Sugimori has said Japanese refiners were considering importing motor fuels to address the country demand recovery, rather than increasing refinery runs so not to build up already high jet fuel stocks.

Japan's refinery runs have been gradually recovering to above 60pc after hitting 51.8pc in the week to 30 May.
By Rieko Suda

MGO bunkers remain tight in ARA

Marine gasoil (MGO) availability has become tight in the Amsterdam-Rotterdam-Antwerp (ARA) bunkering hub while Gunvor's 115,000 b/d Antwerp refinery remains offline.

Bunker suppliers are able to load 0.1pc sulphur MGO from other refineries in ARA, but Gunvor is only loading 10ppm diesel and gasoline by truck, a bunker supplier said. This has led to slightly longer waiting times of one day for MGO loadings at some terminals.

Gunvor is considering mothballing the refinery because it doubts whether it can be profitable in the future. Refiners BP and Shell are offering MGO from their ARA plants as well as trading firm Glencore. Shell's 420,000 b/d Pernis plant returned from a turnaround earlier this month, boosting supply in the region. But market participants said Shell's return may only provide limited support to supplies, as it remains to be seen how much the firm has to offer.

The price of MGO has increased relative to 0.5pc sulphur marine fuel oil in Rotterdam, with the spread widening from \$26/t on 1 June to \$51/t yesterday. But delivered MGO is at a discount to fob barges of the grade, suggesting slow bunker demand.

On the fob barge MGO market, traders said prices were at around a \$10/t discount to Ice August gasoil for July loading. *Argus* assessed MGO fob barges in northwest Europe at a \$12/t discount to Ice August gasoil yesterday, equating to \$340/t at the close.

MGO accounted for 16pc of all marine fuel sales in the port of Rotterdam in the first quarter of 2020, compared with 18pc in the fourth quarter of last year. Rotterdam is the largest bunkering port in Europe.
By Enes Tunagur and Erik Hoffmann

Mideast Aframax rates drop to 2-year low

Rates for Aframax tankers from the Mideast Gulf to east Asia hit a more than two-year low this past week, with slow chartering activity and ample availability.

The rate for an 80,000t cargo from the Mideast Gulf to Singapore has been at \$8.69/t since 23 June, the lowest since \$8.61/t in late March 2018. The route's Worldscale (WS) rate — a standardized unit of measure referenced by the shipping industry, based on annually-reassessed flat rates — is WS57.5, the lowest recorded since *Argus* began to assess the route.

Demand has been weak for Aframaxes this month because of Opec+ crude production cuts and as competitive rates for larger Suezmaxes has meant charterers preferred to move larger cargoes from the Gulf. Around 102,000 b/d of crude and dirty products loaded onto Aframaxes in the Gulf in June, according to oil analytics firm Vortexa, the lowest for any month this year and a 42pc decrease from June 2019. At least two 80,000t cargoes meant for Aframaxes were scaled up and booked on Suezmaxes.

After limited chartering activity in the first week of this month, there were no spot bookings reported at all on the Gulf-Singapore route until a cargo was put onto the market on 12 June and covered by a charterer-offered tanker.

The lack of 80,000t cargoes in the first half of the month caused Aframax supply to build up in the region. Tanker availability was also ample in the Singapore-Indonesia region, where Aframax shipowners faced weak earnings and heavy competition for cargoes. These tankers could be available for loadings from the Middle East within the standard 15-day forward fixing window for spot bookings.

There are at least 20 tankers that can be available to load in the Mideast Gulf up to and including 20 July, a broker said, with a similar number becoming available in the Singa-

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pore-Port Dickson region by 5 July and able to accommodate Mideast Gulf cargoes opening within the same timeframe.

Oversupply may have eased to some extent in the Gulf in the past two weeks, particularly with respect to Aframaxes below 15 years of age, but availability remains plenty to cover current demand. This means rates on the route could remain under pressure, what with the first wave of Opec+ cuts now extended until the end of July and rates from Suezmaxes remaining competitive, unless chartering demand for mid-July cargoes picks up this week.

By Paul Jacinto

Oil futures: WTI falls, stays above $39/bl

WTI crude futures fell today amid signs that US producers are restoring output that was shut in because of the Covid-19 pandemic.

WTI Nymex August crude futures eased by 43¢/bl to settle at $39.27/bl. Ice August Brent fell by 56¢/bl to $41.15/bl. The August Brent-August WTI spread narrowed to $1.88/bl.

Argus-assessed August WTI Houston was heard at a 90¢-95¢/bl premium to the US light sweet benchmark at Cushing, Oklahoma, near the time of Nymex settlement, up by as much as 7¢/bl from yesterday.

Independent producer ConocoPhillips in July plans to begin restoring some of the 225,000 b/d oil equivalent (boe/d) of production it curtailed in the second quarter. The company expects to report second-quarter output of 960,000-980,000 boe/d. Excluding Libya production and other adjustments, second-quarter production is expected to be in line with year-earlier levels and about 5pc below the first quarter of 2020.

Signs of weaker demand also pressured the market.

Japan's crude imports slid to 2.3mn b/d in May down by 25pc from a year earlier and down by 15pc from April as domestic refiners slashed runs on lower demand.

Air New Zealand's passenger numbers dropped by around 95pc to 67,000 in May from 1.28mn a year earlier, as air travel remained subdued even though New Zealand was one of the first countries to ease Covid-19 restrictions.

The EU today approved the gradual lifting of restrictions on non-essential travel into the bloc that were imposed to fight Covid-19.

Meanwhile, companies are still grappling with the pandemic impact.

Shell has followed BP by announcing hefty impairment charges for its second-quarter results after lowering its outlook on oil and gas prices.

Nymex RBOB today rose by 1.6¢/USG to $1.2001/USG and ULSD increased by 1.27¢/USG to $1.1781/USG.

By Eunice Bridges

US Democrats offer sweeping climate agenda

US House Democrats are calling for a national carbon price to support an aggressive effort to slash the country's greenhouse gas (GHG) emissions.

The Democrats today unveiled a sweeping climate plan that includes dozens of policy recommendations, including a national clean cars mandate, a low-carbon fuel standard and a clean energy mandate to achieve net-zero emissions no later than 2050. It also calls for numerous tax incentives for renewable energy and electric vehicles, as well as a moratorium on new leases for oil, gas and coal production on public lands and an end to all new offshore oil and gas leasing.

The plan, authored by the House Select Committee on the Climate Crisis, includes a broad recommendation that Congress enact a national carbon pricing system to support the net-zero emissions goal. It does not call for a specific carbon pricing approach, such as a carbon tax or cap-and-trade, but it does include a set of principles for lawmakers to consider as they design carbon pricing legislation. Among them are that any legislation should complement, and not necessarily replace, existing cap-and-trade programs, such as those in California and the US northeast.

Democrats are pitching the plan as a way to rebuild the economy for a post-Covid-19 world, supporting clean energy development and heeding environmental justice concerns.

"We have a plan – and it comes at a critical time," committee chair Kathy Castor (D-Florida). "Our plan will put people back to work and rebuild in a way that benefits all of us.

Few, if any, of the dozens of policy recommendations in the committee's s 550-page report are likely to make it into law this year. The House Democrats still need to translate many of them into legislation, with many proposals likely to run into opposition from the Republican- majority Senate.

But the plan could serve as a template for action next year, should Democrats be successful in November in winning back the White House and control of both chambers of Congress.

The Democrats are also calling for a national Clean Energy Standard to achieve net-zero emission in the electricity sector by 2040, citing a bill introduced last year by US senator Tina Smith (D-Minnesota) and representative Ben Ray Lujan (D-New Mexico), a member of the House committee, as an example of a program lawmakers could consider. That bill called for a national credit trading program to achieve net-zero emissions in the sector by 2050.

For the transportation sector, the Democrats want to enact a mandate for all new cars and light-duty trucks sold in the US to be zero-emissions (ZEV) models by 2035.

In addition, the report calls for Congress to direct the US Environmental Protection Agency (EPA) to set new tailpipe

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CO_2 standards that would require at least a 6pc/yr decrease in emissions starting in 2026 to help drive improvements in conventional automobiles while the ZEV mandate kicks in.

The Democrats also want national low-carbon fuel standard (LCFS) for liquid and non-liquid fuels, modeled after California's program for on-road fuels, that would allow alternative fuels used in aviation and marine shipping to generate compliance credits.

The report does not suggest a compliance target. California's program requires a 20pc cut in the carbon-intensity of fuels by 2030.

In a nod to potential concerns from Midwest lawmakers, the report calls for the national LCFS to take into account the ways in which farming practices can lower the carbon intensity of transportation fuels.

Until a national LCFS is up and running, the Democrats want EPA to write new federal Renewable Fuel Standard (RFS) regulations that would allow renewable biogas used to generate electricity for charging electric vehicles to generate Renewable Indemnification Numbers (RINs) used for compliance in that program.

The Democrats are also calling for the US to follow California's lead by adopting national sales mandate for zero-emission medium- and heavy-duty trucks. California adopts its first-in-the-nation program last week.

In the interim, EPA would be directed to require a 4pc/yr drop in emissions from medium- and heavy-duty vehicles starting with the 2028 model year.

The proposed fossil fuel lease moratorium would last for one year, giving the Department of Interior time to develop a new public lands plan that includes a finding that additional leasing "is not consistent" with a goal of achieving net-zero missions on public lands by 2040.

In addition, Democrats are calling for a ban on all new offshore oil and gas leases, along with tougher drilling safety standards for existing wells and new standards to reduce methane from existing production on public lands.

Environmental and clean energy advocates cheered the Democrats' plan, with more than 90 organizations throwing their support behind the recommendations

"The plan released by Select Committee on the Climate Crisis bristles with bold solutions to the greatest environmental threat of our time. It would speed us away from fossil fuels and invest in a better future," Natural Resources Defense Council president Gina McCarthy said.

But some industry groups suggested the Democrats' plan is not realistic and could end up hurting the economy.

"Now more than ever, we need bipartisan policy solutions to reduce the risks of climate change that do not force a false choice between protecting the environment and growing the US economy," American Petroleum Institute senior vice president of policy, economics and regulatory affairs Frank Macchiarola said.

By Michael Ball

EU starts lifting Covid-19 travel restrictions

The EU today approved the gradual lifting of restrictions on non-essential travel into the bloc that were imposed to fight the Covid-19 pandemic. Travel restrictions should be lifted from tomorrow on the countries listed in the recommendation, with the list to be reviewed every two weeks.

Member states should start lifting travel restrictions at the EU's external borders for residents of 15 countries including New Zealand, Japan, Canada, Serbia and Algeria, and also China, subject to reciprocation from the latter.

The countries will need to continue to meet the EU's epidemiological criteria, including having new coronavirus cases at or below the EU average level.

The European Commission first recommended temporary restriction of all non-essential travel from third countries into the EU for one month on 16 March. EU heads of state or governments agreed to implement that restriction on 17 March and it was extended for a month on 8 April and again on 8 May, and then recommended by the commission for further extension until today.

The lifting of some EU travel restrictions comes as countries across Europe continue to reduce their own restrictions and lockdowns following the worst of the pandemic, and is likely to further boost jet fuel demand which fell catastrophically in March-May as most airlines cancelled all or most of their flights and travel almost stopped.

London's Heathrow airport — the busiest in Europe — had almost 97pc fewer passengers in May than in the same month last year. Jet fuel demand remains extremely low across Europe. Jet fuel deliveries in Spain were still 92pc down on the year in early June, according to logistics operator CLH. And independent jet fuel stocks in the Amsterdam-Rotterdam-Antwerp hub in northwest Europe reached a new all-time high last week of 920,000t, according to consultancy Insights Global.

But jet fuel values have started to recover as travel starts to increase again. Northwest European jet fuel cargoes averaged a 46¢/bl premium to North Sea Dated crude over 1-29 June, by *Argus* assessments, up from a $1.06/bl discount over May.

By Gavin Attridge

US renews effort to undo Iran nuclear deal

The US administration is trying to force its European allies to match its tough oil and financial sanctions against Tehran, by sparking a debate in the UN Security Council over whether to extend an arms embargo on Iran.

"If you fail to act, Iran will be free to purchase Russian-made fighter jets that can strike up to a 3,000-kilometer

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radius, putting cities like Riyadh, New Delhi, Rome, and Warsaw in Iranian crosshairs," US secretary of state Mike Pompeo told the UN Security Council today.

The US is trying to persuade the Security Council to extend the arms embargo, which is set to expire on 18 October under the terms of the Joint Comprehensive Plan of Action (JCPOA) nuclear deal signed in 2015.

If the Security Council fails to extend the embargo, the US has threatened to invoke a "snapback" provision that would require the EU to impose economic sanctions if Tehran violates the terms of the nuclear deal.

The US plan involves making a legal claim that Washington is still a JCPOA member as far as the UN arms embargo is concerned, despite President Donald Trump's withdrawal from the deal in May 2018. The assertion has raised eyebrows among the remaining JCPOA members — France, Germany, the UK, Russia and China — and is getting a strong pushback from Tehran.

The US has not implemented its obligations under the agreement and cannot claim to be a participant, Iran's foreign minister Mohammad Javad Zarif told the Security Council, which was meeting virtually.

Representatives from France, Germany and the UK tried to strike a middle ground by criticizing Tehran for gradually abandoning its commitments under the deal, while rebuking the US for its threat to force the EU to follow its sanctions course.

The JCPOA lifted US and EU sanctions on Iran's oil sector, in exchange for restrictions on Tehran's nuclear program. US sanctions have cut Iran's crude exports by 2mn b/d, with less than 100,000 b/d exported to China in recent months.

The US is combining UN diplomacy with an effort to highlight what it says are Iran's aggressive moves against its neighbors. State Department Iran envoy Brian Hook visited Bahrain, Saudi Arabia and the UAE this week, following recent attacks on Saudi targets by Yemen's Houthi rebels that Washington says are backed by Iran. The US accused Tehran of being behind last year's attacks on oil tankers in the Middle East and the drone and missile hit on Saudi Aramco's Abqaiq facility. Tehran denies involvement.

November fail-safe plan

The US push to extend the arms embargo faces a likely veto from Russia and China. That will put to the test Washington's threat to invoke a sanctions snapback which, if successful, could prompt Iran to repudiate the JCPOA.

The US' UN gambit may have more to do with ensuring that the nuclear deal cannot be restored regardless of the outcome of the US presidential election in November. Former vice president and presumptive Democratic presidential nominee Joe Biden has said that the US will resume its commitments under the JCPOA — including oil sanctions relief — if he wins the election, so long as Iran resumes compliance with the deal.

Biden's pledge assumes Tehran's willingness to return to the JCPOA. Tehran can resume talks with the US, but only if Washington apologizes for withdrawing from the JCPOA, returns to it and compensates Iran for the economic damage incurred because of US sanctions, Iran's president Hassan Rohani said last week.

By Haik Gugarats

P66 confirmed as Oriente tender winner

Ecuadorean state-owned Petroecuador today confirmed US refiner Phillips 66 as the winner of its latest spot crude tender for medium sour Oriente.

The US west coast refiner placed a \$1.77/bl bid under Nymex WTI for 10 parcels of 360,000 bl each of Oriente for loading through the third quarter of the year.

The first export windows are 26-28 July, 28-30 July and 29-31 July.

There was a \$3.74/bl spread between the highest and lowest bids for the 24°API crude.

PetroEcuador invited 56 pre-qualified bidders to take part in the tender, but received six bids in addition to Phillip 66's. These came from Marathon, Vitol, Trafigura, Petrochina, Lukoil and Unipec.

This tender follows the early-June repair of PetroEcuador's 360,000 b/d Sote heavy crude pipeline, which has been hit by heavy rains and mudslides since April.

The company's March sales tender for Oriente went unawarded, reflecting oversupply and uncertainty in the oil market. A February tender was also awarded to Phillips 66 at a \$2.78/bl discount to WTI.

Mónica Rojas

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