

LATEST NEWS

- India's jet fuel rates cut in September
- Asian regrade nears three-month high
- Ryanair readjusts capacity on new restrictions wave
- No refinery margins recovery until mid-2021: UBS
- Kuwait removes Singapore from air travel ban list
- USWC refiners lift jet output as imports fall

OVERVIEW

- Singapore jet fuel swaps rose by more than Dubai crude values, widening refining margins. The Asian jet fuel-gasoil regrade rose to nearly a three-month high yesterday.
- Northwest European jet fuel differentials moved higher on Friday, amid low regional production and low imports from east of Suez.
- US jet fuel markets stabilized after gaining more than 6¢/USG over the course of the week.

NEWS

India's jet fuel rates cut in September

India's jet fuel prices have fallen for the second time this month, dropping by 7pc for the second half of September from the first half.

The cuts follow a month-on-month rise in India's air passenger traffic, which rose by 35pc in August from July but fell by 76pc from a year earlier. Traffic fell by 57pc from January-August.

Domestic airlines carried 2.83mn passengers last month from 2.1mn passengers in July as the government removed restrictions on economic activity in the latest lockdown phase ending this month. But traffic declined from 11.8mn passengers a year earlier, according to the aviation ministry.

Domestic carriers will pay 39,493 rupees/kilolitre (\$534/

PRICE SUMMARY

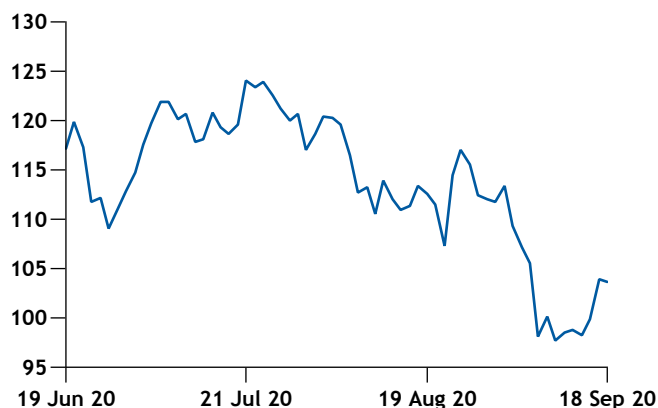
Price	¢/USG	\$/t	\$/bl
Singapore	98.10	324.57	41.20*
South Korea	100.12	331.27	42.05*
Mideast Gulf	94.40	312.36	39.65*
Rotterdam	99.51	329.25*	41.79
Rotterdam SAF		2121.47	
New York	108.40*	355.17	45.53
Houston	104.26*	341.60	43.79
Los Angeles	103.65*	339.61	43.53

Change on day	¢/USG	\$/t	\$/bl
Singapore	+3.81	+12.60	+1.60*
South Korea	+3.69	+12.21	+1.55*
Mideast Gulf	+3.81	+12.60	+1.60*
Rotterdam	+1.74	+5.75*	+0.73
Rotterdam SAF		na	
New York	+0.17*	+0.56	+0.07
Houston	-0.55*	-1.79	-0.23
Los Angeles	-0.33*	-1.08	-0.14

*assessed unit

Los Angeles prompt jet fuel

¢/USG



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kl) in Delhi until the end of September, down from **Rs42,448/kl in early September**, according to state-controlled refiner IOC. That remains well above Rs22,545/kl that airlines paid in early May, after a nationwide lockdown to combat Covid-19 started 25 March. Jet fuel accounts for around 40pc of costs across Indian carriers, twice as much as foreign airlines because of taxes.

India is in its sixth month of a Covid-19 lockdown and international air travel is banned until 30 September, excluding some bilateral arrangements with select nations. India's virus case count has risen by over 90,000 daily for the past few days and has exceeded 5.2mn. It is set to overtake the US in early October with the current rate of infections. Many restrictions have been lifted but overall demand remains weak after several million lost jobs and with others reluctant to spend because of the rising case count.

Jet fuel sales rose by 16pc on the month in the first half of September as domestic flights increased operations but fell by 60pc from a year earlier, according to IOC. Sales averaged 65,000 b/d in August, compared with 59,000 b/d in July and 182,000 b/d a year earlier, according to the oil ministry.

India's gross domestic product contracted by a record 23.9pc for April-June, the first quarterly contraction since 1996 when India began publishing quarterly figures. The country's economy expanded by 4.2pc in the April 2019-March 2020 fiscal year, an 11-year low, and is expected to contract by as much as 15pc, according to US bank Goldman Sachs.

By S Dinakar

Asian regrade nears three-month high

The Asian regrade, or premium of jet fuel swaps to gasoil swaps, rose to nearly a three-month high yesterday against expectations of higher gasoil exports and low jet fuel exports.

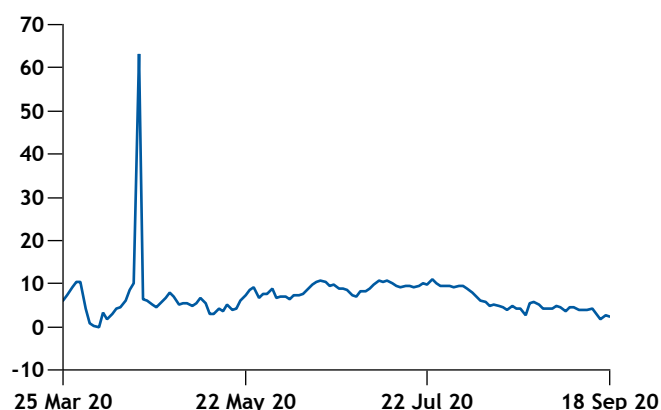
The front-month Asian regrade strengthened to -\$3.45/bl yesterday from -\$4.45/bl on 16 September, based on Argus' assessments. The regrade was last assessed higher at -\$3.25/bl on 22 June.

The regraded averaged -\$0.68/bl for the whole of 2019 and -\$1.10/bl in January, before falling to the **lowest levels since 2003** of -\$3.20/bl in early February when the coronavirus outbreak was mostly concentrated in China. It fell further to record lows of -\$11.80/bl on 5 May, but recovered as refiners **maximised gasoil against jet fuel yields** over the past few months, owing to poor demand for the latter product. Refiners have already maxed out gasoil-to-jet fuel yields and will have to **seek other optimisation solutions** to survive.

Expected higher gasoil exports could have supported the regrade. Gasoil exports from India during August-September increased significantly from an 18-month low in July on dampened domestic demand. Shipping lists show that 2.76mn t of

Los Angeles jet fuel premium to WTI crude

\$/bl



ANNOUNCEMENT

Argus successfully completes annual losco assurance review

Argus has completed the eighth external assurance review of its price benchmarks covering crude oil, products, LPG, petrochemicals, biofuels, thermal coal, coking coal, iron ore, steel, natural gas and biomass benchmarks. The review was carried out by professional services firm PwC. Annual independent, external reviews of oil benchmarks are required by international regulatory group losco's Principles for Oil Price Reporting Agencies, and losco encourages extension of the reviews to non-oil benchmarks.

For more information and to download the review visit our website <https://www.argusmedia.com/en/about-us/governance-compliance>

Argus global spot market prices											
			Daily spot prices						Contract averages		
			Differentials			Prices			Prior week	Prior month	Current MTD
	Timing	Basis	Low	High	Mean	Low	High	Mean	Mean	Mean	Mean
Asia-Pacific											
Singapore fob cargo \$/bl	Prompt	Mops	-1.20	-1.00	-1.10	41.10	41.30	41.20	37.15	43.28	38.86
South Korea fob cargo \$/bl	Prompt	Mops	-0.35	-0.15	-0.25	41.95	42.15	42.05	38.02	43.72	39.74
Japan c+f cargo \$/bl	Prompt		-	-	-	42.50	42.70	42.60	38.60	44.76	40.30
Mideast Gulf	Timing	Basis	Low	High	Mean	Low	High	Mean	Mean	Mean	Mean
Mideast Gulf fob cargo \$/bl	Prompt	Mopag	+0.50	+0.70	+0.60	39.55	39.75	39.65	35.40	41.33	37.08
Mideast Gulf fob diff to Ice \$/bl	Prompt	Ice	-5.55	-5.35	-5.45	-	-	-	-7.43	-8.36	-7.14
Africa	Timing	Basis	Low	High	Mean	Low	High	Mean	Mean	Mean	Mean
Durban c+f cargo \$/t	Prompt					322.84	323.04	322.94	288.98	339.25	302.52
West Africa delivered \$/t	Prompt							350.50	325.25	371.29	335.88
FSU	Timing	Basis	Low	High	Mean	Low	High	Mean	Mean	Mean	Mean
Moscow formula incl VAT Rbs/t	Prompt		-	-	-	-	-	23,663.00	21,670.40	25,373.25	22,296.54
Moscow formula ex VAT \$/t	Prompt	Ice	-	-	-76.83	-	-	263.17	238.66	286.72	247.89
Moscow spot fit incl VAT Rbs/t	Prompt		-	-	-	33,350	33,700	33,525	33,785	32,915.48	33,794.23
Moscow spot fit ex VAT \$/t	Prompt		-	-	-	370.91	374.81	372.86	372.10	371.67	375.63
Omsk fca incl VAT \$/t	Prompt		-	-	-	500.48	507.15	503.82	490.99	487.55	498.22
Chimkent fca incl VAT \$/t	Prompt		-	-	-	-	-	-	384.00	386.50	383.50
Pavlodar fca incl VAT \$/t	Prompt		-	-	-	-	-	-	384.00	387.75	384.00
Atyrau fca incl VAT \$/t	Prompt		-	-	-	-	-	-	378.50	381.88	378.17
Europe	Timing	Basis	Low	High	Mean	Low	High	Mean	High	High	High
Northwest Europe fob cargo \$/t	Prompt		-	-	-	323.50	324.50	324.00	293.25	342.16	304.68
Northwest Europe cif cargo \$/t	Prompt	Ice	-11.00	-10.00	-10.50	328.75	329.75	329.25	298.25	347.10	310.07
Northwest Europe fob barge \$/t	Prompt	Ice	-8.50	-8.00	-8.25	331.25	331.75	331.50	302.60	350.81	314.21
Mediterranean fob cargo \$/t	Prompt	-	-	-	-	312.75	313.75	313.25	278.25	335.76	291.46
Mediterranean cif cargo \$/t	Prompt	Ice	-13.00	-12.00	-12.50	326.75	327.75	327.25	296.25	345.10	308.07
Mediterranean cif diff to Med fob \$/t	Prompt	fob	+13.50	+14.50	+14.00	-	-	-	+18.50	+9.84	+17.11
US	Timing	Basis	Low	High	Mean	Low	High	Mean	Mean	Mean	Mean
New York cif waterborne 54 grade ϵ /USG	Prompt	Oct	-8.00	-7.00	-7.50	107.90	108.90	108.40	99.28	114.40	104.64
New York del Colonial 54 grade ϵ /USG	cycle 49	Oct	-7.25	-6.75	-7.00	108.65	109.15	108.90	99.94	114.40	105.38
New York fob barge 54 grade ϵ /USG	Prompt	Oct	-7.75	-7.25	-7.50	108.15	108.65	108.40	99.28	114.40	104.63
New York fob Buckeye 54 grade ϵ /USG	Prompt	Oct	-7.75	-7.25	-7.50	108.15	108.65	108.40	99.28	114.40	104.63
Philadelphia fob Laurel 54 grade ϵ /USG	Prompt	Oct	-7.75	-7.25	-7.50	108.15	108.65	108.40	99.28	114.40	104.63
del Port Everglades, FL 54 grade ϵ /USG	Prompt	-	-	-	-	-	-	111.63	105.55	118.94	109.60
del Tampa, FL 54 grade ϵ /USG	Prompt	-	-	-	-	-	-	110.68	104.60	117.99	108.65
US Gulf fob waterborne 54 grade ϵ /USG	Prompt	Nov	-11.75	-11.25	-11.50	105.26	105.76	105.51	99.44	112.82	103.49
US Gulf fob Colonial 54 grade ϵ /USG	cycle 55	Nov	-13.00	-12.50	-12.75	104.01	104.51	104.26	98.19	111.57	102.24
US Gulf fob Colonial 54 wgt avg ϵ /USG	Prompt	Nov	-	-	-12.75	-	-	104.26	98.09	111.53	102.18
Tulsa fob Group Three Q grade ϵ /USG	Prompt	Oct	-7.50	-5.50	-6.50	108.40	110.40	109.40	102.06	115.82	106.43
West Shore/Badger fob ϵ /USG	Prompt	Oct	-7.50	-4.50	-6.00	108.40	111.40	109.90	104.62	116.03	108.01
Los Angeles fob ϵ /USG	Prompt	Oct	-12.50	-12.00	-12.25	103.40	103.90	103.65	98.59	113.78	102.63
LAX fob ϵ /USG	Prompt	Oct	-13.00	-12.00	-12.50	102.90	103.90	103.40	98.09	113.28	102.17
San Francisco fob ϵ /USG	Prompt	Oct	-14.00	-13.50	-13.75	101.90	102.40	102.15	97.09	112.28	101.15
Argus US Jet Fuel Index™ ϵ /USG	Prompt		-	-	-	-	-	106.55	100.17	113.95	104.38
California LCFS premium per carbon intensity point ϵ /USG								2.45			
Oregon LCFS premium per carbon intensity point ϵ /USG								1.60			
Latin America	Timing	Basis	Low	High	Mean	Low	High	Mean	Mean	Mean	Mean
del east coast Mexico ϵ /USG	Prompt		-	-	-	106.47	106.97	106.72	100.73	116.19	104.94
del Rosarito ϵ /USG	Prompt		-	-	-	112.29	112.79	112.54	107.20	124.06	111.55
del Lazaro Cardenas ϵ /USG	Prompt		-	-	-	111.08	111.58	111.33	105.99	122.86	110.34
del Progreso \$/m3	Prompt		-	-	-	107.51	108.01	107.76	101.78	117.24	105.98
del Santos \$/m3	Prompt		-	-	-	-	-	291.19	277.67	320.36	288.31
del Rio de Janeiro \$/m3	Prompt		-	-	-	-	-	289.77	275.94	317.86	286.59
del Suape \$/m3	Prompt		-	-	-	-	-	297.33	285.15	331.62	295.75
del Itaquí \$/m3	Prompt		-	-	-	-	-	297.18	284.97	331.34	295.57

*weekly prices

gasoil was loaded from Indian ports last month, about 17pc higher than the 2.36mn t exported in August 2019. A surge in Covid-19 cases has sent India's economy into a tailspin and prompted local authorities to impose lockdowns.

China's gasoil exports are also expected to rise to nearly

Sustainable Aviation Fuel (SAF)*			
Range week ending 18 Sep		Bid	Ask
SAF diff to HVO (Class II) fob ARA range \$/m³		88.50	104.25
SAF diff to HVO (Class II) fob ARA range \$/t		113.46	133.65
SAF fob ARA range \$/t		2,073.55	2,169.38

*Hydrotreated Esters and Fatty Acids (HEFA-SPK)

Argus jet fuel forward curve

Timing	Singapore cargo swap \$/bl		Northwest Europe cargo swap \$/t		New York barge €/USG			Houston Colonial pipeline €/USG		
	Mean	Change	Mean	Change	Timing	Mean	Change	Timing	Mean	Change
Month 1	42.45	+1.55	-11.00	+1.00	Prompt	108.40	+0.17	cycle 55	104.26	-0.55
Month 2	43.25	+1.55	-9.75	+0.75	10 days fwd	108.40	+0.17	cycle 56	104.01	-0.55
Month 3	44.10	+1.65	-7.75	+1.25	15 days fwd	108.41	+0.18	cycle 57	103.76	-0.55
Quarter 1	43.35	+1.80	0.00	+2.50	20 days fwd	108.41	+0.18	cycle 58	103.51	-0.55
Quarter 2	45.65	+1.95	7.75	+0.50						
Quarter 3	47.25	+1.75								

Spot market deals done

Market	Spec	Timing	Basis	Price	Volume
cif NWE	Jet A-1	5-9 Oct	Ice gasoil Oct	-10.50	30000 t
cif NWE	Jet A-1	9-13 Oct	Mop	+1.00	30000 t
USGC Colonial	Jet A	cycle 55	Nov Nymex	-12.75	25000 bl
USGC Colonial	Jet A	cycle 55	Nov Nymex	-12.75	25000 bl
USGC Colonial	Jet A	cycle 55	Nov Nymex	-12.75	25000 bl
LA	Jet A	Sep	Oct Nymex	-12.25	25000 bl
LA	Jet A	Sep	Oct Nymex	-12.25	25000 bl
Buckeye	Jet A	23-25 Sep	Oct Nymex	-7.50	25000 bl

450,000 b/d in September, around 20pc higher from a year earlier, market participants said. Exports are also expected to remain elevated over the rest of 2020 because of high domestic inventories and crude throughputs. But gasoil demand within Asia-Pacific still faces headwinds from the coronavirus crisis.

India's jet fuel exports this month are expected to stay lean around 200,000t (53,000 b/d) and [likely into October](#), even lower than the over five-year low of 57,000 b/d exported in July. China's jet fuel exports are expected to be around 78,800-105,000 b/d this month and possibly less in October, according to market participants.

By Sarah Giam

Ryanair readjusts capacity on new restrictions wave

Low-cost carrier Ryanair said today it will reduce its flight capacity by 40pc in October as a result of constantly changing travel restrictions in Europe, which are hampering passenger travel demand.

The carrier had [previously announced](#) that it planned to cut its September and October capacity by a further 20pc on the year, but readjusted its flight schedule as a result of the uncertain demand environment.

The UK government [removed two more states from its travel corridor list](#) yesterday, but added two, in its latest adjustments to travel restrictions to combat the Covid-19 pandemic

Argus jet fuel differential to gasoil

	Prior week	Prior month	Prior three months	Prior six months
Singapore jet vs 0.5%	-4.24	-3.78	-3.98	-4.40
Rotterdam jet vs 0.1%	-3.08	-4.12	-3.72	-4.79
Houston jet vs heating oil	+3.02	+2.98	+2.40	+1.44

Argus jet fuel differential to crude

	Prior week	Prior month	Prior three months	Prior six months
Singapore jet vs Dubai Nov 20	-2.85	-0.62	+0.19	+0.69
Rotterdam jet vs North Sea Dated	-1.61	-0.78	+0.17	+2.18
Houston jet vs Nymex WTI Oct 20	+3.88	+4.50	+4.24	+5.36

Related markets

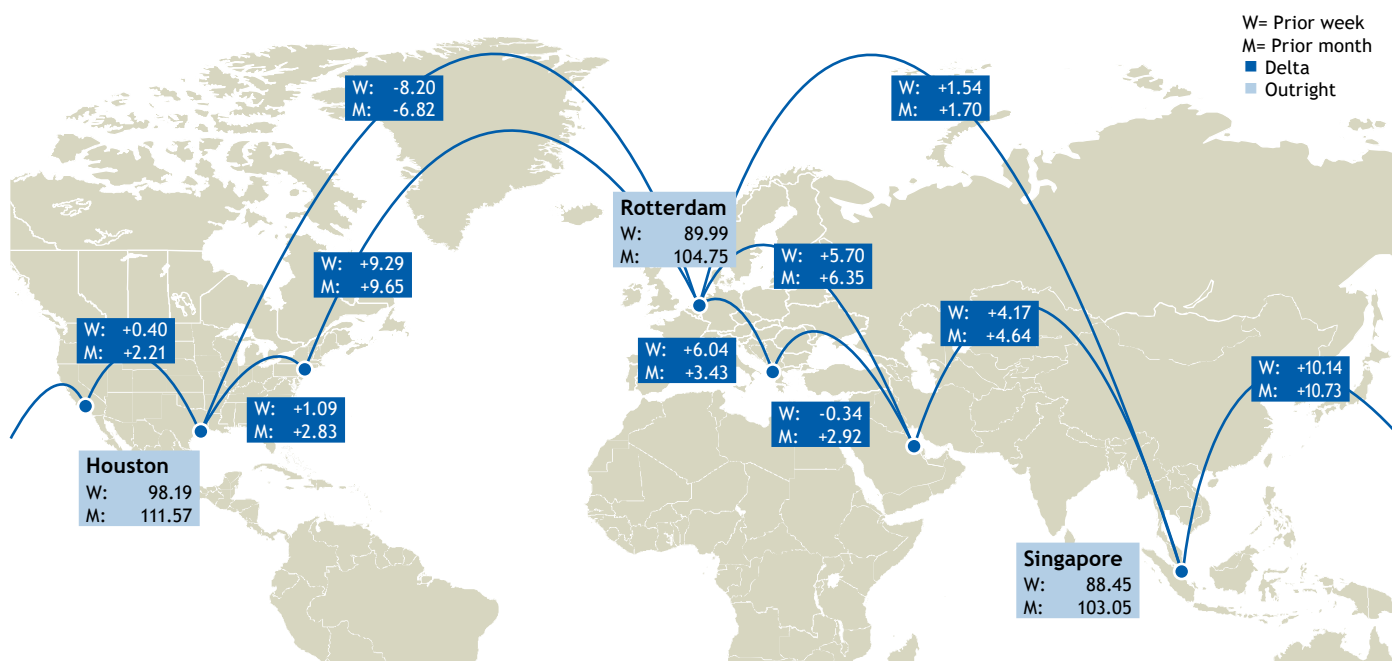
	Nymex heating oil benchmark €/USG	Ice gasoil benchmark \$/t	Nymex WTI settlement \$/bl	Ice Brent settlement \$/bl
Oct 20	115.90	339.75	41.11	
Nov-20	117.01	346.50	41.32	43.15
Dec-20	118.76	351.75	41.61	43.68
Jan-21	120.70	357.25	41.93	44.10
Feb-21	122.38	362.25	42.24	44.46
Mar-21	123.62	367.00	42.54	44.80
Apr-21	124.29	370.75	42.81	45.12
May-21	125.29	374.25	43.04	45.43
Jun-21	126.49	377.50	43.24	45.73
Dec-21	134.67	394.25	44.00	46.85
Dec-22	142.63	419.75	45.03	48.69
Dec-23	151.18	446.25	46.01	50.20
Dec-24		470.75	47.00	51.52
Dec-25		499.25	48.20	52.80

that continue to weigh on jet fuel demand. The relatively short-notice reintroduction of travel restrictions is "undermining consumers' willingness to make forward bookings", Ryanair said.

"While it is too early yet to make final decisions on our winter schedule, if current trends and EU governments' mismanagement of the return of air travel and normal economic

ARGUS MARKET MAP

€/US\$



Geographic comparisons

First center less second center		Price spreads in €/US\$				Price spreads in \$/t			
		Prior week	Prior month	Prior three months	Prior six months	Prior week	Prior month	Prior three months	Prior six months
Rotterdam	Singapore	+1.54	+1.70	+0.22	+0.98	+5.08	+5.64	+0.72	+3.24
Los Angeles	Singapore	+10.14	+10.73	+13.09	+11.19	+30.36	+31.84	+39.60	+33.86
Singapore	Mideast Gulf	+4.17	+4.64	+4.24	+7.90	+13.79	+15.36	+14.02	+26.15
Rotterdam	Mideast Gulf	+5.70	+6.35	+4.46	+8.89	+18.87	+21.00	+14.74	+29.40
Mediterranean	Mideast Gulf	-0.34	+2.92	+0.63	+2.34	-1.13	+9.66	+2.07	+7.75
Rotterdam	Mediterranean	+6.04	+3.43	+3.83	+6.54	+20.00	+11.34	+12.67	+21.65
New York	Rotterdam	+9.29	+9.65	+8.06	+5.32	+27.54	+28.23	+23.12	+14.59
Rotterdam	Houston	-8.20	-6.82	-4.36	-3.20	-23.97	-18.95	-10.99	-7.65
New York	Houston	+1.09	+2.83	+3.70	+2.12	+3.57	+9.27	+12.12	+6.95
Los Angeles	Houston	+0.40	+2.21	+8.51	+7.01	+1.31	+7.24	+27.88	+22.97

activity continue, then similar capacity cuts may be required across the winter period,” it added.

Northwest European jet fuel prices have found some support in recent sessions following a drop in imports from markets east of Suez, rising to \$323.50/t yesterday, the highest outright prices since the beginning of the month. But a new wave of capacity cuts may pressure the recent gains made in the market and create more uncertainty over the recovery of jet fuel demand.

By Florence Schmit

No refinery margins recovery until mid-2021: UBS

The crash in refining margins during the second quarter of this year was not a trough, according to Swiss bank UBS, which said there is unlikely to be a substantial recovery until mid-2021.

European composite refining margins are likely to average \$1.31/bl in 2020 – the lowest on UBS' records by more than \$1/bl – and \$2.73/bl in 2021, the bank's equities analysts said. This compares with \$3.65/bl and \$4.50/bl in 2019 and 2018 respectively.

UBS estimates margins in this quarter will average around

30¢/bl, which it called unsustainable. It said that capacity rationalisation will take time to offset lower demand and new capacity. Net capacity additions of 2.2mn b/d are to come online over 2020-21, compared with a 1.1mn b/d drop in oil demand over the same period, it estimates.

Of the 3.7mn b/d required capacity reduction by the end of 2021, 500,000 b/d has been confirmed and there is a high risk of closure for a further 0.5mn b/d, UBS said. It said this rate would push the global refining market rebalancing back until later 2021.

Compounding the weak margins, refiners' profitability will be further eroded by higher crude prices and limited Opec+ production. The latter will affect medium/heavy grades and keep crude acquisition costs high for European refiners. The situation is particularly challenging for refiners that produce a higher proportion of middle distillates, given diminished jet fuel demand and low middle distillate margins more broadly.

UBS said that capacity additions will continue to outstrip demand into the 2022-24 period – during which time it sees demand rising by around 1mn b/d and net capacity additions by 1.8mn b/d – ensuring margins remain under pressure.

By Harry Riley-Gould

Kuwait removes Singapore from air travel ban list

Kuwait has removed Singapore but added France, Argentina and Yemen to the list of countries from which air passengers are barred from entering the country. Kuwait's Directorate General of Civil Aviation's (DGCA) list now includes 34 states.

Airlines operating out of Kuwait International Airport (KIA) resumed flights to a number of destinations from 1 August, after a near five-month hiatus during the Covid-19 pandemic.

The restart boosted regional jet fuel demand, which was much reduced in the first half of the year as countries locked down their borders to limit the spread of the outbreak.

State-owned refiner KNPC reported in mid-April that domestic demand for gasoline and jet fuel had plunged by as much as 55pc and 70pc, respectively, at the height of the pandemic in early April.

Kuwait has a plan to gradually restart flights in three six-month phases. The first stage, which started on 1 August, enabled KIA to operate at 30pc capacity – no more than 10,000 passengers and 100 flights a day. The second phase is scheduled to begin on 1 February, and the third on 1 August 2021.

But last week Kuwait shelved the fifth and final stage of its

economic revival plan, aimed at bringing the country back to normality "until further notice". The announcement followed an increase in new cases in the country since the start of September. Each of the five stages was originally planned to last for three weeks.

The plan, which was announced in June, was planned to have all measures implemented to mitigate the spread of the virus lifted by the middle of September.

This gradual return of economic activity following the lockdowns earlier this year will have helped the recovery of transport fuel demand in the country from the negative effects of the outbreak.

By Elshan Aliyev

USWC refiners lift jet output as imports fall

US west coast jet fuel imports are on track to tumble this month, prompting regional production to tick higher for the third consecutive week.

PADD 5 monthly jet fuel imports totaled 1.61mn bl this month through today, with an additional 600,000 bl in transit expected to arrive by the end of the month, according to Vortexa. Barring unexpected weather delays for the inbound fleet, the September estimated total of 2.2mn bl would be the lowest since February 2019.

September imports are a stark contrast from last month when west coast imports hit a 13-month high of 3.96mn bl.

The decrease in imports this month lies in contrast with rising US air travel demand. National jet fuel demand, using product supplied as a proxy, increased by approximately 10pc to a three-week high of 947,000 b/d during the week ended 11 September, according to Energy Information Administration (EIA) data.

California refiners have prioritized jet fuel production to offset declining imports. Regional jet fuel production has risen in each of the past three weeks, reaching 135,000 b/d in the week ended 11 September, according to the California Energy Commission (CEC) data. Still, that was less than half the output in the same week last year.

PADD 5 inventories in the week ended 11 September were unchanged at 9.6mn bl, 0.5mn bl lower than the same week last year, according to EIA data.

Los Angeles jet prices have averaged \$1.03/USG this month through the 17th, including a three-month low of \$0.98/USG on 8 September. August cash prices averaged \$1.14/USG.

By Craig Ross

MARKET COMMENTARY

Asia-Pacific

Singapore jet fuel swaps rose by more than Dubai crude values, widening refining margins. The Asian jet fuel-gasoil regrade rose to nearly a three-month high yesterday.

The afternoon online trading session in Singapore yielded no physical deals. Trading firm Total bid for three 250,000 bl October-loading cargoes, all at \$0.50/bl discounts to Singapore spot assessments. BP, Shell and Equinor offered four 100,000 bl cargoes and one 188,000 bl cargo for October loading at \$0.30/bl discounts to \$0.20/bl premiums to the same pricing basis.

The front-month Asian regrade strengthened to -\$3.45/bl yesterday from -\$4.45/bl on 16 September, based on Argus' assessments. The regrade was last assessed higher at -\$3.25/bl on 22 June. It averaged -\$0.68/bl in the whole of 2019 and -\$1.10/bl in January, before the Covid-19 pandemic took hold. The regrade then fell to the lowest levels since 2003 at -\$3.20/bl in early February, when the coronavirus outbreak was mostly concentrated in China, and further to record lows of -\$11.80/bl on 5 May. But it has since recovered as refiners maximise gasoil rather than jet fuel yields over the past few months because of weak demand for the latter product. Japan produced about 3.8 times more gasoil than jet fuel during January-August this year, at about 589,000 b/d and 154,000 b/d respectively. This compared with about 2.66 times for the whole of 2019, according to Petroleum Association of Japan data.

Expectations of higher gasoil exports in the coming months could have supported the regrade. China's gasoil exports are expected to rise to nearly 450,000 b/d this month, around

20pc up from a year earlier, according to market estimates. Exports are also expected to remain strong for the rest of the year because of high domestic inventory and crude throughputs. But China's jet fuel exports are expected to be around 78,800-105,000 b/d this month and possibly less in October, according to market participants.

Spanish refiner Cepsa initially postponed a 60,000t (473,000 bl) cargo offered for loading from Ruwais in end-September because of depressed jet fuel markets, but the cargo will eventually go to its own system in Spain, said market participants. Cepsa previously sold a same-size jet fuel cargo for end-August loading from Ruwais at around a \$0.70/bl to \$0.90/bl premium to Mideast Gulf spot assessments. Abu Dhabi sovereign wealth company Mubadala is a majority shareholder in Cepsa. Cepsa also has a term agreement with Abu Dhabi state-owned refiner Adnoc, which has a 817,000 b/d refinery complex at Ruwais.

Europe

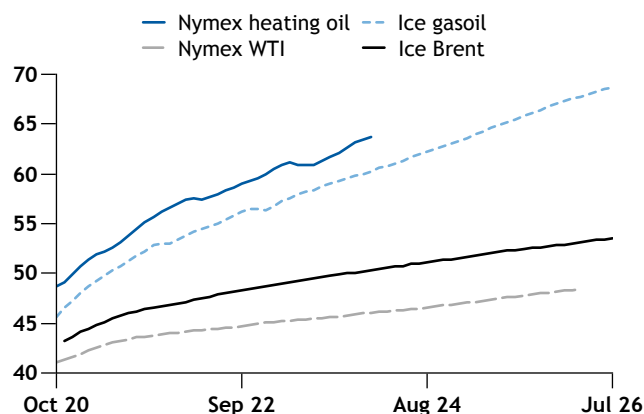
Northwest European jet fuel differentials moved higher on Friday, amid low regional production and low imports from east of Suez.

Outright prices rose by \$5.75/t on the day to \$329.25/t, as a \$6/t rise in the cargo differential offset a fall in the underlying Ice gasoil contract. A rise in import interest could however weigh on the recent gains made in the jet fuel market.

European refining margins are unlikely to experience a substantial recovery until mid-2021, according to Swiss bank UBS. Composite refining margins are likely to average \$1.31/bl in 2020 – the lowest on UBS' records by more than \$1/bl – and \$2.73/bl in 2021. This compares with \$3.65/bl and \$4.50/bl in 2019 and 2018 respectively.

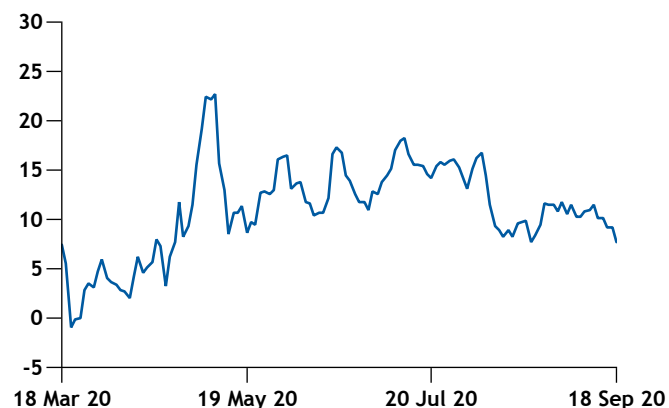
Futures forward curve

\$/bl



Los Angeles less Singapore: 3-day moving avg

¢/USG



Compounding the weak margins, refiners' profitability will be further eroded by higher crude prices and limited Opec+ production. The latter will affect medium/heavy grades and keep crude acquisition costs high for European refiners. The situation is particularly challenging for refiners that produce a higher proportion of middle distillates, given diminished jet fuel demand and low middle distillate margins more broadly.

The recovery of jet fuel plays a key part in European refinery operations going forward, as many have been minimizing their jet fuel yields in favour of gasoil, which has added additional pressure to the gasoil complex. Diesel barges at ARA in northwest Europe fell to a premium of just \$1.61/bl to North Sea Dated on 16 September, the lowest premium recorded since 2003, following low demand and high inventories. Refiners might now need to find additional ways of reducing their jet fuel output and will operate at reduced rates until demand for products across the barrel returns.

Northwest European jet fuel cargo margins to North Sea Dated crude narrowed to a \$1.07/bl discount on 17 September but remained \$4.36/bl below French grade cargo diesel margins.

Renewed signs of uncertainty will continue to pressure a recovery in jet fuel demand. Low-cost carrier Ryanair said on Friday it will reduce its flight capacity by 40pc in October as a result of constantly changing travel restrictions in Europe. The UK government removed two more states from its travel corridor list on 17 September, but added two, in its latest adjustments to travel restrictions to combat the Covid-19 pandemic that continue to weigh on jet fuel demand. The relatively short-notice reintroduction of travel restrictions is "undermining consumers' willingness to make forward bookings," Ryanair said.

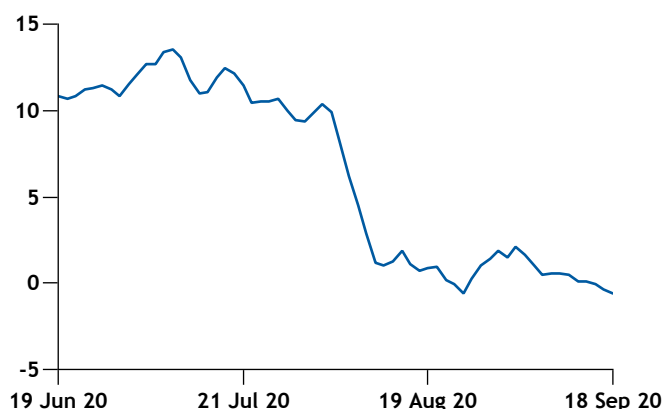
No barges were reported to have traded in the northwest European jet fuel market on Friday.

Shell tabled a bid for a 2,000-4,000t barge fob FARAG loading on 24-28 September at an \$8.50/t discount to Ice October gasoil. Unipet placed two offers for barges loading on 24 September and 3 October priced at a \$1.50/t and a \$4/t premium to spot assessments. The barge discount to the Ice gasoil contract was assessed at a \$8.25/t discount on Friday, reflecting the floor set by the bid.

In the cargo market, a total of 60,000t of jet fuel exchanged hands on Friday. Vitol sold Total a cargo for delivery to Rotterdam during 9-13 October at a \$1/t premium to spot assessments. Total bought another cargo on the *Pacific Rawan*

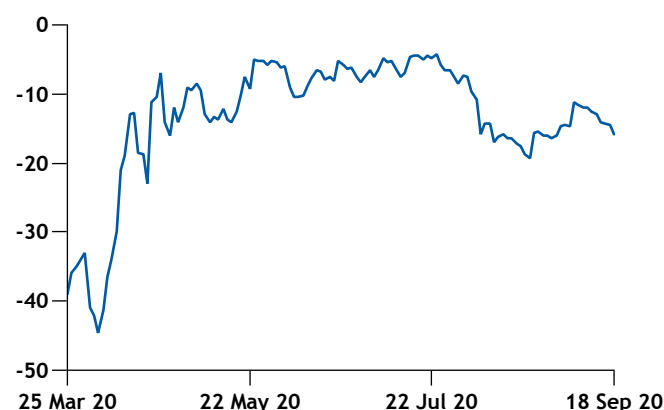
Los Angeles less Houston: 3-day moving avg

¢/USG



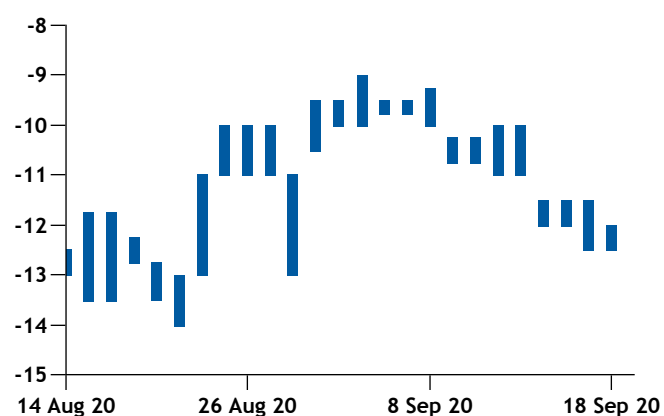
Los Angeles jet fuel less Carb diesel

¢/USG



Los Angeles pipeline: Differential range of trade

¢/USG



from Shell for delivery to Le Havre during 5-9 October at a \$10.50/t discount to Ice October gasoil. The boat loaded 90,000t of jet fuel in Ruwais on 16 August and is signalling Rotterdam as its discharge port at the beginning of October.

The cargo differential was assessed \$6/t lower on the day at \$10.50/t, reflecting the value of the trade.

In shipping news, Vitol booked the *Sovereign* to load a 60,000t cargo from the Mideast Gulf on 27 September, with discharge options in northwest Europe and Singapore.

Americas

US jet fuel markets stabilized after gaining more than 6¢/USG over the course of the week.

East coast jet fuel cash differentials climbed 0.25¢/USG across all delivery modes, with a Buckeye pipeline trade confirmed at October Nymex -7.50¢/USG. Kerosene was pegged 5.00¢/USG above jet fuel, and ultra-low sulfur kerosene (ULSK) was held at a 20.00¢/USG premium. Outright jet fuel, kerosene and ULSK prices rose by 0.17¢/USG on the day.

Jet fuel barges reached a \$3.39/bl premium to North Sea Dated Brent on Friday, marking the second consecutive session of gains. East coast jet fuel margins have averaged \$3.29/bl over the past week, up \$0.44/bl from the previous five-day average.

Shipping jet fuel into New York from Houston remained unappealing on paper for the 49th consecutive business day.

Gulf coast jet fuel differentials traded 0.125¢/USG lower with deals done repeatedly at November ULSD -12.75¢/USG. Outright prices fell 0.55¢/USG on the day to \$1.04/USG. Prompt rolls were last discussed to either side of +0.25¢/USG backward.

US midcontinent jet fuel prices fell slightly on Friday amid losses to the underlying benchmark.

Chicago jet prices fell by 0.08¢/USG to \$1.10/USG, while outright Group Three jet prices at Tulsa, Oklahoma, declined by 0.08¢/USG to \$1.09/USG.

Chicago jet was bid and offered at October Nymex -7.5¢/USG and -4.5¢/USG, respectively, to keep cash differentials in line with the previous session's assessed midpoint.

Tulsa jet fuel differentials were similarly unchanged with bids and offers at October Nymex -7.5¢/USG and -5.5¢/USG, respectively.

Jet prices on the west coast were marginally lower on Friday and regional demand weakened and imports totals are set to plunge for September.

Prompt September Los Angeles jet fuel volumes changed

hands at October Nymex -12.25¢/USG, leaving differentials 0.25¢/USG lower on the day. Outright price remained at \$1.04/USG, down just 0.33¢/USG.

September import totals are estimated at 1.61mn bl, according to oil analytics firm Vortexa. Only two of the six vessels currently laden and inbound to the US west coast are expected to arrive during September, lifting the monthly estimate to 1.95mn bl, the lowest since February 2019.

Sustainable aviation fuel

European indications for UCO-based sustainable aviation fuel (HEFA-SPK) moved up on Friday, reflecting a rise in the underlying hydrotreated vegetable oil (HVO) Class II price.

European indications for HEFA-SPK were assessed at a \$96.38/m³ premium to HVO Class II during Friday's session, which equates to a \$2121.47/t outright HEFA-SPK price.

The outright spread between conventional jet fuel and HEFA-SPK reached \$1792.25/t on 18 September.

The fob ARA Class II HVO prompt price was assessed in a \$1,240-1,299/m³ premium range to the underlying HVO-escalated 7-28 days Ice gasoil contract, in line with information reported over the course of the week, the midpoint up by \$1/m³ compared with last Friday's close.

Despite the Covid-19 pandemic hammering air travel, there remains appetite for SAF to meet sustainability goals. Additionally, the demand for traditional fossil fuel products is expected to continue to decline after the pandemic forced lockdown measures and reduced demand for transport fuels, forcing many refiners in Europe to rethink operations.

Finnish refiner Neste is exploring shutting down its 55,000 b/d Naantali plant and restructuring its 197,000 b/d Porvoo refinery in Finland to shore up its oil products business as demand declines on the back of the Covid-19 pandemic. The refiner has announced plans to transform its Porvoo refinery to co-process renewable raw materials. "The Covid-19 pandemic has substantially accelerated the decline in demand for oil products, which is not expected to recover to previous levels," Neste said.

The Swedish government is planning to accelerate a change in fuel usage in the country by gradually increasing greenhouse gas (GHG) reduction obligation levels until 2030, with biofuel for the aviation industry making up 0.8pc of the jet fuel pool in 2021 and increasing to 27pc by 2030. The mandate will be passed on to fuel suppliers which is expected to lead to an increase of the supply availability of SAF in the country, adding additional pressure on outright prices.

Other Nordic countries have introduced similar mandates, with Norway having passed legislation to introduce a blending requirement of 0.5pc of SAF for its aviation industry from 2020 and Finland set to achieve 30pc biofuels penetration in aviation by 2030.

Norwegian Air announced on Thursday that it committed to using 16-28pc of biojet by 2030, depending on the level of its fleet renewal, which could require it to use up to 55mn litres (390,000t) of sustainable aviation fuel by that date.

Further afield, Neste announced last month that it is supplying sustainable aviation fuel to Alaska Airlines, American Airlines and JetBlue Airways at San Francisco International Airport (SFO), which marks the first time a company has transported the fuel via existing pipeline infrastructure originally designed to transport petroleum products.

The California market is also becoming increasingly attractive for SAF given the state's climate policies. Programmes like the state's Low-Carbon Fuel Standard (LCFS) can help grow the SAF market and reduce its steep price premium over conventional jet fuel. Aviation fuel is not subject to the LCFS mandate but it can generate credits that regulated refiners and fuel suppliers can use for compliance.

But to date, SAF has been a small contributor in the LCFS market, generating just shy of 13,300 credits since the beginning of 2019, out of a total 18.5mn from all fuels in the program. California has used just under 2.2mn USG of alternative jet fuel over that period, according to LCFS programme data.

METHODOLOGY

Argus has been assessing daily global jet fuel prices since 1986. These prices appear in the Argus European Products, Argus Asia-Pacific Products, and Argus US Products reports. We have consolidated all our daily jet fuel prices, market commentary, and news into the Argus Jet Fuel report in order to better serve the airline and supplier community. The methodologies for all of the prices in this report are located at www.argusmedia.com within the methodology document for the above named market report. On our website you will also find the Argus Global Compliance Policy and other useful reference material.

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