

Argus Marine Fuels Outlook

Global conventional and alternative marine fuels



Overview

High-sulphur fuel oil (HSFO) bunker prices continued to strengthen globally in July. Prices drew particular support in Europe, where refiners switched to lighter and sweeter crude slates following the loss of Russian medium sour grade Urals. The Opec+ alliance’s production curtailments have further limited supply of sour crudes. HSFO availability will probably start to grow again with the end of the summer cooling season east of Suez, helping to push down HSFO bunker values.

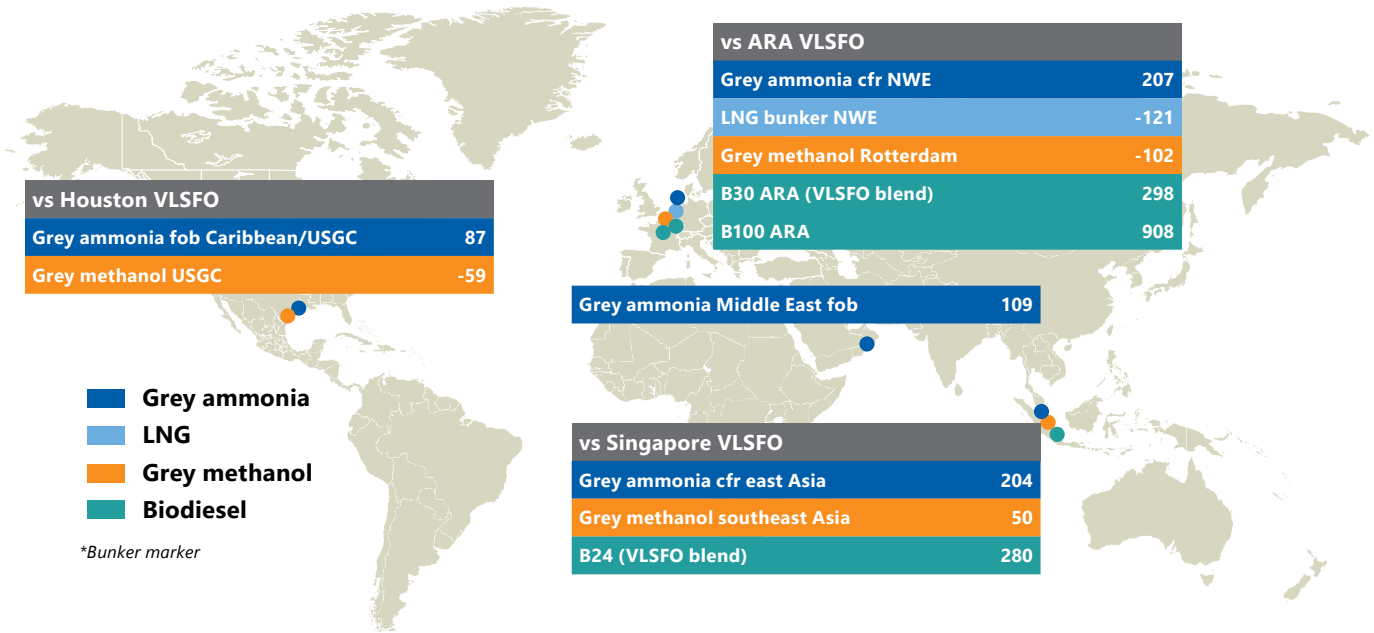
Very low-sulphur fuel oil (VLSFO) crack spreads in Singapore and Fujairah fell on the month in June as a result of ample product availability. VLSFO cracks have retreated in August, supported by firmer bunkering demand in key bunkering centres east of Suez. And subdued exports from Kuwait’s al-Zour refinery this month have lent support to VLSFO prices in Singapore. But shipments from al-Zour are poised to rise, putting more pressure on bunker prices in Fujairah and Singapore.

Marine biodiesel premiums to conventional bunker fuels in Europe and Singapore widened in July, underpinned by recovering biofuel blending component values, and premiums could widen further in the coming months. In contrast, LNG bunker prices remain at a substantial discount to conventional fuels, which incentivises LNG/fuel oil dual-fuel shipowners to maximise their use of LNG. LNG and methanol dual-fuel ships continue to dominate orders for vessels that run on alternative fuels.

Key bunker prices, dob					
	Jun 23	Jul 23	Aug 23e	Sep 23e	Oct 23e
3.5%S fuel oil (HSFO) 380cst					
					\$/t
Rotterdam					
Singapore					
Houston					
Fujairah					
0.1%S (MGO)					
Rotterdam					
Singapore					
Houston					
Fujairah					
0.5%S (VLSFO)					
					\$/t
Rotterdam					
Singapore					
Houston					
Fujairah					
Marine biofuel					
					\$/t
ARA B30 (VLSFO blend)					
ARA B100					
B24 (VLSFO blend) Singapore					
Grey methanol					
					\$/VLSFOe
Methanol Rotterdam					
Methanol southeast Asia					
Methanol US Gulf coast					
LNG					
					\$/VLSFOe
LNG NWE bunker					
Bunker marker					
Grey ammonia					
					\$/VLSFOe
Ammonia cfr NWE					
Ammonia cfr east Asia					
Ammonia fob Caribbean/US Gulf					
Ammonia fob Middle East					

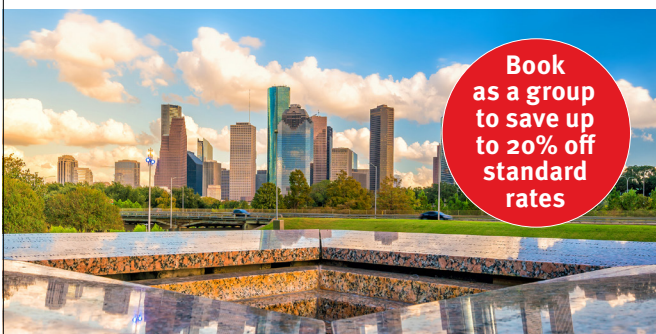
Alternative marine fuel vs VLSFO next month forecast

\$/t VLSFO-equivalent



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EUROPE

European bunker forecast											\$/t
	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	1Q24	2Q24	3Q24	4Q24
Crude price forecast											
North Sea Dated											
Conventional											
Fob NWE											
3.5%S HSFO 380cst											
0.1%S MGO											
0.5%S VLSFO											
Dob											
3.5%S HSFO 380cst Rotterdam											
0.1%S MGO ARA											
0.1% fuel oil Rotterdam											
0.5%S VLSFO ARA											
3.5%S HSFO 380cst Algeciras											
0.1% MGO Algeciras											
0.5%S VLSFO Algeciras											
Alternative											
Dob											
B30 ARA (VLSFO blend)											
B100 ARA											
\$/t VLSFOe											
B30 ARA (VLSFO blend)											
B100 ARA											
Grey methanol Rotterdam											
LNG bunker NWE											
\$/t MGOe											
ARA B30 (VLSFO blend)											
ARA B100											
Grey methanol Rotterdam											
LNG NWE bunker											
European bunker marker											
Grey ammonia cfr NWE \$/t VLSFOe											
Grey ammonia cfr NWE \$/t MGOe											

European bunker forecast with EU ETS CO2 added combustion cost*										
	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	3Q24	4Q24	1Q25	
Conventional including CO² cost										
0.1%S MGO ARA										
0.1% fuel oil Rotterdam										
Alternative including CO² cost										
B30 ARA (VLSFO blend)										
\$/t VLSFOe										
B30 ARA (VLSFO blend)										
Grey methanol Rotterdam										
LNG bunker NWE										
\$/t MGOe										
ARA B30 (VLSFO blend)										
Grey methanol Rotterdam										
LNG NWE bunker										

*\$90/t CO2 cost is applied for the forecast period

Prices

HSFO

In northwest Europe, HSFO bunker prices continued to draw support from tight supply and strong demand. HSFO fob prices moved to a premium to North Sea Dated in early August for the first time since *Argus* began reporting prices in 1990, but have recently trended lower. Delivered HSFO crack spreads moved to a discount of around \$92/t to North Sea Dated in the first half of August — the narrowest since January 2021 — in from a \$123/t discount in July.

HSFO values are rising globally, but they have drawn particular support in Europe following the loss of cargoes from Russia, which was previously the region’s largest supplier. Availability from other sources is currently at a low ebb, with imports from the Middle East constrained as high temperatures in the region drive demand for HSFO for power generation. European residual fuel output is down because of the shift to lighter and sweeter crudes triggered by EU sanctions on Russian Urals and the Opec+ production cuts. The seasonal rise in road fuel crack spreads encourages refiners to maximise use of residual fuel oil as a feedstock, further limiting HSFO output. Some residual fuel supply is also being diverted to the bitumen market, which is at its busiest in the summer months.

Road fuel margins are forecast to stay strong until September, keeping HSFO production limited and supporting prices. The end of the summer cooling season in the Middle East, could spur higher HSFO imports from the region, boosting availability. Saudi Arabia has extended its extra 1mn b/d crude production cut to September. But if this additional cut is rescinded in October, there will be greater support for the residual fuels balance, and HSFO crack spreads could be back at their usual discount in the fourth quarter.

VLSFO-HSFO

The northwest Europe VLSFO-HSFO — or scrubber — spread had narrowed to \$33/t by mid-August from \$62/t in July. The spread was as low as \$15/t on 10 August, the smallest since *Argus* began publishing VLSFO dob assessments in October 2019. Although VLSFO dob values rose to around \$600/t by mid-August from \$542/t in July, this was largely outpaced by the rise in HSFO prices. VLSFO demand in ARA ports has generally been weak, while availability remains high. With the possible easing of HSFO supply tightness in Europe and the end of summer driving season, the VLSFO-HSFO spread could start to widen, but is likely to remain under \$100/t until the end of the year.

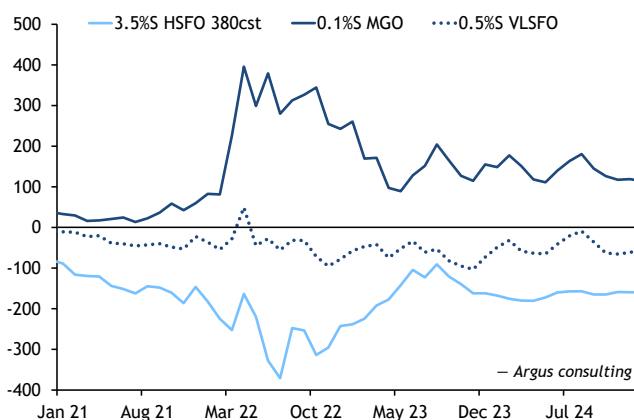
MGO-VLSFO

MGO’s premium to VLSFO in northwest Europe rose to \$213/t in July from \$162/t in June, as Europe’s tight diesel market continues to support gasoil prices. The spread is set to widen further in August, hovering around \$250/t until October.

The MGO crack spread to North Sea Dated rose to over \$225/t in the first half of August from \$152/t in July. The European diesel market has grown tighter since July as a knock-on effect of higher prices in Asia, which are keeping more cargoes from the Mideast Gulf and India east of Suez. And Europe is unlikely to receive much in August. Diesel tightness has also been exacerbated by lower European refinery crude runs as a result of hot weather, especially in the Mediterranean, and a series of unplanned outages. Refinery problems have forced units to shut in countries including the Netherlands, France, Germany and Spain. Limited gasoil availability is leading to dwindling diesel stocks. Independently held stocks of diesel and gasoil at ARA fell to 1.93mn t in the week to 13 July, according to consultancy Insights Global — the lowest in seven months. Stocks have edged up since, but remain at a relatively low level.

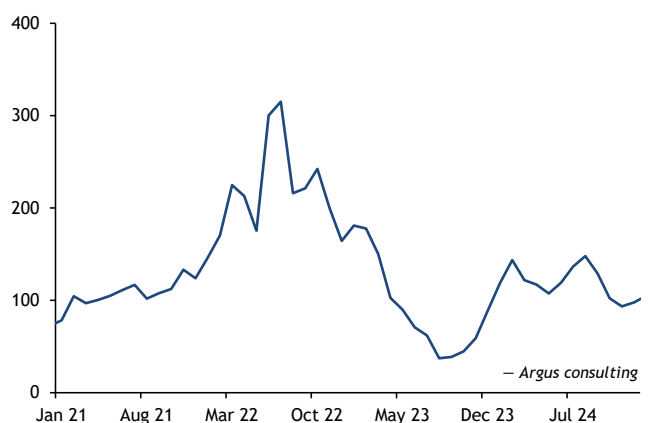
NWE bunker cracks vs NSD

\$/t



VLSFO-HSFO spread

\$/t



Alternative fuels

Biofuels

Marine biodiesel bunker premiums to conventional bunker fuels in northwest Europe widened further in July, supported by continued strength in biofuel blending component values. In ARA, the premium of advanced fatty acid methyl esters (Fame) — also referred to as B100 — to marine gasoil was calculated at \$628/t MGOe in July, up by \$15/t MGOe on the month. The B30 blend of VLSFO and advanced biodiesel premium to VLSFO was assessed at \$267/t VLSFOe, up from \$248/t VLSFOe in June.

European biodiesel prices have been rising since May, with Advanced Fame 0 prices now back above March’s level, having recovered losses in the second quarter. We expect advanced Fame 0 values to continue rise through August, but to remain relatively steady until December.

B30’s premium to VLSFO will probably increase to around \$300/t VLSFOe in the next months and could stretch further, possibly up to \$320/t VLSFOe by the end of the year, given the projected downward trend of VLSFO prices.

Meanwhile, Denmark’s Bunker One has signed a deal to supply B30 fuel to Germany’s TUI Cruises at the port of Aarhus in Denmark. Bunker One says it is able to supply bio-blended bunker fuels and hydrotreated vegetable oil (HVO) in Danish, Swedish and German ports.

Grey methanol

In northwest Europe, grey methanol dob prices fell on the month to \$12.24/mn Btu in June, or \$481/t VLSFOe, the lowest in two years. Grey methanol was pegged at a \$61/t VLSFOe discount to northwest Europe VLSFO and this could

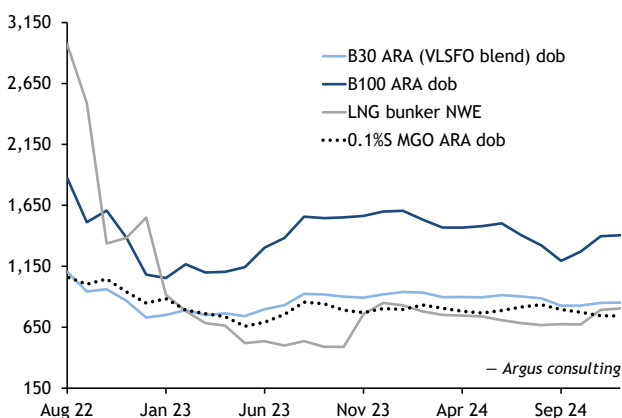
widen to \$110/t VLSFOe in the next months. Europe remains comfortably supplied with methanol, while demand is seasonally low, with facilities shutting for weeks. Rotterdam methanol fob prices in July slipped to levels last seen in September 2020. Spot prices in most of July were the lowest of any key region. With regional production running well and steady imports, methanol prices in Europe are likely to remain low. Assuming methanol values in China finally start to rise in the fourth quarter, prices elsewhere should start firming, underpinning gains towards the end of 2023 and through 2024.

Methanol and LNG dual-fuelled ships continue to dominate the alternative-fuel vessel orderbook, including retrofits. Norwegian shipper Wallenius Wilhelmsen plans to order four 9,350 ceu class methanol dual-fuel car carriers, with an option for a further eight ships. The first vessels could be delivered from the second half of 2026.

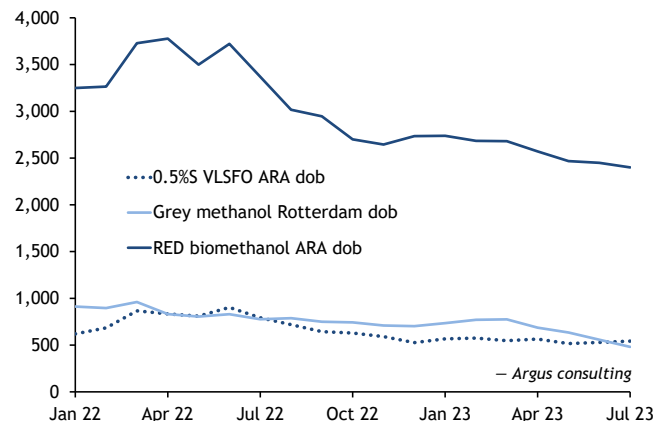
Shipper Hafnia and joint-venture partner Socatra have ordered four methanol dual-fuelled newbuild chemical carriers. The 49,800t dwt tankers will be built at China’s Guangzhou Shipyard International. Three will be delivered in 2025 and the last one in 2026. They will be time-chartered to TotalEnergies shipping arm CSSA.

Finnish engine manufacturer Wartsila has announced that it will supply methanol-fuelled auxiliary engines for the French shipping company CMA CGM. The engines have been ordered for CMA CGM’s six 15,000 twenty-foot equivalent unit vessels, which are being built at the Dalian Shipbuilding yard in China. The engines are to be delivered between late 2024 and the third quarter of 2025. CMA CGM says the choice of methanol is central to its decarbonisation ambitions. The six container ships will be the first CMA CGM vessels ordered to operate on methanol.

Alternative marine fuels vs MGO \$/t MGOe



Biomethanol, grey methanol vs VLSFO \$/t VLSFOe



Bio-methanol

The premium of delivered bio-methanol to VLSFO in northwest Europe continues to fall, and averaged \$1,858/t VLSFOe in July. The spread between bio-methanol and VLSFO was at \$2,576/t VLSFOe in June 2022.

Dutch supplier OCI Global announced in July that it will supply bio-methanol to Singapore's X-Press Feeders for its dual-fuelled methanol fleet in the port of Rotterdam, starting next year. The agreement means X-Press Feeders will be Europe's first common feeder operator running methanol-powered vessels at sea. OCI also confirmed plans to expand bio-methanol supply to other ports around the world.

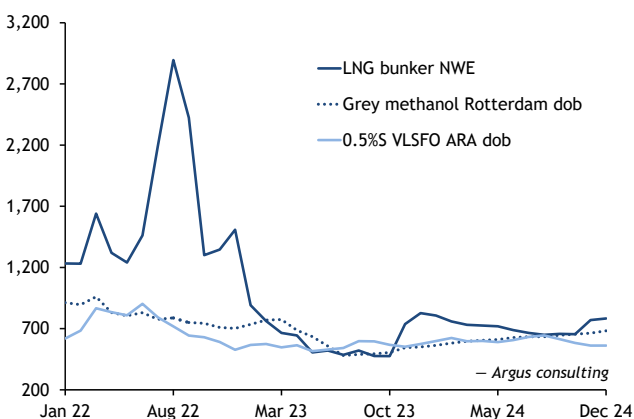
LNG

In northwest Europe, LNG marine fuel's discount widened to \$255/t MGOe in July, incentivising LNG/fuel oil dual-fuelled shipowners to maximise LNG use. Strong LNG demand has stoked activity for LNG bunkering barges and vessels in northwest Europe and Scandinavia, boosting premiums to the TTF index. Some firms were seeking to bunker LNG-capable vessels in parts of Europe where premiums are lower, such as Spain. But Spanish LNG bunkering infrastructure is limited, with most terminals only offering truck-to-ship operations.

Global LNG bunkering capacity could rise after Dutch shipper Titan LNG announced it had finished converting two vessels — the 12,000m³ *Titan Unikum* and the 12,000m³ *Titan Vision*, formerly the *Seapeak Unikum* and *Seapeak Vision*. LNG remains tanker owners most popular choice of alternative fuel.

We expect LNG's discount to MGO in northwest Europe to widen to \$300-350/t MGOe in the next two months, before flipping to a slight premium with the rise in natural gas prices toward the end of the year.

Methanol, LNG bunker vs VLSFO \$/t VLSFOe



Ammonia

Switzerland-based engine manufacturer Winterthur Gas & Diesel (WinGD) expects to deliver its first X-DF-A dual-fuel ammonia engines in early 2025, and says X-DF-A powered ships could be in service from 2026. In June, WinGD announced a collaboration with shipowner and operator AET and maritime academy Akademi Laut Malaysia — both subsidiaries of Malaysian shipper MISC — to develop training programmes for crew on ammonia-fuelled vessels. WinGD also signed a memorandum of understanding in June with Japan's Mitsubishi Shipbuilding to enter into a partnership on ammonia-fuelled vessels. WinGD will design and install X-DF-A engines for vessels of different sizes and types designed by Mitsubishi. The project will get under way this quarter, with a view to have vessels operational by 2027.

Regulation

EU Council adopts FuelEU maritime initiative

The European Council adopted into law the FuelEU maritime initiative on 25 July. The initiative aims to reduce the greenhouse gas (GHG) intensity of fuels by 2pc in 2025 and by up to 80pc by 2050, as part of the EU's 'Fit for 55' package. This would apply to ships above 5,000t gross tonnage, and all energy used on board in or between EU ports, as well as to 50pc of energy used on voyages where the departure or arrival port is outside the EU or in EU outermost regions. FuelEU will calculate emissions on a well-to-wake basis to fully capture all emissions in the lifecycle of marine fuels.

The regulation incentivises uptake of renewable fuels of non-biological origin (RFNBO), in a move to offset their considerably higher prices and production costs, compared with conventional marine fuels. To calculate the GHG intensity, a multiplier of two can be used to reward vessels for the use of RFNBO from 2025 until the end of 2033.

The regulation also obliges passenger and containerships to use on-shore power for all electricity needs while moored at major EU ports as of 2030. To mitigate the effect on small islands, exemptions will apply to remote areas and regions that are highly dependent on their connectivity.

The regulation will be published in the EU's official journal after summer, and take force 20 days after publication. The new rules will apply from 1 January 2025 — except for articles 8 and 9, which concern submissions of monitoring plans for all company ships and go live from 31 August 2024.

Demand

Total bunker sales in Rotterdam fell by 1pc on the quarter in April-June, to 2.65mn t, but were up by over 6pc on the year. Sales of bio-blended fuels grew to 185,824t, up by nearly 25pc on the quarter, and the third highest for any quarter since records of bio-blended sales started in 2021. Sales of bio-blended VLSFO rose more sharply than other bio-blended fuels — by nearly 19,000t on the quarter.

Demand for bio-blended bunker fuels has been growing in recent months as shipowners start trials ahead of EU regulations that come into effect next year. Shipowners operating in EU waters will have to pay for 40pc of their CO₂ emissions from combustion, rising to 70pc in 2025 and 100pc in 2026. Biofuels have been popular in the shipping industry because unlike other alternatives — such as LNG and methanol — biofuel can be burned by conventional engines.

Sales of LNG more than doubled from January-March in the second quarter to 81,521t — the second highest since LNG sales data began to be published in 2017.

Conventional VLSFO sales at the Port of Rotterdam fell by 8pc from June to 906,368t in July, while HSFO sales rose by 4.6pc to 847,189t, reflecting the increasing number of scrubber-fitted vessels. But narrowing scrubber spreads could choke off further investment in scrubber-fitted vessels.

Fuel sales in Spain fell by over 10pc on the month in June and 5.6pc on the year to 695,085t. Algeciras remains the busiest bunkering port in Spain, with sales of 286,195t in June — over 40pc of the total for Spain. Only Tenerife of the main ports registered an increase in sales in June — by 34pc to 36,542t.

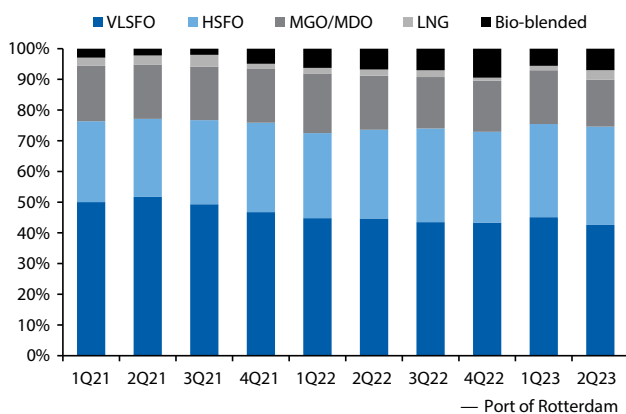
Supply

Fuel oil stocks held in the EU 15 and Norway fell by 2.8mn t on the month to 59.9mn t in July — the lowest since September 2022 — despite refinery utilisation ticking higher. The stockdraw was probably the result of higher fuel oil exports in July. Vortexa estimates show that northwest Europe’s fuel oil exports hit a nine-month high of 1.54mn t in July. But the region’s fuel oil exports, primarily LSFO, dropped sharply in the week to 13 August, probably because of a tighter market. And the region’s LSFO import rate dropped from 950,000t in July to only 225,000t on 1-15 August, with both intra-Europe and trans-Atlantic receipts slowing.

Europe bunker fuel demand					mn t
	2021	2022	2023	2024	2025
VLSFO					
HSFO					
MGO					
Total					

Rotterdam bunker sales

mn t



Asia-Pacific

Asia-Pacific bunker forecast													\$/t
	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	1Q24	2Q24	3Q24	4Q24		
Crude price forecast													
Dubai													
Conventional													
Fob Singapore													
3.5%S HSFO 380cst													
0.5%S VLSFO													
Dob Singapore													
3.5%S HSFO 380cst													
0.1%S MGO													
0.5%S VLSFO													
Alternative													
Dob													
B24 (VLSFO blend) Singapore													
\$/t VLSFOe													
B24 (VLSFO blend) Singapore													
Grey methanol southeast Asia													
\$/t MGOe													
B24 (VLSFO blend)													
Grey methanol southeast Asia													
Asia-Pacific bunker marker													
Grey ammonia cfr east Asia \$/t VLSFOe													
Grey ammonia cfr east Asia \$/t MGOe													

Prices

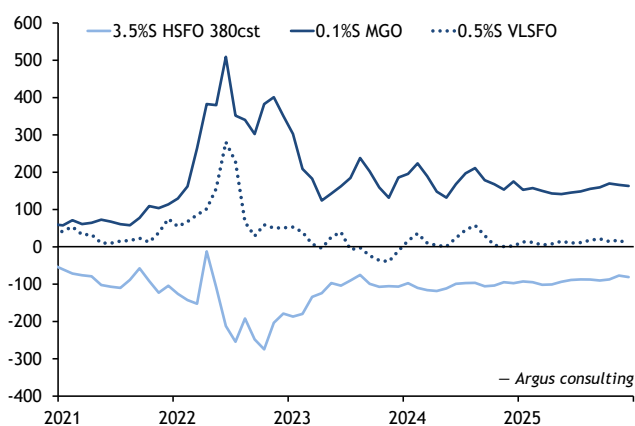
VLSFO-HSFO

The Singapore VLSFO-HSFO — scrubber — spread fell to \$83/t in July from \$143/t in June, reflecting a strengthening HSFO market during peak summer demand. But the VLSFO crack spread in Singapore flipped to a \$7/t discount to Dubai crude in July from a premium of \$40/t in June, weighed down by high product availability and subdued bunker demand. By early August, VLSFO values had risen from last month lows, driven by lower exports from Kuwait’s major producer — the

615,000 b/d al-Zour refinery. And bunker demand edged up in August in the main bunkering centres east of Suez.

KPC’s al-Zour refinery offered no LSFO for August loading — the firm typically offers LSFO in the first half of the month. This might be the result of lower output caused by operating problems, market participants say. Most KPC LSFO should be consumed at home, where LSFO demand for power generation is firm. But exports should grow as the cooler months approach, weighing on VLSFO crack spreads. We see the VLSFO-HSFO spread remaining over \$75/t in the months ahead.

Singapore bunker cracks vs Dubai crude \$/t



Alternative fuels

Biofuels

Marine biodiesel blend B24 prices in Singapore — 24pc Ucome and 76pc VLSFO — averaged \$780/t in June-July, but are expected to rise in August-September, tracking gains in fuel oil markets and recovering Ucome values in China.

Ucome fob China prices rose by 6.6pc on the month to \$1,068/t in July, supported by a reopening arbitrage from Asia-Pacific to Europe. This was the first month-on-month rise since January, but Ucome prices are yet to recover to April

levels. Prices were unworkable for ARA region importers earlier this year, closing the arbitrage with Asia-Pacific. But weak imports and production margins in Europe eroded stocks, with a sharp rise in activity last month suggesting some restocking was taking place. Ucome fob China prices will probably rise by another 15pc in August, but slow demand growth in Europe should keep up the pressure on Chinese prices.

We expect B24's premium to delivered VLSFO in Singapore to increase to \$290/t in August from \$255/t in July, and hover around \$280/t in the fourth quarter.

Singapore wants a bigger role in the alternative marine fuels industry. The city-state has conducted various bunkering trials, including the first ship-to-containership bunkering of bio-methanol in July. Danish shipowner Norden plans to replace its bunker volumes in Singapore with a B30 bio-fuel blend by 2027, and recently bought a minority stake in Danish-Indian biofuels producer Mash Makes. It is carrying out testing on land-based engines and expects a full-scale trial on a Norden vessel early next year.

Bio-methanol

The world's first ship-to-containership biomethanol bunkering operation took place in Singapore on 27 July. And more methanol bunkering operations are planned in the year ahead, the port authority says.

Maersk's containership took on around 300t of bio-methanol from Hong Lam Marine's Singapore-registered *MT Agility*. The vessel had left Ulsan, South Korea, having been fuelled with OCI Global OCI HyFuels ISCC-certified green methanol. It is now on its way to Copenhagen, Denmark, and will refuel at Egypt and Rotterdam, with some of this expected to be biodiesel and green methanol, according to Maersk.

Methanol

Southeast Asia methanol bunker prices continued to fall in July, averaging \$16.11/mn Btu, or \$636/t VLSFOe, with demand still weak. Southeast Asia methanol prices will probably continue to take their cue from China, with a slow rise expected in the fourth quarter and through next year. Prices are forecast to rise to \$685/t VLSFOe in the coming months and reach \$700/t VLSFOe by December.

LNG

Chinese state-owned shipowner Cosco Shipping Energy Transportation has ordered two 174,000m³ LNG carriers from state-owned Hudong-Zhonghua Shipbuilding, to be delivered in the second half of 2025 and first half of 2026. They will be chartered to state-owned PetroChina for 25 years.

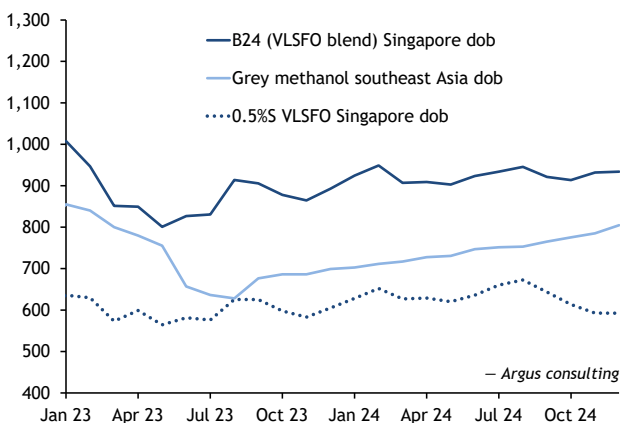
Demand

Singapore sales rose by 15pc to 4.5mn t in July, following a sharp drop in June, as weather disrupted operations at north Asian hubs. The number of vessels calling was up by 4.2pc on June, at 3,511. Sales of conventional HSFO rose by almost 20pc to 1.48mn t. LSFO sales rose by 12pc to 2.66mn t.

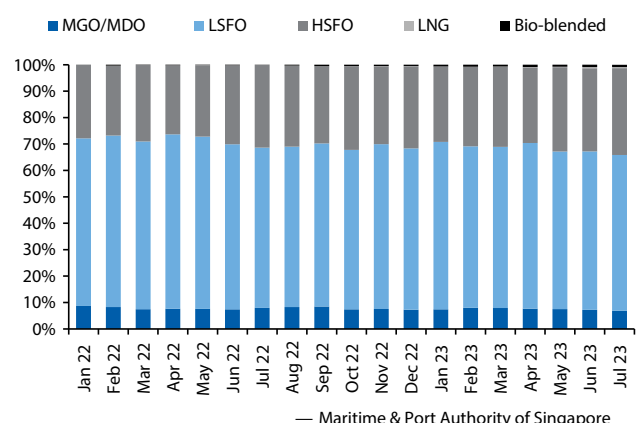
Sales of bio-blended LSFO were up by 15pc on June, at a monthly record of 39,400t.

Asia-Pacific bunker fuel demand					mn t
	2021	2022	2023	2024	2025
VLSFO					
HSFO					
MGO					
Total					

Alternative marine fuels vs VLSFO \$/t VLSFOe



Singapore bunker sales %



Supply

Asian VLSFO's margin against Dubai strengthened into August, partly because on expectations of slower receipts from Kuwait. Technical problems at the al-Zour refinery in July and strong domestic demand for power generation for air-conditioning might have kept more LSFO in Kuwait and even prompted a rise in purchases of HSFO. As a result, Kuwaiti LSFO exports dropped to 247,000t in July from 365,000t in June. And offers from al-Zour have remained reduced in the last two weeks, with no cargoes heading for Singapore so far in August. Iranian fuel oil loadings for Asia fell by 220,000t from June to 165,000t in July, probably also because of higher power sector demand at home.

The Opec+ production cuts that have reduced sour crude availability have also contributed to tighter supply of HSFO. But this is being offset by steady loadings from elsewhere, including the UAE and Saudi Arabia, which have boosted their imports from Russia since July 2022, while exporting their own products. Loadings from the two for Asia climbed to 1.3mn t in July — a 10-month high.

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Americas

North America bunker forecast												\$/t
	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	1Q24	2Q24	3Q24	4Q24	
Crude price forecast												
WTI Houston												
Conventional												
Fob Houston												
3.5%S HSFO 380cst												
0.5%S VLSFO												
Dob												
3.5%S HSFO 380cst												
0.1%S MGO												
0.5%S VLSFO												
Alternative												
Dob US Gulf coast												
\$/t VLSFOe												
Grey methanol												
\$/t MGOe												
Grey methanol												
North America bunker marker												
Grey ammonia fob Caribbean/US Gulf												
\$/t VLSFOe												
Grey ammonia fob Caribbean/US Gulf												
\$/t MGOe												

Prices

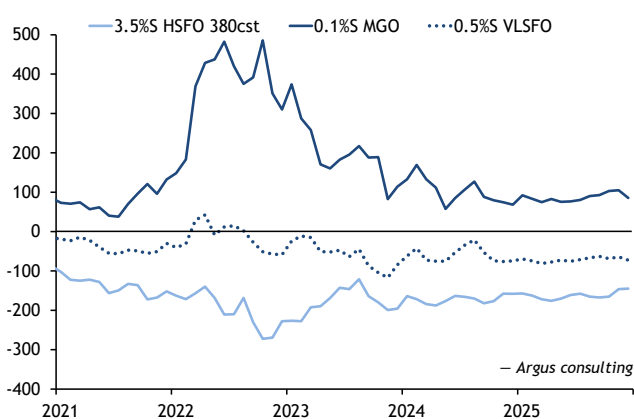
HSFO

Houston ex-wharf HSFO prices rose to \$527/t in the first half of August from \$462/t in July, driven by tighter supply as more Gulf product heads to Europe. US Gulf coast residual fuel oil output fell in June-July from spring levels as refiners upped light sweet crude runs to maximise diesel and gasoline output for the summer driving season. The Houston ex-wharf HSFO crack is expected to narrow to a \$125/t discount to WTI Houston, in from \$145/t in June-July. But cracks will probably widen again towards the end of the current quarter, with the projected easing of global HSFO tightness.

VLSFO

The ex-wharf VLSFO crack spread fell in July to a \$63/t discount to WTI Houston, but began to strengthen in August, driven by tightening blendstock availability. Dwindling US Gulf coast stocks of gasoline have buoyed prices this month, pushing regional refining margins to their widest spread since October. Given robust FCC margins, low-sulphur components are being pulled from the marine fuels blending pool and redirected for feedstocks. This is driving up component prices and causing tighter supply of finished VLSFO. But VLSFO cracks are expected to weaken with the end of summer driving season.

USGC bunker cracks vs WTI Houston \$/t



Alternative fuels

Methanol

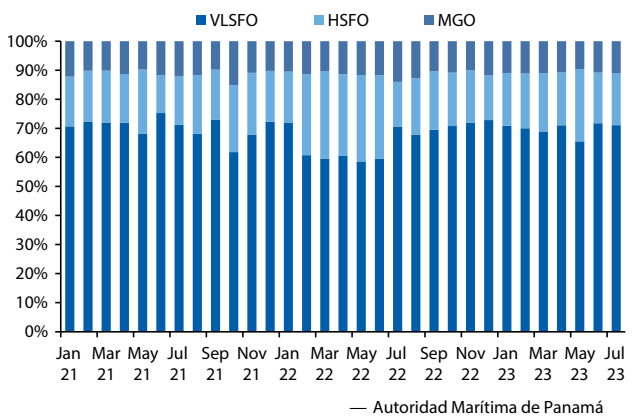
Methanol delivered prices on the US Gulf coast fell to \$12.72/mn Btu, or \$514/t VLSFOe, in June from \$14.02/mn Btu, or \$566/t VLSFOe, in May. Gulf coast methanol production was running smoothly in July, but a lack of spot buying interest eroded prices. While demand from several large sectors has been on the rise, North America remains more than amply supplied. Methanol prices are forecast to strengthen slightly, and will probably only be moved significantly by supply problems in the US or elsewhere.

Demand

Total bunker sales in Panama rose by almost 30,000t on the month in July. But this reflects weak sales in June, rather than strong sales in July, which were 8pc down on the year. VLSFO sales stood at 293,174t, up by 7pc on June. HSFO sales grew by 11pc from June to 74,117t. Only MGO sales fell on the month — by 3pc to 10,159t. But low-sulphur MGO sales were 13pc up on the month, at 35,028t.

Weak sales in June and July probably reflect low water levels affecting transit through the Panama canal — draft restrictions have been imposed for ships passing through the Neopanamax locks to conserve water. Since late July, the number of daily transits through the Neopanamax and Panamax locks have been limited to 27 — there are usually 36-38 daily passages. Delays at the Panamax locks have hit a record high of 3 weeks, forcing some operators to reroute vessels. Restrictions are unlikely to be removed any time soon, with further curtailments a possibility, as it could take all autumn for water levels to return to satisfactory levels.

Panama bunker sales



Supply

With this year’s renovation of the Talara refinery, Peruvian fuel oil production rose to 121,970 b/d in January-May, up from just 33,580 b/d a year earlier. The country’s fuel oil exports increased to 590,000t in the first half of this year, up from 235,000t in January-June last year, Vortexa data show. But Peru’s fuel oil exports slowed to just 29,000t in July from June’s 122,000t. Most has headed for Panama in the past, but no cargoes loaded for that country in July — probably because of weak demand caused by drought.

Mexican HSFO production is expected to remain high until at least late 2023, when the coker at the 315,000 b/d Tula refinery starts. The high sulphur content of Mexican crudes and the unavailability of desulphurisation and coker units continue to support HSFO production. Almost all Mexican HSFO exports have headed to the US since June, with Asia and Europe-bound loadings slowing in recent weeks.

Americas bunker fuel demand					mn t
	2021	2022	2023	2024	2025
VLSFO					
HSFO					
MGO					
Total					

Middle East

Middle East bunker forecast	\$/t											
	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	1Q24	2Q24	3Q24	4Q24	
Crude price forecast												
Dubai												
Conventional												
Fob Fujairah												
3.5%S HSFO 380cst												
0.5%S VLSFO												
Dob Fujairah												
3.5%S HSFO 380cst												
0.1%S MGO												
0.5%S VLSFO												
Middle East bunker marker												
Grey ammonia Middle East fob \$/t VLSFOe												
Grey ammonia Middle East fob \$/t MGOe												

Prices

VLSFO-HSFO

The scrubber spread in the UAE's Fujairah narrowed to \$112/t in July from \$157/t in June, with HSFO prices spurred by seasonally firm regional demand. The delivered HSFO crack narrowed by \$7/t to a \$129/t discount to Dubai. And it could narrow further in August, possibly to a discount of around \$100/t, before weakening with the end of summer cooling season.

VLSFO prices in Fujairah increased only slightly on the month in July, to \$565/t. But the delivered VLSFO differential over the Singapore 0.5pc sulphur marine fuel price — typically used as a price basis by Fujairah bunker suppliers — fell to a discount of \$5/t from a premium of \$1.10/t in June. The fall is largely attributed to high product availability in Fujairah and below-average demand. VLSFO values in Fujairah rose in the

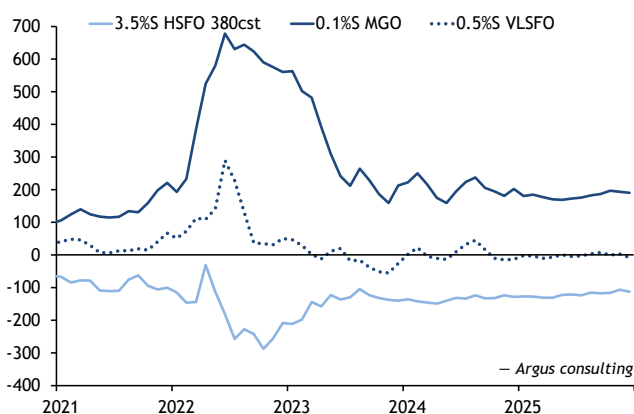
first half of August, but will probably retreat with the end of summer cooling demand in the region. And the completion of Kuwait's al-Zour refinery, which can producing 11mn-12mn t/yr of VLSFO — up to 7mn t/yr of which could be allocated for export, mostly to Singapore and Fujairah — is likely to squeeze VLSFO values further. The scrubber spread in Fujairah could fall below \$90/t in the months ahead.

Alternative fuels

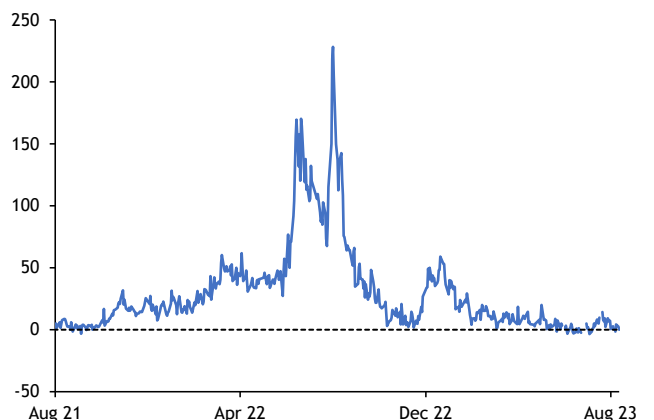
Ammonia

Cayman Islands-based Brooge Renewable Energy has completed a feasibility study for an export-focused green ammonia project in Abu Dhabi. The project will be delivered in two phases, Brooge said. It estimates that first-phase ammonia

Fujairah bunker crack spreads vs Dubai crude \$/t



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



production will reach 300 t/d, or almost 110,000 t/yr assuming year-round operations. The company expects production to reach 685,000 t/yr once the project is fully complete and targeting exports to Europe and Asia.

Supply

Saudi Arabia and the UAE are the primary recipients of Russian fuel oil, mostly HSFO, in the region. Russia exported over 1mn t of HSFO to the region in July — 729,000t for Saudi Arabia, 265,000t for the UAE and 62,000t for Oman, Vortexa data show. But this level of shipments might not be sustainable, given current challenges.

Russian imports could come under more pressure as Russian crude and products have been trading above the price caps set by the G7 in recent weeks. Major shipowners have been withdrawing from the trade to avoid sanctions, pushing exporters to rely on shadow fleet tankers. In addition, the recent attack on a Russian oil tanker in the Black Sea could push up insurance premiums and lead to higher freight rates for tankers carrying Russian products — something that in turn could pressure Russian exports.

Demand

At Fujairah, July bunker sales were up by 9pc on June, at 642,910t, an 11-month high. The rise was driven by HSFO sales, which grew by 37pc to 172,581t. VLSFO sales rose by

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2.5pc to 449,503t. HSFO's share of total sales climbed to 27pc, while VLSFO's share fell to 70pc. As elsewhere, this is a reflection of the growing number of scrubber-fitted vessels. MGO sales fell by 9pc to 20,826t, the lowest since February.



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