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Argus Marine Fuels Outlook

Global conventional and alternative marine fuels



Overview

With no end in sight to the US-Iran conflict, Middle Eastern bunkering activity remains severely curtailed. Our base case has modest monthly rises in traffic through the strait of Hormuz in the final months of 2026 and first half of 2027, but bunkering will remain well down on pre-conflict levels. Hormuz transits rise more meaningfully in the second half of 2027, returning to normal at the start of 2028 and supporting a return to pre-war bunker demand levels.

In the alternative marine fuels market, B100 advanced Fame dob Netherlands prices have moved to a discount to delivered MGO values at the Amsterdam-Rotterdam-Antwerp hub during September. This shift has been driven by continued strength in the diesel market, although additional pressure came from a decline in B100 prices during the first half of the month. B100 is expected to continue trading at a discount to MGO through most of the fourth quarter, before returning to its more typical premium by the year's end. However, this outlook remains subject to considerable uncertainty, given the upside risks facing the diesel market.

LNG bunker prices in northwest Europe have continued to rise in September, tracking gains at the Dutch TTF gas hub driven by Hormuz's extended closure and resulting constraints on LNG exports from the Mideast Gulf. With supply risks remaining elevated and the protracted delay in the return of Mideast Gulf LNG exports, TTF prices could rise further in October-November, providing further support to LNG bunker values in northwest Europe.

Key bunker prices, dob

	Jul 26	Aug 26	Sep 26f	Oct 26f	Nov 26f
3.5%S fuel oil (HSFO) 380cst					*$/t*
Rotterdam	508	535	586	549	526
Singapore	529	625	687	636	576
Houston	513	474	507	496	489
Fujairah	546	613	691	638	575
0.1%S (MGO)					*$/t*
Rotterdam	1,115	1,212	1,398	1,370	1,283
Singapore	1,092	1,185	1,321	1,321	1,269
Houston	1,225	1,334	1,489	1,552	1,438
Fujairah	1,304	1,363	1,545	1,423	1,383
0.5%S (VLSFO)					*$/t*
Rotterdam	636	647	688	652	624
Singapore	702	781	841	792	721
Houston	667	679	737	710	662
Fujairah	742	798	919	807	719
Marine biofuel					*$/t*
B30 ARA (Fame Advanced & VLSFO)	898	894	890	867	844
B30 ARA (Ucome & VLSFO)	971	1,011	1,076	1,071	1,042
B100 ARA (Fame Advanced)	1,334	1,285	1,192	1,278	1,268
B24 Singapore (Ucome & VLSFO)	906	987	1,041	1,024	959
B24 Algeciras-Gibraltar (Ucome & VLSFO)	926	919	971	971	943
Grey methanol					*$/t VLSFOe*
Methanol Rotterdam	959	902	999	894	862
Methanol southeast Asia	948	1,002	1,196	1,027	1,001
Methanol US Gulf coast	919	885	930	932	902
LNG					*$/t VLSFOe*
LNG NWE bunker	805	928	1,119	1,228	1,190
LNG Singapore bunker	776	870	1,056	1,063	1,216
Bunker marker					
Grey ammonia					*$/t VLSFOe*
Ammonia cfr NWE	1,579	1,551	1,440	1,373	1,361
Ammonia cfr east Asia	1,553	1,275	1,089	1,122	1,145
Ammonia fob Caribbean	1,436	1,303	1,182	1,171	1,205
Ammonia fob Middle East	1,387	1,092	979	1,024	1,058

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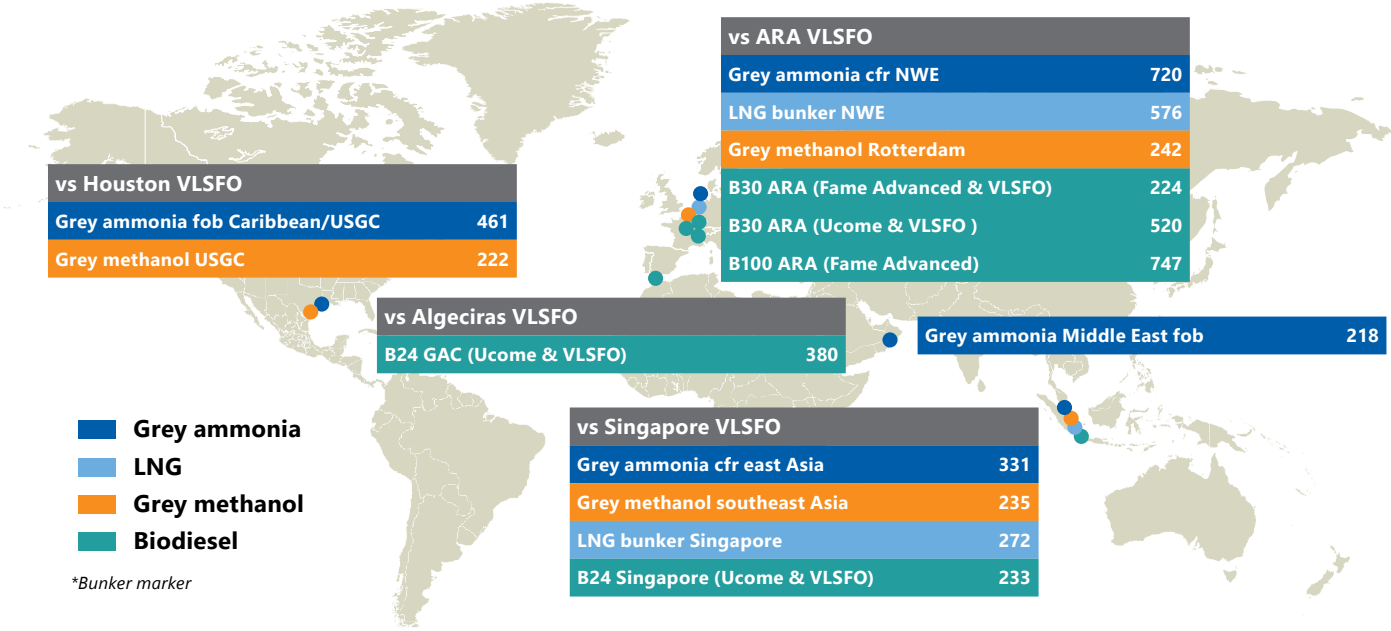
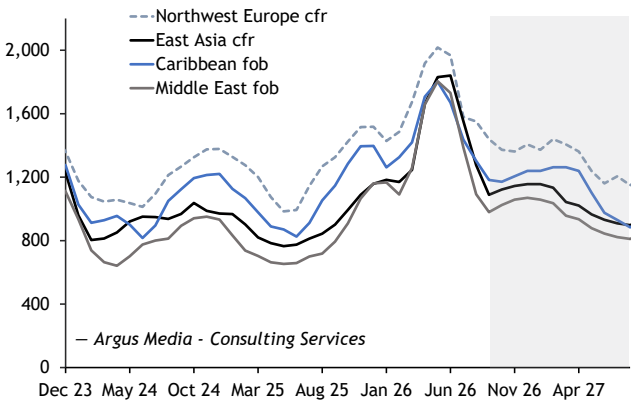
Alternative marine fuel vs VLSFO next month forecast

$/t VLSFO-equivalent



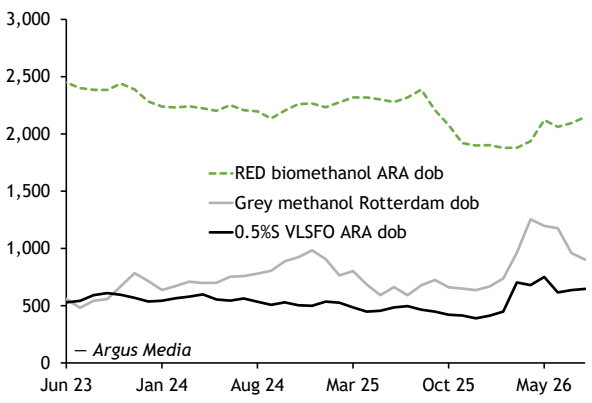
Grey ammonia bunker marker

$/t VLSFOe



Biomethanol, grey methanol vs VLSFO

$/t VLSFOe



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EUROPE

European bunker forecast											$/t
	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	Jan 27	1Q27	2Q27	3Q27	4Q27
Crude price forecast											
North Sea Dated	628	683	863	791	715	678	670	668	685	690	668
Conventional											
Fob NWE											
3.5%S HSFO 380cst	464	497	548	514	488	460	491	498	560	569	518
0.1%S MGO	1,095	1,218	1,428	1,379	1,277	1,133	1,087	1,026	900	814	792
0.5%S VLSFO	590	607	649	626	598	570	560	555	593	607	557
Dob											
3.5%S HSFO 380cst Rotterdam	508	535	586	549	526	500	516	523	584	593	545
0.1%S MGO ARA	1,115	1,212	1,398	1,370	1,283	1,129	1,091	1,035	908	818	799
0.1% fuel oil Rotterdam	1,028	1,127	1,326	1,288	1,193	1,037	998	939	810	721	706
0.5%S VLSFO ARA	636	647	688	652	624	595	592	588	625	640	590
3.5%S HSFO 380cst Algeciras	539	576	639	595	573	545	507	512	571	574	529
0.1% MGO Algeciras	1,185	1,314	1,539	1,472	1,376	1,235	1,127	1,065	942	850	831
0.5%S VLSFO Algeciras	663	684	719	683	661	632	629	626	664	672	630
Alternative											
Dob											
B30 ARA (Fame Advanced & VLSFO)	898	894	890	867	844	826	826	799	848	849	796
B30 ARA (Ucome & VLSFO)	971	1,011	1,076	1,071	1,042	1,012	999	994	1,012	1,017	972
B100 ARA (Fame Advanced)	1,334	1,285	1,192	1,278	1,268	1,274	1,281	1,201	1,275	1,247	1,186
B24 Algeciras-Gibraltar (Ucome & VLSFO)	926	919	971	971	943	913	897	892	914	921	875
$/t VLSFOe											
B30 ARA (Fame Advanced & VLSFO)	907	902	898	876	852	834	834	807	856	857	804
B30 ARA (Ucome & VLSFO)	1,062	1,107	1,178	1,172	1,141	1,107	1,094	1,088	1,107	1,114	1,064
B100 ARA (Fame Advanced)	1,460	1,407	1,305	1,400	1,388	1,395	1,403	1,314	1,396	1,366	1,298
B24 Algeciras-Gibraltar (Ucome & VLSFO)	1,013	1,006	1,063	1,063	1,032	999	982	977	1,000	1,008	958
Grey methanol Rotterdam	959	902	999	894	862	886	896	930	920	862	814
LNG bunker NWE	805	928	1,119	1,228	1,190	1,113	1,010	967	700	595	589
$/t MGOe											
B30 ARA (Fame Advanced & VLSFO)	956	951	947	923	899	880	879	850	902	904	847
B30 ARA (Ucome & VLSFO)	1,120	1,167	1,242	1,236	1,203	1,168	1,153	1,148	1,168	1,174	1,122
B100 ARA (Fame Advanced)	1,540	1,483	1,376	1,476	1,464	1,471	1,479	1,386	1,472	1,440	1,369
B24 Algeciras-Gibraltar (Ucome & VLSFO)	1,068	1,060	1,121	1,121	1,088	1,053	1,035	1,030	1,054	1,063	1,010
Grey methanol Rotterdam	1,011	951	1,053	919	885	910	921	956	945	885	836
LNG NWE bunker	848	978	1,180	1,295	1,255	1,174	1,064	1,020	738	628	621
European bunker marker											
Grey ammonia cfr NWE $/t VLSFOe	1,579	1,551	1,440	1,373	1,361	1,406	1,373	1,406	1,254	1,183	1,179
Grey ammonia cfr NWE $/t MGOe	1,622	1,594	1,479	1,410	1,399	1,445	1,410	1,445	1,288	1,215	1,212

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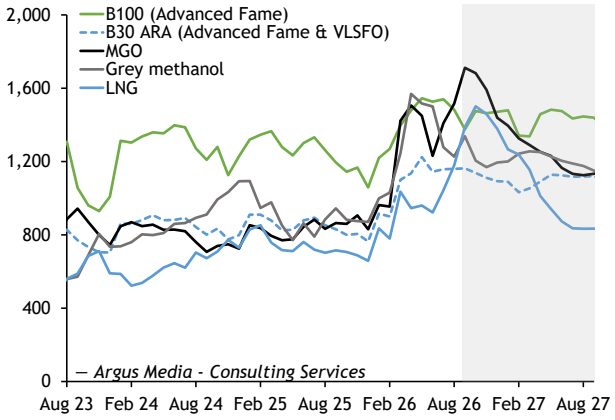
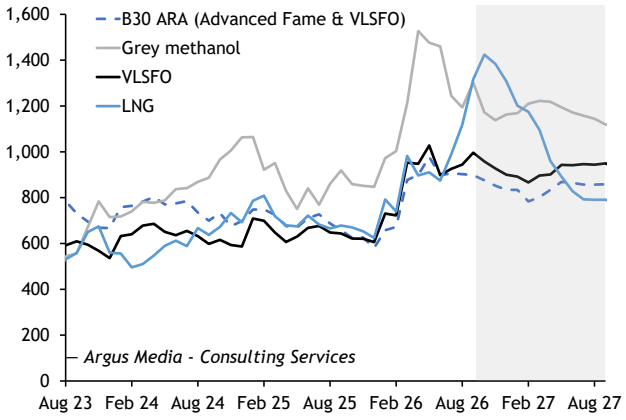
European bunker forecast with EU ETS CO2 added combustion cost	Jun 26	Jul 26	Aug 26	Sep 26	Oct 26	4Q26	1Q27	2Q27	3Q27
Conventional including CO^2 cost									
0.1%S MGO ARA	1,231	1,409	1,515	1,711	1,682	1,571	1,337	1,216	1,131
0.5% fuel oil Rotterdam	899	925	944	996	958	929	885	929	947
Alternative including CO^2 cost									
B30 ARA (Fame Advanced & VLSFO)	1,087	1,100	1,102	1,106	1,082	1,059	1,007	1,060	1,064
B30 ARA (Ucome & VLSFO)	1,167	1,173	1,220	1,292	1,285	1,255	1,202	1,224	1,232
B24 Algeciras-Gibraltar (Ucome & VLSFO)	1,121	1,145	1,145	1,206	1,204	1,174	1,118	1,144	1,155
$/t VLSFOe									
B30 ARA (Fame Advanced & VLSFO)	1,095	1,109	1,111	1,114	1,090	1,068	1,015	1,068	1,072
B30 ARA (Ucome & VLSFO)	1,259	1,265	1,315	1,394	1,387	1,354	1,297	1,320	1,329
B24 Algeciras-Gibraltar (Ucome & VLSFO)	1,206	1,233	1,232	1,297	1,296	1,263	1,203	1,231	1,242
Grey methanol Rotterdam	1,461	1,244	1,194	1,302	1,172	1,158	1,200	1,195	1,141
LNG bunker NWE	874	989	1,118	1,316	1,424	1,372	1,157	893	791
$/t MGOe									
B30 ARA (Fame Advanced & VLSFO)	1,144	1,158	1,160	1,163	1,138	1,114	1,058	1,115	1,119
B30 ARA (Ucome & VLSFO)	1,237	1,269	1,316	1,408	1,450	1,416	1,356	1,380	1,389
B24 Algeciras-Gibraltar (Ucome & VLSFO)	1,260	1,288	1,287	1,355	1,354	1,319	1,256	1,285	1,296
Grey methanol Rotterdam	1,501	1,278	1,227	1,338	1,204	1,189	1,233	1,228	1,172
LNG NWE bunker	922	1,043	1,179	1,388	1,501	1,447	1,220	942	834

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



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



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Prices

Conventional fuels

High crude prices pressure NWE VLSFO cracks

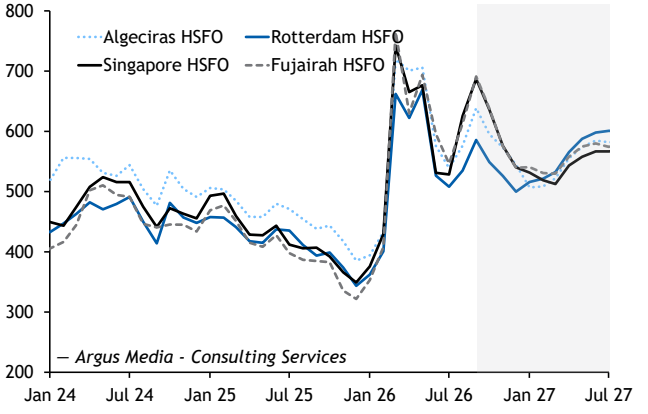
Delivered VLSFO prices in northwest Europe fell by $138.60/t in September to average a $175.20/t discount to North Sea Dated. But this weak crack spread reflects extremely strong crude values — rising US-Iran tensions and the attack on Saudi Arabia's East-West pipeline by Houthi rebels have been buoying crude prices in September — rather than a significant softening in VLSFO fundamentals. As we move into October, we expect fundamentals to remain supportive and bunker demand to stay firm, with longer trade routes continuing to support VLSFO crack spreads.

Damage to the East-West pipeline looks to have had only a minimal impact on crude exports from the region. A resumption in Yanbu loadings looks likely soon and our baseline assumption is that flows through the strait of Hormuz continue to edge up. Even with the Houthis largely in control of the Bab el-Mandeb strait and tensions between the US and Iran flaring again, we expect crude prices to retreat in the fourth quarter, reducing the squeeze on VLSFO crack spreads.

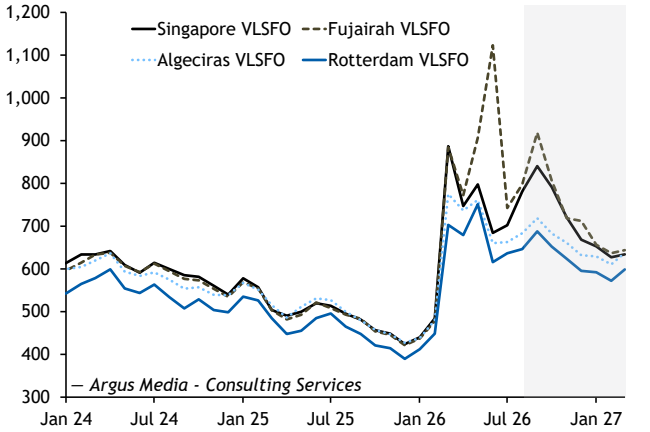
After the short peak in refinery maintenance passes in October, we expect fuel oil yields to stay pressured as refiners prioritise middle distillates. Premiums for VGO and LSSR have softened during September, with VGO cracks dropping to a discount to crude and averaging below their September 2025 level. As with fuel oil cracks, this is in part the result of extremely strong and volatile crude prices, but it also reflects increased availability of low-sulphur blending components. But in the second half of the month, component crack spreads have been recovering, which is likely to reflect increased VGO and LSSR demand after news that Saudi Aramco will not supply any October-loading term crude to European refiners.

High freight rates are limiting flows of fuel oil from Europe to Asia, even as the east-west spread averaged above $100/t on 1-21 September, out from $74/t last month and $35/t in September last year. This is keeping VLSFO in Europe and pressuring cracks in the region.

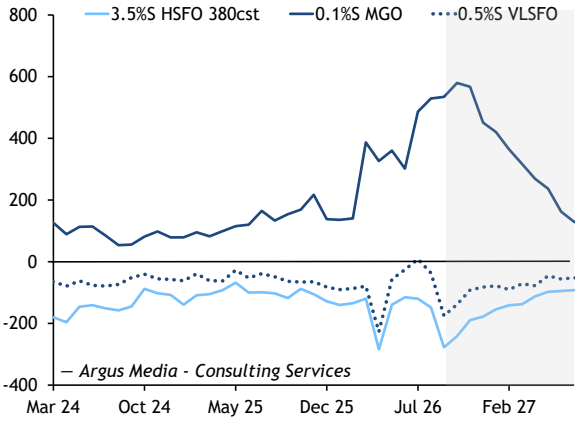
HSFO price forecast, dob *$/t*



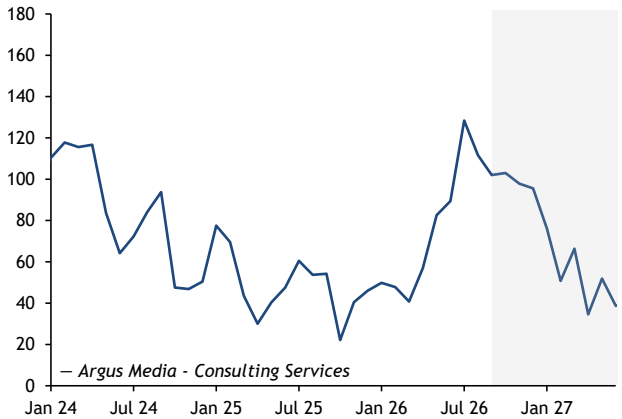
VLSFO price forecast, dob *$/t*



NWE bunker cracks vs NSD *$/t*



NWE VLSFO-HSFO spread *$/t*



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While LSSR exports from Nigeria's Dangote have picked up in September, as the RFCC unit continues to run below capacity, all volumes are currently being directed towards Asia. With tighter balances and stronger prices in Asia expected to be maintained over the coming months, it is likely that any LSSR exports from Dangote will continue to head to Asia rather than adding to the European blending pool.

HSFO crack spreads to fall in short term

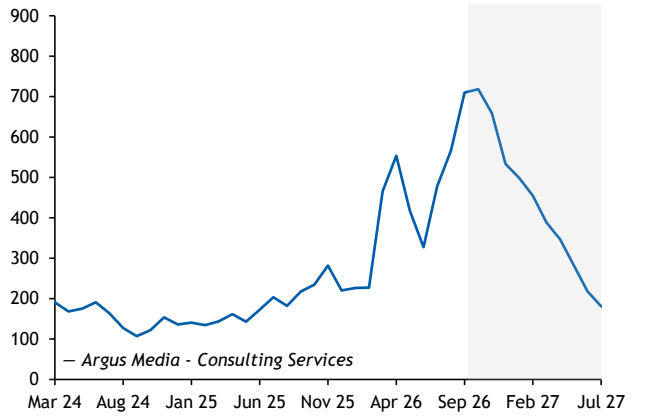
Like VLFSO, delivered HSFO cracks have weakened in September, falling by $129/t to a $277.20/t discount to North Sea Dated. And as with VLSFO, the driver of this is elevated and volatile crude prices.

Arrivals of HSFO from Venezuela — which had been a key supplier of fuel oil for Europe since the start of the US-Iran conflict — have fallen significantly in September, but this has been more than offset by high-sulphur deliveries from Mexico. With Mexico maximising refinery runs with the aim of becoming self-sufficient in transport fuels, we expect the country to continue to be a key supplier of HSFO.

While stocks of fuel oil in the ARA hub have risen in both August and September, they still remain well below the five-year average. This will support a recovery in HSFO crack spreads in the coming months.

The end of the summer heating season should reduce demand for HSFO for power generation. Increased fuel oil availability from Middle East countries such as Iraq and Saudi Arabia will have little impact on European balances, as the strait of Hormuz impasse will limit such flows to the global market. But falling demand from north African countries — in particular Egypt, where fuel oil demand has been strong at a time of LNG supply constraints — will have a more direct impact on European balances, pressuring prices.

NWE MGO-VLSFO spread *$/t*



Alternative fuels

Biofuels

FuelEU Ucome-MGO abatement expected to rise in 1Q

The FuelEU Ucome-MGO abatement cost, excluding ETS costs, fell to $138/t$CO_2$e in September, down by $9/t$CO_2$e from August. But it is expected to gradually rise towards the end of next quarter and into the first quarter of 2027.

MGO prices rose sharply in September, tracking strength across the wider diesel market. Prices increased to $1,428/t, up by $211/t on August. Global diesel crack spreads remained elevated through the first half of this month, supported by supply disruption, particularly in the Atlantic basin.

Europe, especially the Mediterranean, is expected to remain structurally short of diesel in the fourth quarter. Russia continues to prioritise domestic supply and has extended diesel export restrictions, while Ukrainian drone attacks on Russian refineries continue to threaten production and raise the risk of prolonged supply disruption. At the same time, Europe and the US are entering refinery maintenance season, although turnaround activity is expected to be lighter than last year as refiners seek to capitalise on strong margins.

Seasonal agricultural demand is also expected to keep European diesel balances tight. Rising diesel prices and stronger crack spreads on the US Gulf coast could further limit transatlantic flows to Europe, which have increased significantly since August. As a result, the Atlantic basin is expected to stay tight through the fourth quarter, with fundamentals likely to ease only as demand weakens towards the year's end.

Additional upside risk stems from President Donald Trump's endorsement of a temporary ban on US diesel exports. Europe is particularly exposed to any disruption in these flows. Since the start of the US-Iran conflict, the US has become Europe's largest diesel supplier, accounting for just over a third of EU and UK imports in the first quarter, or around 320,000 b/d, equivalent to 11pc of total supply.

Dependence on US barrels has increased further, with the US share rising to 52pc by August from 40pc in the second quarter and 31pc in the first quarter, reaching roughly 400,000 b/d. Even a partial restriction on exports would remove a significant source of supply from the European market. For context, US diesel exports to Europe averaged around 245,000 b/d last year.

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Replacing these volumes would be challenging. Europe is already competing with Asia-Pacific, east and southern Africa for diesel from India and the Mideast Gulf.

In the biofuels market, Ucome fob ARA prices continued to strengthen, rising to $1,905/t in September, up by $166/t from August. This was driven by robust waste-based compliance demand and strength across the wider biodiesel complex. UCO cif ARA prices also increased, by $30/t to $1,286/t, which has supported Ucome production margins.

But competition for UCO is expected to intensify in the second half of 2027. SAF and HVO producers can typically absorb higher feedstock costs than biodiesel refiners because of their stronger production margins. As a result, a larger share of Ucome value is expected to be captured by UCO, putting pressure on Ucome conversion margins.

Ucome prices are forecast to fall to $1,788/t in the fourth quarter. Over the same period, Advanced Fame is expected to regain the premium to Ucome it last held in May. Advanced Fame ARA prices rose to $1,896/t in September from $1,731/t in August, but are forecast to fall to around $1,790/t during the fourth quarter.

As demand for UCO-based biodiesel approaches the regulated cap of 1.7pc of final energy consumption, a greater share of European compliance demand will need to be met by fuels produced from advanced feedstocks. This is expected to strengthen Advanced Fame relative to Ucome and support a return to a premium over the fuel.

B100 expected to remain discounted to MGO in 4Q

B100 advanced fatty acid methyl ester (Fame) dob Netherlands prices moved to a discount to delivered MGO prices in ARA during September. This shift was driven by continued strength in the diesel market, although further pressure came from a drop in B100 prices in the first half of the month.

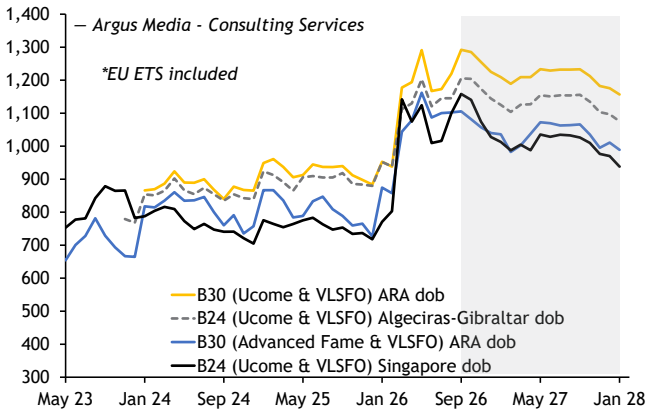
The discount widened from $38/t at the beginning of September to as much as $375/t on 9 September, primarily because of a sharp increase in Dutch maritime renewable fuel ticket (ZRE) prices. ZREs rose to around 28.50¢/kg CO_2 from 15.50¢/kg CO_2 at the beginning of the month before falling in the second half of September. Higher ticket prices weighed on Dutch marine biodiesel prices, as suppliers typically incorporate ZRE values as a discount in marine biodiesel blend pricing.

As a result, B100 dob Netherlands prices fell to $1,192/t in September, down by $93/t from August. The increase in ZRE prices more than offset gains in underlying Advanced Fame prices. The rally in tickets was driven by strong buying during the first half of the month. Expectations of a ZRE rally have grown ahead of the year's end as market participants prepare for early compliance. Buyers falling short of the EU's GHG-reduction requirements will need to cover positions, with non-compliant suppliers facing fines.

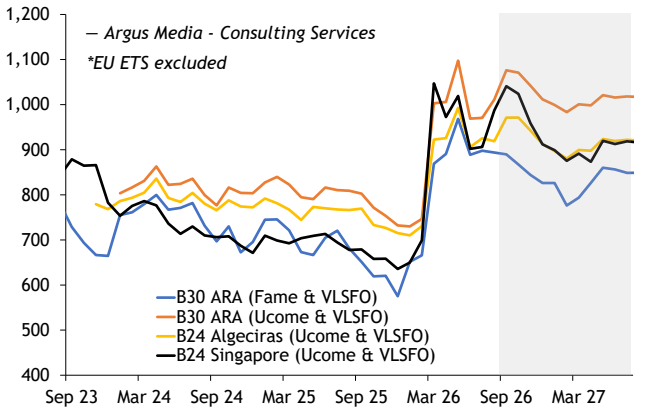
B100 dob Netherlands prices recovered in the second half of September, supported by rising underlying biodiesel prices and weaker ZRE values. Prices are expected to remain at $1,270-1,290/t during the fourth quarter before falling in the first quarter of 2027, reflecting a potential increase in ZRE prices and lower Advanced Fame values. Prices are then expected to strengthen again during the second quarter.

B100 is expected to continue trading at a discount to MGO through most of the fourth quarter, before returning to its more typical premium by the year's end. However, this outlook remains subject to considerable uncertainty, given the upside risks facing the diesel market.

Marine biofuels Europe vs Singapore, with EU ETS *$/t*



Marine biofuels Europe vs Singapore *$/t*



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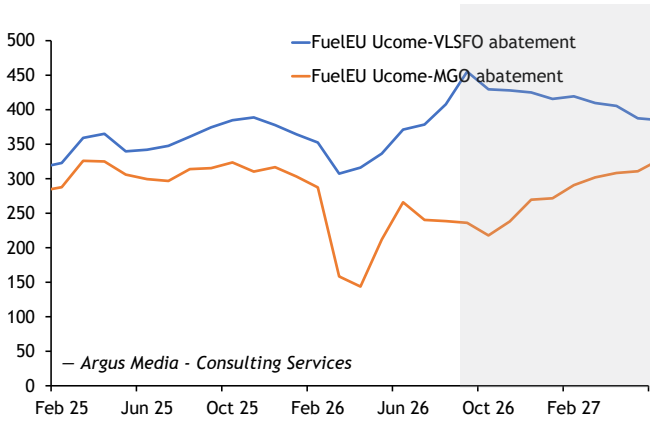
FuelEU Maritime costs forecast											$/tCO2e
	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	Jan 27	1Q27	2Q27	3Q27	4Q27
FuelEU Ucome-VLSFO abatement	379	408	455	429	428	425	416	415	393	383	387
FuelEU Ucome-MGO abatement	240	239	236	218	238	270	272	288	315	336	331
FuelEU Ucome-VLSFO abatement ex ETS	289	315	356	334	334	330	323	323	299	288	291
FuelEU Ucome-MGO abatement ex ETS	152	147	138	124	145	176	180	197	223	242	236

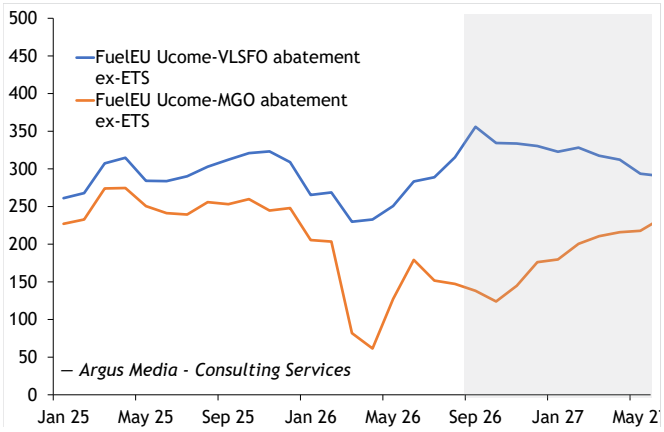
FuelEU abatement prices

$/t CO2e



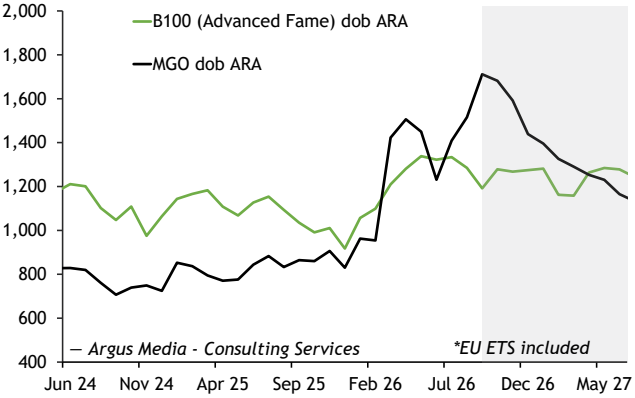
FuelEU abatement prices ex ETS

$/t CO2e



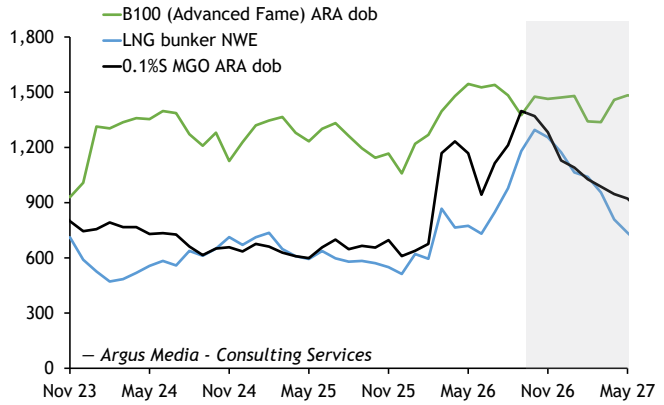
NWE B100 vs MGO

$/t



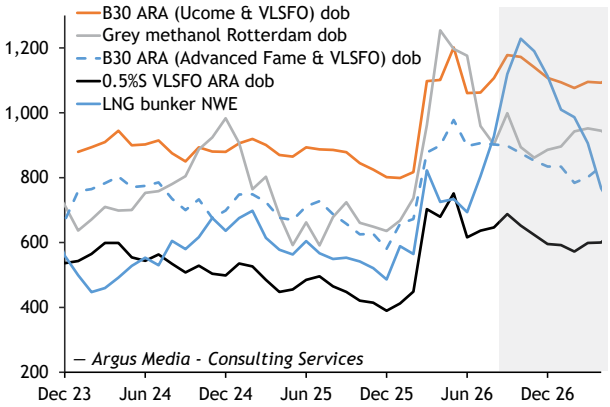
NWE LNG, B100 vs MGO

$/t MGOe



Alternative marine fuels vs VLSFO

$/t VLSFOe



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LNG

Hormuz disruption drives LNG bunker prices higher

LNG bunker prices in northwest Europe continued to rise in September, tracking gains at the Dutch TTF gas hub driven by the extended closure of the strait of Hormuz and the resulting constraints on LNG exports from the Mideast Gulf. LNG bunker values have averaged $1,180/t MGOe in September, up from $978/t MGOe in August. TTF prices climbed to around $27/mn Btu in the second half of September from $21/mn Btu in August, reflecting growing concerns over LNG availability during winter 2026-27. With supply risks remaining elevated and the protracted delay in the return of Mideast Gulf LNG exports, TTF prices could rise to as high as $28-29/mn Btu in October-November, providing further support to LNG bunker prices in northwest Europe.

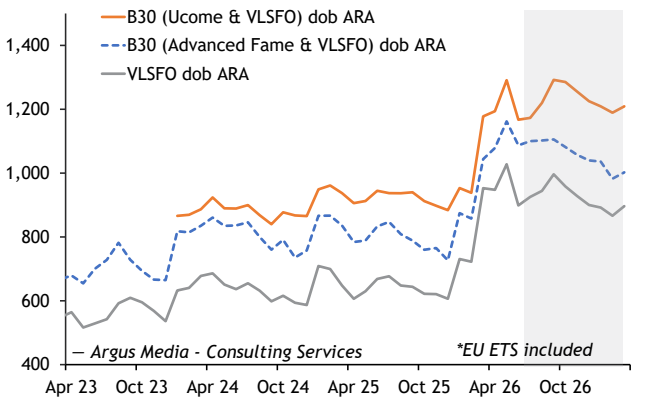
Despite the recent rally in gas prices, European gas fundamentals strengthened in August. Strong LNG imports, higher Norwegian pipeline flows and continued storage injections helped narrow inventory deficits and support storage builds ahead of winter. LNG sendout exceeded expectations, while demand remained below year-earlier levels. Although global LNG loadings were lower year on year, the decline was less severe than anticipated, allowing European LNG receipts and sendout availability to exceed expectations.

Nevertheless, LNG availability during winter 2026-27 remains the key source of uncertainty. While supply to Europe has strengthened in recent months, fading expectations of a resolution to the US-Iran conflict have led us to postpone our assumption for the resumption of Mideast Gulf LNG exports until December. This would reduce LNG availability to Europe through the fourth quarter and into early 2027, while increasing the risk of a more prolonged supply disruption.

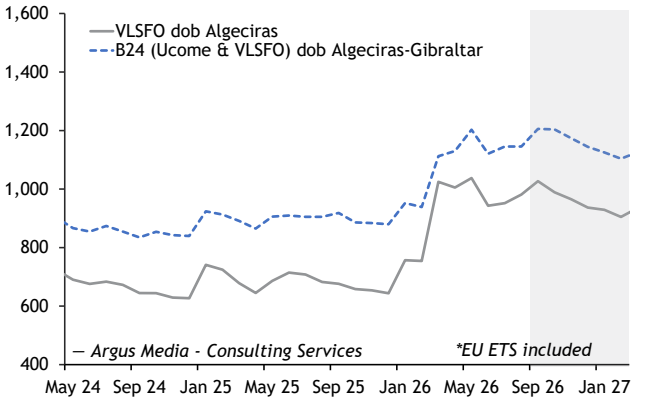
Under a prolonged conflict scenario, in which Mideast Gulf LNG exports do not resume by the year's end, European gas inventories could fall to record lows, potentially dropping below 10pc of working gas capacity. Such an outcome would leave Europe facing an unprecedented storage refill challenge in summer 2027, requiring exceptionally strong LNG imports to rebuild inventories.

Any extended delay in the return of Mideast Gulf exports would place first-quarter gas prices at significant risk of further escalation. Inventories could be drawn down to levels that may be considered crisis territory, potentially prompting market intervention.

NWE marine biofuels vs conventional fuels *$/t*



Med marine biofuels vs VLSFO *$/t*



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Regulation

ISCC to remove FWO from EU-certified material list

The International Sustainability and Carbon Certification (ISCC) system will drop the industry food waste oil (FWO) category from its ISCC EU material list from 1 October. The change takes FWO off the list of feedstocks eligible for certification under the ISCC EU scheme, which is recognised by the European Commission for compliance with RED III. Users can switch to the "food waste" category where applicable, provided the material meets the definitions and requirements in ISCC lists.

Germany seeks approval for certificate revocation

Germany has submitted a draft law to the European Commission to allow retroactive revocation of sustainability certificates in cases of fraud. The law could take effect in October. The amendment would create a legal basis to abolish the good-faith protection rule. The commission will review the plan, but no timeline has been announced yet. The proposal includes stricter requirements for certification bodies and broader supervisory and enforcement powers for authorities. Its key element is scrapping the protection of trust, which currently prevents retroactive withdrawal of sustainability certificates in cases of fraud. Certificates would also have to be transferred or submitted to the German biofuel quota authority within three years.

Germany adds new nations to biofuels audit list

Germany has added Nicaragua, Uruguay and Pakistan to its list of countries that allow on-site inspections at biofuel plants. Germany has steadily expanded the audit list after implementing the revised renewable energy directive (RED III) and plans to widen compliance pathways by increasing the range of feedstocks classified as advanced for HVO.

The audit rule is tied to Germany's greenhouse gas reduction quota. Biofuels from non-listed countries will lose eligibility for mandate compliance from a date to be set once RED III takes force.

Global Demand

Gulf conflict drags demand lower on year

With no end in sight to the US-Iran war, bunkering in the Middle East remains severely disrupted. Our base case assumes incremental monthly rises in traffic through the strait of Hormuz in the final months of 2026 and first half of 2027, but bunkering will still be well down on pre-war levels. Vessel movements rise more significantly in the second half of 2027, before returning to pre-war levels at the start of 2028. In the Middle East, we see 2026 conventional demand being 11.7mn t down on our pre-war forecast and 5.4mn t lower in 2027.

Global economic activity and trade remains remarkably resilient, supporting firm global bunker demand. The seasonally adjusted RWI/ISL container throughput index remained well up on the year in July — by 3.2 points, at 142.5. As a result, we have made some upward revisions to global conventional demand, reflecting firmer demand outside the Middle East than our earlier expectations. In 2026, we see global demand totalling 261.8mn t — 5.8mn t lower than our pre-war forecast. Rising vessel traffic in the Middle East, primarily in the strait of Hormuz, in 2027 will push demand to 267.1mn t, but this is still down by 2mn t on our pre-war forecast.

Global bunker fuel demand					*000 t*
	2024	**2025**	**2026**	**2027**	**2028**
Conventional fuels					
VLSFO	133,968	124,227	113,064	114,223	114,379
HSFO	57,674	62,690	65,219	69,321	70,670
MGO	74,901	81,023	83,486	83,567	83,433
Total conventional fuels	**266,543**	**267,940**	**261,768**	**267,111**	**268,483**
Alternative fuels					
Ammonia	0	0	0	0	145
LNG	3,081	3,965	4,589	5,520	7,874
LPG	120	139	165	192	212
Methanol	175	373	710	841	893
Bioethanol	4	12	28	44	197
Biodiesel	448	576	684	797	911
Other	59	59	58	59	59
Total alternative fuels	**3,887**	**5,123**	**6,234**	**7,453**	**10,290**
Total fuel demand	**270,430**	**273,063**	**268,003**	**274,563**	**278,773**

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There is both upside and downside risk to our forecast. Our working assumption is that crude prices soften from October, but any intensification of hostilities between the US and Iran could change this assumption, and should the Houthis tighten their grip on the Bab el-Mandeb strait, oil prices could rise well above our current expectations. With stocks already low, resulting elevated energy prices could exacerbate inflationary pressure, weighing on economic growth and increasing the risk of recession. This would probably put the brakes on growth in global merchandise trade and possibly lead to a contraction, weighing on bunker demand. We estimate that for every 1 percentage point reduction in global GDP growth, global conventional bunker demand growth will fall by approximately 800,000t.

But continued vessel attacks by Houthi rebels in the Bab el-Mandeb strait could force more vessels to divert away from the Suez Canal and Cape of Good Hope route, increasing bunkering demand at South African and European ports, for example. But we expect any impact from this to be minimal — many vessels had in any case been avoiding Bab el-Mandeb since the Houthis first started attacking vessels in late 2023. Portwatch data show that transits around the Cape of Good Hope averaged 91.3 a day in January-August, up from 89.1 over the same period the previous years. But shippers seem confident that attacks will remain confined to Saudi vessels, with both Maersk and Hapag Lloyd announcing that they will be stepping up sailings along routes that pass through the Suez Canal. If more shipping companies follow suit, this could reduce global conventional bunker demand as we move into 2027.

Demand

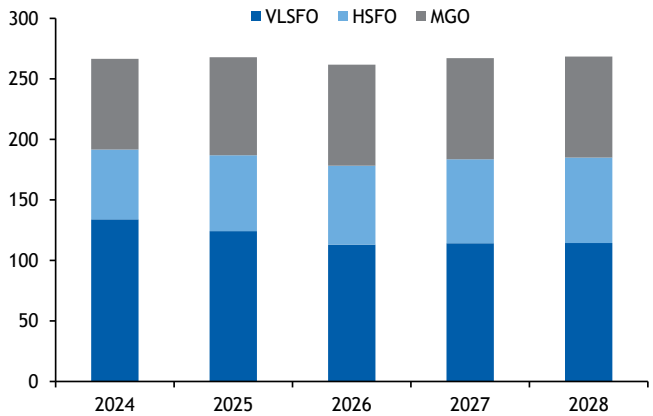
Europe leads on transition to alternative fuels

We still expect demand for alternative fuels to rise by around 20pc in both 2026 and 2027. Europe is the key leader of regulation and policy driving the transition to alternative fuels — its FuelEU Maritime requirements, for example, are more stringent than the IMO's GHG reduction targets. As a result, most of the growth in alternative fuels is in Europe. But pooling mechanisms allow alternative fuels burnt outside Europe to be used to comply with FuelEU regulations, supporting growth in alternative fuels outside the continent.

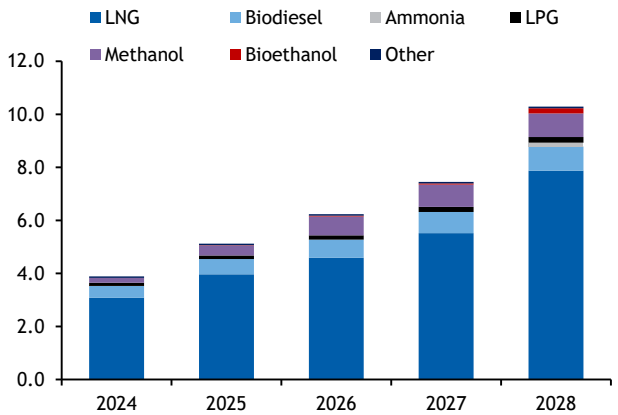
A vote on the IMO's net-zero framework would support increased momentum in the transition to alternative fuels outside Europe, but progress on this has been slow. Early September's inter-sessional working group yielded broad agreement that the current draft should be the basis for negotiations, but significant obstacles to reaching the vote went unresolved. It seems likely that the net-zero framework will not be approved until next year.

High TTF gas values are pushing up LNG prices and weighing on LNG demand. At the port of Singapore, LNG sales fell by 13pc on the year to 58,6000t in August, data published by the maritime and port authority show. But we expect this softer demand to be short-lived as structural factors continue to support firm growth. Grey LNG could meet FuelEU maritime regulations until 2030, after which increased use of bio-LNG and e-LNG will allow regulations to continue to be met. And expectations of competitive pricing, and that

Global conventional bunker demand forecast ***mn t***



Global alternative bunker demand forecast ***mn t***



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fact that LNG infrastructure is already more developed than infrastructure or other alternative fuels, should spur shippers to keep investing in LNG-fuelled vessels. DNV data show the LNG-fuelled vessel fleet is expected to grow to 1,440 vessels in 2028 from 998 this year. We see LNG demand for bunkering growing by 16pc to 4.6mn t this year, then by 20pc to 5.5mn t next year.

But while infrastructure for LNG bunkering is more developed than for other alternative fuels — such as methanol and ammonia — more investment in LNG bunkering vessels (LNGBVs) will be needed to meet the projected demand. DNV estimates that the LNGBV fleet will need to more than double by the end of 2030 — a target that is not supported by current orders

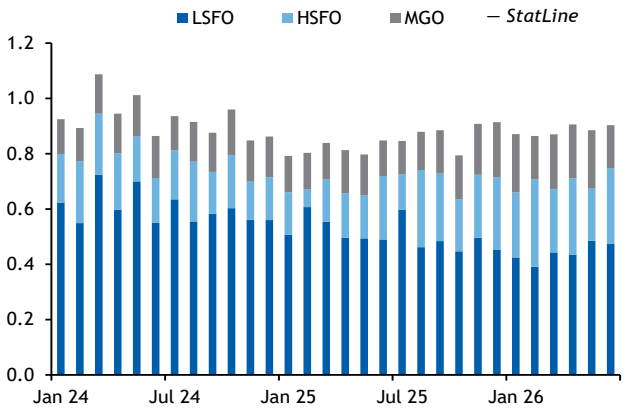
Steady conventional demand

We see demand for conventional marine fuels in Europe remaining flat at 53.1mn t in 2026. Increased demand for alternative fuels is weighing on demand for conventional fuels, but the conflict in the Middle East is lengthening trade routes and shifting demand outside the Middle East, boosting demand at European ports.

In 2027, we see a 1.2mn t drop in conventional demand as alternative fuel consumption continues to accelerate and overall demand returns to the Middle East. This downtrend could accelerate as economic growth in the region stalls. The July seasonally adjusted North Range RWI/ISL container throughput index — an indicator of economic development in the northern eurozone — was down on the year for the first time in six months, pointing to slowing economic growth. With high commodity prices persisting, as the US-Iran conflict continues, inflationary pressure remains likely, depressing international trade and bunker demand.

Europe bunker fuel demand					mn t
	2024	2025	2026	2027	2028
VLSFO	28.6	20.4	17.3	16.2	14.8
HSFO	8.1	9.8	10.8	11.6	12.2
MGO	17.6	22.9	25.0	24.7	24.5
Total	**54.3**	**53.1**	**53.1**	**52.4**	**51.5**

Netherlands supplied bunker fuel *mn t*



Dutch bunker demand rises as HSFO gains continue

Conventional demand in the Netherlands grew by 6pc on the year to 903,000t in June, according to Statline data. This was driven by an increase in demand for HSFO and MGO, outweighing a dip in VLSFO demand. HSFO demand was up by 19pc to 273,000t, while MGO demand rose 20pc to 155,000t. VLSFO demand held up better than demand for other conventional fuels, despite falling by 3pc to 475,000t.

HSFO demand has been eroding VLSFO demand in the Netherlands — and across Europe and the world — since IMO sulphur limits on marine fuel were introduced. With HSFO trading at a consistent discount to VLSFO, shippers are continuing to invest in scrubber-fitted vessels, allowing them to burn HSFO while still meeting IMO regulations. DNV data show the scrubber-fitted fleet has grown from 4,379 vessels in 2020 to 7,080 vessels this year. The fleet is expected to continue to grow, albeit at a slower pace, which will continue to support HSFO demand while VLSFO demand falls.

RED III — in force in the Netherlands since the beginning of this year — is weighing on conventional demand, but boosting demand for marine biodiesel blends, as it creates price spreads between the Netherlands and the rest of the EU. In the second quarter, biodiesel sales at the port of Rotterdam rose by 45pc on the year, but sales at the Belgian port of Antwerp fell by 36pc.

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Supply

Fuel oil stocks recover, but remain low

Independently held fuel oil stock at the ARA hub had recovered to a six-month high of 5.4mn bl at the end of August, Insights Global data show. The build slowed in the first half of this month, with stocks at 5.5mn bl by 17 September, which was still below the five-year range. The build was supported by heavy imports into the hub — 330,000 b/d in August, according to Vortexa data. Imports then slowed slightly to 270,000 b/d on 1-22 September. Arrivals from Mexico were particularly strong at 70,000 b/d on 1-22 September — all high-sulphur product. This is the strongest monthly showing for Mexican HSFO at ARA since July 2020, supported by strong refinery runs, with President Claudia Sheinbaum pledging to meet all Mexico's road fuel demand through domestic output. This should continue to support flows to Europe in the coming months, helping offset reduced availability of Venezuelan fuel oil. Fuel oil loadings at Venezuela's Jose terminal in have fallen from August as crude loadings are prioritised.

A potential ban on US diesel exports could spur supplies of Latin American fuel oil to Europe. With a ban, US refinery runs would be likely to be cut, as operators would no longer be able to tap strong middle distillate export prices. This would hit demand for intermediate feedstocks, and therefore US imports of Latin American fuel oil, freeing up volumes for Europe.

The east-west spread remains wide, pulling European fuel oil, particularly VLSFO, to Asia. But high freight rates are limiting flows, and leaving more product in Europe. The dirty tanker Mediterranean-Singapore freight rate averaged $99.66/t on 1-18 September, up from $34.81/bl in September 2025.

Export challenges boost ARA gasoil stocks

Independently held gasoil stocks rose by 1.6mn bl to 12.2mn bl in August, according to Insights Global. Stocks continued to build this month, but by just 0.1mn bl to 12.3mn bl on 1-17 September — 9pc below the five-year minimum.

Stocks are likely to be under more pressure in the coming months with autumn demand and competition for imports as global gasoil balances remain extremely tight.

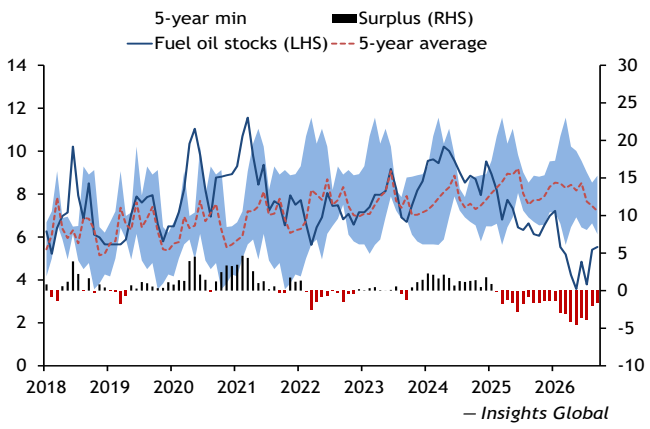
After a rise in Rhine water levels in late August, allowing an increase in gasoil flows inland, water levels have started to fall again. Levels at Kaub are projected to fall below 10cm above reference in the coming days. Only limited numbers of barges are able to operate and no significant rainfall is forecast in the short term. While this bottleneck is tightening supply inland it is keeping more product at ARA, leaving more available for seaborne exports.

Short maintenance season to capture high margins

Refinery runs in Europe will be constrained by maintenance season in October, but will rise by 220,000 b/d from September to 13,550 b/d. Refiners seem to be minimising maintenance where possible, to benefit from extremely strong margins that have been boosted by elevated transport fuel cracks. The maintenance peak looks shorter than in 2025. Based on announced plans, we see work peaking in September, with some 1.1mn b/d of CDU capacity off line, dropping to around 600,000 b/d off line in October. In 2025, maintenance removed 900,000 b/d of CDU capacity in September and over 1mn b/d of CDU capacity in October and November. But shortening or delaying maintenance increases the likelihood of unplanned outages later in 2026 or in 2027.

While refinery maintenance is expected to be lighter this autumn, fuel oil supply is set to stay tight as refiners continue to prioritise middle distillates, with VGO and LSSR being directed to upgrading units rather than the fuel oil blending pool. In October, we only see rising runs translating into a 30,000 b/d increase in fuel oil supply in Europe — to 1.2mn b/d — with all of this rise coming from the Mediterranean region.

ARA fuel oil stocks *mn bl*



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Asia-Pacific

Asia-Pacific bunker forecast											$/t
	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	Jan 27	1Q27	2Q27	3Q27	4Q27
Crude price forecast											
Dubai	559	632	801	764	691	648	637	639	658	665	639
Conventional											
Fob Singapore											
3.5%S HSFO 380cst	497	576	640	602	549	512	512	502	538	541	490
0.5%S VLSFO	669	735	802	762	695	647	631	618	628	635	588
Dob Singapore											
3.5%S HSFO 380cst	529	625	687	636	576	540	532	521	556	561	512
0.1%S MGO	1,092	1,185	1,321	1,321	1,269	1,189	1,138	1,052	900	816	811
0.5%S VLSFO	702	781	841	792	721	668	653	638	642	648	602
Alternative											
Dob											
B24 Singapore (Ucome & VLSFO)	906	987	1,041	1,024	959	912	899	889	902	914	867
$/t VLSFOe											
B24 Singapore (Ucome & VLSFO)	925	987	1,042	1,025	958	910	897	886	900	913	865
Grey methanol southeast Asia	948	1,002	1,196	1,027	1,001	981	986	999	994	956	933
LNG bunker Singapore	776	870	1,056	1,063	1,216	1,063	971	899	620	528	545
$/t MGOe											
B24 Singapore (Ucome & VLSFO)	983	1,049	1,107	1,089	1,018	967	953	942	956	970	919
Grey methanol southeast Asia	1,007	1,064	1,270	1,054	1,027	1,007	1,012	1,026	1,020	982	958
Asia-Pacific bunker marker											
Grey ammonia cfr east Asia $/t VLSFOe	1,553	1,275	1,089	1,122	1,145	1,156	1,156	1,111	973	913	1,032
Grey ammonia cfr east Asia $/t MGOe	1,594	1,309	1,117	1,152	1,175	1,187	1,187	1,141	998	937	1,060

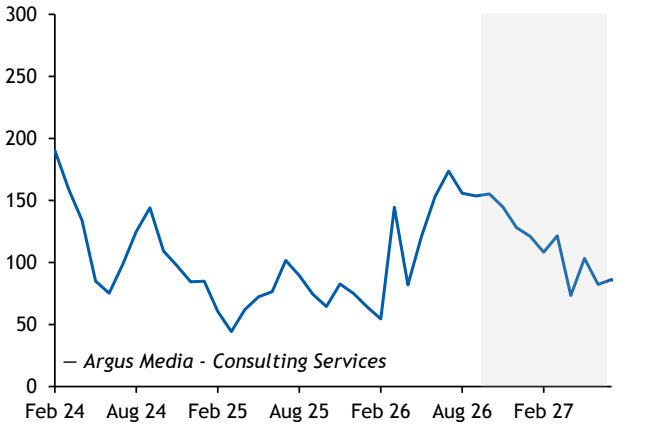
Prices

Conventional fuels

Tight supply keeps VLSFO cracks up on year

Delivered VLSFO crack spreads weakened by $109/t to $42.30/t in September, reflecting strong and volatile crude prices as VLSFO fundamentals remain tight. Flaring tensions between the US and Iran and Houthi moves on the Bab el-Mandeb strait pushed up crude values. But we see crude softening next quarter, reducing the squeeze on fuel oil cracks.

Singapore VLSFO-HSFO spread *$/t*



But crack spreads in the final quarter are still likely to be well above 2025 levels, supported by supply remaining tight. While refinery runs in Asia should continue to rise month on month through the remainder of the year, fuel oil output is still well down on the year. We expect fuel oil supply in Asia-Pacific to average 1.2mn b/d next quarter, down by over 500,000 b/d on the year, as refiners continue to prioritise road transport fuels. Strong demand for intermediate feedstocks such as VGO and LSSR is keeping these products out of the VLSFO blending pool.

Supply has been buoyed by arrivals of LSSR from Nigeria's Dangote refinery — around 65,000 b/d of Dangote LSSR arrived in Singapore and Malaysia on 1-22 September. Dangote's RFCC appears to have been running below capacity, allowing the export of intermediate feedstocks. Dangote recently offered a combination fuel oil cargo for October loading and we expect LSSR to keep adding to the fuel oil blending pool in the short term.

The restart of one of the Pengerang refinery's 70,000 b/d RFCC units is likely to remove some low-sulphur blendstock from the market. But start-up of Balikpapan's RFCC continues to be delayed, so exports of intermediate blendstock should be maintained — at least in the short term.

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Potential run cuts at independent Chinese refiners could reduce VLSFO availability in China. This could push shippers back towards Singapore to bunker, supporting sales and supporting prices.

Even with weaker prices, the east-west spread remains wide, but high freight rates are making arbitrage economics difficult. The Mediterranean to Singapore dirty tanker rate has exceeded $130/t in September, the highest since at least September 2022. If freight rates remain this high, VLSFO prices in Singapore will have to rise further to continue to attract VLSFO from the Atlantic basin.

HSFO prices drop on high crude prices and supply rises

Like VLSFO, delivered HSFO crack spreads weakened in September, falling by over $100/bl to a $111.40/bl discount to Dubai crude. And in line with VLSFO, strong and volatile crude prices have pressured crack spreads — outright HSFO prices have risen on the month, just not enough to match Dubai crude.

The end of summer cooling season is adding to the downwards pressure on prices, and this should increase HSFO availability. But many of the world's fuel oil-burning countries, such as Iraq and Saudi Arabia, are in the Mideast Gulf, so exports from these countries are unlikely to pick-up significantly. There is also little hope of a revival in deliveries of Russian fuel oil, as Ukrainian drone attacks keep Russian refinery runs low and curtail fuel oil production.

Firm receipts from Mexico — 40,000 b/d on 1-22 September, split between Malaysia and Singapore — have eased the tightness. But with none of September's Mexican departures signalling for Asia, arrivals in October could be minimal.

Firm bunkering demand for fuel oil should keep supporting the price of HSFO, sales of which have been rising month on month.

Tight fundamentals keep MGO above seasonal norms

Delivered MGO prices in Singapore fell in September, but the drop was smaller, reflecting stronger gasoil fundamentals. Delivered MGO crack spreads fell by $31.60/t to a $523.20/t premium to Dubai crude. Gasoil supply in Asia has been ample, with Chinese and Indian exports rising, and incremental rises in refinery runs adding to supply.

Exports of gasoil from China more than doubled in August to nearly 130,000 b/d, a two year high, and are on track to rise further in September, data from Vortexa show. But Chinese exports beyond September are uncertain and dependent on policy decisions.

But even as supply has risen on recent months, balances remain tight, and inventories low. This will keep prices well above typical levels through the rest of the year.

Alternative fuels

Biofuels

Singapore B24 outlook softens, despite firm Ucome

B24 Ucome-VLSFO blend prices in Singapore rose to an average of $1,021/t in September from $967/t in August, driven by strength in conventional fuel oil and biodiesel markets. Despite firmer Ucome prices, B24 values are expected to decline through the fourth quarter and into the first quarter of 2027, largely because of an anticipated drop in VLSFO prices in Asia.

VLSFO fob Singapore prices have increased to $802/t from $735/t in August, supported by elevated crude prices as the US-Iran conflict escalated and Houthi attacks damaged Saudi Arabia's East-West pipeline. Asian VLSFO supply remains tight, particularly because of a shortage of blending components. Strong middle distillate cracks have incentivised refiners to maximise upgrader utilisation rates, reducing the availability of low-sulphur blending components such as VGO and LSSR. Some relief has emerged from Nigeria, where continued constraints at Dangote's RFCC unit have left more supply available for a tight VLSFO market. VLSFO fob Singapore prices are expected to gradually fall and to average $701/t in the fourth quarter.

Ucome fob China prices rose to $1,193/t in September from $1,182/t in August. Marine demand continues to drive the market. Biobunker enquiries increased in early September, while the Dutch marine compliance market tightened sharply, with ZRE ticket values roughly doubling over the preceding fortnight because of an expected shortfall in ticket supply and reduced arrivals of advanced B100 from inland Europe. Although ZRE ticket values later declined and are expected to weaken further in the coming months, they are likely to rise again in the first quarter of 2027. Ucome fob China prices are expected to remain supported through the end of the year and average $1,253/t in January-March 2027.

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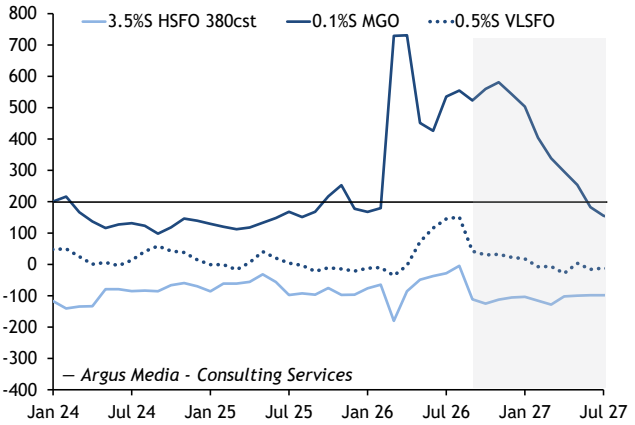
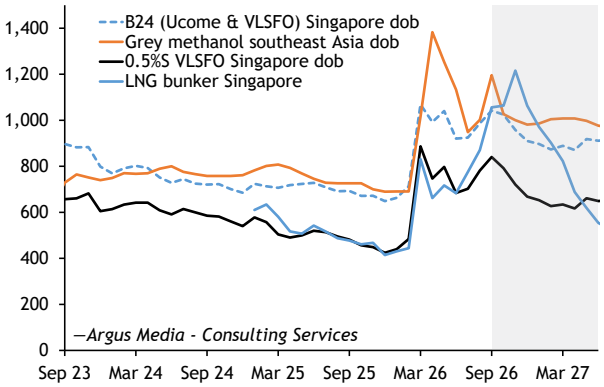
Singapore bunker cracks vs Dubai crude *$/t*



Alternative marine fuels vs VLSFO *$/t VLSFOe*



LNG

Singapore LNG could climb further before easing in 2027

Asia's LNG bunker prices kept hitting new highs in September, driven by a sustained rally in LNG cargo values. LNG bunker prices in Singapore rose to $1,056/t VLSFOe from $870/t VLSFOe in August. Prices could climb further through November before dropping off after December.

The recent strength in LNG cargo prices has been largely driven by intensified competition for supply between the Pacific and Atlantic basins amid the ongoing US-Iran standoff. As hopes for a near-term resumption of Middle East Gulf LNG exports have faded, buyers have been moving to secure cargoes from elsewhere to avoid power shortages and industrial disruption later in the year.

While LNG imports into China and South Korea declined in August, regional demand remains resilient. South Korea and Japan have increased coal-fired generation, allowing them to reduce LNG imports, but demand across much of south and southeast Asia has remained robust. Even some of the region's usually price-sensitive buyers continue to issue tenders and secure cargoes at above $25/mn Btu. Indian LNG imports, for example, reached their highest monthly total in more than two years in August.

Recent purchasing activity suggests growing concern that the market could tighten further and push prices substantially higher. If Asian buyers continue to absorb LNG at above $25/mn Btu, it raises questions about the level at which sustained demand destruction would emerge. Current market behaviour indicates that prices may need to exceed $30/mn Btu before a more meaningful reduction in demand becomes apparent.

In the bunker market, LNG demand weakened on elevated prices, with LNG sales in Singapore falling by 13pc on the year to 58,600t in August. Despite the downturn, LNG remained the dominant alternative marine fuel, accounting for nearly 60pc of alternative fuel sales during the month. This highlights LNG's continued importance in the marine fuel mix, even as higher fuel costs challenge short-term demand.

Demand

Conventional growth firm, alternative demand slows

Conventional demand is expected to grow by 3mn t to 139.5mn t this year, supported by resilient global trade and demand shifting from Fujairah to ports.

There has been slower growth in alternative demand in Asia this year, after the delayed IMO net-zero framework vote. In Singapore, sales of bio-blended fuels have been down on the year every month in 2026. We expect alternative demand to pick up when the net-zero framework is confirmed and shippers have more clarity on the timeline of regulations. But for the moment, pooling mechanisms for FuelEU Maritime compliance and IMO greenhouse gas reduction targets will continue to drive modest growth in alternative fuel demand.

In 2027, we expect conventional demand to fall by 0.2mn t to 139.5mn t, reflecting increased bunkering in the Middle East.

Demand recovery continues in Singapore

Bunker sales in Singapore rose for the fourth consecutive month to 4.77mn t in August, but this was still down on the year, Maritime and Port Authority data show.

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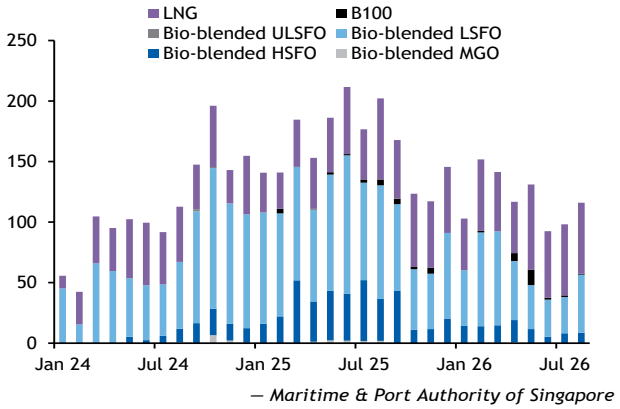
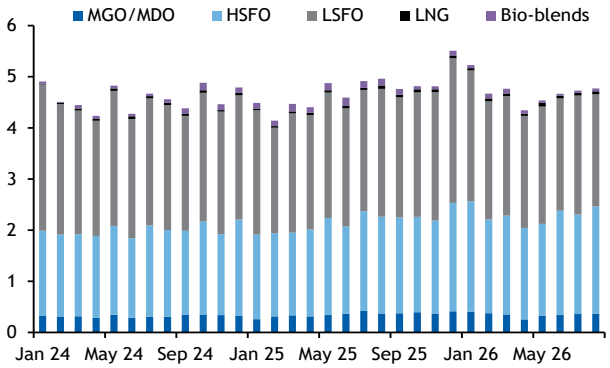
Singapore alternative marine fuel sales *'000t*



— *Maritime & Port Authority of Singapore*

Singapore bunker sales *mn t*



— *Maritime & Port Authority of Singapore*

Tight availability of marine fuel, particularly VLSFO, in Singapore is keeping prices elevated, pushing shippers to refuel elsewhere, such as China. In August, sales of VLSFO hit 2.19mn t, down by 12pc on the year. While HSFO prices were firm against historical norms, supplies were more ample than VLSFO, supporting firmer sales, which rose by 11pc on the year to 2.1mn t. We expect VLSFO sales to rise in September, supported by greater supply in the second half of the month. MGO sales fell by 1pc on the year to 368,000t in August.

Alternative fuel sales fell year on year again. Sales of bio-blends fell by 58pc on the year to 57,400t, but this was up on the month. High prices drove a 13pc year-on-year fall in LNG sales to 58,600t in August, although LNG still accounted for nearly 60pc of alternative fuel sales in Singapore in August.

Lower sales at Chinese ports on reduced availability

Demand in China weakened in August. Zhoushan port data show demand falling by over 40pc on the year to 443,000t, the lowest since at least 2024. Demand at Shanghai fell by 27pc to 326,400t. Tighter availability of fuel oil, as refiners try to cash in on higher road transport fuel export quotas, have pushed up prices and reduced bunkering demand.

January-June demand for bio-blends rose by over 200pc on the year to 107,400t in the Port of Zhoushan, accounting for over 90pc of the total delivered to major Chinese ports, excluding Hong Kong. This is demonstrates how investment in supply can drive demand. In February, the commerce ministry approved Zhoushan's B24 blending pilot, enabling China's first fully domestic biofuel bunkering chain, and increasing availability of bio-blends in Zhoushan.

Asia-Pacific bunker fuel demand					*mn t*
	2024	**2025**	**2026**	**2027**	**2028**
VLSFO	66.5	65.5	65.2	63.5	61.6
HSFO	35.9	38.1	41.4	42.7	42.0
MGO	32.4	32.9	32.9	33.2	33.1
Total	**134.8**	**136.5**	**139.5**	**139.3**	**136.8**

Supply

Singapore fuel oil stocks level off

Singapore stocks rose by 1.6mn bl to 20.1mn bl in August — the highest for the end of the month since March. But stocks stayed at this level in the first half of September, as imports fell to 730,000 b/d on 1-22 September, according to Vortexa, down from August's five-month high of 875,000 b/d.

Reduced arrivals from Russia and the Mideast Gulf have tightened fuel oil availability in Asia this quarter. In 2025, over 30pc of fuel oil imported into Singapore was from Russia or sent from the Mideast Gulf via the strait of Hormuz. Asian buyers have looked elsewhere to replace lost barrels, but even with increased arrivals from alternative sources — in particular South America — monthly fuel oil imports have been consistently down on the year since the start of the US-Iran conflict.

We do not expect imports of Russian fuel oil to rise much in next quarter. Preliminary Vortexa data indicate around 50,000 b/d of Russian imports on 1-22 September. Russian output has been hit by lower refinery runs in the wake of Ukrainian drone attacks. We estimate Russian refinery runs will rise by nearly 500,000 b/d to 3.9mn b/d next quarter. This is still down by 800,000 b/d on the year and any gains are likely to be directed to assuage transport fuel shortages at home. Ukrainian attacks and slow repairs — either due to difficulty finding parts or a reluctance to fix units only to see them hit again — mean any rise in runs will be gradual.

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A cargo of VLSFO from Kuwait's Al Zour refinery reached Singapore in September, only the second to arrive since the Hormuz blockade. While only a single cargo, it added meaningful VLSFO supply at the port, especially as it was finished product, rather than for the blending pool.

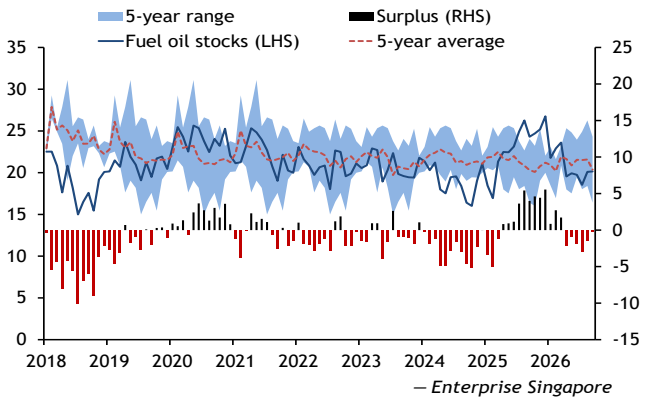
Refinery runs continue to recover on the month

Refinery runs in Asia rose to 28.7mn b/d in September. We expect runs to continue to rise in the fourth quarter — to 29.9mn b/d, up from 28.4mn b/d in the third quarter. This is underpinned by our assumption that crude exports from the Middle East will continue to creep up. While US-Iran tensions have flared, weighing on flows through the strait, some shippers continue to risk it. Damage to Saudi Arabia's East-West pipeline will erode crude exports this month, but sources briefed on the matter say repairs will allow the line to restart shortly, with loadings from Yanbu expected to restart in the near term.

But crude exports from the Mideast Gulf remain well down on the year. This is being felt keenly by Asian refiners that were reliant on these volumes. In August, 10.6mn b/d arrived in Asia from the Middle East, down from 15.4mn b/d a year earlier. Even through refiners have alternative sources of crude — such as US WTI — reduced crude availability is keeping refinery runs and fuel oil supply below year-ago levels.

There is some risk to our view of rising refinery runs and fuel oil supply. High crude costs and continued tight availability could see run cuts in China, particularly as supplies of cheap Iranian crude tighten. Independent refiners are most likely to feel the pressure. Reduced availability of fuel oil is already pushing up bunkering prices in China, but if this trend continues more demand would be pushed to Singapore, supporting a continued recovery in its sales of bunker fuels.

Singapore fuel oil stocks ***mn bl***



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Americas

North America bunker forecast											$/t
	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	Jan 27	1Q27	2Q27	3Q27	4Q27
Crude price forecast											
WTI Houston	623	652	777	779	716	679	666	668	685	693	672
Conventional											
Fob Houston											
3.5%S HSFO 380cst	439	437	484	486	456	439	432	435	492	496	448
0.5%S VLSFO	641	673	742	714	671	621	601	599	632	643	588
Dob Houston											
3.5%S HSFO 380cst	513	474	507	496	489	464	440	441	493	512	477
0.1%S MGO	1225	1334	1489	1552	1438	1307	1236	1168	1029	938	928
0.5%S VLSFO	667	679	737	710	662	615	595	593	625	635	583
Alternative											
Dob US Gulf coast											
$/t VLSFOe											
Grey methanol	919	885	930	932	902	889	894	758	936	879	834
$/t MGOe											
Grey methanol	977	940	988	1002	970	956	961	815	1007	945	897
North America bunker marker											
Grey ammonia fob Caribbean $/t VLSFOe	1436	1303	1182	1171	1205	1240	1240	1255	1106	914	987
Grey ammonia fob Caribbean $/t MGOe	1544	1401	1272	1259	1296	1333	1333	1350	1189	983	1062

Prices

Conventional fuels

Gulf VLSFO cracks to soften as more blendstock available

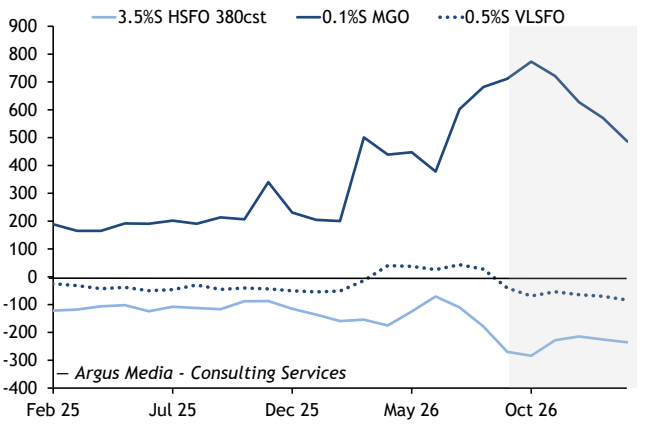
Delivered VLSFO cracks on the US Gulf coast have fallen by $67.50/t in September to an average discount of $40.40/t to WTI crude — the first monthly discount since March. The decline came despite rising outright VLSFO values, as crude prices increased at a faster pace. Fundamentals remain firm. Availability of low-sulphur blendstocks continues to be constrained by strong demand from secondary processing units, as refiners maximise gasoline and middle distillate yields.

Tight supply is expected to support stronger VLSFO cracks during October.

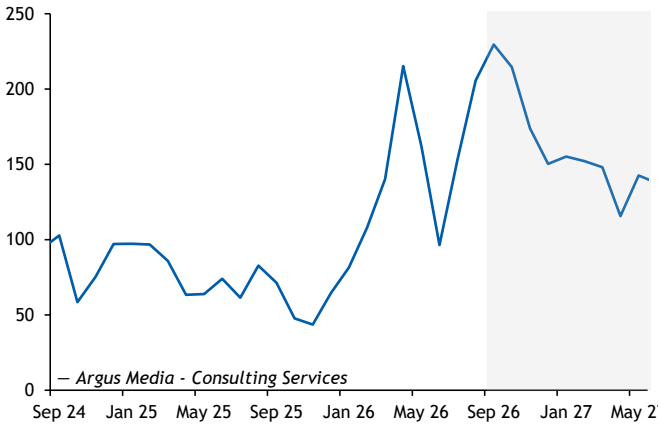
Fuel oil inventories rebounded in the first half of September, rising to 22.9mn bl from 22mn bl in August, according to EIA data for the week to 18 September. Stocks nevertheless remained 9.6pc below the five-year average, highlighting continued tightness despite the recent weakening in cracks. Persistently low inventories are expected to provide ongoing support to US VLSFO cracks.

High US refinery run rates are boosting vacuum gasoil (VGO) and low-sulphur straight-run (LSSR) production, which could

USGC bunker cracks vs WTI Houston *$/t*



VLSFO-HSFO Houston ex-wharf spread *$/t*



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ease tightness in the VLSFO blending pool. As autumn maintenance season approaches, more secondary capacity is expected to be off line than primary capacity. In September, the amount of primary capacity due to be off line is just 30pc of the capacity that was out of action a year earlier, while the amount of secondary capacity expected to be off line is 41pc of year-earlier levels. This should leave a greater volume of VGO and LSSR available for blending, providing some relief to VLSFO supply constraints and limiting upside in cracks.

However, these volumes are expected to return to the feedstock pool as units emerge from maintenance, with FCC economics remaining strong. Strong feedstock demand is likely to persist beyond the maintenance period, supporting VLSFO cracks, despite the temporary rise in blendstock availability.

Gulf HSFO cracks face pressure from rising supply

US Gulf coast ex-wharf HSFO cracks weakened by $91.40/t in August to a discount of $269.90/t to WTI crude as rising fuel oil inventories, supported by imports, weighed on the market. Although US fuel oil production fell by 7.8pc in the first half of September to 1.3mn b/d, according to EIA data, rising fuel oil availability and crude prices rising faster than HSFO outright prices have continued to pressure cracks.

US refinery runs averaged 17.3mn b/d in the first half of September, up from 17.1mn b/d a year earlier, supporting fuel oil production and weighing on cracks. As we enter the autumn refinery maintenance season, capacity curtailments in September are around a third of year-ago levels, suggesting runs will stay relatively high and keep supporting residual fuel production. As a result, maintenance is unlikely to materially tighten HSFO supply in the near term. But lower imports of Venezuelan heavy crude in September, according to Vortexa, combined with refiners' continued focus on maximising gasoline and middle distillate yields, has reduced residual fuel output and constrained HSFO availability. With gasoline and middle distillate cracks remaining elevated, refiners are likely to continue maximising clean product yields, reducing fuel oil output. These factors are expected to provide a floor for HSFO cracks.

The rise in US fuel oil inventories increase in September is putting pressure on HSFO cracks. The build was supported by higher imports from Mexico and Venezuela. But competition for these barrels remains firm. Only 53pc of Mexican fuel oil exports were directed to the US in September, compared with an average of 70pc in 2025, according to preliminary Vortexa data, as demand from Europe and Asia continued to attract volumes. Demand from Europe and Asia is expected to remain firm as refiners continue to seek alternative feedstocks and bunkering fuel. This is expected constrain the availability of imports to the US market and cap any downside in HSFO cracks.

Demand from Europe and Asia is expected to keep attracting US fuel oil, providing support for HSFO cracks. US fuel oil exports averaged 162,000 b/d in first half of September, according to EIA data, up by 15.7pc from August. Strong demand from Europe and Asia should continue to absorb US Gulf coast supply and support HSFO cracks.

But a proposed US diesel export ban under consideration by the Trump administration could alter fuel oil market balances if implemented. Lower diesel exports would probably mean lower refinery runs and middle distillate production, weakening domestic demand for fuel oil as a secondary feedstock. This could leave more fuel oil for export. At the same time, Mexican and Venezuelan fuel oil that would otherwise be absorbed by the US could become available to buyers in Europe and Asia, increasing supply in those regions and weighing on global HSFO cracks.

In addition, the end of the cooling season in the Middle East is expected to boost fuel oil exports for the global market, buoying availability in Asia and Europe and reducing these regions' reliance on US exports. This is likely to cap export demand growth and limit upside in US HSFO cracks.

US bunker demand will continue to be supported by strong exports of US crude and refined products, as export volumes remained above the five-year average in the first half of September, according to EIA data, providing additional support to HSFO cracks.

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Demand

Longer routes and firm global trade support growth

We expect conventional demand to be firm in 2026 in the Americas, rising by 2mn t to 39.7mn t. As in other regions, the Americas are receiving a boost from demand shifting away from the Middle East, and longer trade routes — particularly for crude and refined products. In addition, merchandise trade in the US continues to be supported by the AI boom, adding further support to bunker demand.

In 2027, we see demand falling by 0.3mn t to 39.3mn t. This is underpinned by expectations of a slow but steady rise in Middle East bunkering activity, drawing demand back to the region and away from other hubs.

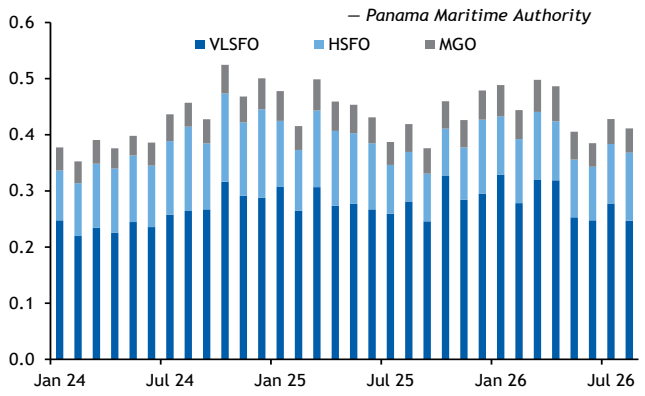
Uptake of alternative fuels has been slow in the Americas, not least because the US was a key mover in the delay to the IMO net-zero framework vote. President Trump said in his recent UN General Assembly speech that the US will not accept the IMO's carbon levy.

But we expect to see investment in alternative marine fuels – both infrastructure for bunkering and ships that can burn alternative fuels – rise when a net-zero framework is finally agreed and the industry has clarity on regulations.

Tight VLSFO availability weighs on Panama demand

Bunker sales in Panama fell by 2pc on the year to 411,400t in August, Panama Canal Authority data show. Sales of VLSFO and MGO fell, driven by tight availability. VLSFO sales were down 12pc on the year to 246,900t, and MGO sales were down by 13pc to 43,100t. HSFO bucked the trend, with sales rising by 40pc to 121,400t — an eight-month high. HSFO supplies were more ample, and prices were at a discount to competing hubs such as Colombia's Cartagena and Singapore.

Panama bunker sales *mn t*



Americas bunker fuel demand					*mn t*
	2024	2025	2026	2027	2028
VLSFO	16.8	16.7	17.7	17.1	16.5
HSFO	5.5	5.9	6.7	6.9	6.7
MGO	14.8	15.0	15.2	15.3	15.3
Total	**37.0**	**37.6**	**39.7**	**39.3**	**38.6**

A strong El Nino could mean lower sales in Panama, with low water levels threatening canal transits. Daily transits are currently limited to 32 — nothing like as severe in winter 2023-24, when the limit was 18 a day in February 2024. But if rainfall stays low in the coming months, transit caps could tighten into 2027, weighing on bunker demand.

Supply

US production down during autumn maintenance

US residual fuel oil production has slipped to 336,000 b/d this month from 343,000 b/d in August, while inventories have risen to 22.9mn bl from 22mn bl in August, according to weekly EIA data for the seven days to 11 September. Higher imports have meant a lower stockdraw.

Lower fuel oil output reflects reduced heavy crude imports, which have fallen from 1.41mn b/d in August to 1.3mn b/d, preliminary Vortexa data show. Availability in the US has been cut by competition from Asia and Europe, which received 41pc of Venezuelan exports in August-September, up from 24pc in July, Vortexa data show. Venezuelan flows to the US have dropped from 627,000 b/d in August to 414,000 b/d.

US fuel oil imports have risen to 378,000 b/d from 288,000 b/d in August, according to Vortexa. Venezuelan fuel oil exports to the US have risen to 76,000 b/d in September from 15,000 b/d in August, buoying supply. US Imports from Europe have risen to 83,000 b/d, the highest since November 2022, with 64pc of this headed to the Atlantic coast. But high freight rates are likely to limit the scope for further receipts from Europe.

US refinery runs will retreat from record highs with autumn maintenance, although the capacity affected in September is only around a third of the total a year ago, with refiners wanting to capitalise on strong margins. This will probably support fuel oil output. But elevated middle distillate cracks should keep encouraging the prioritisation of middle distillates, weighing on residual yields, which had edged down from 2pc in August to 1.9pc by 11 September, according to EIA data.

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Middle East

Middle East bunker forecast											$/t
	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	Jan 27	1Q27	2Q27	3Q27	4Q27
Crude price forecast											
Dubai	559	632	801	764	691	648	637	639	658	665	639
Conventional											
Fob Fujairah											
3.5%S HSFO 380cst	482	533	603	571	523	484	495	488	525	526	472
0.5%S VLSFO	705	768	865	774	686	680	637	626	651	665	616
Dob Fujairah											
3.5%S HSFO 380cst	546	613	691	638	575	540	541	534	571	574	524
0.1%S MGO	1304	1363	1545	1423	1383	1302	1198	1113	963	879	874
0.5%S VLSFO	742	798	919	807	719	712	657	646	666	678	628
Middle East bunker marker											
Grey ammonia Middle East fob $/t VLSFOe	1387	1092	979	1024	1058	1070	1058	1017	886	826	946
Grey ammonia Middle East fob $/t MGOe	1428	1125	1009	1055	1090	1101	1090	1047	912	850	974

Prices

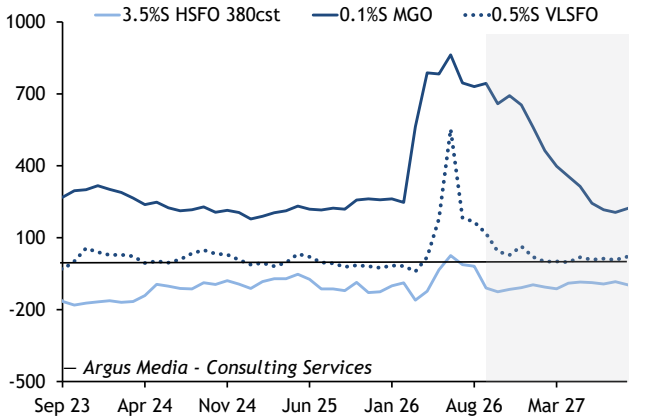
Conventional prices

Falling VLSFO cracks as supply loosens

Delivered VLSFO premiums in Fujairah fell in September by $47.90/t to a $117.70/t premium to Dubai crude. Despite the month-on-month drop, spreads remain extremely elevated — driven by tight supply as demand remains severely curtailed by geopolitical risk.

Imports of fuel oil at Fujairah have risen significantly in September, with preliminary Vortexa data indicating arrivals of nearly 150,000 b/d on 1-22 September. While this is a big gain on recent months — March-August imports averaged just 21,000 b/d — this was still well down on the year. Even so, the more ample supply, particularly against a backdrop of very weak demand from bunkering, is pressuring prices.

Fujairah bunker crack spreads vs Dubai crude *$/t*



Two cargoes of LSSR that departed Nigeria in late August and early September are signalling for Fujairah, which will help maintain supply in October, keeping up the downwards pressure on prices.

While more ample supply should support stronger sales at Fujairah, we do not expect a big rise in regional demand, as geopolitical risk deters vessels — even if tensions between the US and Iran were to fade.

HSFO availability pressures HSFO cracks

The discount to Dubai crude of delivered HSFO in Fujairah widened by $90.90/t to $109.90/t. It is typical for HSFO cracks spreads to fall at this time of year as HSFO availability grows due to reduced power demand for cooling. But the downtrend has been exacerbated by strong and volatile physical crude prices.

A large portion of imports — nearly 150,000 b/d — came from Russia and was likely to have been high-sulphur product. While we do not expect Russian receipts at Fujairah to stay so strong in the coming months, increased STS transfers of fuel oil near the port should keep supply firm.

We expect crude prices to soften next quarter, reducing pressuring on HSFO cracks, but more ample supply as a result of very weak bunker demand means that cracks will remain below the very elevated levels seen this summer.

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Demand

Bunker sales still weak in Fujairah

Sales of bunker fuels remained low in Fujairah in August, falling by 65pc on the year to 212,200t. Demand at what was the world's fourth-largest bunkering hub prior to the start of the US-Iran war has plummeted — vessels are avoiding the port where possible and what demand exists there is purely to support crude exports and nearby vessel activity. But Fujairah has struggled even to secure these modest volumes. Supply was on the rise in June and July, with receipts exceeding 50,000 b/d in July, up from less than 10,000 b/d in April and May. This supported higher sales in July and August. But with tensions rising again, imports dropped in August to around 20,000 b/d, Vortexa data show. And sales will continue to be capped by reduced imports of VLSFO in September.

The drop in sales was spread across all conventional fuels in September. VLSFO sales fell by 65pc to 141,800t and HSFO sales by 69pc to 55,400t. MGO sales fell by 52pc to 15,000t.

East-West line damage to have minimal demand impact

Damage to the East-West pipeline will reduce crude loadings from the port Yanbu, and while this is likely to reduce demand for bunkering at Yanbu we do not expect it to have a big impact on the overall Middle East picture. We expect Saudi Arabia to divert volumes through Hormuz where possible. Yanbu loadings look likely to resume in the near term — pipeline test runs are under way — which would keep the impact on regional crude exports limited.

Supply

Rising exports from the Middle East

Preliminary Vortexa data indicate exports of fuel oil from the Middle East rose by 12pc on the month to 560,000 b/d on 1-22 September. But this is well down on the year. The end of the cooling season should increase availability of HSFO from fuel oil-burning countries, but challenging export logistics will continue to cap outflows.

Exports of Iraqi fuel oil through Syria dropped by nearly 20pc on the month to 133,000 b/d on 1-22 September. Iraq has been trucking fuel oil to the Syrian port of Banias for export into the Mediterranean to circumvent Hormuz. Market participants have speculated that the drop reflects plans to export more via the strait, which would increase availability of HSFO for Asia and reduce volumes in the Mediterranean.

But even with shippers increasingly willing to risk crossing Hormuz, any increase in volumes will be slow and steady, so firm flows through Syria are expected to continue in the short term. Iraq has also been exporting fuel oil through Jordan, but in much smaller volumes, there have been no exports along this route and in September.

Exports outside the region from Saudi Arabia rose by 3pc on the month to 99,000 b/d. Tightening Houthi control of the Bab el-Mandeb strait is resulting in more fuel oil heading north through the Suez Canal into the Mediterranean. This is buoying availability in the Mediterranean, but reducing availability in Asia — even from the low levels of recent months.

There has been a notable rise in fuel oil exports from the UAE port of Fujairah — to 300,000 b/d on 1-22 September, similar to pre-war levels. Increased availability with the end of the cooling season is likely to have contributed to this. But greater STS activity could also be a factor. Market participants have suggested that Saudi Aramco is offering fuel oil from Fujairah and Oman, although this is unconfirmed.

While we see month-on-month increases in traffic through Hormuz in the remaining months of this year, these will be small and we expect exports from and refinery runs in the region to be well down on the year in the final quarter of 2026. Refinery runs are expected to average 8.1mn b/d, up by around 300,000 b/d on the third quarter, but down by 1.4mn b/d on the year. Kuwait's export-orientated Al Zour mega-refinery recently delayed a return to normal operations to at least the end of October.

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