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Recent trends in the bunker market

**IBIA Mediterranean Energy and Shipping Conference
September 2022**



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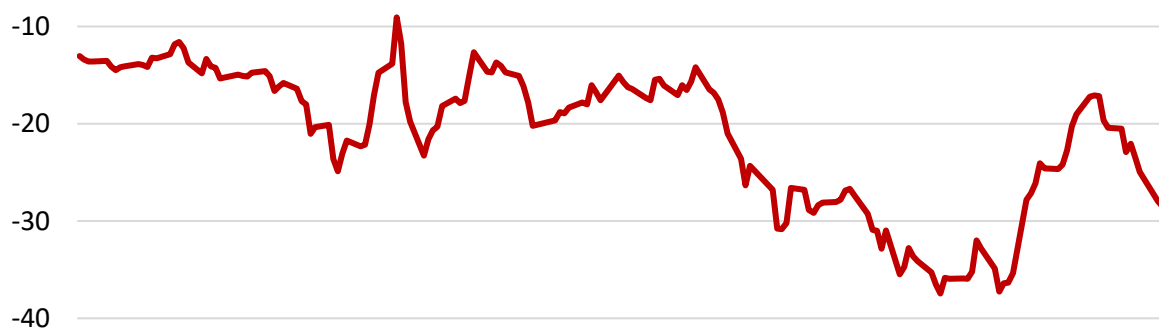
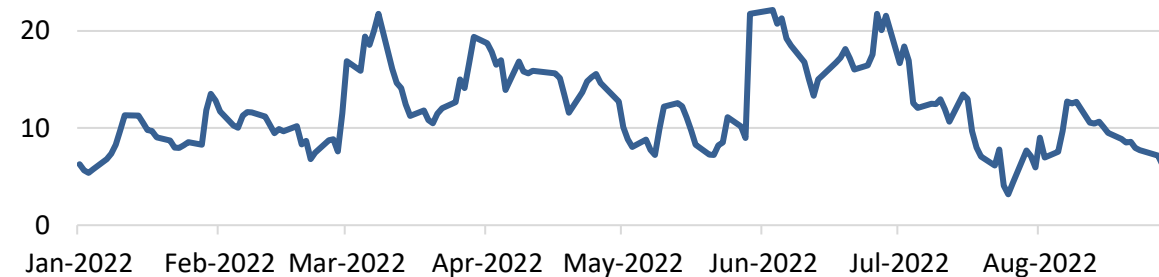
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Fuel oil refining margins



— 0.5pc NWE barge vs front month Ice Brent

— 3.5pc Rotterdam barge vs front month Ice Brent

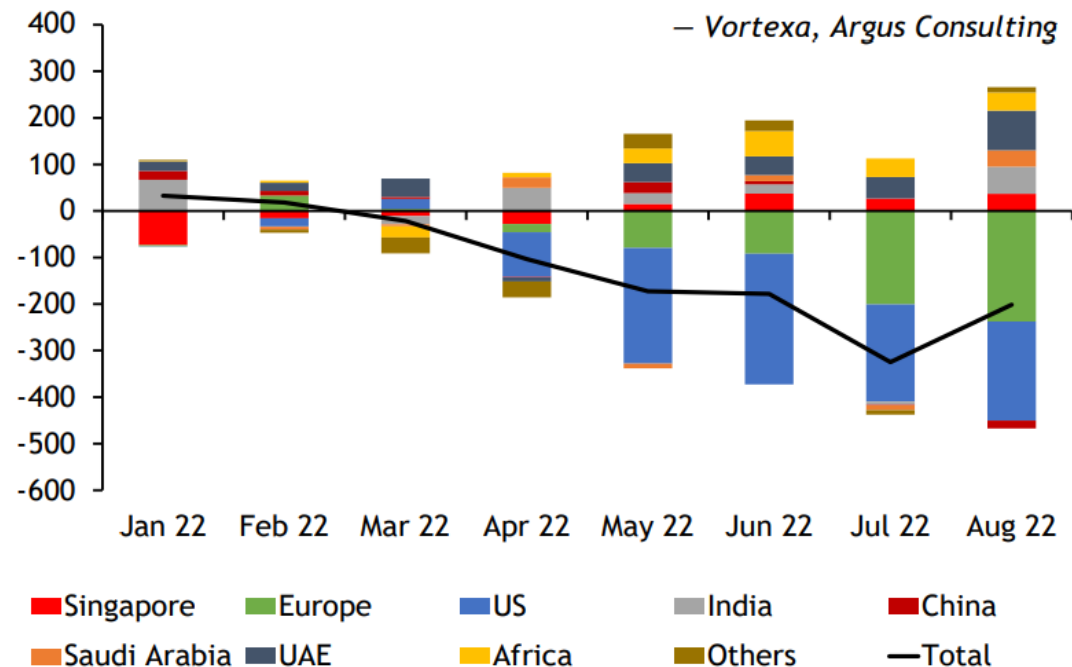


- High and low sulphur fuel oil cracks fell in March as buyers shunned Russian-origin product.
- HSFO cracks weakened as refinery runs ramped up.
- Both grades found strength as Russian flows into Europe thinned.

Changing fuel oil flows may impact availability

Russia HSFO exports vs 2021

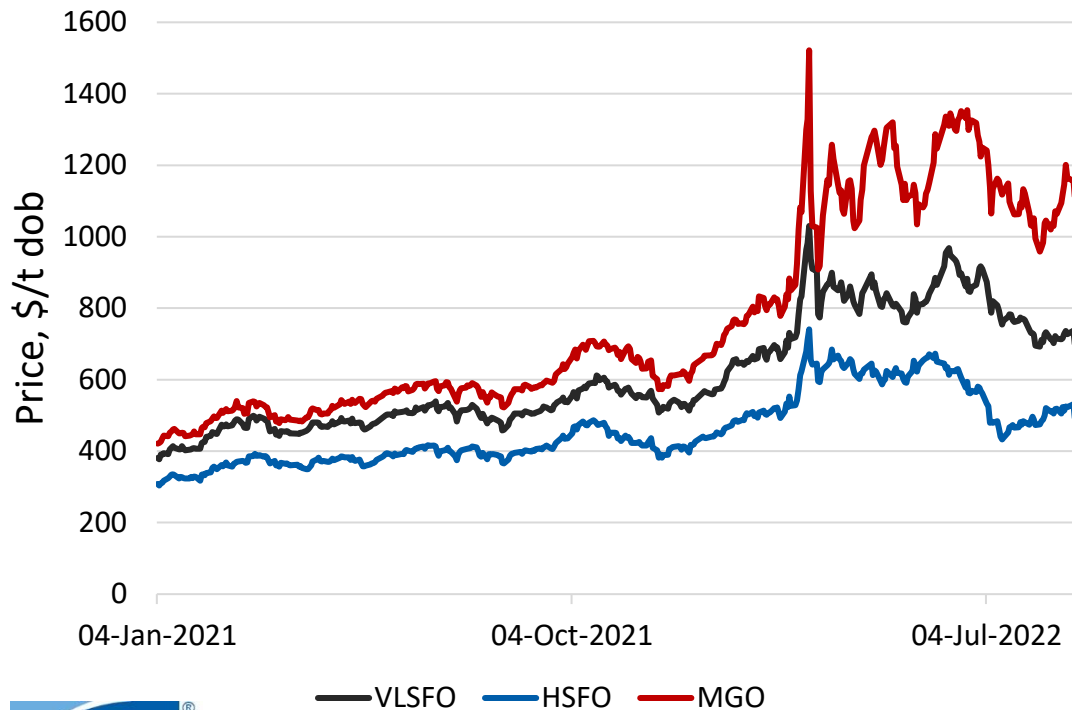
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- Non-Russian origin HSFO commanding \$20-25/t premium to open-origin volumes in the Med.
- Turkey and Greece move to largest receivers of Russian fuel oil, displacing Netherlands.
- Saudi Arabia may potentially fill some of the void.

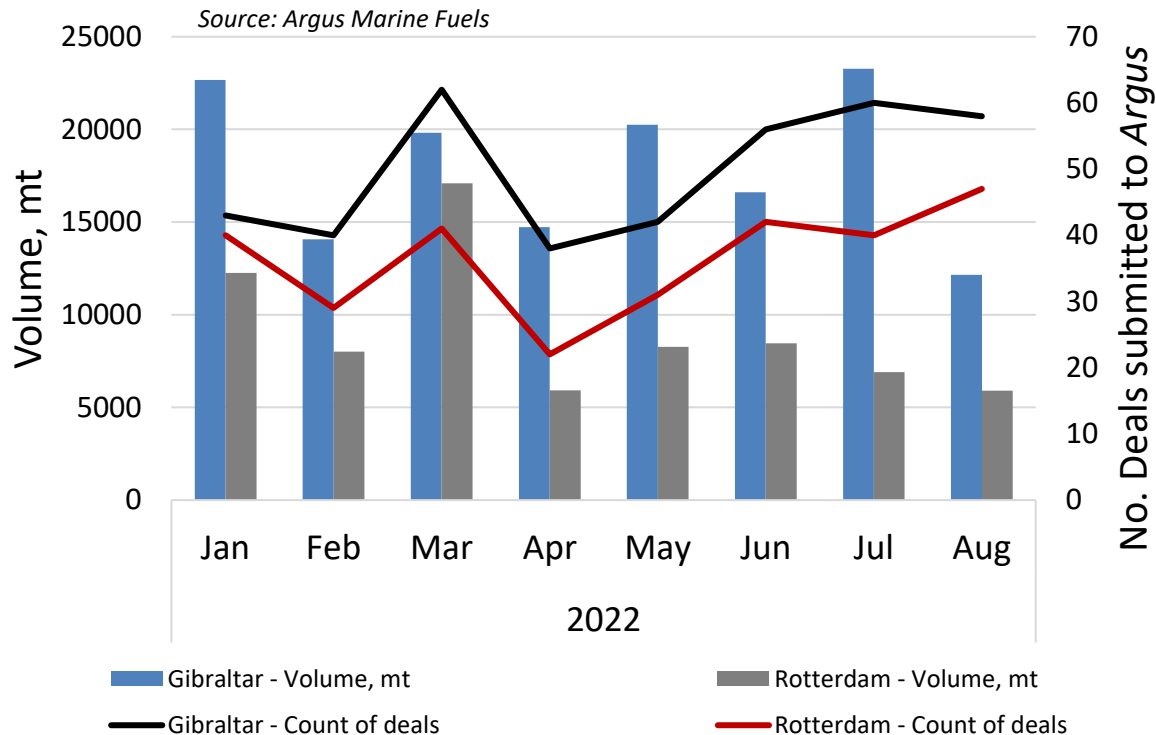
Volatility has changed buying behaviour

Bunker prices in ARA



- In ARA in March VLSFO price volatility rose to +\$33/t and -\$45/t with the biggest daily moves being around +/- \$125/t.
- VLSFO has averaged \$779.25/t so far this year versus \$499.95/t through 2021 (+55.9%).

Volatility has changed buying behaviour



- Based on market surveys, market participants have been buying smaller quantities to minimise price risk

This sentiment has appeared in our data:

- Steady to downward trend in stem volumes submitted to *Argus*
- But a general upward trend in the number of deals submitted to *Argus*

Weak € to soften ship owners' CO2 costs

- CO2 emissions are traded through the EU's Emissions Trading System (ETS) in €
- A weaker € could soften the blow of CO2 emissions costs for shipowners

CO2 cost from burning 1mt of VLSFO, 1 half Aug avg. 2022

	€/t	US\$/t
CO2 EU ETS*	84.4	-
CO2 emissions from 1t VLSFO combustion		3.151t
0.977 € / US\$ exchange (softer €)	266	272
0.883 € / US\$ exchange (stronger €)	266	301
CO2 savings from softer € currency exchange		-29

Source: *Argus Marine Fuels*



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