

IMO 2020

View from the supply industry

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Director



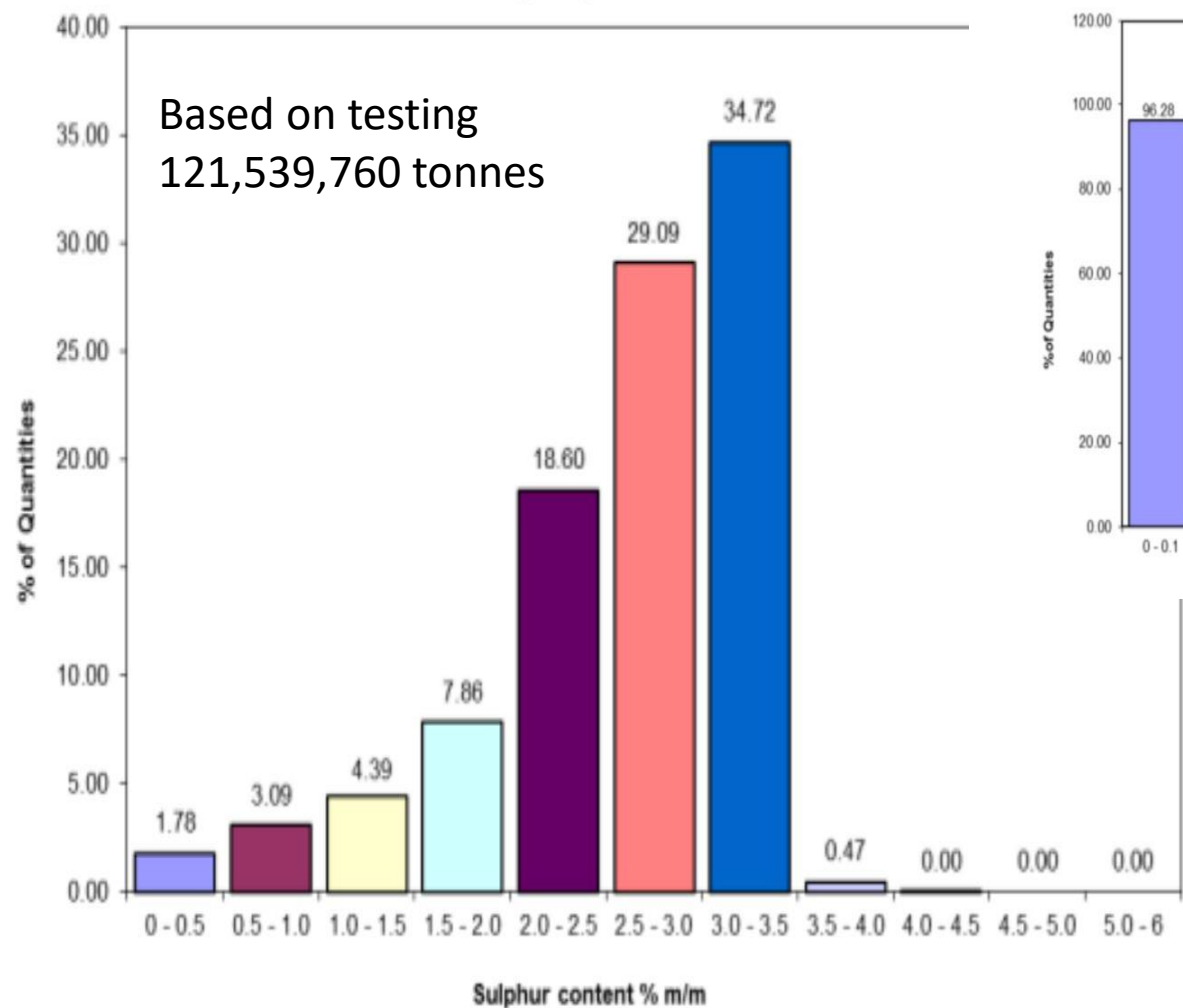
Symposium on IMO 2020
IMO HQ, London, 17 October 2019

The challenge illustrated by IMO's sulphur monitoring programme



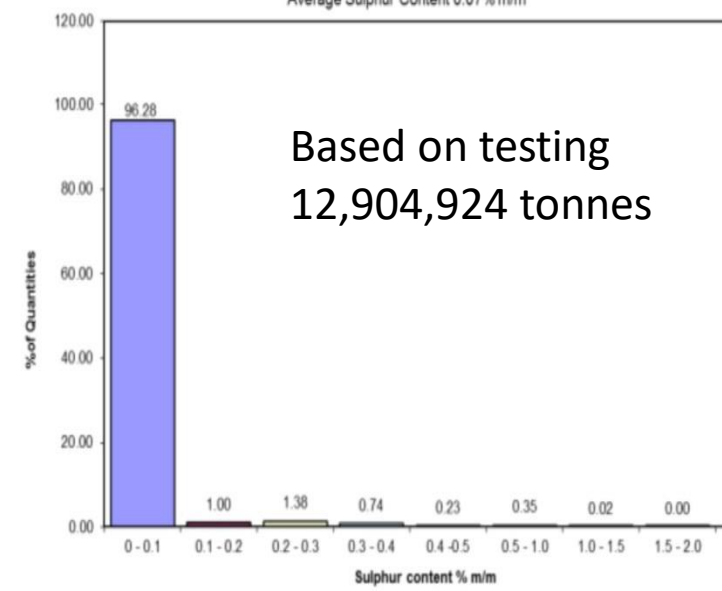
Sulphur Distribution for Residual Fuel

Average Sulphur Content 2.60% m/m



Sulphur Distribution for Distillate Fuel

Average Sulphur Content 0.07% m/m



IMO sulphur monitoring programme, 2018 data

Implementation plan for suppliers in 4 Points

- **Predict** demand: what/where/when
- **Plan** which products to offer and where to source them
- **Practice:** Development of new blends
Testing against ISO 8217
Trials and engine performance testing
- **Prepare** supply infrastructure such as reallocation of storage tanks and cargo tanks on bunker barges (tank cleaning)



Efforts to predict and meet demand

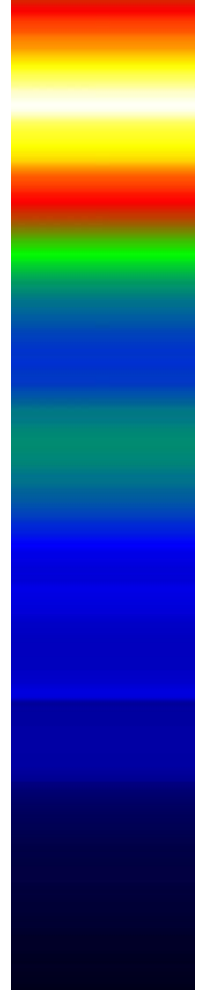
- Focus has been on developing max 0.50%S VLSFO blends
- 0.50%S VLSFO trials since early 2019 (NDA applied to some)
- Some suppliers offered 0.50%S VLSFO early
- Significant variation in 0.50%S VLSFO fuel formulations
- Some locations/suppliers will offer only MGO
- Most expecting demand to materialise during Q4
- Some have been building stocks of VLSFO/blend components



The transition is underway!



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- **“IMO 2020 effect” now causing market disruption**
- Supply side running down HSFO stocks/cleaning tanks
- Barges being taken out of service to be readied for VLSFO/MGO
- Reluctance to replenish HSFO (exacerbated by backwardation)
- Launch of new VLSFO supply locations announced with increasing frequency - especially since late September
- Demand for VLSFO very low up to mid-September but now increasing rapidly, though with regional variations
- Supply of VLSFO now outstripping demand in many locations
- Suppliers reporting that owners who initially wanted 0.50%S fuels from October are postponing into November/December

VLSFO available or expected soon in many locations (subject to change)



Asia	Middle East & Africa	Europe	Americas
<p>OCTOBER 2019 China (some ports) Hong Kong Japan (tight avails reported) Russian Far East (mixed reports) Singapore South Korea (some ports)</p> <p>EXPECTED BEFORE 2020 Australia India Sri Lanka</p> <p><i>Other countries during 2020 or possibly before</i></p>	<p>OCTOBER 2019 Fujairah Offshore West Africa Port Louis</p> <p>EXPECTED BEFORE 2020 Algoa Bay, Cape Town & Durban in RSA Canary Islands (Tenerife/Las Palmas) Jeddah Oman Suez (mixed reports)</p> <p><i>Other countries during 2020 or possibly before</i></p>	<p>OCTOBER 2019 <u>North Europe:</u> ARA region Baltic Sea (some ports) Danish & Swedish waters English Channel (Portland)</p> <p><u>South Europe:</u> Algeciras/Gibraltar Istanbul Italy (some ports) Malta (mixed reports) Novorossiysk (mixed reports)</p> <p>EXPECTED BEFORE 2020 Most European countries</p>	<p>OCTOBER 2019 Argentina (mixed reports) Brazil (as of 1 October) Colombia Panama</p> <p>USEC/USGC/USWC (some ports now, more expected) Vancouver (mixed reports)</p> <p>EXPECTED BEFORE 2020 Aruba, Bahamas, Chile, Jamaica, St. Eustatius, Trinidad</p> <p><i>Other countries during 2020 or possibly before</i></p>

Countries/locations with some 0.50% availability in Q4 (subject to change)

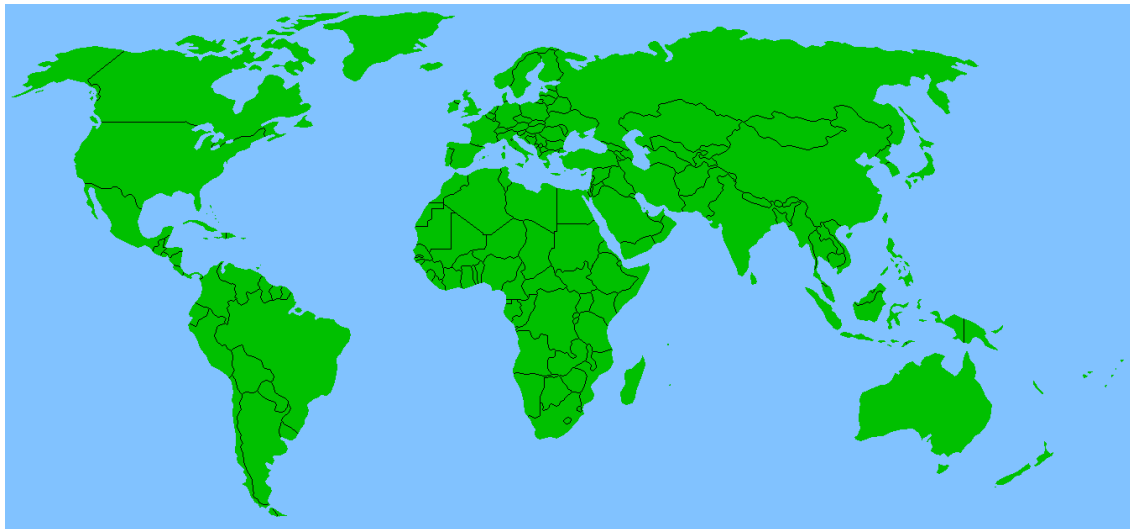


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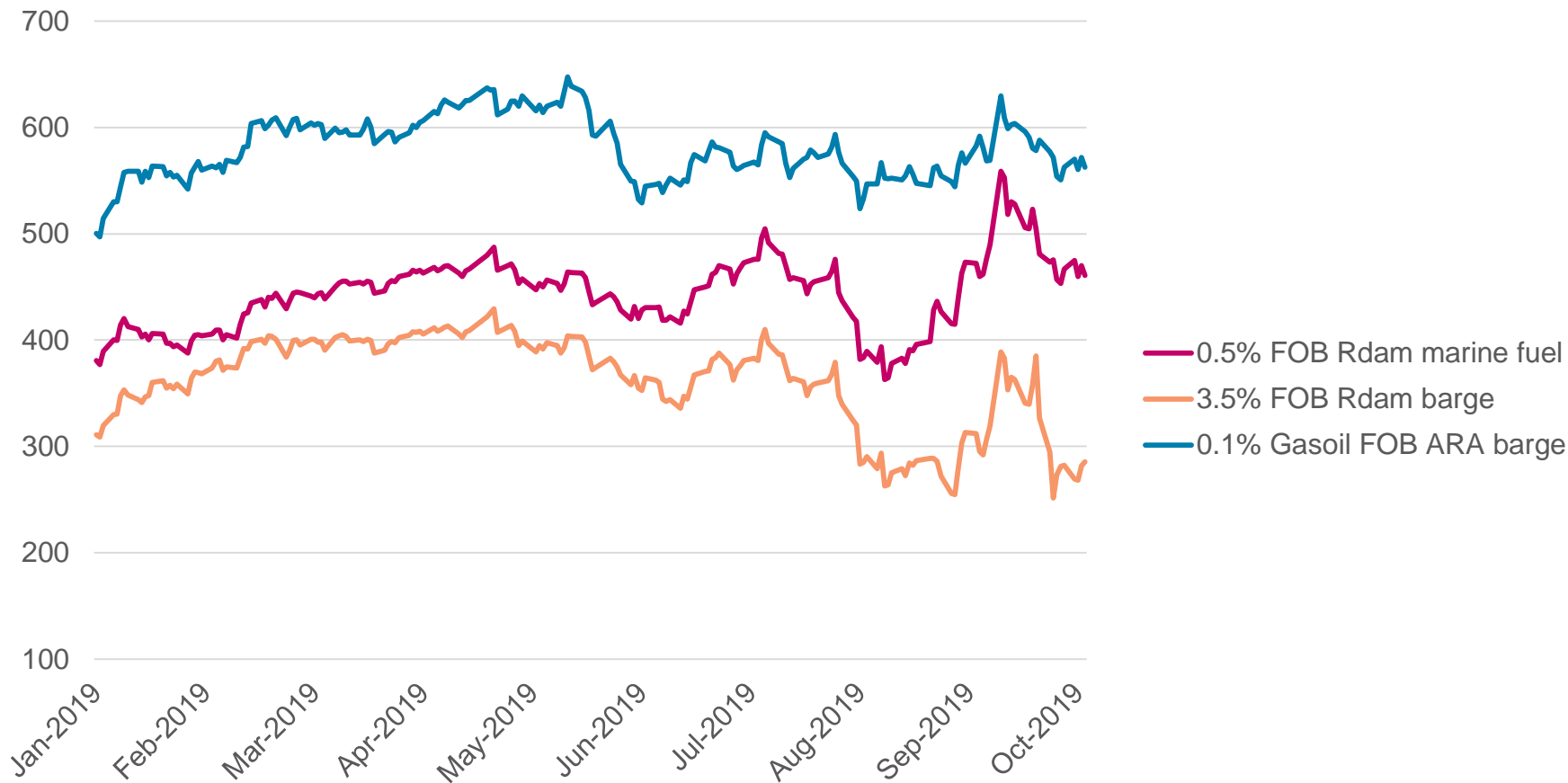


Availability - an evolving picture

- Most regions already offering VLSFO in some ports
- VLSFO expected in many more ports by end 2019/early 2020
- MGO available almost everywhere today
- HSFO supply expected to continue in major ports
- A few locations expected to have very limited or no avails
- Some predict 0.50%S supply squeeze 1-3 months into 2020



FOB Rotterdam barge market prices 0.1%S Gasoil, 0.5%S and 3.5% fuel



Transitional issues in summary



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- VLSFO fuel composition will vary significantly (more than HSFO)
- Availability of both compliant fuels and HSFO could be unpredictable for a while
- Pricing becoming more complex as VLSFOs will be produced from wider range of refinery streams than HSFO
- Higher fuel prices means more stress on credit lines & counterparty risk
- Transition to the 0.50%S limit will cause disruption and more volatility than usual for a while but the market will eventually adapt





**Working with our members to
keep the global marine fuels
industry on course**

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Thank you for your attention!

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