

European bunker market

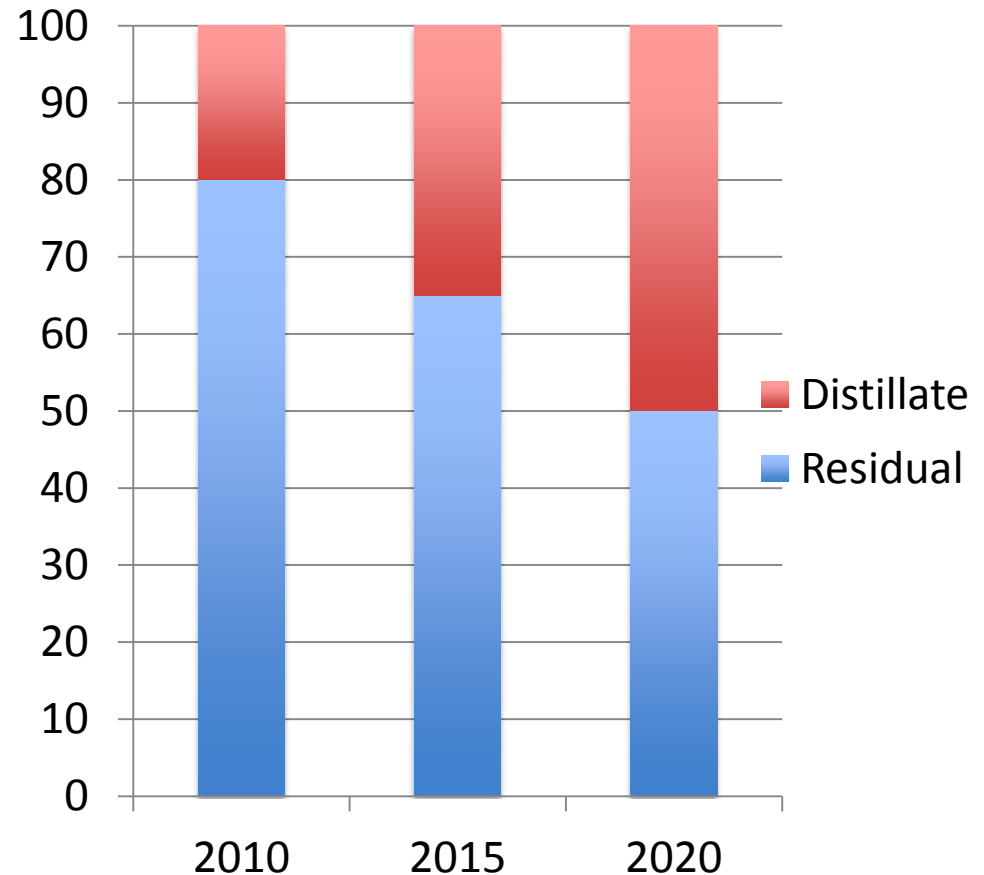
Nigel Draffin

All change in Europe

- Changes in regulations affects demand
- Changes in refining affects supply
- Changes in costs and credit affects supplying and trading companies
- What does it all mean?

The shift in grades

- The European market had a traditional bias to residual fuel
- The change in EU “at berth” regulations in 2012 triggered a step change in demand.
- The change in ECA regulation to 0.1% Sulphur in 2015 brought a further step change
- Further changes in 2020 and 2025 will continue this trend

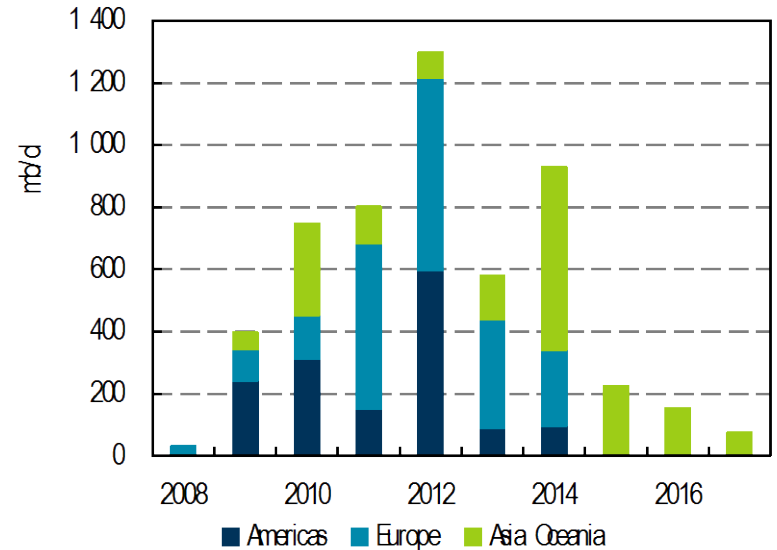


The refiners dilemma

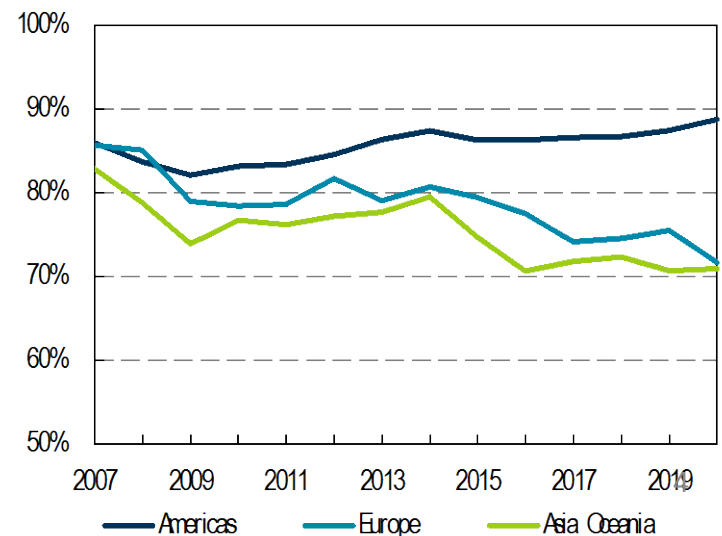
- European refiners have too many refineries
- The product mix is changing requiring investment in upgrades
- Structural products supply/demand mismatch: surplus of gasoline (600 kb/d) but deficit of middle distillates (900 kb/d)
- The marine sector represents a small part of the demand base
- The growth in marine distillate is only a small part of the distillate need and is a “non standard” product

Sources IEA and FGE

OECD refinery closures

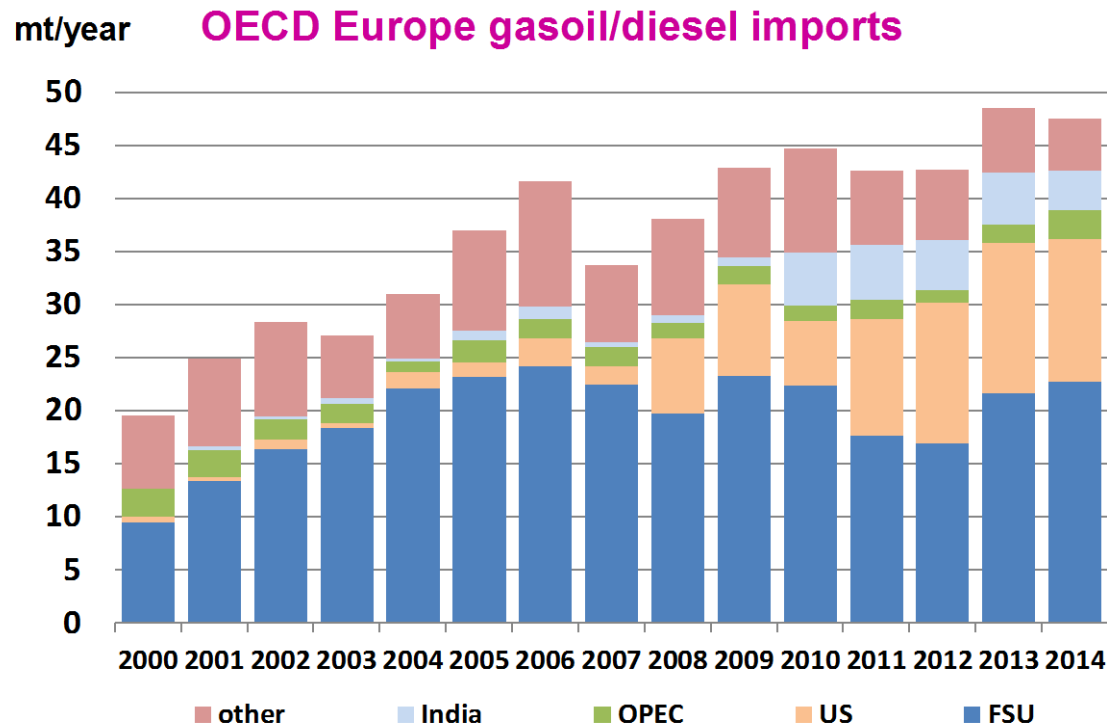


OECD refinery utilisation



Where is the gas oil coming from?

- Some European refinery capacity is currently helping with US gasoline demand
- Residual fuel demand will continue to be met from FSU
- Shortfall in distillate supply will come from USA, FSU, India and Mid East with FSU slowly taking over from USA.

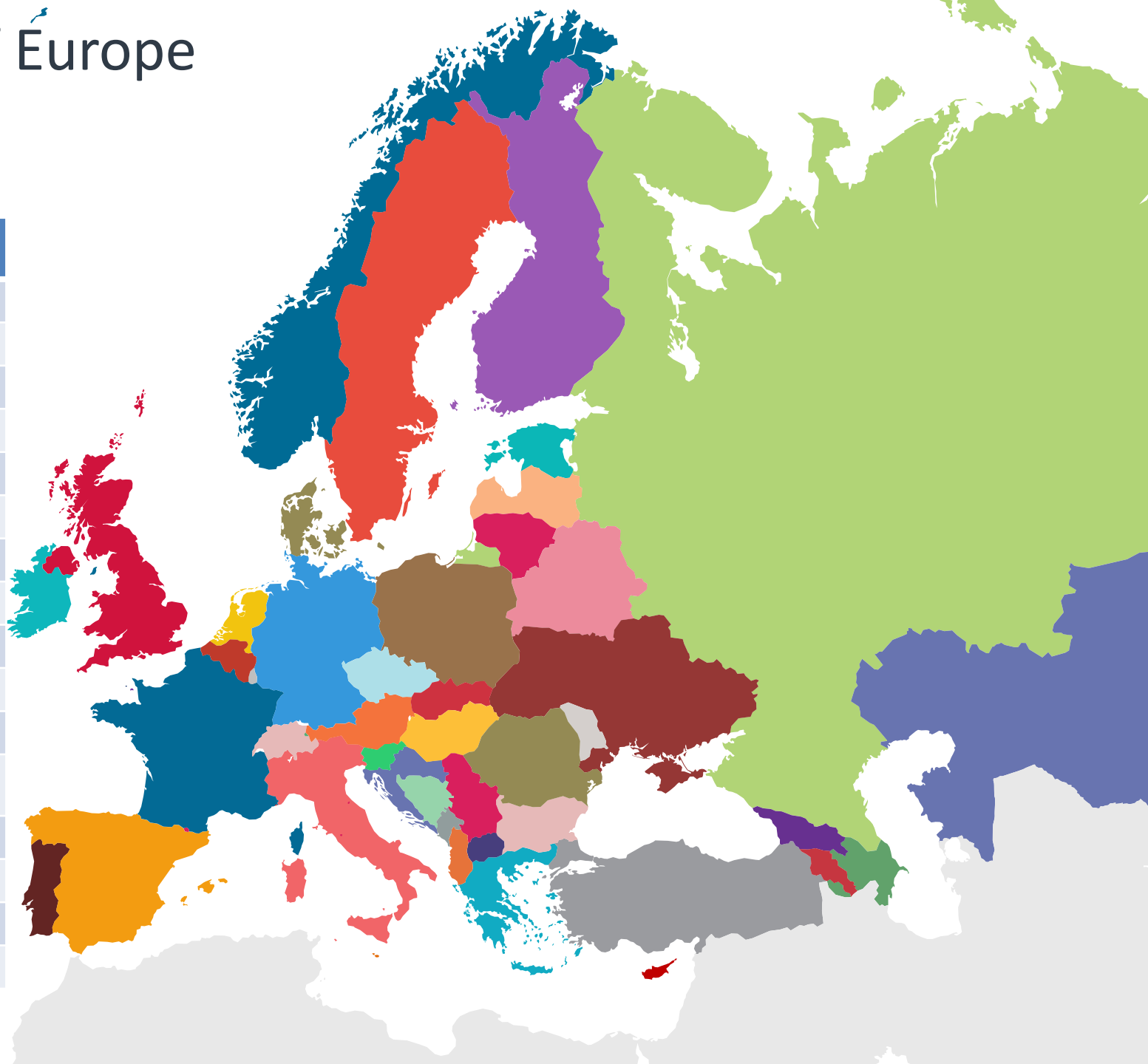


Margins and credit

- Financial difficulties are causing business failures
- Suppliers face tight margins and fierce competition
- Buyers face credit issues and concerns over the financial stability of their sellers.
- Oil majors market share is increasing.
- There may be opportunities for “niche” players.

Map of Europe

Country	Volume mt/y
Belgium	7.5
Denmark	1
Estonia	1
France	5.5
Germany	3
Gibraltar	4
Greece	3
Italy	2
Netherlands	13.5
Poland	.5
Portugal	.5
Russia (West)	8
Spain	4
Sweden	1
UK	1



Marine fuel demand – 2015 estimates

- Rotterdam – 10 million mt per year
- Antwerp – 7.5 million mt per year
- Gibraltar – 4 million mt per year
- Amsterdam – 3 million mt per year
- Algeciras – 3 million mt per year
- Fos/Marseilles – 3 million mt per year
- Piraeus - 3 million mt per year
- Hamburg – 2.5 million mt per year

ARA breakdown

- Oil majors 6.5 mil mt per year
- Rotterdam independents 6.3 mil mt per year
- Antwerp independents 6.3 mil mt per year
- Amsterdam independents 0.6 mil per year

- Note that most of the suppliers can deliver in all three port areas.
- ARA total is 19.7 mil mt per year

EU 0.5% cap based on the EEZ – How to cross the Med !

European and EU EEZs

