

Istanbul ultra-low sulphur fuel oil



What has Argus launched?

Istanbul ultra-low sulphur fuel oil (ULSFO). Unlike very low-sulphur fuel oil (VLSFO) and marine gasoil (MGO), ULSFO prices lack transparency in the Bosphorus market. Argus' new assessment encourages liquidity and brings more structure to a previously opaque market. Shipowners, ship charterers, bunker traders and suppliers have expressed interest in a ULSFO price benchmark for Istanbul.

Why now?

The Mediterranean Sea became an emission control area (ECA) on 1 May, which boosted demand for low-sulphur fuels with sulphur content up to 0.1pc in local ports, including Istanbul. Shipowners then started looking for alternatives to MGO, due to price, availability, and optionality — so suppliers started offering ULSFO.

What does Istanbul ULFO supply and demand look like currently?

Demand for Istanbul ULSFO has grown and is now reportedly higher than demand for VLSFO and high-sulphur fuel oil (HSFO) combined. Five of six Istanbul physical suppliers already offer ULSFO.

A local supplier told Argus that by the end of May, ULSFO sales made up about 30pc of Istanbul's total bunker fuel demand, compared with 50pc for MGO, and 15pc for HSFO and 5pc for VLSFO. Before May, the same supplier reported 60pc for VLSFO sales, 25pc for MGO and 15pc for HSFO.

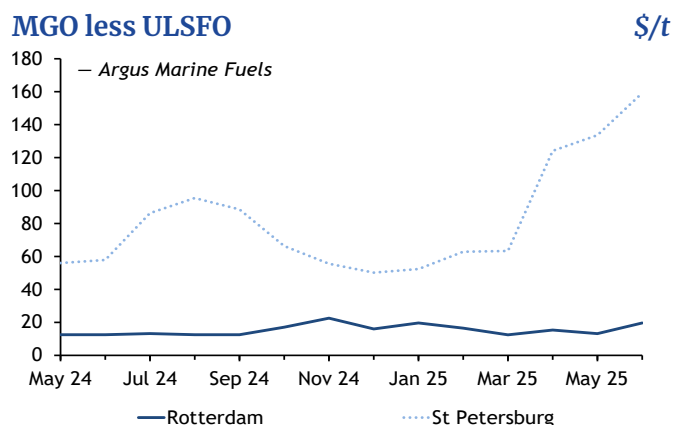
By comparison, in Rotterdam, which is part of the existing northwest European ECA, ULSFO sales accounted for 8pc of total conventional marine fuel demand, MGO for 18pc and VLSFO and HSFO combined for 74pc in the first quarter, according to data from the Port of Rotterdam. The use of VLSFO and HSFO within an ECA is only possible for vessels equipped with scrubbers.

What is the MGO-ULSFO premium?

MGO's premium to ULSFO is fluid in part because of the lack of a daily benchmark. Istanbul suppliers first started to sell ULSFO at parity with MGO. Then, the premium grew to \$25/t-\$50/t around 9 June, and surged to about \$75/t in the third week of June, as Mediterranean distillates tightened following an Iranian missile strike which forced Israel's 197,000 b/d Haifa refinery offline on 16 June. Before the outage, the refinery had exported 233,000t of distillates in the second quarter, some of which went to Italy, Egypt, and Turkey, according to analytics from Vortexa.

Argus also assesses ULSFO prices in Rotterdam and in the Russian Baltic Sea ports of St Petersburg and Ust-Luga.

MGO less ULSFO



Get in touch

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