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**FUJAIRAH BUNKERING &
FUEL OIL FORUM**
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Press Clipping

Fujairah bunker hub ready to face challenges of IMO 2020: conference

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By: Esther Ng, S&P Global Platts

Speakers at a bunker conference Tuesday in Fujairah in the UAE, the world's second largest bunkering hub, said it faced challenges from the lower global sulfur cap on marine fuels in 2020, but expressed confidence it could adapt to meet them.

A live poll conducted at the 10th International Fujairah Bunkering & Fuel Oil Forum (FUJCON 2017) asked delegates what the impact on fuel oil demand in Fujairah would be as a result of the lower sulfur cap in 2020; 53% of respondents said fuel oil demand will fall significantly, 40% said demand would fall marginally, while only 5% said demand for fuel oil would rise, and 3% said there would be no effect.

However, panellists downplayed the risk to the Fujairah storage and bunkering industry.

Cockett Marine Oil DMCC CEO Cem Saral said demand for all types of marine fuel oil would not fall in 2020 in Fujairah, even if the share of residual fuel in this mix were reduced.

More refineries in the region producing lighter ends would have a positive impact on demand for marine fuels in Fujairah, Saral added.

"There's a lot of talk that as a result of the 2020 sulfur cap, fuel oil tank operators in Fujairah will suffer -- but fuel oil tanks can still handle low sulfur [0.5%] fuel, it's still a class three product. Traders will have to find a source for the low sulfur fuel oil, but then they can carry on bunkering as normal," Fujairah Oil Terminal's commercial director Malek Azizeh said.

Nevertheless, the International Maritime Organization's 2020 sulfur limit of 0.5% is already slowing investment decisions on dirty storage in Fujairah, speakers said.

"Demand for clean product storage will continue to grow, but for us, building more fuel oil tanks it's a question mark. The market is already challenging as it is, and with the IMO change coming up in 2020 it gives even more of a hurdle," said Azizeh.

He added the ratio of "black" (residual) versus "white" (distillate-based) products bunkered in Fujairah has shifted in the last 12 months from a typical previous split of 70% black/30% white, to now around 60% black/40% white. "Going forward, the ratio will change further in this direction."

CHANGE IN REGIONAL ARBITRAGE FLOWS

IMO 2020 will likely have a profound impact on arbitrage flows of fuel oil in the Middle East, speakers said.

Current fuel oil exports from Middle Eastern countries tend to reflect the typically sour crude in the region; the average sulfur content in fuel oil exported from Iraq, Kuwait, Qatar, and Saudi Arabia is all above 3.5% sulfur, Saral said, compared with a global average of 2.6% sulfur (on testing).

Therefore the Middle East will likely have to import greater quantities of fuel oil for bunker use than now, Cockett's Saral said.

"LSFO production in the region has less availability than what we think demand will be," he said. "There are some slots of availability we can blend, but it will not meet what the market needs. The gap will likely be filled with a middle distillate product."