IMO 2020
View from the supply industry

Unni Einemo
Director

Symposium on IMO 2020
IMO HQ, London, 17 October 2019
The challenge illustrated by IMO’s sulphur monitoring programme

Based on testing 121,539,760 tonnes

Based on testing 12,904,924 tonnes

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!

- **“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
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<th>Asia</th>
<th>Middle East &amp; Africa</th>
<th>Europe</th>
<th>Americas</th>
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<td><strong>OCTOBER 2019</strong>&lt;br&gt;China (some ports)&lt;br&gt;Hong Kong&lt;br&gt;Japan (tight avails reported)&lt;br&gt;Russian Far East (mixed reports)&lt;br&gt;Singapore&lt;br&gt;South Korea (some ports)</td>
<td><strong>OCTOBER 2019</strong>&lt;br&gt;Fujairah&lt;br&gt;Offshore West Africa&lt;br&gt;Port Louis</td>
<td><strong>OCTOBER 2019</strong>&lt;br&gt;North Europe:&lt;br&gt;ARA region&lt;br&gt;Baltic Sea (some ports)&lt;br&gt;Danish &amp; Swedish waters&lt;br&gt;English Channel (Portland)</td>
<td><strong>OCTOBER 2019</strong>&lt;br&gt;Argentina (mixed reports)&lt;br&gt;Brazil (as of 1 October)&lt;br&gt;Colombia&lt;br&gt;Panama&lt;br&gt;USEC/USGC/USWC (some ports now, more expected)&lt;br&gt;Vancouver (mixed reports)</td>
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<td><strong>EXPECTED BEFORE 2020</strong>&lt;br&gt;Australia&lt;br&gt;India&lt;br&gt;Sri Lanka</td>
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<td><strong>EXPECTED BEFORE 2020</strong>&lt;br&gt;South Europe:&lt;br&gt;Algeciras/Gibraltar&lt;br&gt;Istanbul&lt;br&gt;Italy (some ports)&lt;br&gt;Malta (mixed reports)&lt;br&gt;Novorossiysk (mixed reports)</td>
<td><strong>EXPECTED BEFORE 2020</strong>&lt;br&gt;Aruba, Bahamas, Chile, Jamaica, St. Eustatius, Trinidad</td>
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Countries/locations with some 0.50% availability in Q4 (subject to change)
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

- 0.5% FOB Rdam marine fuel
- 3.5% FOB Rdam barge
- 0.1% Gasoil FOB ARA barge

S&P Global Platts
Transitional issues in summary

• VSLFO 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!

Contact me: unni@ibia.net