OPIS Asia Jet Fuel & Gasoil Report

A Daily Report on Asia Middle Distillate Pricing and News

Friday, April 7, 2017

Table of Contents

Today's Outright Close Spot Jet Fuel Prices (4:30 PM Singapore)

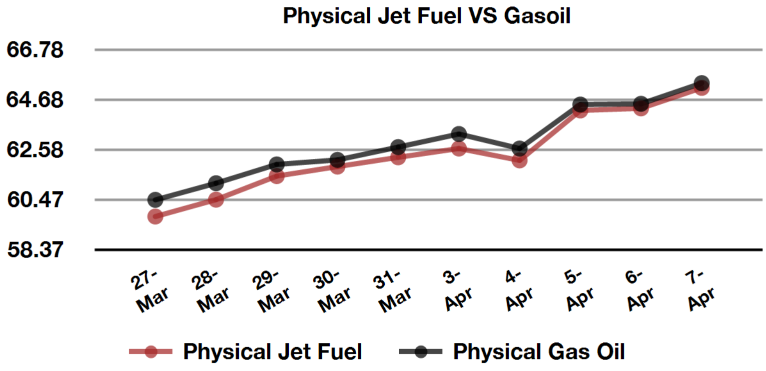
Market ($/bbl)	Low	High	Mean	Change
FOB SINGAPORE	65.13	65.23	65.18	0.86
FOB ARAB GULF LR1	63.79	63.89	63.84	0.86
FOB ARAB GULF LR2	64.07	64.17	64.12	0.86
FOB TAIWAN	65.15	65.25	65.20	0.89
FOB KOREA	64.95	65.05	65.00	0.89

Today's Outright Close Spot Gas Oil Prices (4:30 PM Singapore)

Market ($/bbl)	Low	High	Mean	Change
FOB SINGAPORE	65.33	65.43	65.38	0.87
FOB ARAB GULF LR1	63.91	64.01	63.96	0.87
FOB ARAB GULF LR2	64.21	64.31	64.26	0.87
FOB TAIWAN	65.24	65.34	65.29	0.86
FOB KOREA	64.79	64.89	64.84	0.86

Today's Physical Spot Differential for Jet Fuel and Gas Oil

Market ($/bbl)	Jet Fuel	Change	Gas Oil	Change
FOB SINGAPORE	-0.12	-0.03	0.04	0.01
FOB ARAB GULF LR1	1.34	0.00	1.42	0.00
FOB ARAB GULF LR2	1.06	0.00	1.12	0.00
FOB TAIWAN	-0.10	0.00	-0.05	0.00
FOB KOREA	-1.51	-0.54	-0.50	0.00



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Jet Fuel Swaps Mid-Day ($/bbl)

Laycan	Low	High	Mean	Change
APR	65.61	65.71	65.66	1.95
MAY	65.88	65.98	65.93	1.92
JUN	66.17	66.27	66.22	1.93

Gas Oil Swaps Mid-Day ($/bbl)

Laycan	Low	High	Mean	Change
APR	65.83	65.93	65.88	1.85
MAY	65.68	65.78	65.73	1.86
JUN	65.72	65.82	65.77	1.88

Jet Fuel Swaps Close ($/bbl)

Laycan	Low	High	Mean	Change
APR	65.15	65.25	65.20	0.89
MAY	65.41	65.51	65.46	0.87
JUN	65.68	65.78	65.73	0.87

Gas Oil Swaps Close ($/bbl)

Laycan	Low	High	Mean	Change
APR	65.35	65.45	65.40	0.87
MAY	65.20	65.30	65.25	0.85
JUN	65.24	65.34	65.29	0.85

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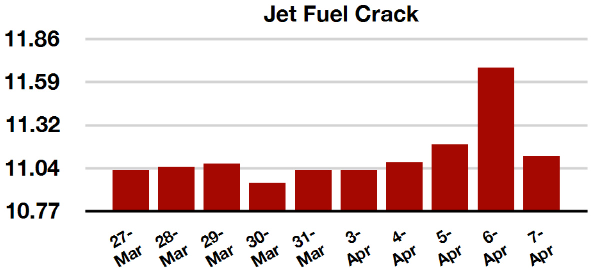
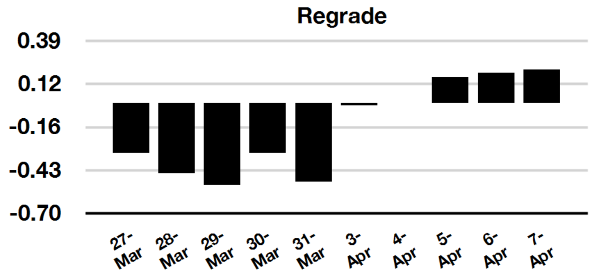
Today's Jet Fuel Crack Assessments ($/bbl)

Laycan	Low	High	Mean	Change
MAY	11.07	11.17	11.12	-0.56
JUN	11.25	11.35	11.30	-0.56
JUL	11.54	11.64	11.59	-0.53



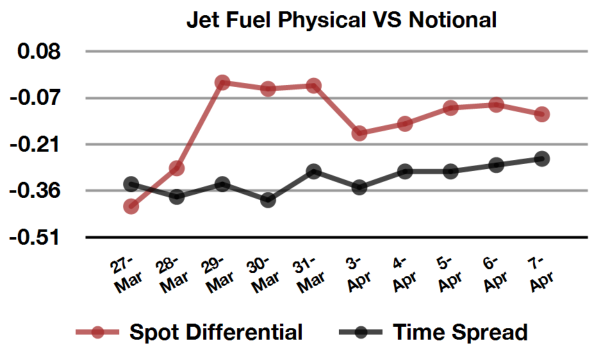
Regrade Close ($/bbl)

Laycan	Low	High	Mean	Change
MAY	0.16	0.26	0.21	0.02
JUN	0.39	0.49	0.44	0.02
JUL	0.54	0.64	0.59	0.04



Spot Differential & Time Spread ($/bbl)

	Physical	Change	Spread	Change
Jet Fuel	-0.12	-0.03	-0.26	0.02



FOB Singapore Spot Differential Calculation

Date	Bid	Offer	Deal	Diff
22-Apr				-0.08
23-Apr				-0.08
24-Apr			-0.20	-0.20
25-Apr			-0.20	-0.20
26-Apr			-0.20	-0.20
27-Apr			-0.20	-0.20
28-Apr			-0.20	-0.20
29-Apr				-0.08
30-Apr				-0.08
1-May				-0.08
2-May				-0.08
3-May				-0.08
4-May				-0.08
5-May				-0.08
6-May				-0.08
7-May				-0.08
Notional Diff		-0.08	Avg	-0.12

OPIS Asia Methodology

OPIS Singapore uses an average of daily forward paper/swaps value as a basis of our Asian daily assessments.

Jet Fuel and Gas Oil assessments generally reflect pricing of products loading 15 to 30 days from the date of publication. In other words, a report for March 1 will reflect reflection of forward prices from March 16-31.

In our assessments, we use a variety of inputs which include outright, floating as well as a combination of both in terms of daily bids, offers and strike prices in the respective oil product market on both the physical and swaps trading.

We calculate the mid-value of the trading window by using the weighted average calculation that use the curve of 1st and 2nd cycle of swaps value. Then we add a discount or premium to calculate FOB Singapore quotes.

For discount/premium assessments for FOB Singapore quotes, we take transactions with a size of 100,000 barrels for jet fuel, 150,000 barrels of gas oil (500 ppm sulfur).

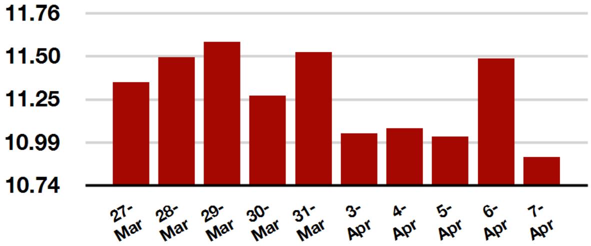
FOB AG jet fuel and gas oil assessments are a simple freight netback from FOB Singapore quotes.

(Continued on Page 3)

Today's Gas Oil Crack Assessments ($/bbl)

Laycan	Low	High	Mean	Change
MAY	10.86	10.96	10.91	-0.58
JUN	10.81	10.91	10.86	-0.58
JUL	10.95	11.05	11.00	-0.57

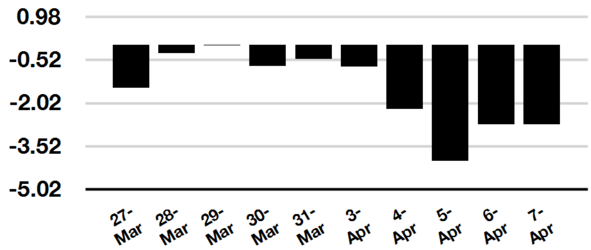
Gas Oil Crack



West-East Spread Close ($/mt)

Laycan	ICE	Change	EFS	Change
APR	490.00	6.50	-2.77	-0.02
MAY	491.25	6.25	-5.14	0.08
JUN	492.25	6.25	-5.84	0.08

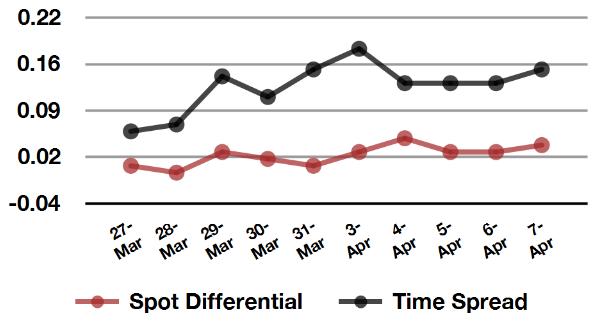
Gas Oil EFS



Spot Differential & Time Spread ($/bbl)

	Physical	Change	Spread	Change
Gas Oil	0.04	0.01	0.15	0.02

Gas Oil Physical VS Notional



FOB Singapore Spot Differential Calculation

Date	Bid	Offer	Deal	Diff
22-Apr				0.04
23-Apr				0.04
24-Apr				0.04
25-Apr				0.04
26-Apr				0.04
27-Apr				0.04
28-Apr				0.04
29-Apr				0.04
30-Apr				0.04
1-May				0.04
2-May				0.04
3-May				0.04
4-May				0.04
5-May				0.04
6-May				0.04
7-May				0.04
Notional Diff		0.04	Avg	0.04

(Continued from Page 2)

The calculations for FOB Taiwan and FOB Korea gas oil is following: (FOB Singapore quotes minus FOB Singapore discount/premium) + discount/premium for each market.

FOB Korea jet fuel calculation uses OPIS US West Coast benchmark as a a basis. We use netback from LAX Jet Fuel prices by using TC 11. (South Korea-USWC) We also reflect the changes for US Heating Oil futures between US Close time and Singapore 4:30 pm then add spot differential.

Editors confirm and record deals done with a size of 30,000-60,000 mt for FOB Taiwan and FOB Korea discount/premium assessments.

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JET FUEL

• NE Asian cargo differentials steady despite ample supply
• Ex-AG, ex-India cargoes seen flowing into West
• MRPL sells H1 May lot at deeper discounts

The jet crack fell 56 cents to $11.12/bbl, while the front-month spread narrowed 2 cents to minus 26 cents/bbl, adding downward pressure on the spot differential by 3 cents to a discount of 12 cents/bbl to Singapore quotes amid one deal done in the cash market.

Hin Leong bought a 100,000-bbl lot from Vitol at a discount of 20 cents/bbl to Apr 24-28 quotes, which also worked out to a similar discount to Singapore quotes.

Northeast Asian cargo differentials held steady despite supply outpacing demand, likely due to some support amid suppliers undergoing peak Spring maintenance.

Ex-Japan and ex-Korea cargo differentials have remained steady at discounts of 40-50 cents/bbl and 25-35 cents/bbl to Singapore quotes, respectively.

Supply was heard to remain ample outpacing demand, while some traders speculated that the limited production due to the seasonal Spring maintenance in the Northeast Asian region over Mar-Apr had likely brought about some reprieve for weakening cargo differentials.

“Have not seen a jet cargo done in a while, so assessments have remained unchanged,” according to an analyst.

The largely shut arbitrage window had also likely dragged down buying interest, as outlets for excess Far East barrels found limited outlets outside of the Asian region.

However, two oil majors had likely found some opportunity to move Arab Gulf and Indian cargoes into the West, amid slightly more workable arbitrage economics due to the geographical advantage it has over the Far East, according to ship brokers.

BP was observed to have chartered oil tanker Pyxis Delta to haul 40,000 mt of jet fuel from the Mideast over mid-Apr, bound for the West, likely into Europe.

Shell chartered oil vessel Eagle Express to load a similar volume of the aviation fuel from India over mid-Apr, also seen destination set for Europe.

According to shipping data, approximately 190,000 mt of jet fuel was seen to have been drawn into Europe over April originating from India, while 850,000 mt of the aviation fuel from the Arab Gulf was seen heading into Europe as well over the same period.

Over in India, it was heard that Mangalore Refinery and Petrochemicals Ltd (MRPL) has offloaded 40,000 mt of jet fuel for May 7-9 loading from New Mangalore to Emirates National Oil Co (ENOC) at discounts of around $1.25-1.35/bbl to Singapore quotes on FOB basis, according to a trade source.

The South Asian supplier was last known to have offloaded a similar parcel for Mar 27-29 loading from New Mangalore to Shell at a discount of $1/bbl to Singapore quotes on FOB basis.

The current ample supply in the market had likely added to the drag on sentiments.

MRPL had offered only one spot cargo for Apr-loading while it had earlier been offering around two spot cargoes per month since January, likely due to the refiner shutting its 60,000-b/d CDU down for maintenance over Apr-May for a period of around 25 days at its New Mangalore facility.

GASOIL

• 500 ppm demand from Vietnam likely to lift sentiments
• SG 2016 import volume up ~7% on-year; Ex-China cargoes slated to ease
• 0.5%S cargo offered by IOC for early May-loading

The gasoil crack eased 58 cents to $10.91/bbl on Friday, while the front-month spread narrowed 2 cents to plus 15 cents/bbl, lifting the spot differential 1 cent to plus 4 cent/bbl to Singapore quotes amid no deals done in the cash market.

The 500 ppm sulfur gasoil sentiments will likely be lifted with demand emerging from Southeast Asia, while the current supply of the high-sulfur grade is limited in the Asia market.

Petrolimex floated a buy tender seeking

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three 35,000-mt cargoes of 500 ppm sulfur gasoil for May 1-5, May 8-12 and May 16-20 loading from either Southeast Asia or Northeast Asia, which closes Apr 10 with next-day validity.

It had last bought two 35,000-mt cargoes of the same fuel for Apr 5-10 and Apr 15-20 loading from either Singapore or Malaysia at a premium around 45-50 cents/bbl to Singapore quotes on FOB basis.

Some traders speculated that the differential could be lifted as supply of the high-sulfur grade was limited while ultra low sulfur diesel (ULSD) cargoes remained ample, according to trade sources.

Petrolimex has been seeking around two to three cargoes of 500 ppm sulfur gasoil since May last year, according to OPIS records.

“Don’t think they have a term deal with suppliers yet,” one trader said, a likely reason the Vietnamese importer is actively seeking spot cargoes on a monthly basis.

Vietnam has imported a total of approximately 831,000 mt of gasoil over Jan-Feb, and around 411,000 mt over H1 Mar, according to date from Vietnam Customs.

The import statistics for H2 Mar has not been released yet at the time this write-up was published.

The country has imported an estimated total of 6.85 million mt of gasoil over 2016, based on the data received.

Meanwhile, Singapore saw an annual growth of around 7.3% on-year for its import volume of gasoil over 2016, at around 15.33 million mt, according to data from IE Singapore.

This was up from 14.29 million mt imported over 2015.

Imports from India recorded a jump of 137.1% to 3.11 million mt from 1.31 million mt previously.

Chinese imports into Singapore also hiked by 18.7% to 2.63 million mt over 2016, up from 2015’s 2.22 million mt.

However, with export quotas softening from China, import volume from the country heading into Singapore will likely see a drop.

Incidentally, January import volume was at around 135,000 mt, down 1.9% on-month from December’s 137,000 mt, and a further drop of 37.7% on-year when compared to 220,000 mt over last year Jan.

Over in India, supply of high-sulfur gasoil continued to be offered for export as the country has switched to the Bharat Stage IV (BS-IV) with max 50 ppm sulfur content.

Indian Oil Corp (IOC) issued a sell tender offering 4,500 mt of 0.5% sulfur light diesel oil (LDO) for May 2-4 loading from Budge Budge, which closes later today with a three-day validity.

This was the first time the state-owned company had offered a 0.5% sulfur grade, while it typically offers 0.1%, 0.2%, 350 ppm and 500 ppm grades.

“Likely due to the change to BS-IV, so whatever high sulfur spec product will just be offered for export,” one trader said.

REFINING NEWS

India’s Bharat Petroleum Corp Ltd (BPCL) was said to have started up a light naphtha isomerization unit at its Mumbai refinery in March, with the low-temperature Isomalk-2 process technology provided by GTC Technology, according to GTC Technology.

Installation of the unit, which produce an isomerised gasoline blend stock component, came at a time when the country’s refiners moved to the new norms effective since April 1, for the entire nation’s switch to using Bharat Stage IV (BS-IV) with maximum 50 ppm sulfur content fuels including gasoline and gasoil, tackling the air pollution.

Under the Auto Fuel Policy 2025, the Indian government has laid down a roadmap to improve the fuel quality meeting BS-VI norms by April 2020, while skipping the BS V norms, which were initially scheduled for 2019.

Separately, BPCL and two other state-owned refiners; Indian Oil Corp (IOC) and Hindustan Petroleum Corp Ltd (HPCL) was reported to have signed a pact to build a 60 million-mt/year (approximately 1.2 million b/d) refinery in Maharashtra state on the west coast.

IOC is said to hold the majority stake of 50%, while the other two partners will take up 25% of the share each.

The refinery, when built, will be the biggest refinery in the sub-continent, with the construction to be carried out in two phases.

Phase 1 will see the refinery with a total crude processing capacity of 40 million mt/year (800,000 b/d), along with other secondary processing units such as hydrotreaters, and a naphtha cracking unit, and a petrochemical complex.

The second phase will add another 20 million-mt/year (400,000-b/d) capacity to the refining complex.

Gulf suppliers were said to be interested to be involved in the project, as the country's Oil Minister, Dharmendra Pradhan said at the Global Natural Resources Conclave that Saudi Aramco and Abu Dhabi National Oil Co (ADNOC) were currently in talks for investment in the IOC sector.

He also said that the Aramco was interested in the refinery, while ADNOC was looking at the petrochemical plant.

In addition, ADNOC was seen expanding its presence in crude oil storage in India, agreeing with the Indian government on establishing a strategic crude oil storage in the southern Indian city of Mangalore, as reported earlier.

The agreement between the Gulf supplier and the Indian Strategic Petroleum Reserves Ltd. (ISPRL) is to store 5.86 million bbl of the former's crude oil in underground rock caverns at the Karnataka state, taking about half capacity of the storage facility, while the other half was heard to have already been filled with Iranian crude oil.

ADNOC supplies three grades of crude oil including Murban, Das blend and Upper Zakum, while the former was heard to be likely the grade that would be stored in Mangalore.

Fellow Gulf supplier, Kuwait National Petroleum Company (KNPC) has opened up its assets of Shuiba refinery on a public auction, which has ceased operations as of April 1, according to a document obtained by OPIS.

The document also showed that "KNPC is also intending to sell Process Units located in Mina Abdullah (MAB) and Mina Ahmadi (MAA) refineries upon their Operation cease, tentatively by end of 2018."

The scrapping of the Shuaiba refinery with 200,000 b/d of capacity comes as the country's Kuwait National Petroleum Co. (KNPC) prepares for the clean fuels project.

The project is an upgrade and expansion of the nation's two biggest existing refineries, with the focus on producing cleaner higher-value fuels such as diesel and kerosene for export purpose.

As of now, KNPC runs two refineries ? 466,000-b/d Mina al-Ahmadi, 270,000-b/d Mina Abdullah.

With the ongoing project, Mina al-Ahmadi refinery capacity will be reduced to 347,000 b/d, while that for Mina Abdulla will rise to 454,000 b/d.

The firm has been working on construction of Al-Zour refinery with capacity of 615,000 b/d, for which the initial operation will start in December, 2018.

Once the two ongoing projects are completed, the country's total refining capacity will rise to 1.416 million b/d.

Meanwhile, as of 4:30 pm in Singapore, Brent futures stood at $55.74/bbl, up by $1.39, while that for Dubai and U.S. West Texas Intermediate (WTI) crude were trading at $54.43/bbl and $52.97/bbl, also up by $1.43 and $1.44, respectively, all for the month of June.

The spread between Brent and Dubai narrowed by 4 cents, ending the session at $1.31/bbl, while that for Dubai and WTI also narrowed by 1 cents to $1.46/bbl.

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