Diesel Prices Lifted by LSG, Physical Length Keeps Diffs Steady

Diesel outright prices were lifted by an upswing in LSG Monday, although lacklustre screen trading highlighted generally weak buying interest amid a well-supplied complex. The front-month had gained $16.25/ton by the settle, as momentum continued for crude markets on the prospect of OPEC cuts.

The prospect of supply length was keeping diesel barge prices largely in check, with trades flat to January futures as bearish U.S. inventory data showing a significant 9.5 million bbl build and a fall in implied demand.

“For diesel and middle distillates in general this meant that the higher frequency inventory data from around the globe now shows a 2018 year-end storage level that is comparable to 2017, with the caveat of course being that the market is in fact tighter since demand is about 400,000 b/d higher already,” consultancy JBC Energy said in a note to the market.

(Continued on Page 2)
With the overall January outlook in terms of global turnarounds currently quite a bit lower than last year’s, we might actually see inventory continue to accumulate at an elevated rate,” they added.

Despite the surge in stocks across the Atlantic, diesel and gasoil held in independent storage in the ARA refining and storage hub was relatively static in the week to last Thursday, data from PJK International, and at 2.043 million tons it currently sits around 11% below year-ago levels.

Northwest Europe has seen increasing supply pressure from abundant supplies from Primorsk as well as a pickup in transatlantic imports following a wider HO-GO spread last month which has improved the economics to ship diesel from the U.S.

The good availability of MR sized cargos has also resulted in term lifters combining allocations and heading to storage. The Hafnia Arctic, which was chartered by Glencore to haul 60,000 tons of diesel from Primorsk was expected to discharge in Antwerp later today, while the Vitol chartered Amalia was currently signalling its intentions to head to Amsterdam having loaded last week from the Baltic port.

Mediterranean refiner ENI was heard to have shut one of its CDU at its 200,000-b/d Milazzo facility last Thursday following bad weather which had prevented crude tankers reaching the port.

Meanwhile, The Society of Motor Manufacturers and Traders (SMMT) announced that the U.K. saw the largest fall in new car registrations since 2008, driven primarily by lower consumer appetite for diesel cars.

A total of 2.37 million cars were registered during 2018, a 6.8% decline from last year, although diesel powered vehicle registrations made up a significant quantity of the decline, down 29.6% lower during the year.

“Anti-diesel rhetoric and negative fiscal measures took
their toll, with December marking the 21st consecutive month of decline for the fuel type – despite new emissions tests showing diesels deliver in the real world,“ the SMMT said in a press release.

**OPIS450 Jet FOB Trade Disclosed**

It was a busy afternoon on jet fuel trading screens across northwest Europe, with one 3,000 metric-ton OPIS450 jet FOB trade and two other FOB trades on another platform.

The OPIS450 trade saw Shell hit a Vitol bid, trading at January low sulfur gasoil futures plus $45/ton, basis ARG.

There were two CIF trades, with Shell selling 30,000 tons to Totsa, basis Rotterdam, for laycan dates of 17-21 January, with 27,000 tons priced at CCM plus 3.00, and with Shell selling another cargo to Vitol, basis CIM Le Havre, at CCM plus 1.5.

The cargo screens were busy with three Totsa bids, accompanied by two Unipex offers and four more from Shell, while buyside interest was absent from the screen FOB market, with just one offer apiece from airline KLM and Shell Trading Rotterdam. Vitol was bidding on the OPIS450-Traport jet screen today.

As crude bounced higher today from last week’s close, outright prices were lifted, with the NWE CIF price assessed at $591.75/ton, the highest since Dec. 17, according to OPIS data.

Outright FOB prices swung higher, also to the highest since mid-December, although two FOB trades at $38/ton plus February LSG disclosed today knocked $3.50/ton off FOB NWE differentials.

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**10ppm Gasoil vs ICE LS Gasoil Futures (EFS)**

<table>
<thead>
<tr>
<th></th>
<th>FOB Sing Gasoil</th>
<th>LS Gasoil M+1</th>
<th>Difference</th>
<th>Change</th>
<th>30-day average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>532.00</td>
<td>542.75</td>
<td>-10.75</td>
<td>1.84</td>
<td>-18.527</td>
</tr>
<tr>
<td>Feb</td>
<td>534.46</td>
<td>542.75</td>
<td>-8.29</td>
<td>1.94</td>
<td>-10.669</td>
</tr>
</tbody>
</table>

**Jet and Diesel Indicative Arbitrage to NWE**

**Historical and Projected Jet and ULSD Imports into EU (million tonnes)**

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(Continued from Page 2)

(Continued on Page 4)
In shipping news the VS LEIA was reported on subjects for a East Med/Med journey, loading 30,000 tons of jet on Jan. 13, while Elion Oil also placed the Aldebaran on subs for a Greece-Med journey, loading another 30,000-parcel on Jan 11-12 dates.

The Histria Giada, chartered BP to load 40,000 tons of jet in Rabigh for a European discharge at around $900,000 lump sum was today reported to have failed its subjects.

A softening of freight rates was reported in the refined oil tanker market, with rates likely to continue to decrease during the first quarter as many refineries enter into scheduled maintenance, according to shipbroker Clarkson Platou today.

Estimated Jan-Feb European Jet Cargo Arrivals

JAG PRANAV, 40,000 tons, France, 8-Jan
LEADER, 60,000 tons, United Kingdom, 8-Jan
BW COLUMBIA, 60,000 tons, United Kingdom, 9-Jan
STI PROVIDENCE, 60,000 tons, Netherlands, 10-Jan
ATLANTIC GRACE, 40,000 tons, United Kingdom, 10-Jan
CHANCE, 35,000 tons, Spain, 17-Jan
ALDEBARAN, 30,000 tons, Mediterranean, 19-Jan
HAFNIA MALACCA, 30,000 tons, Mediterranean, 19-Jan
UACC IBN AL HAITHAM, 65,000 tons, U.K. Continent, 19-Jan
AMALIA, 60,000 tons, Mediterranean, 19-Jan
HAFNIA ATLANTIC, 35,000 tons, U.K. Continent, 21-Jan
BW LARA, 60,000 tons, U.K. Continent, 22-Jan
HAFNIA EUROPE, 60,000 tons, U.K. Continent, 23-Jan
STI EXPEDITE, 60,000 tons, U.K. Continent, 25-Jan
LAKE TROUT, 65,000 tons, U.K. Continent, 26-Jan
NAN LIN WAN, 90,000 tons, U.K. Continent, 26-Jan
ATHINA, 60,000 tons, U.K. Continent, 28-Jan
FRONT TIGER, 90,000 tons, U.K. Continent, 29-Jan
SCF PLYMOUTH, 60,000 tons, U.K. Continent, 1-Feb
HISTRIA TIGER, 30,000 tons, Mediterranean, 4-Feb
STI PARK, 90,000 tons, U.K. Continent, 18-Feb

Funds Cut More Net Length in European Oil Futures

Funds cut bullish positions in Brent and low-sulfur gasoil futures in the last week of 2018 to cap a bearish year for European futures, the Commitments of Traders Report for the ICE exchange showed Monday.

The money managed category cut around 6,800 long lots and added 3,100 short lots in Brent futures and options over the week to Dec. 31.

Speculative net length fell around 9,900 lots to around 152,300 lots.

That was down just under 409,000 lots year-on-year, although most of the cuts have happened since early October when speculative net length had recovered to nearly 500,000 lots again after a dip down to 325,000 lots in August.

Funds were left holding 255,000 long lots and 102,500 short lots in Brent futures and options at the end of 2018, compared to 626,500 long lots and 61,300 short lots at the end of 2017.

In European distillate futures, funds held almost the same number of bearish bets as bullish bets.
Distillate differential and outright swaps at 16:30

<table>
<thead>
<tr>
<th>Location</th>
<th>Jet NWE Cargo Swap</th>
<th>Jet NWE Cargo Forward</th>
<th>Jet Barge Swap</th>
<th>Jet Barge Forward</th>
<th>ULSD NWE Cargo Swap</th>
<th>ULSD NWE Cargo Forward</th>
<th>ULSD Barge Swap</th>
<th>ULSD Barge Forward</th>
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</thead>
<tbody>
<tr>
<td>January</td>
<td>45.50</td>
<td>588.97</td>
<td>-3.50</td>
<td>585.47</td>
<td>3.00</td>
<td>546.47</td>
<td>-0.25</td>
<td>543.22</td>
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<tr>
<td>February</td>
<td>45.25</td>
<td>588.75</td>
<td>-2.50</td>
<td>586.25</td>
<td>3.50</td>
<td>547.00</td>
<td>-0.38</td>
<td>543.12</td>
</tr>
<tr>
<td>Quarter 2</td>
<td>46.25</td>
<td>590.67</td>
<td>-2.38</td>
<td>588.30</td>
<td>4.38</td>
<td>548.80</td>
<td>-0.50</td>
<td>543.92</td>
</tr>
<tr>
<td>Quarter 3</td>
<td>46.00</td>
<td>598.87</td>
<td>-2.38</td>
<td>596.49</td>
<td>4.38</td>
<td>557.24</td>
<td>-1.50</td>
<td>551.37</td>
</tr>
</tbody>
</table>

ICE Brent and LS Gasoil (ULSD) Futures at 16:30

The managed money category cut 1,250 long lots and added 10,900 short lots in low-sulfur gasoil futures and options over the week to Dec. 31.

Speculative net length fell to 3,140 lots, split between 55,376 longs and 52,236 shorts.

European Retail Road Fuel Prices Fall Sharply in December: OPIS NAVX

December saw average road fuel prices across the five largest Eurozone countries fall to their lowest levels in eight months, according to daily retail prices collected by OPIS NAVX, as supply constraints and low Rhine levels recovered during the month.

Motorists in the country paid 8.2% less on average for gasoline compared to November at 1.4108 euros/liter ($1.6058/liter) and 9.4% less for diesel at 1.2850 euros/liter ($1.4626/liter).

(Continued from Page 4)

Analyst Forecasts for Future Brent Crude Prices

<table>
<thead>
<tr>
<th>Analyst</th>
<th>Brent /bbl</th>
<th>Period</th>
<th>Stamp*</th>
</tr>
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<tbody>
<tr>
<td>BoAML</td>
<td>80.00</td>
<td>2019</td>
<td>Sep</td>
</tr>
<tr>
<td>Barclays</td>
<td>80.00</td>
<td>2019</td>
<td>Sep</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>80.00</td>
<td>Q4 2018</td>
<td>Sep</td>
</tr>
<tr>
<td>DNB</td>
<td>83.00</td>
<td>2019</td>
<td>Oct</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>80.00</td>
<td>Q4 2018</td>
<td>Sep</td>
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<tr>
<td>Societe Generale</td>
<td>78.00</td>
<td>Q4 2018</td>
<td>Sep</td>
</tr>
</tbody>
</table>

(Continued on Page 7)
Clean jet prices and carbon futures $/mt

<table>
<thead>
<tr>
<th>Location</th>
<th>Clean spread</th>
<th>Outright Clean Jet</th>
<th>Change</th>
<th>Stamp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cif NWE</td>
<td>80.34</td>
<td>672.09</td>
<td>16.00</td>
<td>7 Jan</td>
</tr>
<tr>
<td>Fob Med</td>
<td>80.34</td>
<td>653.93</td>
<td>18.60</td>
<td>7 Jan</td>
</tr>
</tbody>
</table>

ICE Carbon Futures ($/mt) | Price € | Change | Price $ | Clean Spread |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CER Dec 2019</td>
<td>0.24</td>
<td>0.00</td>
<td>0.28</td>
<td>0.87</td>
</tr>
<tr>
<td>EUA Dec 2019</td>
<td>22.25</td>
<td>-1.48</td>
<td>25.51</td>
<td>80.34</td>
</tr>
</tbody>
</table>

Ratio of Barge Price to Rolling Brent Crude at 16:30 London

Exchange Rate and prices in Euros | Change
---|---
Dollars per Euro | 1.1463 | 0.0060
Jet Barge Fob | 509.23 | 7.20
NWE Jet Cargo Cif | 516.21 | 11.33
Med Jet Cargo Fob | 500.37 | 13.69
ULSD Barge Fob | 473.90 | 10.46
NWE ULSD Cargo Cif | 475.43 | 9.79
Med ULSD Cargo Cif | 476.48 | 10.21
50ppm Barge Fob | 471.72 | 10.47

Product $/bbl | Price | Change
---|---|---
Gasoil barge | 13.08 | 0.87
50ppm barge | 14.25 | 0.43
10ppm barge | 14.59 | 0.43
Jet barge | 15.65 | -0.12
Rolling Brent | 58.33 | 1.55

* The Rolling Brent assessment smooths out the curve between front and second month. ICE Brent contracts on expiry. Each new trading day, Rolling Brent takes proportionally less account of the front month and more of the second month.

OPIS Europe Jet, Diesel and Gasoil Report

Methodology: OPIS assesses trades and market deals over a full trading day from 9.30am to 4.30pm. Based on this data, OPIS calculates a simple average of differentials which are added to the official settlement of the ICE gasoil contract at 4:30pm London time. A more complete summary of OPIS full-day price methodology is found at www.opisnet.com/about/methodology.aspx.

Editorial staff: Paddy Gourlay (UK) pgoirlay@opisnet.com, +44 (0)7595117236, ICE chat: paddygourlay. Anthony Lane (UK) alane@opisnet.com, +44 (0)7716794456, ICE chat: anthonylaneopis. Paulina Lichwa-Garcia (UK) plichwa-garcia@opisnet.com, +44 (0)797 661 4459, ICE chat: plichwa Garcia. Alex Pearce (UK) apearce@opisnet.com, +44 (0)7970829306, ICE chat: apearce5. Rob Sheridan (UK) rshearan@opisnet.com, +44 (0)7970114695, ICE chat: rsheridan3. Sales VP, Global: Scott Berhang (US) sberhang@opisnet.com, +1 3012841966. Director, Content and Business Development, Europe: Tim Wright (Sweden) twright@opisnet.com, +46 (0)701750001, ICE chat: twright13.
Parts of Germany primarily supplied by road fuel via the Rhine river from storage in the Amsterdam-Rotterdam-Antwerp (ARA) hub struggled to secure enough supplies from the second week in October, as water levels slipped below 50cm at Kaub. The issue was further compounded by some refiners having to reduce output due to logistical challenges shipping feedstock and components in and out of the facility via waterways, resulting in diesel having to be shipped into ports such as Hamburg and trucked via road which increased retail costs.

With water levels recovering to typical levels, and Russian diesel exports from Primorsk rebounding 26% during the month, prices across Germany as well as Spain, Italy, France and the United Kingdom have fallen sharply during December, according to OPIS NAVX data.

OPIS assessed spot diesel barge prices an average of 14% lower at $555/ton during December compared to the previous month, as wholesale prices tumbled.

The combined effects of lower gasoline exports from northwest Europe and ARA stocks a third above their year-ago level at 1.374 million tons according to PJK International, also put pressure on retail prices for the road fuel.

Premium unleaded barges were pegged 13% lower month on month to average $507.41/ton, according to OPIS data.