OPIS Europe LPG & Naphtha Report

A Daily Report on Europe LPG and Naphtha Spot Prices with News and Commentary

OPIS By IHS Markit

4 January 2019

ICE Brent Futures at 16:30

Brent Crude Oil ($/bbl)		
Month	Price	Change
MAR	56.76	+1.88
APR	56.91	+1.81
MAY	57.15	+1.76

Energy Futures at Settlement

WTI Crude Oil ($/bbl)		
Month	Price	Change
FEB	47.96	+0.87
MAR	48.28	+0.88
APR	48.65	+0.88

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JAN. TO SEE SECOND LARGE LPG IMPORT, C4 RISES ON DEAL

In Northwest Europe, cutbacks in crude oil by key OPEC members in late-2018 filtered through to LPG and naphtha markets, as the first week progressed to its conclusion after a New Year wobble.

Early cuts in crude production by Saudi Arabia and the United Arab Emirates from December appear to have provided a lift to the market. Brent hit a high of $58.27/bbl mid-afternoon Friday, before subsiding. The marker had made a steady climb, straight lining upwards in the early hours of Friday morning, reaching $2/bbl over the previous close when trade opened in Europe.

Naphtha took the cue more so than propane, the latter seeing another large-cargo import on the horizon, which took the edge off the rise in price.

Propane swaps ended the day marked at $397/t inside the 4:00-4:30pm GMT timeframe, up by $6/t on the day, seeing a single trade at 50kt early in the 30-minute session. Another 50kt trade for February was done inside the same timeframe at $394/t, as well as a regular-sized pitch for February late in the session at $387/t. The large swap placement was suggestive of similarly-sized cargoes.

Physical large-cargo activity was absent for propane as the week closed, leaving the OPIS assessment of the cash differential unchanged on day at +$1.5/t to January, or $398.5/t outright.

The second VLGC-sized cargo import of the new year appeared at the end of the week. The BW Mindoro changed its destination from Tarragona to Terneuzen, having departed the loadport Marcus Hook on the U.S. East Coast.

OPIS had noted on the opening workday of 2019 that the propane/naphtha Jan. spread

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OPIS LPG Settle Prices ($/mt)

Location	Low	High	Mean	Change	MTD Avg
Propane CIF ARA	396.50	400.50	398.50	+6.00	399.667
Butane CIF ARA (+4,000mt)	380.50	384.50	382.50	+21.50	370.333
Propane FOB Med	433.00	437.00	435.00	+5.00	436.667
Butane FOB Med	378.00	382.00	380.00	+20.00	368.333

OPIS CIF ARA Propane Swaps ($/mt)

	Mean	Change
Balance January 4:00-4:30pm	397.00	+6.00
Physical-Paper Differential	+1.50	0.00

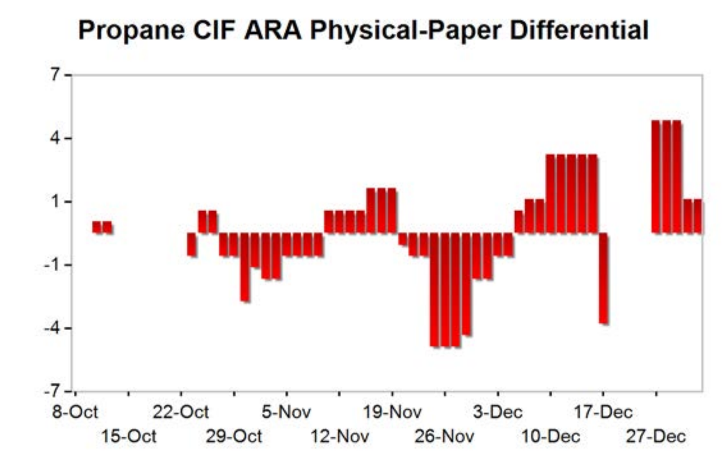
OPIS LPG Mont Belvieu Snapshot ($/mt)

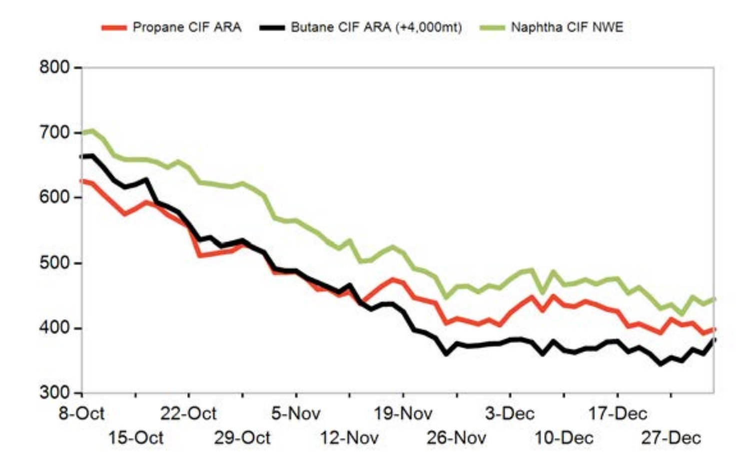
Location	Mean	Change	MTD Avg
Mont Belvieu Non-TET Propane	329.53	+6.51	328.664
Mont Belvieu Non-TET Butane	352.77	+8.49	348.621

OPIS Naphtha Settle Prices ($/mt)

	Mean	Change	MTD Avg	Diff to Flat Price
Naphtha CIF NWE (4:00-4:30pm UK time)	445.00	7.50	443.500	-- --
Open-Spec Naphtha	446.50	8.00	444.500	1.50
Paraffinic Naphtha	450.00	9.50	447.333	5.00

OPIS Spot Prices ($/mt)





OPIS Global Spot LPG Prices ($/mt)

		Propane		Butane	
	Date	Price	Change	Price	Change
CIF ARA	4-Jan-2019	398.50	+6.00	382.50	+21.50
CFR Japan	4-Jan-2019	425.50	-1.00	425.50	+1.00
Mont Belvieu Non-TET	3-Jan-2019	325.30	-4.23	346.55	+2.26
FOB Arab Gulf	4-Jan-2019	394.00	+6.00	404.00	+26.00

OPIS 44,000mt VLGC Freight Rates ($/mt)

Route	Rate	Change	NWE C3 Netback	NWE C4 Netback
AG - Japan	33.50	-0.50	-	-

Route	Rate	Change	NWE C3 Netback	NWE C4 Netback
USGC - NWE	30.00	-1.00	368.50	352.50

January LPG Posted Prices ($/mt)

	Propane		Butane	
	Price	Change	Price	Change
Saudi Arabia FOB	430.00	-15.00	420.00	+5.00
Algeria FOB	385.00	0.00	365.00	-10.00
North Sea	384.50	-6.50	333.00	-23.00

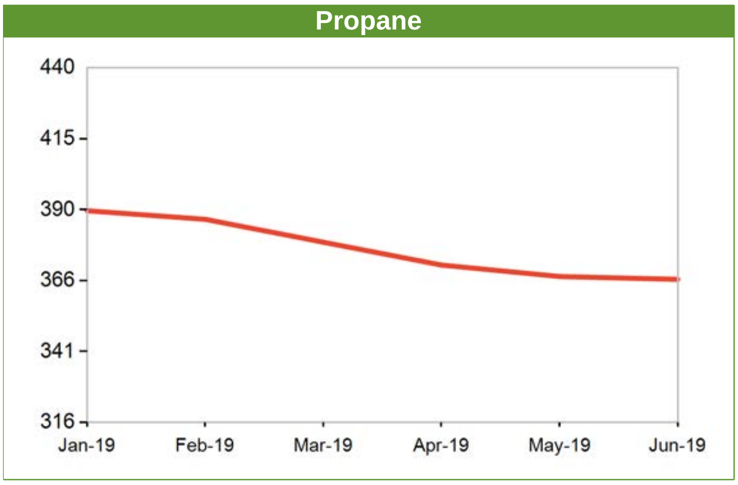
OPIS End of Day NWE Forwards Prices ($/mt)

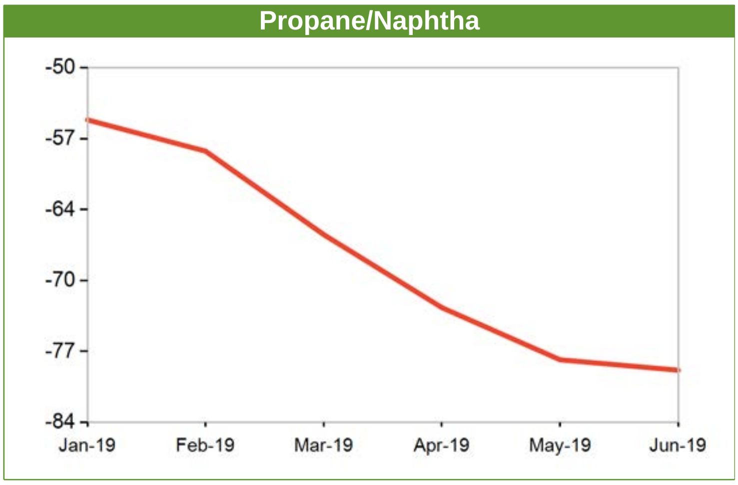
Month	Min	Max	Mean	Change	Time Spread	Pro/Nap	Naphtha	Change
JAN 2019	388.00	392.00	390.00	-4.00	+3.00	-55.00	445.00	+5.00
FEB 2019	385.00	389.00	387.00	-2.00	+8.00	-58.00	445.00	+6.00
MAR 2019	377.00	381.00	379.00	+1.00	+8.00	-66.00	445.00	+7.00
APR 2019	369.00	373.00	371.00	+4.00	+4.00	-73.00	444.00	+6.00
MAY 2019	365.00	369.00	367.00	+6.00	+1.00	-78.00	445.00	+7.00
JUN 2019	364.00	368.00	366.00	+7.00	-3.00	-79.00	445.00	+7.00
JUL 2019	367.00	371.00	369.00	+6.00	-4.00	-77.00	446.00	+7.00
AUG 2019	371.00	375.00	373.00	+6.00	-5.00	-74.00	447.00	+7.00
SEP 2019	376.00	380.00	378.00	+7.00	-4.00	-70.00	448.00	+7.00
OCT 2019	380.00	384.00	382.00	+7.00	-4.00	-68.00	450.00	+7.00
NOV 2019	384.00	388.00	386.00	+7.00	-3.00	-65.00	451.00	+7.00
DEC 2019	387.00	391.00	389.00	+6.00	-4.00	-63.00	452.00	+7.00
JAN 2020	391.00	395.00	393.00	+6.00	-- --	-59.00	452.00	+7.00
Q1 2019	384.00	388.00	386.00	-1.00	+18.00	-59.00	445.00	+6.00
Q2 2019	366.00	370.00	368.00	+5.00	-5.00	-77.00	445.00	+7.00
Q3 2019	371.00	375.00	373.00	+6.00	-13.00	-74.00	447.00	+7.00
Q4 2019	384.00	388.00	386.00	+7.00	0.00	-65.00	451.00	+7.00
Q1 2020	384.00	388.00	386.00	+6.00	-- --	-67.00	453.00	+7.00
CAL 2019	376.00	380.00	378.00	+4.00	0.00	-69.00	447.00	+7.00
CAL 2020	376.00	380.00	378.00	+9.00	-- --	-76.00	454.00	+6.00

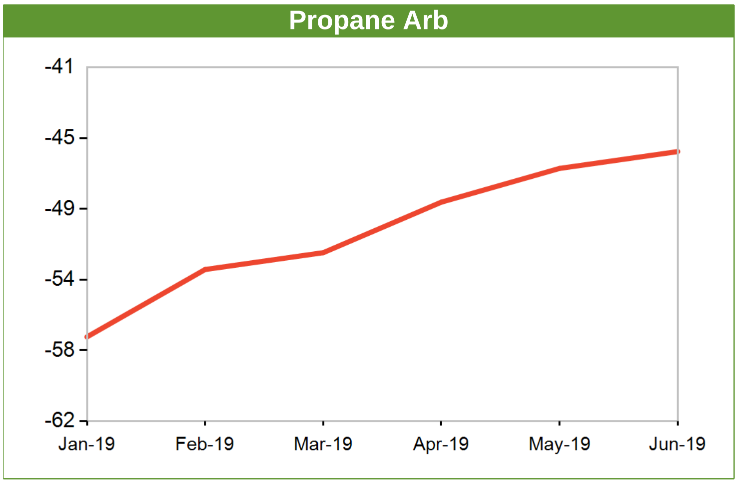
OPIS Global Propane Forward Prices ($/mt)

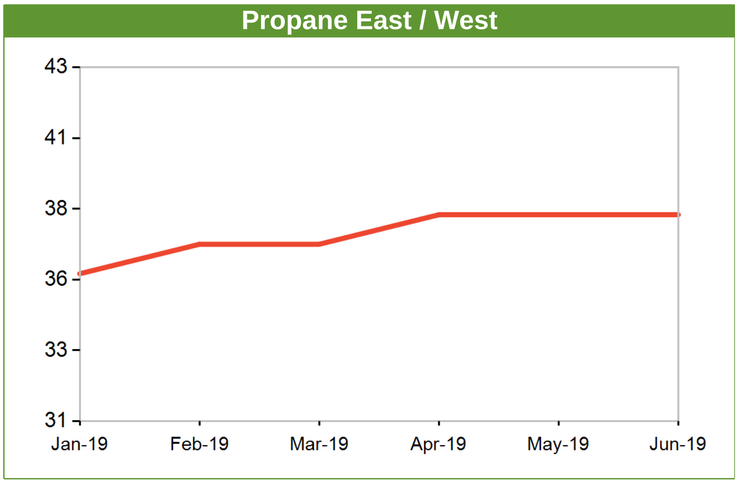
Month	Belv.	Change	Arb	CP	Change	FEI	Change	E/W
JAN 2019	333.00	+4.00	-57.00	-- --	-- --	426.00	-5.00	+36.00
FEB 2019	334.00	+3.00	-53.00	405.00	-4.00	424.00	-3.00	+37.00
MAR 2019	327.00	+3.00	-52.00	399.00	-3.00	416.00	-1.00	+37.00
APR 2019	322.00	+4.00	-49.00	388.00	-1.00	409.00	+2.00	+38.00
MAY 2019	320.00	+4.00	-47.00	382.00	-1.00	405.00	+4.00	+38.00
JUN 2019	320.00	+3.00	-46.00	377.00	-1.00	404.00	+5.00	+38.00
JUL 2019	322.00	+3.00	-47.00	376.00	-1.00	407.00	+5.00	+38.00
AUG 2019	326.00	+2.00	-47.00	380.00	0.00	411.00	+5.00	+38.00
SEP 2019	331.00	+2.00	-47.00	383.00	-1.00	415.00	+6.00	+37.00
OCT 2019	337.00	+3.00	-45.00	387.00	0.00	418.00	+5.00	+36.00
NOV 2019	342.00	+3.00	-44.00	390.00	+1.00	422.00	+5.00	+36.00
DEC 2019	346.00	+2.00	-43.00	392.00	0.00	425.00	+5.00	+36.00
JAN 2020	350.00	+2.00	-43.00	393.00	+1.00	429.00	+6.00	+36.00
Q1 2019	331.00	+3.00	-55.00	402.00	-4.00	422.00	-3.00	+36.00
Q2 2019	320.00	+3.00	-48.00	382.00	-1.00	406.00	+4.00	+38.00
Q3 2019	326.00	+2.00	-47.00	380.00	0.00	411.00	+5.00	+38.00
Q4 2019	342.00	+3.00	-44.00	389.00	0.00	422.00	+5.00	+36.00
Q1 2020	346.00	+2.00	-40.00	387.00	0.00	423.00	+6.00	+37.00
CAL 2019	330.00	+3.00	-48.00	387.00	-1.00	415.00	+3.00	+37.00
CAL 2020	335.00	+2.00	-43.00	382.00	+2.00	414.00	+7.00	+36.00

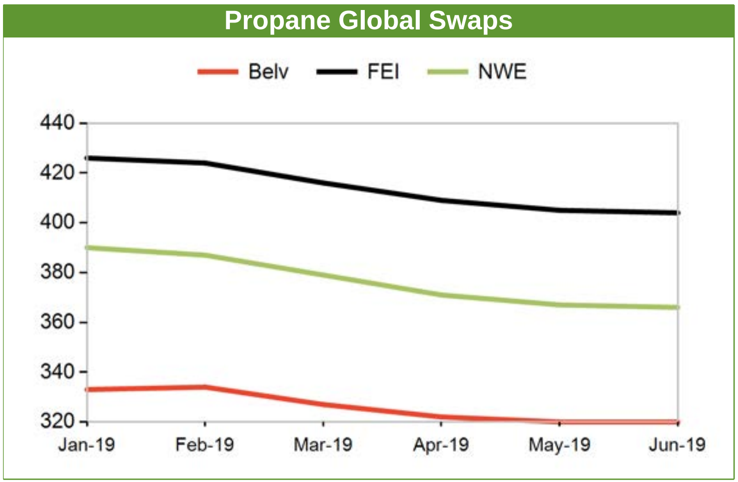
OPIS 6-Month Forward Curve ($/mt)











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had sprung wider, just shy of doubling, thus moving the spread toward improved viability for propane as a cracking feedstock in NW Europe.

The Jan. spread ended Friday wider still, at -$55/t from -$46/t a day ago. The Feb. discount was marked at -$58/t from Thursday's -$50/t.

Large-cargo butane was gauged higher at 86% to January naphtha, following a deal earlier this week, which had been initiated by a cargo offer.

Butane coasters in NW Europe were gauged at 90% to naphtha.

In monomer markets, the agreed term prices for January showed a decrease, as crude prices had been depressed at the time of the settlement.

Ethylene was agreed at EUR 985/t (from EUR 1,025/t in December), and propylene was set at EUR 925/t (from EUR 985/t).

Ethylene is seeing persistent length, according to a note by IHS-Markit Chemicals, exemplified by spot prices in January in a EUR 820-860/t range, whilst propylene is seen more balanced, though spot prices have been seen in range of EUR 870-890/t.

The Navigator Venus was noted by broking sources as loading at Stenungsund Friday, with a possible ethylene

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OPIS Europe LPG & Naphtha Report Methodology

OPIS assesses daily spot propane and butane and naphtha prices at the key trading hubs in northwest Europe and the Mediterranean region. Editors record and confirm deals, bids and offers, analyse supply and demand fundamentals, and gauge market sentiment and outlook. Prices are quoted in US dollars per metric ton. Times quoted are that of the United Kingdom.

In the northwest European propane market, OPIS assesses cargoes CIF basis Flushing for 10-20 days forward delivery. The grade and quality, delivery and nomination terms are based on the prevailing, industry-accepted forward contract, such as the TOT contract. Positions referencing alternative forward delivery contracts will be considered if the dates fall into the 10-20 day forward delivery range. The cargo quantity considered for assessment is between 19,400-23,100 metric tons in seller's option.

Butane prices are for field grade mixed butane cargoes above 4,000mt delivered 5-20 days forward basis CIF ARA.

In the Mediterranean, OPIS assesses field grade and refinery grade propane and butane FOB basis Lavera 5-15 days forward. Cargo sizes are 1,500mt and above.

The physical flat naphtha price assessment is based on public physical spot deals transacted between 4:00-4:30pm London time. The delivery period assessed is a forward 10-25 delivery window basis CIF NWE, also termed CIF Rotterdam. The typical cargo size for assessment purposes will be in the range 12.5-25kt and deals done in larger volumes may at times be included at the discretion of the editor.

OPIS assesses on a full day basis for the Open Spec and for Paraffinic grade (LVN) naphtha (basis min 80% paraffins).

For further details on the LPG or naphtha methodology see www.opisnet.com/about/methodology.aspx

OPIS contacts a cross-section of market participants daily. Information published is according to the best available data on the day and is subject to change. Please direct any enquiries to energylpedseurope@opisnet.com

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export, whilst propylene is set to arrive into the ARA from the Mediterranean region early in the month.

BIDS/OFFERS: None.

--Dermot McGowan, dmcgowan@opisnet.com

The FOB U.S. Gulf coast propane resale market experienced a slight boost on the last day of the trading week, partly due to growing U.S. propane production, while fresh export volumes out of the U.S. East Coast were expected to be limited.

The U.S. Energy Information Administration (EIA) reported propane/propylene stocks for the week ending Dec. 28 at 70.7 million bbl, down by about 1.5 million bbl from the previous week, driven by strong demand.

Combined demand, which includes exports and product supplied, reached 2.52 million b/d, up 137,000 b/d from the previous week, while production set a new record at 2.145 million b/d, up by 88,000 b/d from the previous week.

The latest inventory level remained higher than year-ago level of 68 million bbl. The draw was in line with mean expectations from an OPIS poll of minus 1.4 million bbl on average, with individual draw estimates ranging from minus 0.3 million bbl to minus 2.8million-bbl.

While strong demand persisted during the holiday season, the hike in production captured market participants' attention.

Both the Midwest and the Gulf Coast regions have set a new weekly production record at 534,000 b/d and 1.201 million b/d respectively, leading the overall hike in the nationwide propane/propylene production.

"If demand wasn't as strong as it is, we could have seen a build this week with that number," said a source.

Arbitrage margins to the Far East and Northwest Europe retreated to below 5cts/gal on Friday as the February Mont Belvieu propane marker stood at an estimated 64.25cts/gal at presstime, up by 0.875cts/gal.

However, sources said that resale values have picked up and are currently hovering above the 5cts/gal mark.

Meanwhile, the market impact of fresh supply through the Mariner East 2 (ME2) pipeline was being assessed, as Energy Transfer Partners (ETP) announced an ME2 in-service effective on Dec. 29, 2018. Sources' views on the potential impact on the U.S. East Coast export market varied, but so far, only limited activities were observed related to fresh ME2 supply.

"Nothing so far, it's been quiet from what we have seen. Guess, maybe [it] will come to light in the next few weeks. It's doubtful there will be some sort of surge though," said a source.

"Not too much, I'm still waiting to hear how much line fill they have, may not get any consistent flows until Feb.," said a second source.

"Not just yet," a third source echoed.

In addition, sources said that multiple contract holders with rights to export their contracted volumes also "have the option to sell FOB at the rack" for local distribution, a factor that may weigh on the fresh exports volumes amid robust local winter demand in the Northeast.

"Hear maybe [a] cargo [i.e. fresh volumes from ME2 for export] end Jan.," said a fourth source.

One source, however, observed rather high exports last week from the U.S. East Coast, totaling 170,000 b/d onto

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three vessels, including the BW Mindoro, Gaschem Hamburg, Clipper Moon.

"Last week has [seen] some real strong exports for the USEC, but not sure how much is timing vs. actual new flows," said the source.

The ME2, a 350-mile NGL pipeline transports ethane, propane and butane from processing plants in Ohio across West Virginia and Pennsylvania to ETP's Marcus Hook Industrial complex in Delaware Country, Pa., for domestic and waterborne markets.

OPIS FOB USGC PROPANE RESALE Diff: +5.00-5.50cts/gal

--Charles Kim, ckim@opisnet.com

NAPHTHA GETS A LIFT, PIGGYBACKS ON BRENT AND FIRMER BIDS/OFFERS

Having followed Brent down the previous day, the Northwest European naphtha flat price hitched a ride on Brent's coat-tails to move higher on-day Friday. That, combined with supportive physical naphtha bids/offers and paper values helped propel the flat price higher by $7.50/t (1.7%) to $445/t.

Positive comments from the Chinese government on the Sino/U.S. trade discussions mingled with press reports that OPEC December output had been reduced by 480,000 b/d to send Brent reaching for the stars. The Brent front-month at 4:30pm GMT was up $1.88/bbl (3.3%) to $56.76/bbl.

One bid and three offers were floated inside the 4:00-4:30pm GMT timeframe, but no deals were concluded. The solitary bid came from a commodities trader looking to acquire a 24,000-ton 19-23 January cargo for $445/t. Optional tolerance was at a $1.50/t premium to the bid. A Geneva-based trader reappeared with two cargoes. The first concerned a 32,000 tons 22-26 January loader, for which it wanted $445/t, with optional tolerance set at the offer price. The second was a 16-20 January shipment, which it was looking to offload for $448/t. The highest offer of $450/t came from a European major for its 32,000-ton 14-18 January consignment, with optional tolerance at a $2/t premium to the offer.

OPIS established the flat price Friday at $445/t, in line with the average of the bid and the lowest offer.

No BALMO or February swaps meeting OPIS methodology were transacted between 4:00-4:30pm GMT, though a handful of crack futures and propane/naphtha swaps did exchange hands. The absence of January swaps in the pricing session was the more remarkable, as eighteen BALMO swaps amounting to 219,000 tons did clear outside of it in a wide $446-$457/t range to average $451.33/t as of 6:00pm GMT.

Open-specification (OSN) cargoes were reported by naphtha players as moving at a $1.50/t premium to the flat price, at which level OPIS established the OSN/flat price spread. They cautioned, however, that the OSN market is being tested by both buyers and sellers, with the bulk of OSN cargoes moving at a discount to not just the above premium but to the flat price as well -- these trades being conducted on a very P+C basis. They also added that currently OSN cargoes purchased on a CIF NWE basis are cheaper than those acquired on a FOB NWE basis.

The same players saw LVN cargoes moving in a $4-$6/t band over the flat price, depending on quality. OPIS pegged the LVN/flat price differential $2/t higher at +$5/t.

Cracks reversed direction on the day, with the January crack plunging by $1.06/bbl to -$6.99/bbl and February by 90cts/bbl to -$7.15/bbl. Both the January/February and February/March backwardations caved in and were close to flipping back into a contango structure. The January/February spread shrank to $0/t from $1/t previously, with the February/March backwardation deteriorating to 25cts/t from its prior $1/t.

A very bearish EIA U.S. Weekly Statistics Report showing a large build in U.S. gasoline inventories and fall in U.S. gasoline demand for the week ending 28 December 2018, which drove U.S. gasoline prices into the ground. This led the RBOB crack versus Brent to plummet into negative territory, shedding $1.27/bbl to -21cts/bbl on-day. EBOB accompanied RBOB's descent into the minus zone, dropping by $1.05/bbl to -22cts/bbl.

These numbers suggest that refiners will make a loss producing gasoline, while the weak demand will probably stymie gasoline blending interest for naphtha in the prompt. The gasoline/naphtha spread widened to $28.77/bbl from its preceding $28.77/bbl.

The East/West naphtha spread ballooned out to $17.50/t from its foregoing $15.75/t.

--Yazdi Merchant, ymerchant@opisnet.com

NWE LPG IMPORTS

JANUARY

- BW Mindoro, ex-Marcus Hook, ldg 1 Jan, 46kt C3, ETA Terneuzen 11 Jan
- Navigator Grace, ex-Ust Luga, ldg mid-Jan, est. 12kt LPG, dest TBD**
- Sibur Voronezh, ex-Ust Luga, ldg early Jan, est. 12kt LPG, dest TBD**
- Navigator Luga, ex-Ust Luga, ldg early Jan, est. 12kt LPG, dest TBD**
- Navigator Libra, ex-Ust Luga, ldg early Jan, est. 12kt LPG, ETA Terneuzen 9 Jan
- Sibur Tobol, ex-Ust Luga, ldg late Dec, est. 12kt C3, arr Canvey Island 1 Jan
- Pacific Hong Kong, ex-Nederland, ldg mid-Dec, 46kt C3, arr Terneuzen 2 Jan

** Unconfirmed

WEATHER, PRICE HIKES DENT GERMANY'S DOMESTIC OIL PRODUCT SALES OVER JAN-OCT

Germany's domestic oil product sales volumes have eased in the first 10 months by 5.3% year-on-year to 83.8 million mt, provisional data from the Federal Office for Economic Affairs and Export Control (BAFA) indicate, with warm weather, rallying prices and energy efficiency gains seen as major factors curbing demand.

Refining output volumes eased in the reporting period by 2.5% to 84.6 million mt on a gross basis, while imports slackened 7.7% to 31.5 million mt and exports slowed 1.4% to 19.3 million mt.

"The Working Group on Energy Balances contributes lower energy consumption primarily to increased prices, mild weather and energy efficiency improvements," industry and research cooperation AGEB said on its own estimate of a 5.0% drop in primary energy consumption over the full year, including a 5.6% decline for petroleum products. "By contrast, the impact of economic and population growth was in 2018 secondary."

The national weather service registered the continued influence of high pressure conditions well into fall, keeping average temperatures 1.7 degrees Celsius above the 1961-1990 reference, or 1.5 degrees above the 1981-2010 average.

In the same month, futures on dated Brent oil surged to a four-year high above $80.0/bbl, pulling the average cost of crude oil imports up to 513.4 euros (+42% on-year) in October and to 459.1 euros (+32%) over the first 10 months, as per BAFA data, with a knock-on effect on refined product values.

Against this backdrop, domestic demand for light gasoil shrank in the first 10 months nearly two-fifths year-on-year to 10.7 million mt, with refiners scaling back output of the product by 15.2% to 8.3 million mt and importers cutting back volumes by 19.5% to 2.2 million mt.

Stripping out weather effects, AGEB sees overall energy consumption through the full year 4% below the prior year.

In addition, U.S.-China trade frictions and Brexit woes affected business confidence, with chemicals manufacturers trimming output (see OPIS alert from Nov. 7, 2018) and new car sales dropping off sharply after summer, hurting diesel-fired units in particular.

On top of this, low water levels in inland waterways impeded some movements in landlocked regions, putting further stress on road and rail transportation.

Declines in domestic 10-month sales were also recorded for naphtha (-33.8% to 8.5 million mt), diesel (-3.0% to 31.4 million mt), gasoline (-1.3% to 15.1 million mt), LPG (-15.6% to 3.1 million mt) and fuel oil (-29.3% to 1.7 million mt).

Aviation fuel sellers bucked the trend, however, with a 0.9% on-year rise indeliveries to 8.5 million mt.

--Inge Erhard, ierhard@opisnet.com

ANALYSIS: BUNKER PLAYERS TO MAKE HAY WHILE SUN SHINES IN 2020

The global bunker market is expected to see a reversal of fortunes in 2020, at least temporarily.

A peek into history of the slowly evolving marine fuel market will show the potential opportunities for bunker players around the world to make a windfall profit from the IMO 2020 mandate early next year, some bunker players told OPIS on Friday.

History will repeat itself when it comes to opportunities to make hay while the sun shines as the market is expected to continue to debate on different options and fuel blends to meet the new 0.5% sulfur bunker specs from Jan. 1, 2020, onward, they said.

The global bunker market has been facing tough times in the past several years due to low margin and strong competition. The market challenges were exemplified in the bankruptcy of a global bunker player, OW Bunker, a few years ago. Aegean Marine Petroleum Network also filed for bankruptcy, but that insolvency was not related to operations or market trends.

Looking forward, bunker players are expected to see a limited window of opportunity of about 6-10 months after the Jan. 1 effective date to make profits amid uncertainty and potential chaos as the shipping market makes a transition from a maximum 3.5% sulfur bunker to a new 0.5% sulfur fuel.

The 6-10 month estimate of "good fortunes" is based on previous marine fuel market transitions in the past 10 years. Traders and bunker players saw a jump in profits when the shipping market makes transitions to 1% sulfur bunker in 2010 for sailing within 200 nautical miles from U.S. coasts and to 0.1% sulfur bunker in 2015.

Oil refiners, traders and bunker suppliers are to look for disjointed fuel supply chains and favorable blending economics around the world or across regions.

The perception of bunker market among refiners could be changing.

Bunker, a derivative of residual fuel or fuel oil, has always been an afterthought for refiners because fuel oil is produced at a significant negative crack spread at refineries, making it a by-product to other more profitable products such as gasoline, diesel and jet.

While many oil players are looking to capitalize on this new market opportunity, oil refiners are seen as the ones that would hold the cards for this new blending game and would benefit the most if they play their cards right.

"Many refiners (in the U.S.) recognize that bunker market will be a huge opportunity to make money in 2020. Some refiners are asking their bunker players to delay their retirements or to come back from retirements," a source said.

"Refiners will produce all the low-sulfur products and components needed for blending," he said.

Refiners may have the upper hand when it comes to fuel production, but in the secondary layer of the market, blenders, traders and bunker players would have the opportunity to market different blends of 0.5% sulfur bunker, which is not being made so far, at least in the western hemisphere.

Back to Earth

The temporary bullish outlook for bunker is expected to disappear as quickly as it appears, sources said.

The bunker market will revert to its tough and challenging environment after the dust has settled near the end of next year, they said.

By the end of next year, the oil and bunker markets would have more clarity on the new bunker fuels in demand, which could be 0.1% sulfur MGO, 0.5% sulfur MGO, 0.5% sulfur distillate-based bunker or 0.5% sulfur fuel oil-based bunker. Shipowners will find out which blend would be best for their ships.

So far, there are potential compatibility issues for different branded products and it remains unclear if ships could run the new 0.5% sulfur bunker without any operational problems. Also, price will be a factor in shipowners' choices as the price spreads between different bunker products could be huge.

Alternatively, shipowners could opt for scrubbers in order to continue to burn high-sulfur bunker or they could use 0.1% sulfur MGO to avoid any potential operational issues.

Shipowners will choose the most practical and most economical fuel for their ships.

"The IMO 2020 mandate won't have a lasting and sustainable long-term benefit to bunker suppliers and blenders, but there could be longer-term benefits in some niche markets," a bunker player said.

Some things don't change in the bunker market, which will remain a "cut throat business," sources said.

Existing challenges of very low margins, high cost of storage tanks, high working capital, investment in delivery infrastructure will remain in the bunker market, they said.

After the initial euphoria of trying to capture strong profits from demand for new bunker products, the bunker market will return to its sobering state of tough operations, sources said.

The only thing that will remain constant will be the significantly higher cost of the new lower sulfur marine fuel and diesel, which will be passed on to consumers. This will bring another worry about the potential impact on global economy, which is already feeling the pressure from rising inflation rate and higher bank interest rates.

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