

Argus Marine Fuels

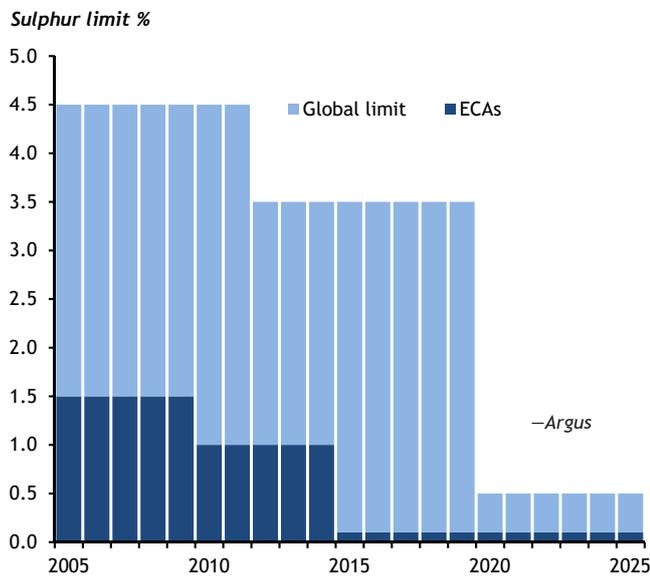
IMO 2020-Compliant Price Assessments

Bunker pricing for an emerging market

IMO 2020 is fast approaching

From 1 January 2020, seagoing vessels will only be permitted to use fuel with a maximum sulphur content of 0.5%, down from 3.5% at present. The adjustment is potentially the largest product specification change ever introduced in a global fuel market.

Global sulphur limits and ECAs



How will shipowners respond to the changes?

With an estimated 200mn t of high-sulphur bunker fuel to be switched out in 2020, regional imbalances across fuel oil and distillates are expected. The extent of demand is unknown, as shipowners consider their options to remain compliant – installing scrubbers or switching to marine gasoil (MGO) or very low-sulphur fuel oil (VLSFO)?

The result will be volatility in spot prices and disruption across bunker supplies. Without the appropriate preparation, the risks associated with pricing and security of supply are high.



	Advantages	Limitations	Likely outcome
0.5% MGO	<ul style="list-style-type: none"> • Known fuel specification • No new investment required 	<ul style="list-style-type: none"> • Expensive • Constrained peak supply 	Primary choice for many players in initial post-IMO years
0.5% fuel oil	<ul style="list-style-type: none"> • Price discount to MGO • No new investment required 	<ul style="list-style-type: none"> • Expensive • Unknown availability • Unknown fuel specification and possible operational challenges 	Primary mid-term choice once supply is established
Scrubbing	<ul style="list-style-type: none"> • Low HSFO price • Attractive economics 	<ul style="list-style-type: none"> • Cost uncertainty • Logistics difficulties • Upfront investment required 	Longer-term play for some vessels once technology and logistics are established
LNG	<ul style="list-style-type: none"> • Attractive economics • Customer appeal 	<ul style="list-style-type: none"> • Limited location availability • Delivery and logistics costs • Upfront investment required 	Interesting niche play in some regions

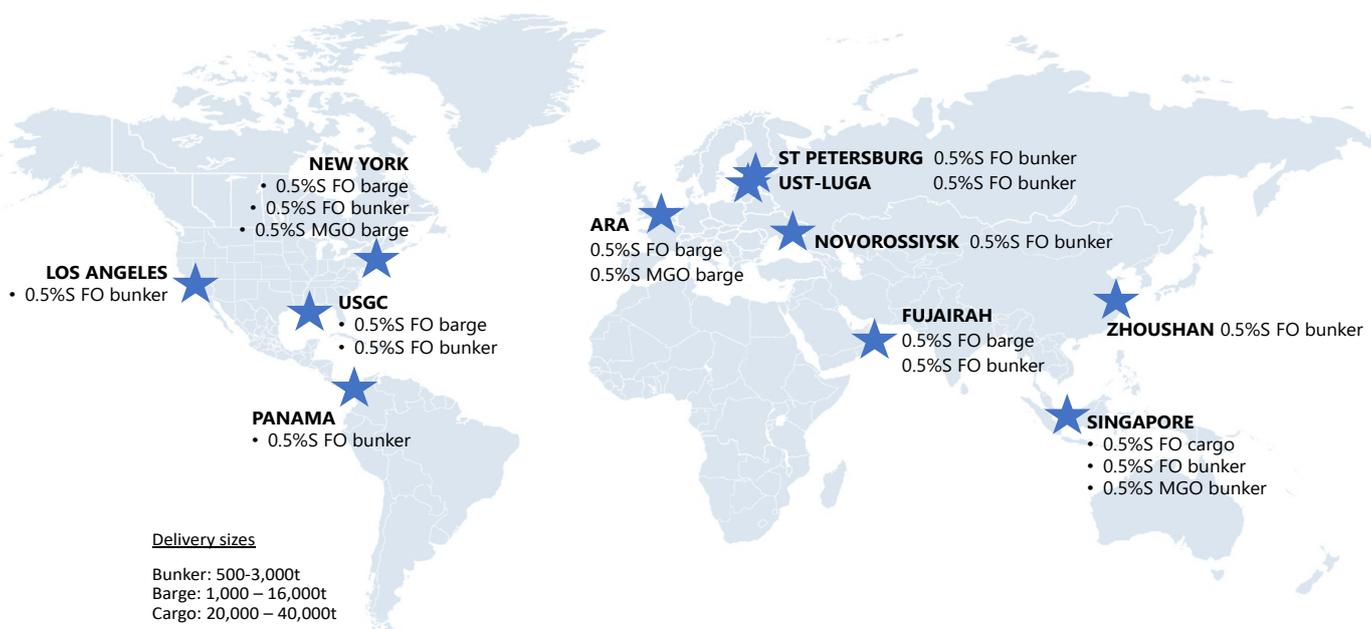
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What has Argus launched?

Argus publishes a global portfolio of IMO-compliant low-sulphur fuel oil and gasoil price assessments. These represent the bulk price of a bunker-suitable fuel that contains no more than 0.5% sulphur. These assessments provide a reference that is reflective of local market dynamics at key bunker hubs across the globe, including; Los Angeles, the US Gulf coast, New York, Panama, the ARA hub, St Petersburg and Ust-Luga, Novorossiysk, Fujairah, Singapore and Zhoushan.

Argus 0.5% sulphur marine fuel assessments



What are the specifications?

Argus VLSFO assessments are for 0.5% sulphur fuels meeting the ISO RMG180 and RMG380 quality standards. New ISO standards are still under discussion, and in the world of 0.5% sulphur fuels, many limiting specifications are no longer constraints on the market. Most blends come in well below existing viscosity and density maximums, many of them meeting the 80cst viscosity RMD standard.

Argus MGO assessments are for 0.5% sulphur fuels meeting the ISO DMA quality standards. MGO will be in firm demand for the initial transition period, as shipowners and operators guard against the anticipated VLSFO compatibility issues. DMA is the prevailing quality standard for almost all MGO.

We expect to tighten, adjust and focus quality specifications as industry-standard and market-traded fuel qualities emerge.

How does Argus assess these markets?

Argus has decades of experience pricing emerging fuel markets. The methodologies we use in the assessment of 0.5% sulphur marine fuels reflect the way each market trades. We aim to publish price assessments that are reliable indicators of VLSFO and MGO market values, free from distortion and representative of spot market values.

In the new world of IMO-compliant fuels, we understand that each market is different, and that liquidity varies from one bunker hub to the next. As a result, we employ a combination of blend calculations, actual market surveys of pricing indications and trade, and statistical correlations. Every price is reporter-tested, editor-tested and market-tested before being published.

We are constantly working with the market to understand how best to accurately assess a spot market value, updating our methodologies accordingly. For more information on our methodologies, visit www.argusmedia.com/methodology.

Find out more

The Argus 0.5% sulphur marine fuel assessments can be found in the relevant Argus services; Argus Marine Fuels, Argus Asia-Pacific Products, Argus European Products, Argus US Products and Argus Russian Fuel Oil.

For the latest news, insight and market activity related to the IMO's 0.5% sulphur cap, visit the Argus IMO Hub page: www.argusmedia.com/imo2020.