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Argus *Marine Fuels*

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LATEST NEWS

Laden Suezmax sustains damage in Suez Canal

A laden tanker sustained hull damage when running aground in the Suez Canal on 15 July.

Turkey to update straits passage rules

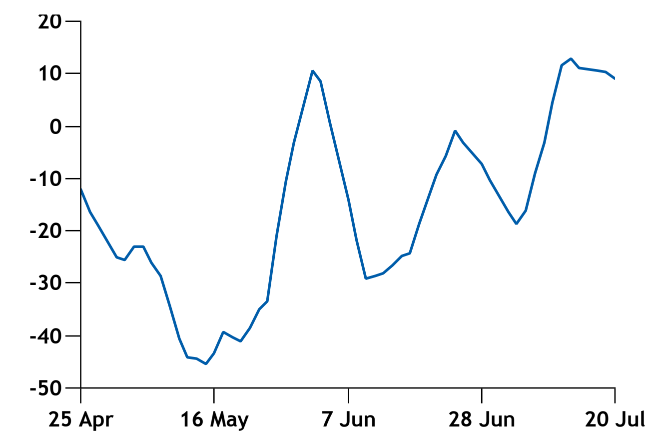
Turkey plans to update regulations and instructions for traffic transiting the Turkish straits, and shipping sources suggest the new rules could come into force on 1 August.

Jones Act recovery uncertain

The spread between delivered costs of imported versus domestic crude into US Atlantic coast refiners will be key in whether the Jones Act ocean-going barge and tanker market will continue to recover from 2017 lows in the second half of 2018.

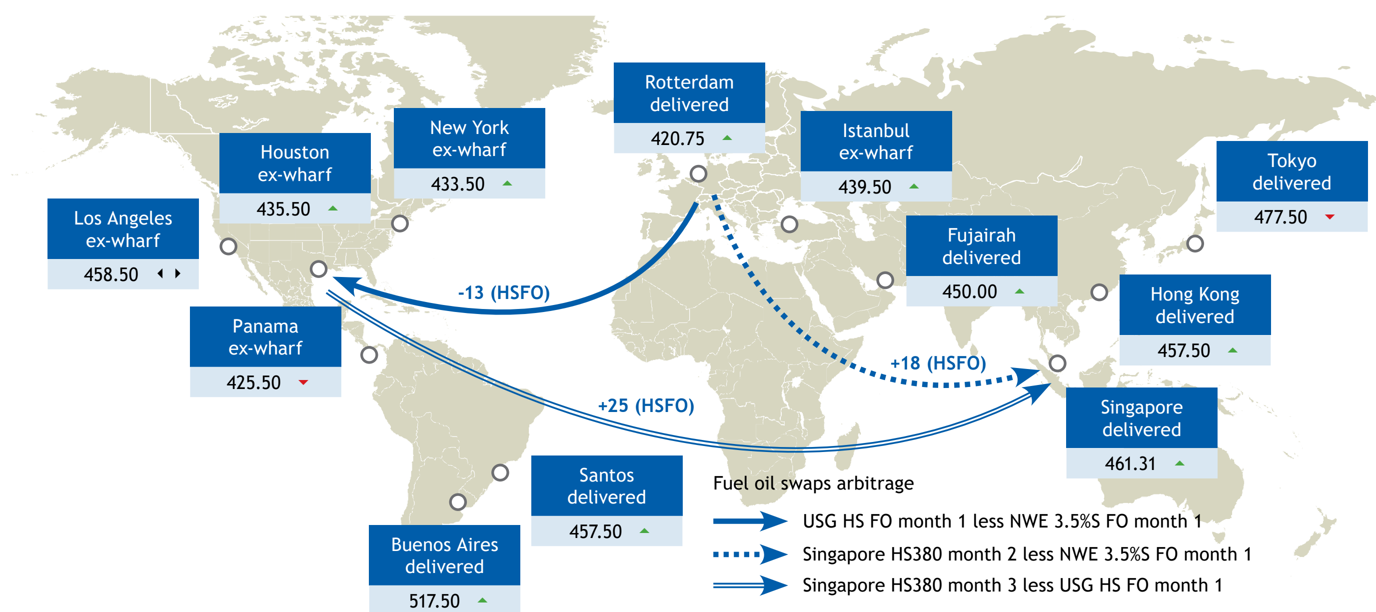
Market summary

In Fujairah supplies were ample but demand was weak. Availabilities improved in el Callao, Peru, with the arrival of fresh resupplies on Friday.



HS 380CST BUNKERS AND BULK FUEL OIL ARBITRAGE

$/t



ASIA-PACIFIC

Singapore

Singapore bunker prices rose today, along with stronger crude prices and fuel oil paper values.

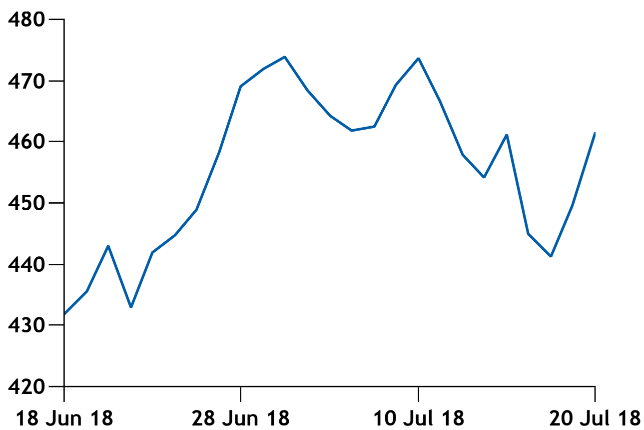
Argus received nine Singapore delivered spot trades totalling 9,200t of 380cst bunkers. The volume-weighted average of 380cst grade bunker trades that met *Argus*' assessment criteria was $461.31/t, a rise of $11.83/t from Thursday's level. *Argus* also received one Singapore delivered spot trade totalling 80t of LSMGO bunkers. The volume-weighted average of LSMGO grade bunkers that met *Argus*' assessment criteria was $636/t, a rise of $6/t from Thursday's level.

Singapore's August front-month fuel oil swaps for 380cst grade cargoes rose by $10/t to $439/t after today's window trading session. The differential between *Argus*' delivered 380cst bunkers and the *Argus* Singapore HSFO 380cst assessment was $13.36/t, while the differential between the delivered 380cst grade and the front-month Brent futures contract at 4:30pm was minus $4.47/bl.

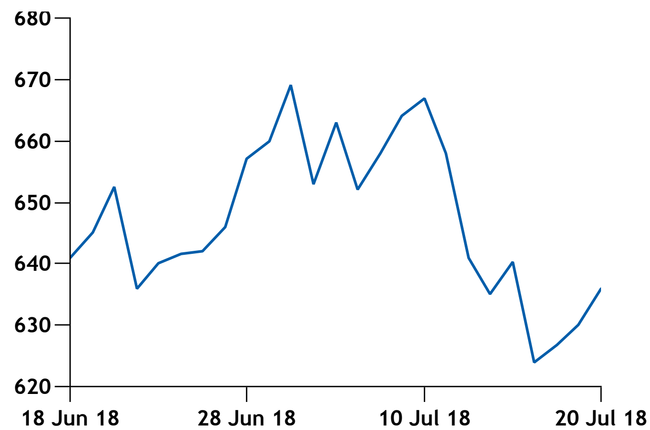
Singapore assessed bunker prices

Grade	HS 380cst	HS 180cst	MGO 1%S max	MGO 0.1%S max
Assessment $/t	461.31	493.50	629.00	636.00
Reported quantity t	9,200	0	0	80

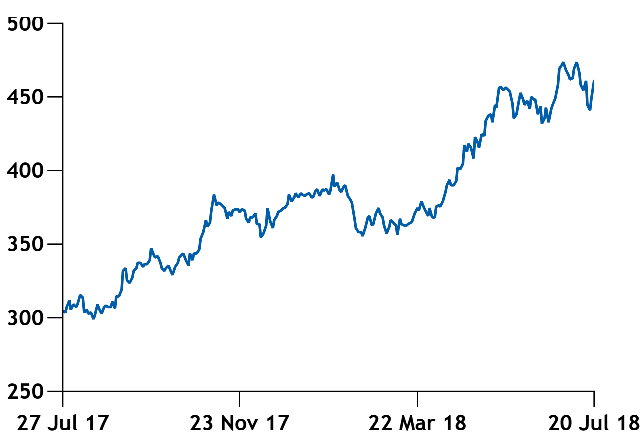
Singapore HS 380cst 1-month history $/t



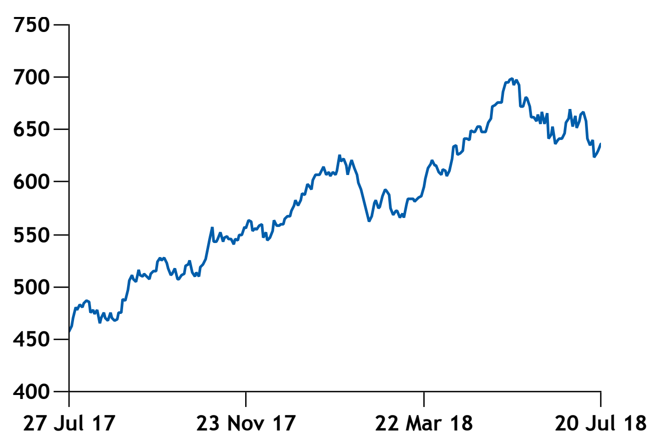
LSMGO price 1-month history $/t



Singapore HS 380cst 2-year history $/t



LSMGO price 2-year history $/t



ASIA-PACIFIC

Assessed bunker prices													$/t
	HS 380cst				HS 180cst					MGO			
Location	Low	High	Mid	±	Low	High	Mid	±	Sulphur max %	Low	High	Mid	±
China delivered													
Hong Kong	455.00	460.00	457.50	▲	-	-	-		0.05	650.00	655.00	652.50	▲
Qingdao	477.00	482.00	479.50	▲	-	-	-		-	-	-	-	
Shanghai	477.00	482.00	479.50	▲	-	-	-		0.10	770.00	775.00	772.50	▲
Asia-Pacific (other) delivered													
Russian far east	400.00	410.00	405.00	◄►	415.00	425.00	420.00	◄►	0.50	645.00	665.00	655.00	◄►
South Korea	465.00	470.00	467.50	▲	485.00	490.00	487.50	▲	1.00	665.00	670.00	667.50	▼
Sydney	562.50	567.50	565.00	◄►	575.00	580.00	577.50	◄►	0.10	815.00	820.00	817.50	◄►
Tokyo	475.00	480.00	477.50	▼	495.00	500.00	497.50	▲	-	-	-	-	
Mideast Gulf and Indian Ocean delivered													
Fujairah	448.00	452.00	450.00	▲	508.00	512.00	510.00	▲	0.10	708.00	712.00	710.00	▲
Khor Fakkan	448.00	452.00	450.00	▲	508.00	512.00	510.00	▲	0.10	708.00	712.00	710.00	▲
Mumbai	503.00	507.00	505.00	▲	-	-	-		1.00	793.00	797.00	795.00	▲

Posted bunker prices													$/t
	HS 380cst				HS 180cst					MGO			
Location	Low	High	Mid	±	Low	High	Mid	±	Sulphur max %	Low	High	Mid	±
Saudi Aramco delivered													
Dammam, Ras Tanura	-	-	487.00	◄►	-	-	498.00	◄►	0.05	-	-	743.00	◄►
Jeddah, Yanbu, Rabigh	-	-	498.00	◄►	-	-	509.00	◄►	1.00	-	-	740.00	◄►

Asia-Pacific markets

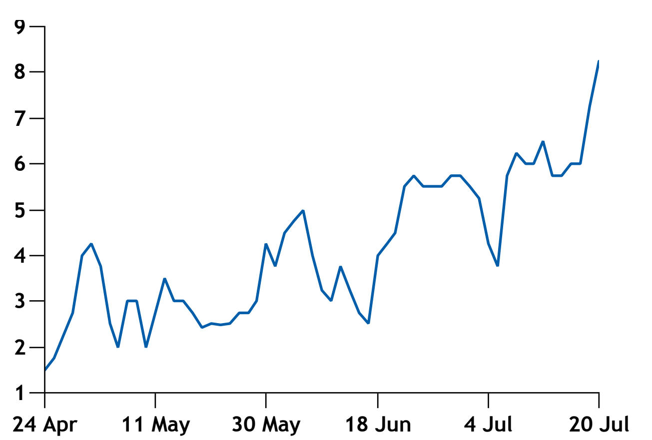
Prices of bonded bunker grade 380cst rose by $6/t in Hong Kong and $8/t at mainland Chinese ports. Offers rebounded in both markets amid a recovery in crude prices and tight supply. Prices from traders in Hong Kong were at around $456-460/t today. A trading firm in Hong Kong increased offers by $13/t to $456/t for 380cst and by $3/t to $466/t for 180cst. Offers from some traders and state-owned suppliers were at $477-483/t for 380cst at Shanghai port today. A few offers were received for Ningbo and Zhoushan ports at similar prices.

Prices of marine gasoil rose by $3/t in Hong Kong and $5/t at mainland Chinese ports today, with mainstream offers at around $655/t and $775/t respectively.

In Fujairah, supplies remained ample but demand was weak. A number of deals from suppliers to traders were done in the $444-450/t range for 380cst HSFObunker fuel. One supplier fixed with a trader 400t for 23-25 July delivery at $447/t. Another deal for four clips with total volume of 1,240t was done at $450/t. One more supplier reported a deal with a trader for around 450t at $444.50/t for 23 July. All deals were based on cash payments.

CPC, Taiwan, delivered					$/t
	Valid from 20 Jul			Valid from 20 Jul	
Location	HS 380	HS 180	HS 80	Sulphur max %	MGO
Hualien, Suao	495.00	495.00	534.00	0.10	720.00
Keelung	483.00	491.00	531.00	0.10	720.00
Taichung	483.00	491.00	531.00	0.10	720.00
Kaohsiung	483.00	491.00	531.00	0.10	720.00

China HSFO - month 1 less month 2 $/t



EUROPE AND AFRICA

Assessed bunker prices $/t

	HS 380cst				HS 180cst				MGO					ECA 0.1%			
Location	Low	High	Mid	±	Low	High	Mid	±	Sulphur max %	Low	High	Mid	±	Low	High	Mid	±
Africa delivered																	
Canary islands	451.75	456.75	454.25	▲	456.00	461.00	458.50	▲	0.10	672.25	677.25	674.75	▲	-	-	-	
Cape Town	-	-	-		495.00	500.00	497.50	▲	1.00	740.00	745.00	742.50	▲	-	-	-	
Durban ex-wharf	-	-	-		467.00	472.00	469.50	▲	1.00	731.00	736.00	733.50	▲	-	-	-	
Russia delivered																	
Arkhangelsk	355.00	375.00	365.00	▲	370.00	390.00	380.00	▲	0.10	605.00	620.00	612.50	▲	-	-	-	
Murmansk	365.00	385.00	375.00	▲	380.00	400.00	390.00	▲	0.10	615.00	630.00	622.50	▲	-	-	-	
Novorossiysk	350.00	375.00	362.50	◄►	370.00	395.00	382.50	◄►	0.10	650.00	670.00	660.00	◄►	-	-	-	
St Petersburg	330.00	365.00	347.50	▲	345.00	380.00	362.50	▲	0.10	585.00	605.00	595.00	▲	-	-	-	
ECA 0.1%	-	-	-		-	-	-		-	-	-	-		545.00	560.00	552.50	▲
Ust-Luga	335.00	370.00	352.50	▲	350.00	385.00	367.50	▲	0.10	585.00	605.00	595.00	▲	-	-	-	
ECA 0.1%	-	-	-		-	-	-		-	-	-	-		545.00	560.00	552.50	▲
Europe (other) delivered																	
Algeciras	439.50	444.50	442.00	▲	456.00	461.00	458.50	▲	0.10	671.00	676.00	673.50	▲	-	-	-	
Antwerp	418.50	423.50	421.00	▲	445.00	450.00	447.50	▲	0.10	612.00	617.00	614.50	▲	-	-	-	
Barcelona ex-wharf	444.00	449.00	446.50	▲	458.00	463.00	460.50	▲	0.10	665.00	670.00	667.50	▲	-	-	-	
Genoa ex-wharf	443.00	448.00	445.50	▲	473.00	478.00	475.50	◄►	0.10	697.00	702.00	699.50	▲	-	-	-	
Gibraltar	441.00	446.00	443.50	▲	456.00	461.00	458.50	▲	0.10	671.25	676.25	673.75	▲	-	-	-	
Hamburg	432.00	437.00	434.50	▲	451.00	456.00	453.50	▲	0.10	638.00	643.00	640.50	▲	-	-	-	
Kali Limenes	463.00	468.00	465.50	▲	493.00	498.00	495.50	▲	0.10	698.00	703.00	700.50	▲	-	-	-	
Istanbul ex-wharf	437.00	442.00	439.50	▲	460.00	465.00	462.50	▲	0.10	666.00	671.00	668.50	▲	-	-	-	
Malta	433.50	438.50	436.00	▲	449.00	454.00	451.50	▲	0.10	650.50	655.50	653.00	▲	-	-	-	
Piraeus	441.00	446.00	443.50	▲	460.00	465.00	462.50	▲	0.10	659.00	664.00	661.50	▲	-	-	-	
Rotterdam	418.25	423.25	420.75	▲	444.00	449.00	446.50	▲	0.10	611.50	616.50	614.00	▲	-	-	-	
ECA 0.1%	-	-	-		-	-	-		-	-	-	-		577.00	582.00	579.50	▲
Diff to Ice gasoil	-	-	-		-	-	-		-	-	-	-		-	-	-	
Skaw	430.00	435.00	432.50	▲	450.00	455.00	452.50	▲	0.10	638.00	643.00	640.50	▲	-	-	-	

Bulk fuel oil prices $/t

	Low	High	Mid	±
Rotterdam 1pc fuel oil fob barge	422.50	426.50	424.50	▲
Rotterdam 3.5pc RMG fob barge	418.00	422.00	420.00	▲
Rotterdam 3.5pc RMK fob barge	-	-	414.50	▲

LNG vs MGO

	$/mn Btu	*$/t MGOe*
NWE LNG delivered	7.13-8.45	287.75-341.03
NWE small-scale LNG free on truck, 19 Jul	8.70-8.87	351.00-357.87
TTF natural gas	7.50-7.52	302.59-303.28
Rotterdam MGO delivered	15.15-15.28	611.50-616.50

Bunker prices gained across Europe, tracking yesterday's higher crude values, while demand was mixed.

Demand was steady in northwest Europe and more varied throughout the Mediterranean. Volumes were largely lower at major European ports this week, with most buyers sitting out of the market, while prices dropped at the start of the week.

Prices gained at Rotterdam, where demand was steady, but mostly for lower volumes. Prompt product is tight for most suppliers because of high demand earlier in the week and a clean-up operation is still under way at one of the main berths at the port because of a bunker spill towards the start of this month. At Rotterdam, high-sulphur 380cst (HS380) rose by $8/t to $420.75/t, high-sulphur 180cst (HS180) was up by $9/t to $446.50/t and marine gasoil (MGO) gained by $9.50/t to $614/t.

Buying activity increased at Gibraltar and Algeciras. Both ports faced congestion from the increased demand levels, meaning prompt product is expected to be tight until early next week. Demand on the spot market was slow at Algeciras earlier in the week as prices were falling, but increased towards the end of the week. At Gibraltar, HS380 rose by $10.50/t to $443.50/t, while MGO gained by $17.75/t to $673.75/t.

EUROPE AND AFRICA

A buyer fixed 300t of HS380 at Algeciras for $442/t, with delivery not expected until early next week.

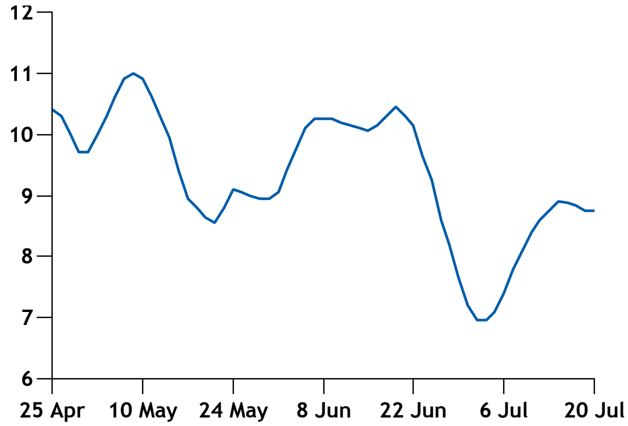
Buying activity was steady at Malta, where prompt product is tight for some suppliers after increased demand towards the end of the week. A buyer fixed 500t of HS380 at Malta for $436/t and 200t of MGO for $653/t.

Demand at Istanbul was higher, where prompt product was readily available after slow buying interest for most of the week. At Istanbul, HS380 rose by $7/t to $439.50/t, while MGO rose by $6/t to $668.50/t.

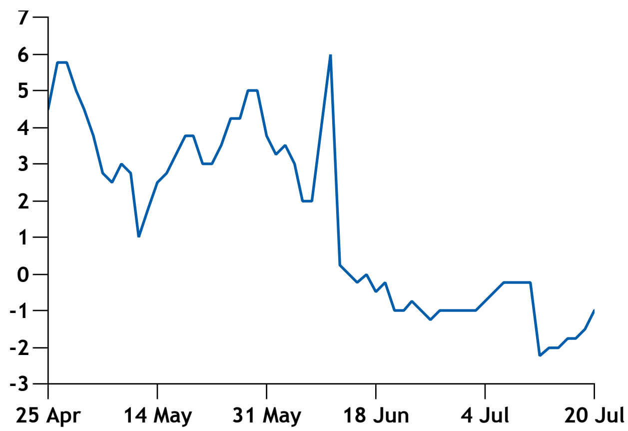
Bunker fuel oil and MGO prices in Russian roubles and US dollars at the Arctic ports of Murmansk and Arkhangelsk gained following price rises in northwest Europe.

A fishing company bought 350t of HS180 at Murmansk for Rbs26,100/t, dob Murmansk, on the basis of 30 days payment deferral on Wednesday and Thursday. The same company is planning to buy an additional 600t of this fuel at Rbs25,500/t, dob Murmansk, on the basis of an advance payment.

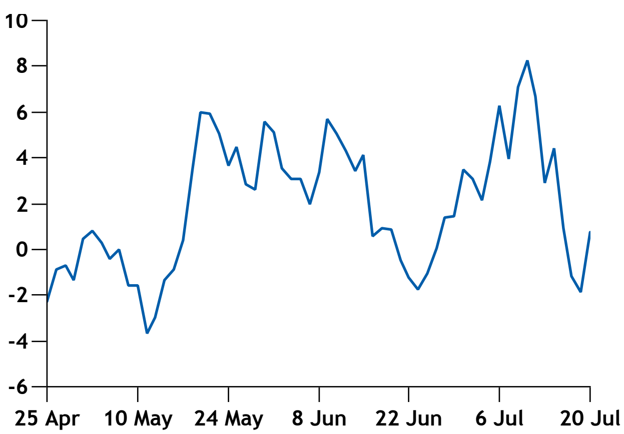
Northwest Europe LSFO - month 1 less month 2 $/t



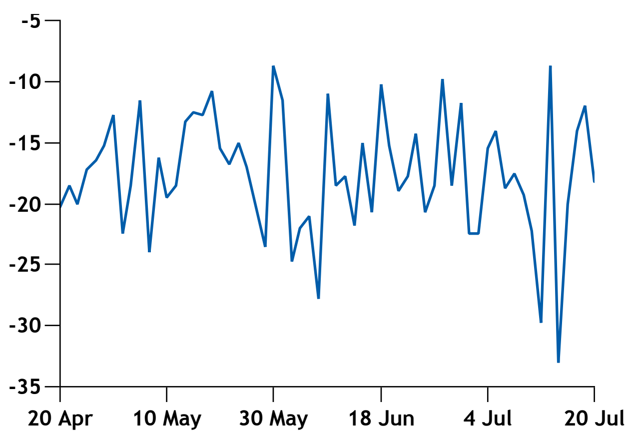
Northwest Europe gasoil - month 1 less month 2 $/t



Rotterdam - HS 380cst bunkers less bulk cargoes $/t



Bulk HSFO - northwest Europe less Singapore $/t



NORTH AMERICA

Assessed bunker prices *$/t*

Location	HS 380cst Low	HS 380cst High	HS 380cst Mid	±	HS 180cst Low	HS 180cst High	HS 180cst Mid	±	MGO Sulphur max %	MGO Low	MGO High	MGO Mid	±
Atlantic coast ex-wharf													
Halifax	-	-	-		-	-	-		0.10	679.35	684.36	681.86	▲
Montreal delivered	487.00	492.00	489.50	▲	528.00	533.00	530.50	▲	0.10	683.00	688.00	685.50	▲
New York	431.00	436.00	433.50	▲	459.00	464.00	461.50	▲	0.10	678.00	682.00	680.00	▲
Philadelphia	451.00	456.00	453.50	▲	480.00	486.00	483.00	▲	0.10	650.45	654.45	652.45	▲
Gulf coast ex-wharf													
Houston	433.00	438.00	435.50	▲	515.00	521.00	518.00	▲	0.10	639.00	644.00	641.50	▲
New Orleans	444.00	449.00	446.50	▲	593.00	600.00	596.50	▲	0.10	649.00	658.00	653.50	▼
West coast ex-wharf													
Los Angeles	456.00	461.00	458.50	◂▸	556.00	562.00	559.00	◂▸	0.10	692.54	697.59	695.07	◂▸
Portland	-	-	-		-	-	-		0.10	841.00	845.00	843.00	◂▸
San Francisco	458.00	463.00	460.50	◂▸	568.00	574.00	571.00	◂▸	0.10	660.00	744.00	702.00	◂▸
Seattle	467.00	472.00	469.50	◂▸	546.00	552.00	549.00	◂▸	0.10	760.00	765.00	762.50	◂▸
HS 500cst	457.00	462.00	459.50	◂▸	-	-	-		-	-	-	-	
Vancouver	448.00	453.00	450.50	◂▸	508.00	514.00	511.00	◂▸	0.10	730.00	735.00	732.50	◂▸

Bulk fuel oil prices *$/bl*

	Low	High	Mid	±
USG 3.5%	65.35	65.50	65.42	▲
USG 3%	64.29	64.45	64.37	▲
NYH 1%	70.60	70.80	70.70	▲

LNG vs MGO

	$/mn Btu	*$/t MGOe*
Gulf coast LNG fob	7.95	345
Houston MGO ex-wharf	14.71-14.82	639.00-644.00
New Orleans MGO ex-wharf	14.94-15.14	649.00-658.00

North American bunker prices finished the week flat to higher on the back of rising crude markets and uneven demand.

Gulf coast buying interest was uneven, and prices mostly traced crude higher. There were three combined clips heard sold in New Orleans on ex-wharf basis. The first was for 500t high-sulphur 380cst with 145t MGO at $444/t and $653/t respectively, the second was for 950t high-sulphur 380cst with 90t MGO at $444/t and $649/t respectively, and the third was for 650t high-sulphur 380cst at $449/t with 55t MGO at $658/t. In contrast, demand was low in Houston. An MGO-only supplier reported selling levels below resupply costs and remained out of the market. Elsewhere in Texas demand was stronger. In Corpus Christi, a combined clip for 500t high-sulphur 380cst sold in the mid-$450s per tonne with 75t MGO at around $705/t ex-wharf. A 400t MGO clip changed hands at $665/t delivered in Port Arthur.

Buying interested was thin on the east coast. In New York Harbor a 100t MGO clip sold at $680/t ex-wharf.

Tepid west coast bunker demand left prices in need of test in most ports. Vancouver, British Colombia, high-sulphur 380cst and MGO were indicated flat at $458-460/t and at $740-745/t ex-wharf, respectively. Los Angeles high-sulphur 380cst prices maintained an $8.50/t premium compared with Vancouver, but the premium compared to Singapore narrowed to roughly $7/t.

LATIN AMERICA

Assessed bunker prices																	$/t
	HS 380cst				LS 380cst				HS 180cst				MGO				
Location	Low	High	Mid	±	Low	High	Mid	±	Low	High	Mid	±	Sulphur max %	Low	High	Mid	±
Panama canal ex-wharf	423.00	428.00	425.50	▼	-	-	-		517.00	523.00	520.00	▼	0.10	665.00	670.00	667.50	▼
Atlantic coast delivered																	
Buenos Aires	-	-	-		515.00	520.00	517.50	▲	-	-	-		1.50	790.00	795.00	792.50	◄►
Montevideo	524.00	529.00	526.50	◄►	-	-	-		551.00	556.00	553.50	◄►	1.00	852.00	857.00	854.50	◄►
Caribbean delivered																	
Cartagena	463.00	468.00	465.50	▼	-	-	-		485.00	490.00	487.50	▼	1.00	754.00	760.00	757.00	▼
Pacific coast delivered																	
El Callao	547.00	552.00	549.50	▼	-	-	-		610.00	616.00	613.00	▼	0.10	840.00	845.00	842.50	▲
Guayaquil	455.00	460.00	457.50	◄►	-	-	-		477.50	482.50	480.00	◄►	1.00	760.00	765.00	762.50	◄►
Libertad	455.00	460.00	457.50	◄►	-	-	-		478.00	482.00	480.00	◄►	1.00	760.00	765.00	762.50	◄►
Quintero/ Valparaiso	560.00	565.00	562.50	◄►	-	-	-		603.00	608.00	605.50	◄►	0.10	840.00	845.00	842.50	◄►
San Antonio	561.00	566.00	563.50	◄►	-	-	-		606.00	611.00	608.50	◄►	0.10	840.00	845.00	842.50	◄►

Posted bunker prices																	$/t
	HS 380				LS 380				HS 180				MGO				
Location	Low	High	Mid	±	Low	High	Mid	±	Low	High	Mid	±	Sulphur max %	Low	High	Mid	±
Trafigura delivered - valid from 29 June 2018																	
Bahia Blanca	-	-	-		-	-	515.00	◄►	-	-	-		1.00	-	-	789.00	◄►
Petrobras delivered - valid from 05:50, 20 July 2018																	
Paranagua	477.00	478.00	477.50	▲	-	-	-		508.50	509.50	509.00	▲	1.50	756.00	757.00	756.50	▲
Rio de Janeiro	457.00	458.00	457.50	▲	-	-	-		488.50	489.50	489.00	▲	1.50	693.00	694.00	693.50	▲
Santos	457.00	458.00	457.50	▲	-	-	-		488.50	489.50	489.00	▲	1.50	723.00	724.00	723.50	▲
RMK 500	447.00	448.00	447.50	▲	-	-	-		-	-	-		-	-	-	-	
Salvador	495.00	496.00	495.50	◄►	-	-	-		526.50	527.50	527.00	▲	1.50	738.00	739.00	738.50	▲
Tubarao	482.00	483.00	482.50	▲	-	-	-		513.50	514.50	514.00	▲	1.50	746.00	747.00	746.50	▲
Vitoria	482.00	483.00	482.50	▲	-	-	-		513.50	514.50	514.00	▲	1.50	746.00	747.00	746.50	▲
PdV - valid until 09:00, 20 July 2018																	
Venezuelan ports ex-wharf/ex-pipe	-	-	365.62	◄►	-	-	-		-	-	410.40	◄►	0.50*	-	-	616.81	◄►

**typical sulphur content*

Latin American bunker prices were regionally mixed with demand, declining in the Caribbean but mostly flat on the Atlantic coast and Pacific coasts of South America.

Availabilities improved in el Callao, Peru, with the arrival of fresh resupplies on Friday. Fuel prices dipped slightly as a result and high-sulphur 380cst was indicated there at $552/t delivered. Despite the improved inventory outlook, high-sulphur 380cst was still assessed there at a $92/t premium compared with La Libertad, Ecuador. But even this modest impact on availabilities may be short lived as the bulk of fresh product has already been sold, said one supplier. A second round of resupplies is expected on 30 July. Chilean demand was steady. One supplier reported selling multiple smaller lots at last done levels, and assessments were static.

Pemex - valid from 17 July 2018			
Location	Basis	HS 180	
		Ps/m3	*$/t*
Madero	at refinery	10,425.85	535.96
Manzanillo	at refinery	12,169.58	625.60
Salina Cruz	at refinery	12,004.37	617.11

$/t prices are converted, not posted. HS 180 uses conversion factor 0.980m3 for 1t.

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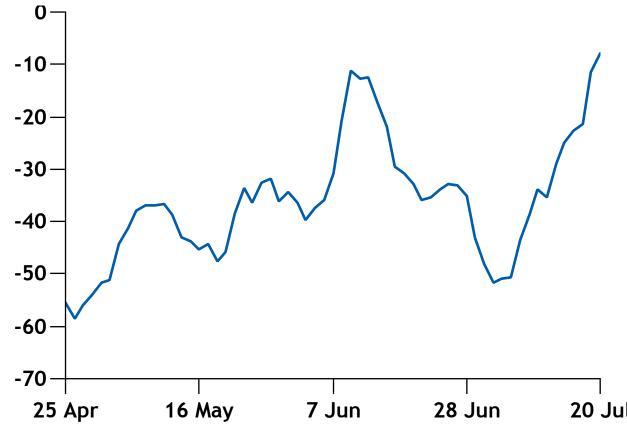
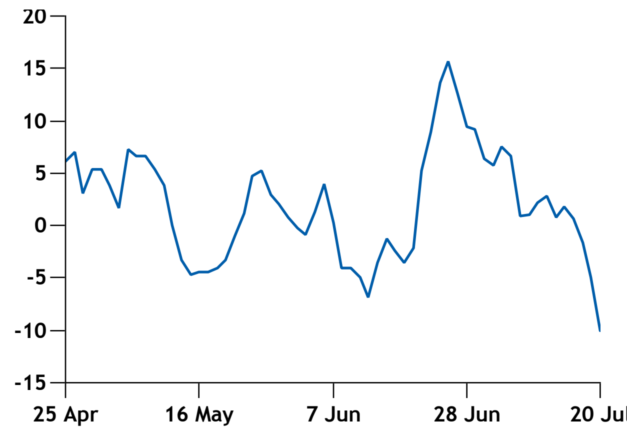
Availabilities of heavy bunkers and MGO were tight in Argentina as demand from local power generators has diverted refinery output of both products from the bunker pool. The low-sulphur 380cst assessment firmed by $2.50/t on the back of higher indications heard at $520/t delivered. Buenos Aires low-sulphur 380cst was assessed at a $70/t premium compared with high-sulphur 380cst in nearby Santos, Brazil, and there were no deals heard.

Panama demand was low and availabilities limited. One supplier saw inquiries from only five vessels and booked no business offering high-sulphur 380cst at $428-433/t and MGO at $670/t ex-wharf. The lack of demand caused bunker assessments to decline despite gains in crude markets and some suppliers were anticipating further discounts for heavy fuel oil in the near term. High-sulphur 380cst and MGO were indicated at $488/t and $760/t delivered, respectively, in Barranquilla, Colombia.

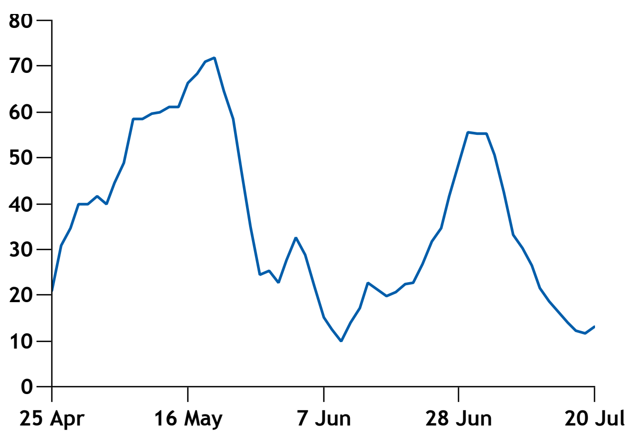
Guayaquil HS 380cst less Cartagena *$/t*



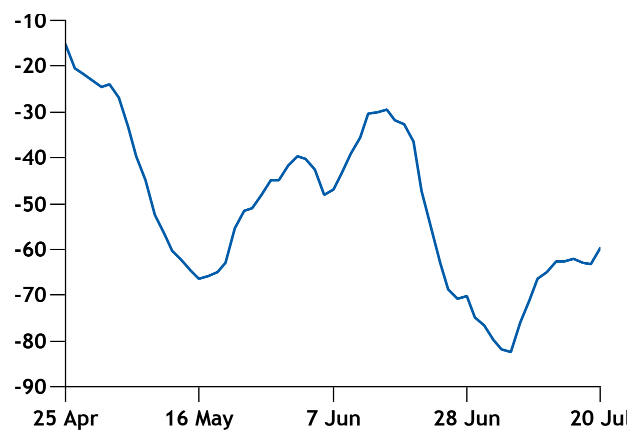
Panama HS 380cst less Houston *$/t*



Quintero HS 380cst less Callao *$/t*



Venezuela del HS 380cst less Panama ex-wharf *$/t*



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Laden Suezmax sustains damage in Suez Canal

A laden tanker sustained hull damage when running aground in the Suez Canal on 15 July.

The *Kimolos* was on route from the Black Sea to Singapore, and is now at anchorage south of the canal.

According to shipping sources, the tanker has damage to ballast tanks at the port-side foreship, but the cargo tanks were not breached. *Kimolos* was reportedly booked off-market by Newton and loaded fuel oil via ship-to-ship transfer at the Russian Black Sea port of Kavkaz at the start of July.

Shipping sources suggested the charterer will have to book a replacement for the remainder of the voyage. The 159,159 dwt *Kimolos* is owned by Okeanis Eco Tankers.

Turkey to update straits passage rules

Turkey plans to update regulations and instructions for traffic transiting the Turkish straits, and shipping sources suggest the new rules could come into force on 1 August.

The 'Turkish straits Sea Traffic Scheme' will supplant current regulations, in place since 2012, governing the the Bosporus strait and Dardanelles that connect the Black Sea to the Mediterranean Sea.

The updated rules from the include stipulations and procedures for permits, seaworthiness, towing and pilotage, insurance coverage and procedures in the event of bad weather, traffic congestion or accidents.

Jones Act recovery uncertain

The spread between delivered costs of imported versus domestic crude into US Atlantic coast refiners will be key in whether the Jones Act ocean-going barge and tanker market will continue to recover from 2017 lows in the second half of 2018.

The Jones Act is a long-standing US law that says all shipments between US ports must be conducted on US-flagged, US-built and US-crewed vessels. Jones Act vessel rates run well above freight costs for international-flag tankers because of elevated construction and operating costs.

A flurry of vessel deliveries in 2015-2017 flooded the market and pulled freight costs last year to the lowest levels in at least five years.

In the next six months, moderate vessel demolition levels and the limited number of new deliveries into the fleet — which numbers about 43 tankers and 47 articulated tug barges (ATB) — means available tonnage capacity will remain broadly stable or even drop slightly. Future rate movement will depend largely on demand-side factors, of which US Gulf coast-US Atlantic coast crude movements is most prominent.

A combination of rising US oil production and a wider Brent-WTI spread — which has reached as high as $10/bl in the past half year — supported a modest recovery in rates this year. Wider discounts of domestic crude in January-April caused US Gulf coast-US Atlantic coast crude shipments to climb to 100,000 b/d, or about 10 tanker voyages a month, up from 20,000 b/d in the same period in 2017. In January-April of this year, the Brent-WTI spread averaged nearly $5/bl, compared with $2.60/bl in the previous year during that period.

If the Brent-WTI spread widens, more Texas crude will move to domestic refiners on the Atlantic coast, supporting the Jones Act market. Although the spread has narrowed in the last month to about $4/bl, it may open back up in the second half of this year. Rising US crude output should put downward pressure on the WTI-to-Brent discount, while loosened quotas on Opec production could offset upward pressure on Brent caused by falling Iranian, Libyan and Venezuelan output.

The increase in crude flows along that long-haul route pushed the average Corpus Christi-Delaware Bay tanker rate 25pc higher in January-April of this year to $3.70/bl, up from $2.96/bl in 2017, but well below the five-year peak of about $5/bl in the spring of 2015. The rate on the route has declined to about $3.40/bl in the past month as the Brent-WTI spread narrowed.

Assessment options

But there may be a better benchmark for US crude than WTI to use as an indicator for the Jones Act market, shipowners said.

WTI, which is priced inland at Cushing, Oklahoma, does not take into account fluctuating pipeline costs from Cushing to the Gulf coast, where crude is shipped out. Shipowner Moran said *Argus*' WTI-Houston assessment is a more accurate benchmark. Shipowner Overseas Shipholding Group (OSG) said the key indicator for a Jones Act recovery is the discount of WTI-Houston to Bonny Light, a Brent-priced west African crude of similar grade to WTI. A spread of more than $2/bl between those two grades is "favorable" for the Jones Act market, OSG said in May.

Discounts of domestic crude grades compared with similar international grades would also support demand for cross-Gulf

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shipments into storage operators and refiners. Demand has increased this year for crude movements from Corpus Christi to the Sugarland Terminal in Louisiana, and from the Mississippi river to Mobile, Alabama, a shipbroker at Poten and Partners said. Much of the dirty ATB fleet is concentrated in the Gulf coast moving crude cargoes, leaving ship supply for the fuel oil cargo market in the US east coast lacking. The removal of older dirty barges from the fleet this year has tightened the northeast market, the shipbroker said.

While demand for dirty Jones Act ships will depend on the margin of US crude discounts to international grades, demand in the clean market, which primarily consists of the US Gulf coast-Florida gasoline trade, will be more consistent and may move higher in step with increasing US Gulf coast refining output.

“We have seen a much more active spring then in years [in the Jones Act gasoline cargo market]. [We] expect to see a stronger summer than the past few years,” the shipbroker said.

Petroleum product tanker and barge movements from the US Gulf coast to the US Atlantic coast, including Florida’s west coast, held at about 710,000 b/d year-on-year in the period from January to April, according to the the US Energy Information Administration, the highest levels since 2004.

Shipping company Moran is converting one of its ATBs from dirty into clean service because of what it sees as an oversupplied dirty vessel market.

The Jones Act market will take longer than a year to digest the glut of ships before freight rates recover in earnest, said an executive at Moran. In 2020, the International Maritime Organization sulfur regulations will put upward pressure on US east coast diesel prices and spur demand for long-haul shipments on Jones Act vessels. "Seeing that the pipelines are full and [the US] typically does not import diesel to the Atlantic coast we should see a benefit as barrels move from the US Gulf coast to the Atlantic coast," he said.

NYC to spend $100mn on freight infrastructure

New York City will spend $100mn to overhaul the city’s aging freight distribution systems with investments in rail and maritime assets.

As part of the Freight NYC plan, the city will coordinate with the Port Authority of New York and New Jersey to put money into marine terminals and barge operations.

That project includes reactivation of “underutilized" rail lines by building new transload facilities within the existing rights-of-way and new passing lanes to alleviate track congestion.

The city will also build two new barge terminals. One will serve the Hunts Point Food Distribution Center in the Bronx, allowing products to reach Hunts Point by water, rather than by truck. Another terminal will be built at the South Brooklyn Marine Terminal in Sunset Park to connect Brooklyn’s consumer base to the barge network.

The city, using public-private partnerships, will also develop new distribution, warehousing and transload facilities to meet increasing demand.

Repsol halts Bilbao desulphurisation unit

Spanish integrated firm Repsol's Petronor subsidiary has halted a gasoil desulphurisation unit at its 240,000 b/d Bilbao refinery for maintenance work.

The firm did not comment on the duration of the work.

Repsol restarted the refinery's coking and vacuum distillation units (VDU), which were shut down on 16 July.

The plant's fluid catalytic cracker (FCC) was restarted on 17 July, after being halted for work on 13 July.

Canada delays rollout of clean fuel standard

Canada’s government has decided to push back the start of an ambitious program to reduce greenhouse gas (GHG) emissions from its use of fossil fuels in transportation, industries and buildings.

The environment ministry said yesterday it needs more time to develop its Clean Fuel Standard (CFS), a measure that aims to cut GHGs by 30mn metric tonne/yr by 2030. The ministry now expects work on the regulations to last into 2020 and 2021. It had originally planned to finish them next year.

“Canada’s updated approach for the Clean Fuel Standard will ensure it is developed in a way that supports the transition to lower carbon fuels while also supporting Canada’s competitiveness,” Canadian environment minister Catherine McKenna said.

The announcement included some significant changes to the draft CFS proposal shared in December. The government has decided to implement the liquid fuels portion first, followed by the regulations for gaseous and solid fuels. Compliance would begin in 2022 for liquid fuels and the following

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year for gaseous and solid fuels.

"While the delayed timeline is disappointing, it was not unexpected given the complexity of the CFS approach and the pace at which the process has moved to date," Advanced Biofuels Canada president Ian Thomson said.

Thomson also said he supported the decision to advance a liquid-only regulation first, as it provides "greater potential to align with established regulatory designs and establish a more precise market signal for advanced biofuels use."

He cited the low-carbon fuel standards of British Columbia, Oregon and California as examples of existing programs for possible alignment. All three cover only liquid transportation fuels.

The environment ministry plans to release a draft regulatory design paper in the fall that will lay out a tentative allocation of the 30mn t reductions between all three fuel streams. It will also publish a framework for a cost-benefit analysis around the same time.

The CFS would serve as an important part of Canada's plan to reduce GHGs by 30pc from 2005 levels by 2030. The transportation sector accounted for nearly a quarter of the country's emissions in 2015. Buildings and heavy industry were responsible for 12pc and 10pc, respectively.

Marathon continues refinery maintenance

Marathon Petroleum's 78,000 b/d refinery in Canton, Ohio, has entered the early stage of roughly two months of turnaround work, according to a source familiar with operations.

Work on a fluid catalytic cracker (FCC), naphtha hydrotreater, crude unit and platformer would continue into early September, according the source. The refiner cut rates on other hydrotreaters but those units were not under maintenance.

The refiner did not identify units but told city health officials the refinery was "effectively not operating."

Marathon last week notified health officials it shut the FCC as maintenance began.

FCCs convert gasoil primarily to gasoline blendstocks. Hydrotreaters use hydrogen, catalyst and pressure to reduce contaminants such as sulfur in products streams.

Court vacates EPA mandate exemption denial

The Environmental Protection Agency (EPA) failed to consider compliance costs for a small West Virginia refinery when it denied a 2016 application for exemption from fuel blending mandates, an appellate court said today.

The Fourth Circuit Court of Appeals used different reasoning than a landmark Tenth Circuit opinion that upended federal fuel blending mandates and helped spark still-raging battles between US agribusiness and the refining industry that drew White House attention this year.

But judges found that EPA had arbitrarily ignored the costs of the Renewable Fuel Standard (RFS) program to Ergon's 23,500 b/d refinery in Newell, West Virginia, and remanded a decision denying the refiner an exemption for 2016 obligations.

"This failure alone warrants granting Ergon's petition for review," judge Steven Agee wrote for the unanimous three-judge panel.

EPA did not immediately comment on the decision.

The RFS requires refiners, importers and other companies to each year ensure minimum volumes of renewables blend into the gasoline and diesel they add to the US transportation supply. Companies must prove compliance by acquiring renewable identification numbers (RINs) representing each blended gallon of fuel.

The law includes exemptions for refineries processing less than 75,000 b/d of crude a year. Today's opinion was the second in less than a year finding that the EPA and Department of Energy (DOE) had under President Barack Obama's administration been too restrictive with the waivers.

The Newell refinery can generate RINs through its ethanol and gasoline blending business. But the refinery produces mostly distillates, and the local market does not accept high blends of biodiesel into that fuel, the refinery argued.

EPA's view that the refining industry as a whole could pass on the costs of complying with the mandates failed to properly account for specific evidence from Ergon detailing its difficulty to pass on costs in its market, the judges found.

The court specifically denied Ergon's request to apply a Tenth Circuit decision last year that EPA had improperly considered a refinery's profitability in its waiver decisions.

"At most, it appears that the EPA considered viability as only one factor in its 2016 decision, which it was permitted to do," Agee wrote. "Accordingly, we find no merit to Ergon's contention on the issue."

Agriculture and renewable fuel producers have assailed EPA for its handling of the exemptions since the Tenth Circuit decision. Because EPA does not transfer obligations waived from small refineries to larger competitors, the exemptions effectively reduce the annual blending requirements. Waivers

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approved for 2016 and 2017 exempted 2.25bn of RINs for those years, according to EPA. The agency has proposed total blending requirements for 2019 of 19.88bn USG.

The Fourth Circuit also found fault with the energy department's analysis of the small refinery, a study that EPA by statute must consider. The department's study included several contradictory findings, the court said. But because Ergon sued EPA, not DOE, the contradictions were ultimately not considered in the decision.

President Donald Trump's administration has struggled with the fuel blending program since before he took office. Trump efforts this year failed to broker a deal between agribusiness interests that consider the program vital to crop prices and refiners that loathe the requirements.

EPA actions under former administrator Scott Pruitt meanwhile infuriated powerful agriculture interests and stoked RIN price volatility.

Opponents of the waivers, including influential US senator Chuck Grassley (R-Iowa), consider the exemptions an illegal handout to the oil industry. But US senator John Barrasso (R-Wyoming) and refiners consider the waivers important and historically misapplied.

"It is vital that Congress, EPA and the DOE continue to protect the important role of small refineries in the US economy," Ergon president Kris Patrick said in a statement.

Andeavor wins Pemex fuel logistics tender

US independent refiner Andeavor was the only winner in state-run Pemex's largest offer of fuel storage and transportation capacity so far.

The company won rights to 107,613 bl of storage capacity in the country's northern border zone as well as in its Topolobampo-Pacific area. It also won 1,500 b/d of capacity on a products pipeline from El Paso, Texas, to Juarez, Mexico, and another 1,500 b/d on a bidirectional line between Juarez and Chihuahua, Mexico.

Andeavor — which Marathon plans to acquire this year — has a 125,000 b/d refinery in El Paso, Texas, which has pipeline connections to deliver fuel directly into northern Mexico. Andeavor was also the only taker in Pemex's very first fuel storage auction.

Andeavor is also building its own refined products terminal in Rosarito, Baja California, to supply its Arco wholesale fuel business in northwest Mexico.

This open season included previously offered assets that failed to draw bids, as well as port storage terminals.

The awarded capacity was about a third of the 343,384 bl on offer for storage, and only a small share of the 49,790 b/d of pipeline capacity.

Yet the auction was Pemex's first successful one this year after three in which it received no bids.

Pemex plans 11 open seasons this year, and this week launched its most recent one for capacity in southeast Mexico.

Mexico's new president prioritises production

Mexico's president-elect Andres Manuel Lopez Obrador may push back plans to review the country's upstream contracts with private-sector firms as he prioritises boosting crude and products production instead, his proposed energy minister Rocio Nahle Garcia says.

The new administration's main objective will be to reduce the country's dependence on imports and to expand Mexico's role as a producer, Nahle says. The current administration of President Enrique Pena Nieto has awarded close to 110 contracts since landmark energy reforms were enacted in 2014, attracting more than $160bn in promised investment, government estimates show. "As efforts to increase our local production advance, we will then see if any legislative changes are needed," Nahle says. "Andres Manuel Lopez Obrador's first priority is to achieve a good energy balance and to be able to supply the whole country, without being dependent [on imports] as we are now."

Mexico will need to boost runs at its refineries, which are operating at less than 50pc of capacity, if domestic products output is to rise. Nahle says she understands where bottlenecks exist and what new refinery equipment is needed. State-owned Pemex processed 725,000 b/d in April-May, well below its second-quarter target of 900,000 b/d. Mexico's declining output, together with a heavier crude slate, is to blame for the low throughputs, national institute for public administration Inap energy consultant Arturo Carranza says. Pemex's crude production fell by 7.5pc to 1.87mn b/d in May from a year earlier.

"We will start work immediately on the rehabilitation of our refineries now we have that [information]," Nahle says. This will take 6-7 months, she says. The 246,000 b/d Minatitlan refinery in Veracruz state and the 190,000 b/d Ciudad Madero facility in Tamaulipas have still not fully recovered after

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maintenance in the second quarter of last year. Minatitlan processed around 51,000 b/d in May, and Ciudad Madero just 28,000 b/d. Around 60pc of the country's 1.3mn b/d of fuel demand is met by imports, mostly from the US.

Nahle's comments mark a departure from Lopez Obrador's pledge during the election campaign to at least review energy reforms. Her more conciliatory tone may reflect the difficulties that Lopez Obrador would face in trying to roll back the liberalisation of the energy sector. He won the 1 July election by a landslide, but his left-wing Morena party is likely to need allies to make changes to the constitution. The reforms are "the laws we have and we want to move forward, not go backwards", Nahle says, while Pemex "will continue to compete in a free market".

Power play delays

The new government takes office on 1 December, with transition teams already working to ensure a smooth handover of power. Mexico's national hydrocarbons commission CNH has delayed until 14 February three oil auctions originally scheduled for September and October. "The benefit is we will be able to incorporate adjustments the new government wants to add to the contracts," CNH president Juan Carlos Zepeda says. Lopez Obrador asked the government to delay auctions until he takes office.

The delays mean that the current administration, which passed, implemented and ran the first series of oil auctions in the country after the 2014 energy reform, will hold no more such auctions. Auctions included round 3.2 with 37 licence contracts in onshore fields, round 3.3 for nine onshore shale fields in northern Mexico and seven farm-out agreements between private-sector firms and Pemex. Farm-out agreements include fields that Pemex is already operating, but where it wants to bring in outside investment.

North American sulphur rises into 2H 2018

The North American sulphur market continues to tighten entering the second half of 2018, with the unplanned outage at Syncrude's Canadian upgrader delaying any return to balance.

The higher market was reflected in Mosaic and Nutrien's third quarter sulphur contracts increasing \$5/lt to \$121/lt delivered Tampa.

Combined US and Canadian production was down by 1pc year-on-year January-April 2018, with the small decrease driven by lower supply from the US. Canadian production increased, though not enough to make up for the US shortfall.

US production is expected to increase in the second half of 2018 from the first half, when an extensive maintenance season limited supply. US production was down by 4pc on the year at 3.7mn t from January-May 2018, according to preliminary data from the US Geological Survey.

But the outlook for Canadian production has deteriorated with the recent outage at Syncrude in Alberta.. Sulphur production had increased on 2017 during the first few months of 2018, with production up by 5pc at an estimated 1.5mn t from January-April 2018 per *Argus* estimates and government data.

This rise was driven by both more consistent volumes from Syncrude's 350,000 b/d upgrader near Fort McMurray, Alberta, and the completion of Canadian Natural Resources' (CNRL) Horizon expansion, which increased supply out of the Alberta oil sands. The Syncrude outage will likely cancel out any increases from Horizon and keep Canadian supply tight into the fourth quarter.

No major shifts are expected in demand for the second half of 2018, although strength has been seen in prices in phosphate and sulphuric acid markets that both drive sulphur consumption. The *Argus* assessment for Nola DAP moved above \$400/st fob for the first time since November 2015 in July 2018 and is at \$399-\$403/st fob as of 19 July, while the assessment for sulphuric acid imports by vessel into the US is at the highest level since its inception in 2012 at \$105-\$110/t cfr as of 19 July.

The US domestic phosphate market is rising, although prices are still at a discount compared with other global markets. No significant change in production is expected for the second half, with import volumes expected to feature heavily.

Sulphur demand weakened in the first half of 2018 for phosphate production with Mosaic shutting down its Plant City, Florida, phosphate facility in December 2017. The shutdown removed an estimated 550,000-600,000 t/yr of sulphur consumption from the market and Mosaic's phosphate production decreased by 11pc year-over-year during the first quarter to 2mn t per its quarterly results.

The tightened US production and strong offshore market outweighed Mosaic's decreased consumption in the first half of 2018, with strong domestic consumption at other market participants also contributing to a firm market.

Sulphur consumption has been strong from sulphuric acid producers in the first half of 2018 with sulphur-burning plants

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running at high rates amid the strong domestic acid market. The market is expected to remain on the rise for the foreseeable future with the tightened production from Canada and continued healthy downstream markets driving strong demand for sulphur.

The Tampa settlement increase completed on 13 July got the market started on a bullish tone for the second half, and early indications are that it will be difficult to soften the trend.

Asia-Pacific fuel oil tenders

South Korea's EWP issued a new tender to import 40,000t of maximum 0.3pc sulphur and maximum 540cst viscosity LSFO for delivery to Ulsan on a cfr basis on 6-10 August. The tender will be priced against Singapore 180cst HSFO spot assessments. The tender will close on 26 July. This is EWP's second LSFO import tender after a long absence from the market. It awarded a similar tender this week.

Thai refiner PTTGC closed a tender yesterday to export 35,000t of 380cst HSFO for 5-7 July loading from Mab Ta Phut on a fob basis. The tender was priced against Singapore 380cst HSFO spot assessments. This is PTTGC's first August loading cargo. PTTGC previously sold through a similar export tender 35,000t of 380cst HSFO for 24-26 July loading from Mab Ta Phut on a fob basis. The tender might have been awarded to an oil major, although the identity of the company could not be confirmed. The tender was awarded at premiums of slightly over $2/t to Singapore 380cst HSFO spot assessments.

ANNOUNCEMENT

Publishing dates

There will be no Argus Marine Fuels prices and commentary for Asia-Pacific on 9 August and 22 August, for Europe and Africa on 27 August, for North America and Latin America on 3 September and for China on 24 September and on 1-5 October.

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