

# IMO 2020: Price Directions for Refining Products

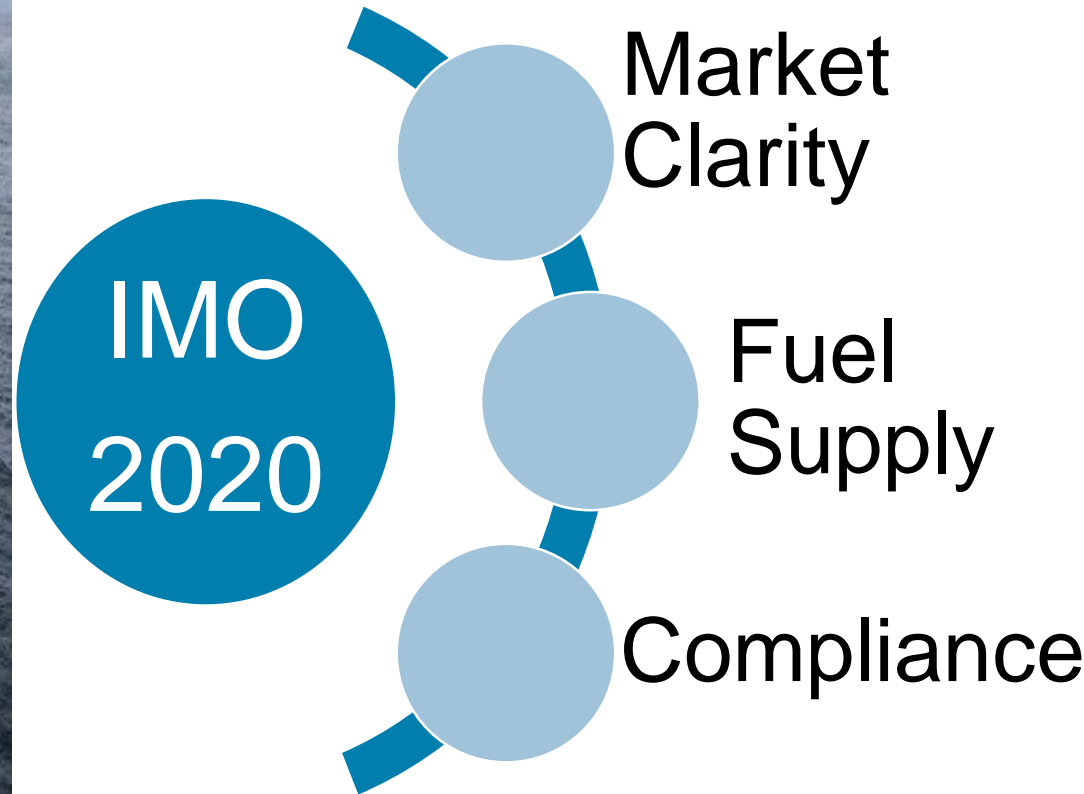
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Global Director,  
Market Engagement & Development

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**S&P Global**  
Platts



# Agenda



# Pricing



# Platts 0.5% S Marine Fuel Assessments

## Price Assessments Offer Market Direction & Aids Decision Making

### JANUARY

- Platts launches Marine Fuel 0.5% cargo and barge assessments at key ports globally

### FEBRUARY

ICE, CME launch  
Platts 0.5%-settled  
futures instruments

### MAY

Platts launches Marine  
Fuel 0.5% derivatives  
assessments

### JULY

Platts launches  
Marine Fuel 0.5%  
bunker  
assessments  
globally

#### Americas:

Balboa  
Houston  
Los Angeles  
New York

#### EMEA:

Algeciras  
Durban  
Gibraltar  
Malta  
Piraeus  
Rotterdam

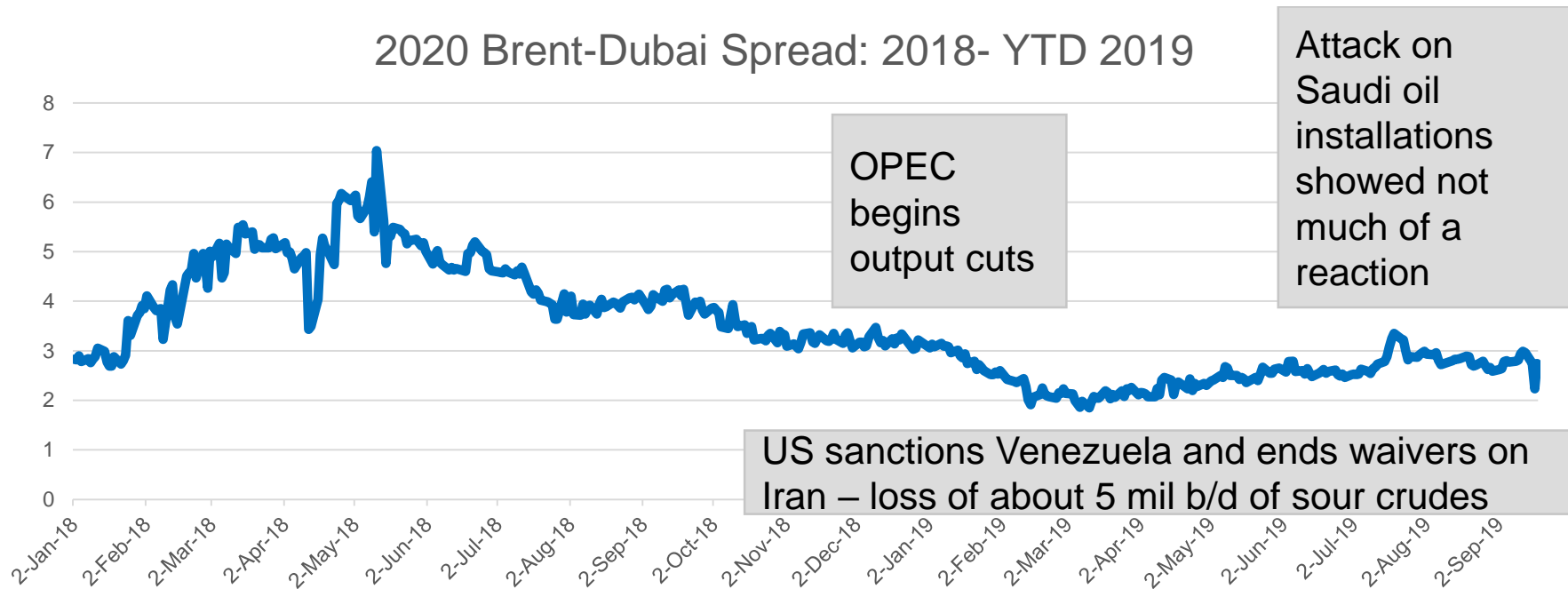
#### Asia:

Busan/Ulsan  
Fujairah  
Hong Kong  
Shanghai  
Singapore  
Tokyo Bay  
Zhoushan

# IMO 2020 – Impact On Sour Crude and HSFO

- Impact on HSFO more bearish
  - RMG 380 CST 3.5%S considered non-compliant beginning Jan 1 2020
  - Bunker fuel volume affected at about 3.7-mil b/d
  - Not much outlets available for non-compliant bunker fuel
  - Scrubbers to take up 16-17% RMG 380 CST or about 600 kb/d – Jan 1 2020
  - By end 2020 – Scrubber numbers rises to more than 3500
- Medium & Heavy sour crudes values remain healthy
  - OPEC cuts have removed about 1.5 mil b/d
  - Sanctions on Venezuela & Iran – took out about 3 mil b/d
  - High rate of dependence by global refining complex
  - Medium/Heavy sweet values spike
- Some demand for light sweet crude to blend down sulfur

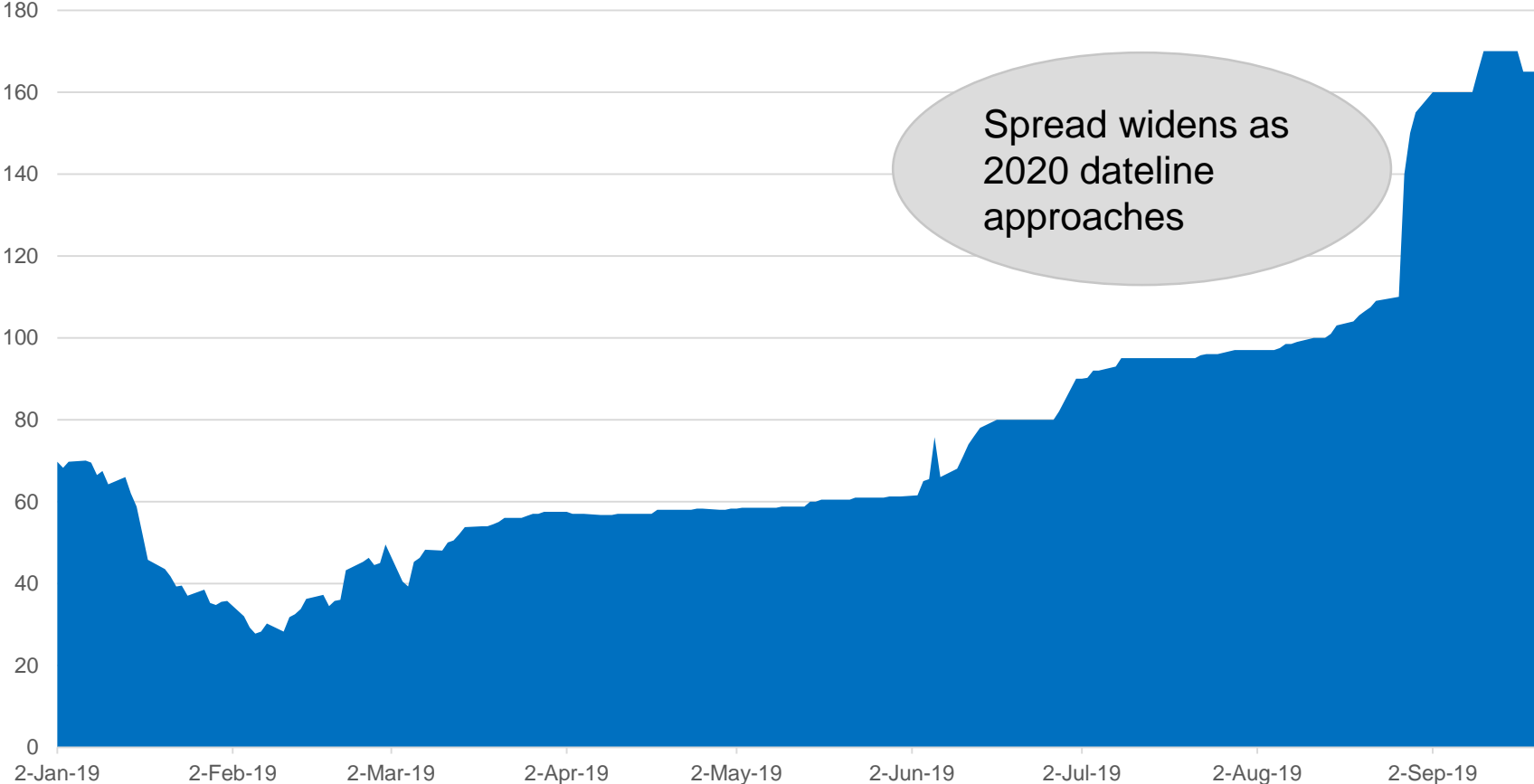
# IMO 2020's Impact On Sour Crudes



# Rotterdam 3.5% HSFO Crack to Brent: 2020

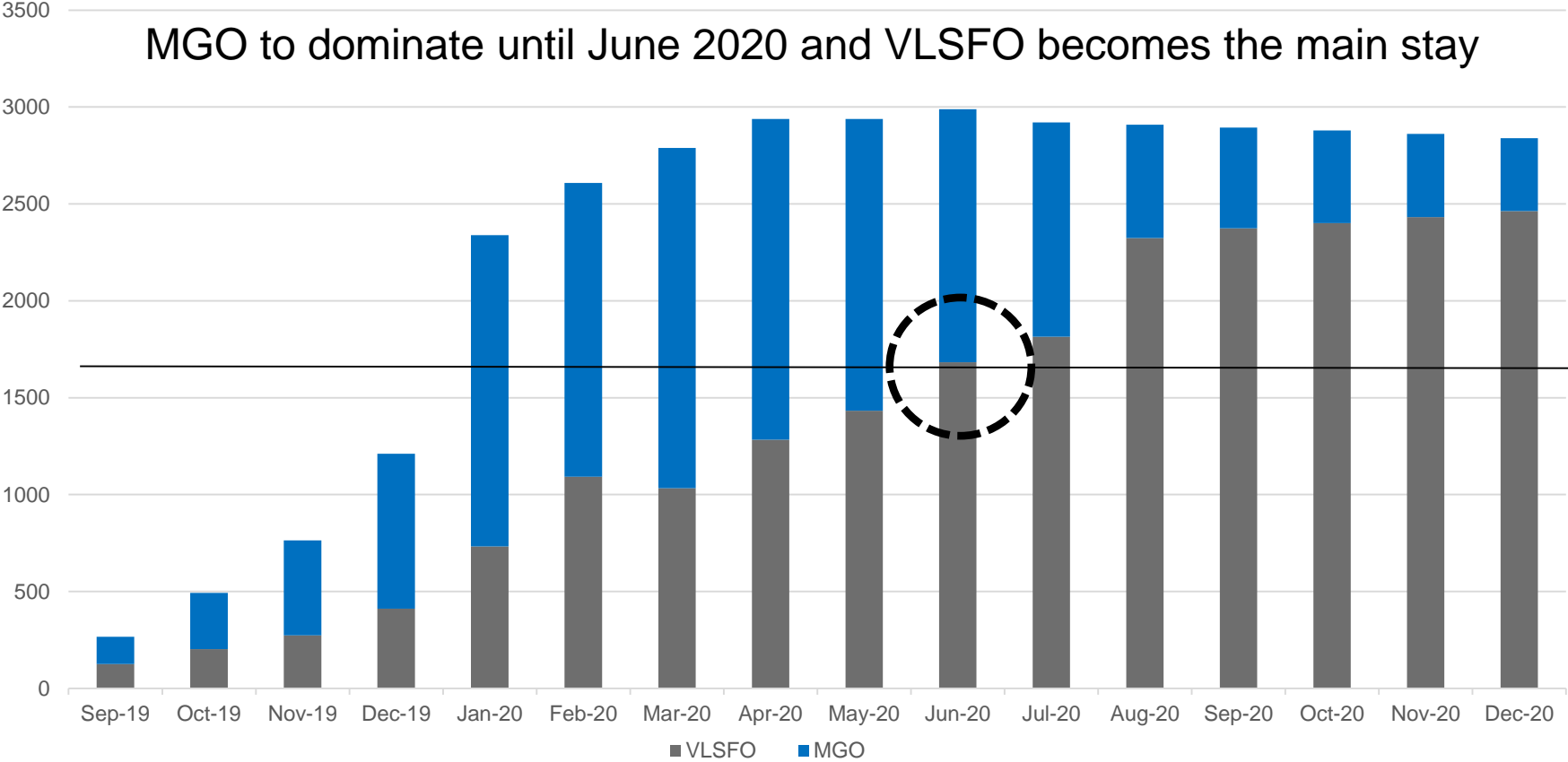


# Rotterdam 0.5% MF vs HSFO 3.5%



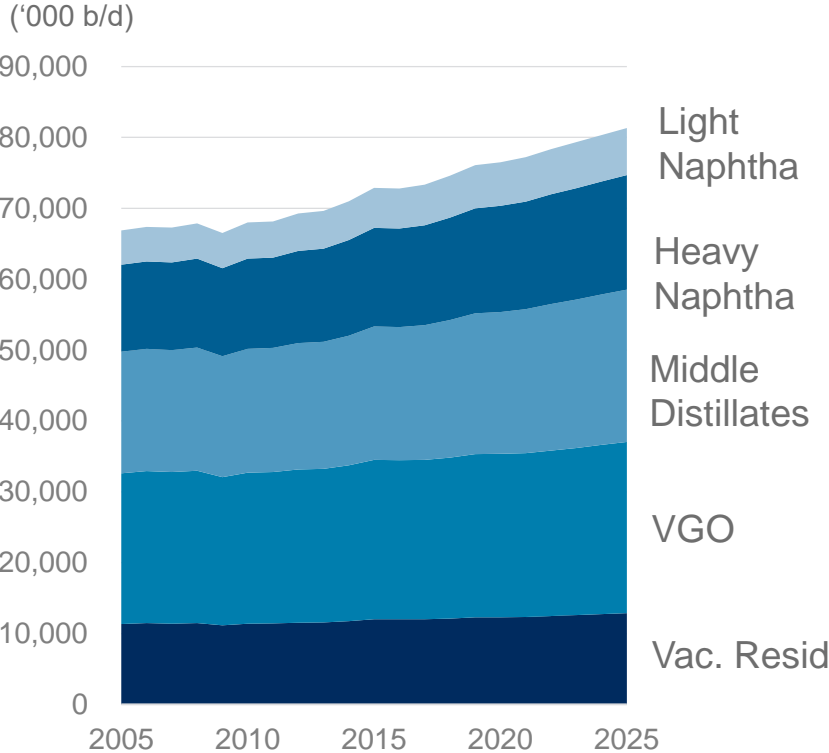


# Bunker Demand

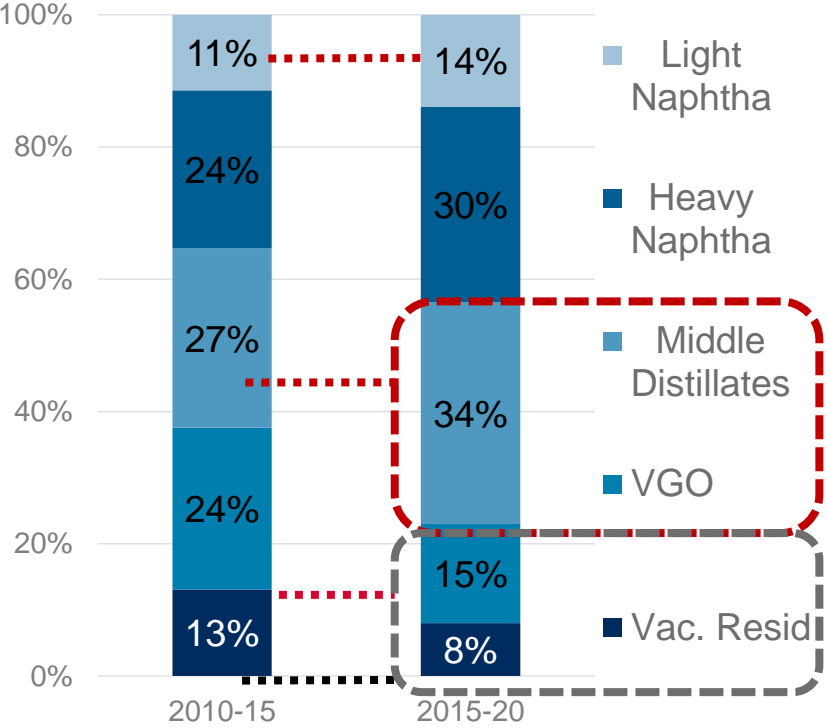


# Fuel Supply: Changing Product Slate

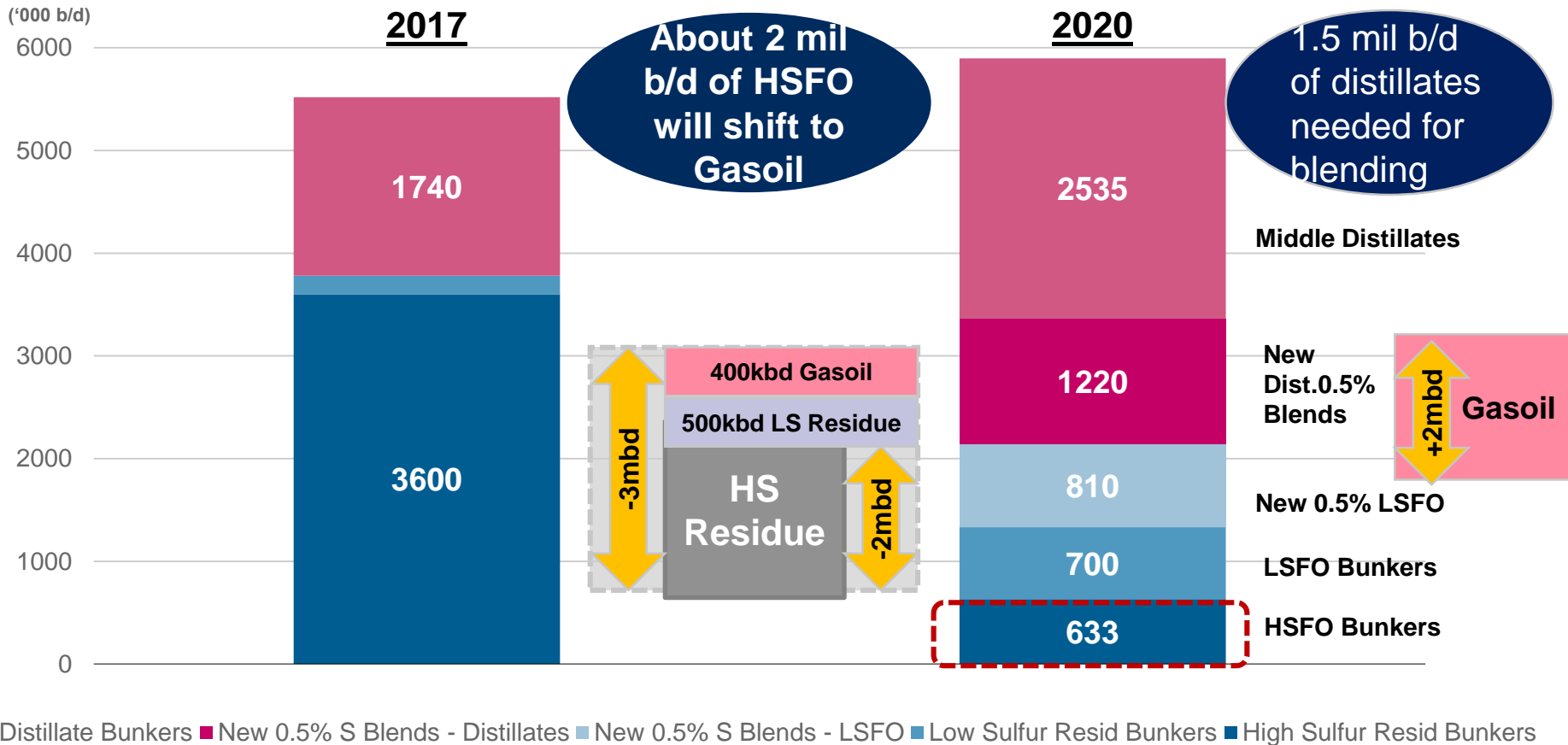
**PRODUCTION TOTALS BY ASSAY CUT**



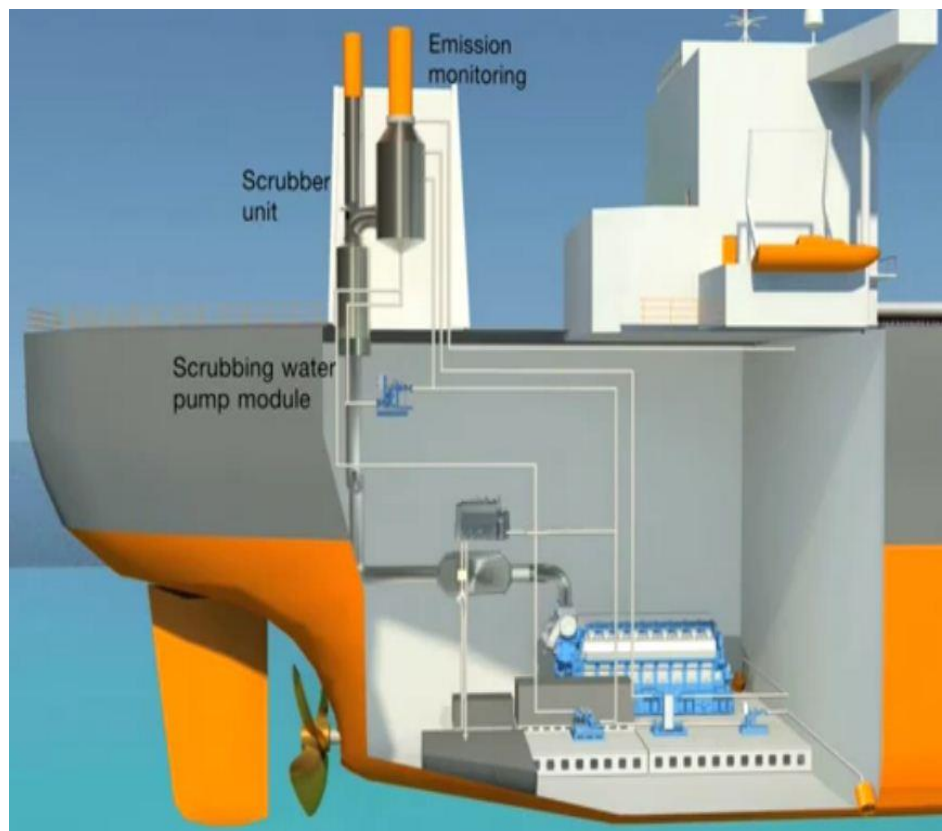
**5 YEAR PRODUCTION GROWTH BY ASSAY CUT**



# IMO Compliant Bunker Fuel Variations

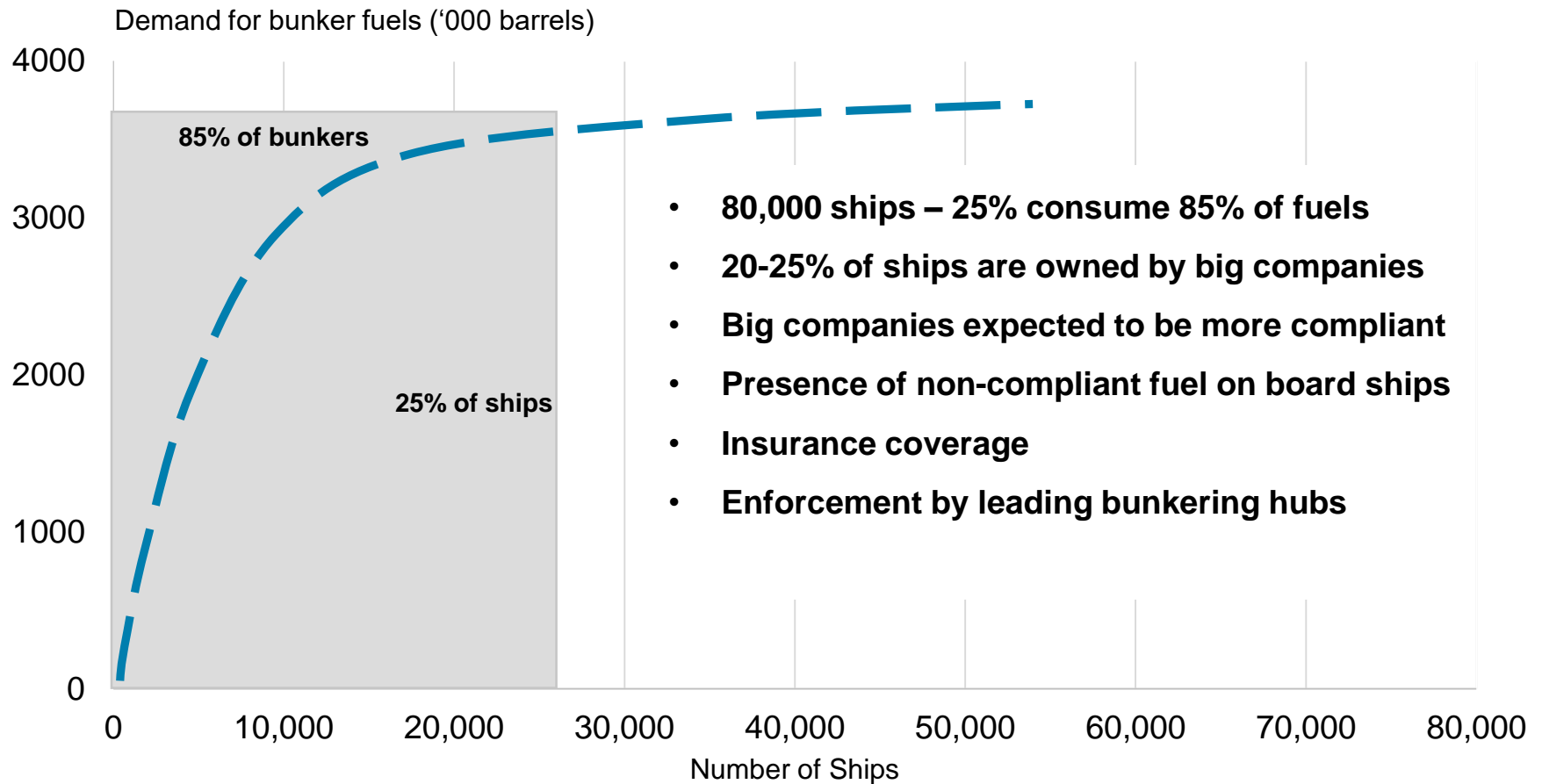


# HSFO Demand



- 2400 by Jan 1 2020 less than 3% total number of ships
- Scrubbers mostly for vessels less than 10 years & new builds (70:30)
- Open Loop Scrubbers: \$2-5 mil with Closed Loop costing an extra \$1 million
- HSFO curve - demand may improve after 2020
- Open loop not permitted by some ports
- Ships without scrubbers cannot hold non-compliant fuel after March 2020
- Total HSFO demand from scrubbers estimated at 600-700 kb/d

# Compliance



# Evolution of Bunker Demand: Post 2020

**Bunker demand will evolve after 2020 with lower distillate use, slowly growing LNG bunkers and a partial return of HSFO as scrubber use increases.**

Global Bunker Fuel Type, Weight %					
	Residual Containing Fuels			Other Fuels	
	HSFO Scrub	HSFO* No Scrub	“New” Fuel (0.5% S)	Distillates	LNG
2017	0%	69%	N/A	28%	3%
2020	6%	5%	45%	40%	4%
2025	22%	0%	45%	28%	5%
2030	30%	0%	36%	27%	7%
2035	33%	0%	32%	26%	9%
2040	33%	0%	30%	26%	11%

\*Historically there was some sulfur spec “giveaway”

# Thank You

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