IMO 2020 Oil Market reactions & bunker specifications:

October 2019 @ Tripartite By Mitsuyasu Kawaguchi Cosmo Oil



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Cosmo Oil & its Crude procurement



IMO 2020 & Market: Material Balance



(Source: IEA)

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IMO 2020 & Market : Market Reaction



(Source: Platts)

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IMO 2020 & Market : Market Reaction

Key Issues

1.Global Crude Slate

✓ World has lost 3million b/d heavy crude since late last year.

✓US shale production is expected to keep increasing over one million bbl/day for next five years.

✓Global Crude slate has been getting lighter by 0.4 API in last two years.

2.Scrubber Implementation

√2,800 instllation by Jan 2020.

✓ Still best economic option in 5 years time scale.

3.Refienry Optimization

✓FCC refineries swing production between VLSFO & FCC gasoline.

✓Gasoline/VLSFO matters more than Diesel/VLSFO.



Production Patterns of 3.5% HSFO



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Production Patterns of 0.5% VLSFO



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Refinery Optimization: FCC Swings

FCC (Fluid Catalytic Cracker).

✓The unit is to take LSVGO as feed to yield low octane gasoline.

✓FCC refineries swing production between

VLSFO & FCC gasoline.

✓Gasoline/VLSFO matters more than

Diesel/VLSFO.





FCC existing capacity



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	Paraffinic	Aromatic
Viscosity	High	Low
Pour point	Poor	Good
Combustion quality	Good	Poor
FCC Catalyst fines	-	Positive (from FCC)
Stability	Potential Com Stable	patibility issue → Stable







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Compliant Fuel: Trial for Quality Assurance

Trial for Quality Assurance.

✓Majors & independent refineries are providing various samples of compliant fuel(VLSFO).

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✓Trial test has been conducted by various entity in each region to check the compliant fuels performance.

✓Those tests include, sulfur contents, homogeneity of fuel, compatibility between different batches of fuel and remaining fuels, SOx emission, and so on.

✓NO MAJOR Problem has been reported so far.



Bunker Fuel Logistics & Distribution

Distinction of Bunker Fuel market.

Refining

✓Huge regional gap between supply & demand.

✓Blending materials are globally traded & transported into bunker hub.

✓The least captive and most stretched logistics & distribution.



Trading & Blending



Conclusion

- IMO 2020 will be a big opportunity for refineries to optimize its production among, mo-gas, mid distillate, and VLSFO.
- Such an optimization would bring a variety of "VLSFO" and its blending materials.
- In comparison to other petroleum products, Bunker fuel supply in international hubs has the least captive and the most stretched logistics & commercial stream.
- The compatibility of the bunker fuel could be risk as variety of paraffinic & aromatic blending material will be coming into bunker blending pool.
- A Good bunker supplier is cautious in blending procedure, keeps its production and blending history traceable.
- The bunkering fuel industry would need simple and practical measures and words in the contract, to secure the traceability of bunker fuel.

Thank you!

