

# bunkerworld

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## Pole position

**Singapore's role as Asia's dominant oil trading and bunkering hub, and its potential for further growth, is a magnet for companies wanting to get to the front of the race.**

**S**ingapore is not about to cede its position as Asia's leading hub for oil trading, transshipment and bunkering although challenges may be occurring from developments in China and neighbouring Malaysia, and further afield from Dubai and Fujairah in the Middle East.

If anything, Singapore seems to be attracting more companies involved in fuel oil and bunker trading amid signs that the pie is getting bigger, causing trading houses flock to the republic in search of a slice of the action.

Singapore achieved excellent port and maritime growth in 2005 to maintain its position as the world's busiest port for shipping tonnage and is the supreme leader in bunker sales, selling nearly twice as much marine fuel as the world's second-biggest bunkering hub, Rotterdam.

The port of Singapore set new records in 2005 in shipping tonnage, which reached 1.15 billion gross tons, container throughput, cargo throughput, ship registration, and bunker sales, which gained 8.5% to rise above 25 million metric (mt) tonnes for the first time.

to the same period last year.

The flow of heavy fuel oil cargoes, in particular high sulphur fuel oil (HSFO), to Singapore has also increased dramatically this year, swamping the republic's

Asia-bound fuel oil cargoes are said to have surged to an average of about 2.6 million mt a month in 2006, up by half from last year, and traders expect Asia to remain the world's HSFO 'sink' as

nant players such as oil majors BP and Shell, and major traders Glencore and Vitol, for a share of the growing market.

Sempra Energy, a major trading house known for its arbitrage play, has recently reactivated its Singapore fuel oil desk after an absence of two or three years. Other expected entrants are Gunvor, a Swiss-based trader thought to be aiming for a share of the Chinese fuel oil market, while American firm Hetco is said to be considering a move into physical trading.

Some companies are thought to be looking for a mainly bunker market oriented move into Singapore's fuel oil market, such as Russian oil company Lukoil. Already a substantial player in Singapore's bunker market, it is thought the firm will start moving its own Russian fuel oil cargoes to Asia.

Another new entrant is Middle East trader D&K Holdings, which has an agreement for a long time period lease of about 130,000 m<sup>3</sup> of storage with Horizon Singapore Terminals PTE Limited (HSTL).

The Horizon Singapore Terminal is expected to be operational towards the end of 2006, but D&K recently told *Bunkerworld* that it has already started to sell marine fuel parcels ex-wharf in the Singapore market and is planning to enter the Singapore bunker market before the end of 2006.

D&K's newly appointed Group Bunkering and Business Development Manager, Odysseus Goumas, told *Bunkerworld* that D&K already has an office in Singapore and plans to introduce its own double-hulled bunker barges in the port, and will be seeking an official bunkering licence from the MPA.

New bunkering licences have been hard to come by in Singapore since May 2003, when the MPA put an embargo on issuing new licences during a

onshore storage facilities with stocks of residual fuels hitting 15 million barrels in August, close to its current upper limit.

That capacity is set to nearly double to by 2008, which will

demand wanes in the West due to more stringent environmental standards. Meanwhile, Asia's booming export-oriented economies are expected to continue fueling increased HSFO

demand from ships and other industries.

The anticipated expansion of HSFO trade in Singapore is said to have triggered an employment boom for experienced traders as several trading houses are looking to set up fuel oil desks in Singapore, competing with domi-



*New players are lining up in Singapore*

**The anticipated expansion of HSFO trade in Singapore is said to have triggered an employment boom for experienced traders as several trading houses are looking to set up fuel oil desks in Singapore, competing with dominant players ... for a share of the growing market.**

And Singapore's solid bunker market growth is showing no signs of slowing down, with figures from the Maritime & Port Authority of Singapore (MPA) showing that total bunker sales for the first seven months of 2006 reached 15.84 million mt, up 8.5% compared

encourage a continued trend for a growing global surplus of HSFO to find its way to Singapore. Apart from supplying HSFO to its booming bunker market, the republic is also a traditional transshipment hub for cargoes to China, Asia's biggest end-user of fuel oil.

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## FOCUS ON SINGAPORE

# bunker world

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two-year introduction period for the Accreditation Scheme for Bunker Suppliers (ASBS).

Bunkering companies in Singapore were given until May 31, 2005 to comply with vigorous quality standards set out by the MPA to achieve accreditation, or face losing their bunkering licence.

Even after the deadline passed, however, the authority seemed reluctant to issue new licences and said there was no need to introduce more players into the Singapore bunker market while the 75 existing accredited suppliers were able to meet demand.

Market sources have hinted that the MPA would be more selective in granting applications for new bunker licences, choosing only new entrants with strong resources and networks that might help generate higher sales volumes.

In March 2006, Aegean Bunkering (Singapore) Pte Ltd. became the first new company to be officially granted a Bunker Supplier's and Bunker Craft Operator's licence by the MPA since 2003.

The company, a subsidiary of Greece-based Aegean Marine Petroleum, commenced physical bunker supply operations in the port with its own new double-hull, double-bottom barge in June. The company aims to introduce a second double-

hulled bunker barge in Singapore, its first bunkering station in Asia.

Another European supplier and trader, Peninsula Petroleum, is also eyeing opportunities in

presence in Singapore, and its Singapore subsidiary, newly-renamed Chemoil International Pte. Ltd., made it onto the top-20 list of bunker suppliers by volume in 2005.

Singapore, where Chemoil's founder and chief executive, Robert Chandran, has recently taken up citizenship.

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**Singapore is seen by international companies as having all the right ingredients for commerce, with a modern and highly-developed service industry and authorities that are actively promoting and supporting its maritime industries.**

Singapore, and has recently opened its first Asian trading office in the republic.

In the first year of operations, Peninsula's new Singapore office will focus on marketing the company's existing physical supply operations in Europe and Panama, and improving its Asian trading activities. Speaking to *Bunkerworld* about the rationale behind this latest expansion, Managing Director John Bassadone said that expanding physical supply and trading activities around the world is the Group's ultimate aim, hinting at the possibility of bringing over bunker barges from its shipping arm.

Meanwhile, leading global independent bunker supplier Chemoil Corp. already has a

The company appears to have much bigger plans for its Singapore presence and at the start of September, Chemoil filed a prospectus with the Monetary Authority of Singapore in advance of a proposed initial public offering (IPO) of some 382 million shares. No details of a sale price for the shares were given, but reports have earlier suggested the firm is looking to raise \$400-\$500 million from the IPO, and might be spending some of that on securing oil storage capacity in Singapore, a crucial factor for firms looking to enhance their trading position.

Not only is the IPO scheduled for Singapore, but reports have also suggested that Chemoil might soon after relocate its global headquarters from the US to

the right ingredients for commerce, with a modern and highly-developed service industry and authorities that are actively promoting and supporting its maritime industries.

Together with the shipping community, Singapore's authorities have striven to reform maritime policy and have come up with various incentives to foster growth and promote the republic as a thriving International Maritime Centre.

The MPA has famously developed the world's most sophisticated bunker industry regulations in a bid to root out bad practices and gain shipowners' confidence in Singapore as a safe bunkering port. Judging by the sales figures in recent years, the efforts have been successful. ■

## Editor's notes

There has been little relief for shipowners over the last few months from high marine fuel prices. Markets have been noticeably volatile, with the cost of fuel oil bunker grades between \$280 and \$340 per metric tonne in major ports. Price movements for crude have been driving bunker fuel volatility, with crude markets wary of potential supply disruptions, particularly in the Middle East.

Along with high prices, the major marine fuel story recently was the entry-into-force of the first Sulphur Emissions Control Area (SECA) in May for the Baltic Sea. To be followed by the North Sea, and widely seen as the beginning of expanding geographical coverage of low-sulphur fuel restrictions under MARPOL and other legislation, ships will increasingly be operating in low-sulphur fuel environments.

This presents particular challenges for all participants in the bunker industry. It is timely, therefore, that the Marine Fuel Sustainability conference scheduled for Copenhagen, October 2-4 is titled: "The first wave - lessons from a SECA". A special section in this edition of the *Bunkerworld* magazine provides the background to this important event.

"Low Sulphur fuel oil is the single most important challenge facing the bunker

industry today," Paul Stebbins, President & CEO of World Fuel Services, has said.



Beautiful Copenhagen

To offer a range of unique perspectives on current and future challenges around low-sulphur fuel oil, as well as the likely shape of future regulations and other proposed solutions, the agenda for

Copenhagen features speakers from bunker suppliers, shipowners, testing agencies, engine manufacturers, and regulatory agencies.

Following the enormous success of the inaugural marine fuel emissions-focused forum in San Francisco in October 2005, this event should not be missed.

While sulphur restrictions are yet to appear on Singapore's agenda, its star as a bunkering and maritime hub is on the rise. The Maritime and Port Authority (MPA), however, is already looking ahead.

This year's Singapore International Bunkering Conference (SIBCON) has the theme of "Bunker Outlook: Managing the Evolving Business and Regulatory Environment", and will cover the "changing commercial dynamics in freight rates, operations costs as well as the regulatory impact of sulphur and other quality initiatives that will interact to impact on shipping, bunkering and a host of allied services that co-exist in the modern bunker chain".

The other special feature in this edition of the *Bunkerworld* magazine, therefore, looks at Singapore's rising status and the regulations in the market that observers have pointed to as furthering Singapore's expansion plans. With a number of companies recently announcing expansion plans in the island-state republic, detailed in this edition's cover story, more announcements seem likely in the future. ■