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Mexico on the rise

With distillate prices substantially below regional levels, bunker demand in Mexico has increased in the last few months. But for the industry as a whole to expand further, there are barriers to overcome. Guy Wilson-Roberts investigates.

In October this year, the Mexican government decided to not further raise the price of diesel fuel. With marine gasoil (MGO) prices set on the same basis as all diesel fuel prices in the country, this had the affect of fixing price levels through until the end of the year.

As MGO prices in the region surged during October, on the

back of fuel price increases across the board, ports such as Houston saw distillate prices up over \$100 per metric tonne (pmt), as high as \$750 pmt with prices over \$800 or \$900 pmt in US West Coast ports.

In Mexican ports, following the government's decision, it was pegged at just over \$600 pmt.

Suddenly, there were big sav-

ing to be made by bunkering for distillate fuel in Mexico, with some ships reportedly considering burning MGO as a substitute for IFO grades given the price increases for the latter.

There was also the expectation that should the price of crude and fuel oil bunkers continue to rise that IFO prices in Mexico, which are set based on regional levels,

could actually surpass the price of MGO by the end of the year - an unprecedented scenario.

These developments have kept bunker suppliers in Mexico upbeat over the last few months and generally positive about the future prospects for bunkering in the country.

"The demand is definitely there," Marc Gawthrop from ICS Petroleum told Bunkerworld. "And we've seen it increase most noticeably for diesel."

Canadian-based ICS runs its local supply operation through Naval Mexicana SA de CV and Gawthrop said that diesel regulations in California had also boosted the demand for diesel as ships took the high-quality, low-sulphur product onboard to meet clean fuel rules.

Local supplier, Marinoil Servicios Maritimos SA de CV, was also positive about the direction of the market.

"I have seen the business growing all year," commercial manager Martijn Kelderman told Bunkerworld and said that Marinoil had sold record volumes during October.

MGO versus IFO

But while quality, availability, and price are all in Mexico's favour for MGO, there are issues to be resolved for expanding IFO sales in local ports.

State oil company PEMEX, which is the only supplier of product in the country, produces substantial volumes of fuel oil. In recent years, with the switch to gas by many local utilities, there has been even more product available.

The vast majority of PEMEX's surplus fuel oil is exported as cargoes, however, which end up in destinations such as Houston or Los Angeles, or to Panama through its supply deal with Atlantic Pacific SA (APSA), or even further afield. This has



Distillates in high demand in Mexican ports such as Veracruz.



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Demand remains strong from ships calling at local ports.

left the bunker industry and the end of the line for product availability.

There are also quality issues. The IFO180 grade produced by PEMEX has elevated vanadium, conforming to a RMF specification using the ISO standard, but making it one parameter off meeting the RME requirements.

With only one grade available, and with its quality specs as they are, only some buyers will take IFO180 from Mexican suppliers.

"IFO quality and availability are two key issues," Gawthrop told ICS told Bunkerworld.

On the other hand, though, buyers are still taking fuel oil

on a regular basis, sometimes in sizable volumes.

"I advise customers of the specifications and let them make a decision," Marinoil's Kelderman explained.

Risks and prospects

Local bunker suppliers have been pressuring PEMEX into making changes, to improve IFO quality and availability, but - like many bunker markets with large, monopoly suppliers - convincing the giant refiner to take more interest in bunkering has been a slow process.

In turn, this has hampered expansion in the market, such as

new infrastructure for storage and delivery.

"There are risks in investing in infrastructure in the uncertain supply environment," Gawthrop said.

Still, despite these risks, some suppliers are moving ahead with expansion plans, albeit tentatively, and suppliers remain generally optimistic. With growing international trade and steady coastal traffic, there are plenty of potential customers.

Issues with customs authorities have been problematic for suppliers in recent years, though, with fuel deliveries classed as 'exports' and also extra scrutiny

coming onto port areas after a series of drug smuggling interdictions recently.

Suppliers spoken to by Bunkerworld said, however, that the environment for conducting business with the authorities had improved of late and that while there were always challenges, the situation was positive overall for ensuring that bunker deliveries could take place.

Ultimately, this positivity was the general theme amidst the market players.

"Things are getting better and the market is slowly waking up," Kelderman told Bunkerworld. "But it is slow progress."

Changing the views of Mexico as a bunkering destination held by shipowners was part of the process and Kelderman said that many companies that had not historically taken bunkers in Mexico were now seeing it as a legitimate alternative where quality service would be provided.

But there were still improvements to be made and, according to Gawthrop, it was important for buyers not to be too focused on price but to ensure that they were sufficiently indemnified should quality issues with fuel arise.

"There is a premium to pay to reduce risk," he said.


For now, the bunker market in Mexico will continue to enjoy its price advantage for distillates, which has presented a good opportunity for suppliers to showcase their ability to meet service expectations. But further expansion will depend, ultimately, on whether PEMEX will meet suppliers' requirements for IFO grades. Otherwise, there are plenty of other regional bunkering alternatives for shipowners.

"A lot of business is simply going somewhere else," Kelderman concluded. ■

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