

Polish bunker market gets low-sulphur boost

Regional SECAs have significantly increased the local demand for low-sulphur fuels. Bunkerworld asked Piotr Dabrowski from SHIP-SERVICE SA to provide more details.

The Polish bunker market can be divided into two main regions: North-West Poland with the ports of Świnoujście, Szczecin, and Police; and Gdańsk Bay with the main ports Gdańsk and Gdynia.

The geographical location of Poland itself is not attractive for bunker only calls. Furthermore, some berths even in the largest ports of Gdańsk or Szczecin are draft restricted. The deliveries of bunkers at roads of Gdańsk and Świnoujście are dependent on favourable weather conditions and they are allowed by port authorities at daylight time only.

All of the above circumstances contribute to the average bunker sales in Poland of around 200,000 metric tonnes (mt) of IFOs, around 60,000 mt of MGO and 10-15,000 mt of MDO a year.

Since the Baltic SECA was created, however, low-sulphur fuel oil (LSFO) sales developed rapidly. In the first six months of 2007 demand for LSFO was below 50% of all IFOs. Right now it is over 80% of when North Sea SECA was established.

The bunker market volume in Poland is definitely affected by the delivery prices, which are competitive to the Danish Straits and Hamburg, but unfortunately significantly higher than the levels achievable in such nearby bunker hubs like St. Petersburg and Rotterdam.

There are two main seaport centres in Poland. The deep water bulk port of Świnoujście, the chemical terminal in Police and the big universal port of Szczecin form the first centre located down Odra river at the western edge of Polish Baltic coast. Świnoujście port main goods are coal and ore. About 45% of all bunker fuels sold annually in Poland are supplied there.

The other centre is located at the eastern Polish coast and it consists of Gdańsk and Gdynia. Both Gdańsk and Gdynia account together for 55-65% sales of all bunker fuel grades in Poland.

All the other ports on the Polish coast serve small fishing vessels only. The bunker suppliers are present at them either with some small floating and fixed storage/ex-pipe terminals for MGO or with truck (rtw) deliveries. The biggest of these fishing ports are (going from west to east): Kolobrzeg, Darłowo, Ustka, Łeba, Władysławowo and Hel.

Port growth and limits

In 2007 all Polish ports handled a total of 55.3 million mt of cargo, 4% less than in 2006. The main trading partners are in Scandinavia and the EU. Gdynia port has had the largest growth in cargo handling - more than 20% in 2007. This was mainly caused by new container terminals - the Baltic Container Terminal (BCT) and the Deepwater Container Terminal, with the former handling almost 500,000 TEU in



Vessel calls increasing at Polish ports like Gdansk.

2007. This record-breaking result consolidates and expands BCT's position as the leading container terminal in Poland and also places it in the top 3 container terminals in the Baltic region overall. Nearly 5,000 ships entered Port of Gdynia in 2007. Among them the most frequent were calls of container, general cargo and ro-ro ships and also cruisers.

Gdańsk port, the biggest Polish port is planning new investments for Eur300 million. It is developing a new transportation system - connecting to a new motorway from Gdansk to the Czech Republic.

The largest Polish oil terminal in Gdańsk Northern Port can handle even VLCCs of 200,000 DWT but the port authorities do not allow suppliers to deliver bunkers by barge concurrently with cargo operations due to safety reasons (no ex-pipe bunker installation exists).

Deliveries to oil tankers are possible at Gdańsk roads only, yet as already mentioned, they are subject to good weather conditions (max sea 4B) and can be performed during daylight hours only. Every time, the Harbour Master must give a special permission for road delivery after receiving a formal application from the ship's agents. Furthermore, such permission can be granted for deliveries to empty tankers only - according to the Gdańsk Harbour Master instructions.

The Polish government has also started a big project to build a liquid natural gas sea terminal in Swinoujście to diversify the sources of natural gas consumed in Poland.

A strong increase at ferry lines and cargo/passengers turnover between Poland and Scandinavia has been noted in

recent years. In 2007, total grown was more than 13%. This is the reason why Polish ferry companies decided to increase number of ferries they use. Stena Line decided to put into service third ferry, *Finnarow*; Unity Line added *M/F Wolin* and Euroafrica added *M/F Galileusz*.

According to the latest press releases, all major ferry companies are planning to put 4-6 new ferries into service by 2011. This shows that we can look optimistically into the future as well as the Polish bunker market for ferries is concerned.

Bunker suppliers

The leading physical supplier operating in Poland is SHIP-SERVICE SA, belonging to PKN ORLEN group since 2002. The other smaller players are Oktan Energy and V/L Service and LOTOS Marine (a part of LOTOS Group) - all currently concentrating mainly on the MGO market.

SHIP-SERVICE has had a strong and stable position since mid of 1990s in the Polish market as a consistent and reliable supplier of all IFOs grades, MGO and MDO. The other players, as noted, currently offer MGO deliveries only.

SHIP-SERVICE uses 5 small sea-going tankers for bunker deliveries as well as for cargo imports into Poland: *Bukowiec* and the *Poroniec* serve the vessels calling in the Szczecin/Police/Świnoujście region with IFO/MDO/MGO deliveries, while *Ślęzà* and *Romanka* operate in Gdańsk/Gdynia. The other tanker *Palica* is mainly employed for sea cargo transport but may also assist smaller barges with bigger bunker deliveries. Right now, SHIP-SERVICE has the *Palica* modification into a double skin to match safety regulations,

and the *Romanka* was totally rebuilt into double skin in 2007.

All suppliers make most of small MGO deliveries by max 32 cbm capacity rtw-s.

The fuel oil suitable for the bunker market, i.e. complying with ISO 8217:2005, is produced by only two refineries in Poland: PKN ORLEN refinery in Plock and LOTOS refinery in Gdansk. Most of fuel oils from PKN ORLEN end up in the domestic land market but whatever remains is purchased by SHIP-SERVICE under long term contract with rigorous quality scrutiny. LOTOS fuel oil production is much lower but some is also sold for bunker market on spot basis.

Product supplies

Unfortunately, Polish refineries still do not produce LSFO (max 1.5% sulphur) because it is economically not viable from Russian crude, which is the main raw source for them. Additionally the high-sulphur fuel oil production (around 1.8-2.5% sulphur content) is also highly seasonal with a big surplus during late autumn, winter and spring, and shortages during the summer season when most of residual stock left from refinery processes goes directly to asphalt production.

The marine distillate fuels - MDO complying with ISO 8217:2005 DMB (maximum sulphur content of 1.5%) and MGO complying with ISO 8217:2005 DMA - produced by Polish refineries cannot cover local demand. That is why bunker suppliers are forced to import these products from Russia mainly via Kaliningrad, Ventspils, Riga or Tallinn. Since January 2008 MGO available in Polish ports has maximum sulphur limit of 0.1% and density of max 860 kg/cbm at 15°C. However, according to local government regulations, using MGO with a maximum sulphur limit of 0.2% is still allowed in Polish waters.

Historically, the Polish shipping companies like Polish Steamship Company and smaller Baltic ferry operators Polferries, Unity Line and Euroafrica have been the major customers of SHIP-SERVICE with up to 30-40% of overall bunker sales.

Still, the vast majority of large international owners and operators have their vessels calling Polish ports from time to time and their direct orders make easily for another 30-40% of SHIP-SERVICE deliveries. The rest is ordered by various traders on a spot basis or goes to the local small port and fishing shipowners.

The continuous growth of the Polish economy for the last several years as well as entering the EU in 2004 has contributed to a steady increase in vessels calls. When all the above projects are completed then Polish ports will definitely be able to handle bigger cargo volumes and become more competitive. ■