

Progress in Nigeria as task force prepares to meet

Goals include finding ways to encourage foreign investment in Nigeria's bunkering industry, with a new tax regime and licensing procedures.

Bunker players in Nigeria say 'significant progress' is being made in a drive to reform the country's bunker industry.

The Nigerian authorities have agreed to set up a task force to look into the problems facing the country's marine fuel sector. The call for a task force was made in report presented to President Umaru Yar'Adua in June.

"The authorities have been studying the report and will soon set up task force," a source close to the discussions told Bunkerworld and added that law makers might still be required to pass legislation before the task force could begin work.

Goals

According to the source, the task force will have a number of goals. They will include making recommendations for a tax regime to cover the bunker industry; setting procedures for licensing physical suppliers and establishing official records of all the bunker barges operating in Nigerian territorial waters.

Nigeria's bunker industry has been without clear legal status since the government withdrew bunker licenses several

years ago. There have been stalled attempts at reform, with suppliers being asked to re-apply licenses, but no clear licensing regime has developed.

The task force will also consider ways of keeping records of the grades and quantities of bunkers delivered to ships,

Some Nigerian bunker players also want the authorities to address the issue of unregistered companies that currently operate bunker barges, mostly in Nigerian off-shore waters, without assets and without paying tax.

Foreign investment

Another key goal for the task force will be to find ways of encouraging direct foreign investment in Nigeria's bunker industry.

Sources say strategies could include giving licenses to companies willing to build and possibly operate bunker facilities and terminals. The bunker terminals could either be owned by the government or given to investors on a BOT (Build, Operate, and Transfer) basis.

"A lot of foreign companies are willing to invest in our bunker industry, but only if there is adequate regulation," a player told Bunkerworld earlier this year.

The country's bunker sector has suffered years of under investment, in part because of the absence of a clear regulatory regime. Currently, bunker demand is mainly met through imports, largely from Abidjan, Senegal and Cameroon.

Nigeria is a major exporter of crude oil and has the potential to be leading African bunker hub. Lagos, its principal port, is the destination for about half the ships sailing to the West African region.

The annual volume of bunkers delivered at Lagos has been estimated at between 1million and 1.5 million metric tonnes (mt). Over 80% of the total is imported. Around 95% of the deliveries are made by barge, the rest being made by road tank wagon (rtw). There is currently no Lagos terminal dedicated to bunkering.

Outside Lagos, there is bunker demand from large crude carriers (VLCCs) and ultra large crude carriers (ULCCs) calling at crude oil terminals around the Niger Delta. But those stems are only occasionally made by local players. For the time being, most of the market is supplied by oil majors and independent suppliers like Addax Bunkering and Wrist Bunker Germany (part the OW Bunker Group).

Task force members

Sources have told Bunkerworld how the task force was likely to look. They said there would be representatives from Nigeria's Department of Petroleum Resources (DPR) and the Ministry of Water Transport/Nigerian Maritime Administration and Safety Agency (NIMASA).

There would also members from Nigeria's Revenue Commission, the Nigerian Navy and the Nigerian Customs Service. Physical bunker suppliers and trading companies operating in Nigeria will also be there.

"The real physical players in the bunker industry must be well represented on the task force if the industry is to develop," said one supplier. "This is because the physical players are in direct contact with the problems on daily basis and they can best help finding effective ways to tackle them."

He suggested that any players who were members of the International Bunker Industry Association (IBIA) or companies with good international reputation, should be invited to join. ■

Nick Jameson



Tankers are major bunker buyers in Nigeria.

NAFTAL looks to regional growth

The Algerian bunker company is selling some 450,000 metric tonnes of bunker fuel annually and is looking to expand.

Algeria is already an important player in the world energy markets. It has the world's eighth-largest natural gas reserves and ranks 14th in oil reserves. It has a 1,200 kilometre coast on the southern shore of the Mediterranean.

Its bunker sector has been served by the marine fuels division of NAFTAL, a subsidiary of Algeria's government-owned Sonatrach, the 11th biggest oil consortium in the world.

NAFTAL has been supplying bunkers since 1965. The company operates in Algeria's ten leading ports including Algiers, Annaba, Oran, Skikda, Arzew, Mostagnem and Ghazaouet. Its highest volumes are supplied in the western port of Arzew but it also caters for a significant off-shore demand.

Annual volumes

NAFTAL has its own bunker fleet of seven delivery tankers, three with a capacity of 2,000 metric tonnes (mt) and four with a capacity of 1,000 mt. Product comes from Algerian refineries and from cargoes sourced on the international energy mar-



NAFTAL has been supplying bunkers since 1965.

kets. The company has its own bunker storage terminals with a capacity of over 226,000 cubic metres (m³). NAFTAL currently supplies around 450,000 mt of bunker fuel annually.

The company's biggest customers are

tankers, container ships and ferries. The grades of bunker supplied are 380 centistoke (cst) and 180 cst fuel oil and marine gasoil (MGO).

It says there is a growing demand for low sulphur residual product (fuel with a sulphur content of less than 1.5%). Company sources expect that demand to grow while observers say demand could rocket if parts of the Mediterranean were designated an Emission Control Area (ECA).

add another 130,000 m³.

In Libya and Egypt, economic reforms are beginning to draw major investment to the countries' bunker sectors. A Libyan bunker player this year described North Africa as "a very attractive investment destination". He said the Libyan bunker company Nour Libya Marine Service Company expected "steady growth for years to come."

Further east, the Egyptian ports of Alexandria and Port Said have embarked



Algiers in Algeria's leading port.

NAFTAL has its own bunker fleet of seven delivery tankers... and storage terminals with a capacity of over 226,000 cubic metres.

NAFTAL says the Algerian bunker market has been growing in common with other parts of the region. The fastest growth in NAFTAL's marine fuel sector is off-shore deliveries.

"Our hopes for the future are now to increase our market," a NAFTAL official told Bunkerworld.

Regional growth

NAFTAL's ambitions come at a time when the bunker market in the region is set for radical change. In neighbouring Morocco, a bulk oil storage and bunker terminal is taking shape at the new port of Tanger-Méditerranée (Tanger-Med).

Phase one is expected to be ready by the middle of next year, creating 370,000 cubic metres (m³) of storage space. Phase Two, which is scheduled to begin as soon as the first phase is complete in mid-2009, will

on major investments in bunker infrastructure. Work is under way on a new bunker and liquid storage terminal at Port Said and the company behind the project, Mashreq Petroleum, wants the facility to be operational by 2010. The project became possible have the Egyptian authorities said they would allow a relaxation of import restrictions on bunker product.

The change in Egyptian government policy has also opened the way for the expansion of bunkering operations in the port of Alexandria, where Macoil International SA deployed a 13,225 dead-weight tonne (dwt) double-hulled bunker tanker in May this year. ■

Nick Jameson

African bunker fuels cause few quality concerns

Simple refining dominates this continent which also offers some LSF0 opportunities.

Africa is a vast continent, but with the exception of the extreme north and south, it has a limited marine fuels market.

South Africa, which had intermediate fuel oil (IFO) sales totalling 2.7 million metric tonnes (mt) in 2007, is one of the biggest by volume. Oil exporter Nigeria has just 1 million and 1.5 million mt transacted in Lagos per year. As the guardian of the Suez Canal, Egypt's annual bunker sales have been estimated at between 2.5 million and 3 million mt annually but its potential has been curtailed by erratic supply.

Spanish ports also form one of Africa's biggest bunker markets, in particular the Canary Islands where IFO sales have been seen close to 2 million mt in recent years.

There is also the port of Ceuta in the Spanish enclave in north Africa.

Few fuel problems

Small markets also means there are fewer fuel oil samples delivered to fuel testing agencies.

Looking at the number of fuel oil samples received by DNV Petroleum Services (DNVPS), South Africa accounted for nearly 35% of all samples received from bunker deliveries in Africa during the first half of 2008.

Data from DNVPS showed that Spanish ports came second, providing just under 25% of African samples in the period with Egypt accounting for just over 18% of the total.

Globally, however, samples from

bunker deliveries in West Africa, South Africa and East Africa together accounted for only 3.4% of all samples analysed by DNVPS in the first half of 2008.

"We rarely get any sorts of complaints about African fuels," according to Martin Verle of DNVPS.

He said this could have something to do with the small number of deliveries, as well as the prevalence in Africa of simple refining techniques. This means the fuel supplied for the most part would be straight run product, although a notable exception is South Africa, which has a more sophisticated refining industry.

Bunker alerts

DNVPS issues bunker alerts when it registers multiple cases of fuels that are off-spec or are found to have specific contaminants occurring in the same market. Interestingly, the only African bunker alerts over the past couple of years appear to have been confined to South Africa - with its modernised refining industry, and for markets which supplement locally produced bunkers with imported fuel oil cargoes.

The other bunker alerts were for Egypt, with one additional contaminated fuels case last year is the Gulf of Guinea.

"For Egypt and the Gulf of Guinea, based on the information available to us at the time, these were imported cargoes," Verle told Bunkerworld.

The 2007 Gulf of Guinea bunker alert concerned chemical contamination with a strong solvent. Investigations into the case following reported problems with fuel pumps on several ships pointed to two bunker tankers that had received a fuel oil cargo from the US Gulf.

Low-sulphur fuels

A number of African refineries, in particular on the West African coast, use local sweet crudes as feedstock. It means they also produce residual fuels that are naturally low in sulphur.

This could be of interest for ship operators heading for sulphur emission control areas (SECAs) in Europe, where a 1.50% sulphur cap applies. Many operators have complained that there is limited supply of low sulphur fuel oil (LSFO) outside the European control zone.

African data from DNVPS for the last two quarters (Q3 & Q4) of 2007 and the first two quarters (Q1 & Q2) of 2008 indicate there are some countries with good potential for finding suitable low-

sulphur fuels.

There are even some places with potential to supply fuel oil complying with future sulphur regulations. Under revised International Maritime Organization (IMO) regulations, the sulphur cap in emission control areas (ECAs) will drop to 1.00% in July 2010. DNVPS data prepared for Bunkerworld show that the average sulphur content in samples from Libya was just 1.05% during Q3 & Q4 2007, falling to just 0.43% in Q1 & Q2 2008.

Also showing a very low sulphur average in DNVPS data is the Ivory Coast (Cote d'Ivoire) at just 0.87% in Q3 & Q4 2007, rising to 0.81% in Q1 & Q2 2008. Other promising markets include Angola, where the average sulphur content for samples during Q3 & Q4 2007 was 1.50%, rising to 2.01% in Q1 & Q2 2008.

Gabon, contrary to Angola, saw a drop in the average sulphur content during Q1 & Q2 2008 to 1.49%, compared to 1.53% during Q3 & Q4 2007.

As the data show sulphur averages for all fuel oil samples, even countries where the sulphur average exceed 1.50% may have supply of (S)ECA-compliant fuels.

Changing fuel trends

According to Verle, DNVPS has seen an increase in the sulphur content in ports such as Lagos in Nigeria.

"Going back 10 years the fuel supplied was a low viscosity product with an average sulphur content of about 0.35 % m/m," he explained. "Today the main fuel supplied is a 380 centistoke fuel with a sulphur content of around 1.7% m/m."

DNVPS data for all of Nigeria accounted for between 4-6% of African fuel oil deliveries tested by the company in the year to July 2008. With regards to sulphur content, in Q3 & Q4 2007 the average in Nigeria was 1.88% and 1.90% in Q1 & Q2 2008.

Globally, diminishing supply of sweet crudes and modern refining techniques are expected to lead to a gradual increase in sulphur concentrations in residual fuels. It will make residual fuels with a sulphur content of 1.00% or less an increasingly rare commodity.

Maybe in the not too distant future, this could make some African refineries important contributors to a shrinking pool of low sulphur fuel oil suitable for marine use. ■

Unni Einemo



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Bunkering in the Indian Ocean

The Seychelles Petroleum Company has plans to strengthen its position in the regional bunker market, company officials tell Bunkerworld.

Bunkering in the Seychelles is dominated by the Seychelles Petroleum Company (SPC), which is 100% government-owned and was formed in 1985.

The Seychelles government gave SPC the task of importing and distributing oil products in the India Ocean archipelago. In its twenty-three years of operation it has become a key element in the country's drive to self reliance.

The growth in SPC's bunker operations in the last ten years has come despite competition from other ports in the Western Indian Ocean.

Demand growing

The Seychelles are made up of 115 islands, which lie some 1,500 kilometres east of the mainland of Africa.

The nation has yet to discover oil or other mineral resources, which means the SPC imports all the Seychelles oil needs. Oil and petroleum products are delivered monthly to the archipelago by tanker and SPC sources product from companies

including Petronas, Total, Petredec, Caltex and ADNOC.

Demand for petroleum products reached a peak of over 365,000 metric tonnes mt in 2004, but dipped to around 329,000 mt in 2007.

Oil product arriving in the Seychelles is for domestic use but the majority is for re-export, some of it as bunker fuel to international shipping.

SPC's storage tanks can accommodate up to 110,500 mt of mixed petroleum products. As demand increases, the Seychelles Petroleum Company says it will grow its storage capacity to match.

Over 70% of the petroleum products imported by the Seychelles Petroleum Company is re-exported, either as bunker fuel or aviation fuel. Of the product that is re-exported, a large part is ends up as bunker material for fishing fleets. With many large European fishing vessels licensed to fish in Seychelles Exclusive Economic Zone, demand from international fishing vessels has been growing and is expected to continue to grow.

'Round the clock' supply

In Port Victoria, the principal port in the Seychelles, SPC supplies bunkers 24-hours a day, seven days a week, 365 days a year. It has facilities to bunker up to four vessels simultaneously at its three bunker piers. Pumping rates are between 150 and 2,000 cubic metres per hour. The company normally requires 48 hours notice of nomination to confirm and undertake deliveries.

Bunker deliveries are currently all ex-wharf but there are plans to acquire a 5,000 mt bunker barge, possibly in a year's time. The plan is for the barge to make deliveries at outside Port Victoria and at the port's anchorages. Deliveries will also be possible to vessels at outlying islands.

SPC says the barge will make it easier for vessels passing the Seychelles to make 'bunkers only' calls.

Company officials say a milestone in the progress of the SPC has been the acquisition of five new petroleum and chemical products double-hull tankers. SPC officials told Bunkerworld that the vessels are now trading successfully internationally.

"The five tankers represent a long term economic pillar as it will be generating much needed foreign exchange income for the Seychelles' economy," said a company source. "As a result of the new fleet of tankers, a renewed interest in taking careers at sea has been generated, and so many young Seychellois are coming forward with a desire to go out to sea."

Optimism

"Locally, the company has embarked on a renovation and re-construction project of its petrol service stations as part of its modernization programme," the company official noted.

"A petroleum products storage depot has been built on the island of Praslin and an LPG filling plant is nearing completion," he added. "Seychelles Petroleum Company is looking to the future with great optimism in its efforts to help the country achieve sustainable economic growth by helping new and potential investors with their energy needs." ■

Nick Jameson



SEYPEC
Seychelles Petroleum Company Limited

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