



# RVB Tank Storage Solutions

## Market Report June 2019

Tank storage opportunities & updates

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### General

Clear signs that the storage market is peaking towards the end of the year, not in the least part due to the upcoming IMO 2020, some contango on the distillates and positive economy reports.

### Crude

Tension in the Middle-East rises as two tankers have sustained damage in suspected attacks in the Gulf of Oman only a month after a similar incident in which four tankers in the region were struck. The area is near the Strait of Hormuz, a major strategic waterway through which a fifth of global oil consumption passes from Middle East producers. Oil prices were immediately affected: **oil prices surged by 4% after the report** that raises tensions in the Gulf, which have been heightened by a dispute between Iran and the United States.

### Brent

Which direction is the price of Brent crude heading following deployment of a US naval and B-52 bomber strike force to the Middle East? The answer is complex amid rising tension between Washington and Tehran, the latter being under sanctions. Brent crude was up 33pc since the turn of the year before this month's downturn, following President Trump's decision in November last year to reimpose sanctions on the Islamic Republic, as a result of which eight countries, including India and China, discontinued importing Iranian oil. As a result, evidence of market tightness is clear: **demand for Opec oil exceeds supply with the original cartel producing about 30mn bl/d against demand for 30.7mn bl/d**. It looks as if the 'common sense money' is on higher prices later this year, with a sharp jump in the number of long positions linked to Brent in the futures and options market. Net speculative long positions were at 280mn bl on 5 March. By 7 May, that figure had jumped to 406mn bl.

There are good reasons why Brent is not higher—falling back in recent weeks from \$75/bl in late April to under \$70/bl - since there is concern about a further escalation of the Sino-American trade conflict that could potentially hit demand and an economic downturn in the US. That makes sense, when you consider the two protagonists, the US and China, are the largest oil-consuming countries, accounting for about one third of global oil demand and about half of the expected increase in global demand for oil.

### Fuel oil & Bunkers

While prices for the new IMO 2020-compliant very low sulphur fuel oils will be driven by demand and availability - both of which are as yet 'unknowns' - a clearer picture will begin to emerge in Q3/Q4 this year. In the many customer workshops these months on compliance options for IMO 2020 all experts have different opinions: "the current number one choice for shipowners is switching to VLSFO, but while VLSFO will be the cheapest compliant fuel available, **we will see marine gasoil (MGO) as the most in demand** due to limited availability of low sulphur blending material to make VLSFO'. With that in mind a demand and competition for the middle of the barrel can result in higher prices. There is still much speculation rather than hard fact about the likely differentials post-2020 between high sulphur fuel and VLSFO, with some commentators predicting a potential range of \$40-\$200

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between the two grades.

In line with current mainstream market opinion there is a certain confidence that the major bunker hubs - in the Middle East, Brazil, Argentina, US Gulf Coast, Panama, Oman, India, and Singapore - would have sufficient avails of VLSFOs in the months following the introduction of the 0.5% global cap. However, VLSFO availability may be an issue in African and Latin American ports, US West Coast, Europe, the Mediterranean, Black Sea, Japan and Former Soviet Union countries. **Although VLSFOs are increasingly being seen, the majority of these products are still in trial and as such some of the current blends under test could change composition over the coming months.** The HSFO market may be 'very small' after 2020, with some suppliers deciding to exit this market, in part because of the logistical problems of keeping barges 'dirty'. The market may see a reduction of HSFO in the marine fuel pool towards the end of September/early October, with tank cleaning operations ramping up in October.

In summary: the bunker market is far from ready for the substantial switch in demand to low-sulphur fuel, when the IMO's 0.5% cap comes into force on 1 January next year, according to the Marine Bunker Exchange (MABUX). In an article published by international shipping association BIMCO, the bunker exchange cautions that "shipowners are ready, but the bunker market is not" -adding that reports from oil majors regarding the delivery of LSFO (low-sulphur fuel oil) "are concerning"

### **Middle distillates & Light Ends**

Gasoil traders expect the middle distillates market to stay well supplied until almost the end of 2019 before swinging into deficit with the introduction of new maritime fuel regulations. Calendar spreads for low-sulfur gasoil delivered to Europe's **Amsterdam-Rotterdam-Antwerp hub are currently in contango through until October before shifting to backwardation from November onwards.** In futures markets, contango structures, where future contract prices are higher than front-month prices, are associated with expectations of adequate or rising inventories. The reverse structure of backwardation tends to indicate a drawdown in stocks. The current structure suggests the market will be plentifully supplied through the northern hemisphere's summer and autumn before shifting to a shortage with the onset of winter and introduction from Jan. 1 of new fuel rules by the International Maritime Organization (IMO). In most cases, the new rules will force shipowners to switch from burning high-sulfur residual fuel oil to low-sulfur distillate-type fuels. If they don't change fuel, they must install exhaust-gas cleaning systems commonly called scrubbers. Refinery crude processing is expected to reach record rates in the third quarter, especially in the United States, as refiners try to rebuild depleted gasoline stocks, which will swell gasoil stocks as a by-product. But as refiners cut back on crude processing and gasoline production in the autumn, **distillate markets are expected to tighten with winter heating demand and the entry into force of IMO bunkering rules.**

As a result, spreads for the fourth quarter of 2019 and the first half of 2020 have been marching steadily toward or deeper into backwardation, while the spread for June-September 2019 has stayed in contango.



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## Biofuels

As all the players have more or less the same need; multiple heated tanks and connections to the hinterland (preferably by rail) we have quite some “open enquiries” still to be fulfilled. We are not the only one witnessing this strong demand, terminals are facing it too asking themselves in some cases whether it is worth building for or not. Especially now that we see new customers stepping in as well (players that had no storage for biodiesel before). The difficulty however, remains in the fact that this market is subsidy driven, what makes it more difficult for players seeking storage to commit to long term contracts in order for terminals to justify these investments.

As the demand even for unheated tanks remain high, **more and more distillate tanks are being used for FAME storage (whenever suitable)**. Fact is that these tanks are often bigger sized as it has been used for contango play. Not the ideal fit, but in times of high demand definitely a good alternative. These contracts typically or preferably run on a spot basis as it could be risky to keep the FAME in unheated tanks during fall season.

## Vegetable oils

There seems to be an overall shortage for tanks in NW Europe as well as Med for vegetable oils. On short notice only a couple of small tanks can still be found, often non-heat-able. As the vegetable market heavily depend on on “swing tonnage” it is facing more or less the same challenges for terminals as biodiesel. To invest in additional capacity means to invest without a contract and the opportunistic view that demand for tanks will be stable.

## Chemicals

Next to all the terminal expansions that are currently taking place in the Port of Antwerp and the **announcements of new terminals and expansions** such as: SEA-MOL, Noord Natie and ITC Rubis, another storage provider will doubling its capacity in the port. In addition to its current terminal in Dordrecht, Standic will build around 95,000 m3 in the 5<sup>th</sup> Haven dock in the Port of Antwerp with a potential growth up to 230,000 m3. Same as the other new build chemical terminals Standic responds to the need of more specialized chemical storage. This niche market is specifically asking for tanks not bigger than 3,500 m3. The hand-over is planned for the first half of 2021. Together with all the expansions currently going on in the Port of Antwerp and the fact that most of these projects are build without a contract we are curious to see how the chemical storage market will respond to that in 2-5 years. With regards to the availability as can be seen in the list, very few availabilities on short notice.

New opportunities come up in Q4 or beginning of next year.

## USA

The US Gulf is extremely tight, but good to see some projects. In Corpus Christi a big producer will outsource his terminal activities with an adjacent independent terminal operator. In Galveston more tanks will be build for chemicals, Odfjell announced their new investor and consequently plans for an expansion project. LBC with Magellan building tanks in the port. Even producers make decisions to invest in on-site storage due to the shortage of tanks in the Houston area. Mississippi river terminals are benefiting from the Houston shortage as well. They are full now too.

## Meet the RVB storage brokers

- **6 - 9 October : EPCA, Berlin**
- **5 - 7 November : World Ethanol & Biofuels Conference, Brussels**

We would like to ask terminal operators to keep us informed on their available capacity space situation. In the list we also have a couple of sublease opportunities. We are open to potential sublease options and welcome cargo owners to show us their contracted tanks which are not utilized.

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Please find a snapshot of opportunities  
(available tanks at the terminals)

<u>capacity (m3)</u>	<u>product</u>	<u>location</u>	<u>available from</u>
-----Belgium/Netherlands-----			
92.000	diesel/gasoil	ARA	now
3.986	chems	ARA	now
12.600	chems	ARA	now-Q4, 2019
15.650	vegoils	ARA	now
10.000	biodiesel	ARA	now-Q4, 2019
170.000	dirty petroleum prods	ARA	now
197.500	light ends	ARA	now
-----North Europe-----			
460.000	crude	Germany (North)	now
21.000	diesel/gasoil	Germany (North)	now
17.000	dirty petroleum prods	Germany (North)	now
7.100	various	Germany (inland)	now
30.000	light ends	UK (West Coast)	now
363.000	diesel/gasoil	UK (West Coast)	now
11.800	chems/vegoils	UK (West Coast)	now
660.000	crude	UK (West Coast)	now
40.000	various	UK (East Coast)	now-Q4, 2019
5.000	ethanol	UK (East Coast)	now
15.000	diesel/gasoil	Scotland (East Coast)	now
100.000	light ends	Ireland	now
100.000	crude	Ireland	now
8.000	biofuels, vegoils	Denmark	now
74.500	dirty petroleum prods	Denmark	now
17.600	diesel/gasoil	Denmark	now
90.000	light ends	Denmark	now
89.500	diesel/gasoil	Sweden	now
72.500	dirty petroleum prods	Sweden	now
5.000	vegoils	Sweden	now
8.300	light ends	Norway	now
384.000	diesel/gasoil	Finland	now
75.000	diesel/gasoil	Estonia	now
60.000	light ends	Estonia	now
200.000	crude	Baltics	now
9.000	light ends	Latvia	now
-----South Europe/Med/Black Sea-----			
5.000	chems	France (NW)	now
28.000	chems/vegoils	France (NW)	now
120.000	diesel/gasoil	France (South)	now
120.000	light ends	France (South)	now

4.000	chems	France (South)	now
6.000	various	Spain (NW)	now
50.000	vegoils	Spain (NW)	now
40.000	biodiesel	Spain (East)	now
15.000	chems	Spain (East)	now
34.000	diesel/gasoil	Spain (East)	now
60.000	light ends	Spain (East)	now
15.000	diesel	Spain (South)	now
89.000	diesel/gasoil	Italy (NE)	now
14.050	chems	Italy (NW)	now
22.000	various	Italy (NW)	Q4 2019
6.600	light ends	Albania	now
16.500	vegoil/(bio)diesel	Albania	now
10.000	various	Croatia	now
300.000	crude	Croatia	now
22.000	vegoils	Turkey (Black Sea)	now
15.000	chems	Turkey	now
5.000	base oils/easy chems	Turkey	now
40.000	crude	Romania	now
30.000	light ends	Georgia	now
100.000	dirty petroleum prods	Georgia	now
4.500	various	Ukraine (Black Sea)	now
30.000	light ends	Ukraine (Danube)	now
33.000	dirty petroleum prods	Ukraine (Danube)	now
5.000	various	Russia (SW)	now
10.000	chems	Russia (SW)	now

-----Africa-----

14.200	chems, excl. acids	Egypt	now
6.000	chems/vegoils	Egypt	now
10.000	various	Egypt	now
2.000	chems	Kenya	now
12.000	chems	Tanzania	now
12.000	Gasoil	Tanzania	now
55.000	light ends	Ghana	now
2.200.000	crude	South Africa	now
10.000	diesel/gasoil	South Africa	now

-----Middle East-----

100.000	various	India (Gujarat)	now
30.000	chems	India (Gujarat)	now
15.000	bitumen	India (Gujarat)	now
100.000	diesel/gasoil	India (Gujarat)	now
50.000	light ends	India (Gujarat)	now
355.000	various	UAE	now
172.000	diesel/gasoil	UAE	now

91.180	light ends	UAE	now
74.000	dirty petroleum prods	UAE	now
95.795	chems	UAE	now
-----Far East-----			
100.000	dirty petroleum prods	China (North)	now
5.500	chems	China (North)	now
80.000	diesel/gasoil	China (South)	now
30.000	light ends	China (South)	now
260.000	dirty petroleum prods	China (South)	now
3.800	chems	China (South)	now
280.000	dirty petroleum prods	China (Gr. Ningbo)	now
800.000	crude	China (Gr. Ningbo)	now
3.000	chems	China (Gr. Ningbo)	now
120.000	diesel/gasoil	China (Yangtze River)	now
18.000	chems	China (Yangtze River)	now
230.000	crude	China (Shandong)	now
100.000	dirty petroleum prods	China (Shandong)	now
8.000	chems	China (Shandong)	now
1.600	chems	South Korea	now
20.000	vegoils	Malaysia	now
22.000	vegoils	Malaysia	Q4, 2019
58.000	light ends/diesel	Singapore	now
60.000	light ends/diesel	Singapore	Q4, 2019
-----North America (bbls)-----			
320.000	light ends	California, USA	now
150.000	light ends	California, USA	now
20.000	chems	California, USA	now
410.000	dirty petroleum prods	New York, USA	now
2.217.000	crude	New York, USA	now
21.100	chems	New York, USA	now
22.500	chems	New Jersey, USA	now
390.000	diesel/gasoil	New Jersey, USA	now
114.000	light ends	New Jersey, USA	now
0	dirty petroleum prods	Maryland, USA	now
250.000	chems	North Carolina, USA	now
20.000	chems	South Carolina, USA	now
120.000	light ends	Rhode Island, USA	now
100.000	LPG	New Hampshire, USA	now
749.000	various	Georgia USA	now
80.000	chems	Louisiana, USA	now
260.000	chems/vegoils	Louisiana, USA	now
210.000	various	Texas, USA	now
165.000	(bio)diesel	Texas, USA	now
194.000	chems	Texas, USA	now

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-----Central & South America-----

2.000.000	crude	Bahamas	now
2.300.000	diesel/gasoil	Aruba	now
190.000	various	Puerto Rico	now
110.000	crude	Colombia (caribbean)	now
392.000	diesel/gasoil	Colombia (caribbean)	now
35.000	dirty petroleum prods	Panama (atlantic)	now
29.500	dirty petroleum prods	Argentina	now
10.000	diesel/gasoil	Argentina	now



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