
ODIN-RVB EUROPE

Storage Market Report

August 2020

General

Now the end of the holiday season is in sight, it is time to put our noses back to the grindstone and help everyone get back on track with a tank storage update. Although August has not been the most eventful of months, we keep getting a better view of producers' and traders' plans for 2021. Contract extensions and searches for additional capacity for the new year are growing, which shows that there is still enough business to be done.

With contango back in play for crude oil, parties are looking to secure new options in a crowded and tight tank storage marketplace. We notice **'contango tanks' that were contracted earlier this year being extended**, in anticipation of market developments towards the end of the year. It goes to show that COVID-19 has all but left us, and will likely influence market volatility for a while to come. In this review we'll dive into what we have seen in the market, and how this will influence the tank storage situation. Have a good read!

Crude

The relatively long 3-month period of price stability quietly continues, as both Brent and WTI have increased some 4 USD per barrel last month without any special ups and downs. Still, changes are seen in the market as Brazil increased crude exports to Asia in the first half of the year. With massive offshore projects expected to come online, Brazil is expected to deliver one of the biggest increases to global supply in the next five years (outside OPEC). This is an interesting opportunity to grow their market even as OPEC and its allies, collectively known as OPEC+, cut supplies by a record 9.7 million bpd. The success of this movement is caused by Brazilian players offering Asian refiners competitive deals on relatively high-quality oil just as the South-East Asian economies slightly reopened. For the storage market, the effect is that **China took advantage of the lowest oil prices in decades to fill up strategic storage and is now the destination for 70% of the Brazil's exports**. A record 1.62 million bpd of Brazilian crude arrived in Asian ports in June, almost triple the volume in June 2019. Asian refiners were keen for the low-sulfur oil that Brazil sells, as they sought to comply with new maritime regulations to supply ships with cleaner fuel (IMO 2020).

Amidst the ongoing effects of the corona virus, the hurricane season appears to hit US/Mexican Gulf with **crude oil prices hitting 5-month highs** even before hurricanes occurred: a result of energy companies cutting production in the region by 82 % in preparation. Nevertheless, crude storage opportunities are available globally so for those on the lookout for capacity, act fast!

Petroleum Products

Through abundant supplies and limited demand, Asia's cash differentials for 10 ppm gasoil slipped to their lowest level in more than two months mid-August. This occurred, even though a contango existed for industrial fuel on the prompt-month spread. Surging COVID-19 cases and the consequential lockdowns have hurt fuel demand recovery. Particularly the Indian market was hurt, since the lockdowns occurred in combination with floods, restricting economic activity and diesel consumption. Meanwhile in the US, distillate fuel inventories declined by 2.9 million barrels, compared to expectations for a build-up of 357,000 barrels. As crude inventories fell more than expected, the oil process did move higher mid-August, bolstering hopes that fuel demand in the world's biggest economy can weather the global pandemic. The effects of all this on the storage market is noticeable: **with traders having contracts for 1 or 2 years, an increasing number of free capacity in the tanks is seen**. Although these tanks are offered to the market through subleases, **appetite is generally still low**. However, there is an exception for jet fuel storage, for which an increased storage demand is noticeable in key hubs along the USGC.



Biofuel and vegetable oils

Biofuels (FAME and related products) remain of interest, as demand is slowly recovering. With the subsidy structures unchanged, a growth in players active in the market is noticeable even during these periods. With the storage market for FAME remaining tight, these (new) players have difficulty secure tankage in the trading hubs. Although we have seen no significant changes in this market this month, below the surface **parties are busy renewing their leases or trying to increase their positions by Q1 2021.**

On the vegetable/edible oils side, we see that all tankage is still 100% committed, but not necessarily 100% in use. Since vegetable oil demand has a seasonal (crop) driven nature, and fully dedicated vegetable oil capacity still limited in the main hubs, big players keep their position by committing to mid-to long-term storage contracts and hoping to sublease part of that capacity. **The added value of a broker is particularly strong in sublease cases, which is where we see most developments at this time.**

In case you are looking to make changes to your portfolio note that it is wise to start preparing now in order to secure tankage for 2021. Please reach out to us in case you foresee any specific storage or sublease needs, we will gladly help you to indicate what options are out there.

Chemicals

The tendencies described in last month's newsletter are still in effect; **storage enquiries are mostly for spot, or focused on Q1 2021.** One noticeable trend is that more chemical tank storage capacity is expected to become available over the coming months, mainly caused by spot contracts no longer being extended as easily. This situation is seen in both the US and European storage markets. Therefore, **we expect that parties active on the spot market will have less difficulties to find a suitable solution than in the months before.**

Apart from the above developments, **we noticed a growing interest in smaller tankage (< 500 m3) for the ARA region in particular.** In most cases, it concerns containerized imports from outside the EU for delivery to the European markets. Because array of product categories is quite broad, it is difficult to link this to a specific market tendency. However, from the storage market perspective, it touches an interesting point: new build capacity for tanks in these sizes can hardly be found in hub-locations! Tankage that meets these requirements is therefore becoming increasing scarce, since tanks built in during the major economic growth spurt after WWII (1950s - 1960s) are reaching the age of gradually being scrapped. New tankage of that size becomes less and less interesting to build, since the infrastructure around and equipment on the tanks is the same (lines, valves, pumps, etc.), but the earning potential and usage of space is highly inefficient due to the low tank size. Terminals in hub locations generally build larger tank sizes (1,250 m3 and up), to capture larger flows requiring ship-to-shore operations. Opportunities can be found for those who know where to look, so if you find yourself in need of tankage, small or large, short or long term, do not hesitate to reach out to us. We can help you to connect to the terminal that meets your needs!

**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-----			
100.000	diesel/biodiesel	ARA	now
101.000	diesel/gasoil	ARA	Q1/Q2 2021
153.000	cpp/light ends	ARA	Q4 2021
19.160	chems/various	ARA	now
8.000	chems	ARA	Q2 2021
17.000	vegoils (h)	ARA	Q1 2021
7.970	vegoils (h)	Netherlands	Q4 2020/Q1 2021
2.400	chems	Netherlands	now
5.000	bitumen	Netherlands	now
-----North Europe-----			

3.500	chems	Germany, River Rhine	Q1 2021
6.800	chems/vegoils	UK (West Coast)	now
9.900	diesel/gasoil	UK (West Coast)	Q4, 2020
100.000	chems/various	UK (West Coast)	Q1 2021
80.000	diesel/gasoil	UK (West Coast)	Q2 2021
100.000	light ends	UK (West Coast)	Q3 2021
105.000	Crude / FO	UK (West Coast)	Q4 2021
7.600	chems/various	UK (East Coast)	now
1.690	specialty chems	UK (East Coast)	now
44.000	diesel/gasoil	Denmark	Q4, 2020
5.500	diesel/biodiesel	Norway	Q1, 2021
7.000	diesel/gasoil	Norway	Q2, 2021
340.000	crude	Finland	now
8.500	gas	Finland	now
6.850	diesel/gasoil	Estonia	now
10.000	vegoils/biofuels	Poland	Q4 2020

-----South Europe/Med/Black Sea-----

26.100	light ends	France (North)	now
4.000	diesel/gasoil	France (North)	now
12.800	biodiesel	France (North)	now
10.000	vegoils (unh)	France (North)	now
33.000	light ends	France (South)	now
2.140	chems	France (South)	now
10.000	biofuels/chems	NW Spain	now
360.000	crude/cpp	NW Spain	Q3 2021
15.000	chems/various	East Spain	Q2 2021
15.000	diesel/biodiesel	East Spain	Q4 2020
183.000	dpp/ccp	NE Italy	Q2 2021
16.000	biofuels/chems	Croatia	now
363.000	crude	Croatia	Q2 2021
51.500	chems/diesel	Turkey	now
10.000	dirty petroleum prods	SE Turkey	now
30.000	chems/various	SE Turkey	Q3 2021
100.000	vegoils	Ukraine	now
8.400	chems	Russia (SW)	now

-----Africa-----

24.000	chems	Egypt	now
10.000	chems	Kenya	now
10.000	chems	Tanzania	now
20.000	dirty petroleum prods	Mozambique	now

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

9.900	dirty petroleum prods	India (Gujarat)	now
9.400	bitumen	India (Gujarat)	now
67.716	chems/cpp	India (Gujarat)	now
20.000	chems/cpp	UAE	now
7.000	biofuel/veg oils	UAE	now

8.000	chems	China (North)	now
14.500	chems	China (South)	now
8.250	chems	China (Gr. Ningbo)	now
3.000	chems	China (Yangtze River)	now
8.000	chems	China (Shandong)	now
2.500	chems	Japan	now
615.000	crude/dpp	South Korea	Q1 2021
1.600	chems	Malaysia	now
260.000	gasoil	Singapore	Q1 2021

-----North America (bbls)-----

40.000	chems	New Jersey	now
100.000	easy chems/base oils	Indiana	now
30.000	chems	Ohio	Q1 2021
20.000	chems	South Carolina	now
800.000	Heavy crude/(bio)diesel	Louisiana	now
90.000	chems	Louisiana	now
108.000	easy chems/base oils	Texas	now
15.000	chems	Texas	Q4 2020
500.000	chems/cpp	Texas	Q2/Q3 2021
110.000	heavy naphtha	Texas	now
150.000	black oil prods	Florida	Q4 2020

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

920.600	crude	Curacao	now
15.000	chems	Mexico	now
60.000	chems/cpp	Puerto Rico	now
25.000	diesel/gasoil	Colombia (caribbean)	now
165.000	dpp/cpp	Colombia (caribbean)	now
14.581	chems/cpp	Colombia (caribbean)	now
13.000	diesel/gasoil	Argentina	now



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