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Top News - Oil

FOCUS-Global crude exports dip as trade routes reshuffle again

The volume of global crude exports in 2024 declined 2%, the first fall since the COVID-19 pandemic, shipping data showed, due to weak demand growth and as refinery and pipeline changes reshuffled trade routes.
Global crude flows have been roiled for a second year by war in Ukraine and the Middle East, with tanker shipments rerouted and suppliers and buyers split into regions.
Middle East oil exports to Europe declined and more U.S. oil and South American oil went to Europe. Russian oil that formerly went to Europe has been redirected to India and China.
These shifts have become more pronounced as oil refineries have shut in Europe amid continued attacks on Red Sea shipping. Middle Eastern crude exports to Europe tumbled 22% in 2024, ship tracking data from researcher Kpler showed.
The shift in oil flows "is creating opportunistic alliances," said Adi Imsirovic, an energy consultant and former oil trader, citing closer relationships between Russia and India, China and Iran that are reshaping oil trade.
"Oil is no longer flowing along the least cost curve, and the first consequence is tight shipping, which raises freight prices and eventually cuts into refining margins," said Imsirovic.
The U.S. with its surging shale production has been a winner in the global oil trade. The country exports 4 million barrels per day, boosting its share of global oil trade to 9.5%, behind Saudi Arabia and Russia.
Trade routes have also been reshuffled by startup of the massive Dangote oil refinery in Nigeria, expansion of Canada's Trans Mountain pipeline to the country's west coast, falling oil output in Mexico, a brief halt in Libyan oil exports, and rising Guyana volumes.
In 2025, suppliers will keep grappling with falling fuel demand in major consuming centers such as China. Also, more countries will use less oil and more gas, while renewable energy will keep growing.
"This kind of uncertainty and volatility is the new normal - 2019 was the last 'normal' year," said Erik Broekhuizen, a marine research and consulting manager at ship brokering firm Poten & Partners.

FURTHER ROOM TO FALL

Changes in oil demand forecasts have pulled the rug out from historical long-term oil market growth assumptions, Broekhuizen said. "In the past, you could always say that there will be healthy long-term demand growth, and that solves a lot of problems over time. That can't really be taken for granted anymore," he said, citing weaker demand in China and Europe.
China's imports fell about 3% last year with gains in electric and plug-in hybrid cars, and growing use of liquefied natural gas in its heavy trucking. In Europe, lower refining capacity and government mandates to reduce carbon have shaved crude imports by about 1%.

NEW SUPPLIERS, NEW ROUTES

Europe's refiners initially cut Russian imports and increased both U.S. and Middle Eastern oil purchases after Russia invaded Ukraine. Attacks on ships in the Red Sea following Israel's war on Gaza pushed up the cost of shipping from the Middle East. Refiners stepped up imports from the U.S. and Guyana to record highs.
Exports from Iraq declined 82,000 bpd and United Arab Emirates exports fell 35,000 bpd in 2024. Europe added 162,000 bpd from Guyana and 60,000 bpd from the U.S.
Escalating Middle East conflict around late September and fears of more sanctions from U.S. President-elect Donald Trump led to tighter supply and higher prices of Iranian oil. This prompted Chinese refiners to look at oil from West Africa and Brazil.

NEW REFINERIES, PIPELINES

Nigeria's new Dangote refinery consumed enough domestic supply to keep around 13% of Nigeria's crude exports in the country in 2024, up from 2% in 2023, according to Kpler. That cut Nigeria's exports to Europe, and Nigeria also imported 47,000 bpd of U.S. WTI, unusual for a major net exporter.
New refining capacity ramping up in Bahrain, Oman and Iraq as well as Dos Bocas in Mexico are also likely to soak up oil production in those regions.
In Canada, the expanded Trans Mountain pipeline can now ship an extra 590,000 bpd to the Pacific Coast, lifting the nation's waterborne exports to a record 550,000 bpd in 2024.

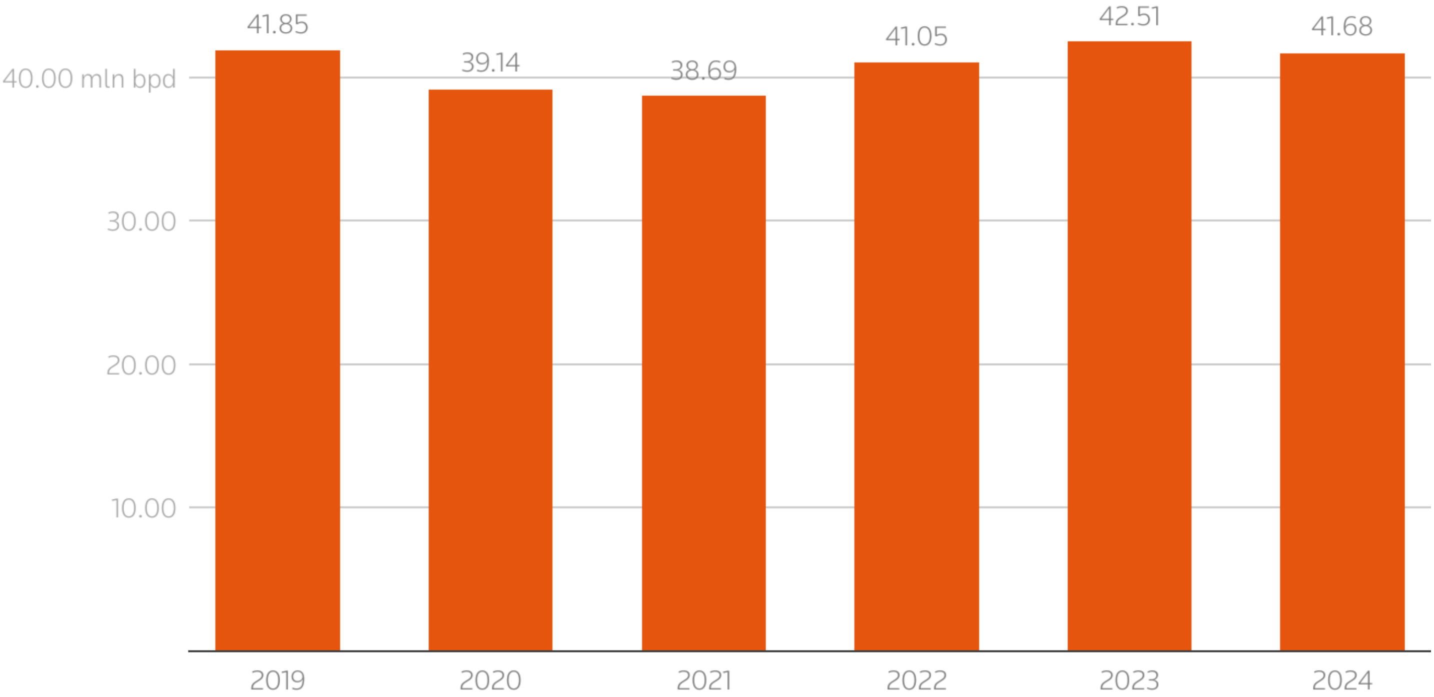
Biden to ban offshore oil, gas drilling in vast areas ahead of Trump term

U.S. President Joe Biden will ban new offshore oil and gas development along most U.S. coastlines, a decision President-elect Donald Trump, who has vowed to boost domestic energy production, may find difficult to reverse.
The move is considered mostly symbolic, as it will not impact areas where oil and gas development is currently underway, and mainly covers zones where drillers have no important prospects, including in the Atlantic and Pacific oceans.
The White House said on Monday that Biden will use his authority under the 70-year-old Outer Continental Shelf Lands Act to protect all federal waters off the East and West coasts, the eastern Gulf of Mexico and portions of

the northern Bering Sea in Alaska. The ban will affect 625 million acres (253 million hectares) of ocean.
Biden said the move was aligned with both his efforts to combat climate change and his goal to conserve 30% of U.S. lands and waters by 2030.
He also invoked the 2010 Deepwater Horizon oil spill in the Gulf of Mexico, saying the low drilling potential of the areas included in the ban did not justify the public health and economic risks of future leasing.
"My decision reflects what coastal communities, businesses, and beachgoers have known for a long time: that drilling off these coasts could cause irreversible damage to places we hold dear and is unnecessary to meet our nation's energy needs," Biden said in a statement. "It is not worth the risks."
Around 15% of U.S. oil production comes from federal offshore acreage, mainly in the Gulf of Mexico, a share that has been falling sharply in the last decade as drilling onshore booms, according to the U.S. Energy Information Administration.
The United States is now the world's top oil and gas producer thanks to big increases in production from places like Texas and New Mexico, fueled by improved drilling technology and strong demand since Russia's invasion of Ukraine.
The announcement comes as Trump has pledged to reverse Biden's conservation and climate change policies when he takes office later this month.
"It's ridiculous. I'll unban it immediately. I will unban it. I have the right to unban it immediately," Trump said in an interview on the Hugh Hewitt radio program.
During his term, Biden also limited new oil and gas leasing on federal lands and waters, drawing criticism from drilling states and companies.
But the Lands Act, which allows presidents to withdraw areas from mineral leasing and drilling, does not grant them the legal authority to overturn prior bans, according to a 2019 court ruling - meaning a reversal would likely require an act of Congress. That order came in response to Trump's effort to reverse Arctic and Atlantic Ocean withdrawals made by former President Barack Obama at the end of his presidency.
Trump also used the Lands Act to ban sales of offshore drilling rights in the eastern Gulf of Mexico off the coast of Florida through 2032. Biden's decision will protect the same area with no expiration.
It is unclear whether lawmakers would support reversing Biden's decision to protect these waters.
A Trump-era proposal in 2018 to open up the Atlantic, Pacific and new parts of the Arctic oceans to offshore drilling drew vehement opposition from most coastal states, including those led by Republicans. The states argued at the time that offshore drilling would pose significant risks to lucrative coastal tourism.
Two years later, Trump banned drilling off the coasts of Florida, Georgia, South Carolina, North Carolina and

Chart of the Day

Global crude export volumes ease 2% in 2024, the first fall since 2021



By Arathy Somasekhar • Source: Kpler

Virginia as he campaigned for re-election.
An oil and gas industry trade group said the decision would harm American energy security and should be reversed.
"We urge policymakers to use every tool at their disposal to reverse this politically motivated decision and restore a pro-American energy approach to federal leasing," American Petroleum Institute President Mike Sommers said in a statement.
Environmental group Oceana called it a victory for Americans who depend on clean coastlines and fisheries.
"Our treasured coastal communities are now safeguarded for future generations," Oceana Campaign Director Joseph Gordon said in a statement.

Top News - Agriculture

Another US-China trade war may drop US soybean prices below $9/bushel, Rabobank says
U.S. soybean prices could slump below $9 a bushel, well below farmers' cost of production and the lowest since 2020, if President-elect Donald Trump's threatened tariffs spark another trade war with China, analysts with Rabobank said.
The trade war could allow Brazil to further dominate China's oilseed imports and supply up to a record-large 80% of Beijing's total import needs, analysts said in an internal RaboResearch report made public Monday.
China is the world's top soy buyer and a crucial market for both U.S. and Brazilian farmers, who supply the bulk of China's imports. About 74% of China's soybean imports came from Brazil in the 2023-2024 marketing year.
Trump has vowed to impose tariffs of 10% on global imports along with a 60% tariff on Chinese goods, prompting concerns that Beijing would retaliate with tariffs of its own on agricultural products such as soybeans.
Trump's tariffs in 2018 began the last trade war between the countries.
"If additional tariffs are imposed, China is expected to retaliate immediately, targeting grains and oilseeds, especially soybeans," the analysts said.
Another U.S.-China trade war would come as a hard blow to American farmers, who have seen net farm income drop nearly 23% since 2022, according to the latest U.S. Department of Agriculture data.
Benchmark prices for soybeans, the largest U.S. agricultural export by value, and other major row crops such as corn, are hovering near four-year lows under ample global supplies, including expected massive crops in Brazil. U.S. soybean futures settled around $9.98 per bushel on Monday.
If there were a new trade war between the two global powers, U.S. farmers, who seeded 87.1 million acres (35.2 million hectares) of the oilseed last year, could slash plantings by up to 5 million acres this spring, analysts said.
That drop could eat into domestic feedstock needed by U.S. biofuel suppliers.
Beijing's reliance on U.S. imports has declined since Trump's first term, as China has expanded imports from Brazil and bolstered its state soybean reserves, while also adjusting livestock feeding rations to rely less on imported soy.
"These three factors create a scenario where U.S. soybeans could be completely shut out of the Chinese market in a potential new trade war," Rabobank analysts said.

Ivory Coast weather mixed for cocoa mid-crop farmers
Variable rainfall last week across Ivory Coast's main cocoa regions has contributed to a mixed outlook for the development of the April-to-September mid-crop as the main crop tails off, farmers said on Monday.
Ivory Coast, the world's top cocoa producer, is in its dry season which runs officially from mid-November to March, when rains are poor and scarce.
In the western region of Soubre, where rains were well above average, farmers said the moisture would help cocoa trees flower from February, boosting hopes of a sustained and abundant mid-crop.
The development of the mid-crop "is off to a good start. If we get another good rain this month, we will have plenty of cherelles (young cocoa pods) and young fruits starting in March," said Salame Kone, who farms near Soubre, where 9.2 millimetres (mm) fell last week, 5.1 mm above the five-year average.
In the southern region of Divo, 2.1 mm of rain fell last week, close to the five-year average. Meanwhile rains were below average in the southern region of Agboville and in the eastern region of Abengourou, but farmers said moisture levels were enough to allow cocoa trees to produce more flowers for the mid-crop.
The centre-western region of Daloa and the central region of Bongouanou and Yamoussoukro saw no rain last week.
"The soil moisture level is starting to get low. It needs to rain, otherwise the trees will weaken," said Eric N'Dri, who farms near Daloa.
The weekly average temperature ranged from 26.5 to 29 degrees Celsius.

Top News - Metals

U.S. Steel, Nippon sue Biden administration over decision to block merger

U.S. President Joe Biden unlawfully blocked Nippon Steel's $14.9 billion bid for U.S. Steel through a sham national security review, the companies alleged in a lawsuit filed on Monday.

The companies want a federal appeals court to overturn Biden's decision to scuttle the deal so they can secure another shot at approval through a fresh national security review unfettered by political influence.

The lawsuit alleges Biden prejudiced the decision of the Committee on Foreign Investment in the U.S. which scrutinizes foreign investments for national security risks, and violated the companies' right to a fair review.

The merger had become highly politicized ahead of the November U.S. presidential election, with Democrat Biden and Republican President-elect Donald Trump pledging to kill it as they wooed voters in the swing state of Pennsylvania where U.S. Steel is headquartered. United Steelworkers union President David McCall opposed the tie-up.

Trump and Biden both asserted the company should remain American-owned even after the Japanese firm offered to move its U.S. headquarters to Pittsburgh, where the U.S. steelmaker is based, and promised to honor all agreements between U.S. Steel and the USW.

Biden sought to kill the deal to "curry favor with the USW leadership in Pennsylvania in his bid for reelection," the companies allege.

"As a result of President Biden's undue influence to advance his political agenda, the Committee on Foreign Investment in the United States failed to conduct a good faith, national security-focused regulatory review process," the companies said in a statement.

A White House spokesperson defended the review, adding, "President Biden will never hesitate to protect the security of this nation, its infrastructure, and the resilience of its supply chains."

The lawsuit, which echoes claims the companies made in a Dec. 17 letter to CFIUS seen by Reuters, shows the companies are making good on their threats of litigation.

"We can't back down after being treated unreasonably. We will fight back thoroughly," Nippon Steel Vice Chair Takahiro Mori told Nikkei on Monday.

Mori said the CFIUS review process lacked integrity as the Japanese company received no written feedback on the proposed national security agreement.

The prospects of the lawsuit, which also names U.S. Attorney General Merrick Garland and Treasury Secretary Janet Yellen, are unclear. Yellen oversees CFIUS. Courts generally give great deference to CFIUS to define national security, experts say.

The Justice Department declined to comment and the Treasury Department did not respond to a request for comment.

Trump said in a post on his social media platform on

MARKET MONITOR as of 07:33 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$73.44 / bbl	-0.16%	2.40%
NYMEX RBOB Gasoline	$2.05 / gallon	-0.16%	2.26%
ICE Gas Oil	$700.00 / tonne	-0.74%	0.68%
NYMEX Natural Gas	$3.55 / mmBtu	-3.35%	-2.31%
Spot Gold	$2,640.89 / ounce	0.21%	0.65%
TRPC coal API 2 / Dec, 25	$114.5 / tonne	-2.55%	2.83%
Carbon ECX EUA	€74.00 / tonne	-0.48%	1.37%
Dutch gas day-ahead (Pre. close)	€46.88 / Mwh	-5.29%	-3.44%
CBOT Corn	$4.62 / bushel	-0.70%	-0.81%
CBOT Wheat	$5.49 / bushel	-0.68%	-2.44%
Malaysia Palm Oil (3M)	RM4,408 / tonne	1.61%	-0.90%
Index	**Close 06 Jan**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	359.72	0.76%	0.82%
Rogers International	29.59	0.05%	1.28%
U.S. Stocks - Dow	42,706.56	-0.06%	0.38%
U.S. Dollar Index	108.04	-0.21%	-0.42%
U.S. Bond Index (DJ)	435.08	-0.18%	-0.22%

Monday: "Why would they want to sell U.S. Steel now when Tariffs will make it a much more profitable and valuable company?"
Nippon Steel's partnership with U.S. Steel aligns with Trump's vision of strengthening U.S. manufacturing, Nippon Steel CEO Eiji Hashimoto told reporters on Tuesday in Tokyo.
"If we win the case and CFIUS reopens the review ... we will explain once again that this acquisition is beneficial to the United States," Hashimoto said. "And I am sure we will be able to gain the understanding."
Nippon Steel shares were down 1.5% at 0114 GMT in Tokyo.

CLIFFS, USW ALSO TARGETED
The companies also filed a second lawsuit against rival bidder Cleveland-Cliffs, its CEO Lourenco Goncalves and the USW's McCall "for their illegal and coordinated actions" aimed at preventing the deal.
They argue Cliffs, Goncalves and McCall colluded to allow Cliffs to "monopolize the domestic steel markets" by thwarting any other attempts to buy U.S. Steel.
Goncalves participated in at least nine calls assuring investors that Biden would scuttle the Nippon Steel merger, according to last month's letter to CFIUS, Reuters reported.
Goncalves said in a statement on Monday that "Nippon Steel and U.S. Steel continue to play the blame game in a desperate attempt to distract from their own failures. Today's lawsuits against the U.S. government, the USW, and Cleveland-Cliffs represent a shameless effort to scapegoat others for U.S. Steel's and Nippon Steel's self-inflicted disaster."
McCall said the USW would "vigorously defend against these baseless allegations."
Last week, Biden blocked the proposed purchase on national security concerns, dealing a potentially fatal blow to the contentious plan after a year of review.
U.S. Steel, founded in 1901 by some of the biggest U.S. magnates, including Andrew Carnegie, J.P. Morgan and Charles Schwab, became intertwined with the industrial recovery following the Great Depression and World War Two.
U.S. Steel shares closed up about 8% on Monday. The company has been under pressure following several quarters of falling revenue and profit, making it an attractive takeover target for rivals looking to expand their U.S. market share.

'MANIPULATED' REVIEW PROCESS
Nippon Steel's December 2023 bid for U.S. Steel faced early challenges.
Biden opposed the deal on March 14, before the CFIUS review began, which the companies claim prejudged the outcome and deprived them of due process.
McCall endorsed Biden a week later.
Biden was later replaced on the 2024 Democratic presidential ticket by Vice President Kamala Harris, who also opposed the deal and was endorsed by the USW.
CFIUS normally approves a deal or recommends the president block it, but in rare cases, it refers them to the president, as it did with the Nippon Steel deal on Dec. 23, setting the stage for Biden's move to block.
Before that, CFIUS staff were barred from negotiating with the companies on a proposed agreement to address the committee's national security concerns, the statement by U.S. Steel and Nippon Steel alleges, a marked deviation from normal practice.
"It is clear that the review process was being manipulated so that its outcome would support President Biden's predetermined decision," the companies said.

Chile's Codelco copper output up 'slightly' in 2024, Chairman tells paper
Copper production at Chile's Codelco, the world's largest producer of the metal, was "slightly higher" in 2024 from the previous year, Chairman Maximo Pacheco said in an interview with a local newspaper on Monday.
In the interview with Diario Financiero, Pacheco said production increased by 3,000 to 4,000 metric tons from 2023's 1.325 million tons.
"We crossed the production valley in 2024 and are ready to start 2025 on the upswing to retake the peak of 1.7 million tons of fine copper at the end of the decade," Pacheco said, adding that December's production topped 160,000 tons.
Codelco has been struggling to revive output from a 25-year low and made a late dash in December to hit its 2024 targets. The company had been grappling with construction problems at key mines, accidents and a drop in ore grades.
Despite copper output falling behind target by May, including delays caused by worker deaths, the company made a strong push in the final months of the year.
In the interview, Pacheco said he expected the company to have binding offers from potential joint venture partners in its Maricunga lithium project in the first quarter of 2025.
Codelco is entering the lithium business after President Gabriel Boric tasked the state miner in 2023 with leading an expansion of the industry.
Chile is the world's second-largest lithium producer after Australia, but Codelco is building lithium production virtually from scratch. Codelco aims to begin construction in Maricunga in early 2027 and launch production in early 2030. Codelco is also launching a joint venture with local lithium producer SQM to mine the metal in the Atacama salt flat. Pacheco said they had mostly fulfilled the compliance obligations for the contract to be approved.

Top News - Carbon & Power

Norway's Troll gas field produced record volume in 2024

Norway's Equinor said on Monday the Troll gas field in the North Sea had produced a record volume of natural gas in 2024, increasing nearly 10% from the previous high set in 2022.
The Troll gas field, Europe's largest, in 2024 delivered 42.5 billion standard cubic metres (bcm) of natural gas, up from 38.8 bcm in 2022, Equinor said in a statement.
Norway is Europe's largest supplier of natural gas after a sharp reduction in Russian deliveries since the start of the war in Ukraine in 2022, with the Troll field alone meeting around 11% of the European Union's demands, according to Equinor.
Troll, which began production in 1996, is owned by Equinor, Petoro, Shell, TotalEnergies and ConocoPhillips.
An upgrade to the capacity of the onshore Kollsnes gas processing plant in recent years has contributed to lifting Troll's output, Equinor said.
The state-controlled company and its partners said last May that they would invest a further 12 billion Norwegian crowns ($1.06 billion) to boost production of the Troll field.
The new investment will accelerate production equivalent to about 55 bcm of gas, and at its peak the annual contribution from the additional development will amount to around 7 bcm, Equinor said at the time.

COLUMN-Europe's LNG imports surge, but not at Asia's expense: Russell

Europe's imports of liquefied natural gas (LNG) surged to an 11-month high in December, but the gain didn't come at the expense of Asia, which also recorded higher arrivals.
A total of 10.89 million metric tons of the super-chilled fuel was imported by Europe in December, up 23% from 8.86 million in November and the highest since January's 11.18 million, according to data compiled by commodity analysts Kpler.
The sharp increase in Europe's imports came as winter demand rose and ahead of the end of Russian pipeline shipments through Ukraine at the start of 2025.
However, the increase in European purchases of LNG didn't come at the expense of arrivals in Asia, the world's top-importing region.
Asia imported 25.63 million tons in December, up from 22.64 million in November and the most since the 26.19 million in January, according to Kpler data.
However, Asia's December figure was down 3.6% from the 26.58 million tons seen in the same month in 2023.
Europe also recorded a drop from December 2023, when imports were 11.75 million tons, or 7.9% higher than the figure for December 2024.
A mild start to winter in North Asia coupled with rising spot prices are likely to have curbed importer enthusiasm for LNG.
China, the world's biggest buyer of LNG, saw arrivals of 7.66 million tons in December, which was down from 8.20 million for the same month a year earlier.
Similar small declines were recorded by Japan and South Korea, the second- and third-biggest importers in Asia.
India, Asia's fourth-biggest LNG importer, actually saw a small increase in December arrivals on a year-on-year basis, coming in at 1.94 million tons, versus 1.86 million in December 2023.
However, India's LNG imports have been trending weaker since reaching a 2024 peak of 2.60 million tons in June, with the lower arrivals coinciding with rising prices for spot cargoes.
The price of spot LNG for delivery to North Asia hit its 2024 low of $8.30 per million British thermal units (mmBtu) in early March.
At this price Indian buyers would have been encouraged to book spot cargoes, which would have taken up until June to be delivered.
However, the spot LNG price started rising from March onwards, reaching $12.60 per mmBtu by mid-June, $14.10 by mid-August and peaking at $15.10 by late November.
It has since eased slightly to end at $14.60 per mmBtu in the week to Jan. 3.
Prices above $10 per mmBtu have in the past resulted in India taking fewer spot cargoes, and have even encouraged Chinese buyers to resell LNG.

EUROPE DEMAND

With Europe experiencing cold weather, it's likely that natural gas prices in the continent will remain supported, especially with storages dropping to stand at just over 70% full last week, which is below the 85% from the same time last year and the 76% five-year average.
European prices are high enough to encourage spot LNG cargoes to head to the continent, with the benchmark front-month contract at the Dutch TTF hub ending at 47.17 euros per megawatt hour, equivalent to $14.36 per mmBtu. The loss of Russian pipeline gas through Ukraine and the faster drawdown of inventories means Europe is likely to keep LNG purchases at higher-than-usual levels for coming months, which may prevent spot prices from having their usual seasonal downturn when the northern winter ends.
However, there is also the possibility that increased LNG supply, especially from the United States, will be sufficient to meet any lift in European demand.
Europe imported 5.22 million tons of U.S. LNG in December, an 11-month high and more than double the 2.30 million from July, which was the softest month in 2024.
The world's biggest LNG exporter is expected to increase exports in 2025, with two new plants, Venture Global's Plaquemines and Cheniere's Corpus Christi Stage 3, starting production late in December 2024.

Top News - Dry Freight

Syria unable to import wheat or fuel due to US sanctions, trade minister says

Syria is unable to make deals to import fuel, wheat or other key goods due to strict U.S. sanctions and despite many countries, including Gulf Arab states, wanting to do so, Syria's new trade minister said.
In an interview with Reuters at his office in Damascus, Maher Khalil al-Hasan said Syria's new ruling administration had managed to scrape together enough wheat and fuel for a few months but the country faces a "catastrophe" if sanctions are not frozen or lifted soon.
Hasan is a member of the new caretaker government set up by Islamist rebel group Hayat Tahrir al-Sham after it launched a lightning offensive that toppled autocratic President Bashar al-Assad on Dec. 8 after 13 years of civil war.
The sanctions were imposed during Assad's rule, targeting his government and also state institutions such as the central bank.
Russia and Iran, both major backers of the Assad government, previously provided most of Syria's wheat and oil products but both stopped doing so after the rebels triumphed and Assad fled to Moscow.
The U.S. is set to announce an easing of restrictions on providing humanitarian aid and other basic services such as electricity to Syria while maintaining its strict sanctions regime, people briefed on the matter told Reuters on Monday.
The exact impact of the expected measures remains to be seen.
The decision by the outgoing Biden administration aims to send a signal of goodwill to Syria's people and its new Islamist rulers, and pave the way for improving basic services and living conditions in the war-ravaged country.
At the same time, U.S. officials see the sanctions as a key point of leverage with a new ruling group that was designated a terrorist entity by Washington several years ago but which, after breaking with Islamist militant group Al Qaeda, has recently signalled a more moderate approach.
Washington wants to see Damascus embark on an inclusive political transition and to cooperate on counterterrorism and other matters.
Hasan told Reuters he was aware of reports that some sanctions may soon be eased or frozen.

EU's cleaner marine fuel rules are inflationary, shipbrokers say

European Union marine fuel rules, effective from Jan. 1 as part of efforts to cut emissions, will raise shipping costs, although firms with vessels that can run on alternative fuels, such as biodiesel and LNG, will benefit, two shipbrokers said.
The policy is the second major EU regulation focused on cutting the shipping industry's carbon emissions in as many years. Shipping transports over 80% of all traded goods and causes nearly 3% of greenhouse gas emissions.
The FuelEU Maritime regulation requires commercial ships above 5,000 gross tonnage operating in EU ports to cut emissions from marine fuels, also called bunker fuels, or pay penalties.
Biofuels and other alternative fuels for ships are in short supply, and there is competition from aviation and other sectors. That means shipping companies' costs will rise - and ultimately, the increase will be passed onto consumers and businesses, shipbrokers said. The new policy follows the EU's inclusion of shipping in its Emissions Trading System (ETS) in 2024 that means ships pay for their emissions made on voyages that include EU ports.
"It is important that we understand that shipping decarbonisation will be inflationary, as freight rates will be impacted," Kenneth Tveter, head of green transition at shipbroker Clarksons, said.
Mattia Ferracchiato, head of carbon markets at shipbroker BRS, also said freight rates would increase as ships either pay a premium for greener fuels or a penalty for failing to comply.
FuelEU penalties could equal 3% of the total freight cost for a tanker carrying around 70,000 metric tons of crude or fuel oil between the U.S. Gulf and Rotterdam, calculations from BRS show.
A ton of very low sulphur (0.5%) marine fuel in Rotterdam cost 505 euros ($522) on Jan. 3, according to data from marine fuel platform ZeroNorth. Biodiesel-blended very low sulphur (0.5%) marine fuel in Rotterdam, meanwhile, cost 686 euros ($709) per ton, according to bunker intelligence platform Engine.

COMPLIANCE OPTIONS

Under the regulation, eligible ships must reduce bunker fuel emissions by 2% each year between 2025-2029 from an emissions baseline of 91.16 grams of CO_2 equivalent, while the reduction target rises every five years up to 80% in 2050.
Switching to biofuel-blended bunker fuels and liquefied natural gas (LNG) will be among the most popular compliance options, said Clarksons' Tveter.
But there were still drawbacks, he said.
"Biofuel supply is limited and competition will be fierce, especially from aviation," he said, adding aviation, unlike shipping, was used to having to pay up for "a premium refined product".
Shipping companies with vessels that can run on alternative fuels will benefit, Tveter added. Biodiesel-blended fuel oils and LNG are the most readily available alternative marine fuels.
Marine consultancy DNV said the preferred option could be a pooling system whereby ships that reduce emissions below the threshold of 91.16 grams of CO_2 equiva-

lent create a surplus, allowing multiple ships to comply with the FuelEU regulation.
Companies with many vessels could secure a compliance surplus on selected vessels, most likely by switching to biofuels, then using pooling to make the whole fleet compliant. Other firms could also buy or sell allowances from other shipping companies.
A single vessel running on LNG can make four other same-sized ships compliant with the FuelEU regulation, according to the European Commission.

Picture of the Day

A pelican flies near a pier in Lake Worth Beach, Florida, U.S., January 6. REUTERS/Carlos Barria

(Inside Commodities is compiled by Anjana J Nair in Bengaluru)

For questions or comments about this report, contact: **commodity.briefs@thomsonreuters.com**

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