

# Fujairah shows how Middle East has adapted to IMO 2020

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**T**he global oil and shipping industries faced new challenges and opportunities with the start of a new decade as the International Maritime Organization imposed lower sulfur caps on fuels used on the high seas. Not only has the oil industry had to adapt to changes in demand, but the shipping industry also had to accept higher fuel costs with the new IMO 2020 rule. The port of Fujairah in the UAE is well-placed to cope with the changes.

The IMO 2020 rule, which took effect on January 1, 2020, requires all ships without exhaust gas cleaning systems, known as scrubbers, to burn compliant fuel of no more than 0.5% sulfur content, down from 3.5% previously.

Fujairah, located outside the Strait of Hormuz on the east coast of the UAE, has two facilities that are able to produce around 500,000 mt of IMO 2020 compliant fuel a month. It also has infrastructure for the loading of IMO 2020 compliant fuel. This includes four berths at Fujairah Oil Tanker Terminals dedicated to the loading of low sulfur material onto bunker barges, ensuring there is no cross-contamination of higher sulfur fuels with low sulfur products.

In the run-up to the new rules, vessels last year were testing the new fuel to be ready for the switch. The first barge loaded with low sulfur product was done on October 17, when 4,800 metric tons of the fuel was loaded onto the barge Swan.

Since January 2017, S&P Global Platts and the Fujairah Oil Industry Zone (FOIZ) have collected and published weekly stockpile levels of oil products at Fujairah. The data covering light distillates, middle distillates and heavy residues and distillates show how the oil and shipping industries adapted to IMO 2020. Platts also began as of January 2019 providing assessments of Fujairah 0.5% sulfur marine fuel, adding another layer of transparency to the Fujairah port.

The data for heavy distillates and residues, which includes low and high sulfur fuels, show how the industry was stockpiling in preparation for IMO 2020. Those stocks climbed to a record 15.426 million barrels on November 25. Since then, stockpiles have declined as ships switched to lower sulfur fuels. Stocks of heavy distillates and residues averaged 11.509 million barrels in December.

Pricing data show a similar path in response to increased demand for low sulfur fuel. The premium for 0.5% sulfur fuel in Fujairah over high sulfur marine fuel climbed to a record \$403.06/mt on January 2 this year, from \$42.56/mt in the first quarter of 2019, \$81.80/mt in the second quarter and \$262.84/mt in the third quarter.

In February this year, due to concerns about weak demand due to the coronavirus, the spread was down to \$224/mt vs a January average of \$300.13/mt.

The pricing data for IMO 2020 compliant fuel now goes back more than a year and the inventory data for oil products in Fujairah now has more than two years of history. These data sources will be two key indicators of future activity at the port of Fujairah.

A version of this OP ED also appeared in UAE's Oil and Gas Middle East on Feb. 24, 2020: and can be accessed [here](#). ■