

Bunker suppliers branch out

Having dominated the US market for the past 21 years, Chemoil Corporation branches out into the Turkish market; BP Marine's proposed emissions trading scheme gains support; and ExxonMobil Marine Fuels introduces a product quality guarantee on direct bunker sales

Tapping Black Sea shipping

The Black Sea is fast becoming an international gateway for new Caspian Sea oil finds on their way to the thirsty US oil market. Consequently, the region's shipping industry is booming and with just one exit and entry point - the contentious Bosphorus and Dardanelles Straits - bunker suppliers should have a captive audience. To date this has not been the case, but marine fuel supplier Chemoil Corporation believes that all this is about to change.

"The Turkish Straits are the only sea transit route from the Black Sea to the Mediterranean and are very important for trade in the area," explains Adrian Tolson, Chemoil's vice-president of marketing. "The local dynamics of the bunker industry are changing very rapidly, and there is a new move in the local market to become a more accepted bunker location in the region.

"With its 17 years of history, bunkering experience in Turkey is now at a point where it needs to be supported with global coverage and more effective international management."

Cue Chemoil. Founded in 1981, Chemoil already ranks as one of the world's largest independent marine fuel suppliers, supplying in excess of 5 million tons annually on all three coastlines of the US, northwestern Europe and Singapore. Having firmly established itself as the largest supplier in America's two largest container ports, Los Angeles and New York, the major is turning to the lucrative Black Sea business to build on its annual turnover, which is currently in excess of \$3m.

Recently, potential customers have bypassed bunkering in the Bosphorus because price-wise the region was simply not competitive, but it was not always so.

"Tanker operators and owners used Istanbul as a bunkering location in the past, but after the activation of the Russian ports for bunkering, a remarkable quantity moved there because of the price differentials," says Tolson.

"With Chemoil's reputation in the market and its marketing strategy, we believe we will win back those bypassed customers to Turkey and increase the traded volume in the area."

To do this Tolson admits that Chemoil needs to change the mindset of the local marine fuel market. As he sees it, local dynamics in Turkey depend on a "low volume/high margin profile", where local suppliers depend on certain margin levels rather than on increasing volume.

"What Chemoil proposes to do is to change the local dynamics to a high volume/low margin profile. This needs good financial support, enough operational capability and continuous sources of supply, all of which Chemoil contains in its current operations and intends to extend to the Turkey operations."

The new outfit began operations on August 15, and Chemoil waits to see if its tried and tested formula will work in the Black Sea. Using a combination of a local team; spot- and timecharter-based bunker barges; and an extension of its impressive international operation, Chemoil is tackling Black Sea bunkering head on.

Emissions trading still on track

BP Marine took the bull by the horns with its proposed emissions trading scheme, knowing that it would face an uphill struggle to win industry support.

So Don Gregory, BP Marine's projects manager for environment and clean fuels, has a right to feel self-satisfied about the fact that, with his help, this usually passive industry is finally making a stand against legislation that could be disastrous both to the shipping and the bunkering industries.

Designed to provide an alternative to the European Union's (EU) sulphur cap on marine fuels - an EU proposal is being prepared for publication this summer - BP Marine's emissions trading scheme needed industry support to make it worth pursuing. Gregory believes he has finally found this support, as evinced by attendees during a BP Marine-organised seminar recently held for the purposes of banging the emissions trading drum.

"The participants recognised that the amendment of the fuel directive shouldn't be just a sulphur cap, it could be that plus another scheme. A big recognition was that the environmental effect of a simple cap on sulphur content would be minimal but the cost to the industry would be high," he says.

But attendees pushed back on a proposed six-month development plan saying it was not long enough, preferring instead to take a slower route to ensure that consultations would be adequate and more effort could be put into lobbying.

"I think the fact that various trade members have supported and funded it is a positive move. Nobody has said 'this is an absolute waste of time and we're not going to support it'. If anything, people sitting on the fence have hopped off to our side."

Gregory gives the example of a BP Shipping executive who prior to the conference was quite sceptical about the scheme, but afterwards said that as far as he was concerned "emissions trading was the only way forward".

Convincing the EC to believe the same will be tough, but Gregory feels confident. He says that while spokeswoman for EC directorate general for environment Nicola Robinson left the meeting with a view that a straightforward cap on fuel could be disadvantageous to Europe, the EC feels it is an issue for the International Maritime Organisation (IMO).

BP Marine is also evaluating the cost of its emissions trading to the industry as compared with the cap. Gregory is concerned that the EC's belief that there will be no damage to the industry as long as there is a level playing ground and everyone has to pay is an incorrect one.

"In actual fact short-sea operators are competing with aeroplanes and trucks. If the ship has to pay a lot more for fuel than it's not a level playing ground."

To move the proposal forward, BP Marine is now pulling together key bunker industry officials to create a steering group, to be known as Shipping Emissions Abatement and Trading. BP Marine will also be developing information projects on emissions trading and on some of the savings that can be accrued by its use.

EMMF seals product quality

ExxonMobil Marine Fuels' (EMMF) product quality guarantee on direct bunker sales has received a warm welcome from the shipping industry. EMMF introduced the guarantee in May 2002 - marked by a new logo on EMMF delivery documentation - to reflect the group's "rigorous quality product standards", according to director Peter Healey. Four months down the line, and EMMF is proclaiming the guarantee a triumph.

"The comments we have had back are favourable. Some of them have come back and told us it is what they have been waiting for," says Joe Rud, EMMF's general manager of fleet purchasing and business development. "They are happy to see that EMMF is concerned about quality and is assuring them that the fuel is of high standards. Shipping companies are concerned about quality and are pleased to see that EMMF has the guarantee to give them peace of mind."

In fact the only criticism has been that the guarantee was not introduced sooner. Recent events in Singapore saw a number of suppliers lose their licences and many shipowners were caught out in a fuel contamination scandal that continues to send

ripples throughout the bunkering community. Rud acknowledges that it was occurrences such as these that prompted the oil major to take action to protect its customers.

"Recent events related to quality and quantity in various markets demonstrated the need for quality throughout the delivery process. We believe that the quality of our products and delivery operations are EMMF's key strengths," he says.

Although some traders initially felt aggrieved that the product guarantee could not be passed on to their customers, EMMF still maintains that it cannot guarantee the quality of fuel which is sold in good faith to an intermediary and then delivered on board by the intermediary.

"The guarantee applies to product that we have control over from the cradle to the grave," explains Rud. "Once the title is passed to a trader we at EMMF do not have control over the product and therefore cannot guarantee that it is still the same fuel passed on to the end user. "In reality this is common sense. The trader can be assured that the product they buy fulfils our contractual obligations at the point when the title is transferred."