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Ship-Fuel Seller to Boost Trading Team as IMO 2020 Morphs Market

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(Bloomberg) -- Peninsula Petroleum Ltd., the biggest supplier to vessels in the fueling hub of Gibraltar, will add positions in trading next year and expand its chartering business as the global shipping industry moves to clean up emissions.

The new IMO 2020 rules will curb use of traditional ship fuel, or bunkers, and stoke demand for more complex blended products. That's driving growth at Peninsula, which moved into blending in recent years in locations from Panama to Barcelona, having originally started by reselling fuel. "We are now more of an oil company, less so a bunker company," Chief Executive Officer John Bassadone said in an interview.

The move to cleaner fuels, spearheaded by the International Maritime Organization, comes into effect next month. There isn't one single fuel that meets the IMO's tighter specifications, which means there's now an increased need for blended products. Peninsula, which started in the 1990s, subsequently took on storage, helping the company to become more active in blending.

The company will hire 15 to 20 additional trading staff over the next year, with Gibraltar the most likely focus of recruitment, and Geneva another possibility, the CEO said.

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One of the fuels that's emerged as meeting the IMO specifications is known as very low sulfur fuel oil, which contains no more than 0.5% sulfur. The fuel accounted for more than 50% of sales in November at the Port of Rotterdam, Europe's largest hub, jumping from less than 2% in September. Peninsula has been selling the product since July and expects deliveries of 550,000-600,000 tons a month from January, Bassadone said. That's up from 350,000 tons this month.

The company, which has about 350 employees, will also add 20 positions in other areas, including legal, risk management, hedging, operations, technical and shipping desks.

Peninsula already has a Panamax class of vessel that can carry more than 50,000 tons of fuel. It operates about 36 vessels globally, mainly fuel barges and product tankers, 10 of which are owned with the rest chartered. Bassadone said he was looking at buying four more vessels, in addition to plans to expand his in-house chartering operations.

The CEO said many ports may stop supplying traditional bunkers -- high-sulfur fuel oil that, with 3.5% sulfur, exceeds the new IMO limit. That could lead to HSFO being centralized in established hubs such as Houston, Fujairah, Singapore and Antwerp-Rotterdam-Amsterdam, as well as Gibraltar and the Canary Islands where Peninsula has storage.

Peninsula plans to keep supplying HSFO at its centers, anticipating that the fuel will continue to trade at enough of a discount to cleaner fuels to make a vessel fitted with pollution-scrubbing equipment worth running. "When a vessel passes a port like Gibraltar, they're going to fill up," Bassadone said, referring to how the HSFO market will adapt.