



The 10th INTERNATIONAL
**FUJAIRAH BUNKERING &
FUEL OIL FORUM**
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In Conjunction with the Fujairah Bunkering Week
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Organised by



Hosted by



Held Under the Patronage of His Highness Sheikh Hamad Bin Mohammed Al Sharqi,
Member of the UAE Supreme Council & Ruler of Fujairah

Press Clipping

FUJCON 2017: Fuj Is No Con

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Anticipation hovered in the desert air as onlookers awaited the VIPs. Cameras clicked and bulbs flashed as a group of distinguished-looking bearded men in gleaming white robes and keffiyehs swept in — the Crown Prince of the Emirate of Fujairah and his entourage were in the house.

The opening day of this year's Fujairah Bunkering and Fuel Oil Forum — known as FUJCON — could now officially begin.

After the playing of the Emirati national anthem it was down to business, with a packed two-day schedule of expert speakers and panel discussions covering petroleum, LNG, storage, refineries, shipping markets, legal issues and of course bunkers — within the context of the Port of Fujairah.

This is the world's second largest bunker hub, with annual sales of 24 million MT, just over half of the volume of the leader, Singapore.

Fujairah handled 4859 vessels moorings and 14,942 calls in 2016, with tankers making up 81% of the vessels arriving here.

Here's some of what I saw and heard, along with results from informal but very useful polls of FUJCON attendees taken through the course of the conference via the nifty FUJCON app.

On oil: a speaker explained that oil prices would have been expected to rise, given 90% compliance by OPEC members with their production restrictions, but they actually dropped due to pessimism over high inventories.

Yet such negative sentiment is shortsighted — once inventories shrink in coming months, prices will push up.

Tanker rates however may be another matter if respondents to a FUJCON poll are right: 56% of respondents said that the OPEC cuts would hit the tanker market in 2017, due to tanker overcapacity and newbuildings.

Analogies: oil is like dating, since it involves relatively short-term one year contracts, while LNG, with its multi-billion dollar, 20-year contract commitments, is more like marriage.

With LNG in particular there's also a mentality mismatch between sellers and buyers: the former wants long-term control, while the latter wants to buy wherever, whenever.

LNG was a big topic with its global prospects as a broadly accepted bunker fuel uncertain (as reflected in a FUJCON poll mentioned below).

However, this does not seem to be the case in Japan, where Toyota have announced that by 2020 all its automobiles will be shipped exclusively on LNG-powered ships.

LNG-as-bunkers is but one of several standard topics at any bunker conference these days, linked to the question of which fuels will be burned on ships by 2020 — the year sulfur limits on marine fuels imposed by the International Maritime Organization (IMO) come into effect.

What will shipping companies do? Will they burn a new a type of low sulfur fuel or more expensive distillates? Will LNG emerge despite the prohibitive upfront costs? Are scrubbers a permanent solution? How widespread will cheating be? What'll it be?

A FUJCON poll asked attendees that very question: 35% felt shippers would switch to distillates, while another 35% felt they wouldn't comply with the regulations.

Only 23% thought low sulfur fuel would be the answer, while scrubbers and LNG were at the bottom, with a mere 7% and 1% respectively answering that those two were viable solutions.

The challenge is difficult: 3 to 4 million barrels of high sulfur fuel oil are to be replaced practically overnight. One speaker opined that if the IMO understood the refining business, the restrictions would have kicked in, say, 2025.

In response to a poll question if IMO regulations would affect demand for fuel oil in Fujairah, nine of ten agreed that demand for fuel oil would decline.

Meanwhile, the bankruptcies of recent years continue to cast a pall over the bunker industry: legal experts dispensed advice on how market participants could protect themselves in wake of the OW Bunker and Hanjin collapses.

Chatting on the sidelines of FUJCON 2017

FUJCON was punctuated by the Platts-sponsored opening reception on Monday evening and a raucous gala dinner the following night.

A grizzled marine engineer at the dinner who once worked on board tankers in the Middle East described Fujairah Port's emergence as a bunker hub as an accident of history: tankers avoiding the Persian Gulf war zone during the Iraq-Iran conflict of the 1980s would load and bunker out of harm's way, at Fujairah.

Some bunker players I spoke to described the challenges they faced. Yes, Fujairah has developed massively, but in recent years there's been some flattening of growth.

The wars in Syria and Yemen, the Iran sanctions — not to mention the steep slide in oil prices from over \$100 to \$28 in 2015 which has increased competition and narrowed bunker margins — have all taken a toll.

But it's the US shale revolution which seems to be having a profound impact on the Port of Fujairah — especially the bunker market.

For example, one prominent local supplier said that in 2010 it commonly loaded around 7,000 MT of bunkers onto VLCCs departing from Fujairah for the US West Coast.

But shale oil has turned the US into an oil exporter which means that US imports have declined. As a result, VLCCs that once sailed for California now head instead for far closer destinations in Asia, requiring stems far smaller than 7,000 MT — more like 1,500 MT or less.

At the same time, the number of inquiries has increased, meaning that suppliers are fixing smaller stems on more vessels, which raises operating expenses.

A poll question asked whether Fujairah should worry about challenges from other ports competing for its bunker business. Seven of ten respondents said that yes, it had reason to worry.

Some final observations: Fujairah is a sleepy town, perhaps resembling what Dubai must have been like in say, 1990. Yet the city does seem poised to follow Dubai's Singapore-like trajectory, as there's a distinct impression that massive expansion lurks on the horizon.

The desert between Dubai and Fujairah is a haunting Mars-like landscape of savannahs and forbidding rocky ranges.

But the spanking new superhighway connecting the two Emirates, the wave of building along the artery and the transmission lines crisscrossing the wilderness all made me think of the massive wave of development that followed the construction of New York's subway lines a century ago, which resulted in the global city we know today.

It wouldn't be surprising if twenty years from now Dubai and Fujairah find themselves merged into a single global megalopolis stretching from the Persian Gulf to the Indian Ocean.

Post-FUJCON then, it's certainly clear that 'Fuj' is no con.