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### **Bunker traders set to play bigger role in facilitating credit, information as IMO 2020 approaches**

The role of bunker traders is undergoing a transformation as 2020 approaches, with many likely to play an increasingly vital role as harbingers of credit and information to a market which is dealing with the complexity of the International Maritime Organization's global sulfur limit rule for marine fuels, industry sources told S&P Global Platts.

Bunker trading margins suffered from sustained downward pressure since the 2014 slump in crude oil prices. The industry came under further assault later that year with the unexpected bankruptcy of Danish trader OW Bunker – a situation that left shipowners and oil producers reassessing counterparty risk, with some deciding to trim their use of traders and brokers as a result.

However, that is set to change as the industry dynamics alter due to the new regulatory landscape.

"I would expect large and established traders to play an important role," Timothy Cosulich, CEO Fratelli Cosulich, said at the sidelines of the 11<sup>th</sup> International Fujairah Bunkering & Fuel Oil Forum.

Traders could, for example, advise both suppliers and customers about how to comply with the fuel specifications related changes in 2020 and where possible connect the two parties accordingly, Cosulich said.

Some of them including Fratelli Cosulich are already starting to do so, he said.

Another trading house said they were planning to step up efforts to create and blend 0.5% sulfur fuels to leverage the growth opportunity that IMO 2020 brought along with it.

Glander International Bunkering, for its part, is in close contact and dialogue with current and future suppliers of the new 0.5% products, as well as its customer base, to bridge and share knowledge about future products, their handling and expectations from the demand side, company CEO Carsten Ladekjaer said.

"Overall, our target is to help our counterparties mitigate the risks and solve the challenges that come with the new sulfur cap and all its implications," he said.

#### CREDIT AND OTHER ASPECTS

The big oil companies and even big commodity traders do not want to give credit to shipowners, Adrian Tolson, senior partner at 2020 Marine Energy, told Platts last week. So, bunker traders, particularly the well capitalized ones, have a big role here, he said.

"If shipping improves and as big oil becomes more comfortable with shipping credit, you can expect this pendulum to swing away from the bunker traders...but it will take some time," he said.

Unless shipowners opt for scrubbers, they will need a larger credit facility to buy today's equivalent of new compliant products, sources said.

Some sources said that they could see the credit needs of some of their clients escalate by as high as 30%-40% to meet rising bunker costs.

Meanwhile, bunker traders could also play an important role in other aspects such as fostering innovation by investing in technology such as blockchain to ensure efficiency and visibility of the entire supply chain, which would also enhance their roles, sources said.

In addition, bunker traders can play a key role in carrying out 'pre-tests' in the 2020 landscape, Sing Fuels MD Sonnich Thomsen told Platts separately this month, adding that doing so would ensure that the certificate of quality matches the actual supply.

Sing Fuels is currently mapping customers' demand to availability of the different bunker fuels across geographies, Thomsen said at the time.

#### CONSOLIDATION

The industry is ripe for consolidation with some smaller entities likely to join larger ones to benefit from the latter's expertise, organizational efficiencies and to achieve economies, sources said.

"I expect some suppliers and traders to disappear....or to be greatly reduced in size....you can expect to see some suppliers just becoming logistics providers (barging company etc.)...access to oil and credit are the factors impacting consolidation," Tolson said.

Some companies have already shut down unprofitable offices and the ones that take this decision early will benefit, sources said.

Meanwhile, Ladekjaer said that traditional oil majors are expected to return more actively to the bunkering scene, since they see a business opportunity in IMO 2020.

"In fact, this is already happening. Furthermore, we also expect to see some of the large commodity traders become even more active within our industry," he said.

They have the infrastructure, the finances and the expertise in sourcing and selling the new product menu on a large scale, he added.

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