

Bunkering in the Straits

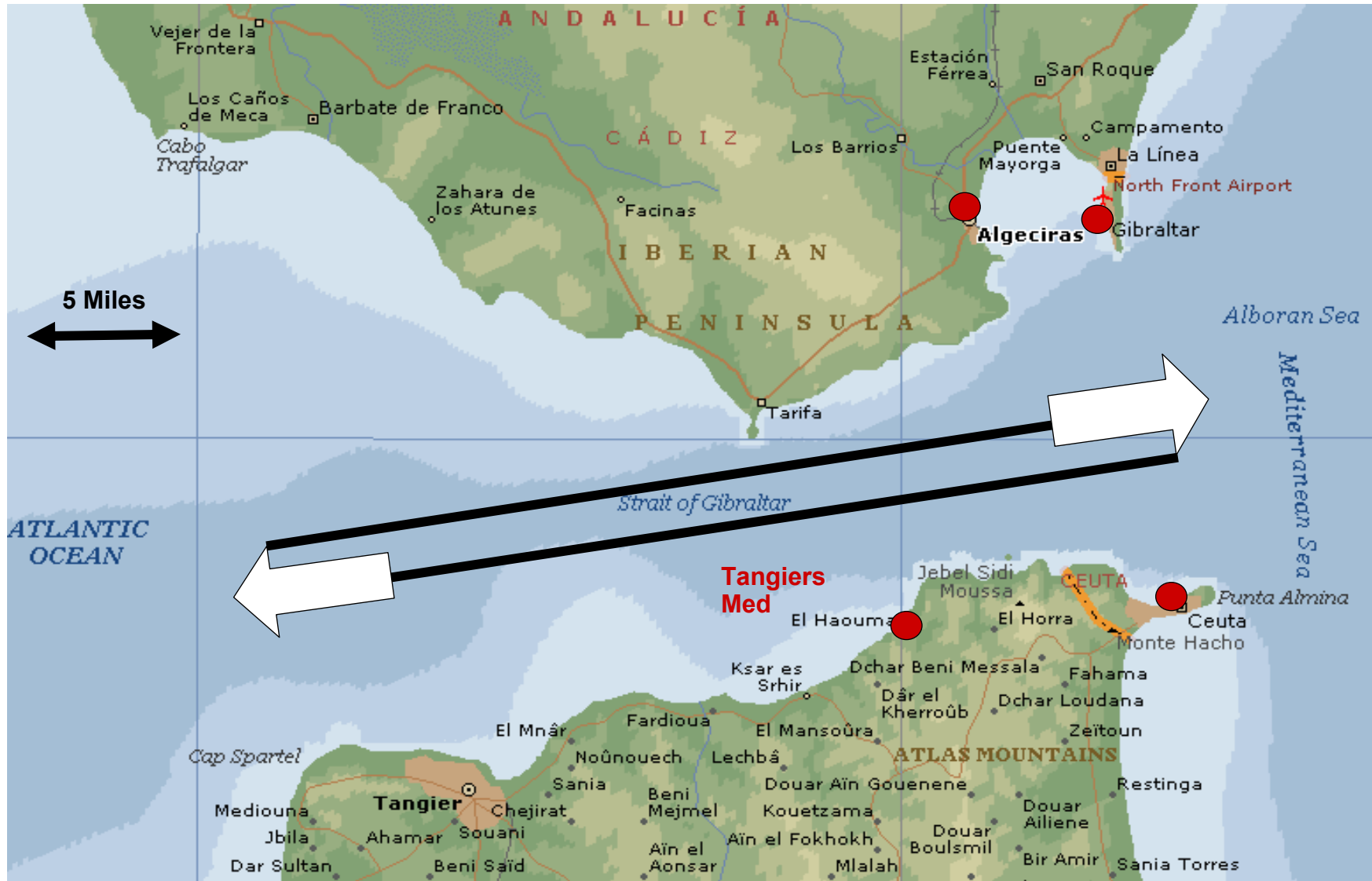
Bunker Summit 2009 Mediterranean and Black Sea

**Sotogrande
15 May 2009**

Robin Meech

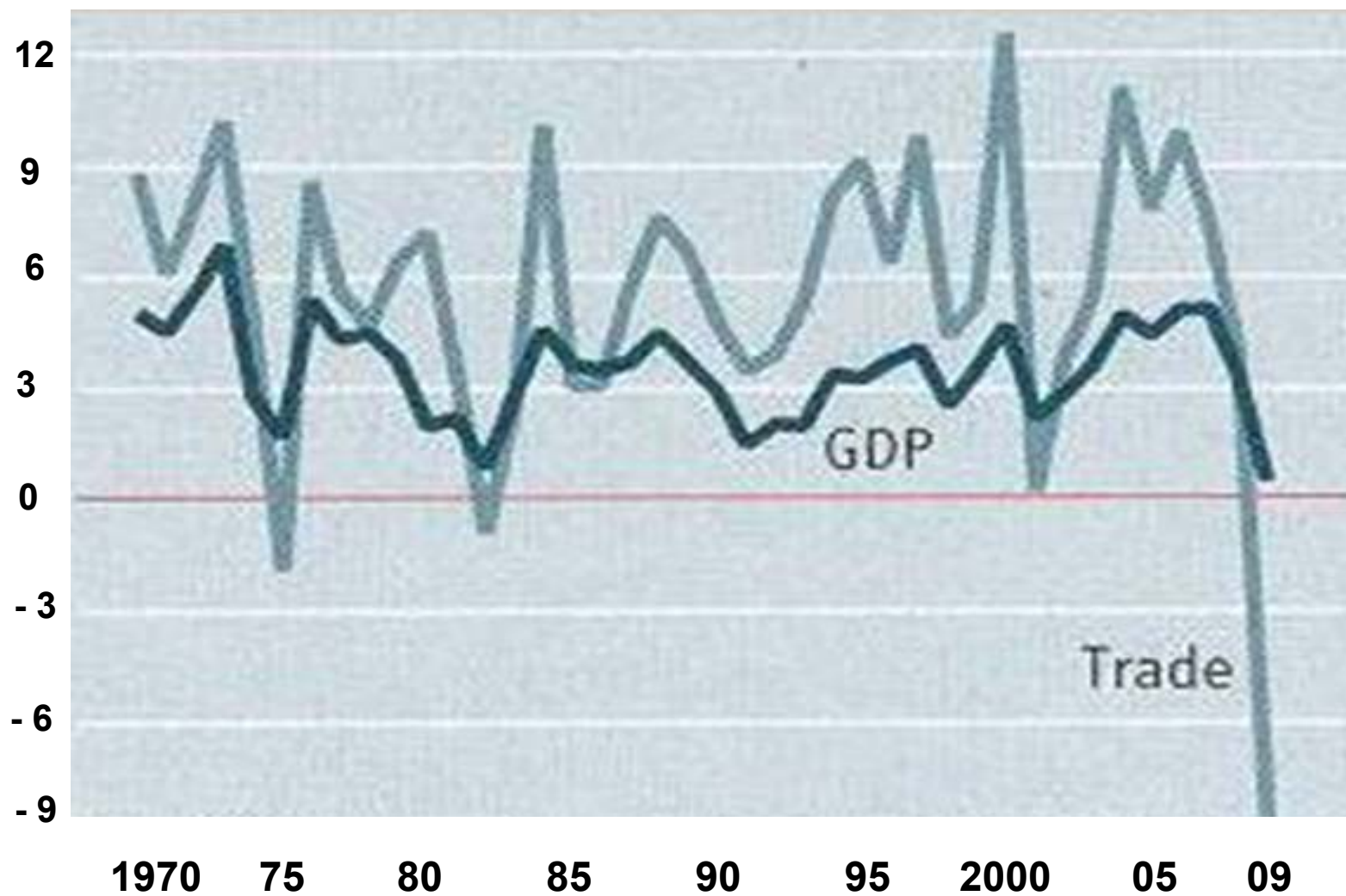
Marine and Energy Consulting Limited

Straits of Gibraltar bunker market



World trade has fallen over a cliff

% change on previous year

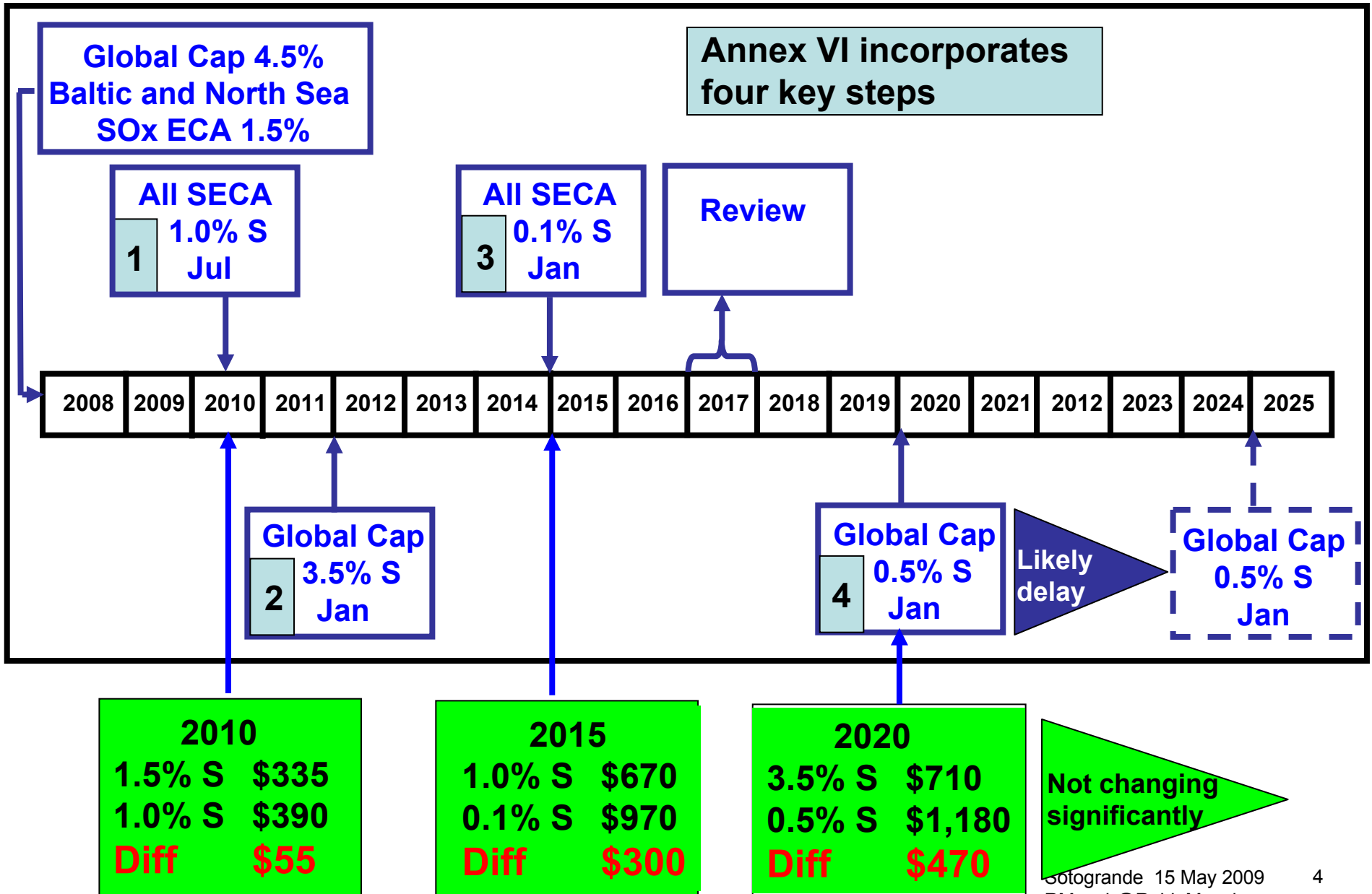


Sources: IMF, World Bank, WTO

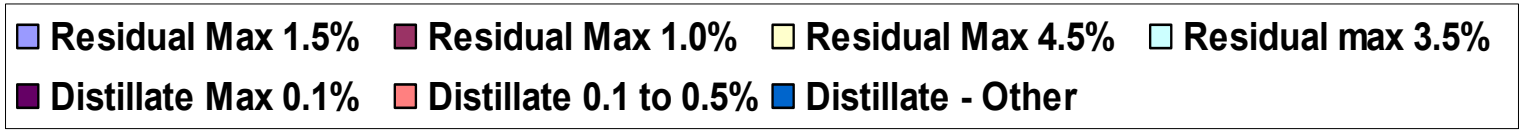
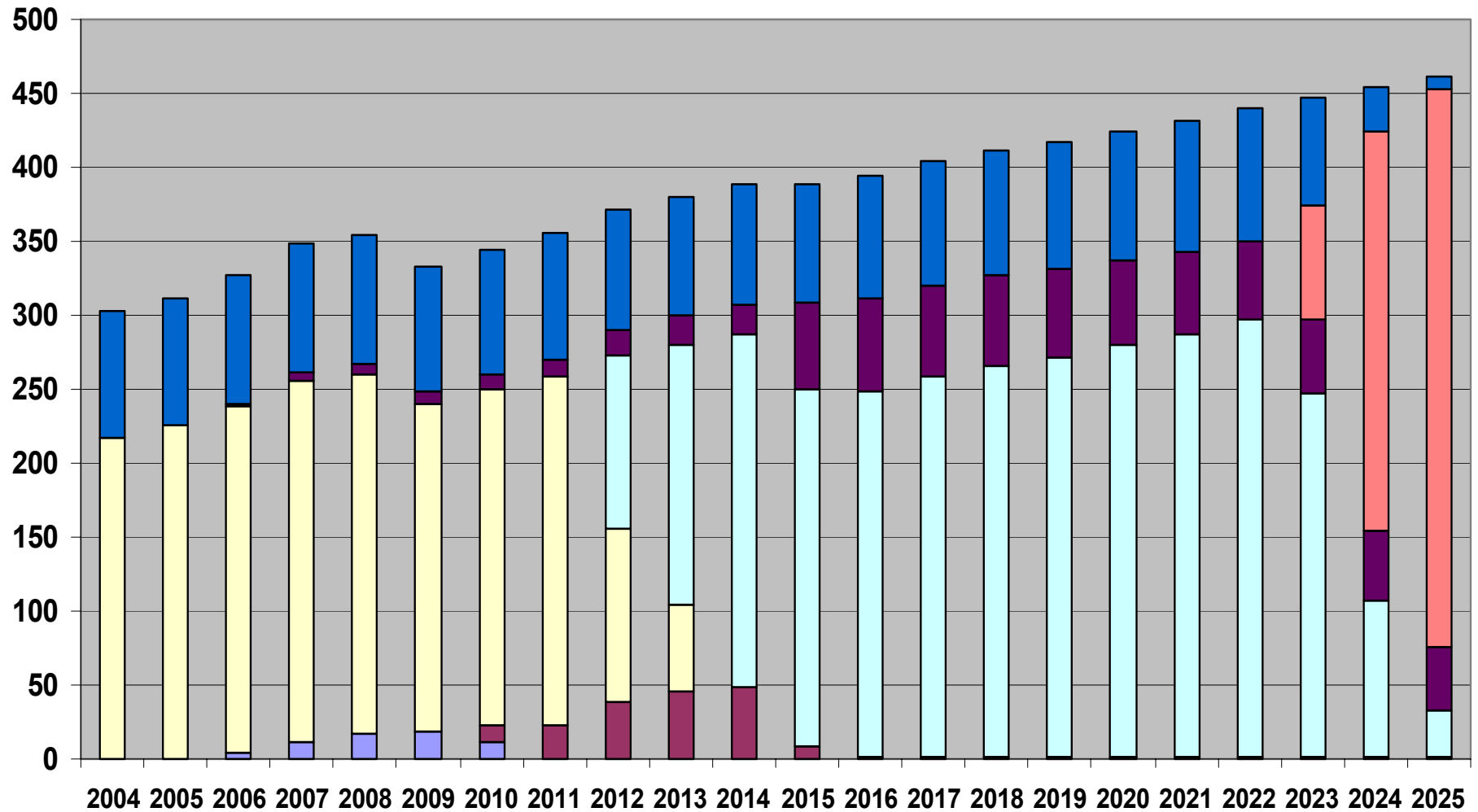
Forecast

Sotogrande 15 May 2009
RMeech@RobinMeech.com

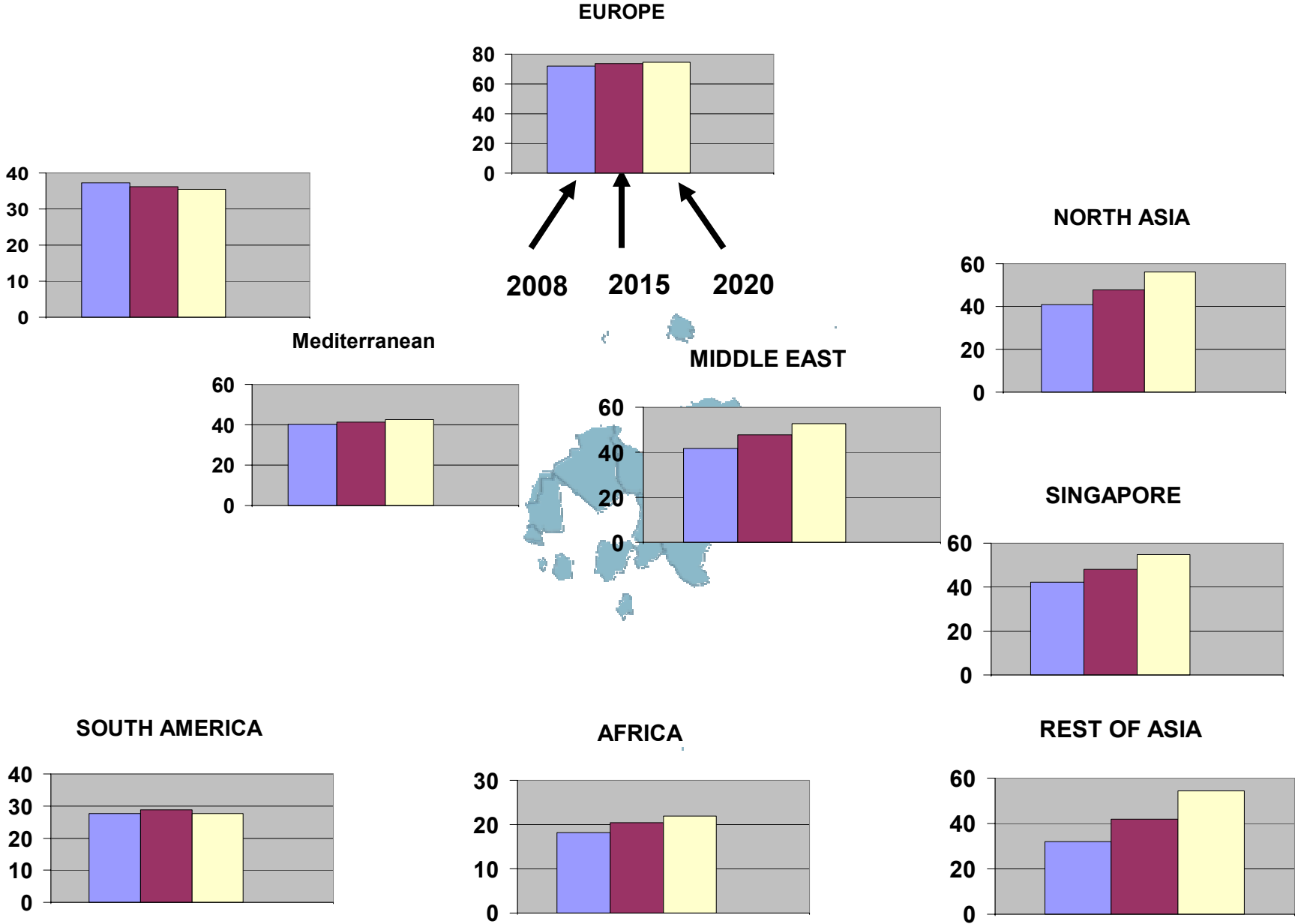
Reducing the sulphur content of fuels will increase costs more than any other single factor



Global bunker Demand with the introduction of 0.5% sulphur cap between 2020 and 2025 (million tons)



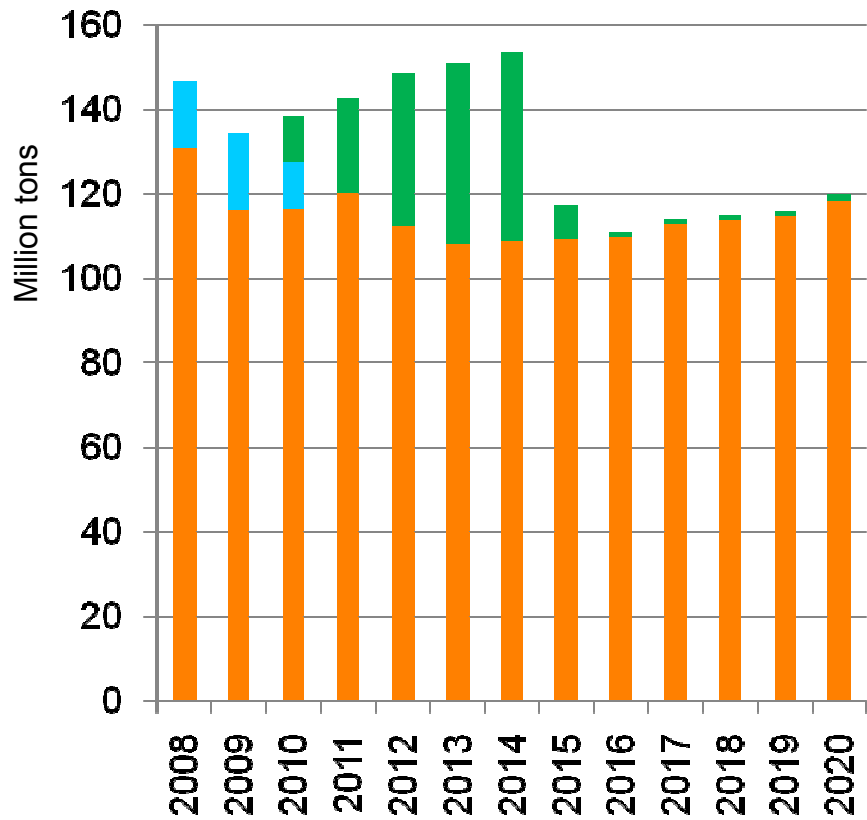
Global demand of all types of bunkers



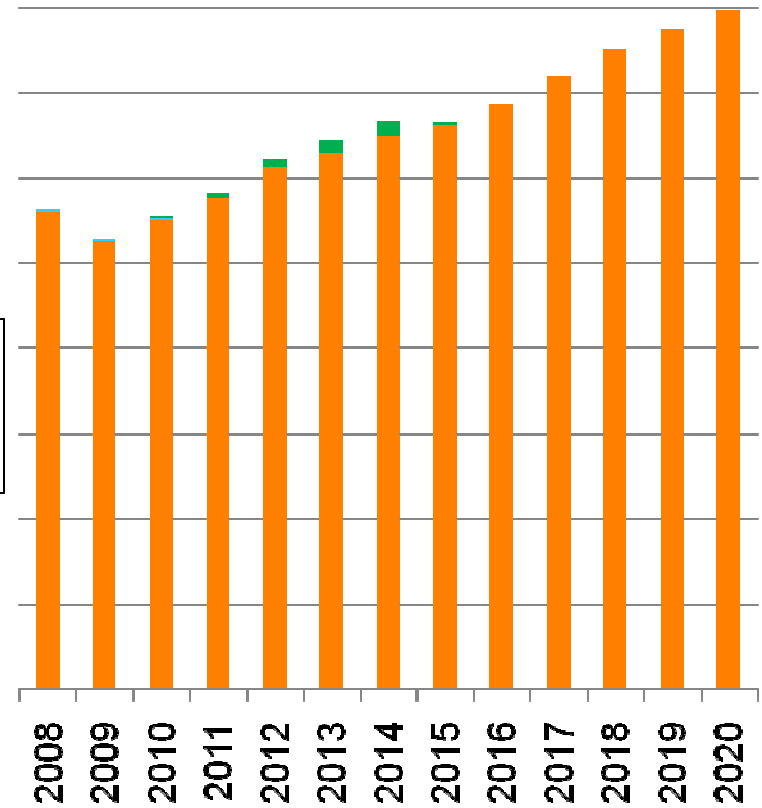
Million tons

Demand for residual bunkers in the East and West

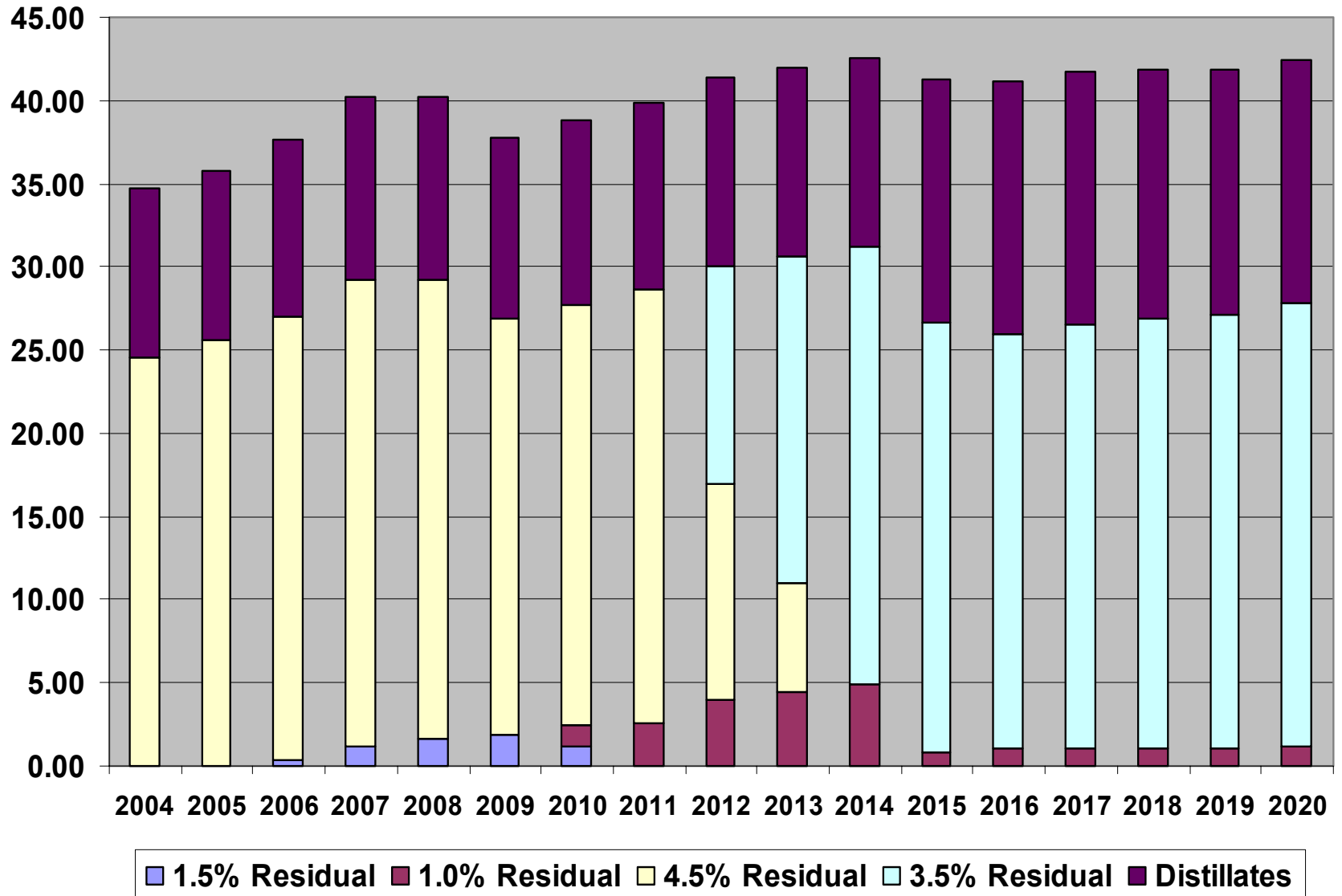
WEST



EAST

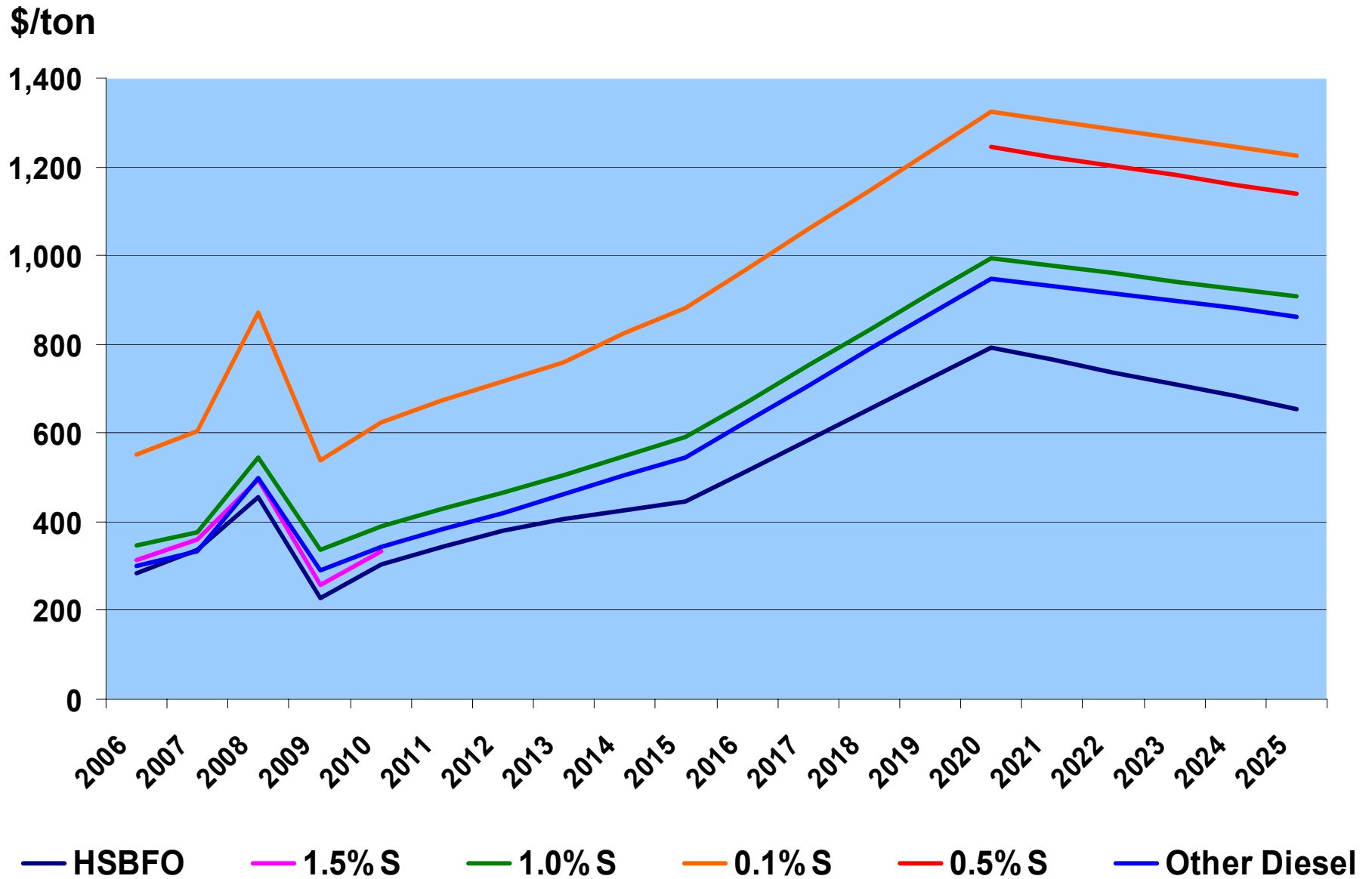


Mediterranean market will recover to 2008 levels by 2012

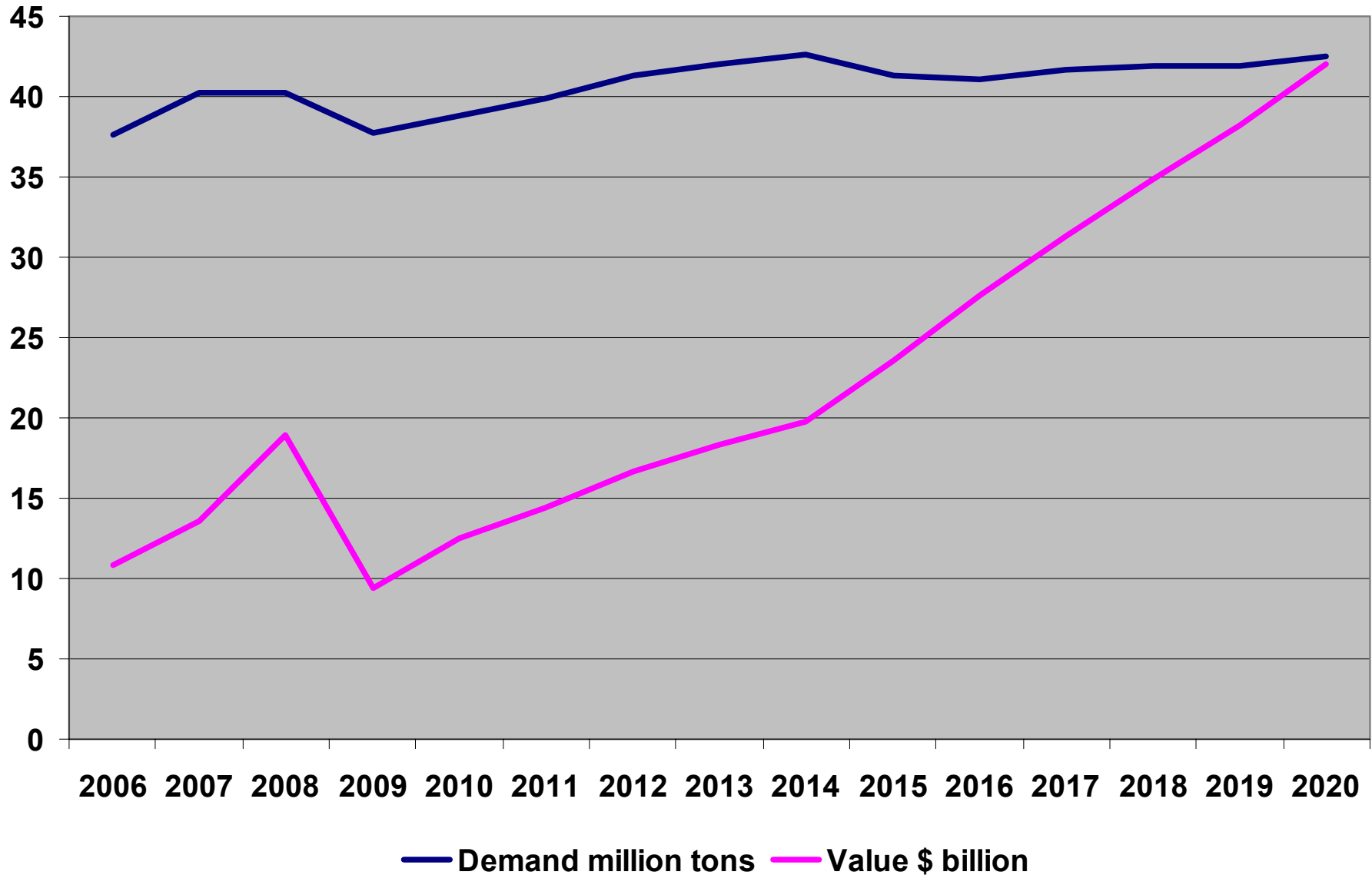


But overall growth will stall thereafter

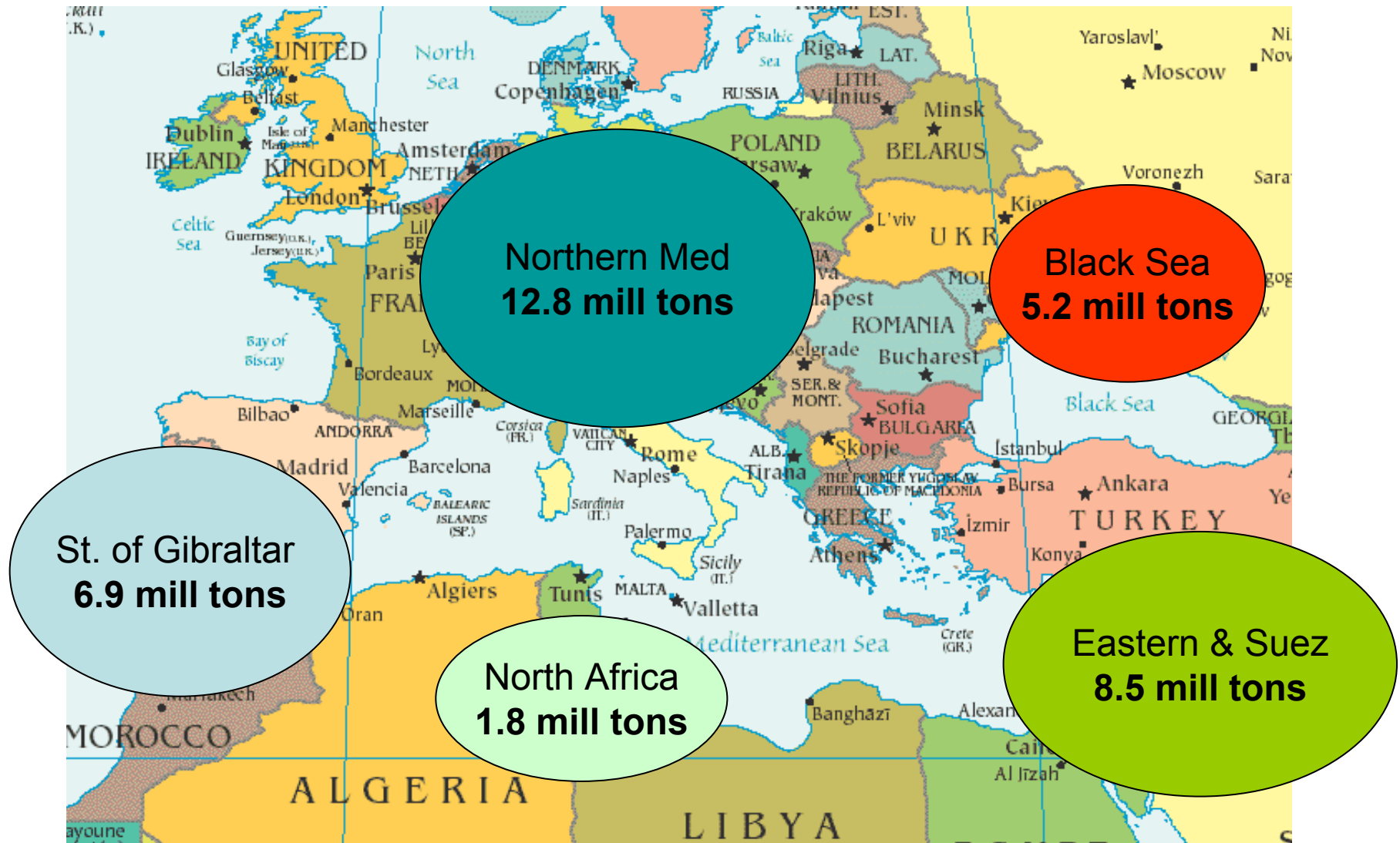
Average prices for main engine fuels will rise above \$1200/ton



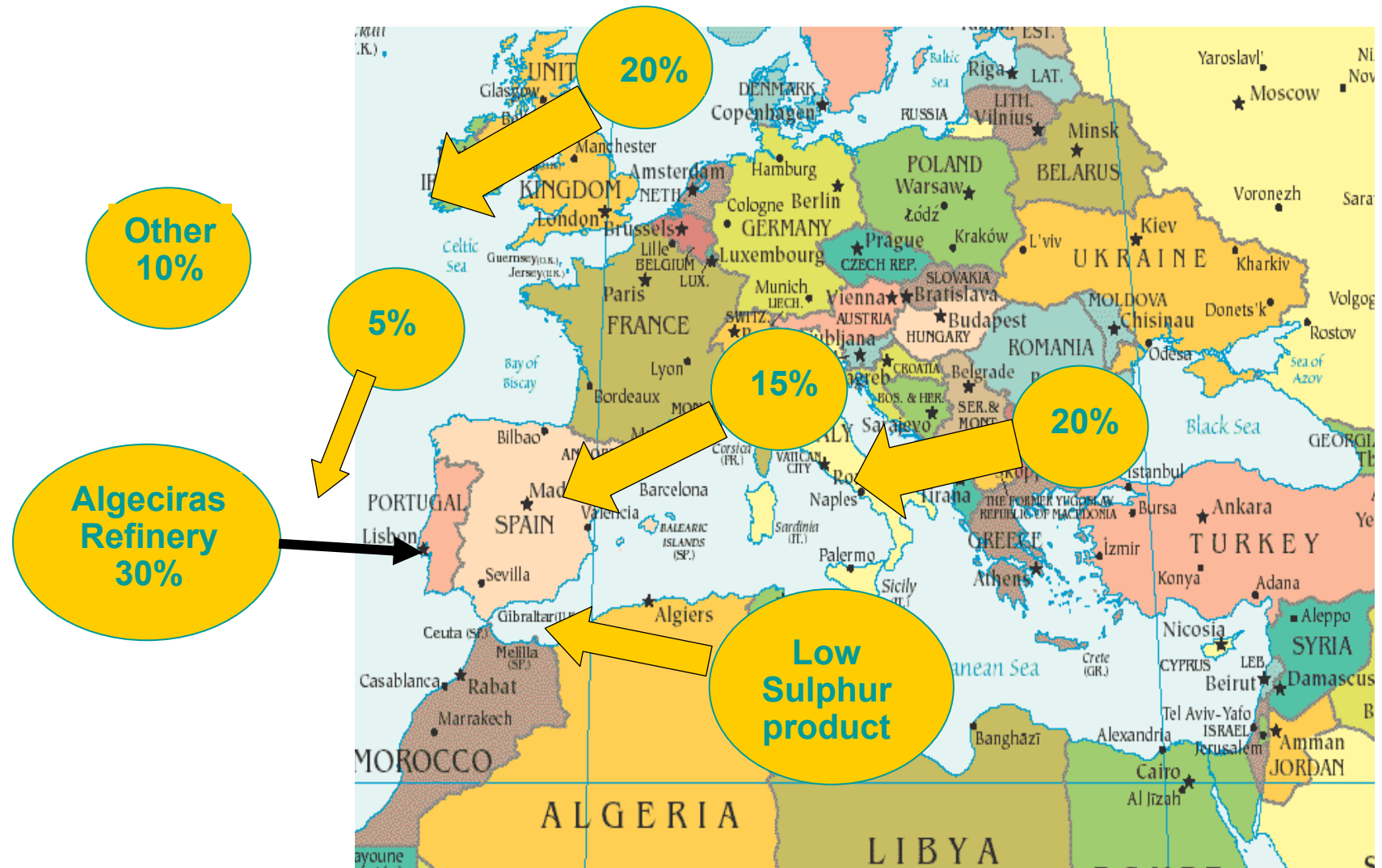
However, the market value in the Mediterranean will increase four fold



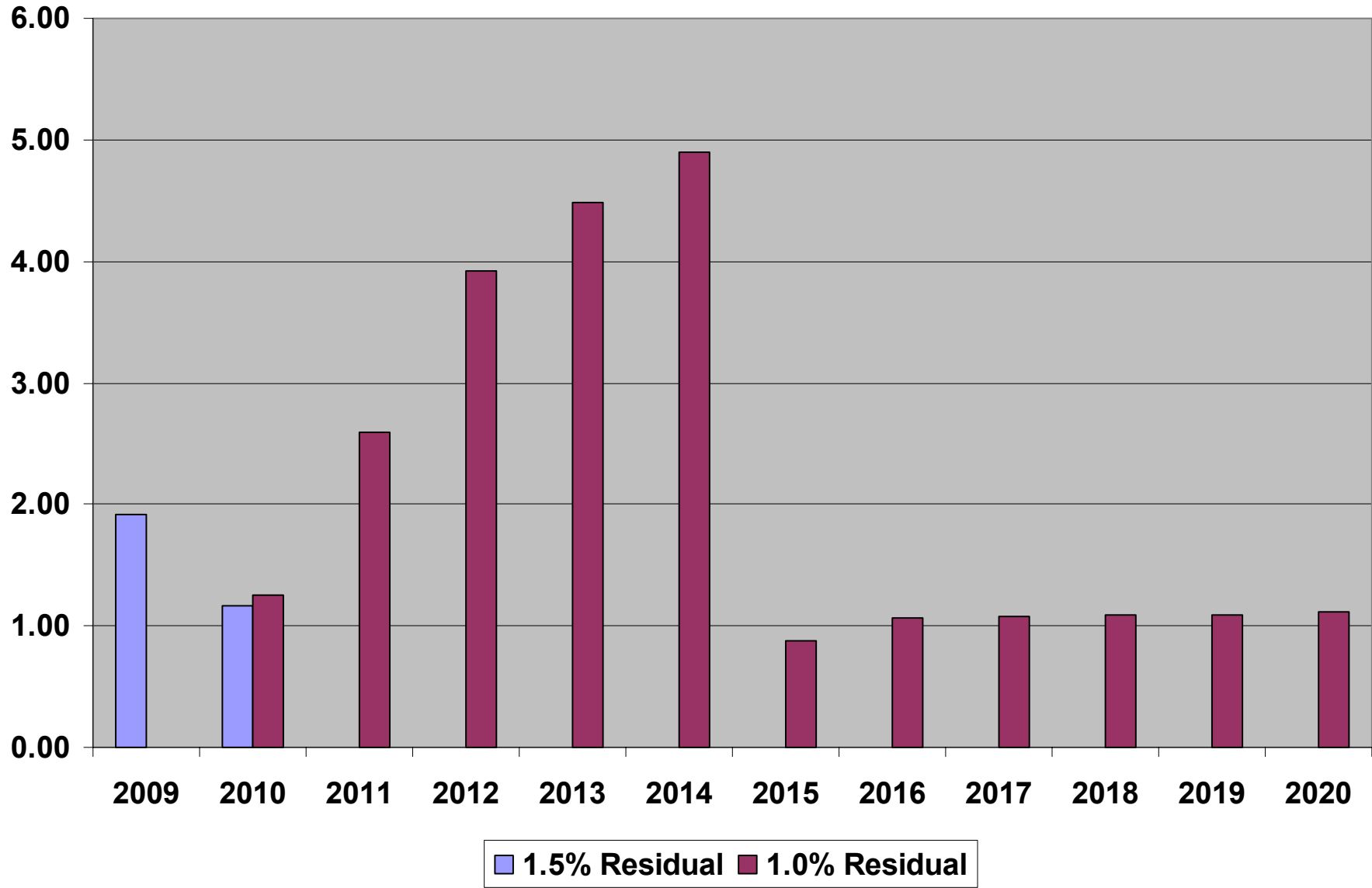
The Straits of Gibraltar bunker market is 20% of the region



Fuel suppliers into western Mediterranean / Straits of Gibraltar Market



There is a significant low sulphur residual market in the Mediterranean where the Straits of Gibraltar will be a leader



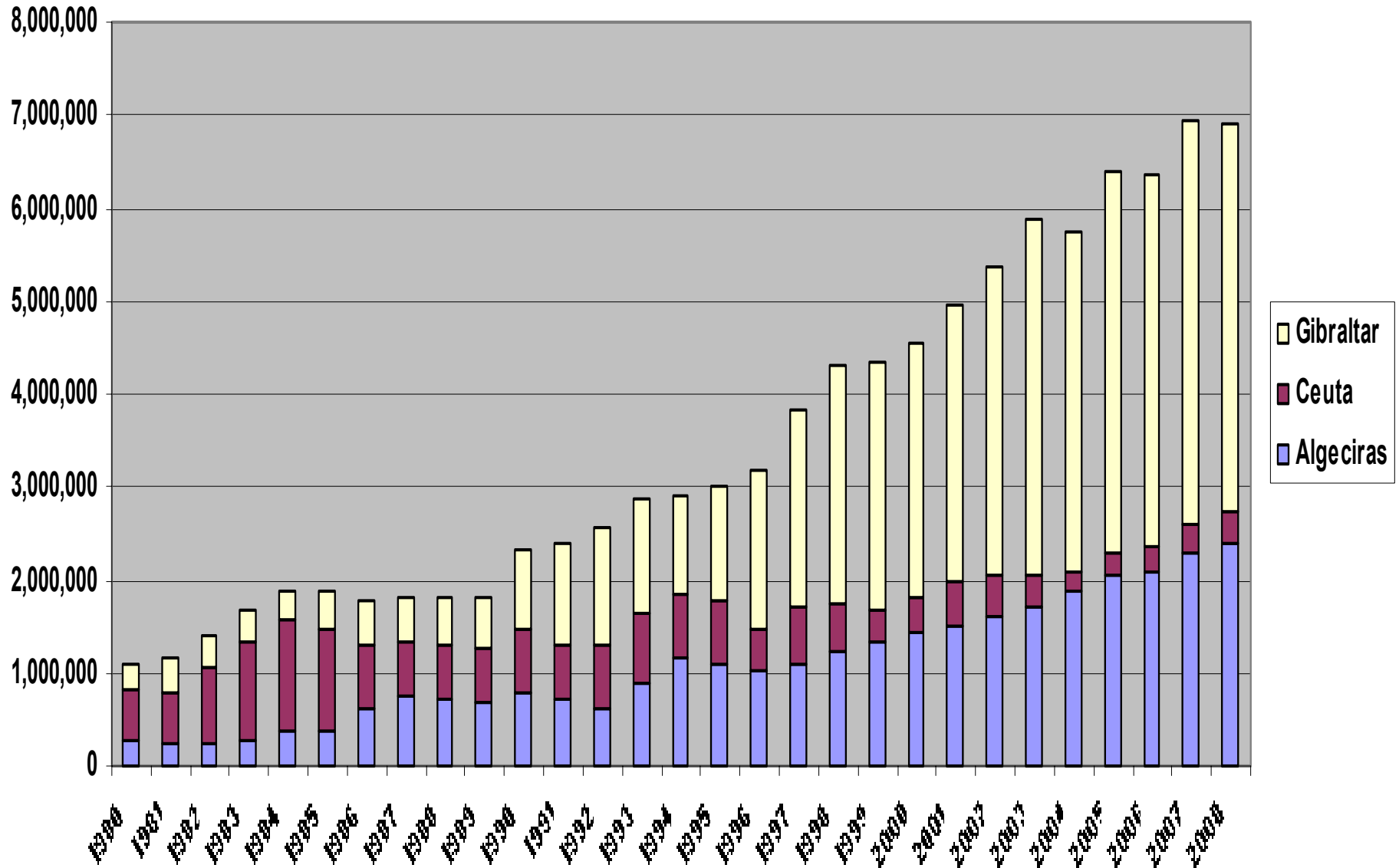
It is extremely unlikely that there will be an ECA in the Mediterranean for over a decade

- **Can not be justified economically/technically**
- **Not an equal desire by the 25 countries bordering the Mediterranean**
- **North African countries will benefit from SO_x deposition**
- **Enforcement would be intermittent – difficult with transit traffic**
- **There isn't enough suitable product available**
- **Little political cohesion**

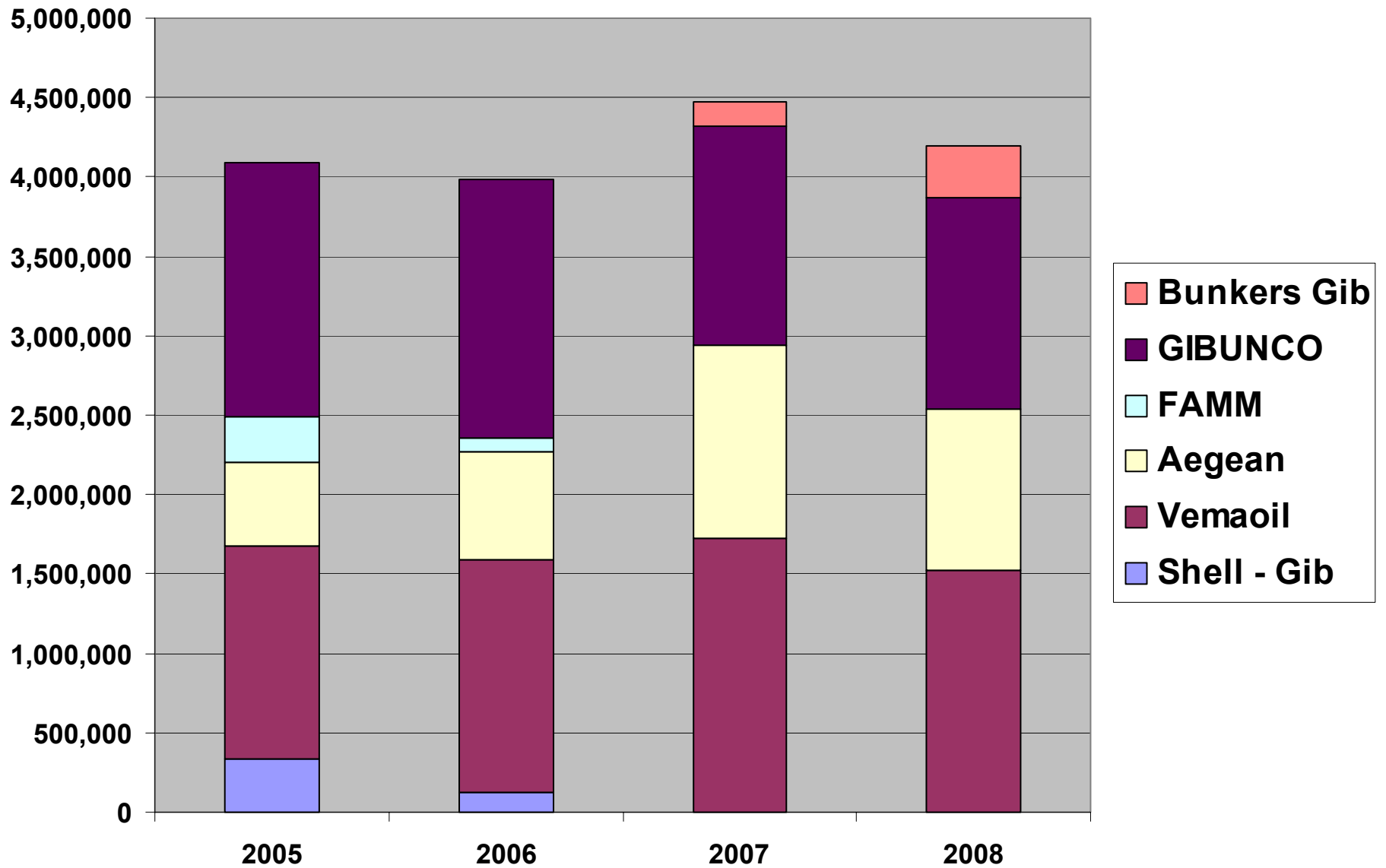
Bay of Gibraltar



Gibraltar has maintained a 60% market share over the past decade with demand growing faster than the global average



Sales by company in Gibraltar (million tons)

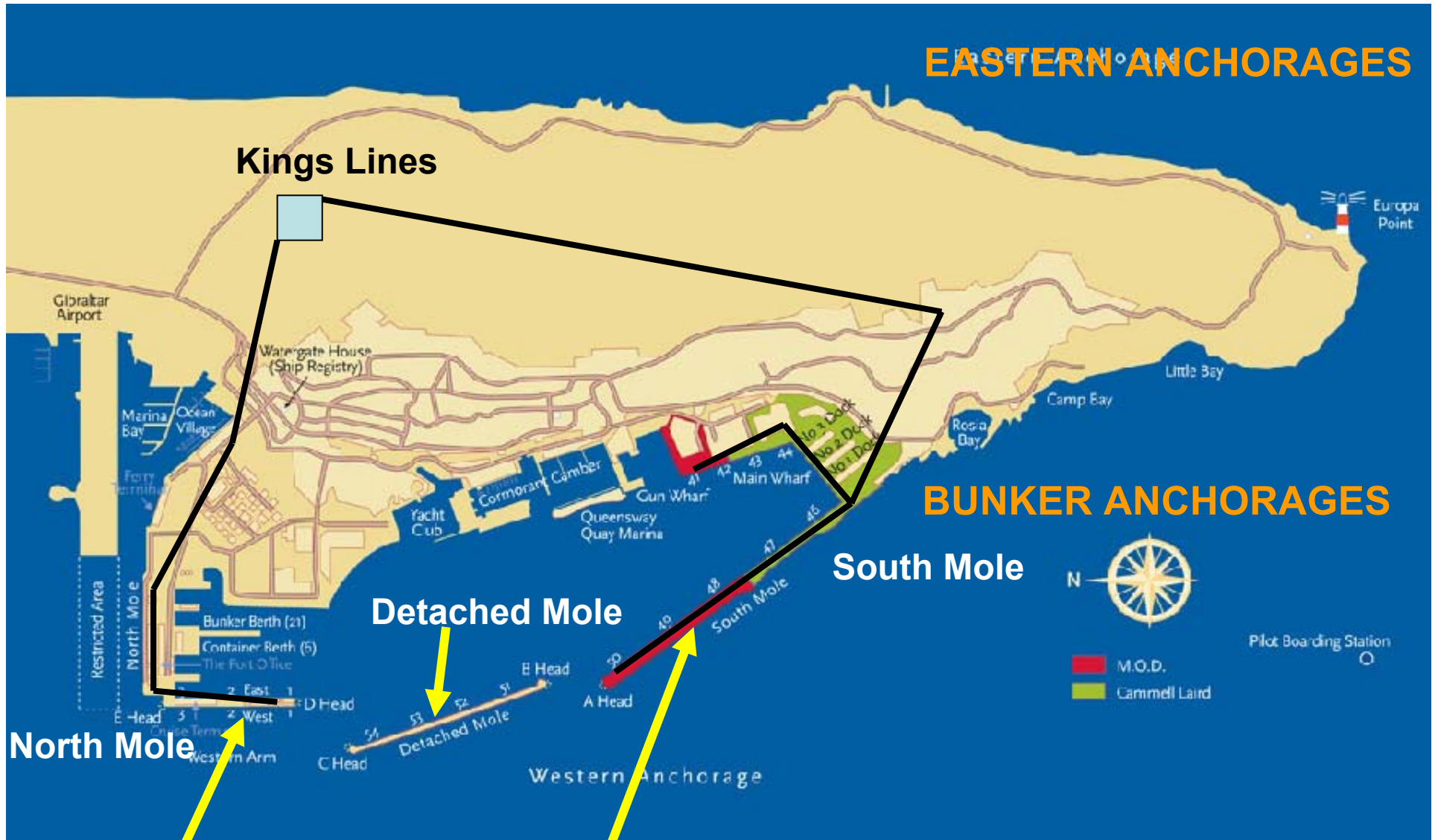


Gibraltar will need to compete even more rigorously if it is to maintain its current market position

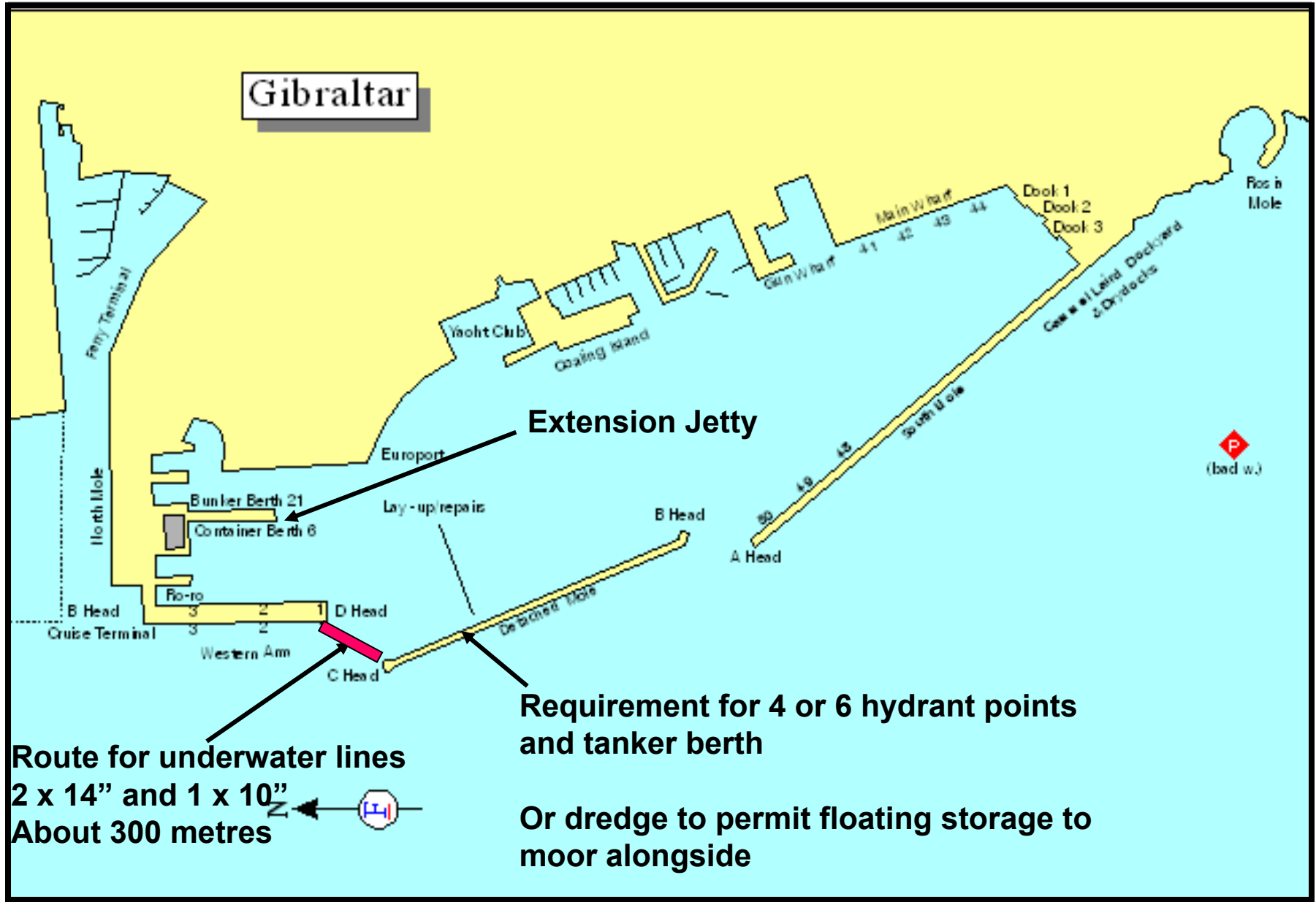
Tanker Name	Operator	Age	DWT
Leader	Aegean	23	83,890
Europa Venture	Bunkers Gibraltar	23	76,000
Vemabaltic	Vemaoil	22	107,544
			<u>267,434</u>

- **Until 2006 the MoD Kings Lines, underground 250,000 cub of tankage augmented the floating storage**
 - **Requires renovation**
 - **Could offer lower costs than floating storage**
- **Into ship deliveries are performed by a fleet of some 15 barges**
- **There are 11 bunkering anchorages, three of which are occupied by the floating storage vessels**
- **This lack of anchorages inhibits further market growth**
- **Growing competition could further reduce sales**

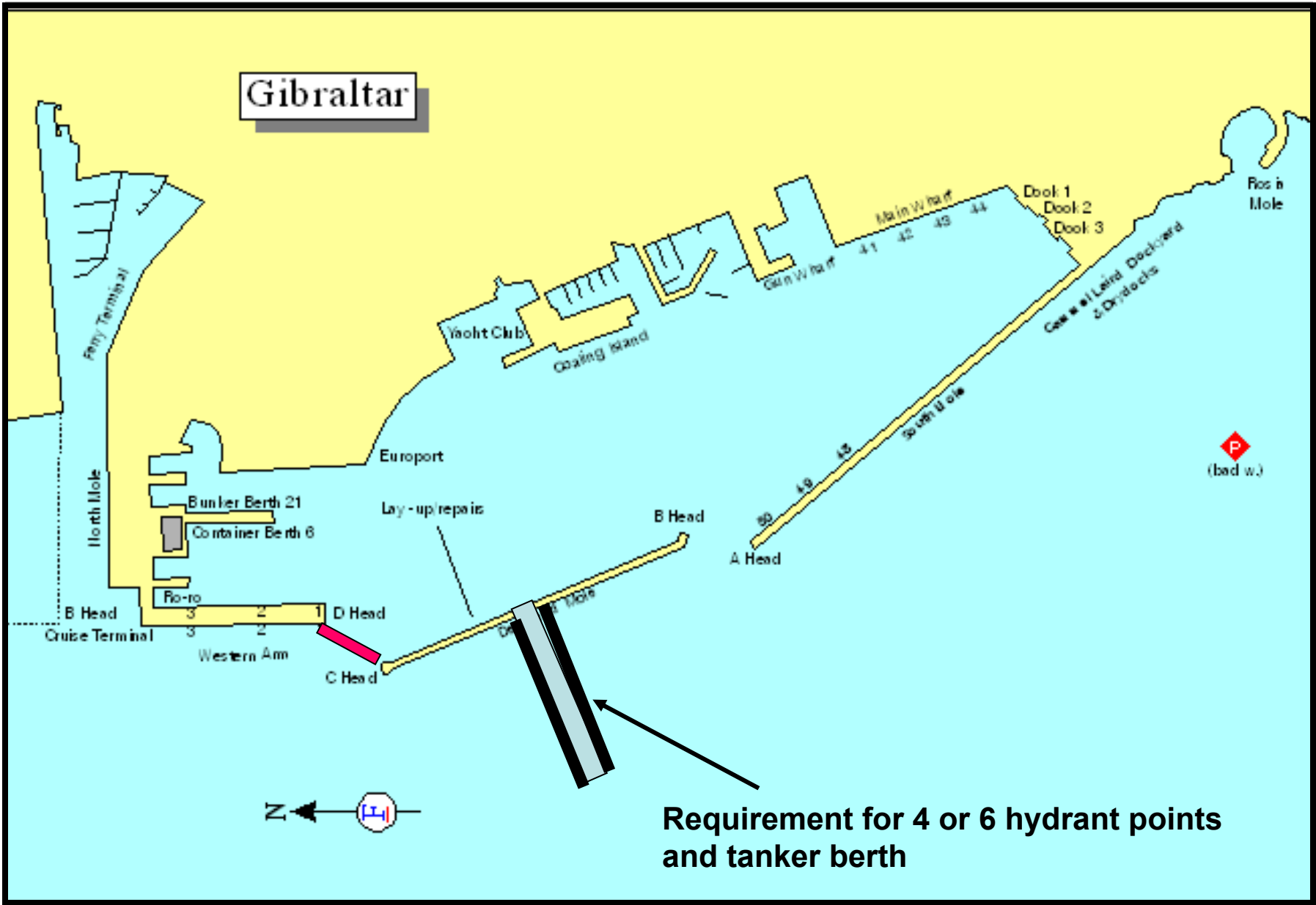
Gibraltar



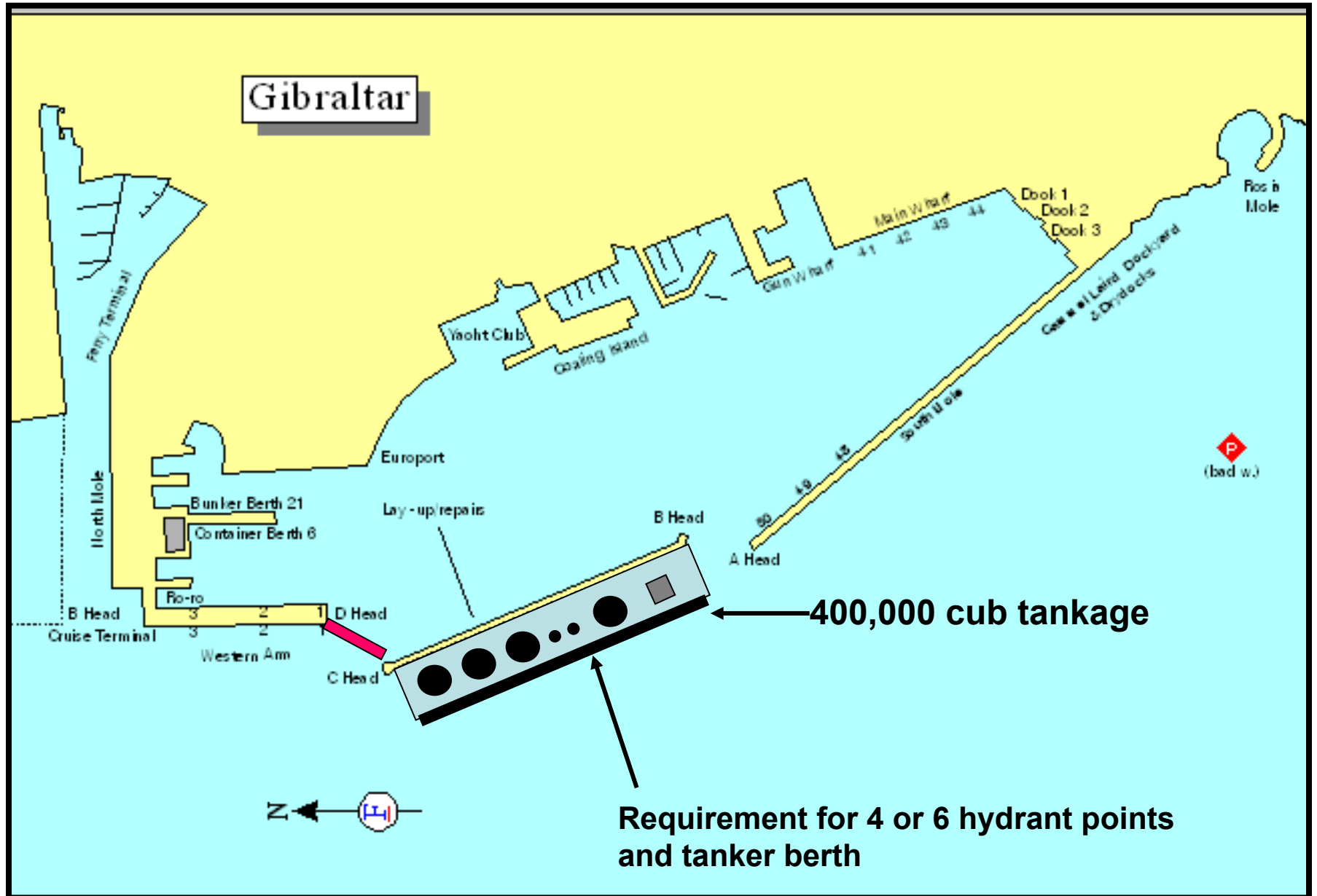
Marine Option 1 – Detached Mole hydrants



Marine Option 2 – Perpendicular mole



Marine Option 3 – Reclaimed land



Gibraltar future



- There has been pressure to curtail floating storage for environmental reasons but these are unfounded
- Replacing the floating storage with land based tankage or mooring the storage tankers along side the Detached Mole will increase potential throughput by some 30% to over 600,000 tpa
- Increasing the capacity is no guarantee that Gibraltar will grow its market
- Permitting bunkering in the Eastern Anchorages is very unlikely for some time even with the new VTS
- The bunker sector is economically as valuable to the Gibraltar economy as the cruise business and it can be expected that the Government will support the important bunker sector
- If Aegean move to Tanger Med it is unlikely they will retain floating storage in Gibraltar and nobody will replace them the capacity by 30%

Algeciras has growing potential

- **Supplies have grown by 7 % pa over the past five years amounting to 35% of the Straits of Gibraltar bunker market**
- **Dominated by Cepsa and Repsol but about to change**
- **The new Alpetrol terminal**
 - **Will come on stream in 2011/2**
 - **Developed by Vilma and Novaro**
 - **Have a capacity of 300,000 cub in 29 tanks**
 - **Significant capacity dedicated to bunkers**
 - **Will be capable of supplying over 2 million tons pa**
 - **Can accommodate Suezmax tankers**
 - **Low cargo import costs**
- **CLH upgrading its terminal**
 - **Doubling capacity to 140,000 cub**
 - **Draft of 14,5 m**
- **There are five bunker barges operating in the port**



There are further ways in which the port might extend its bunker market



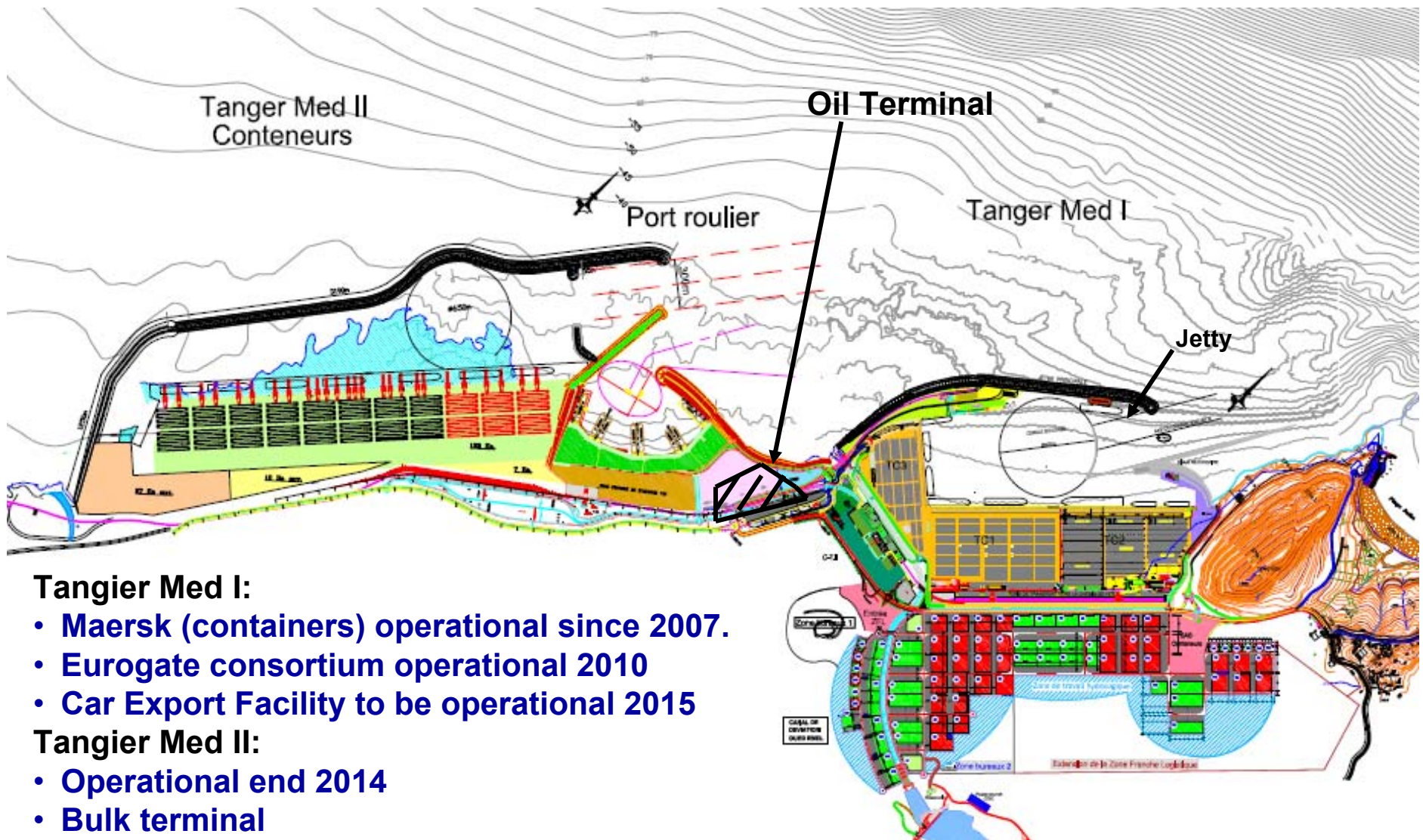
- **Eventually introduce more barges**
- **Optimising anchorage management**
- **Introduction of more players increasing competition**
- **Although currently over 60% of stems are delivered in the anchorages the port will need to maintain cargo traffic growth to further develop the bunker business**

Ceuta is a well established bunker centre but with restricted capacity

- **Petrolifera Ducar, S.A** operate two facilities of
 - 55,000 cub fuel oil
 - 28,500 cub gas oil
- **The facilities in need of some upgrading**
- **In 1993 some 750,000 tons bunkers delivered but activity at half this level recently**
- **Restricted space for additional expansion although plans existing for a 1.0 million cub terminal**
- **Capable of accommodating 40,000 dwt tankers**
- **Potential for growth is limited**



Tanger Med rapidly developing



Tanger Med I:

- Maersk (containers) operational since 2007.
- Eurogate consortium operational 2010
- Car Export Facility to be operational 2015

Tanger Med II:

- Operational end 2014
- Bulk terminal

A new tank terminal is under construction

- **Capacity 500,000 cub in 17 tanks**
- **Due for commissioning in 2011**
- **Some 60% dedicated to bunkering**
- **Capacity to turnover 3 million tons of bunkers**
- **Remainder used for import of clean products into Northern Morocco and trading**
- **Accommodate Suezmax tankers and a barge jetty**
- **25 year concession**
- **Recent reports suggest that Aegean will be the sole supplier of bunkers**
- **Intension to service in-port and passing traffic**

Demand for residual bunkers in the Port of Tanger Med

Number of Vessel Calls	Number of Vessel Calls 2011	Number of Vessel Calls 2020	Typical Bunker Stem Tons	Potential Market Million tons 2011	Potential Market million tons 2020
Maersk	700	1,500	1,000	0.20	0.60
CMA CGM Consortium	800	1,000	1,000	0.20	0.40
Tankers	40	80	700	0.02	0.06
Total `	1,900	2,580		0.42	1.06

Significant other traffic by 2020

There is a significant unsatisfied bunker-only market

	Vessels pa
Total vessels thorough the Straits	95,000
LESS	
Ferries and smaller vessels	30,000
Calling at Algeciras for bunkers and cargo (excluding ferries)	7,000
Bunkering at Gibraltar	8,500
Bunkering at Ceuta	500
Container ships unlikely to make bunker only calls	4,500
Potential market	44,500

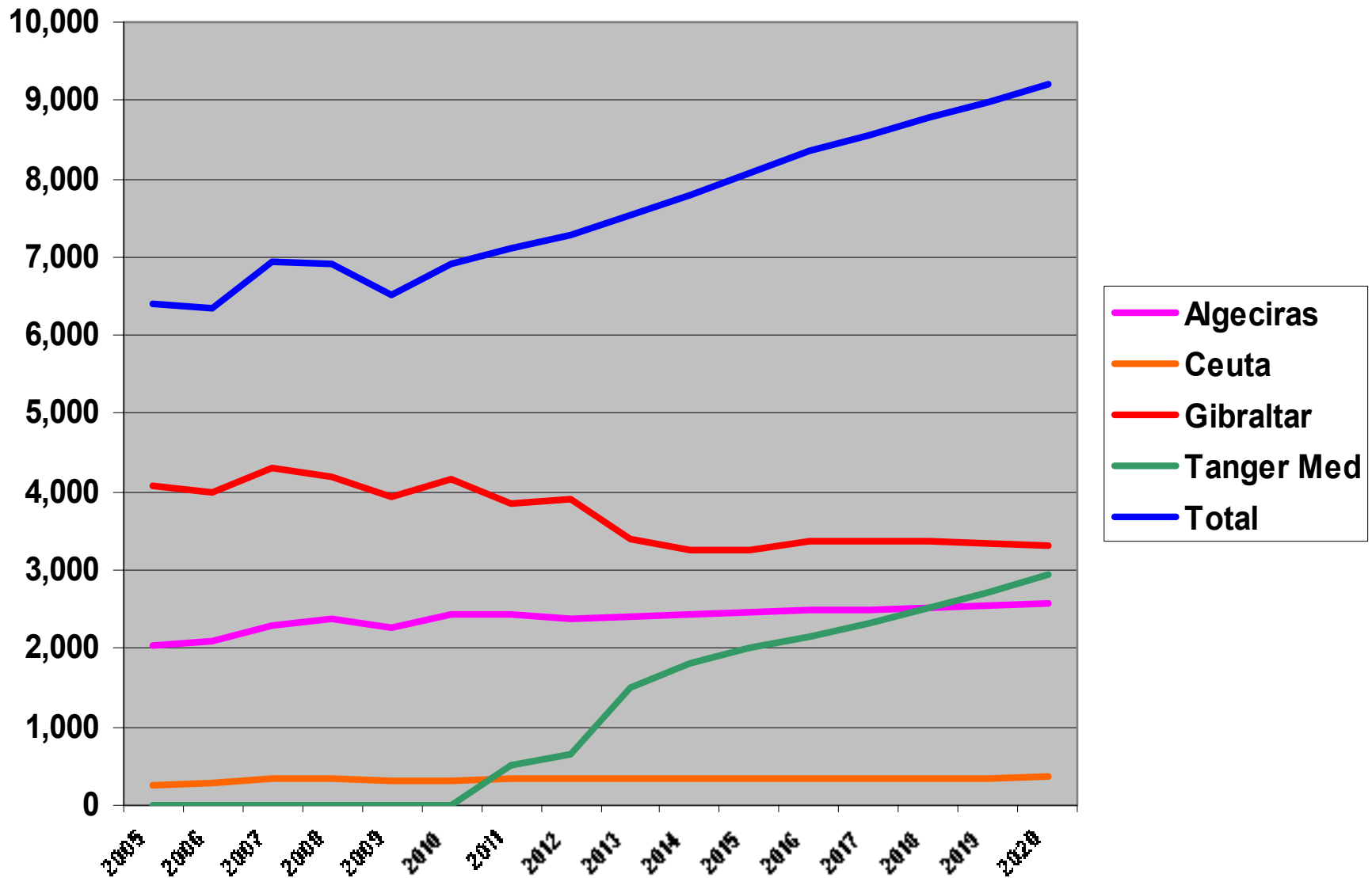
**Stemming 5% of these vessels at the average stem of 800 tons
presents a potential additional market of 1.5 million tons**

There is a significant up side to these forecasts

- **TMSA have significant expansion plans with Stage 2 of the port - operational by 2014**
- **A new ferry port is under construction providing further demand subject to**
 - **Provision of low sulphur, competitively priced fuels**
 - **Delivery by hydrant if the volume justifies this approach**
- **A new car export facility and a bulk terminal are under development**
- **Provision of lower sulphur fuels to vessels on route to the North and Baltic Seas**
- **With low freight rates and as bunker prices harden, then there will be a greater propensity to seek competitively priced off shore (bunker-only) supplies**

Potential market of 2 million tons by 2015

Tanger Med could reduce sales in Gibraltar and inhibit growth in Algeciras



Overall growth in the Straits will be above the global average

In summary

- **Difficult times over the next five years**
- **Life is becoming more complex**
- **Storage capacity in the Straits growing by 1 million cub**
- **Gibraltar may be the most vulnerable market in need of Government support**
- **Tanger Med will have a significant impact on the Straits market**
- **Bunker demand in the Straits will grow faster than the global average**
- **Revenues will increase four fold over the next decade**

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