

Making Waves: The final countdown to IMO 2020

Bunker specification changes will impact shipping, refining, and consumers by over \$1 trillion

New, tighter global bunker fuel specifications set by the International Maritime Organization (IMO) for 2020 will be one of the most disruptive changes to ever affect the refining and shipping industries. It will have global impacts totaling in excess of \$1 trillion over 5 years and there will be effects and implications for all sectors in the energy space as well as many other industries.

The spec change requires a major shift in the blend stocks used for bunker fuels, initially creating a huge disposition issue for 3 MMB/D of high sulfur fuel oil (HSFO). That volume will be replaced by marine gas oil and various low-sulfur blends of gasoil/residuals. Alternative solutions for the shipping industry, such as exhaust gas scrubbers, LNG bunkers, or waivers/non-compliance, will only be used by a small percentage of the fleet in 2020. Prices for marine gas oil and the new blended fuel are expected to rise sharply, while HSFO will fall to very deep discounts versus crude and clean products.

As the market seeks to rebalance with the new spec regime, we expect to see many new dynamics impacting global trade and prices. S&P Global Platts provides a deep dive into those changes, including sections dedicated to:

- The impact of non-compliance, rate of installation of scrubbers and amount of fuel switching to low sulfur fuel oil, gasoil or LNG
- The associated blends and consequences on the balance of products to meet the new specification
- Refiners' response to increase complex capacity utilization, repurpose existing capacity, and change operations to maximize destruction of residues and actions to meet the short-fall in distillates

- The associated implications of these changes to refinery operations on other products streams and chemicals
- Detailed description on surplus HSFO disposition and impact on market structure
- Most likely consequences for clean and dirty product cracks and spreads and Brent flat price between now and 2030
- Comparison of our outlook with forward curves
- Impact on light-heavy crude differentials
- Associated tensions for shipping costs, arbitrages, global trade and the economy

You will also find break-out sections dedicated to the regional impacts of the new spec regime for major bunkering hubs as well as key regional players.

Markets will anticipate the transition and we expect to see prompt prices beginning to move in 2019. But the forward curves do not yet reflect the magnitude nor the breadth of the change. Are you prepared? Do you have a clear view into how your business will be affected by these changes? Will you be able to take advantage of upcoming opportunities as the market rebalances?

Our essential intelligence on this most significant event will help you manage your business with conviction through this disruptive period. This paper will give you the details and a head-start to prepare and succeed as the global commodity markets look to accommodate the new IMO specifications.

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