

Fuel Oil News

MAY 2016



THAMES OILPORT COMPLETES FIRST PHASE OF DEVELOPMENT

FPS EXPO 2016

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Cheers to business that we love

The networkers were out in force for the first FPS EXPO in Liverpool where there were celebrations aplenty.

The Queen's 90th birthday on Thursday 21st April saw Fuel Oil News display the monarch's two front cover appearances on the magazine which reaches its 40th anniversary next year.

In June 1979, the Queen was pictured attending a Corral's concert sponsored by PD (Powell Duffryn) Fuels. Whilst her majesty is still going strong, PD Fuels, formerly known as Corral, sadly went into liquidation after over 80 years in business. (The Queen's second front cover appearance was in support of the unleaded fuel campaign in February 1989 – see page 13.)

Also celebrating a 90th anniversary was **Wincanton**. Having begun with milk deliveries in the 1920s, Wincanton introduced visitors to its new EnergyLink service with a branded tanker.



For the article – *Thames Oilport completes first phase of development* – go to www.fueloilnews.co.uk. This article was first published on the Fuel Oil News newsletter sent to subscribers on Monday 11th April.

Coming in close to Wincanton was **Scully** with an 80th anniversary. Back in 1935 engineer Francis P. Scully observed that home oil deliveries were both inefficient and dangerous with two people needed – one to fill the tank and one to monitor fuel levels. With no safety regulations or equipment in place, the potential for overfills was a constant concern which led Francis to patent the first-ever oil spillage device, the Ventalarm Signal®.

Celebrating silver anniversaries this year are **Par Petroleum** and **Road Tankers Northern** with the latter inviting visitors to imbibe a glass of champagne and the former displaying a very smart silver Mercedes vehicle emblazoned with 25th anniversary logos – see page 13.

Topping all the above in the anniversary stakes was Shakespeare whose 400th anniversary fell in the same week. For all those that joyfully play their part in the fuel distribution industry, in the Bard's words I say "To business that we love we rise betimes and go to't with delight."

Fuel Oil News

The monthly magazine for the fuel distribution, storage and marketing industry in the UK and Ireland.

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Could CO₂-EOR be the North Sea's energy future?

New research in Scotland has stressed the need for a clear government policy which positions Enhanced Oil Recovery (EOR) in the North Sea as part of a managed transition towards a low-carbon economy in the UK.

Whilst other forms of EOR are already in use, they do not provide direct climate benefits. CO₂-EOR is distinct from other forms of EOR as it has the potential to be linked with carbon capture and storage (CCS).

In their paper, Dr Leslie Mabon from Robert Gordon University's School of Applied Social Studies and Chris Littlecott from Scottish Carbon Capture & Storage (SCCS) say that the use of carbon dioxide (CO₂) captured from the power/industry sectors could boost oil production from mature oil fields and provide long-term storage of the greenhouse gas as a means of addressing climate change.

"What came across loud and clear from our research was that there's an expectation that the government will lead on decarbonisation and create a joined-up, coherent policy that balances oil production with our climate change obligations," said Dr Mabon.

"We also found that the public recognises that fossil fuels are currently deeply embedded in society," said Mr Littlecott.

"And, with Scotland particularly dependent on the offshore oil and gas sector, there was significant interest in seeing a fair transition pathway put in place for workers."

Stakeholder and public perceptions of carbon dioxide enhanced oil recovery (CO₂-EOR) in the context of Carbon Capture and Storage can be accessed at www.sciencedirect.com/science/article/pii/S1750583616300895



The Rayburn 700 series – rural homeowners reliant on oil are continuing to embrace the fuel says Rayburn

Oil-fired heating is here to stay

“For years homeowners with oil-fired heating systems have been inundated with negative news, but today the situation is very different indeed”, writes Kathryn Lowe, marketing manager at Rayburn.

“The oil heating industry experienced an all-time high in November 2015 as sales from January to October finished 9% up on the same period in 2014.

“For rural properties there are very few alternatives other than staying with oil and switching a property completely to renewables is often too expensive and/or impractical to undertake. Many households recognise that oil is still a relevant option especially as the latest condensing oil boilers offer excellent efficiencies all year round.

“If we acknowledge that oil heating systems are here to stay, where does the future lie for the technology?

“One option is to supplement a building’s heat load by utilising renewable technology to provide an efficient hybrid system. Central heating range cookers such as Rayburn’s 780KCD, can be the perfect foundation for a sustainable and cost effective heating arrangement. Used in rural properties for decades these cookers are often supplemented by renewables or wood burning stoves to boost temperatures with the added benefit of reducing overall oil usage.

“If recent industry figures are to be taken at face value, rural homeowners reliant on oil are continuing to embrace oil and see it as a long term solution. This fact alone is evidence enough for both manufacturers and installers alike that oil-fired heating systems are here to stay.”



Seeking clarification

In the March 2016 issue Fuel Oil News published an article entitled **PFO – a question of protocol**.

In the opinion of the Oil Recycling Association the article *'implies there are a number of quality issues about Processed Fuel Oil (PFO) on which we would like to set the record straight'*.

The letter from the processed fuel oil suppliers of the Oil Recycling Association is below.



Dear Editor,

The Oil Recycling Association (ORA) would welcome an opportunity to comment on the recent above titled article. In our opinion the story does not reflect the position at all fairly and we would welcome a right of reply. The story line implies there are a number of quality issues about Processed Fuel Oil (PFO) on which we would like to set the record straight. I mportantly all PFO produced by ORA members is certificated to be a residual non-waste status fuel only and to be clear even if subsequently blended remains a residual fuel.

The PFO Quality Protocol (QP) was developed through wide industry cooperation comparing the properties of PFO with Heavy (and Medium and Light) residual fuel oils in respect of their environmental impacts. A distillate variant was never finalised in the QP simply because there was no economic demand for it. PFO can only be manufactured in Regulatory approved facilities that are regularly audited; requiring UKAS accredited testing facilities that use UKAS accredited test methods. All supplies are required to be certificated and have readily traceable REACH registration data.

A review of the UK PFO QP has been recently completed and once more it satisfied the EU Commission including passing the rigours of its Technical Adaptions Committee. We are therefore at a loss to understand the comments centred on the 'QP due for another review, and new evidence..... etc.', as this is simply not the current position.

As a non-waste, PFO is capable of being blended with lighter fully rebated non-waste fuels but only at approved sites where it can be legally managed to meet HM Revenue and Customs (HMRC) handling requirements including their definitions for such fuels and their respective uses. This is an equivalent practice that has been regularly and historically conducted by certain players blending fuels in the wider petroleum fuels distribution industry. If customers are uncertain of the legitimacy of such trade or have any doubts about the provenance of their supplies they should contact their local environment regulator and/or HMRC office.

However in light of allegations made in your article our Association has asked that all members review their product information for any potential ambiguity and to amend the data accordingly.

Perhaps the responsible and more liberal minded suppliers in the petroleum industry already know that PFO acts as a great benefit to the environment in that it has generated a market led mechanism to see otherwise hazardous waste lubricating oil is efficiently managed. This occurs at high rates as evidenced by fewer waste oil pollution problems, while it is supporting a responsible means of fulfilling the ideals of the Circular Economy on waste by treating it as a resource for reuse. Further, some may not know because it is a recycleate it offers real benefits in respect of its carbon footprint, indeed outperforming most conventional oil fuels.

We hope this clarifies a number of the points made in your article.

Yours sincerely,

Processed Fuel Oil Suppliers of The Oil Recycling Association

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Retail management – all change at MRH

Acquired by Lone Star in January this year, MRH (GB) remains in the number one position in the latest *Forecourt Trader top 50 Indies* report published in February.

After 8 years as MRH's managing director John Lynn leaves the company this month. Fuel Oil News spoke with John, who was previously vice president marketing – Europe at Chevron, about MRH and the UK's retail market.

"Texaco and Chevron gave me wide experience in downstream oil – supply, trading, refining, lubricants, commercial fuels, marketing and retail – which was put to good use on joining MRH. Having 280 sites at that time, the intention of the directors was to grow the number of sites and to make investments that would improve both operations and the offering to customers."



Before seeking new challenges, John Lynn former managing director at MRH, will be enjoying the summer months

Today MRH has 460 sites and further growth and expansion is very much part of the future strategy.

"The retail market has certainly been more buoyant in recent years and it's attracting the attention of many private equity

firms and investors – a marked difference from a few years ago.

"The rate of UK site closures has slowed down; and at around 8,500 stations we're even seeing dormant sites re-open. Along with innovation, rationalisation has played a part in retail's salvation over the past two decades – with moderated competitive intensity benefiting the remaining players.

"The key ingredients of a good site are a strong fuel location, a good C-store offering and careful monitoring of standards – particularly with the commissioned operator model we use. The retail market is constantly changing, it's not so seasonal and it really is a great industry to work in.

"Twenty per cent of the forecourt market is already in the hands of the top 5 indies. Watch this space – as I imagine that the

big four – MRH, the Motor Fuel Group, Euro Garages and the Rontec Group – will all be going for more growth," added John.

John worked alongside CEO Graham Peacock and finance director Susan Tobbell who founded the company in 1997, leasing 25 sites from Texaco and adding Kuwait Petroleum's UK operation in 2004. Having struck the deal with Lone Star, both left earlier this year along with general manager – retail, Andrew Jackson. John's former Texaco/Chevron colleague Guy Vigar also leaves this month.

In March MRH welcomed its new CEO Karen Dickens, former European retail support manager with Exxon Mobil together with Steve Back as the new finance director. Whilst Karen takes MRH into the future, John will be 'enjoying the summer months before seeking new challenges.'

Helping heroes at Oil NRG

Last month Oil NRG lent its support to the Phoenix House Recovery Centre at Catterick garrison in North Yorkshire which is run by Help for Heroes.

Oil NRG's Freddie Peart joined a team of wounded, sick and injured veterans together with support riders and rugby legend Will Greenwood to embark on a gruelling 7-day cycle Blood, Sweat and Gears ride across South Africa. The ride included 7 mountain passes and over 18,000ft of climbs between Fanschoek and Knysna. A testing ride, all cyclists were tested both mentally and physically, in particular the wounded veterans riding adapted bicycles.

With vital funds needed to help fund health and psychological wellbeing activities and programmes at Phoenix House, the Stockton on Tees-based distributor, which also has depots at Birtley and York, hopes to raise a total of £40,000 on top of the £250,000 already targeted by the team.

"Oil NRG chose to support Help for Heroes because it provides direct practical support for



Sporting Blood, Sweat and Gears t-shirts, Natasha wears her service combat trousers and Dennis his Help for Heroes kilt

wounded, injured and sick veterans, servicemen and women and their loved ones, many of whom are Oil NRG customers with direct links to our courageous British Armed Forces," said Jeremy Royle, head of sales and marketing.

In the lead up to the ride Oil NRG also raised money through various fundraising activities with the company's very own

veterans, Natasha Ince and driver Dennis Swinhoe shaking the fund raising bucket whilst delivering fuel across the north east in the first of Oil NRG's 27-strong tanker fleet to display a Help for Heroes fundraising message.

There is still time to support this very worthy cause, please visit Oil NRG's Just Giving page at www.justgiving.com/oilnrg.

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PORTLAND MARKET REPORT

THE TRENDS THAT SHAPE THE OIL INDUSTRY ARE NO DIFFERENT IN CANADA THAN IN THE UK

May update

Last month Portland was lucky enough to speak at Canada's annual Fuel Marketers' conference in Montreal (www.cipma.org) and the topic was (you've guessed it) oil prices! The global nature of the oil industry means that Canada's downstream industry ("downstream" being anything to do with refined oil, whilst "upstream" is all things crude oil related) is being buffeted by the same trends of over-supply, cooling global demand and tension in the Middle East as every other oil market in the developed world. In fact it was difficult not to be struck by just how many similarities there are between the Canadian downstream sector and its British counterpart.

In pricing terms Canada's downstream sector – like Britain – is an import market. That is to say that even though it has its own crude oil (and lots of it), that supplies an extensive local market, the price of fuel is still based on an external price index – in this case New York Harbour (NYH). This means that the starting point for all Canadian fuel is the published NYH price (eg, for gasoline, diesel etc), just as the UK is priced off the Rotterdam market.

The Canada-UK parallel continues in the methodology used to calculate "landed" costs. In the same way that the cost of fuel in England is based on the Rotterdam price plus the (often notional) cost of shipping, the Toronto Rack Price is made up of the NYH price plus the cost of pipe or rail freight to bring the product into Canada. Likewise, fuel prices in Canada's maritime provinces are based on NYH plus coastal shipping costs, whilst across the Atlantic, Scottish fuel prices are based on Rotterdam plus the cost of the small coastal ships that supply the ports of Grangemouth, Aberdeen and Inverness. Clearly these pricing calculations ignore the salient fact that both the Eastern Canadian seaboard and Scotland have their own refineries. But in the downstream world, alternative economics rule OK, and refineries will never sell below the regional index price (ie, NYH and Rotterdam) plus the cost of freight.

The structure and current outlook of the respective Canadian and UK oil industries is

another area where valid comparisons can be made. Of course the woes of the exploration sector in each country are well known and where job losses and project cancellations are the order of the day. But cheap indigenous crude is boosting domestic refineries and in both geographies, this sector is enjoying a significant renaissance. What a different picture this is to the last 10 years or so, where creaking refining assets across Canada seemed to be in terminal decline due to expensive crude feedstocks, unsustainable margins and competition from more sophisticated refineries in the USA. This situation was a virtual replica of the UK (and Europe), where rudimentary refineries built in the 1950s seemed destined to lose out to more complex refining assets in the Middle and Far East.

Fast forward to the present day and what remains of the refining industries in Canada and the UK seem to be in relatively rude health. Firstly surplus capacity was stripped out between 2000 and 2015, through a string of refinery closures (Oakville, Montreal, Dartmouth in Canada and Thames, Tees, Milford Haven in Britain) and secondly, greatly reduced feedstock costs (as a result of rock bottom crude prices) mean more than simply cheaper raw material. Refiners are now greatly benefiting from the time lag between falling crude prices and falling product prices, such that whilst both have fallen greatly, crude has fallen a lot more, which has allowed refinery gross margins to increase by 28% in Canada and 24% in the UK.

This good news continues to filter down through the downstream supply chain, so that marketing margins (made up of commercial and retail sales) are up by about 12% in both countries – the only bleak spot being heating oil, where mild winters in both geographies have driven down both volumes and margin. And it is independent companies in both geographies that are benefiting most from this particular upward trend, rather than the major oil companies. Unlike refining where a handful of oil majors doggedly held on through the lean years, the touchy-feely side of the business (ie, things that involve customers) was jettisoned by Big Oil long ago.

In fact just prior to the CIPMA conference itself, Esso had announced that it was to fully remove itself from owning petrol stations in Canada, meaning it would now have no assets beyond the refinery gate. This is a trend that the British market knows all too well (not to mention mainland Europe and Australia) and is indicative of where the majors see value in the oil markets. Dealing with each other on a "super-power" basis is all well and good, but engaging with "normal" customers anywhere in the world is no longer for them.

The trends that shape the oil industry are no different in Canada than in the UK or any other country with a mature petroleum industry. Current low oil prices have generated a complete re-evaluation of the "exploration only" model that has been so loved by the major oil companies over recent years. In turn, ageing refineries are now enjoying a new lease of life, although fears remain that the rays of sunshine will be as short-lived as a Nova Scotia or British summer. And finally down at the coalface, the independents – without major assets in either upstream or downstream – are fighting it out for market superiority in a sector previously dominated by much larger competitors. So after a long day at a conference and an even longer night at the bar – surrounded by Canadian voices with their unique North American cum Scots cum Lancastrian accent (and with a bit of French thrown in for good measure) – it would be easy to forget where you are in the world. But actually it doesn't matter, because when it comes to oil, the issues are all the same.



For more pricing
information, see
page 22

Portland Fuel Price Protection
www.portland-fuel-price-protection.com

Fuel quality – is it getting better or worse?

The quality of fuel can be an emotive subject with opinions varying according to the side of the fence on which one sits.

“THERE’S STILL AN INCREDIBLE AMOUNT OF TRUST WITHIN THE FUEL SUPPLY CHAIN AS REGARDS THE QUALITY OF WHAT IS ACTUALLY BEING DELIVERED”

Having brought biofuels for transport and non road mobile machinery, the introduction of the Renewable Transport Obligation (RTFO) was swiftly followed by a rise in fuel polishing and uplifting.

“SINCE ITS INVENTION THE INTERNAL COMBUSTION ENGINE HASN’T SEEN ANYTHING ELSE LIKE BIODIESEL”

As the government now considers options on how to meet the EU requirement for 10% of transport fuel to be renewable by 2020, there is to be a consultation on legislative changes to RTFO this year.

“THE DAYS OF MAKING ENGINES TO SUIT THE FUEL ARE LONG GONE, NOW THE FUEL NEEDS TO SUIT THE ENGINE”

RTFO’s aim was to reduce greenhouse gas emissions from vehicles with biofuels that did not damage the environment, now the emphasis is on switching from crop-based biofuels to renewable fuel from waste. Hydro-treated vegetable oil (HVO) is preferred by the automotive industry but thoughts of green petrol containing ethanol has led to others to fear less efficiency.

“THE OVERALL PERCEIVED TREND WAS THAT FUEL QUALITY IS GETTING WORSE; BUT PERHAPS IT’S JUST CHANGING....”

Fuel Oil News invites your thoughts on fuel quality to jane@fueloilnews.co.uk.

Evaluating and maintaining fuel quality

Having recently gained UKAS accreditation (6251), Adler & Allan’s Brize Norton-based fuel polishing/ testing laboratory is one of only a handful of fuel testing facilities in the UK to meet the stringent standards of UKAS.

“Gaining UKAS accreditation is a great achievement as it demonstrates the company’s technical competence and integrity in the evaluation and maintenance of fuel quality for all petroleum refined fuels including diesel, gas oil and kerosene,” said head of marketing Alan Scrafton.

“In addition to test methods covered by our UKAS accreditation, fuel samples are tested to ASTM and EN ISO standards, with testing carried out by qualified technicians using the very best equipment on the market.

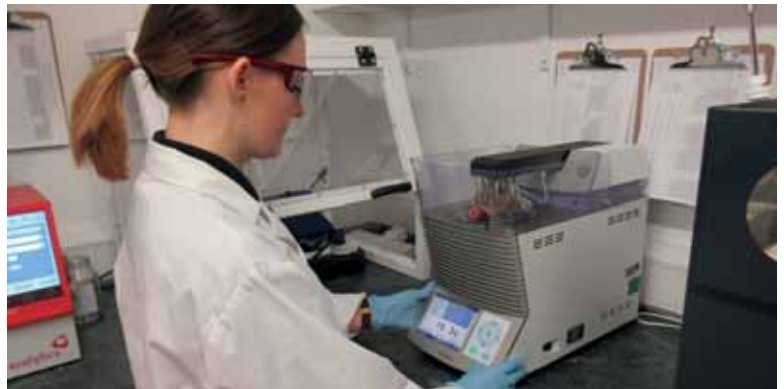
“EU Directives on bio-fuels and EU Standards for bio-diesel

have increased the need for more frequent and higher standards of fuel maintenance.”

“All fuel systems are vulnerable to contamination by water, where a bio-fuel is used, this water can cause microbes to grow causing damaging sludge. Contaminated fuel is harmful to tank interiors, the pipework leading to tanks, filters and seals. Within an engine, contaminated fuel affects injectors and cause incomplete combustion, carbon build-up, smoke, loss of power and possibly engine failure.

“A regular maintenance programme to keep fuel in pristine condition will reduce the risk of operational downtime, safeguard expensive equipment and maintain the reputation of a business and its services.”, added Alan.

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Sulphur content, lubricity and boiler fuel feed pumps

SINCE 2013 THE UK HAS SEEN A NOTICEABLE INCREASE IN THE FAILURE RATE OF SOME BOILER FUEL FEED PUMPS DUE TO FRETTING AND PREMATURE WEAR. IT IS THOUGHT THAT THESE FAILURES MAY EVEN HAVE VERY SPECIFIC GEOGRAPHIES, SUGGESTING A CONNECTION TO THE FUEL SOURCE. THE PROBLEM IS ONGOING SAYS NEIL RYDING OF FUEL ADDITIVE SCIENCE TECHNOLOGIES (FAST).

Some pump manufacturers have been critically affected with a large number of pumps failing well within their 6-8 year life expectancy which has led to pumps being replaced largely through goodwill. As a result substantial test work has been carried out to ascertain the cause.

The potential problems surrounding lowered fuel sulphur content and a subsequent reduction in fuel lubricity are widely known. The automotive industry dealt with similar problems when the sulphur content of road fuels was systematically reduced. The solution was to introduce a lubricity specification into the diesel and gas oil fuel standards. This utilises the high frequency reciprocating rig (HFRR) wear scar test where a low number is good. The specification can be met by altering the fuel blends at the refinery stage which almost always involves adding a chemical lubricity improver, although such lubricity improvers can be added at any point in the supply chain.

Heating oil Europe v UK

Because heating oil on continental Europe resembles gas oil and diesel, lubricity requirements are automatically met and pump failures due to premature wear are not a problem. With this gas oil and diesel lubricity specification, pump manufacturers are happy that their equipment operates both satisfactorily and for an acceptable life span.

In the UK and Ireland where kerosene is used, the sulphur specification was reduced in 2008 – but not to anything like the level of gas oil and diesel – and an accompanying lubricity specification was not introduced. There is currently no lubricity specification contained within the kerosene standard.

“IT WOULD APPEAR THAT SOME BATCHES OF KEROSENE SUPPLIED AT VARIOUS POINTS IN THE UK HAVE SULPHUR CONTENTS LOW ENOUGH TO SERIOUSLY AFFECT THE FUEL’S LUBRICITY CHARACTERISTICS”

Whilst not entirely conclusive, test results did show wild variations in the sulphur content of kerosene tested – although all were within specification – and HFRR wear scars that far exceeded the maximum allowable in gas oil and diesel, for which most pumps are designed.

Short term fixes and longer term recommendations

The recommendations from pump manufacturers are clear. They would like

to see a lubricity specification included in the kerosene standard and responsibility for meeting this placed in the hands of the fuel producers/suppliers. Failing this – and so far the fuel standards committee has not seen enough evidence to make a change – every new pump now comes with a recommendation to add a lubricity additive to kerosene.

Although this is not a universal solution either, as not all lubricity improver chemistry is compatible for use in a vaporising burner.

It has also been suggested that the use of biofuel (FAME) could be a substitute for lubricity improvers and be a short term fix. Whilst it’s true that FAME does improve fuel lubricity (diesel with the maximum allowable FAME content requires less lubricity improver to meet specification, for example), it also comes with its own problems, not least and again, the problematic performance in vaporising burners.

In conclusion, it would appear that some batches of kerosene supplied at various points in the UK have sulphur contents low enough to seriously affect the fuel’s lubricity characteristics which, in turn, has a detrimental effect on the fuel feed pump. Where this has been a problem, the lubricity of the fuel has been changed on the recommendations of the pump manufacturers by the judicious use of an appropriate additive. The addition of biofuel is not a long term option to control a fuel’s lubricity.



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PICTURES FROM AN EXHIBITION



The winners of Fuel Oil News Tanker of the Year 2015. L-r Paul Preston, Turners of Soham, Jane Hughes, Fuel Oil News, Bruce Williams, Williams Tanker Services and Tony Wilson, Inver Energy



A Scottish distribution trio – Graeme Bryce, Bryce Oil with Jodie Allan and Francis Nicol of James D Bilisland



Looking forward to celebrating Par Petroleum's silver anniversary on 12th August, Simon and Peter Roy Toole beside a special silver tanker for this north east distributor



FPS president until 2017, Duncan Grant, speciality products manager at Certas Energy joins in with celebrations to mark the Queen's 90th birthday



Jo Ritzema, WCF Fuels (centre) with Oil Recruitment consultants John Surtees and Anne Charmer



Now part of TIP Tanker Services, the Haartz Tankers team Dean Leggett, Tim Heaton and Ian Walkden are joined by TIP's Mark Crossland, managing director – UK tankers (2nd from left)



Sunset over the Albert Dock in Liverpool



Valero discusses the terminal expansion at Avonmouth with FPS EXPO visitors



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A rare breed

DAVID TERRETT HAS JUST CELEBRATED HIS 50TH YEAR WORKING IN THE FUEL OIL DISTRIBUTION INDUSTRY. NOW IN HIS SEVENTIES DAVID SPENDS THREE DAYS A WEEK WORKING AS A SALES MANAGER FOR WILTSHIRE-BASED KINCH FUELS WHICH HAS DEPOTS AT MALMESBURY AND DEVIZES

Having left school, David went to agricultural college and then worked in agricultural roles with dreams of having a farm of his own. Aged twenty-three in 1966, he spotted an interesting job looking after agricultural fuel sales at Butler Fuels.

“With the dream of a farm looking distant and armed with a sound knowledge and understanding of agriculture, I thought why not give it a go,” David told Fuel Oil News.

“Having acquired a brand new Thames trailer lorry, Butlers needed a rep out on the road to bring in the sales. Starting on 14th March 1966, my first task was to collect my company car from Avonmouth Docks.

“My salary was £700pa with a daily allowance of 12/6d for expenses. At the time the going rate for 200 gallons was £12 but my governor advised me that if the customer wanted to barter, we could do it for £10! Oh the days of simpler pricing....”

Married to wife Liz in 1972, the couple who have two sons, moved to Wiltshire where David became a depot manager in 1979; Butler Fuels then having two depots in the county at Marlborough and Devizes.



Fuel Oil News September 1994 – a Butler Fuels tanker supplies marine fuel oil to the diesel engines that supported the Golden Hind on its voyage down the east coast



David Terrett centre with Richard (l) and Roy Kinch

Patience, perseverance and personality

By the mid 80s and with 20-year’s experience under his belt, David was asked to help train new staff joining the company.

“I really enjoyed acting as a mentor,” said David. “New staff would spend a week out on the road with me; at the end of the week I would always advise that when it came to getting orders, it was best to remember the three ‘Ps’ – patience, perseverance and personality – which have always stood me in good stead.

“Over the years I’ve been really pleased to see that many of those new members of staff have gone on to far greater things in the industry; I do like to think that they may possibly have learned a little bit from me....”

Butler Fuels was subsequently sold to Total Butler where David remained until the age of sixty-eight, leaving as the company restructured. The company became part of GB Oils (Certas Energy) in September 2011.

A 50-year milestone

“Having heard the news that I was about to stop work, Roy Kinch, owner of Kinch Fuels, asked if I would like to work for him for three days a week. We’d known each other for awhile as, before starting his own oil business, I had supplied Roy with diesel.

“It was so good to be headhunted at my age and I would like to thank Roy as without him I wouldn’t have reached this 50-year milestone.

“Established in 1971, Kinch Fuels is a lovely 30m litre plus independent, family-run business which owes its success to a small team of staff dedicated to customer satisfaction where nothing is too much trouble.

“The oil business gets in your blood and I still really enjoy meeting customers, finding new ones and helping out those struggling to get fuel. Customers know that they can get an answer from me, I’m always at the end of the phone and ready to help.

Commenting on my 50 years, a colleague said: “You always operate with respect and standards – you’re just like a Gloucester Old Spot, you’re a rare breed.”

“Over my 50 years I’ve seen many changes but the biggest one has been everything going electronic – the technology in the office, on vehicles, ordering, pricing – everything is high tech and that will obviously continue. I know that technology will eventually overtake the likes of me but presently I’m on top of the game and it’s still great fun!

David would be very pleased to hear from past colleagues, his email is djterrett@gmail.com.

Going it alone or affiliating with a brand?

With the price of oil dropping by well over 30% in the last year, resellers of oil products have experienced a boom, particularly as domestic customers have returned to bulk buying kerosene writes Irish correspondent Aine Faherty

When the oil price was much higher these domestic customers were buying drums of kerosene from retail forecourts; now a much more affordable heating option, kerosene business is back with resellers where many are also seeing customers move back to oil from solid fuel.

Another benefit of low cost oil has been that a distributor's working capital pressures (current assets minus current liabilities) have eased off somewhat as it is easier to get paid for product on a cash-on-delivery basis. With resellers supplying agricultural/commercial accounts not being owed as much, less risk is involved and there is a better cash flow.

That said the distributor world is still not without its challenges. As Phillips 66 reviews its Whitegate refinery with plans to sell, shortages of kerosene have occurred a number of times over the winter and with allocations introduced by oil terminals across product lines, resellers need to nominate requirements in the month prior to supply. Determining exact requirements, especially for weather-dependent kerosene can be difficult, leading resellers to consider contracting their supply.

To brand or not to brand

Having a connection with a brand, a reseller has the benefit

of support services such as branding, marketing, supply and delivery. Additionally, there is access to knowledge in key areas – operations, health & safety, legislation and regulations.

Resellers are also kept informed on current trends such as the growing movement to online sales of home heating oil. Capturing online sales requires a reseller to install an online system plus there is an increasing need to focus on social media to promote a business.

"Whilst the majority of business still comes through the telephone and via sales teams, resellers do recognise the importance of online channels," said John O'Donovan, national reseller manager for Top Oil.

"A factor for small/medium resellers is the cost of establishing an online system and justifying it against the level of business that will arrive through the online channel in the short term.

"In the longer term everyone acknowledges that



Top Oil's John O'Donovan who reports that the company's investment in developing a national brand for local resellers will allow for the continued expansion of this element in the years ahead

the majority of sales are going to be completed through online platforms."

Competing with *super distributors*

Over the past 15 years, significant consolidation within the reseller market in Ireland has seen the establishment of *super distributors* in every region. This has made it difficult for local resellers as supers often have better economies of scale plus through size and branding they can put direct focus in any area, making it difficult for smaller distributors to compete.

While this consolidation will continue, well-organised resellers can continue to be successful in their own area by keeping overheads at a minimum, developing technology and giving an excellent local service to customers.

"Taking everything into consideration, unbranded resellers may review their policy in the spot market and decide to contract and brand with one supply company," said John.

"A business needs to weigh up the pros and cons of being affiliated with a brand and consider the cost benefit analysis of having secure product along with the brand and trust of a national company to its business.

"In the last few years Top Oil has invested significant time and resources into developing its national brand for local resellers," added John.

"In a market such as the oil industry, a company needs to differentiate itself from the competition. Through brand development, its people and product service levels, Top Oil has achieved this."

Meeting Irish distributors

It was very good to meet Irish distributors at last month's FPS EXPO in Liverpool.

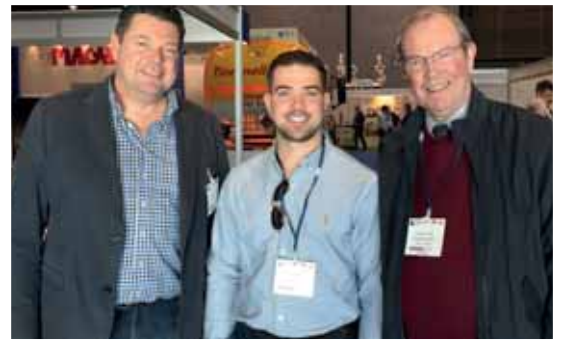
Spotted on the Road Tankers Northern stand, where the company's 25th anniversary celebrations were toasted with a glass of champagne, was Billy Flynn. The former face of Irish road fuel transport retired from his role at Whitegate refinery last year and is now a transport advisor.

With 2016 being a key year in the refinery's history, much speculation as to Whitegate's future resulted from conversations with Irish visitors to the Fuel Oil News stand.

Established by Pat Hegarty in 2009, Fuel Oil News was also pleased to meet Galway-based Cosyhome Heating directors Andrew Gallagher and Gerard McHugh.



PICTURES FROM AN EXHIBITION



Three generations of the Carter family – David, Ben and Graham from Leamington Spa-based Union Fuels which also runs The Tank Doctor



Signed rugby balls on the Envirostore stand were an added attraction – I-r Richard Marsh with Welsh rugby union player Shane Williams MBE and Andrew Lacey, both of Star Multifuels



Lynx Fuels – a new name in the north east – part of the BWOC family with transportation operated by Turners of Soham, Paul Preston with general managers Andrew Storey and Mark Wedgewood



Amanda and Mark Hobbs from Gloucester-based Hobbs Brothers



Robert Ormond and Mike Brown with a new Magyar-built tanker for Tinknell Fuels' Gillingham depot in Dorset



Andrew Reynolds, Reynolds Logistics speaks with a member of the Essar team



JET – taking a bold stand in Liverpool



Laura, Hugh and Michael Morgan besides a new tanker sporting a new look for Morgan Fuels

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The bitumen market

CURRENT WORLDWIDE DEMAND FOR BITUMEN OR ASPHALT, AS IT IS KNOWN IN THE USA, IS AROUND 100 MILLION METRIC TONNES WHICH REPRESENTS 2.25% OF TOTAL REFINED OIL PRODUCTS CONSUMPTION

The crude oil used in the refining process to produce bitumen is sour and generally contains more than 1% sulphur, it is also heavy with an API gravity below 22.3. Major sources of bitumen are Venezuela's Orinoco basin and the Alberta tar sands in Canada, both offer a high asphaltene content which can be up to 60%.

Reduced bitumen demand

In the current millennium the lack of major road building/improvement projects in the UK market has resulted in a reduced demand for bitumen. The first fall came after 2005 when demand dropped from around two million metric tonnes per year to around 1.6/7m, there was a further decrease after 2009 to a plateau in the range 1.4/5m with a modest uptick evident last year.

See the table below for a summary of the trend in product balances for selected recent years:

Largely as a result of cessation of bitumen manufacture at Esso's Fawley refinery in 2009 and the closure of Nynas' Dundee facility at the end of 2013, the UK has moved from being in a relatively balanced position to that of a deficit position.

Only two indigenous bitumen production facilities now remain in the UK – Total's Lindsey refinery and the joint Shell/Nynas plant at Eastham. Total has an additional distribution point at Preston and Nynas continues to use its Dundee facility for storage and distribution.



With bitumen's primary application being in road construction improvement and therefore weather dependent, usage through the year has a pronounced seasonal pattern – quarter one from January – March being 15% with Q2/Q3 and Q4 being 30%, 35% and 20% respectively

Shell, the world's largest bitumen supplier and marketer, plans to use Thames Oilport as a storage & distribution facility importing material from its flagship Pernis refinery in Rotterdam.

These three companies are members of the Refined Bitumen Association (www.bitumenuk.com) whose operations and administration were transferred at the start of 2015 to Eurobitume (www.eurobitume.eu), a European umbrella body.

In July 2015, a new bitumen player entered the UK market. With its principal shareholder

Trafigura, Puma Energy is establishing a new bitumen terminal in collaboration with Stolt-Nielsen at the latter's Dagenham facility. Storage of four 5,500 M3 tanks provides total capacity of 20,000 tonnes.

Puma Energy is already a substantial bitumen operator in a number of locations around the world, especially in developing countries and in Australia where it acquired the BP business. Much of its UK requirements are expected to be sourced from the company's facility at Cadiz in Spain. To service Puma Energy's UK market requirements, a four-year delivery contract has been agreed with Hoyer.

Increased capital expenditure on infrastructure projects?

In his March 2016 Budget, the Chancellor of the Exchequer promised to embark on a programme of increased capital expenditure on infrastructure projects including road building/improvements. This must be a source of encouragement for the bitumen sector – it will be interesting to see how the projects and opportunities that arise will impact the demand trend over the next five years. Upwards would be good!

The bitumen market – main geographical markets, usage and grades

- Asia – 33%
- Americas – 30%, of which the USA accounts for 21%
- Europe – 11%
- Africa/Middle East – 10%
- CIS/Russia – 10%

The three largest consuming countries within Europe are currently France (2.3m metric

tonnes), Germany (2.0) and the UK (1.5). Somewhat lower at just under 700,000 tonnes, is Spain in fourth position.

Since the start of the current millennium, and mirroring the pattern in the major petroleum products markets, bitumen consumption in developed economies has been on a downward trend, particularly in the absence of any significant road building/improvement projects. Bitumen use has risen in developing economies.

The predominant usage of bitumen is road construction and maintenance (paving).

Bitumen – the six principal grades

- Paving – road surfacing, and some industrial applications
- Hard – paints, enamels, etc.
- Oxidised/blown – roofing, waterproofing, electrical products, and many others
- Cutback bitumens – spraying and some mixing applications
- Bitumen emulsions – largely road surfacing applications
- Polymer modified binders – different types which can be used for many applications mentioned above

Breakdown of usage is predictably dominated by paving grades which account for 84%, followed by polymer modified binders at 9% and industrial grades (principally blown grades) at 7%.

See also the Portland Market Report – *bitumen really is Britain's best friend* – first published in Fuel Oil News September 2015, it can also be found at fueloilnews.co.uk/2015/10/september-2015-update.

(000 mt)	2000	2005	2013	2014	2015
Production	1,438	1,912	777	1006	990
Imports	255	216	648	465	501
Exports	283	242	75	62	60
Consumption	1,975	1,906	1,355	1,358	1,464

Source: DECC

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“Micro organisms can enter the fuel chain at any stage, if left unchecked prolonged heavy contamination is a very expensive issue. Fuel quality management is becoming a major consideration with most fuel distributors concluding that detecting and dealing with the problem by early testing is an efficient, cost effective answer to managing the risk.

“We believe that testing both above and below ground storage tankers should form part of a good fuel husbandry regime. Routine tank testing detects problems early and minimises the need for any expense on biocides and tank cleaning. Should biocides be necessary, tanks should be retested after treatment as regrowth can occur if there’s not been total kill. It’s best to look over a period of a month – do

not just test once – to see if background levels of organisms increase as such changes will be picked up by FUEL STAT®.

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Conidia Bioscience says ‘regular testing for microbial contaminants represents sound business practice’



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IN DEFENCE OF OIL HEATING

“SINCE 2012 THERE HAS BEEN A CONCERTED ATTEMPT BY THE UK GOVERNMENT TO DISCREDIT FOSSIL FUEL HEATING AND ESPECIALLY OIL,” SAID JEREMY HAWKSLEY WHO LEAVES OFTEC THIS SUMMER AFTER NINE YEARS AS THE TRADE ASSOCIATION’S DIRECTOR GENERAL.

“With the aim of eliminating oil heating in GB by 2025, a £4.4 billion taxpayer-funded Renewable Heat Incentive (RHI) was put in place. However, in making the case that in rural areas, oil - or another liquid fuel - will remain important until well beyond 2050, OFTEC has been steadfast.

“We acknowledge that decarbonisation of heat is a long-term goal but – no measures should be introduced which disadvantage oil heating users compared to those on mains gas.

“Robustly defending oil heating, OFTEC has pointed out the short comings of renewable heat in existing buildings. Since its launch in April 2014 uptake of the domestic RHI has been disappointing; compared with the target of 10,000 applications per calendar month, applications have been running at around 910 pcm, just 9.1% of the target.

“With field trials between 2008-2010 demonstrating that existing oil boilers could run on B30k – 70% kerosene or gas oil blended with 30% FAME – with minor modifications and a new storage tank, my biggest disappointment has been the failure to persuade the Department of Energy and Climate Change (DECC) to include B30K in the RHI.

“I BELIEVE THAT OIL HEATING WILL CONTINUE IN ITS PRESENT FORM FOR AT LEAST 10 YEARS”

Optimism returns to oil-fired heating

“Dropping from 70 pence per litre to 32 pence per litre, the price of kerosene has been the most noticeable change over the past 9 years; along with the fact that only four companies now manufacture oil-fired boilers in large volumes.

“The quantity of boilers sold and the number of OFTEC installing technicians have remained relatively stable over this period; indeed both are growing again.

“Now that the limitations and high costs of the mass uptake of renewable heating in existing homes has been demonstrated, I believe that oil heating will continue in its present form for at least 10 years. For the moment the political push for 100% renewable heating in the domestic sector has abated although in time this will probably reappear....

“With DECC’s emerging heat policy being much more



Jeremy Hawksley plans to spend his retirement doing consultancy work in the oil heating and trade association sector whilst having more time for family, hobbies and the garden

pragmatic, I believe that within the next year we’ll see the emergence of a policy much in line with OFTEC’s own recommendations.

- Go for the low hanging fruit and encourage the replacement of standard efficiency boilers with condensing boilers, plus controls including weather compensators and better loft insulation
- Accept that fossil fuel pricing will remain very competitive and that the immediate aim should be to reduce fuel consumption through the above and hybrid systems

- Think about a three-stage programme to achieve low carbon heating in rural domestic properties over the next 30 years with the final stage being 100% biofuel deployment replacing kerosene

“I also believe that by the early 2020s the governments of the Republic of Ireland and Northern Ireland will introduce measures to encourage competent people to install boilers and tanks and that Ireland’s very large market for oil heating will continue as the extension of the mains gas network continues to be very slow.”

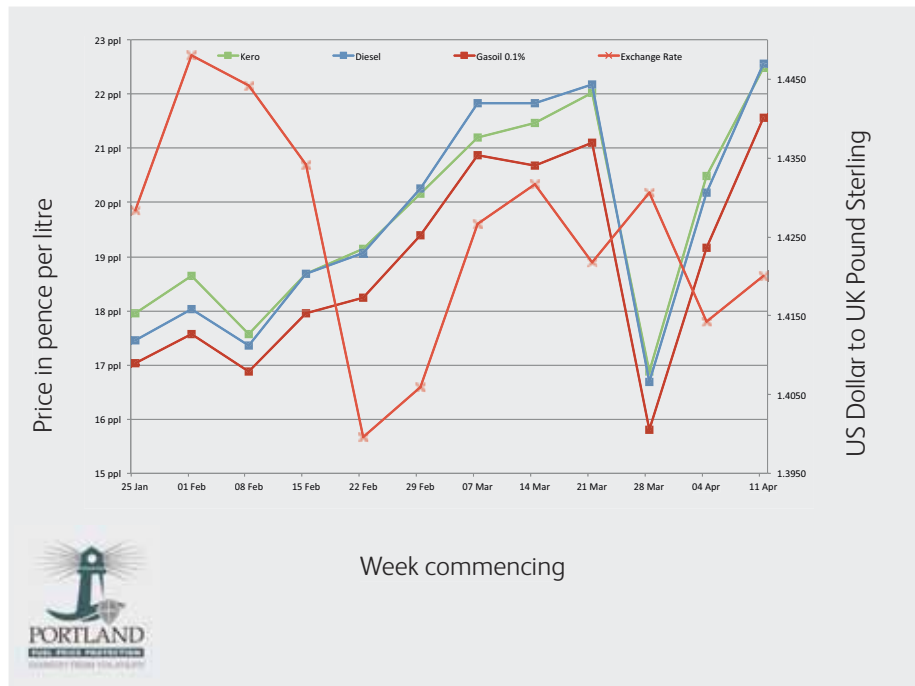
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Wholesale Price Movements: 19th March 2015 – 18th April 2016

	Kerosene	Diesel	Gasoil 0.1%
Average price	21.58	21.53	20.49
Average daily change	0.52	0.56	0.56
Current duty	0.00	57.95	11.14
Total	21.58	79.48	31.63

All prices in pence per litre



Highest price
22.86 ppl
Thu 14 Apr 16

Biggest up day
+1.86 ppl
Fri 08 Apr 16

Kerosene

Lowest price
19.62 ppl
Tue 05 Apr 16

Biggest down day
-0.91 ppl
Tue 29 Mar 16

Highest price
23.07 ppl
Thu 14 Apr 16

Biggest up day
+1.83 ppl
Fri 08 Apr 16

Diesel

Lowest price
19.25 ppl
Tue 05 Apr 16

Biggest down day
-1.09 ppl
Tue 29 Mar 16

Highest price
22.07 ppl
Thu 14 Apr 16

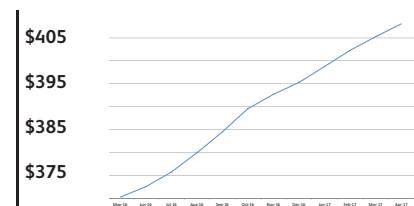
Biggest up day
+1.80 ppl
Fri 08 Apr 16

Gasoil 0.1%

Lowest price
18.32 ppl
Tue 05 Apr 16

Biggest down day
-1.02 ppl
Tue 29 Mar 16

Gasoil forward price
in US\$ per tonne



May 2016 – April 2017

The Fuel Oil News Price Totem

	Trade average buying prices			Average selling prices		
	Kerosene	Gasoil	ULSD	Kerosene	Gasoil	ULSD
Scotland	21.95	33.64	80.46	28.36	37.53	83.64
North East	21.15	32.88	79.52	29.01	37.45	83.04
North West	21.98	34.07	81.01	28.43	37.93	83.93
Midlands	21.62	33.10	80.02	27.85	36.95	82.40
South East	21.82	33.03	78.85	29.36	37.35	82.52
South West	21.46	32.41	78.48	26.98	35.50	80.75
Northern Ireland	21.65	33.48	80.90	25.24	38.41	na
Republic of Ireland	36.86	41.16	81.92	41.10	45.90	84.90
Platts	19.60	29.47	78.85			

The price totem figures are compiled from the results of a telephone survey of distributors carried out on 06/04/2016. Buying prices are ex-rack. Selling prices are for 1000 litres of kero, 2500 litres of gas oil and 5000 litres of ULSD (Derv in ROI). Prices in ROI are in €.

The FON Price Totem includes Platts derived market data, supplied courtesy of Platts and BigOil.net. This allows distributors to make a comparison with the average buying prices.





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