Fuel Oil News

SEPTEMBER 2021

THE FUTURE FUELS ISSUE

RENEWABLE LIQUID FUEL TRIALS

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The road to success is always under construction

Since last writing, we seem to have been bombarded by an endless stream of industry reports, reviews and Government strategy updates. A timely reminder that transition in this industry is not a discrete event with a defined beginning and a definite end.

Rather, this is an industry that has been in transition since the first known use of fuel, nearly two million years ago, when Homo erectus discovered, probably by leaving his magnifying glass in the wrong place on a rare sunny day, that the combustion of wood releases something he decided, for want of any better word, to call 'heat'.

Since that happy accident ignited (apologies) man's desire to find new sources of, and uses for, energy, both the population and its consumption of energy have grown exponentially.

As demand for combustible fuel surged with the industrial revolution, sticks were discarded in favour of coal (a journey that only took around 2 million years) and, with the invention of the internal combustion engine, oil found it was no longer just an extra on the energy stage but moved front and centre as more and more uses were found for this abundant energy source.

As the fuel distribution sector morphs from one incarnation to another it is evident that nothing is new: the pressures that create the imperative to move on again may vary, but the end result is still an inescapable need to continue the transitional journey.

In this issue we continue to consider what the next stop on the journey may look like and how, as an industry, we can play our part in creating a successful route to get there. The road to success may be under construction, but it is clear that more and more of those in our industry are playing their part in building it.

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Fuel Oil News

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On the cover

Our cover features a Rawlings tanker pictured gleaming in the sun in the immaculate, purpose-built depot which the Hampshire-based distributor moved to just over a year ago as was featured in our August issue 'In Conversation'.

In this issue

In our Product Focus, on pages 12 & 13, we talk with Tyrewatch about a couple of recently launched products that enable fleet managers to reduce environmental impacts across all commercial vehicle sectors proving that it's not just fuel choice that matters.

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NWF Group eyes acquisitions after second highest profit performance on record

Announcing figures for the year to May 3, 2021, the Nantwich-based NWF Group, has declared them to be 'another strong set of results, ahead of expectations' which presents 'a significant opportunity for growth'. The performance represents the second highest profit performance on record for the Group.

The response to Covid-19 has been effective throughout, with continually updated risk assessments across the Group enabling safe working and ensuring customer needs have been met by all divisions. Whilst all divisions have remained open and operational, providing essential services, there was a notable outperformance in the fuels division, with strong heating oil demand supported by a cold winter and an increase in home working during the pandemic. A headline operating profit of £9.3 million (2020: £11.0 million) was ahead of

expectations and against a prior year which benefitted from a significant fall in the oil price.

Richard Whiting, chief executive, NWF Group plc, commented: "NWF has delivered another strong set of results, ahead of expectations set before the pandemic, demonstrating continued performance, delivery and resilience. Our teams have worked hard during the year meeting customers' needs whilst staying safe. I'm proud of how we have responded to the challenge of Covid-19, Brexit and a cyber incident and exited the year strongly, with significant financial capacity and a clear growth strategy.

"There is a significant opportunity for growth backed by strong cash flows and flexible banking facilities alongside a strong asset base. We will therefore continue to consider acquisition opportunities, building on our successful track record of acquiring and integrating businesses, as well as investment in organic development.

"Performance to date in the current financial year has been in line with the Board's expectations. Overall, the Board continues to remain confident about the Group's future prospects."

Scottish fuel distributor expands again

Scotland's fastest-growing fuel distribution company, Oilfast, has announced an investment of over £700k in a further fleet expansion with the addition of five Volvo FE 6x2 Rigid Tankers. Specialising in heating oil, red diesel, derv and licensed AdBlue and delivering to both domestic and commercial customers, the fleet additions are part of Oilfast's commitment to expand and improve.

The company has a growing base in Wales with 8 depots across Scotland and Wales and the five new trucks will operate out of the company's Crieff, Grangemouth & Insch Depots in Scotland.

William Nicol, transport & operations director commented: "We deliver excellent service to the UK, no matter the circumstance - even during COVID-19. That is why we are reinvesting back into the areas of the business that matter most to our customers."

The Tanker build

The tankers are built by Cobo on a Volvo FE chassis with discharge and metering equipment from Emco Wheaton. After shipping the vehicle chassis to Emco Wheaton's workshop in Margate, the specialist team attach the new metering equipment to the chassis for transport to Spain. On arrival in Spain, the team at Cobo install the chassis and tanker together - a process that can take serval weeks to perfect before returning to the UK.

Once the build is complete the tanker is returned to the UK for testing to ensure it is safe for transporting fuel. After passing this test it is then sent to be branded in the iconic Oilfast logo & saltire before being delivered to the Motherwell head office.

Key features

Each tanker has a gross vehicle weight (GVW) of 26 tonnes giving a maximum carrying capacity of 17,500 litres and is equipped with 5 compartments to allow for a wide range of products and services.

All vehicles come with 3 key safety features:

Overfill protection

Electrical isolation

Earthing & vapour recovery

What comes next?

Oilfast is quick to acknowledge the part their customers have played in putting them in the position to expand the fleet as William explains: "As we grow as a company, so does our customer base and we want to ensure that we do right by all our customers. As such, the technology may change but our approach to customer service will not. We do not have call centres; we will always have community focused depots that offer a localised approach to providing our services. As such, we are still committed to providing the best service possible."

And, looking ahead, William concludes: "Our vehicle investment for 2021 is now over £1million. With a further 8 tankers coming in 2022 this takes our total investment in vehicles to over £2.5million in two years. As we grow, it's important we reinvest back into the areas that got us here in the first place. We are extremely excited to see the next generation of Oilfast tankers out on the road and hopefully, our customers are too."

Sukanth Yoganathan (l) and Priyanth (r) stand either side of their father Yogan in front of the new look Jet

Service station undergoes impressive Jet rebrand

Following an extensive refurbishment, the family-owned Hertford Road Service Station has re-opened as a JET branded site. Previously BP branded, the popular site in Enfield has been closed for two-months during which time the height of the canopy has been raised by a metre, the buildings re-modelled to provide 2000 square feet of retail space and the look and feel transformed by the iconic JET branding.

"Raising the canopy has given the site real impact." says Sukanth Yoganathan (Suki) who joined his father Yogan in the business 18 months ago. "As well as offering better access, the site feels more open and really makes a statement - especially at night when the under-canopy LED lighting and the yellow and blue JET branding really pops! It's now a first-rate forecourt experience"

Commenting on the transformation Chris Murphy, retail account manager, Phillips 66 Limited says: "This site is hugely impressive and is testament to the family's drive and belief in their business. It's great to see Suki and Priy joining their dad Yogan and area manager Vas in the business, and we couldn't be happier with how the site looks. There is no question that it's going to be a huge success, continuing to serve the community and we are very proud that Hertford Road is now JET - Hertford Road."

New future fuels division supports shipping decarbonisation

In a significant expansion of its future fuels capabilities, marine energy specialist KPI OceanConnect has announced the launch of its Alternative Fuels and Special Projects division led by Bill Wakeling, an expert in marine fuels. As pressure intensifies for the shipping industry to become more sustainable, the new division will capitalise on its experience and expertise to enable its clients to achieve net-zero emissions from their marine fuels.

Bill Wakeling will head up this new division of KPI OceanConnect, a leading global broker and trader in marine fuels for more than 50 years and will lead on all matters relating to alternative fuels and decarbonisation, as well as exploring opportunities for new ventures and projects. With his rich experience in marine fuels, Bill is well-positioned to lead this new function, and drive measurable environmental and sustainability change throughout the marine fuel supply chain.

Speaking on his appointment, Bill commented: "I'm honoured to lead KPI OceanConnect's alternative fuels and sustainability operations at a time where the industry must accelerate its decarbonisation progress in line with the International Maritime Organization's 2030 and 2050 targets.

"In the last 18 months, we've helped our partners successfully navigate through

IMO 2020, and showcased our agility and innovation by completing one of the shipping industry's first carbon offsets. However, there is no shortage of challenges for shipowners and operators as they seek to realise a more sustainable future, and we'll be working with them side by side through our long-term partnership approach to help achieve their sustainability ambitions and regulatory compliance."

Commenting on the announcement, KPI OceanConnect's CEO, Søren Høll, said: "This new function signifies our commitment to advancing decarbonisation in the maritime industry, and Bill Wakeling is the ideal person to head it up; there are few people with his track record, marine fuels expertise, and commercial awareness.

"Our clients have a growing and sustained need for innovative solutions that can enable them to fulfil their green objectives, and they're going to be in very safe hands with Bill and his team."

New aviation fuel partnership for Essar

Essar Oil (UK) Limited has begun supplying jet fuel directly to airlines at Cardiff Airport, with new deals having already been secured with various carriers that operate flights from the facility.

These agreements demonstrate further the continued success of the Essar aviation fuels business, with direct supply arrangements now in place with carriers at five major airports across the UK - Manchester, Birmingham, London Stansted, Leeds-Bradford and Cardiff.

Adam Brayne, aviation & business development manager at Essar, commented: "Adding Cardiff Airport to our UK network is a further chapter in our growth story, as Essar continues to support major airlines through what we hope will be a recovery period for the sector. We look forward to a successful partnership with the airport and are delighted to have already secured direct business with a number of key airline customers there."

David Walters, chief financial officer of Cardiff Airport, added: "We have been working hard to ensure suitable choice is available to our airline partners at Cardiff Airport, and we are very pleased that Essar has agreed to work with us as a new long-term fuel partner. We really look forward to working closely with the company, as we welcome more flights and airlines back to Cardiff."

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New CEO to assist delivery of energy transition at Essar Oil UK

Essar has announced the appointment of Deepak Maheshwari as chief executive officer for Essar Oil (UK) Ltd (EOUK).

Deepak joins EOUK, an important asset in the energy portfolio of Essar Global Fund, at a transformative juncture as it accelerates its transition to a 'Low Carbon Energy Provider' of the future. As CEO, Deepak will work closely with the EOUK Board on the delivery of a number of strategic energy transition projects aimed at making Stanlow a green refinery to meet the post-carbon needs of a progressive UK.

Amongst these are HyNet (a low carbon hydrogen energy and carbon capture project) which will transform the North West of England and North Wales into one of the world's first low carbon industrial clusters, together with the building of a biofuels business which will include production of both renewable diesel and sustainable aviation fuel (SAF).

With more than 25 years senior leadership experience across the utilities, energy, and infrastructure sectors in Europe and Asia, Deepak will lead an experienced management team and further strengthen corporate governance within the ESG framework.

EOUK chairman, Prashant Ruia, said: "We are delighted to welcome Deepak to EOUK. His immense corporate experience will prove invaluable during such an important period of growth for the company, which is aiming to be a leading player in the transition towards a sustainable society by delivering cleaner energy solutions."

Deepak commented: "I am delighted to be joining EOUK as chief executive officer and look forward to building on the impressive legacy that Essar colleagues have created. The UK's green economy continues to develop and flourish and the Board and I will work hard to ensure EOUK sits at the fulcrum of the UK's sustainable, low carbon future."

New guide details support for logistics employers

As reported in our last issue, the logistics industry is facing a serious shortage of skilled workers. In response, business group Logistics UK has launched a comprehensive, free guide for employers from across the sector on "Funding and support for accessing logistics skills."

As Elizabeth de Jong, policy director at Logistics UK explains, the guide is one way in which the organisation is supporting the recruitment of new employees at such a critical time: "There is currently an acute issue with the recruitment and retention of roles across our industry, not least HGV drivers," she explains, "but many employers are confused about how to access vital funding in order to recruit and train new workers. This new guide, produced with the active involvement of the Department for Education and the Department for Work and Pensions, gives clear and concise information about the schemes available to employers and where and how to apply for funding, including for apprenticeships and traineeships, to attract and train new employees.

"Much of Logistics UK's work to support skills in our sector involves campaigning for policy changes to help create a more sustainable pipeline of staff to meet the demand for people in our sector. But this new guide provides simple and practical steps which will help recruiters right across our industry to identify and enrol the workforce our sector so desperately needs."

Free downloadable guide

For a FREE copy of the guide please visit logistics.org.uk

New inland sales manager for Mabanaft

Having recently been promoted to the role of inland sales manager at Mabanaft, Clare Charlton is enjoying the challenge and responsibility and is also looking forward to working with the management team as the company develops its supply of more sustainable fuels.

Maintaining high levels of service

Clare joined Mabanaft in 2019 as a key account manager and has risen rapidly to take on this new role. The inland sales department is responsible for selling fuel to a diverse range of customers, from resellers, distributors and commercial/end users to bunkering network users and supermarkets. Clare will be working with her team to ensure that all customers' needs are met and that the high levels of service that the company is renowned for are diligently maintained.

Building lasting relationships

Clare said: "I am enjoying the challenge and responsibility of my new role at Mabanaft. I love the company ethos of building strong and lasting relationships with customers, it's something everyone here buys into. I also really like the people, there's a good team spirit and plenty of positive collaboration which makes for a great working environment."

Supporting customers through changing times

"The last 18 months have been dominated by the global pandemic. People still needed fuel and I am proud of how my team managed to support customers and deliver excellent service throughout. Our industry is undergoing massive change and I am looking forward to working with the management team to seek new opportunities to support the transition to new and more sustainable fuels."

Who will take the title - Fuel Oil News Tanker of the Year 2021?

We are pleased to announce that we are now open for nominations for the opportunity to receive this highly sought-after industry recognition. Fuel Oil News welcomes your entries now for the prestigious 2021 tanker of the year award.

Any tanker that has been added to your fleet in 2021 can be entered for this award which recognises a tanker that is making a unique contribution to your business. Tankers can be nominated by the distributor, manufacturer or equipment provider.

Speaking on behalf of last year's winner, Crown Oil, director Mark Andrews said: "We are so pleased to have our brand new HVO tanker announced as winner of tanker of the year! We're investing in renewable and sustainable fuels to help reduce GHG gas emissions produced by business and it's wonderful to have this celebrated and recognised."

Last year's winners, Crown Oil were 'so pleased to be recognised' for their DAF CF85 Euro 6 tanker manufactured by Road Tankers Northern.

Entries for the 2021 award will be accepted up until 31 October 2021 and we look forward to another difficult selection task this year.

To submit your entry, please send a high resolution image of your new tanker together with full details of the vehicle's chassis/tanker manufacturer, type, size, capacity, compartments and on board equipment, paying particular attention to anything that is new, innovative or different to other vehicles in your fleet to margaret@fueloilnews.co.uk.

Drop in oil product demand highlighted in industry review

UKPIA HAS PUBLISHED ITS ANNUAL REVIEW OF THE UK DOWNSTREAM INDUSTRY. IT PROVIDES A COLLECTION OF RECENT INFORMATION ON THE SECTOR FROM GOVERNMENT DEPARTMENTS, UKPIA MEMBERS, AND A RANGE OF OTHER SOURCES.

The Statistical Review, which UKPIA has published since 2003, is an accessible compendium of UK downstream industry statistics and provides a comprehensive and quick reference point for those working in industry, policy makers, and all who wish to gain a quantitative understanding of the UK industry.

On its release, UKPIA's director-general, Stephen Marcos Jones, commented: "We've continued to improve the UKPIA Statistical Review, and several new statistical analyses have been included in this year's publication, most notably on GHG savings from biofuels and the impact of COVID-19 on the sector.

The impact of the pandemic

The impact of Covid-19 on supply and demand in the sector has been significant, with the demand for oil products falling by 23.4% in 2020, whilst UK GDP as a whole fell by 9.8% - both historically large declines. UK refineries are still recovering from the effects which saw utilisation rates falling by 20%, ending nearly a decade of high utilisation, and reversing an overall upwards trend of usage rates. With European refining marker margins falling over the same period by 66.4% on average the challenge to operating profitably at the supply end are clear. However, due to efficient capital deployment, the downstream sector contributes to stable annual net profits, despite fluctuating product prices, and net profits for UKPIA members have remained relatively steady, at just over £1 billion.

Although demand fell across all products, it did not fall equally and, therefore, neither did production. Unsurprisingly, jet fuel production fell the furthest – by 62% - and heating oil production fell the least - by 6%. The only increase seen was in fuel oil production which rose by 5%. Despite the effects of the pandemic, the 10-year average proportion of refined product production has not been affected and heating oil remains 3% of the overall production.

Taking environmental impacts seriously

As has been covered in detail in Fuel Oil News, biofuels are an important way to reduce carbon emissions especially those produced by the current vehicle fleet. Two years of large annual increases to the RTFO target have resulted in corresponding large increases in biofuel deliveries and 2019 saw greenhouse gas savings of 5.4 million tonnes of CO2e achieved from biofuels replacing fossil fuels. A high proportion - 69% - of UK biofuels are waste derived, largely used cooking oil, due to the ability to 'double count' these but, with limited domestic biofuel capacity, as the mandate rises more biofuel will be sourced from abroad. In 2019 only 11% of biofuels delivered to UK markets were sourced domestically. With the introduction of the development fuel obligation and the ability to double count these development biofuels, we see the introduction of wind power and geothermal as feedstocks become more diverse.

Emissions reductions have been achieved across all sectors, demonstrating the seriousness with which the downstream industry takes climate and air pollution. With significant emissions reductions in energy and other sectors, transport has become the largest source of GHG emissions.

The changing face of transport

A wide range of vehicles are supplied by products from the downstream sector. As a result of the pandemic in 2020, road traffic, as well as new registrations, decreased for most vehicle types. The significant increase in newly registered low-emissions vehicles, however, did not slow in 2020.

While the overall car parc decreased in size by less than 1% in 2020 to 31.7 million, the decrease in the number of diesel-only cars was over 4x greater than that of petrol-only cars. This decrease in the overall car parc is due to the large decrease in the number of new registrations in 2020 which fell by 24% and, for the first time since 2012, fewer than a million new petrol-only cars were registered. Similarly, while new diesel-only registrations have been decreasing since 2016, the 51% year on-year decrease in 2020 is remarkable. 2020 was only the second year in which the number of diesel-only cars decreased since 2000. Although petrol-and diesel-only cars continue to dominate, making up 97% of the car parc, their share is down by nearly 1%, year-on-year.

During economically challenging periods it is common for car registrations to fall. The dramatic decrease in registrations seen in 2020 is in line with the dramatic decrease in GDP. However, although new registrations of ICE-only propulsion cars have decreased, registrations of "other" propulsion cars have not, continuing a trajectory of significant increase and exceeding 1 million for the first time. The greatest of these increases was in the number of battery-only cars, with the number of plug-in hybrid and hybrid electric cars also increasing.

A further indication of the increasing pace of the switch to electrification of transport is that, despite challenging circumstances in 2020, over 36,000 public EV charging connectors were available in the UK, an increase of 24% compared to 2019.

A sector in transition

Stephen Marcos Jones concludes: "2020 was one of the most extraordinary years for the world, not least for the downstream industry. The Statistical Review clearly shows the impact of COVID-19 government interventions in restricting people's mobility, resulting in a significant reduction of demand for downstream products.

Even though it was such a challenging year, the sector continued to deliver in pursuit of Net-Zero, with a large increase in UK biofuel deliveries and growth of the UK's EV charging infrastructure."

Future fuels

WITH THE SUBJECT OF FUTURE FUELS VERY MUCH FRONT AND CENTRE OF THE RECENT INDUSTRY EXPO WE LOOK AT THIS IMPORTANT AND HOT TOPIC TO UNDERSTAND THE INDUSTRY VIEW. IT IS CLEAR THAT THERE IS NO 'SILVER BULLET' TO ACHIEVE THE ESSENTIAL EMISSIONS-FREE FUTURE AND IT IS MORE LIKELY THAT THERE WILL BE A RANGE OF SOLUTIONS IN THE SHORT, MEDIUM AND LONGER TERM AS WE TRANSITION TOWARDS NET ZERO 2050.

Liquid fuels can be low carbon

The "Future Vision" report, published by UKPIA in July 2019, outlined a range of ways the downstream oil sector could contribute to the UK's low-carbon agenda. Stephen Marcos Jones, director general, UKPIA gave us an updated perspective: "Since 2019, the targets for decarbonisation have become even more ambitious, which might beg the question as to whether there is a role at all for downstream oil companies in the home heating sector? Of course, the answer is that there can and will be, if fuels are also given the opportunity and incentive to decarbonise."

"The 'phasing out of high-carbon fossil fuel heating' in the Clean Growth Strategy is something we can agree with, but it is important not to conflate liquid fuels with high-carbon fuels, as liquids can be low-carbon. UKPIA believes that meeting net zero targets will only be possible if we employ *a range of technologies* that are available to us, right across the economy."

Governments are turning to proven, and increasingly affordable, new technologies with the Energy White Paper strongly supporting the role for heat pumps in particular. However, as Stephen points out: "It is worth remembering the many other technologies that can also offer genuine carbon reductions for heating, as well as the big role that the downstream sector could play in their development:

Low carbon fuels – the most obvious replacement for fossil-derived fuels in off-grid heating is to replace them with non-fossil equivalents. The great advantage of low carbon liquid fuels is that they neither require expensive nor difficult upgrades of existing boilers and heaters, but they could offer very similar lifecycle emissions reductions to the lowest-carbon technologies. Whether increasing blends of biofuels, a long-term change to synthetic fuels or those from wastes, there are also many different ways that those fuels can be produced.

District heating with waste heat recovery – major industries like refineries can channel their unused heat into local networks without the need for 'new' heat generation, offering a great way to better use the energy that is already being produced in industries and feed it into local communities. There is government support for this new way of thinking that links up different parts of the country better and refineries also have the advantage of being able to find a market for what is otherwise wasted heat.

Clean Hydrogen – which government hopes will be able to displace Natural Gas in the gas grid, and where the downstream oil sector, as the biggest producer and user of hydrogen in the UK, might have a large role to play in development of the UK's future hydrogen market."

Greenergy, an established supplier and distributor of low carbon transportation fuels, also stresses the importance of a realistic transition over time: "As we consider the decarbonisation of transport and the pathway to Net Zero, it is important that these pathways build on the products and supply chains that exist today. While alternatives become more widely adopted, liquid fuels will continue to play a vital role in the energy mix of the future."

Feedstocks matter

Greenergy continues to optimise its products and existing supply chains, investing in new projects to create renewable fuels from waste. Already the largest producer of waste-derived biodiesel in Europe, Greenergy is wholly committed to reducing carbon emissions and is already supplying higher percentage biodiesel blends like B20 in response to customer demand. B20 is a cost-effective and lower carbon fuel option for existing diesel vehicles, displacing a greater amount of fossil fuel compared to standard diesel and offers an immediate carbon saving to the customer.

Investment in new renewable and low carbon fuel projects from wastes are an integral part of Greenergy's strategy to drive the decarbonisation of transport and a recent announcement confirmed that its waste tyre project had progressed to front end engineering design stage. When complete, the project will support the circular economy, processing shredded used tyres into renewable drop-in fuels that can be blended into diesel and petrol, and products that can be used in the manufacturing of new tyres.

Greenergy continually seeks to reduce carbon emissions from its fuel supply and works to ensure that it only uses biofuels that use the world's resources responsibly. By choosing biofuels made from waste, and creating sustainable biofuel supply chains, the business is able to ensure the fuels produced and supplied meet its sustainability objectives. Greenergy has pioneered traceability standards, first for Brazilian ethanol and now with waste oil suppliers globally, to demonstrate traceability back to the individual restaurant.

Christian Flach, CEO at Greenergy, said: "We recognise the urgent need to further reduce emissions in the transport sector today. We are continuing to invest in the development, production and supply of liquid fuels from wastes, supporting our customers through the transition to Net Zero by supplying reliable, low carbon fuels."

With regard to the place HVO may play in the fuel transition James Taylor, general manager of Prema Energy, comments: We were one of the first companies to import HVO into the UK in 2019 and continue to import and wholesale HVO nationwide.

In my view, advanced, next-generation biofuels, such as HVO, provide a bridge between today's and tomorrow's technologies.

The rush to achieve 'net zero' is looking like a looming net zero car crash for businesses. They are currently facing rising pressure to be both environmentally and financially sustainable at a time when the green technologies they need are still in development and government support is paltry. It is not,

currently, financially sustainable for many of these organisations to go headlong away from liquid fuels altogether.

Advanced, next-generation biofuels, such as HVO, provide a method of substantially reducing emissions in both an environmentally and financially sustainable way, as we transition towards tomorrow's technologies.

The liquid fuel industry should play a key role in this transition."

Bury-based distributor Crown Oil was one of the first to embrace alternative fuels. Having recognised the way their operations directly influence the environment they have continuously looked to reduce their own emissions and that of their customers. Acknowledging the input of their forward-thinking team, they have recently achieved several notable 'firsts' such as becoming the first supplier in the UK to run all of its oil delivery vehicles on hydrotreated vegetable oil (HVO) and is leading the way in urging businesses to change their fuels to help change the future.

From supplying alternative fuels to voluntarily offsetting their own delivery mileage since 2007, they have continually identified ways in which to reduce environmental impact and move towards greener fuels.

Crown Oil currently offers HVO, B100 and biodiesel residues for commercial heat generation. Having offered HVO for over two and a half years they have seen a significant change in both awareness and acceptance since the early days. As Simon Lawford, technical sales manager for Crown Oil, confirms: "HVO has grown massively in the 2.5 years that we have been promoting the fuel. In the early days it was a very consultative sell, educating prospects about the fuel and, importantly, convincing them of the technical benefits that HVO brings. Now that a wide range of users have converted to the fuel, we are seeing more and more interest and client switchovers. All of our customers have switched with no issues, and none have reported any problems with ongoing use so, in short, the feedback has been extremely positive."

Considering the future potential for HVO compared to other biofuels Simon comments: "The beauty of HVO fuel lies in the fact that it can be deployed very easily. Users can switch to HVO with no changes in infrastructure and, for those burning the fuel in engines, no changes to the mechanics.

"For heating purposes there are limited, simple burner retrofits required, and these have already been developed. This is in contrast with some other biofuel technologies where changeover can be complex and continuous monitoring is required. This means that, for HVO, the barriers to change are limited. However, there is a cost differential, and it is our view that government can do more to make the switch over to biofuels more palatable and importantly create momentum towards net zero and by time for other energy technologies to develop into usable alternatives."

Legislation is key

Given that the barriers to the switch to an alternative future fuel appear to be financial rather than practical we considered what scenarios would be ideal for both distributors and customers on the road to net zero.

"Currently the UK government does not appear to be taking the potential for liquid fuels such as HVO seriously for any other application outside of aviation and we believe this is a short-sighted view." Simon responded. "The rules surrounding the taxation of liquid fuels were put into place in the 1974 Fuel Duties act, which obviously focussed on the technology of the day and classifies fuels into narrow bands and assumes all fuels are fossil based (unless they are first generation ester-based biodiesels). This means that, as an industry, we are very constrained in what we can bring to market.

"HVO for instance, in the eyes of HMRC, is a middle distillate fuel because it distils in the range outlined for such and is therefore taxed as such. There is no consideration for the carbon origin of the fuel and the benefits of widespread use. This limits our ability to roll the fuel out into applications where fully rebated fuels such as kerosene are currently deployed and thus gain the GHG saving that HVO can offer in these applications.

"It is our view therefore that HM Government need to expand the fuel duties act to provide more flexibility for renewable fuels to be introduced and not "shoe-horned" into current fossil fuel bandings based simply on physical properties."

Crown Oil managing director, Matthew Greensmith, feels it is important to set the standard as the company aims to become the UK's leading alternative fuels supplier commenting: "We can't expect others to make a change without leading by example, and we're proud to run our entire fleet on HVO."

The oil supplier has also called on the UK government to follow the example of Sweden by introducing duty relief on fuels such as HVO to encourage uptake.

Matthew added: "When it comes to reducing greenhouse gas emissions, we hope the government will adopt a multi-point strategy to include the use of high-content renewable fuels in addition to the development of the electric vehicle market.

"In 2017, the Swedish government passed a bill that enabled biofuels to be subject to tax exemption, which led to a 124% increase in HVO sales in October 2017 compared with the previous year. The UK government is planning to scrap red diesel duty relief for many sectors from 1 April 2022 to encourage the use of cleaner alternatives and we are calling for duty relief on fuels such as HVO to help encourage uptake."

As Stephen Marcos Jones, UKPIA, concludes: "Today's fuels benefit society by being so flexible; we can produce them, transport and store them in so many different ways which is why they have become the dominant fuel source in modern society. Now that government has set the carbon emissions target for 2050, the downstream sector can contribute in many ways to deliver future fuels that can meet those goals as well as helping the whole UK energy ecosystem decarbonise and grow too – we just need a policy framework that will help support this."

You can also read the latest news on the HVO field trials on pages 16 & 17 in our 'In Conversation' with Mitchell and Webber.

Lower carbon emissions, improved safety and reduced costs for fleet managers

IN AN ISSUE WHERE WE ARE CONSIDERING ACTIONS BEING TAKEN TO 'GREEN' OUR INDUSTRY WE LOOK AT A TYRE MANAGEMENT PLATFORM THAT, IN ADDITION TO THE IMPORTANT ADVANTAGES OF CUTTING COSTS AND IMPROVING SAFETY, ALSO ENABLES FLEET MANAGERS TO REDUCE ENVIRONMENTAL IMPACTS ACROSS ALL COMMERCIAL VEHICLE SECTORS. OFFERED BY **TYREWATCH**, THE COMMERCIAL VEHICLE TYRE MANAGEMENT EXPERT, THE RANGE OF SOLUTIONS WAS FURTHER ENHANCED BY TWO NEW PRODUCTS UNVEILED AT THIS YEAR'S ITTHUB EVENT.

Due for full UK roll-out this month, the first of these product launches was AutoAlign - a dynamic and unique vehicle monitoring system designed to combat the problem of wheel misalignment, unknowingly suffered by around 33% of all commercial vehicles in the UK.

Recent industry research concludes that, on UK roads today, there are 18.7 million vehicles operating with incorrect wheel alignment. A simple consequence of day-to-day use it often goes undetected for months, until identified at scheduled maintenance or legislative testing. The consequential excessive tyre tread abrasion is widely recognised as a major contributor to vehicle particulate emissions (PM2.5 and PM10) by the World Health Organisation.

Immediate corrective action

Using the market-proven TyreWatch 'connected technology' platform, AutoAlign continuously monitors each vehicle and detects any wheel alignment issue as soon as it occurs and automatically notifies the operator so that immediate corrective action can be taken.

"This is all about good-old prevention rather than cure," enthuses Mark Longden, co-founder of TyreWatch. "While we already have a mobile wheel and chassis alignment service in place, this new technology uses bespoke wheel sensors in harness with F1-grade telematics to enable vehicle operators to remotely identify any misalignment issues before they become a serious and costly problem."

In addition to cost and safety implications, enabling corrective action to be taken offers the additional benefit of a significant reduction in harmful emissions.

"Just one degree out of alignment between the wheels and/or the vehicle centre will cause a 10% deficiency in tyre wear," explains Longden. "Early corrective action will greatly reduce carbon output and keep PM 10 and PM 2.5 tyre particulate emissions to a minimum."

The other product launch was a new version of the widely-used TyreWatch VanSmart tyre monitoring system which, says the company, will improve safety and reduce running costs for light commercial vehicle operators.

The range of TyreWatch solutions is designed to optimise fleet efficiency as Glenn Sherwood, director, explains: "Continuous tyre monitoring, using advanced telematics and powerful artificial intelligence, provides real-time and constant visibility of the precise condition of every individual tyre. All tyre issues are detected from the outset before they can become a problem which enables timely and safe maintenance or repairs while minimising downtime, risk and running cost."

"In today's connected world," Glenn

continues, "responsible operators in every sector can expect a fleet tyre pressure management system (TPMS) solution to support their vehicles over every mile of every journey they make."

Cost savings and a reduction in environmental impact

The dynamic monitoring delivers substantial savings, not only regarding direct tyre life, but also in fuel efficiency, down time and the costs typically associated with a tyre blow out.

"TyreWatch can eliminate 95% of all blow outs caused by underinflated tyres." Says Glenn. "Through receipt of real time proactive pressure and temperature alerts, operators have the ability to schedule tyre repairs and replacements, even while the vehicle is in motion."

Emphasising a further important consideration Glenn continues: "From an environmental point of view, while enabling preventative care, the savings in tyre wear will reduce carbon and keep PM10 and PM2.5 tyre particulate emissions to a minimum."

A case in point

Peterborough-based PJ Thory Ltd is a company whose diverse operation spans mixed haulage,

aggregate supplies, waste management and demolition. With an extensive eight-wheeler fleet, the company has installed a TyreWatch system to monitor and control the tyre maintenance and safety for each tyre.

"We supply a wide range of services," explains transport manager, Malcolm Agger, "all of which require hardworking HGV vehicles and often in demanding off-road conditions. Tyre maintenance therefore is a daily priority, not just for commercial reasons but for safety and the environment too."

Reflecting the range of services, the fleet is also a broad mix of low and high-sided eight wheelers and an artic fleet all of which, says Malcolm, are equally susceptible to punctures and tyre damage.

After an initial analysis and short trial to assess requirements and bed-in the new TPMS (tyre pressure management system), it is now fitted to 11 Scania vehicles with a number of new DAF 8 wheelers to follow. Each wheel rim is fitted with a TyreWatch sensor to enable the PJ Thory team to detect and correct any pressure or temperature issues before they become serious.

"We have dashboard monitors" explains Malcolm "which use a simple on-screen graphic to show each tyre status. When it's green all is OK, yellow means there's an issue to check and red tells us we have a problem which needs immediate attention."

Malcolm can also remotely check the temperature of every wheel while it is in use.

"The tyre pressure might be fine," he adds "but if, for example, the system automatically sends me a mail with a heat alert, it could be because there is a braking issue or maybe the bearings are worn. Either way, we can quickly diagnose and correct the problem."

Glenn concluded "We are delighted that PJ Thory is profiting from the added value the TyreWatch Platform brings to their tyre management. It's also great to see that TyreWatch's development over the last 5-years is paying dividends to fleets in sustainable mobility."

Cautious industry response to fuel resilience bill

A bill aimed at maintaining fuel supply to customers in the event of disruption has been published. The draft Downstream Oil Resilience Bill, which was introduced last month by energy minister Anne-Marie Trevelyan, sets out how the Government intends to address threats to the security of fuel supply by providing powers to ensure resilience in the downstream oil sector, including companies involved in the refining, importing distribution and marketing of oil products.

The draft bill intends to help protect fuel supply resilience, when required, and prevent supply disruptions from occurring in the first place.

A UKPIA spokesperson commented: "Governments must ensure UK companies can remain competitive on the global market, especially as climate change policies change and we must compete against nations without carbon pricing. History shows that UK companies, when able to compete globally, have been able to offer fuels supplies in the UK that are highly resilient in the face of global or domestic risks.

Risks to supply

Plans for a Resilience Bill for the sector first emerged in 2017, in the wake of the 2012 Coryton refinery insolvency and the 2005 Buncefield oil storage depot explosion with the then Government concerned that existing laws were insufficient to allow action to be taken to prevent a supply crisis. In a rapidly changing supply scenario, the government is now keen to be in a position to prevent any threats to fuel supplies.

Trevelyan commented: "This draft bill follows a public consultation in 2017, where government explored options to address sector resilience and concluded that due to high levels of global competition, the sector has gone through a process of restructuring to remain internationally competitive which has reduced spare capacity. This means that there is an increased risk of market disruption in the downstream oil sector, given the lower capacity to react to sudden supply and demand shocks.

"The fuel supply system faces a number of inherent risks, including accidents, severe weather, malicious threats, industrial action, and financial failure. The government works with fuel suppliers to mitigate such risks and, while individual companies have a good record of managing their own risks, they do not see a commercial return in managing low probability, higher impact risks."

Under the provisions of the bill the industry would be required to notify government of any actual or threatened disruption to fuel supplies and take any measures needed to "keep critical infrastructure operating."

The draft legislation states that the new powers would be used only as a "back-stop" to protect fuel supply resilience "when required." No new requirements are sought to control operator crude or fuel inventory levels.

A strong industry response

The original consultation received responses from 28 stakeholders including: refiners, wholesalers, terminal and storage owners, hauliers, retailers, end users, consumer representatives and the devolved administrations.

Overall, there were varying levels of support for the measures proposed in the consultation. Some stakeholders felt that the sector's track record of maintaining supply argued against any new measures, whereas others maintained that improved resilience was necessary to reduce risk for consumers.

Reacting to the response, the Government confirmed that the measures would only apply to companies operating or owning facilities in the downstream oil sector and be limited to the purpose of ensuring fuel supply resilience. They include:

- **directions** - power to direct Downstream Operators to take action that may be necessary to ensure resilience and continuity of supply
- **information** - to enable collection of information to better understand the impact of potential disruptive events, and to use the information to support industry in improving fuel resilience
- **restriction on acquisitions** - to ensure that new owners of critical fuel infrastructure are financially sound and operationally capable
- **financial assistance** - to enable government to support supply resilience improvements

Under consideration

A spokesperson confirmed that Essar, operator of Stanlow refinery and a leading UK downstream company, is: "Carefully considering the contents of the draft bill", while the PRA welcomed the draft legislation, saying the planned new powers are "necessary irrespective of the emergency powers that may be granted under the Energy Act 1976 and the Civil Contingencies Act 2004."

Suggesting a level of caution, the UKPIA spokesperson concluded: "The Downstream Oil Resilience Bill is being assessed closely by UKPIA to ensure protection for the consumer whilst continuing to encourage the strong competitive forces that have ensured supply to date."

Embracing the CCUS revolution

RICHARD COCKBURN, ENERGY PARTNER AT LAW FIRM WOMBLE BOND DICKINSON EXPLAINS WHY HE BELIEVES THE TIME IS RIGHT TO EMBRACE CARBON CAPTURE, UTLISATION AND STORAGE AND BACK CARBON CAPTURE CLUSTERS.

The UK could be on the verge of a carbon capture revolution, and the opportunities are incredible – if the right levels of collaboration can be found to progress them.

The UK Government plans to select at least two sites, known as clusters, to be set up in the UK by the mid-2020s for carbon capture and storage (CCS). Selected clusters will have a phenomenal opportunity to attract investment, to develop infrastructure and to build skills over the next decade and beyond.

We strongly support the cluster selection process across the UK but the development of CCS clusters in the UK is new territory and there are several barriers that must yet be overcome: finalising the legal and regulatory framework, delivering the technology and infrastructure on an industrial scale, and securing the huge investment required to take it forward.

What is carbon capture?

CCS or carbon capture, utilisation and storage (CCUS), is the process of capturing and storing carbon dioxide (CO2) before it is released into the atmosphere. An effective carbon capture process can prevent up to 90 per cent of CO2 that is typically released by the burning of fossil fuels from reaching the atmosphere.

Once the carbon dioxide has been captured, it is compressed into liquid state and transported by pipeline, ship or road tanker, and is eventually pumped underground to be stored into depleted oil and gas reservoirs, coalbeds or deep saline aquifers, where the geology is suitable.

Naturally, with the UK's extensive North Sea oil and gas infrastructure already in place, there is a great opportunity to use that network for CO2 disposal.

Latest state of play

The UK Government is pushing on with its selection of the industrial clusters which are the readiest for CCUS networks. The plan is to select at least two clusters as a priority for Track 1, and to have them operational by the mid-2020s. A further number of clusters will then be identified as Track 2, to be operational by around 2027-2030.

The UK Government has kicked off a CCUS supply chain mapping exercise, together with a 'Fit for CCUS' programme to help UK companies to position themselves to win CCUS work. The UK Government will also develop a skills plan to ensure that the UK can provide a sustainable CCUS skills base, and it is reviewing the financial support available to UK companies for accessing global CCUS work opportunities.

The mid-2020s deadline is an interesting one, mainly because it is looming fast. The Prime Minister's Ten Point Plan talks about around 10m tonnes of carbon being captured by 2030. But it will almost certainly will take the best part of a decade for the whole cluster ecosystem to be completed and for the processes and technology and delivery to be shown to be delivering on an industrial scale.

The regulatory model also needs to be finalised: we need to know how it will map into the business structures and commercial arrangements.

This does mean whichever other clusters are chosen for Track 1 will be pioneering the process and will be expected to identify the best practice from which future schemes can learn. This will give us a refined model for progressing with future clusters. Whichever clusters are selected will have a great opportunity to be pioneers in this exciting new sector.

RICHARD COCKBURN, is a partner in the energy and natural resources group at law firm Womble Bond Dickinson. His significant oil and gas experience spans the spectrum of industry activity from upstream across to the supply chain. He spent time on secondment at Marathon Oil and his track record includes experience of carbon capture, utilisation and storage projects in the UK.

Renewable liquid fuel trials

ROBERT AND JOHN WEEDON, DIRECTORS OF MITCHELL & WEBBER, TALK US THROUGH THE LATEST DEVELOPMENTS IN THE INDUSTRY'S HVO TRIALS AND THE ROLE THEY HAVE.

Since Fuel Oil News last spoke with Mitchell & Webber in our March issue, the HVO trials in Cornwall have gone from strength to strength with an overwhelmingly positive response. From the company receiving daily enquiries from customers, often as a result of the company's newsletter distribution, to visits from the local MP to converted sites, we hear from the company's directors, Robert and John Weedon, for the latest updates with the trial in this issue that considers the future for fuel.

They take up the story:
HVO was certainly a hot topic at this year's UKIFDA EXPO, and we were thrilled to sit on the panel with UKIFDA, OFTEC and fellow HVO distributors to speak about our role in the trials and highlight some of the areas of success that we have experienced so far in the journey.

Answering a prayer

From retrofitting a home back in November last year, we have been fortunate enough to be able to convert several other types of buildings to the renewable liquid fuel.

We have recently supplied HVO to a large local church that had spoken on the local radio about how they wanted to 'go green' and we were able to make that happen.

The Methodist Church, a historic building built in 1865 and located in Stithians village, is already one of our customers, so it seemed apt that it be the first to be fuelled by HVO during the trial. We were excited to see how well this would work in the large, and difficult to insulate, building. An engineer converted the church's two boilers to HVO, and it has been working seamlessly.

"INTENTION TO EXTEND ACROSS THE UK"

Another first

We have also supplied HVO to heat Gwinear Community Primary School, the first school in the country to use the renewable liquid fuel. We all appreciate the need to help the environment as a priority and these trials are to ensure the fuel will work well when converting existing set-ups. We are pleased that only a low-cost conversion is needed in many cases and, so far, tests are extremely promising with all boilers performing well.

The school's head teacher, Lee Gardiner expressed how the school is such a historic building that it is extremely difficult to insulate using more modern techniques and so installing a completely new system would likely be disruptive to daily school life and could possibly damage such an important structure.

When Lee saw the success we were having with HVO conversions in other settings across Cornwall, it seemed like the perfect option for Gwinear too.

Since the start of the trial, we've kept our local MP, George Eustice involved and informed on what we were doing, and we were pleased that George came to visit the school in Gwinear.

To our delight, George identified what an important stepping-stone the trial is on the way to net zero, especially in rural areas like ours, where so many are still reliant on old oil-fired boilers. It was fantastic to be able to show George the positive results that we are seeing on boilers large and small. We take heart in George's response and his support for this renewable fuel.

Customer communications

Keeping the lines of communication open with our customers is a key factor for us. We send regular newsletters highlighting our recent

activities and how the trials are progressing.

Our ability to share success stories is a big part of how we inform and educate our customer base on exactly what HVO is and why the trials are so necessary. What helps is that our customers can see the successful retrofits that we have been part of.

The majority of our customers know what is going on in relation to fossil fuels and they have been looking to see how they can be more 'renewable', but have come across barriers, mainly relating to cost – many have old buildings that they would struggle to retrofit. Robert and I regularly have long chats with our customers and the majority of the feedback shows how grateful our customers are to have a solution, in the form of HVO.

A dozen appliances have now been tried, including AGA (with a pot boiler conversion), Rayburn cookers, low NOx boilers and both non-condensing and condensing boilers and we've had a 100% success rate so far.

As UKIFDA announced during the EXPO, the intention is to extend the trial across the UK. We also intend to continue running the trial past November.

There are now three things that need to happen in order for an increase uptake of HVO.

A) There needs to be at least a level playing field with liquid heating fuels, and preferably an incentive to use a renewable fuel.
B) HVO is included in the RTFO with the department of Transport and it attracts RTFC`s, making the fuel more competitive with fossil fuels. It is vital that HVO for use as a heating fuel is either included in the current RTFO scheme or the department for Business, Energy and Industrial strategy launch a scheme that mirrors this.
C) We must ensure that there is sufficient supply of HVO, by removing all economic blockers currently in place and allowing imports of HVO from outside the EU. We understand that this is currently under review by the department of International trade.

We look forward to seeing how UKIFDA's information campaign, 'Future Ready Fuels for Customers', and the extension of the trials across the UK and into the winter periods helps to stand the UK and Ireland in good stead for a move into renewable liquid fuels.

PORTLAND MARKET REPORT

AUGUST IN VIEW

PETROCHEMICALS AND THE UNEXPECTED POSITIVE IMPACT OF THE PANDEMIC

It would be "stating the bleeding obvious" to say that the pandemic has seen both winners and losers in the business world. Clearly those in leisure and hospitality have been severely battered, whilst those involved in food delivery and online retail have never been busier. The oil industry has been no different, although probably, overall, there have been more losers than winners. Exploration companies were hit for 6 by last year's low prices, refiners continue to face existentially challenging low margins and fuel retailers are still waiting to see a full recovery in demand. However, one oil-related sector has ridden the storm impressively over the last 18 months and that is petrochemicals.

The petrochemical business is responsible for a myriad different and complex materials that span almost every industry in the world, from food to fertiliser, medicine to cosmetics and agriculture to construction. At its heart are two key polymers – polyethylene (which is often used in liquid form) and polypropylene (which is the main component of plastic). And the one thing we can say about the covid pandemic is that it has ensured demand for both these 2 products has sky-rocketed, with over 60m plastic (and disposable) facemasks being used every day in the UK alone. Globally, that figure was more like 4.3bn facemasks daily, along with 2.1bn disposable plastic gloves.

"BUMPER YEARS FOR THE GLOBAL PETROCHEMICAL INDUSTRY."

The key component to all this plastic manufacture is the little known (outside the industry at least) product of naphtha. One of the first products to fractionate in the distillation process (ie, very light), naphtha boils off the refinery stack at around 180 deg C. Its characteristics are mostly similar to gasoline (it can be used as an octane enhancer), but it is rarely used for conventional energy combustion. Instead, it is sent for petrochemical processing as both a feedstock and a blending component for the manufacture of plastics, pharmaceuticals, dyes, fertilisers and (increasingly) hydrogen.

When the pandemic struck in early 2020, demand for naphtha fell thorough the floor (along with every other refined product) and prices hit rock bottom accordingly - in April 2020, the traded naphtha price fell below $140 per tonne (around 8ppl!). However, as demand for single-use medical equipment, home-testing kits and online food and product packaging began to soar, so naphtha prices responded. Overall demand for certain plastic resins increased by over 350% in the second half of 2020 and by June, naphtha prices had already more than doubled to $360 per tonne (20ppl). Since then, demand for naphtha has shown no sign of slowing up, with prices topping $660 per tonne (37ppl) in the second quarter of this year.

No surprises then that 2020 and the first half of 2021 have turned out to be absolutely bumper years for the global petrochemical industry. Global profits rose from $340bn in 2019 to over $500bn in 2020. As demand for plastics continued to strengthen (up 25% in 2020 vs 2019), producers were able to pass on the increasing costs of naphtha to ever more frantic customers. Meanwhile, refiners were left ruing the fact that one of the few products making them any money only accounted for circa 5% of the crude oil yield (i.e., 100 litres of crude give 5 litres of naphtha). Even the increased product runs for hand sanitiser and disinfectants (which have greater naphtha concentrations) couldn't help the basic refining conundrum that 95% of other (non-profitable) crude oil products still needed to be got rid of…!

The story of petrochemicals in the pandemic is an interesting one, particularly when it comes to plastics. Prior to 2020, the world was railing against the industry and single use plastics specifically. And rightly so, because the reality is that around 90% of plastics end-up in landfill (or just dumped), with no chance of ever being recycled, upcycled or decomposing. But in a world turned upside down by the pandemic, these products have become unlikely saviours in the battle against Covid-19. It makes for an environmentalist's bad dream, but in the midst of a global crisis, no government anywhere in the world was too bothered about the sustainability of their plastic purchases. They just needed container after container of the stuff because it was central to every single process involved in dealing with the virus. Sadly, the same principle applied to housebound consumers, who bought every product under the sun - as long as it was wrapped in plastic packaging.

"A COMPLETELY DIFFERENT SCALE OF CHALLENGE."

Which takes us neatly to the overall decarbonisation agenda. Getting rid of fossil fuels for combustion is one thing, but getting rid of fossil fuels in their entirety, is a completely different scale of challenge. This applies at any time, let alone in the middle and aftermath of a crisis. And when it comes to plastics, there is simply no other material on earth can be produced at such low cost and such scale, and yet is so effective and useful in so many different ways.

For more pricing information, see page 22

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* 2020 Customer Survey

A closer look at the downstream oil sector in Sweden – a country that was quick to embrace the future of energy

IN THIS ISSUE, WITH ITS FOCUS ON THE TRANSITION TO FUTURE ENERGIES, WE CONSIDER HERE THE DOWNSTREAM SECTOR OF ANOTHER EUROPEAN COUNTRY - SWEDEN - WHICH, ALONG WITH NORWAY, IS IN THE VANGUARD IN THE MOVE AWAY FROM FOSSIL FUELS.

Primary energy sources:
The country has 'seen the future', in terms of the main sources of primary energy, and it's one where renewable forms predominate:

Renewable sources
Nuclear – 27%
Hydro - 26%
Other renewables – 16% (includes biofuels @3%)
Total renewables = 69%
Fossil Fuels
Oil – 25%
Gas - 4%
Coal – 2%
Total fossil fuels = 31%

In terms of the trajectory, total energy demand fell last year by 7% to 46 Mtoe and was about 8% below the level in 2010.

Nuclear energy is sourced from three plants, with six operational reactors. Most of the hydro power is sourced from rivers in the northern part of the country. The two sources account for about 90% of electricity generation.

Sweden is way ahead of the rest of the EU, which has set a total renewables target share of 40% for the area by 2030!

With virtually no indigenous sources, almost all of the country's crude oil requirements are imported, principally from Norwegian North Sea (45%), Russia (27%) and Nigeria (12%).

We now turn our attention to the refinery network and oil product demand.

Supply & Distribution:
The nameplate capacity of the three 'conventional' refineries is 434,000bpd (20 mln MT/year) , with a further 40,000bpd (2 mln Mt/year) from the two Nynas bitumen / base oil plants.

Details of the network are as follows:

OWNERSHIP/ OPERATION	LOCATION	CAPACITY (000bpd)
PREEM	Lysekil Gothenburg	220,000 132,000
ST 1 Bitumen Plants	Gothenburg	82,000
NYNAS	Nynashamn (Stockholm) Gothenburg	28,000 12,500
TOTAL Sweden		**474,500**

A noteworthy feature of the conventional refinery network (i.e. excl. bitumen) is its surplus production vs. indigenous market requirements; typically, across the product slate, about two thirds is exported - with around 60% of motor spirit output and 70% of diesel production being moved in this way - principally to Norway, Finland and the UK.

Preem is the dominant player, with over 80% of the country's refining capacity. Until 1996, the company was known as OK Petroleum, jointly owned by the Government, Neste OY and KF (Swedish co-op). Since then it has been owned by a Middle East interest and trading under its current name. The company is in the vanguard of renewables fuels development with its 'Evolution' range of fuels, and is the world's second largest producer of renewable grades, with Neste the largest.

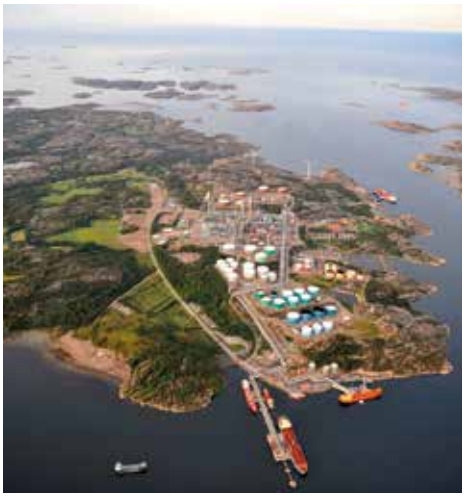
Finnish group, ST 1, acquired Shell's Swedish downstream interests in 2010, including the Gothenburg refinery. The company is currently building a biorefinery which will be integrated with the petroleum facility at Gothenburg and is due for commissioning next year with a renewable diesel production capacity of 200,000 Mt/year.

As an EU member, the country is obliged to maintain a minimum volume of emergency stocks, corresponding to 90 days of average net imports or 61 days of average daily inland consumption, whichever is the greater of the two. Unlike a number of other EU countries, there is no central stockholding agency to oversee compliance.

Demand by main grades in thousand tonnes

Product/Year	2010	2016	2017	2018	2019	2020
LPG	1,242	1,469	1,418	1,292	1,350	11,100
Motor Spirit (1)	3,586	2,519	2,446	2,280	2,360	2,096
Jet A1	863	1,012	1,086	1,085	1,047	395
Diesel (1)	4,559	5,934	6,229	6,938	7,315	5,846
Fuel Oil (2)	2,545	1,625	1,933	1,673	1,685	1,588
TOTAL	**12,795**	**12,559**	**13,112**	**13,268**	**13757**	**11,025**

Note (1) Motor spirit and diesel volumes include biofuels blends; diesel includes gasoil sold as international marine bunkers.
(2) Includes international marine bunkers.
Source: Drivkraft Sverige.



Demand:

Refined products consumption showed modest, but steady, growth in the 5 years up to 2019, amounting to just under 10%, before falling back sharply, by 20%, in 2020 due to the impact of covid-19.

Please see the table above for the breakdown of the main grades.

Originally introduced in 2005, the **biofuels** mandate was revised in measures introduced in September 2020, which set out a requirement for a 6% blend in motor spirit and 26% in diesel for the second half of this year; these are termed 'reduction obligations' and the intention is to pursue a linear annual progression that will lead to indicative levels of 28% for motor spirit and 66% for diesel in 2030. A review of these targets is due in 2022. In addition, a reduction obligation for domestic aviation is planned, starting at 0.8% this year and rising to 27% in 2030.

Four companies dominate the supply of the two ground transport fuels (2019 out-turns), with market shares as in the following table:

Company	Motor Spirit	Diesel
Circle K	34%	27%
Preem	21%	33%
OK-Q8	26%	22%
ST 1	19%	13%
Others	-	5%

Marketing:

Service station numbers declined by almost 30% over 2000-2010, from 4,089 to 2937, with the attrition being due, principally, to the effects of a fierce price war which raged for several years in that period. Since then the decline has been much less pronounced with the number dropping by a further 8%, to leave 2,701 sites at the end of 2020. The number of unmanned outlets is up from just over 40% in 2000 to the lion's share of almost 70% in 2020 - the highest proportion in Europe. This concept gained initial impetus in the 1980s when Conoco elected to establish, from scratch (i.e. all new builds), a 100% unmanned network of Jet branded sites – the 163 sites were subsequently sold to Statoil in 2007 (now Circle K- Ingo branded).

The above five brands account for almost 80% of the site network: **Circle K**, with 583 sites (295 **Circle K** + 288 **Ingo**), **Preem** with 329 sites, **OK-Q8** with 568 sites, **ST 1** with 281 sites, and DCC-owned **Q Star** with 335 sites as of the end of 2020. Other, smaller, operators are **Din X** and **Refuel** (autogas). There remain 118 sites branded **Shell** under a licensing agreement with **ST 1**.

In the early part of the current millennium, the Government introduced measures to encourage the phasing out of **heating oil** – principally through trebling the rate of carbon tax levied over the period 2000-2004. This sought to promote the principal fuel source for space heating in the country - biomass, particularly boilers burning wood pellets. Consequently, oil use has declined from 15% of households in 2000 to 9% now (about 35,000 homes which are mainly in remote/rural locations).

The number of **EV charging stations** has expanded almost threefold over the past 4 years, from 3,826 in 2017 to 10,716 at the end of 2020 (cf. just over 25,000 charging locations in the UK which has a population six and a half times larger!). There are some generous incentives to encourage switching to EVs. Last year BVs + plug-ins accounted for 32% of new vehicle sales (cf. circa 11% in the UK), rising to just under 50% in December. EVs in total represent around 9% of the total parc, the second highest in the world after Norway.

Sweden was an early adopter of carbon abatement policies, introducing the world's first carbon tax 30 years ago – a carbon tax which, at a level equivalent to $126 per tonne (at current exchange rates), is now the highest in the world. This compares with the current carbon price in the EU ETS, at around €50 per tonne ($59/tonne). The principal refiner, Preem, has set a target of having the capacity to produce 5 bln litres/year of renewable fuels by 2030 which is more than double current capacity. In addition, the company and SAS have signed a letter of intent to produce renewable aviation fuel, where SAS is seeking to replace current Jet A1 volumes for domestic routes with biojet by 2030. The production unit at the company's Gothenburg oil refinery is expected to start up by end 2022, with an annual biojet capacity of circa 250,000 mt.

As is the case in the UK, sales of cars with internal combustion engines will be disallowed, in Sweden, from 2030 and the country has set itself the target of carbon neutrality by 2045 - five years earlier than anyone else!

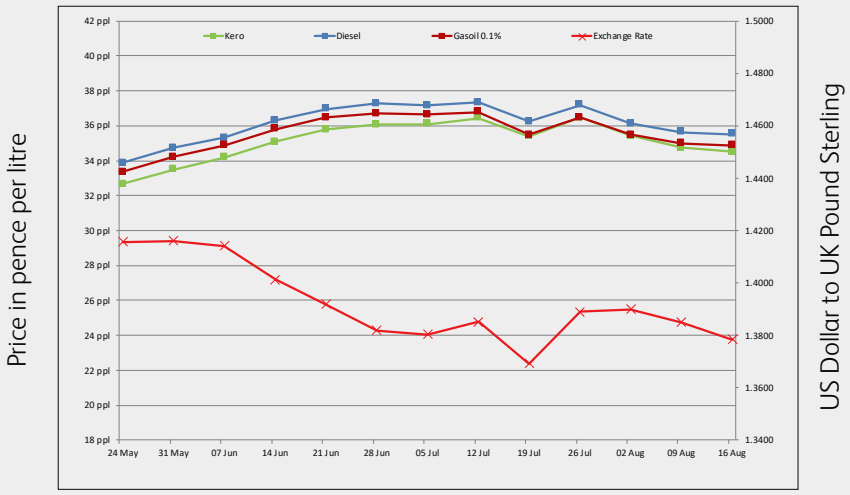
This is entirely consistent with the country being in the vanguard of the pursuit of ambitious carbon abatement policies for the past 30 years.

ROD PROWSE, worked for 30 years across the full spectrum of the downstream oil sector, in both the UK and USA, which has included leadership positions in both retail and wholesale fuels businesses. Rod draws on his extensive knowledge of this global industry to bring us 'Industry Insights'.

Wholesale Price Movements: 19th July 2021 – 18th August 2021

	Kerosene	Diesel	Gasoil 0.1%
Average price	35.41	36.21	35.55
Average daily change	0.48	0.49	0.50
Current duty	0.00	57.95	11.14
Total	35.41	94.16	46.69

All prices in pence per litre



Week commencing

Portland

Kerosene

Highest price	Biggest up day
36.95 ppl	+1.19 ppl
Fri 30 Jul 21	Wed 21 Jul 21
Lowest price	**Biggest down day**
33.97 ppl	-1.73 ppl
Mon 09 Aug 21	Mon 19 Jul 21

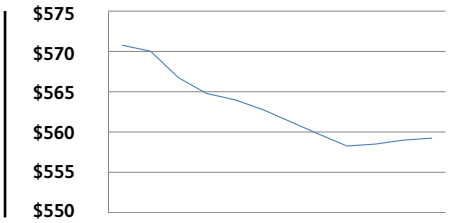
Diesel

Highest price	Biggest up day
37.63 ppl	+1.20 ppl
Fri 30 Jul 21	Wed 21 Jul 21
Lowest price	**Biggest down day**
34.72 ppl	-1.82 ppl
Mon 09 Aug 21	Mon 19 Jul 21

Gasoil 0.1%

Highest price	Biggest up day
36.96 ppl	+1.17 ppl
Fri 30 Jul 21	Wed 21 Jul 21
Lowest price	**Biggest down day**
34.14 ppl	-1.96 ppl
Mon 09 Aug 21	Mon 19 Jul 21

Gasoil forward price in US$ per tonne



September 2021 – August 2022

The Fuel Oil News Price Totem

	Trade average buying prices			Average selling prices		
	Kerosene	Gasoil	ULSD	Kerosene	Gasoil	ULSD
Scotland	37.88	49.75	97.62	43.18	53.16	101.44
North East	36.83	48.38	96.70	44.15	51.54	99.51
North West	38.40	50.98	99.09	43.51	53.96	101.61
Midlands	36.90	48.91	97.16	41.85	52.02	100.21
South East	37.00	48.87	97.14	47.22	54.30	99.78
South West	37.35	48.71	96.98	43.96	51.81	99.40
Northern Ireland	37.46	50.08	n/a	42.35	53.92	n/a
Republic of Ireland	51.22	55.51	98.56	55.99	58.79	101.68
Portland	35.21	46.43	93.85			

The price totem figures are indicative figures compiled from the Portland base rate using calculated regional variances.
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 €.

Wholesale prices are supplied by Portland Analytics Ltd, dedicated providers of fuel price information from refinery to pump.
For more information and access to prices, visit www.portlandpricing.co.uk

WELCOME TO SEPTEMBER'S EDITION OF OUR SPECIAL MONTHLY FEATURE WHICH GIVES YOU THE OPPORTUNITY TO 'MEET' AN INDUSTRY FIGURE AND, HOPEFULLY, TO DISCOVER ANOTHER SIDE TO THEM BEYOND THE WELL-KNOWN FACTS.

AFTER CELEBRATING HIS RETIREMENT IN MAY, BOB TAYLOR, FORMER MD OF WORLD FUEL SERVICES' UK LAND BUSINESS, GIVES US A SNAPSHOT OF LIFE OUTSIDE WORK.

"SUCCESS IS PEOPLE"

BOB TAYLOR

Give your career history in 25 words or fewer?
43 years in the fuel industry, from office junior to regional manager to running a business. And now, retirement – bliss.

Describe yourself in 3 words
Honest. Young-at-heart. Loyal.

What were your childhood / early ambitions?
Working with computers, or to work on a cruise liner and travel the world.

Describe your dream job (if different from your current job)
Either a travel writer or a food critic for Michelin-starred restaurants.

What's the best business advice you've ever received?
Be kind to people as you move up the ladder, as you may need them to be kind to you on the way down.

Share your top tips for business success
You're only as good as the people that surround you. Success is people.

What's your greatest business achievement?
Leading a period of significant change at Watson Fuels, and helping our company mature from a family business to a division of a global Fortune 100 Company.

Tell us your greatest fear
Not waking up.

Which is most important – ambition or talent?
Ambition

What's the best thing about your job?
The people.

Is there a quality that you most admire?
Honesty and hard work.

What are you most likely to say?
"Who's got the TV remote!?"

What are you least likely to say?
My wife would say the answer should be 'Sorry!'. But I'd say it's, 'I can't do it', because there's always a solution.

Describe your perfect day
On a beach with the family - including the grandchildren.

Do you have a favourite sports team?
No, I don't play or follow any sports. My wife loves me!

What's the biggest challenge of our time?
Rebuilding our lives, and our economy, after the pandemic.

Cheese or chocolate?
Cheese

Share your greatest personal achievement
It used to be taking my first manager role at the age of 24. It's now the birth of my grandchildren.

What's your pet hate or biggest irritant?
Indecisiveness

If you were elected to government what would be the first law you'd press for?
Reverse the Brexit decision.

If your 20-year-old self saw you now what would they think?
He did well!

What is number ONE on your bucket list?
I have a bucket list, but it's not ranked! I tick off two things per year. The big things remaining would be to play the piano and to visit Antarctica.

What three things would you take to a desert island?
My iPad, a (big) packet of KP Salted Nuts, and an ice-cool bottle of Budweiser.

Tell us something about you that people would be very surprised by
I was a Samaritan. I was a brown belt in Judo. And I used to be a biker and all about speed.

Who would you most like to ask these questions of?
Harry Houdini

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