Fuel Oil News

JUNE 2020

THE CARBON ISSUE

FUELSOFT POWERING SUCCESS

THE STORY OF SWEENEY

exocet
MANAGING FUEL QUALITY

STILL SAFELY OPEN.
STILL SUPPLYING.
STILL SUPPORTING.

THANK YOU FOR YOUR CONTINUING BUSINESS.
STAY WELL.

Getting out is often harder than getting in

The prime minister's announcement of the lockdown in March was sudden and clear. It was always going to be hard for his announcement of the planned path out to match that clarity.

As the experience of other countries is showing there is no single, obvious route out, and there are a great many factors to consider in determining the best path to get the country back to work and back into education without jeopardising containment of the virus.

With so much to weigh in the balance; economic impacts, the unsustainable cost of furlough, health, well-being and social fairness and the overriding need to keep measures proportionate to risk, it could be perceived that the government wasn't so much struggling to communicate a plan as to form one at all.

As thoughts also turn to post-pandemic recovery plans for the UK energy sector the challenges to those planning the route ahead are not dissimilar and neither is the number of factors influencing the decisions being taken or their potential impact. While some are suggesting that the combined effect of plunging demand and a price war could permanently alter the course of the industry, pulling forward peak fossil fuel demand, others take the oppositional view that the industry will bounce back as it has always done and that 'bargain basement' oil prices will instead, slow the transition to clean energy.

With calls for the low-carbon transition to play an integral role in the economic rebuild and with increasing numbers of oil industry companies making commitments to invest in their clean energy transitions, we take a closer look at carbon offsets and carbon capture, utilisation and storage – two of the ways in which the industry is dealing with emissions at the same time as working towards their reduction or elimination.

Whatever happens as we move forward into the next phase, the industry will never be the same after the double whammy of the pandemic and price war and the energy transition will almost certainly take a different course after the crisis.

Exactly what that looks like remains to be seen.

We continue to wish you all well

Fuel Oil News

The independent voice for the fuel distribution, storage and marketing industry in the UK and Ireland.

On the cover

Standard Fuel Oils has recently taken delivery of a new Volvo FE tanker which is pictured outside their purpose-built Merseyside depot. Built by Road Tankers Northern with metering equipment supplied by Alpeco the tanker joins the fleet of vehicles delivering to Standard Fuel Oils customers nationwide.

In this issue

With many companies moving their workforces to home based working in recent weeks we talk to Fuelsoft whose cloud-based systems have enabled them to seamlessly transition their customers to remote working easily and with no loss of functionality. See pages 12 & 13

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Total commits support to carbon neutrality target

Becoming the fourth oil major to commit to 'net zero', Total has announced its target of net zero emissions in Europe by 2050. The company has also committed to becoming carbon-neutral across its worldwide operations by 2050 or sooner and confirmed its target of a renewable generation gross capacity of 25GW in 2025.

Patrick Pouyanné, chairman of Total's board, declared; "Energy markets are changing, driven by climate change, technology and societal expectations. Total is committed to helping solve the dual challenge of providing more energy with fewer emissions. The Board believes that Total's global roadmap, strategy and actions set out a path that is consistent with goals of the Paris agreement.

"Only by remaining a world-class investment can we most effectively play our part in advancing a low carbon future. This is the reason why our people are already in action across Total, seeking opportunities to reduce our emissions, improve our products and develop new low-carbon businesses."

Regarding the commitment to become a net zero energy business in Europe, he commented; "As the EU has set the target to achieve net zero emissions by 2050 and thereby lead the way for other regions to become carbon neutral over time, Total takes that commitment to become neutral for all its businesses in Europe. Total wants to be an exemplary European corporate Citizen and offers its active support for the EU to achieve net zero emissions by 2050. Total will work together with other businesses to enable decarbonization of energy use."

Clean Heat Grant proposed to accelerate low carbon heating

The Government is considering a range of measures to improve energy efficiency and support the move to low carbon heating and has pledged significant financial support.

In the publication of its consultation on future support for low carbon heat, the proposal to make grants of £4,000 available for consumers wishing to replace fossil fuel boilers has drawn particular attention. The grant would provide support for heat pumps and, in limited circumstances, biomass and would replace the Domestic RHI tariff scheme which is due to close on March 31, 2022.

Outlining its intentions to replace the scheme with a new Clean Heat Grant, the stated aim is to build on the 2017 Clean Growth Strategy, with its intention to phase out the installation of high carbon fossil fuels in the 2020s for off-gas grid properties.

In its introduction to the consultation BEIS highlights that currently, heating our homes, businesses and industry is responsible for a third of the UK's greenhouse gas emissions meaning that the decarbonisation of heat is one of the biggest challenges faced in meeting climate targets. The government Heat and Buildings Strategy to be published later this year, will set out actions to reduce emissions from buildings.

The full consultation, including details on how to respond, is available online at: **https://tinyurl.com/ydyhzvb5**

NWF reports increase in demand for services

Cheshire food and fuel distributor NWF reported stronger demand for its services in the third quarter of its fiscal year, which it believes will lead to a significant improvement in overall trading.

While some cost and operational restructuring has been required to accommodate the impacts of the coronavirus pandemic, it has resulted in an acceleration of the trading momentum through the final quarter of the year.

NWF reports that its fuels business and customers have benefited from a significant fall in oil prices over recent weeks which will make a material contribution to profits in the short term.

On the food side of the business, demand reached unprecedented levels during March and April with retailers managing a significant surge in demand for long shelf-life groceries. NWF said it has worked with food manufacturers and retailers to meet this demand and has now established a sustainable supply position. Progress also continues to be made in the group's new warehouse at Crewe.

While operations across the business were challenged by the initial demand spike, performance is now at levels optimised for the circumstances. Some of the additional revenue from the increased activity is being offset by the additional costs required to ensure safe working.

Looking specifically at the fuels side, performance across both the core and acquired businesses was strong through to the end of February with the former trading well ahead of the previous year.

Committed to keeping Britain moving

WP Group has highlighted its commitment to maintaining an essential service.

A spokesperson explained; “In today’s challenging times we think it’s important to work with a fuel supplier you can trust. That’s why we’re supporting the transport sector with our Keeping Britain Moving Commitments to fleet operators.”

People first

Continuously putting people first and acting in an ethical, professional and safe way helps to build lasting relationships with team members, customers and the wider population.

Keep business moving

With fuel supply being a vital ingredient for running businesses, keeping fleets fuelled is a priority to ensure that businesses keep moving.

Fuel at a fair and consistent price

Fair, consistent and competitive pricing

A reliable service

Keeping customers moving for over 60 years, WP Group is committed to maintaining the trust that has been built and will continue to keep exceeding the needs of its customers.

Keeping it simple

Getting things right first time, from delivery to paperwork and invoicing, will keep things simple.

This will allow the management of the customer’s fuel supply enabling customers to focus on their own business priorities.

Higher efficiency

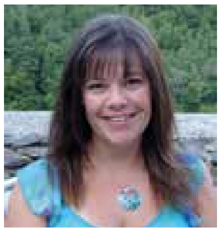
Expertise and technologies can be used to enable customers to manage inventory, track their fuel and analyse the performance of that fuel, helping businesses to be more efficient.

Moving consistently at a time where the world has stood still is a priority for many businesses, and as an industry that is fuelling that movement, keeping commitments to customers is key.

WP Group’s commitments can be downloaded from **https://www.thewp-group.co.uk/keepingbritainmoving/.**

Looking forward to continuing to cover your industry

Introducing Margaret Major, managing editor and Stephanie Samuel, content and social media executive who together, make up the new content team for Fuel Oil News.


Margaret Major


Stephanie Samuel

Margaret, who has worked with A&D Publishing since early 2017, has a long-held passion for specialist publications and having worked with many niche titles over the years, is especially enjoying the unique nature of the fuel oil distribution industry.

“This is an industry unlike any I have worked with before. There is a real sense of community and a strong network which comes to the fore whenever challenges present. With so much experience, talent, knowledge and resilience amongst the members of this community it is a pleasure to have the opportunity to communicate these through the pages of Fuel Oil News each month as well as through our website and newsletters.”

“It is a very interesting time and there are many inspiring stories of companies and individuals who are rising to and overcoming the evolving challenges of the sector, especially with the complications of the global pandemic.”

Stephanie joined A&D Publishing in September last year and is already very much enjoying getting to grips with the fuel oil distribution industry and speaking with those involved; “I’ve always been interested in writing. From a very young age you would either find me reading or writing, each fuelling the other. The deeper I could get into a subject, the happier I was which is why I turned to content creation as my career. With the fuel industry being so diverse and rooted in history, I knew from the start of my involvement that the more I learned the more I would want to learn. Fuel Oil News is powered by those in the industry, and there are differing points of views every day. It is challenging, rewarding and thought-provoking – a writer’s dream – and I look forward to hearing from you with your news, views and stories”

Valero Pembroke refinery employees donate to PATCH

Pembrokeshire Action to Combat Hardship (PATCH) has received a £25,000 donation from workers at Valero Pembroke refinery.

The workers, who keep the refinery operating night and day, decided together to make a large donation to the organisation.

PATCH has been giving food parcels, clothing and household items to those in need since 2008 but current requirements of working safely together, as well as dealing with the public has seen the temporary closure of two sites to concentrate efforts in three of its bases.

Valero’s generosity will help provide local families with the necessities that they need for the duration of lockdown, and beyond.

Tracy Olin (pictured, in pink top), PATCH manager, said; “When Valero called, I couldn’t believe what I was hearing. We have never received such a large donation, and it’s almost half of our total income for last year.

“This will help so much as we’ve seen such an increase in clients, and we’ve had to change the way we do things to make sure all that need to can access our donations. This has put a financial strain on our work. We cannot thank the staff enough for their continued support.”

Stephen Thornton, manager public affairs at Valero said; “The shift workers from the operations department are delighted to be able to make this donation. PATCH is at the front line in delivering provisions and the ops team have collectively decided to donate towards helping families who are disadvantaged in our local community. We are all in this together and everyone is keen to help.”

The Fuelsoft Cloud Solution

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Fuelsoft provides all the tools you need, including:

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Industry-leading, scalable system with enhanced **Performance, Connectivity and**

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Secure

Resilient

Scalable

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Your customers can order using the Fuelsoft mobile friendly web ordering system

Safe working guidance for drivers

The Department for Business, Energy and Industrial strategy (BEIS) has published a document to help those who specifically work from vehicles in the UK to do so safely during the COVID-19 pandemic.

BEIS emphasises that where working from home is not possible, workplaces should make every effort to comply with social distancing and frequent surface cleaning.

With fuel distribution continuing as an essential service, the advcie given will impact on those driving the tankers, trucks and vans that are fuelling the UK.

Multiple occupancy in vehicles

If vehicles must be occupied by more than one individual, measures should be taken to minimise the risk of transmission, such as single person or contactless refuelling, using physical screens provided this does not reduce visibility for the driver, and sitting side-by-side and not face to face to increase ventilation.

Other measures include using a fixed pairing system for those who work in proximity, making sure vehicles are well-ventilated by opening windows and ensuring regular cleaning of vehicles, especially between different users.

Deliveries and collections

Whether refuelling from a depot or delivering to commercial or domestic customers, exposure to large crowds and rush hour must be limited, pick-up and drop-off points must be revised with signage and markings and single workers should load or unload vehicles where possible.

Alongside this, drivers should be encouraged to stay in their vehicles if safe to do so, with unnecessary contact in depots, yards or gatehouses minimised, and the use of electronic paperwork maximised.

Using PPE

PPE such as safety helmets, gloves, eye protection, high-visibility clothing, safety footwear, harnesses and face masks should continue to be used as part of day to day protective solutions. BEIS highlight that additional PPE to avoid transmission will not be as beneficial as adhering to social distancing rules where possible but face coverings can be beneficial where social distancing cannot be adhered to. These are different from face masks and can help to protect in enclosed spaces, such as vehicles.

With commercial and domestic customers continuing to require fuel deliveries, it is vital that the industry can keep fuelling the UK as well as protecting all those involved by adhering to BEIS guidance and remaining safe.

The full guidance can be read at: **https://bit.ly/2LPbdSj**

The next generation of talent for the bulk liquid storage sector

Reynolds Training Services, has joined forces with the Tank Storage Association and Cogent Skills, to develop the UK's first apprenticeship specialism for the bulk liquid storage Sector.

The Bulk Liquid Terminal Technician specialism is approved by industry for use with the 'Science Manufacturing Technician Apprenticeship Standard'. Delivered by Reynolds Training Services Ltd in collaboration with leading apprenticeship providers, utilising a state-of-the art training facility in Lincolnshire this is a two-year programme including classroom-based learning, practical skill development and assessment, supported by onsite training and competency assessment against the Level 3 Diploma for a Bulk Storage Operator Technician at the apprentice's workplace.

Peter Davidson, executive director of the Tank Storage Association, said; "The highly technical nature of our industry has created a demand for skilled and qualified specialists in the bulk liquid storage sector. For that reason, we have developed this pioneering apprenticeship programme, now in its second year, to give valuable practical and classroom-based training to the next generation of talent and provide a clear route to careers in our sector."

John Reynolds, managing director of Reynolds Training Services, said; "As the founder of Reynolds Training, I care passionately about the future welfare of this sector. This apprenticeship programme provides an opportunity to embed knowledge and skills into a new generation, giving them the keys to a new career pathway in a thriving and vital sector for industry."

Vital succession planning

Adrian Jackson, chief executive of the Oil and Pipelines Agency (OPA), commented; "The Bulk Liquid Operational Apprenticeship Programme in conjunction with the apprenticeship levy fund has provided a mechanism and process for the OPA to develop and recruit young talented apprentices. This fits with the OPA's commitment around people development and our succession planning strategy."

Plans are underway for Cohort 2 commencing late August 2020, with 12 apprentices from companies who are recruiting into this vital industry sector.

Applications for the Bulk Liquid Terminal Technician Apprenticeship programme are now open until 30 June 2020 and should be directed to karon@reynoldstraining.com

For more information, visit: **https://reynoldstraining.com/apprenticeships/**.

Carbon offsetting. Can emissions be negated?

AGAINST THE BACKDROP OF INCREASING COMMITMENT TO NET ZERO 2050, COMPANIES ARE FINDING THAT EVEN WITH THE MOST ROBUST PROGRAMMES, THE HOLY GRAIL OF ZERO CARBON EMISSIONS IS PROVING AN IMPOSSIBLE GOAL. WITH COMPANIES IN THE FUEL INDUSTRY INCREASINGLY CHOOSING CARBON OFFSETTING AS THE ROUTE OF CHOICE TO 'MOP UP' THE REMAINING EMISSIONS AND PUT THE 'NET' IN 'NET ZERO' WE TAKE A CLOSER LOOK.

Carbon offsetting occurs when a project or scheme that reduces or removes the CO_2 in the atmosphere is funded by those wanting to offset their emissions through the purchase of carbon units, or carbon credits. With the reductions in CO_2 from the funded project verified through offset certifiers one carbon credit is equivalent to one tonne of carbon emissions (CO_2e), and once a credit is used, it is 'retired' so as not to be used again.

Carbon controversy

When implemented correctly carbon offsets offer wider benefits in addition to carbon reduction but this route to a healthier environment has long been controversial. So why is it not straightforward?

The warm reception from investors to the recently declared commitment of several oil majors to net zero emissions strategies has been tempered by claims that the paths to their goals fail to address the fundamental issues. With offset schemes viewed by critics as 'transferring emissions from one place to another' they are seen as having the potential to discourage carbon reduction at source. As a result, the fuel industry has increasingly faced claims that it is using carbon offsetting to 'greenwash', rather than addressing the issue at the heart of the climate challenge – an over reliance on fossil fuel.

Highlighting another of the criticisms of carbon offsets as a solution to emission problems, Greenpeace, in response to BP's plans to offset emissions and carry out carbon capture, suggested that BP would need to plant a "mind-boggling number of trees to take care of its emissions." A common misperception persisting for at least a decade since offsetting first found itself 'in vogue', is that it's 'all about planting trees'. Research carried out at that time into the ability of trees to store CO_2 concluded that "more trees do not necessarily mean less carbon dioxide" and offsets have been viewed with suspicion ever since.

Such perceptions add to the challenges faced by the industry on its route to net zero; "On the one hand, oil majors want to be seen as responsible companies, that treat the climate emergency with the seriousness it deserves. On the other, they still make huge profits from digging up the very fossil fuels that caused the emergency in the first place."

The reality is that the criticism levelled at a rapidly transitioning industry doesn't stand up to close scrutiny since the majority of businesses invest in reducing their in-house carbon footprint before considering any payment to offset what remains. Internal reduction activities frequently save money, while investing in carbon offsetting involves a financial outlay. Few businesses make this sort of investment without first getting their own house in order and being fully committed to operating sustainably.

Research has shown that the typical offset buyer cut almost 17% of their direct emissions, while the typical non-buyer reduced by less than 5% in the same year.

RESEARCH SHOWS THAT THE TYPICAL OFFSET BUYER CUT ALMOST 17% OF THEIR DIRECT EMISSIONS, WHILE THE TYPICAL NON-OFFSET BUYER REDUCED BY LESS THAN 5% IN THE SAME YEAR.

An indecipherable alphabet soup

Another issue that muddies the water for offsetting is the proliferation of both schemes offered and the verification standards by which they are measured, which results in a seemingly indecipherable soup of TLAs (three letter abbreviations). Official projects are verified by third-party standards to ensure that they are:

- Verifiable – with a robust audit trail.
- Additional – carbon savings over and above what would have happened anyway.
- Leak-free – emissions are not just relocated.
- Permanent – sustained over time.
- Unique – reductions only claimed once.

The problem is that there are dozens of different carbon offset verification standards which are frequently listed simply as their acronyms: GS VERs, CCBS, CAR, QAS or VCS giving a lack of clarity and therefore reduced confidence in the efficacy of offsets.

With multiple verification bodies the prices of carbon offsets in the voluntary sector vary dramatically which leads to additonal

confusion for customers and further damages the reputation of offsets in the eyes of climate campaigners.

Addressing an impossible goal

With the inherent emission of CO2 from its upstream industrial activities through to downstream commercial activities and usage, achievement of net zero appears to be an impossible goal for the fuel oil industry.

Given the scale of the challenge, the way the energy sector operates will continue to transition as it addresses the issues raised by climate change but, as a Total spokesperson made clear; "By definition, the concept of net-zero incorporates carbon offsetting. In any type of industry, there are so-called non-reducible emissions that must necessarily be compensated."

Putting the 'net' in 'net zero emissions'

Robert Stevens of Climate Care, says; "Until we reach a zero-carbon world … paying to reduce an equivalent amount of carbon emissions through voluntary offsetting is the most cost-effective, quickest and efficient way of doing this."

Until cars and planes run on alternative energy sources, fossil fuel remains, along with the carbon emitted when it is used. Until the demand stops, the industry will continue to produce, and offsetting carbon emissions is currently the most expedient path it can take to meet net zero targets.

Sinead Lynch, Shell UK county chair said; "Switching to electric vehicles is the best way for drivers to reduce their CO2 footprints and they can now charge on a growing number of forecourts with 100% renewable electricity.

"But today the majority still use petrol and diesel. We can help them to address the impact of their emissions by offsetting their fuel purchases."

This was part of Shell's announcement last year, that it would be the first retailer to offset CO2 emissions from customers' fuel purchases at over 1,000 UK service stations.

Support from the industry

With the government implementing legislation requiring the reduction of carbon emissions, but offering little support with regard to the means, those in the sector are stepping up with measures to support the journey to net zero.

Carbon offsetting is being achieved at a consumer level within the industry with several distributors offering fuel oil products, the purchase of which directly funds emission reduction projects on a cost per litre basis.

Although this solution is beneficial to both the industry and the consumer, the price is naturally higher than standard fuel oil since it incorporates the cost of the offset unless funded by the distributor. Until government legislation either subsidises or enforces the use of such fuel, consumers may well continue to opt for the slightly cheaper alternative.

Mark Andrews, director of Crown Oil, a company which has been offering carbon offsetting to customers since 2007, said; "Between December 2007 and December 2018, we voluntarily offset over 27,405 tonnes of CO2 released from our tankers' deliveries. This cost is covered by Crown Oil, unlike the airline industry which usually requires an extra fee to offset your flight. So, choosing us as your fuel supplier means you're already reducing your environmental impact. In that regard it has been a fantastic selling point as well as a necessary step for us as a responsible business.

"With the new commitment to net zero 2050 the bar is now set much higher and we are also looking at other options for customers to explore when it comes to emissions reduction. We are keen to help them achieve net-zero greenhouse emissions in any way that helps them best – whether that's with carbon offsetting or with renewable fuels."

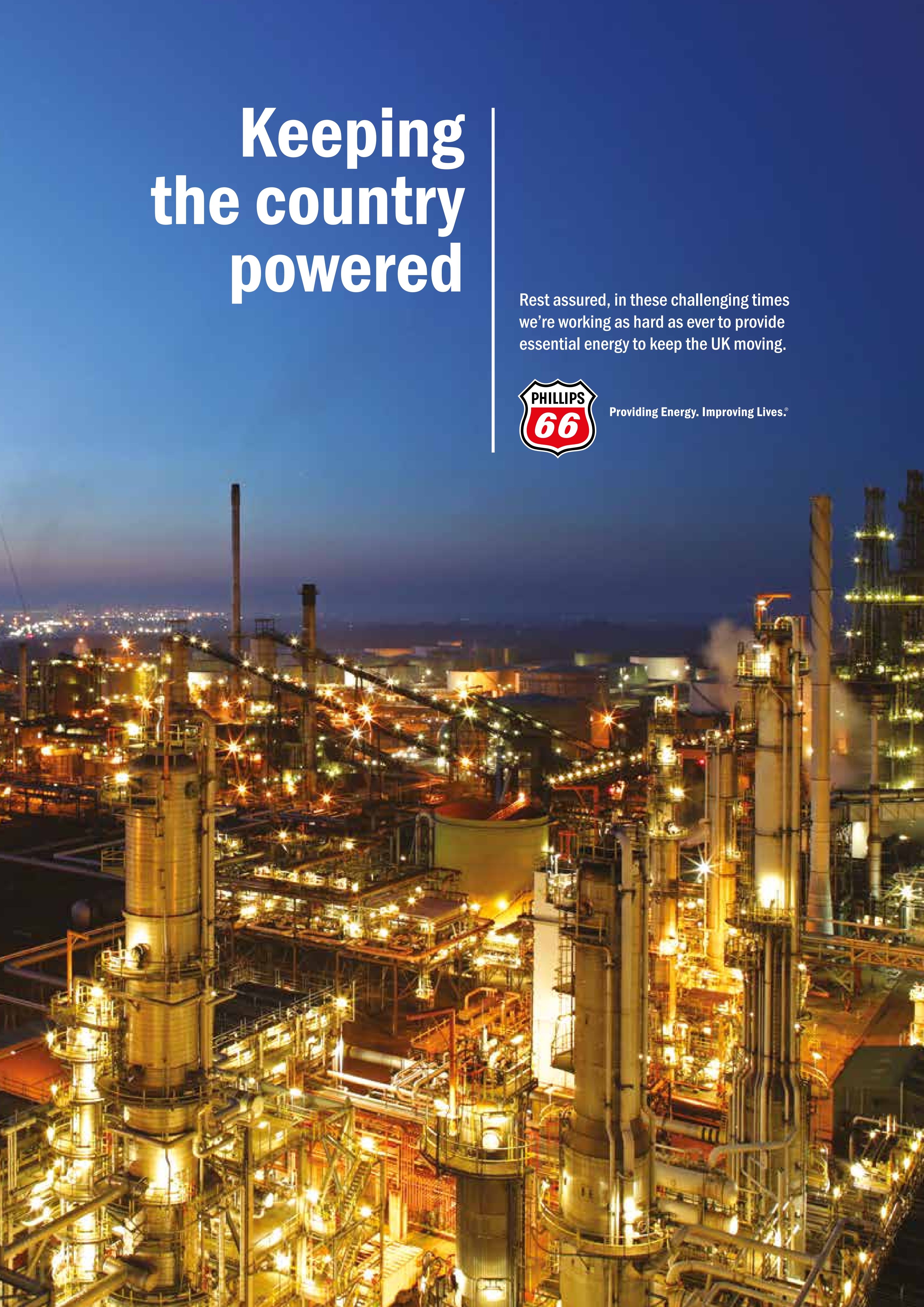
Certas also confirmed that their customers are concerned about carbon emissions from the home heating oil they purchase. In an announcement last year Steve Taylor, managing director of Certas Energy, said; "All our domestic customers will be able to offset their carbon emissions from the heating oil they buy from us. We do this by investing in global climate change projects that actively reduce the carbon in the atmosphere."

Certas also revealed that it had partnered with "one of the most responsible Carbon Offsetting businesses...Carbon Footprint." The carbon offsetting projects offered are certified to meet VCS standards.

Portland Fuel is leading the way on offsets with its recently launched Carbon Compensation scheme now available to all fuel users and distributors. The goal is to support oil distributors in selling their products so that CO2 generated can be offset in a verified and affordable way.

Portland identifies that there is no "silver bullet" that can be applied to the climate crisis and with reliance on liquid fuel continuing, it

Continued on page 11


Keeping the country powered
Rest assured, in these challenging times we’re working as hard as ever to provide essential energy to keep the UK moving.
PHILLIPS 66
Providing Energy. Improving Lives.®

Continued from page 9

has taken the initiative to show that behaving in an environmentally conscious way is achievable.

Patrick Smith, commercial manager at Portland Fuel, said; "Our Carbon Compensation scheme allows users and distributors to combat carbon emissions immediately without the need for costly operational overhauls."

This scheme focuses on the voluntary market where members voluntarily choose to offset carbon, rather than adhering to legislatively required compliance markets which some critics label as 'permits to pollute'. Portland also emphasise that the scheme is not about buying trees, but instead "investing in a project that is already in progress and has reached a level of maturity whereby CO2 is being actively removed from the atmosphere."

"Carbon offsetting can be made over-complicated, but Portland is simply paying Carbon Project Developers to remove CO2 from the atmosphere and then withdrawing the generated carbon certificate from the market. This means that it cannot be sold on to anyone else because Portland has 'retired' it.

Portland has joined forces with UKIFDA to offer members of the industry trade body carbon compensated fuel sales. Members can calculate the volume, grade and desired percentage of carbon compensation, using Portland's Carbon Calculator.

"Taking part in this scheme gives members a seat at the table of the wholesale carbon market and ability to offset carbon emissions in a pragmatic and cost-effective way."

Taking responsibility for the unavoidable

Every organisation and individual has a carbon footprint. Even with the most determined efforts to cut emissions at source there will still be resultant emissions.

As an industry we could choose to ignore this, and take no action to address these unavoidable emissions or we can take responsibility, by ensuring that an equivalent amount of carbon is either absorbed, or avoids being emitted elsewhere, through carbon offsetting.

In the hierarchy of climate action, the first and most effective option is almost always to reduce emissions but with the government imperative and the industry desire to achieve net zero, offsetting the carbon emissions that can't be reduced is currently the only way to do so.

DIVERSIFICATION CORNER

Sister company EL Oils strengthens family business Halso UK Fuels

With a brand-new website and the introduction of a sister company, Halso UK Fuels Ltd continues its exciting journey from modest beginnings to a thriving business recognised as one of the experts in fuels & oil supply and distribution.

Progressing from its launch in a caravan in 1967 through the wooden huts which still exist to the current modern offices, it has always been renowned for excellent customer care and service which remain second to none in the industry.

Supplying fuels to industrial, commercial and domestic customers, this family-run business is now in its third generation. Emma Osborn-Wilkes, granddaughter of founder Sid Osborn, is managing director of both Halso and its new sister company EL Oils which have been trading in some capacity for the last 50 years.

Emma commented; "We still supply fuel, oils and lubricants to our local farmers and domestic, residential customers but now we also service commercial clients nationwide.

"It was a little over 12 months ago we decided to diversify, offering our lubricants, oils and greases under our sister brand EL Oils. We find this to be a much cleaner way of showcasing our varied product portfolio. Halso continues to be our brand for fuel management and distillates, and EL Oils offers our additional products, as well as services including oil sampling and monitoring and full lubricant management.

"We don't just supply the product, we take time to learn the customers' business and then help them to save time and money by implementing the right product as new products come to market.

"EL Oils, like Halso, is a very proud family business with high standards offering a personal service to all customers. We want to seamlessly support all of our commercial or domestic clients with their fuel, oil and lubricants needs. It's our job to power their business and home."

Fuelsoft – 30 years of powering customer success

FUELSOFT LTD HAS BEING DELIVERING EXCEPTIONAL SOFTWARE, TECHNICAL SUPPORT AND CUSTOMER SERVICE TO THE FUEL INDUSTRY FOR OVER 30 YEARS AND MARGARET MAJOR, MANAGING EDITOR OF FUEL OIL NEWS HAD THE OPPORTUNITY TO TALK WITH MD DAVID KINGSMAN AND NEIL SMITH, OPERATIONS DIRECTOR, ABOUT THE JOURNEY THE COMPANY HAS TAKEN OVER THOSE YEARS IN TRANSFORMING SOFTWARE AS A PRODUCT, TO SOFTWARE AS A SERVICE.

Where did it all begin?

Under its former name of Compuserve, the company was supplying order processing and financial accounting software for wholesale distribution businesses across a variety of industry sectors. When David joined the business in 1982, a customer in West Thurrock to whom he had previously sold a floppy disk accounting system, migrated with him, and became their first customer in fuel distribution. That customer was Peter Haywood from Silwood Petroleum.

Asked if the fuel industry software solution would have been developed had it not been for that initial client David explained; “Probably not. It is strange thinking back on it, but it was also due to a change in the way fuel distributors bought fuel. In the mid-80s there were ‘fuel specific’ software systems available but they all had software that was based around schedule prices less rebates. The marketplace was changing and Silwood wanted software that was suitable for the current day and the future, so we were given the opportunity to enter the fuel marketplace and develop our first fuel distribution system.”

It was the perfect opportunity for the company to move out of the general distribution marketplace, into the niche fuel sector. Working closely over 2 years to meet the specific needs of this first fuel distribution client, Fuelsoft developed a new system which became the blueprint for the sector specific software solution. The software application was running on Unix, an industry standard operating system at the time, – which removed the entry barrier of investment in expensive proprietary hardware. Now distributors could run the software on a PC using Intel processor architecture making it far more broadly accessible. It was at this point Fuelsoft decided to promote their solution into the fuel sector with their first advert in Fuel Oil News in 1989.

It was a simple but bespoke solution

David recalls with amusement the client meetings that resulted; “With the first business generated through FON being Regency Oils in Scotland, I boarded a train from Kings Cross to Inverness and hired a car to get to the client in Buckie. To demonstrate the system, I had to put a big server and monitor in a couple of suitcases to accommodate a server that was over three feet high.” Fortunately, the effort did not go to waste with the client buying the system as did several others at the time who were looking for software with specialist functionality for fuel. Regency Oil remain a customer to this day.

1993 saw the company develop an additional niche product in the fuel card sector, integrating into Keyfuels, UK Fuels, Securicor and all the major oil companies. With many competitors not yet addressing this market, Fuelsoft were working with the fuel card sector from its inception and started to build a substantial user base of fuel card agents.

David Kingsman, managing director and Darren Priddey sales & implementation manager for Fuelsoft talk to Robert Davison

Management Buy Out

Throughout the 1990s the user base grew, but the technology industry demands that you keep ahead of the game and there was a need to redevelop the software application. In 2000 that opportunity arose when David Kingsman headed up a management buyout of the company. “This gave us the perfect opportunity to redevelop the application from scratch, utilising all of Microsoft’s industry standard tools, development products, database engine and operating system. John Allen, our software director, and I, had been working together for18 years but now was the real opportunity to develop and launch a brand new product into the fuel sector, enabling us to upgrade all our Unix based customers and launch the new Windows version of the software into the marketplace. It was a huge undertaking and not without risk, but we were able to launch the new Fuel Card application in 2002 and the Fuel Distribution software in 2004.”

The effect of the Cloud

Rebranding to Fuelsoft in 2007 and launching the Cloud version in 2009, probably had the biggest single impact on the company’s success. “Glyn Highfield, technical director, had joined the company in 2008, with a very strong technical background, and was 100% convinced that the software should be run as a service”.

Prior to that, Fuelsoft systems were installed on 'in house' servers, with upfront software license fees, meaning that there were big barriers to entry with significant capex required to buy both software and servers, as well as the in-house expertise needed to run the system. The cloud solution made it accessible to even small distributors with initial costs reduced to training, and ongoing costs being paid on a Pay As You Go basis, thus removing the requirement to make significant upfront investment. Within a couple of years there were large and small companies using the Fuelsoft Cloud solution.

"It's the ideal model for smaller companies or those entering the marketplace as there is no CAPEX," explains David. With racks of servers at the hosting centre, the investment for Fuelsoft was significant but it paid dividends and facilitated growth. Of their now 90 customers, 75 operate in the cloud and 15 have office-based systems with the latter frequently migrating when servers are due for renewal.

A number of other factors, including Web ordering and On-Line account management, integration into the Microsoft Dynamics CRM environment and significantly higher security requirements have also driven clients to seek more secure cloud-based systems.

There are now over 1000 Fuelsoft end users connected to the hosting centre, spread out over the 75 companies. Fuelsoft offer a variety of cloud services, all supported by a highly technical IT support team.

Overcoming Covid challenges seamlessly

Recent global challenges have emphasised the benefits of being cloud based and the Fuelsoft application has been geared to remote working for a long time. Fuelsoft has been pleased to assist many companies faced with the challenge of the lockdown, to move seamlessly to home working. "Migrating a system based on servers in the client's office, to home working, can be time consuming, but our cloud-based system has allowed clients to easily work from home."

Adding value with system development

When Neil Smith, operations director joined the business in 2010 the number of fuel card agents using the software was already significant and these companies needed software not just for those processing invoices and accounts but also the telesales team. This led Fuelsoft to make another decision that had a significant impact on the company's success in the industry. Neil elaborates; "We looked at developing our own telesales software but instead developed an enhanced integration with Microsoft Dynamics CRM, such that when a prospect becomes a customer it creates a client record in the Fuelsoft system without the requirement for duplicate data entry thereby saving our customers time. In this way our customers can use the powerful inbuilt functionality of MS CRM to manage their outbound sales teams, while also utilising key customer related information provided directly in to CRM by the Fuelsoft system, to better target customers and increase sales efficiency."

"JOHNSTON FUELS HAVE WORKED CLOSELY WITH FUELSOFT SINCE 2014. THEY HAVE HELPED US IN ALL ASPECTS OF OUR BUSINESS. FROM THEIR INTEGRATION WITH MOBILE SOLUTIONS, WEB SERVICES & CUSTOMER RELATIONSHIP MANAGEMENT SOFTWARE, THEIR KNOWLEDGE AND EXPERIENCE HAS BEEN KEY IN HELPING US IMPROVE SOFTWARE SYSTEMS AND PROCESSES ACROSS THE ENTIRE GROUP."

STEPHEN WILKINS,
I.T OPERATIONS MANAGER

This integration with MS Dynamics, the Cloud-based solutions and early adopters of web ordering products became the key differentiators between Fuelsoft and their competitors and proved extremely successful. There are now over 700 users on MS dynamics integrated into Fuelsoft.

Being an extremely customer focused business, Neil highlighted; "John Allen, software director, is constantly working with the rest of the development team, adding new features as customers put in requests as well as making legislative changes such as Making Tax Digital and previously the RDCO and ROM legislation."

"New developments have taken place over the years, with integration into Dreamtec and Touchstar In Cab systems, Boilerjuice, Dunraven and Signalman tank monitoring, Lightyear Accounts Payable automation, VISIT and Optitool scheduling software."

"The system is tweaked all the time but it's a balancing act. If only one client wants it, then it has to be costed as a bespoke addition to the system, otherwise it can be added to the standard product." Although, as David emphasises; "Most members of the Fuelsoft team have been involved in the fuel distribution industry for more than 10 years and know how important it is to look after customers and maintain good relationships."

A unique addition from Fuelsoft that offers clients as much bespoke functionality as possible is the development of an application programmers' interface (API). This allows clients to develop their own frontend customer facing solutions, to make them unique and provide them with their own specific competitive advantage, while still linking through to the Fuelsoft database.

What is Fuelsoft's greatest contribution to the fuel distribution industry?

David considers the software journey over the last 30 years and concludes; "Transforming from a traditional software business to a software as a service business is the company's biggest success, enabling our recurring revenues to become a significant proportion of our turnover."

"We offer a highly sophisticated product at a low monthly cost, which means that every client gets all the benefits whatever size they are and as they grow, they can simply upscale using more functionality and adding users."

"Among the orders received by Fuelsoft last year were two new fuel distribution clients who were both start-up businesses. They went straight onto Fuelsoft, and straight onto the web ordering module, which provides them the back-office functionality to grow the business, knowing that they will never need to change software. A few years ago, it would have been inconceivable that a business needing a one or two user system could start off with a fuel specific software product with an integrated online web ordering portal."

"We are an integral part of the success of some of the industry's leading operators. Our tried and trusted systems have constantly evolved with the times and will continue to do so."

And we, at Fuel Oil News, look forward to continuing to follow the Fuelsoft journey.

Sweeney Oil – putting customers first through every challenge

A STRONG BRAND AND GOOD MARKETING HAVE BROUGHT CLIFDEN BASED SWEENEY OIL THROUGH MANY CHALLENGING TIMES SINCE IT BEGAN 33 YEARS AGO. AT THAT TIME, WITH MANY BUSINESSES OPERATING OUT OF GALWAY CITY, FOUNDER JOHN SWEENEY SPOTTED A GAP IN THE MARKET FOR A LOCAL CLIFDEN BASED OIL BUSINESS AND SWEENEY OIL BECAME THE FIRST TO OPERATE OUT OF THAT PART OF CONNEMARA. AINE FAHERTY, IRISH CORRESPONDANT, CONTINUES THE STORY

Starting out as a Jet Oil distributor the company rebranded to Statoil in a joint venture in 1998. The business grew both organically and by acquisition, over the following 10 years until Topaz acquired Statoil in 2007 resulting in Sweeney Oil taking 100% ownership and eventually selling the business in August 2009 during the financial crisis.

In a brave but successful move, the Sweeney Oil business was re-established in 2010 and now has depots in Galway, Clifden, Balinrobe, Claremorris, Tuam, Roscommon, Oranmore and on Inis Mór Aran Islands as well as a successful lubricants business offering Sweeney Oil branded products.

A growing fleet

Early 2020, two new trucks were added to the fleet with two more anticipated by the beginning of 2021. Over the years the business has sourced many vehicles from Robbie Fitzgerald of Fitzgerald Commercials in Cork and this year bought two new tankers built by Cobo Tankers on Volvo chassis supplied by Des Murphy, Volvo dealer Galway. Sweeney Oil drivers are very content with them, so much so that there are another two on order for the year end bringing the total fleet to 16 trucks.

Louise Martin

The present business is managed by the head office team of 10 operating in conjunction with the service station business. The distribution business is headed by financial controller Louise Martin with Liam Kileen overseeing the Service Station business. Joseph Sweeney, son of founder John Sweeney also plays an important role in the day to day running of the business.

Joseph Sweeney, son of the founder of Sweeney Oil, Kieran Curtis, transport manager; Des Murphy, commercials representative and Robert Sheridan, driver stand proudly in front of the two new tankers.

Sweeney Oil has seen huge changes since its beginnings in 1987, not least with the departure of the main oil majors Shell, BP, Statoil and Esso through acquisition giving a far greater opportunity for local businesses.

Lousie Martin comments on the changes; "Overall, the business is significantly different today compared to 30 years ago. One of the key differences has been the move from monthly pricing to daily pricing, which has an ongoing effect on cashflow and the relationship with customers.

"Customers' expectations have changed and there is ongoing consolidation in the business." Louise continues. "In terms of difficulties, every year brings a challenge. This year Covid-19, other years weather, war, etc."

Being an independent distributor as well as enjoying an advantageous location in the mid-west of the country, Sweeney Oil can draw product from any or all importers and terminals in Dublin, Derry, Galway, Foynes and Cork.

Asked what advice Sweeney Oil would offer to anyone starting out now Louise's answer is immediate; "Get into a growth business." Although to many, the oil sector is no longer viewed in this light, those at Sweeney Oil still see many opportunities and are always looking to improve the business.

The customer is paramount

"Other advice I would give would be to focus on your customers and deliver a first in class customer service," says Louise.

With the customer seen as paramount Sweeney Oil looks to provide the services customers value such as same day delivery and budget plans. A recent partnership with a service provider will provide a dedicated ordering app enabling customers to track live data on their oil usage and tank levels.

Continual improvement means marketing is important with many innovative campaigns over the years. A branded Defender Jeep is a popular sight at Galway shows and giveaways of a model Sweeney Oil car always go well. One special campaign to celebrate the 30th anniversary was particularly well received with the prize being a brand-new Ford Focus offered through a partnership with Barry Motors Galway and Galway Bay FM.

Sweeney Oil is proud of recent recognition from business peers, receiving both an 'Own Account Transport Operator of the Year' award from Fleet Transport and "Overall Best Business" award from Galway Chamber of Commerce in 2019. It was also recognised by Gradam Gaeilge, a bilingual business award, for its use of native Irish language.

Looking ahead

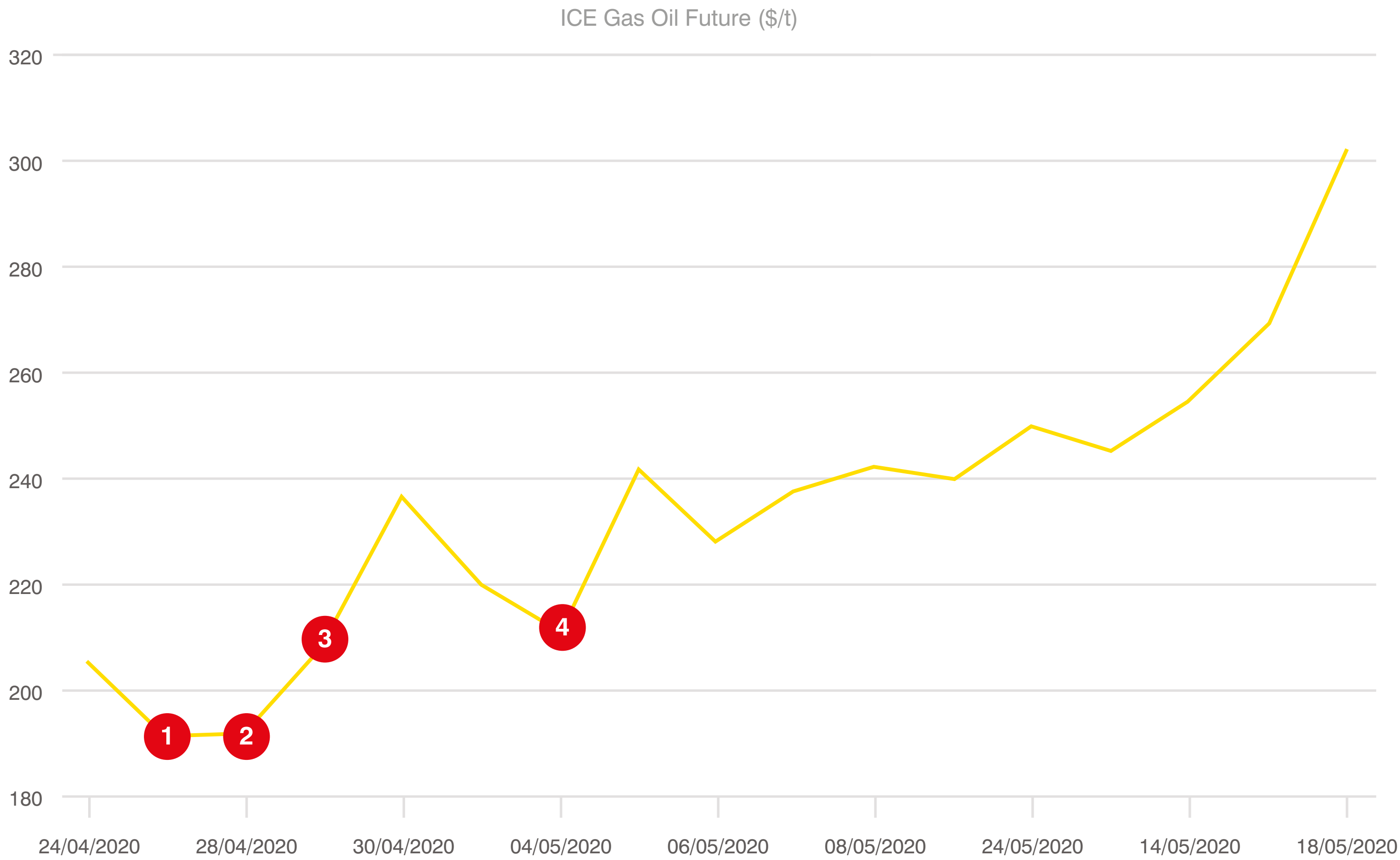
Asked about the challenges presented by Covid-19 Louise comments; "Initially people were panic buying fearful that the lockdown would impact on deliveries. The significant decrease in oil prices led to a big increase in demand as customers sought to fill their tanks at really good value."

As a result, Louise expects an unusually quiet autumn as people use up spring surpluses. Some of the team are currently working remotely but Louise doesn't see this as a long-term situation explaining; "The business requires close interaction with customers."

"As I said earlier, every year brings a challenge, whether it's the impact on the oil business of reducing carbon emissions or increased taxes on carbon vs greener fuels, and we will continue to look after our customers through them all." Louise concludes.

OMJ
The Oil Market Journal

OMJ predicts rebound in oil prices...



1 27th April 2020

"There are signs we are getting **close to the bottom of the cycle** with oil companies across the world slashing production"

2 28th April 2020

"Jet Kero is attracting some buying interest with the short, medium and long term momentum indicators seriously oversold indicating **we are close to the bottom of the downturn for Jet.**"

3 29th April 2020

"ICE Gas Oil is attempting to bottom out after hitting our target price yesterday of $191/t. With the short, medium and long term models all oversold we are very close to the bottom of the downturn and the **risks are increasing to the upside**"

4 4th May 2020

"Our new target prices (for ICE Gas Oil) $315, 318, 324 and 326/t. indicating the risks are starting to turn to the upside. **We expect any rally in ICE Gas Oil to initially hit resistance at $295/t or $305/t.**"

Uncovering real local heroes

Hartlepool headquartered Oil NRG decided to show support for those that go ‘above and beyond’ by inviting their regional customers to nominate local heroes to win 500 litres of heating oil. Little did they anticipate the amazing stories they would hear.

As Jeremy Royle, managing director Oil NRG said; ‘It became clear from the incredible response we had that not all superheroes wear capes and with many deserving nominations, we had a hard decision to pick a winner.’

The competition was open to anyone making a difference in their local community and Oil NRG customers were able to show their appreciation for a wide range of people including those keeping local shops open, foodbank helpers, nurses and care home workers and Oil NRG staff. In the end two winners were picked – Geoff Morgan and Anth Finegan.

Geoff’s son Robbie who recently turned 18, showed an early interest in 3D printing so his Dad bought him a 3D printer. When the pandemic hit Robbie

Robbie Morgan stands alongside blood biker Paul Lumley

realised that he could make highly sought-after PPE face visors for frontline workers and to date, has made more than 5,000 all at great personal cost, from the family home in Swainby North Yorkshire.

A life-saving charity, Blood Run Cleveland, teamed up with Geoff and Robbie to distribute the visors. The second winner was Anth Finegan, chairman of the charity who with his team of volunteers, have so far, supported 184 different partners across the North East of England.

In addition to their prizes Oil NRG further supported the winners by sharing the inspiring story with a link for frontline workers to request PPE and a Go Fund Me page to support the significant cost of producing these visors,

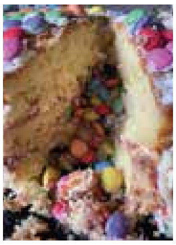
The Go Fund Me link is below: https://www.gofundme.com/f/3d-printed-ppe-visors-for-essential-workers

Silvey Fleet’s Lockdown Bake-Off

Making the most of its team of keen bakers, Silvey Fleet, Bristol, held an online bake-off competition.

A spokesperson said; “Last week, the Silvey Fleet team donned their baking aprons, and using webcams, we all showed off our bakes.”

Cakes proudly displaying the Silvey logo were amongst the runners up, but the winning cake featured what is quickly becoming the symbol of hope and thanks to the NHS and key workers during lockdown – a rainbow.



“We are pleased to announce that Holly on our Operations team won with her fantastic rainbow smarties cake!”

As well as being decorated externally with multi-coloured Smarties, the middle of the cake also held a rainbow-coloured surprise. With the prize money donated to a charity of the winner’s choice, £150 was donated to Southmead Hospital Charity.

One of Silvey Fleet’s core values is to support the wider community, so giving money to charity is close to their hearts. They also continue to donate £200 worth of food to foodbanks each month during this time.

Silvey Fleet remain fully functional, with all staff working from home. The close-knit team meet online every day as well as enjoying a weekly quiz hosted each Friday by a different team member.

WCF Fuels gives back

WCF Fuels North West shows its appreciation to all key workers by offering discounts on fuel deliveries.

A WCF Fuels spokesperson said; “We have been adjusting to uncertain and difficult times with the global pandemic and lockdown restrictions, but we haven’t forgotten just how important our customers and all frontline and key workers are.”

To show appreciation, WCF Fuels is offering £20 vouchers to all key workers, towards fuel deliveries booked in May. Additional £20 discounts will also be applied if the same customer orders again in June and July.

During deliveries key workers will also see the ‘Thank you NHS’ stickers applied to several WCF Fuels tankers. The rainbow has become a symbol of gratitude and appreciation of key workers and the National Health Service.

Each month the total discount applied will be calculated and donated to nominated charities including local foodbanks, the NHS, hospices, animal shelters, zoos and many more.

A WCF Fuels spokesperson commented; “Our drivers and office staff have gone above and beyond at all times and with their outstanding efforts we are able to give something back. Our amazing customers have supported and respected us throughout, and we couldn’t be more grateful.

“We believe we will come out stronger together and continue to support each other.”

PORTLAND MARKET REPORT

MAY IN VIEW

IN A WORLD ON ITS KNEES, THERE IS NO OUTLET FOR CHEAP OIL, BECAUSE THERE IS NO ECONOMIC GROWTH TO ABSORB IT.

Under normal circumstances, May 2020 would be classified as a very volatile month when it comes to oil markets. Prices swung wildly on most days – often moving by over 1 pence per litre (ppl) in the morning, only to end the day 1ppl down by close of play! However, such was the market craziness experienced in both March and April of this year, May – by comparison – would have to be considered as a pretty steady month!

The headline was that oil prices fell no further than the lows of April and actually slightly recovered to around the $30 per barrel mark. Would a period of pricing serenity provide vital breathing space for the industry to evaluate the situation? Urm…that's not really how oil markets work! You move hard, and fast…and the slow movers normally die. So the oil majors such as Shell and Exxon, immediately cancelled a quarter of their capital projects. The oil service giants, such as Halliburton, Baker Hughes and Schlumberger – always at the forefront of price downturns – halved their spending in North America and massively cut investor dividends (by 75% in Schlumberger's case). The shale industry, which had already seen a 50% increase in the number of bankruptcies in 2019 (ie, when prices were high) just went into total freefall, laying off thousands of workers and taking hundreds of drilling rigs "off-hire".

Private business is just that though – private. As painful as shutdowns may be for employees and shareholders, the travails of the private oil business rarely affect the whole population. The same cannot be said for those countries that are totally and utterly reliant on their oil production. For all of Saudi's chutzpah back in February (when they declared they could survive and even prosper in a world of low oil prices), the fact remains that the country requires $80 per barrel oil to balance ballooning national budgets. Furthermore, the recent OPEC deal has meant the kingdom had had to cut production by 25% (less revenue), whilst massively discounting their oil, in order to fight Russian encroachment of Asian markets.

The situation is even worse with fellow OPEC members Iran and Venezuela. Already hammered by US sanctions and reliant almost entirely on oil exports to prop up their respective economies, a sub $30 per barrel oil price inevitably means increased social unrest. In Africa, the oil industry has been one of the few economic bright spots over the last 10 years – providing jobs, economic stability and a focus for international inward investment. But now the flow of money has rapidly dried up and countries such as Nigeria and Angola are facing up to spiralling debts coupled with precipitous cuts to foreign investment, as oil revenues dry up. In a continent where the financial muscle and infrastructure capacity of the oil industry could play a very real role in alleviating the effects of Covid-19, this sudden decimation of the industry is disastrous.

ONE DEVASTATING QUESTION REMAINS: WHAT HAPPENS WHEN OIL STORAGE CAPACITY RUNS OUT?

Even in the developing world, the price shake-out will irretrievably change economies. North Sea oil as we know it will not survive at these low prices, because mature oil fields require complex and costly engineering processes to bring the stuff out of the ground. Those players that have diversified into offshore wind power, look to have made a fairly prescient choice. In Canada though, little diversification has taken place and as a result, Alberta's oil sands look doomed. Oil production in this part of the world has the quintuple misfortune of being landlocked, costly to produce, low quality, hard to ship and a general public (outside of Alberta at least) that doesn't care for it (memories are short of course – it was Albertan oil sands that spared Canada from the ravages of the 2008-09 financial crisis). With prices for tar sand oil consistently sitting below $10 per barrel, the inevitable likelihood is that this product will stay underground, as wells are capped and "shut-ins" of production take place.

In the midst of this industry blood-bath, there is still one further devastating question that remains and haunts the whole industry. What happens when oil storage capacity runs out? In April, such was the extent of US supply outstripping demand, that storage space actually ran out. With nowhere to put their oil, producers were forced to pay to have their oil taken away (in the same way that a restaurant would have to pay to have their waste collected). This nightmare scenario remains a global possibility and would be utterly catastrophic for the oil industry. There is no reliable data on the total number of oil storage tanks in the world (and their associated capacity), but it is estimated that global tanks are filling at a rate of 600m barrels per month and will be full (at current rates) by the end of June…

Something has to give and give it must, because oil is worthless if it can't be put anywhere. Portland's customers have frequently been asking when the oil price will rebound or have even sometimes insisted that the "price must recover soon". But the question remains why? Back in 2014 (the last price crash), low prices stimulated increases in demand, because a booming economy saw the opportunity to buy cheap oil to fuel further economic growth. But in a world on its knees, there is no outlet for cheap oil, because there is no economic growth to absorb it. Yes, it is true that demand may now be tentatively recovering (as countries gently creep out of lockdown), but as long as supply outstrips demands so spectacularly, then prices will remain in the doldrums. Which means that oil producers – on some kind of kamikaze "joyride" – are heading to the wall. The leanest, the meanest and the cheapest will survive. But the damage elsewhere will be very, very messy.

For more pricing information, see page 22

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

Budget 2020: The future of the red diesel fuel subsidy

PRIOR TO THE BUDGET ANNOUNCEMENT IN MARCH THIS YEAR THERE WAS A LOT OF SPECULATION THAT THE GOVERNMENT WAS POISED TO SCRAP THE RED DIESEL FUEL SUBSIDY RAISING FEARS AMONGST THOSE WHO SUPPLY OR RELY ON THE REBATED FUEL.

Rising fears

Reports that those 'close to' Rishi Sunak were suggesting that the chancellor was prepared to end the 10-year freeze on fuel duty and to scrap the tax relief on red diesel resulted in fears that the concessionary rate of 11.14 pence per litre would be replaced by the derv duty of 57.95ppl – a hugely significant rise by any standards

Christopher Snelling, head of UK policy at FTA commented at the time; "As the business organisation representing the logistics sector, FTA is urging government to reconsider its decision to increase the tax rate on red diesel as this will be very damaging to the businesses that rely on the fuel to keep vital products and services moving across the country when it comes into force."

The National Farmers' Union (NFU) also joined the calls for the subsidy to be retained highlighting concerns that the cut would have added to agriculture's financial pressures at a time when the industry was also preparing to lose its EU subsidy payments due to the outcome of the Brexit vote.

The outcome

During his official budget announcement chancellor of the exchequer Rishi Sunak, having heard industry representations, undertook to exempt agriculture, fishing, rail and domestic heating from any subsidy changes, but took the opportunity to announce a wider reform for red diesel with a consultation to be launched later this year. The subsidy, described by Mr Sunak as a '£2.4bn tax break for pollution', will be abolished 'for most sectors' but this will not take effect until 2023.

This means that any industrial, construction, mining or quarrying, power generating, and oil or gas extraction use would be subject to the changes, to be introduced after 'due consultation' with the affected parties. To put this in perspective, the total gasoil consumption in the UK last year was around 5.3 million tonnes, equivalent to circa 6.3 billion litres, of which 'exempt' usage represents approximately half the total.

NFU president Minette Batters responded to the budget; "The most significant decision today for British farmers is the announcement to retain the relief on red diesel. Changes to this duty could have virtually doubled fuel costs for farmers and, with no current alternative fuel for agricultural vehicles, this would have left farms immediately uncompetitive with many other countries who continue to provide lower fuel duty for their agricultural industries."

Whilst many in the fuel distribution sector joined the NFU in welcoming the exemptions Matt Greensmith, managing director of Crown

Oil, which has been supplying red diesel, gas and kerosene for over 70 years, pointed out; "The decision to close the red diesel tax loophole will add up to £5000 to the cost of building every new home due to the red diesel used by bulldozers, generators and diggers in construction and will also double the cost of running emergency generators at NHS hospitals."

Following the budget announcement Guy Pullham, UKIFDA CEO, was also concerned for the effect on construction; "We are disappointed though that the red diesel fuel duty relief freeze was not extended to the construction industry especially as a large amount of infrastructure projects were announced in the budget."

It appears that for now, the agricultural sector which relies on gasoil with tax relief, can continue without fear over subsidy removals. It will be interesting to see if this is extended to the construction industry over the next two years.

CCUS – how does this fit into the UK's net zero plan?

WITH THE INDUSTRY INCREASINGLY FOCUSSED ON THE PATH TO ACHIEVEMENT OF NET ZERO 2050 WE REVISIT CCUS TO SEE WHERE IT FITS INTO THE PLAN

Renewed momentum & urgency

The first serious 'foray' by government into support for Carbon Capture, Utilisation and Storage (CCUS) projects occurred under the 2010-15 Coalition Government which launched a competition, with a budget of up to £1 billion, for the development of CCUS projects 'at scale'. Two projects were in the running – one backed by Shell and SSE at Peterhead and the other at Drax power station backed by a consortium. In November 2015 the new Conservative Government cancelled the whole project for reasons that were never quite clear!

The ambitions established and agreed at COP21 in Paris gave renewed momentum and urgency to the need to capture global carbon emissions. This was one of the prompts for the Government to release its CCUS Action Plan in late 2018, with four key commitments:

- set out how to enable the UK's first CCUS facility.
- invest £20 million in supporting construction of CCUS technologies at industrial sites across the UK, as part of a £45 million commitment to innovation.
- invest £315 million in decarbonising industrial sites, including the potential to use CCUS.
- begin work with the Oil and Gas Authority, industry and the Crown Estate and Crown Estate Scotland to identify existing oil and gas infrastructure which could be transformed for CCUS projects.

Last year, St Fergus near Peterhead was highlighted by a Westminster taskforce as a key site to deploy CCS at scale – with the potential for hundreds of jobs. It is estimated that the north-east could store 75% of the UK's CO2 emissions if the investments were to go ahead.

With the added impetus provided by the government commitment in 2019 to achieve net zero carbon emissions by 2050, the March 2020 Budget contained a substantial new commitment to the deployment of CCS with at least £800 million made available to fund the necessary infrastructure. Specifically, this funding will be earmarked to support the development of two CCS clusters in the 2020s.

The UK emits about 400 million tonnes per year of CO2 and in its 'Net Zero' report, the Parliamentary Committee on Climate Change set out a scenario where between 75 million and 175 million tonnes of CO2 is captured and stored per year up to 2050. The main limiting factor is availability of suitable geological storage sites; there are many in both the North Sea and east Irish Sea, estimated to be capable of potentially storing CO2 quantities equivalent to 100 years of UK emissions. There is a view that if CCUS is to work globally on an industrial scale, it needs to work in the UK.

Fatih Birol, executive director of the IEA (International Energy Association) has expressed the view that CCUS is the most critical technology in the effort to reduce emissions and believes that oil and gas companies, with their substantial engineering and project management experience and 'deep pockets' should take the lead thus enabling pursuit of evolving technologies, such as CCUS. The IEA assesses that over 2,000 CCS facilities are required globally by 2040 to meet COP21 climate targets; currently, there are only 19 large scale plants!

Initiatives from the major oil & gas companies

We take a look below, at some of the initiatives and projects being pursued by the major oil & gas companies.

The Clean Gas Project on Teesside has among its participants, BP, ENI, Equinor, Occidental Petroleum, Shell, Total and OGCI Climate Investments (set up by the Oil & Gas Climate Initiative).

The project, which will use CCUS technology to decarbonise local industry, will serve as a testing ground for the commercialisation of CCUS technology. In this case, building a transportation and storage system to gather industrial CO2, compress it and store it safely in a reservoir under the North Sea. It's hoped that the transportation and storage infrastructure will encourage new investment in the region from industries that wish to store or use CO2.

In addition, a combined cycle gas turbine (CCGT) facility with carbon capture technology will provide low carbon power as a complement to renewable energy sources and underpin the investment in the infrastructure.

With a start-up date of around five years, the project aims to capture up to six million tonnes of CO2 emissions each year.

BP is supporting the commercialisation of technology that captures carbon emissions by investing in UK tech firm C-Capture, which designs innovative chemical processes that can remove CO2 emissions from power stations and industrial facilities. The investment by BP Ventures, along with the owner of Drax power station and tech commercialisation company IP Group, has led a funding round to raise $4.6 million so that the firm can further develop its technology.

The company has also committed to an investment of A$20 million with Santos, Australia's second largest independent gas producer, which has begun engineering studies on a CCS project in the Cooper Basin in central Australia involving the injection of 1.7 million tonnes a year of CO2 into a former gas reservoir. This would eventually be expanded to 20 million tonnes per year.

Chevron has been actively involved in two very large CCUS projects, investing in excess of $1 billion – the Gorgon (Australia) gas field CO2 project (in which ExxonMobil and Shell are also participants), injecting up to 4 million tonnes per year into underground storage, and in Quest (Edmonton, Canada) operated by Shell.

The company is also a stakeholder in a start-up company called Carbon Engineering, in British Columbia, Canada, trialling a new process called direct air capture which sucks CO2 from the atmosphere by using chemicals and fans. The CO2 extracted can then be used to produce synthetic fuels to substitute for petrol, Jet A-1 or diesel.

ExxonMobil recently entered into an agreement worth up to $60 million with a company called FuelCell Energy, which specialises in providing clean, efficient and affordable fuel cell solutions configured for the supply, recovery and storage of energy. The technology can use carbonate fuel cells to efficiently capture and concentrate CO2 streams from large industrial sources. Its modular design capable of being deployed at a wide range of locations, offers the potential for a more cost efficient pathway for large scale adoption of CCUS.

The company is also developing sub-surface CO2 storage capability by leveraging decades of experience in the exploration, development, and production of hydrocarbon resources. This expertise is key to permanently storing CO2 deep underground in a safe and secure fashion.

Apart from the Clean Gas Project, Gorgon in Australia and Quest in Canada, Shell is also involved in Northern Lights, a project backed by the Norwegian Govt. to drill test wells in the North Sea to find suitable places to store CO2. Other project partners are Total and Equinor (operator). The CO2 will be shipped to an onshore terminal from which it will be piped to the subsea wells. The project will also create the first large scale CCS facilities in waste-to-energy and cement production.

The company is also actively involved in Project Acorn in St Fergus, Scotland, to develop ways of transporting carbon emissions from point of capture to storage. It will seek to repurpose an existing gas sweetening plant which has an established offshore pipeline infrastructure connected to an offshore basin deemed to be a suitable storage opportunity.

Total, in addition to its involvement in Northern Lights (above), is also a participant in a project, along with 11 European stakeholders, called DMX, Demonstration in Dunkirk, which aims to demonstrate the DMX process' effectiveness on a pilot industrial scale. This will involve preparation of the implementation of a first industrial unit and design of a future European Dunkirk North Sea cluster. The process uses a solvent which reduces the energy consumption for capture by some 35 % compared with the reference process. Planned to be operational in 2025, the proposed industrial unit at the ArcelorMittal site in Dunkirk will have capacity to capture more than one million metric tons of CO2 a year. It is estimated that the Dunkirk North Sea cluster should be able to capture, pack, transport and store 10 million metric tons of CO2 a year and is planned to be operational by 2035.The cluster will be backed up by the packing and transport infrastructures for storing CO2 in the North Sea developed by other projects such as the Northern Lights.

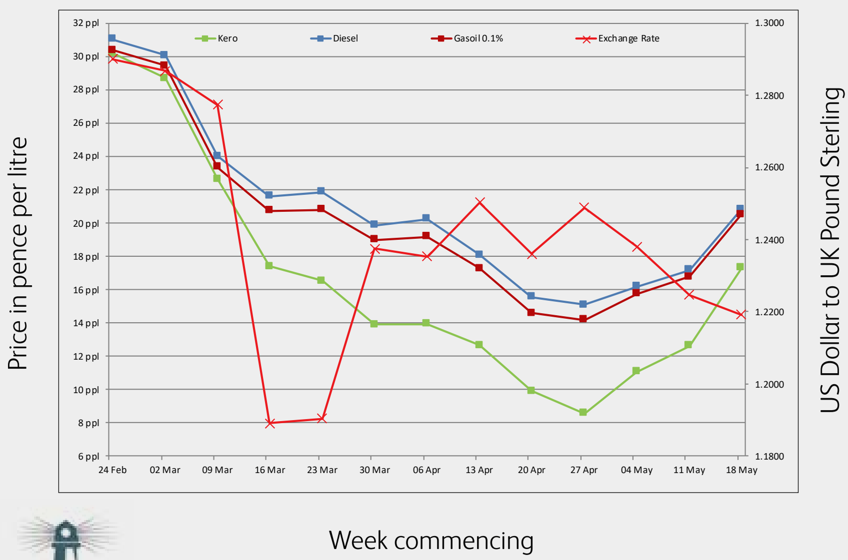
THE FUTURE FOR CCUS

At this juncture, it is difficult to gauge how the impact of the coronavirus pandemic on government and company finances will affect future pursuit of CCUS projects. What is certain is that the fundamental imperative of reducing GHG emissions in order to meet COP21 targets remains unchanged and the IEA has identified the critical role this technology has to play in achieving these. It has also highlighted the gap between where we are now vs. where we need to be by 2040 in terms of facilities that need to be in place. The challenge is not insubstantial!

Wholesale Price Movements: 19th April 2020 – 18th May 2020

	Kerosene	Diesel	Gasoil 0.1%
Average price	10.95	16.34	15.65
Average daily change	1.09	1.02	1.01
Current duty	0.00	57.95	11.14
Total	10.95	74.29	26.79

All prices in pence per litre



Kerosene

Highest price	Biggest up day
17.31 ppl	+2.84 ppl
Mon 18 May 20	Mon 18 May 20
Lowest price	**Biggest down day**
7.16 ppl	-3.09 ppl
Mon 27 Apr 20	Tue 21 Apr 20

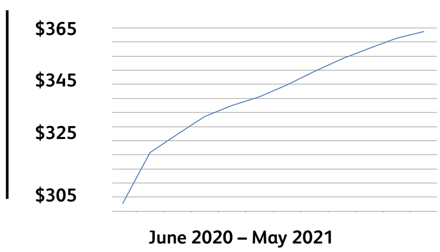
Diesel

Highest price	Biggest up day
20.83 ppl	+2.29 ppl
Mon 18 May 20	Mon 18 May 20
Lowest price	**Biggest down day**
14.03 ppl	-2.68 ppl
Mon 27 Apr 20	Tue 21 Apr 20

Gasoil 0.1%

Highest price	Biggest up day
20.51ppl	+2.40 ppl
Mon 18 May 20	Mon 18 May 20
Lowest price	**Biggest down day**
12.89 ppl	-2.69 ppl
Mon 27 Apr 20	Tue 21 Apr 20

Gasoil forward price in US$ per tonne



The Fuel Oil News Price Totem

	Trade average buying prices			Average selling prices		
	Kerosene	Gasoil	ULSD	Kerosene	Gasoil	ULSD
Scotland	13.87	30.12	77.82	15.81	32.18	80.87
North East	12.82	28.75	76.90	15.37	30.63	79.13
North West	14.39	31.35	79.29	16.30	33.18	81.30
Midlands	12.89	29.28	77.36	14.62	31.14	79.79
South East	12.99	29.24	77.34	16.58	32.49	79.44
South West	13.34	29.08	77.18	15.70	30.93	79.10
Northern Ireland	13.45	30.45	n/a	15.21	32.78	n/a
Republic of Ireland	27.21	35.88	78.76	29.75	38.00	81.25
Portland	11.20	26.80	74.05			

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 https://portland-fuel.co.uk/pricing.

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