Fuel Oil News

NOVEMBER 2019

VPOT

REFINING AND WHOLESALE DEVELOPMENTS

HYDROGEN

Realistic decarbonisation goals

The Labour Party's game changer plan to decarbonise the UK's energy, which will reputedly create 850,000 new skilled green industry jobs, has been given the seal of approval by Unite, the largest union representing energy workers.

With no reference to biofuels in the future home bioenergy mix, Labour's '*Thirty by 2030*' report understandably disappointed UKIFDA, which remains very '*concerned that a focus on the electrification of heating could increase fuel poverty across the UK*.'

On the same day as the report was released my colleague Peter Clayton, deputy editor of *Oil Installer* and I, had been invited to Clay Cross in Derbyshire to see a Worcester Bosch biofuelled oil boiler in action. A modern facility with its eye on the future, this year has seen the production of over 27,000 new oil-fired boilers.

The aim of the demonstration biofuels boiler, which is monitored alongside a conventional kerosene boiler, is to show policy makers, engineers and installers just what can be achieved by using waste products to help lower carbon levels.

OFTEC trials have already established that a high percentage of existing oil-fired boilers will require little or no modification to run on B30K or higher.

However, with industry finding it very hard to influence politicians who do not appear to want to listen, will refiners, storage terminals, fuel distributors and householders be prepared to invest without the necessary backing from policy makers?

Fighting hard for the industry, UKIFDA is now calling on Labour politicians to sit down with industry representatives to discuss how a pathway for the introduction of liquid fuels can provide a practical, affordable and effective solution.

Taken by a drone, this aerial view of Valero's Pembrokeshire Oil Storage Terminal shows some of the site's 53 storage tanks. The site, which is close to Valero's Pembroke refinery affords easy access to Dublin, Belfast, Cardiff, Avonmouth and Plymouth and beyond. (Image taken by Skycam Wales)

Fuel Oil News

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

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All change in marine fuels

In September, Fuel Oil News attended the Argus Marine Fuels Forum which took place during London's International Shipping Week 2019.

With '*really scary headlines warning of massive price increases*' for marine fuels, the many delegates who attended were looking for guidance for 2020 and beyond from speakers Tracy Vowel, Matt Wright and Andy Bonnington.

Keen to reassure delegates that the marine fuels market will '*inevitably adjust to the forthcoming changes*' as pricing relationships better evolve, markets will start to emerge, High Sulphur Fuel Oil (HSFO) demand is expected to dramatically decrease with the needs of cokers and power generation helping to balance its reduced consumption. Any surplus HSFO may be eroded by scrubber uptake and refinery investment in residue desulpherisation.

Industry opportunities

Having spoken extensively with traders, shippers, producers, suppliers and blenders, the feeling at Argus is that given '*a flexible marine fuels market and no one-stop solution*', this fundamental change does present opportunities for the industry.

On 26th August, Argus launched the first delivered bunker fuel contract in the world which has the ability to hedge physical exposure to the spot bunker market. On 9th September, the day of the seminar, Apex and Argus signed an agreement to launch a low sulphur oil derivatives market whereby derivatives will trade and clear on APEX.

Without doubt IMO 2020 is the most talked about development in the marine fuels industry for years. The sheer scale of the changes which will impact on the millions of tons of bunkers per month conducted across the world's key hubs was detailed.

European markets

With respect to Rotterdam and the European markets where security of supply and fuel quality are very important, uncertainty as to how the 0.5% market will trade means that the Argus team envisage more gas oil being used. Delegates were also asked how they wanted this market to be assessed with the option of barge or delivered onboard.

Marine gas oil will become far more important and it is also expected that a refinery's sweet/sour spread will widen from Q4.

Looking at Very Low Sulphur Fuel Oil (VLSFO), including low sulphur residue blends and low asphaltene blends, Argus sees far fewer refiners producing the latter. Low residue blends are expected in Europe where there is an incentive to produce less gasoline. There are however concerns that VLSFO blends will not be the same with variations in high and low viscosity.

Despite IMO 2020 changes fast approaching, the likelihood of predictions made at the forum being '*wrong within a week*' was considered to be high. Indeed, the possibility of price dislocation in the marine fuels market was thought to be a strong possibility for up to five years.

Looking beyond 2020, it remains to be seen how long it will take before the marine fuels market reaches equilibrium. Whilst '*LNG shipping is not expected to feature massively in 2020, it does have legs for the longer term*'. Pointing out that a lot of orders were placed for LNG ships in 2018, ports will be encouraged to co-operate in reducing their GHG emissions under the requirements of the Existing Energy Efficiency Design Index (EEDI) which comes into effect in 2022. Additional GHG emissions requirements are also possible from 2025.

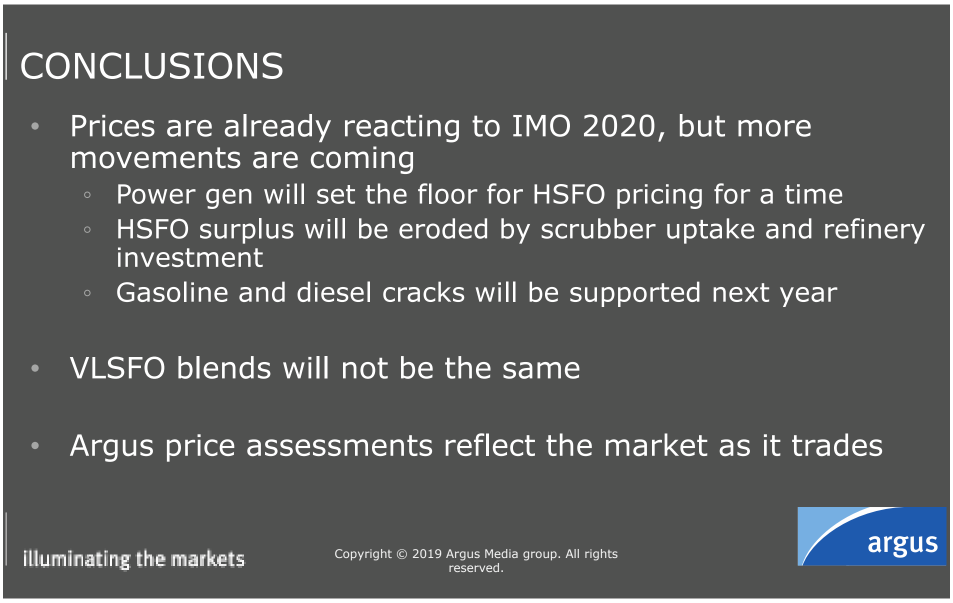
Non-compliance

A concern to many delegates, policing non-compliance remains an issue. Asked how the market will ensure compliance, the answer was that non-compliance is inevitable. Our vast oceans mean that in some of the more remote areas of the world, even outright, deliberate non-compliance could be hard to detect and prove. That said it will be much harder to cheat in the major hubs such as the US, Singapore, Rotterdam and China.

IMO 2020 transition timeline
fueloilnews.co.uk/2019/08/argus-and-imo-2020/

"As a supplier into the European fuel bunkering market, Slicker Recycling is very interested in understanding the impact of IMO 2020," said Gary Smith, operations director.

"The information presented at the Argus Fuels Forum covered a wide range of potential influences and outcomes on the marine fuels' environment not only in Europe but globally. It certainly gave some indication of the direction of current pricing and purchasing trends with the increase in use of 0.5% VLSFO."



Portland Fuel – making sense of oil and energy markets

Fuel Oil News would like to take this opportunity to congratulate the Portland Fuel team on its recent 10th anniversary.

Set up in 2009 by James Spencer, who now has over 25 years of experience working in the downstream fuel market, the company's aim has always been to '*make sense of oil and energy markets*'.

Fuel Oil News would also like to thank Portland Fuel for their most illuminating and insightful industry reports, adding to a Fuel Oil News subscriber's knowledge every month; these reports have certainly helped make '*complicated things simple*'.

"To mark our 10-year anniversary, our last two monthly reports have focused on how both oil and energy have changed over the last 10 years," said James.

"Reporting on what has happened in the past is easy though, so this month we turn our attentions to the next 10 years and how oil and energy will shape up over the next decade."

Go to page 11 for this month's Portland report, which '*starts with mobility and the inevitable prediction that petrol and diesel cars (Internal Combustion Engines = ICE), are on their way out*'.

Powered up by an oil-boiler backpack

OFTEC-registered Ben Kennedy of BK Boiler Services, who installs and maintains oil-fired boilers in Northern Ireland, took a rather novel approach to fundraising when he and a team of 9 men decided to carry a Turco oil boiler up Mount Errigal.

With Ben's wife Rebekah suffering from ankylosing spondylitis (AS), Ben's desire was to raise both awareness and funds for the National Ankylosing Spondylitis Society (NASS).

"Being mostly wet and sticky bog in the early part of the climb, it was hard enough to walk let alone carry our boiler," said Ben.

"Taking turns to carry and lift the boiler, which was fitted with a special framework, we made sure that when one man tired, he was replaced with another. At times we needed all 10 men to lift the boiler over very rough terrain.

"Errigal is a funny mountain which goes from grass to bog then to rough and rocky. We had hoped to reach the very top, but faced with some very challenging terrain, it was deemed unsafe for us and our fellow climbers.

"I was very proud of Rebekah, who undertaking her first mountain climb, supported me all the way. I would also like to give special thanks to Turco, friends, family and colleagues. I was also very thankful that after 5 hours of climbing, we all made it down in one piece , with the boiler intact, to enjoy a massive barbecue.

Reflecting on the day Rebekah said to me:

"Even if we didn't make it to the top, it's still easier to carry a boiler up a mountain than it is to be diagnosed with AS."

The efforts of Ben and friends have so far raised a total of £2800 – **https://www.justgiving.com/fundraising/boilerbackpackforas**

Tanker showcase

Keen to build relationships and raise Cobo's profile within the Irish market, the Spanish-based tanker manufacturer recently offered a trip to visit Cobo's factory in Santander.

Representatives from Renault Trucks, Jones Oil, Irish Tar, KC Commercials. T Nolan, Doran Oil, Donegal Oil, Fleming Transport, Delaney Commercials, Duffy Transport, O'Dwyer Transport and O'Keefe Oil all found the visit to be a well-informed and enjoyable experience.

Joby Clark, who looks after sales at Leeds-based Cobo Tankers and Services, was very pleased to showcase the factory to the invited guests who were introduced to Cobo's world-class Spanish facility by Fernando Gomis Garcia.

"When visitors have first-hand experience of the engineering expertise that goes into a Cobo tanker, we really do feel that having viewed the facility with their own eyes and had the opportunity to ask questions, they are reassured as to the factory's capabilities, which gives further confidence in our product," said Joby.

Welcoming Irish visitors to Cobo's Santander facility are Joby Clark and Fernando Gomis Garcia, pictured in front of two recent tanker builds for Local Fuels brand Power Petroleum which supplies kerosene, gas oil and red diesel to customers in East and West Sussex, Kent and Surrey

Grant oil boiler – Which? Best Buy for three years running

All of Grant's Vortex Pro Utility oil boilers have once again achieved Which? Best Buy status.

Thrilled to have the high-quality build of its Vortex Pro Utility models recognised, Grant Engineering fully appreciates that receiving the accolade of Which? Best Buys in 2017, 2018 and 2019 plays an important role in the decision-making process for householders researching new appliances for their home.

Consisting of models with outputs ranging from 15kW up 70kW, the award winning is a popular choice for both installers and homeowners alike. Each boiler incorporates the latest low NOx burner technology and the patented Vortex stainless steel heat exchanger, delivering cleaner home heating and helping to drive down fuel costs. The range can achieve gross seasonal efficiencies of up to 93.3% (SAP 2009) and with the smallest model being just 348mm in width.

"Grant Engineering is very proud that their oil-fired boilers have once again performed so well in the latest Which? Boiler Report," commented Grant UK's managing director, Paul Wakefield.

Grant boiler crowned Which? Best Buy for the last three years

"Since the company was founded over four decades ago, Grant has strived to listen to customers and develop innovative heating products in response to the needs of engineers and householders.

Banning gas

A Tory plan to ban gas boilers in all new homes from next year has been slammed by GMB, the energy union.

Currently 80% of the UK's 26 million homes are heated by gas with 1.5 million new gas boilers fitted each year.

Whilst recognising net zero commitments, GMB sees gas being essential to meet UK energy demands for many years to come.

"If the UK is going to eventually retrofit the 26 million existing homes across the UK to be made low carbon – which is UK infrastructure policy – legislating for home builders to not install perfectly good heating systems, as opposed to expensive-to-run ground source heat pumps is ridiculous," said GMB national officer, Stuart Fegan.

"GMB fully supports better thermal efficiency in terms of retrofitting of homes and new builds. However, we already have the a highly skilled workforce of gas engineers and related disciplines able to meet the challenge of converting our gas network from methane to green gases such as hydrogen.

"The Conservatives have cooked up this plan without meeting the workforce or their unions. It's chaotic. They clearly do not care about fuel poverty – and the British public won't stand for it."

Wholesale and refining

AUTUMN IS THE TIME OF YEAR WHEN FUEL OIL NEWS TAKES A LOOK AT DEVELOPMENTS IN THE WHOLESALE AND REFINING MARKETS

This year our request for comment came just after the attacks on two major Saudi Arabian oil facilities. Whilst the immediate aftermath saw oil prices hit a 13% spike, by the end of September Brent crude had dropped back to $60/bbl. Fearing further issues, Saudi Arabia's crown prince has since warned of oil prices with '*unimaginably high numbers*'.

With Brexit now extended to 31st January 2020, fuel distributors will be looking for further reassurance that their customers' fuel requirements will be met over the winter months.

Positive comments below promise supply resilience for customers no matter what the scenario. Stressing the ability to balance stocks, adapt to market conditions and respond quickly to customer demand, suppliers are eager to help customers navigate through an ever more complex landscape, and being well-prepared for any Brexit scenario, the expectation is to continue to supply customers as normal.

"Our supply chain skills and infrastructure capabilities set us apart in the market," explained Caroline Lumbard.

GREENERGY sources lowest-cost products from around the world and imports them into the UK to store, blend and supply to customers. Essential over many years as UK fuel imports rise to satisfy domestic demand, these import capabilities also come into play in times of market uncertainty – be it regulatory such as Brexit or rapid market movements such as have been seen following tensions in the Middle East.

"Our supply chain skills and infrastructure capabilities set us apart in the market," explained Caroline Lumbard, UK trading director.

"We purchase from refiners all over the world and receive nearly 600 shipments of fuel into the UK and Ireland every year, delivering into our 10 stock-managed terminals. As a result, we are uniquely placed to ensure competitive pricing and supply resilience for our customers, no matter what the scenario."

With experience of purchasing and handling imports from around the world and flexibility in its product purchasing, Greenergy is able to respond quickly to market volatility to ensure supply resilience for customers.

In business for over 27 years, Greenergy is the UK's largest independent fuel wholesaler and the UK's only national fuel supplier.

Despite a changing and challenging market, fuel wholesaler **MABANAFT** remains in a strong and stable position.

"We are continuing to expand in the aviation sector, supplying 11 UK airports and extending our footprint into Europe and the USA," said Martin Cook.

"We also expect diesel to remain an important income stream for the foreseeable future, particularly in the commercial haulage sector. Our recent acquisition of Junction 29, a top-tier independent truckstop, will be part of a portfolio of truckstops that strengthens our presence in this market.

Global politics and conflict have always exerted huge influence on the supply and price of fuel. For example, the recent attacks on Abqaiq and Khurais in Saudi Arabia cut global supply by 5% and had an immediate impact on global markets. However, Mabanaft has always been extremely good at balancing stocks and we were able to supply a number of customers in the immediate aftermath of the attack.

As a lean and agile business, we are able to adapt to market conditions and respond quickly to customer demand. Being part of Marquard and Bahls AG also allows us to leverage partnerships within the group and punch above our weight. Now, as Brexit looms, we will be continuing to support our customers by providing assured reliability of supply, competitive pricing and the highest standards of customer service."

Continued on page 10

"We will be continuing to support our customers by providing assured reliability of supply, competitive pricing and the highest standards of customer service," said Martin Cook.

Continued from page 9

Prax Jarrow – "We can support customers with the provision of a variety of pricing options and risk management tools to better protect their businesses," said Stephen Rhodes.

As we progress towards a low carbon economy in the UK, oil products will continue to be a vital factor in supporting wider economic prosperity as well as playing a supporting role in reducing harmful environmental emissions in the years to come.

A leading importer and wholesaler of petroleum products, **HARVEST ENERGY** is well- placed to support consumers in tackling the fundamental requirement to reduce harmful emissions, and the embracement of electric power as part of the future energy mix, along with more traditional oil products.

"At Harvest Energy, we are able to accommodate key developments for the downstream petroleum sector," said Stephen Rhodes, the company's sales director.

"Our positive approach is demonstrated by our efforts to introduce and install EV charging points at our retail service stations to support this growing downstream demand. Additionally, we endeavour to maximise the use of biofuels as part of our wider blending of road fuels products, and we are eager to work closely with our customers to help them navigate through this continuous and ever more complex landscape."

Other low emission products being introduced by Harvest Energy include Hydrotreated Vegetable Oils (HVO) as a drop-in alternative to diesel or gasoil.

Despite such forward-thinking advancements, the economic and political environment continues to remain extremely volatile both at home and abroad, the impact of which is resulting in significant oil price and FX instability – as demonstrated in the immediate aftermath of the attacks of the Abqaiq refinery and the Khurais oilfield.

"Whilst we accept that such an environment is very unlikely to change in the immediate future, we can support customers with the provision of a variety of pricing options and risk management tools to better protect their businesses to potential financial exposure in such a climate," added Stephen.

"By teaming up with Harvest Energy, customers can be assured of a leading supplier who is responsive to market developments and new opportunities as they arise."

At the end of 2019 TLOR will begin work on its next project – improving the product quality of the facility's HDS3 unit

This summer, **TOTAL LINDSAY OIL REFINERY** (TLOR) completed a turnaround and inspection to upgrade the units to produce higher quality low sulphur fuels and improve energy efficiency. We continue to invest and adapt our assets to meet the energy demands of the market. At the end of 2019 we will begin work on our next project on the HDS3 unit to improve product quality to be realised by 2021.

The energy industry is facing some uncertainty at present both for the UK and internationally, the latter resulting in some significant price volatility. TLOR is well prepared for any Brexit scenario and we do not anticipate there will be fuel production or logistic problems. We fully expect to continue to supply our customers as normal.

Firmly on the agenda in the UK is the timing for the introduction of E10 – petrol with up to 10% bioethanol. TLOR will be ready to start supplying this grade whenever it is required but we believe this needs to be government led in order to ensure a smooth transition.

The IMO global cap of 0.5% sulphur in marine fuels from January 2020 is a significant challenge to the worldwide refining industry. Total LOR has been preparing for this with our first full scale batches being made from September onwards.

LOOK OUT FOR YOUR COPY OF THE 2020 STORAGE AND TERMINALS MAP – FREE WITH THE JANUARY 2020 ISSUE

PORTLAND MARKET REPORT

"HYDROGEN GENERATED FROM ATMOSPHERIC C02 SEQUESTRATION AND MANUFACTURED BY OIL REFINERIES WILL BECOME THE NEW AVIATION FUEL"

November update

Let's start with mobility and the inevitable prediction that petrol and diesel cars (Internal Combustion Engines = ICE), are on their way out. By 2025, the majority of passenger cars coming off production lines will be electric (Ford have targeted 2022) and by 2030, this will manifest itself with the majority of cars on the road being EV (Electric Vehicle). These cars will not be Tesla or any other industry disrupter and instead will have the usual brand marquees of Ford, VW, Toyota et al. These automotive giants know full well that they have to adapt to survive and have the scale and depth of pocket to do so. In fact, one of the most poorly guarded secrets within the automotive sector is that the major manufacturers are more than ready to make the change to electric today. However, they fear the cannibalisation of their existing petrol and diesel models and therefore only a controlled roll-out of EV's will preserve market share, protect revenues and allow existing manufacturing plants an optimal transition to electric production.

Buses will follow a similar route to passenger cars, with the vast majority of urban buses running on electricity by 2030. This will be aligned with all major European, North American and Chinese cities becoming emission free by 2030. A small number of urban buses (typically older models), alongside coaches that operate outside of city limits will be either diesel hybrids or LNG. Trucks on the other hand will not be electrified by 2030 – or even close. Whereas buses will be forced by municipal authorities to make the necessary changes, the fragmented nature of the haulage sector means a much slower pace of change. For one, the procurement model for a truck is very different to that of a car, where consumers have largely decided that EV's are "cool" and are therefore willing to put aside potential operational concerns (low range, lack of infrastructure, questionable residual value etc). The purchase of a truck is whole different process and at £150,000 a pop, why would it not be?! No trucking company is going to buy a vehicle in the hope that the technological and commercial framework will be "sorted" by the time a new unit is delivered and this "chicken and egg" conundrum will delay any major transition away from ICE's. Instead, diesel hybrids and LNG will dominate the haulage sector.

Both the aviation and marine industries present significant decarbonisation opportunities, mainly because very little (and in the case of aviation, nothing) has yet been done to reduce the carbon footprint of both these sectors. Electric aviation is not even a reality in the laboratory, let alone as a wide-reaching solution for the estimated 140,000 daily flights that 2030 will bring. Therefore, aviation will continue with a liquid fuel solution, that will use much of the existing liquid fuel infrastructure. But the fuel will not be kerosene and instead, hydrogen generated from atmospheric C02 sequestration and manufactured by oil refineries will become the new aviation fuel. The challenge for ship propulsion will be finding a fuel that can generate enough residual power to shift a 400,000t, 18,000 container ship from Rotterdam to Singapore. The only viable alternative to standard fuel oil (the current fuel) is LNG and by 2030, about 50% of ships will be powered by this lower carbon fossil fuel. Such is the nature and age of the global shipping fleet, that the supply of standard fuel oil will continue, albeit on an annually diminishing scale.

Hydrogen will also make some inroads into the industrial power market, but the same problem will exist for heavy industry as shipping, in that no power source will provide sufficient energy for the production of the likes of steel, cement, chemicals, glass, bricks, ceramics etc (basically all the heavy industries covered by the EU Emissions Trading Scheme). Here the alternatives to fossil fuels will not come up to scratch, so two things will happen to these industries. Either they will transfer en-masse to countries where CO2 reduction is less important than economic growth (typically in the developing world) or they will have to comply with extremely penal domestic carbon tariffs and forced Carbon Capture and Storage schemes. Many industries could end up being nationalised as a result of this, in an attempt by local governments to maintain manufacturing capacity.

The future of nuclear power will remain in the balance, but wind power will continue its remarkable rise. By 2030, 25% of electricity generation globally will be wind derived, whilst a further 15% will be solar or other renewable. There will be no coal-fired power stations in either Europe nor North America. Although gas will see its grip on global power diminishing, it will continue to be the largest source of energy. Gas will retain its dominant position for domestic heating (along with a residual amount of oil in remote areas), will exist in power plants that have not yet fully depreciated and finally, it will also act as the main back-up power source for grids across the world (enjoying as it does the enduring quality of easily being able to be switched on and off). Finally, penal carbon taxing and carbon offsets will become the norm for both consumers and business, whilst overall CO2 reduction will be dramatically reduced by the universal adoption of smart energy grids. This system will rely on artificial intelligence and will efficiently match demand to supply in "real time" and thus avoid the ongoing problem of surplus (and thus unnecessary) power generation.

So, there you have it! Of course, we don't really know what 2030 will look like, but when Portland reaches its 20th birthday, we will dust this report down and revisit it for accuracy. Even if half of what we predict comes true, that would have to be considered as a half-decent job, considering just how much change we are currently experiencing in both the energy and wider political world. If any one of the above predictions comes to pass, then each one would be a seismic energy shift in its own right.

For more pricing information, see page 22

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


Our Humber Refinery now makes renewable fuel from waste oil
After 50 years of providing the UK with essential domestic, agricultural, industrial and road fuels, we're ready for 50 more. With renewables, lower emissions, and world leading premium coke formulations powering electric vehicles, we're looking forward to an even brighter future.
PHILLIPS 66
Providing Energy. Improving Lives.®

A natural fit for Valero

Having been invited to find out more about Valero's Pembrokeshire Oil Storage Terminal, Fuel Oil News editor Jane Raphael, was very pleased to meet with Jamie Dow, senior terminal manager, at the facility which is now affectionately known as VPOT.

April 2018 saw Valero acquire the site from SemLogistics. Situated across the Haven from Valero's Pembroke refinery, the facility is one of the largest petroleum products storage facilities in the UK with 8.5 million barrels of capacity for storing gasoline, gasoline blend stocks, naphtha, jet fuel, gas oil, diesel, and crude oil.

Speaking at the time of the acquisition, Joe Gorder, Valero chairman, president and CEO, commented:

"This facility complements our Pembroke refinery and fuel terminals in the UK & Ireland, making it a natural fit for the company. This purchase demonstrates Valero's commitment to Wales and the UK, and it aligns with our strategy to grow the logistics business and reduce secondary costs.

"With over 67% of VPOT's storage capacity being multi-product or dual purpose, this gives Valero the flexibility to meet customers' demands in the UK and throughout north west Europe," added Joe.

It was 1966 when Gulf Oil began building its refinery on this site. Opened by Queen Elizabeth II in August 1968 with the Royal Yacht Britannia in attendance; costing £35 million, the refinery covered 121.4h hectares and was Gulf's largest investment in Britain, producing 115,000 barrels per day.

Taking over the refinery in 1984, Chevron, closed it in 1998. The site was acquired by Petroplus for use as a 3rd party tank storage facility which was latterly operated by Sem Logistics whose headquarters are in Tulsa, Oklahoma.

Jamie Dow at the jetty area – VPOT recently welcomed its biggest vessel to date, a 156,000 dwt from the Middle East

Challenges and opportunities

Fuel Oil News asked if remedial work and/or new infrastructure had been necessary post acquisition to which Jamie replied:

"Having invested a substantial sum of money in the facility, the SemLogistics' tanks had been refurbished and well-maintained. For any third party terminal operator, it's absolutely vital to maximise the operational capacity at all times in order to be able to move swiftly with market conditions which can change quickly.

"Partnering our Pembroke refinery with its deep-water access, both sites are geographically well-positioned for supply to Ireland and the US markets.

"From here we also have easy access to Dublin, Belfast, Cardiff, Avonmouth and Plymouth so the location really does complement Valero's operation in the UK. This facility has not only given us extra capacity to fulfill these markets, it also strengthens the resilience of our supply chain when it comes to making sea deliveries.

"Additionally, VPOT continues to operate as a third-party storage facility, offering storage options for third-party customers across the European petroleum markets."

There are 53 storage tanks and because of the site's refinery legacy many of the ex-crude tanks have particularly large capacities up to 100,000 m3. Looking around the site Jamie reported that whilst '*no large infrastructure improvements are currently ongoing, improvements are always being considered as to how the present operation could be improved*.'

"Safety and compliance remain uppermost and we regularly review procedures and processes to see how we can do things more safely. Whilst also looking to keep our customers happy, we continually evaluate their needs."

Stopping to look at the jetty area, Jamie mentioned that VPOT had recently welcomed its biggest vessel to date, a 156,000 dwt from the Middle East. Although the refinery is blessed with a wider channel to accommodate such vessels, the Milford Haven site does require a regular dredging programme to prevent silt build-up.

TSA, Brexit and beyond

Following in the footsteps of previous owners, Valero is a member of the Tank Storage Association (TSA) with representatives attending TSA conferences to ensure they keep abreast of best practice, industry developments and new equipment.

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> "FOR ANY THIRD-PARTY TERMINAL OPERATOR, IT'S ABSOLUTELY VITAL TO MAXIMISE THE OPERATIONAL CAPACITY AT ALL TIMES IN ORDER TO BE ABLE TO MOVE SWIFTLY WITH MARKET CONDITIONS WHICH CAN CHANGE QUICKLY"

"The TSA is a great forum for us to ensure that we're not missing a trick. Being a member means we're very open to communications with other TSA members all of whom have a common goal in the running of safe and cost-effective operations."

As a third-party storage facility, Fuel Oil News asked what was being done to assist customers with Brexit.

"We are working with our customers to meet any particular needs, with some possibly wishing to store larger quantities of fuel in the run-up to the end of October. Whatever happens we will always look to adapt to our customers' needs and requests.

Like many people in the area Jamie has given 32 years to the oil industry, working in operations at Gulf Oil, Chevron, Petroplus the Sem Group and subsequently Valero. Valero fully appreciates the very experienced workforce gained with this acquisition which includes its own maintenance team, with larger jobs being contracted out.

"A handful of us have certainly seen things go full circle," said Jamie.

"Milford Haven itself has seen a massive demise in refining and production. This area was once home to four refineries. The downside of refinery closures is that it does increase the country's reliance on supply from other countries."

Looking to succession planning, Jamie is keen to keep up the momentum and the enthusiasm gained since the acquisition.

"We encourage staff to put ideas forward. There may only be a small percentage of ideas that come to fruition, but those on the shop floor are well-placed to see where things can potentially be improved.

"It's been a busy 16 months since the acquisition – there's never a dull moment in this job which offers plenty of variety. Valero responds quickly to ideas and will always look into new processes and procedures and, if economically viable or a safety improvement, they are prepared to move quickly."

Hitting rural Ireland hardest

CONCERNS FOR RURAL IRELAND HAVE BEEN A BIG TALKING POINT FOR FUEL DISTRIBUTORS FOLLOWING IRELAND'S BUDGET ANNOUNCEMENT THAT CARBON TAX WILL INCREASE BY €6 TO €26 PER TONNE REPORTS OUR IRISH CORRSPONDENT, AINE FAHERTY

Applied to automotive fuels from midnight following the announcement, carbon tax changes to other fuels, including heating oil, will come into effect in May 2020.

UKIFDA

At the trade association for the liquid fuels sector in Ireland, the UK and Ireland Fuel Distributors Association (UKIFDA) concern is focused on the effect the Budget's announcements will have on rural communities across Ireland.

"Rural households are being penalised by these increases," says UKIFDA's Irish representative Nick Hayes.

"On average rural households use more fuel in their vehicles, and in May next year those using heating oil will also be penalised. This is an anti-rural measure due to its dependence on liquid fuel as opposed to urban areas where mains gas is available."

According to UKIFDA 686,000 households in Ireland use heating oil. Around 5% of these households are in rural Ireland, where they are off the main gas grid and have little alternative to oil for home heating. It also estimates that 400,000 households in Ireland are already suffering from fuel poverty and any additional cost on their fuel will only make matters worse for them.

"THE MONEY SHOULD BE USED TO HELP MAKE MORE ENERGY EFFICIENCY MEASURES AVAILABLE TO RURAL COMMUNITIES"

Where will the extra taxation be spent?

UKIFDA chief executive Guy Pulham says the trade body will be pressing the government for detail behind these rises to learn where this extra taxation will be spent.

"We believe the money should be used to help make more energy efficiency measures available to rural communities, and, in particular, those on oil as they are the ones being penalised through the rises."

The UKIFDA belief is that funding created through carbon taxes on heating oil should be used in the short-term to encourage consumers to replace old boilers with modern condensing boilers, improve insulation, and fit smart metering controls which will all improve current emissions. It doesn't and shouldn't mean, forcing oil users to change to inappropriate, inefficient technologies.

"The increased taxation should be used to assist these households and not potentially create a deepening fuel poverty issue in Ireland," says UKIFDA's chief executive.

UKIFDA, which is fully aware of the need for Ireland to reduce its carbon footprint, wants to work with Paschal Donohoe and minister Bruton to help find a solution for the environmental concerns.

CIRCLE K

At Circle K, which operates a network of 160 company-owned service stations around Ireland, prices were duly increased at the pumps after the rise was announced.

'*Representatives at Circle K welcome the Irish government's recently announced Climate Action Plan with the company committed to playing its part in implementing the relevant actions outlined.*'

"WE CAN ANTICIPATE AN ONGOING AND EVER-INCREASING FINANCIAL BURDEN ON THOSE WHO CAN LEAST AFFORD IT."

JONES OIL

At Jones Oil, which has depots throughout the Republic, supplying to domestic, agricultural, commercial, industrial, and marine markets, managing director Pat Nevin says it has been noticeably busier over the last few weeks, with customers wishing to fill-up their tanks before the Budget.

"As many of our customers live in rural Ireland, it is very difficult to see the rise as anything other than a higher tax hit on people with no real alternative choices," said Pat.

"With plans to increase the tax to €80 per tonne over the next 10 years, we can anticipate an ongoing and ever-increasing financial burden on those who can least afford it."

VALERO

"INCREASES IN CARBON TAX DRIVING UP THE PRICE OF ROAD FUEL AND HEATING OIL, WILL SIGNIFICANTLY IMPACT ECONOMIC ACTIVITY AND INCREASE THE COST OF LIVING"

At Valero, trading as Texaco in the Republic of Ireland, James Twohig, director of Ireland operations highlights that road fuels and heating oil in the Republic of Ireland are currently heavily taxed with excise duty, carbon tax, Better Energy Levy, NORA Levy, and VAT.

While taxation issues and increases are a matter for government to enforce and make decisions on, he believes that the decision makers need to be mindful that increases in carbon tax driving up the price of road fuel and heating oil, will significantly impact economic activity and increase the cost of living.

"Those that will be most affected by this increase are rural dwellers as they rely most heavily on petroleum products," added James.

"Any increase must be supported by evidence and a full understanding of the direct and indirect impacts, and it is important to ensure that this and any future increase is balanced with the economic impact and does not adversely impact rural Ireland."

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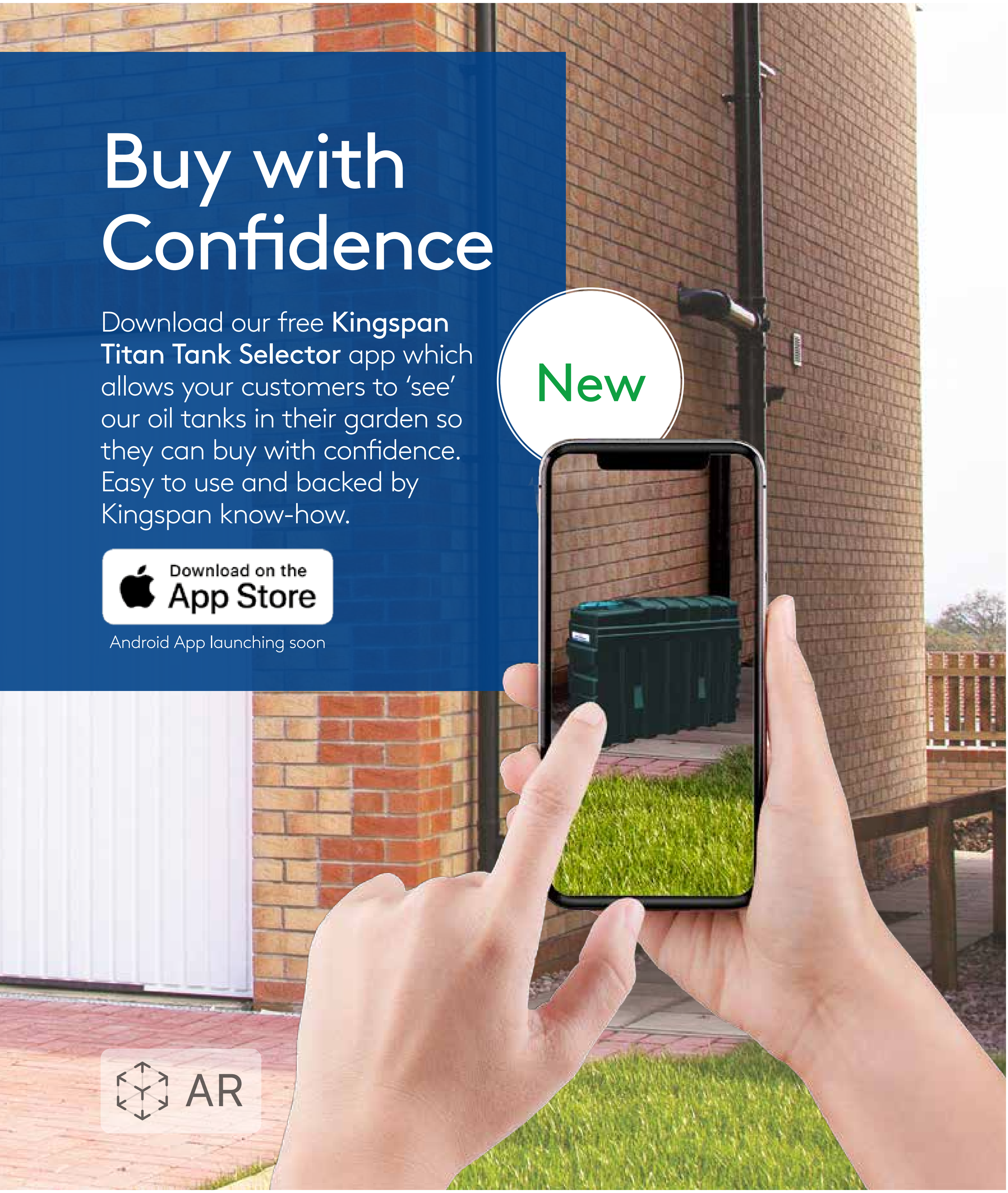

kingspan.co.uk/oil

A future for hydrogen?

In June, Japan, a member of the International Energy Agency (IEA), was instrumental in the release of a comprehensive report entitled ***The Future of Hydrogen***. Gaining increasing interest worldwide, the report casts light on the possibilities, and significant challenges facing hydrogen.

Can hydrogen, the smallest of molecules and a colourless, odourless gas, whose vapours are lighter than air, become a major part of a future clean energy system?

Hydrogen which ignites easily and burns with an almost invisible flame, is clean burning and produces no CO_2. When combined with oxygen in a fuel cell, hydrogen produces heat and electricity, with only water vapour as a by-product. If it is to fulfil its potential, the IEA report says the next decade will prove critical for hydrogen.

Most hydrogen production is currently fossil fuel based. Natural gas accounts for 76%, representing around 6% of total natural gas demand, with coal the lion's share of the balance.

Since 2000, hydrogen consumption has shown steady growth, from just over 50 million mt in 2000 to a current level of 75 million mt.

The four largest demand sources for hydrogen are:

- **OIL REFINING** – for hydrotreating to reduce sulphur content (33%) of the main product streams
- **AMMONIA** – (27%) for fertilisers
- **METHNANOL** – (11%) for use in organic synthesis, as a fuel, solvent and anti-freeze
- **STEEL** – via the direct reduction of iron ore (3%)

What are the four challenges to hydrogen's wider adoption?

- Producing hydrogen from low-carbon energy is costly. Using renewable energy to produce hydrogen, the IEA analysis shows costs could fall 30% by 2030, enabling hydrogen production to be scaled up.
- The development of a hydrogen infrastructure is slow and holding back widespread adoption. Hydrogen prices for consumers are highly dependent on the number of refuelling stations, how often these are used and how much hydrogen is delivered per day.
- Supplied almost entirely from natural gas and coal, hydrogen is already used at industrial scale around the world. However, its production is responsible for annual CO_2 emissions equivalent to those of both Indonesia and the UK. Harnessing this existing scale for a clean energy future requires the capture of CO_2 from hydrogen's fossil fuel production and greater hydrogen supplies from clean electricity.
- Regulations currently limit the development of a clean hydrogen industry. Government and industry must work together to ensure existing regulations are not an unnecessary barrier to investment.

Scaling up hydrogen

Establish long-term strategies for hydrogen with national, regional and city governments guiding future expectations. Companies to have clear long-term goals with key sectors include refining, chemicals, iron and steel, freight and long-distance transport, buildings, and power generation and storage.

Stimulate commercial demand for clean hydrogen technologies with policies that create sustainable markets aimed at reducing emissions from fossil fuel-based hydrogen. By scaling up supply chains, investments by suppliers, distibutors and users can drive cost reductions, whether from low-carbon electricity or fossil fuels with CCUS.

Address investment risks – new applications for hydrogen, as well as clean hydrogen supply and infrastructure projects, sit at the riskiest point of the deployment curve. Targeted and time-limited loans, guarantees and other tools can help the private sector to invest, learn and share risks and rewards.

R&D support is crucial to lower costs and improve performance for fuel cells, hydrogen-based fuels and electrolysers. Government actions, including use of public funds, are critical in setting the research agenda, taking risks and attracting private capital for innovation.

Project developers face hurdles where regulations and permit requirements are unclear, unfit for new purposes, or inconsistent across sectors and countries. Sharing knowledge and harmonising standards is key for equipment, safety and certifying emissions. Hydrogen's complex supply chains mean governments, companies, communities and civil society must consult regularly.

Enhanced international co-operation is needed across the board but especially on standards, sharing good practices and cross-border infrastructure. Hydrogen production and use needs to be monitored and reported regularly for long-term growth.

What are the near term opportunities?

Identified by the IEA as enablers to boost hydrogen to widespread use, four pathways could help achieve the necessary scale to bring down costs.

Concentrated in coastal industrial zones around the world – the North Sea, the Gulf Coast and southeastern China, much refining/chemicals production uses hydrogen based on fossil fuels. Encouraging these plants to shift to cleaner hydrogen production would drive down overall costs, with these large hydrogen supply sources also able to fuel ships,trucks serving the ports and power other nearby industrial facilities like steel plants.

Building on existing infrastructure such as natural gas pipelines, introducing clean hydrogen to replace just 5% of the country's natural gas supplies would significantly boost demand and drive down costs.

Powering high mileage cars, trucks and buses along popular routes can make fuel-cell vehicles more competitive.

Lessons from the successful growth of the global LNG market can be leveraged. International hydrogen trade needs to start with international shipping routes, if it is to make an impact on the global energy system.

In late 2018 the H21 project, the world's largest clean energy initiative, was launched in the north of England. A detailed engineering solution to convert 3.7 million UK homes and businesses from natural gas to hydrogen.

Created by Northern Gas Networks and Cadent in partnership with Equinor (formerly Statoil), this hydrogen blueprint sets out how the UK could lead the way in reducing CO_2 emissions.

Running on hydrogen, the UK's gas grid could provide *deep decarbonisation* of heat, transport and power generation. With minimal disruption to customers this has the potential to reduce carbon emissions by over 258 million tonnes a year by 2050; over 80% of the UK's remaining reduction target.

Expected to begin in 2028 with the conversion of properties in Leeds, Bradford, Wakefield, York, Huddersfield, Hull, Liverpool, Manchester, Teesside and Newcastle over a period of seven years, a further six-phase UK rollout could see an additonal 12 million homes converted to hydrogen by 2050.

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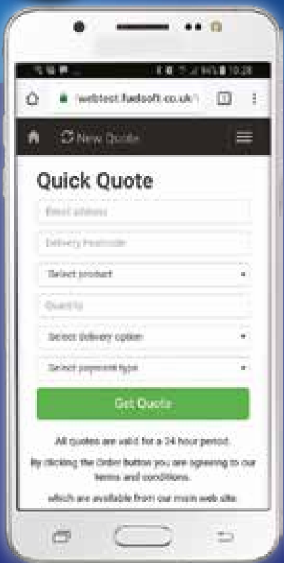
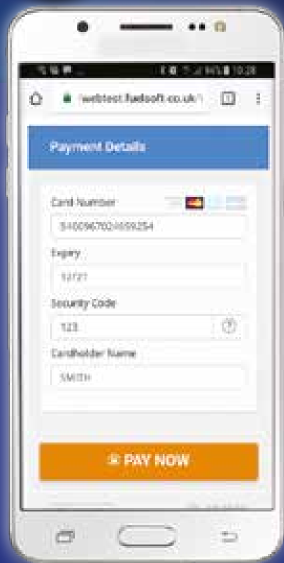


Customer Step 2 Choose Delivery Window

Customer Step 3 Confirm Order

Customer Step 4 Make Payment



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A Q&A with Guy Pulham, CEO, UKIFDA – part two

Do you see the introduction of Carbon Capture and Storage facilities helping the industry remain '*part of the solution*'?
UKIFDA supports all decarbonisation initiatives in the supply chain. This topic is covered in some detail in UKPIA's Future Vision and I would urge everyone to download a copy from the website. On page 27 of that document, UKPIA suggests that "*carbon capture technologies offer some of the most exciting opportunities both to reduce carbon emissions and even make use of captured carbon to create new products*".

Faced with the government's still strong electric heating focus, do you believe a lack of funds and inertia will keep most heating oil customers coming back for more oil until the big stick is yielded?
In many of our consultation responses we have suggested that government may need to mandate in order to affect a smooth transition. Legislation needs to be ambitious enough for net zero but not so ambitious that consumers are forced to make rushed and therefore poor choices. We, and other trade associations, have consistently asked for a clear strategy from governments with milestones and targets for a home heating pathway. Given that, industry can work towards achieving those targets through the introduction of suitable lower carbon products and then educate consumers to make informed choices.

It is imperative that governments in Westminster and Dublin stop looking for the golden solution and accept incremental carbon reduction plans across all industries. At the moment, they seem averse to encouraging boiler replacements in existing oil-heated homes as they think this will be perceived as supporting fossil fuels but, in the meantime, they are delaying carbon emission savings.

Take the solutions that are available now, encourage every home to make savings where they can and then mandate changes to the composition of liquid fuels in a timeframe that industry can achieve and meets their net zero 2050 targets.

As time passes consumers will become more educated on the available choices; those choices will expand as technologies improve and it will be up to the liquid fuel supply chain to offer cost effective, efficient solutions if it wants to stay in the home heating market. UKIFDA is confident that there will be liquid fuel solutions in a timeframe that exceeds the timeframes set by government.

Always looking to raise industry standards, have the revised tank and safer delivery standards been well-received by members?
Yes. Following discussions at regional meetings, a letter was sent to every full member outlining the intentions of the scheme. Each letter was accompanied by copies of the UKIFDA *Guidelines for Safer Deliveries and the Delivery Point Risk Report*.

We also updated the *Code of Practice* and *Customer Charter* in line with the procedures of a first-class member of UKIFDA. Subsequent to that letter we have had several requests for additional copies of both documents!

What are the key attributes needed to be a first-class UKIFDA member in today's changing and further consolidating world?
Many of the attributes of a first-class UKIFDA distributor will remain unchanged from when many of our members started in the oil business half a century or more ago – provide quality fuels, in a safe manner, at the right price with the highest customer care.

However, whilst those elements will remain, what is also needed now is to lift heads out of the sand and accept that change is coming. Distributors must want to be part of a decarbonised future and therefore should embrace new products and positively engage with consumers to help them through the transition as this will help those distributors take a share of what could be a smaller marketplace.

Concurrently, also look for ways to replace any possible lost sales with other products and services that will enable their diversified business to still be around in another 50 years. UKIFDA will do all we can to help.

With large numbers of heating oil customers in fuel poverty in the UK and Ireland, the social implications of potential energy pathways could be devastating, do you feel government is giving this due recognition?
I believe they are aware of it. We, and others, have been talking about it in almost every consultation response. I think the issue is that they really don't know what to do about it.

There is a cost to decarbonisation, but it is still not clear who will bear that cost and whether any suitable schemes will be proposed to alleviate any cost to fuel poor households. Government has a stated aspiration for all homes to reach EPC Band C by 2035 where practical, cost effective and affordable.

The current Domestic Renewable Heat Scheme ends in March 2021 and government has not announced how it will encourage low carbon heat after this date. In 2018, we were pleased that government finally decided to include heating oil boilers in the Energy Company Obligation scheme.

Continued on page 20

Continued from page 19

Running until March 2022, the ECO3 scheme focuses entirely on low income and vulnerable households, helping to meet the government's fuel poverty commitments. But given that only 11,407 oil boilers were replaced under ECO2 you wonder if ECO3 will even scratch the surface.

We will continue to share news, ideas and data with relevant bodies including the chair of the Committee on Fuel Poverty.

'Really positive' about the new panel sessions at FPS EXPO, did the '_honest feedback_' from the after-show survey confirm this, and are there plans for more panel sessions at next year's 40th Expo?

I was right to be positive. Only 4% of visitors surveyed reported that the seminar area was poor with 63% marking it as good or excellent. Only 2% of exhibitors surveyed reported that the area was poor with 69% marking it as good or excellent.

Written and verbal feedback suggested that it was a welcome addition to the show that provided a focal point. The professionalism of the seminar area and the clever acoustics (thanks to Mike Hill Graphics) meant that exhibitors close by were not adversely impacted and in fact, welcomed the increased footfall. I would like to thank every person who 'volunteered' to be on a panel.

There will be a seminar area in 2020 but it may be a mix of presentations and panel sessions. If anyone has any ideas as to the type of presentation they would like to see or even ideas as to presenters whom I could contact, then please give me a call.

Is there still an intention to become more of an off-grid energy Expo 2020, and is Ireland likely to see an Expo in the near future?

We will continue to look to broaden the show although we also understand that the traditional and long-standing elements of the show are important to delegates. The industry is changing and therefore the show must change to allow members and delegates to review new ideas, products and services that will help future-proof their businesses.

I hope to see an even bigger renewable section in 2020 and would again welcome any ideas or contacts from Fuel Oil News' readers. Companies exhibiting in this year's renewables area gave us great feedback with some already having booked again for 2020.

As the show changes it becomes important that we select venues that provide flexibility in layout and size, without compromising on local area facilities nor adding additional costs for exhibitors. Irish venues will certainly be included in any future list and evaluated on the above criteria. We hope to have some news about 2021 soon.

With 80% of heating volume in the UK delivered by UKIFDA's members and '_strong foundations_' for UKIFDA's growth, how confident are you that '_the industry will not significantly constrict on your watch?_'

I can be confident that the team and I will continue to work hard to represent member interests and lobby governments, in the UK and Ireland, to agree that liquid biofuels can and should be part of the future mix of low carbon solutions for relevant households.

Easing safely into winter

As the colder months draw in, protecting oil sector workers from the winter weather becomes a priority for health & safety managers. Mark Lant, technical expert at arc flash clothing specialists, ProGARM, explains three factors to consider.

Layering – in order not to compromise on safety, workers should layer up with arc flash protective base layers, from leggings and tops to underwear and socks. It's important to ensure that every layer is arc-resistant, as the extreme heat from an arc flash can melt everyday materials beneath the arc flash protective outerwear. This will inflict burns on an operative, potentially causing day-to-day undergarments to melt into the skin underneath their PPE.

Breathability – if a garment's material is not sufficiently breathable, moisture can remain on the skin, which can cause a chilling effect and lead to hypothermia. Manufactured from inherent fibres, arc flash protective clothing readily absorbs moisture and then dries quickly, meaning workers can stay warm in winter.

Comfort – bulky and rigid PPE is frequently worn incorrectly – it's all too easy to wear an everyday belt, roll sleeves up or undo a jacket when a garment is uncomfortable, but all this seriously compromises protection against an arc flash. Garments made with inherent fibres instead of a coating added post-production allow movement, breathability and moisture management, meaning workers can go about their tasks with ease.

Make sure your team is winter ready when it comes to arc flash protection

Avoiding injuries and saving lives

Users of Sentinel's Bike Hotspot Side Scan System will benefit from in-cab driver alerting and can specify various monitor and camera options to maximise driver information and cyclists' safety

Around 20% of cyclist deaths on UK roads involve HGVs – particularly when vehicles are turning left.

With this problem in mind, Sentinel Systems' award-winning Bike Hotspot System and rear-nearside HGV Cycle Sign have been designed to help save lives, avoid injuries, assist manoeuvring to prevent expensive vehicle side-damage and reduce costly insurance claims.

Each year, tens of thousands of cyclists are killed or injured on UK roads – when fitted to HGVs, the Bike Hotspot's sensors accurately detect cyclists approaching and entering an HGV's nearside danger zone.

As well as the system only activating at speeds below 10mph (16kph), optional alerts can deliver external warning messages to cyclists. Customers can also specify Sentinel's night-silent system, with automatic night-time activation.

Designed to sense when a cyclist is within the blind spot of a large vehicle, the Bike Hotspot System comprises four of Sentinel's safety aids including a front corner system, side scan system, a side camera and an external sounder and can be customised to meet the needs of both vehicle and driver.

Time-saving price risk management

"Fluctuating month by month, fuel prices are a concern for most businesses," writes Shailesh Mepani who looks after price risk management programs at Watson Fuels.

"Between February and May, after a period of falling costs, diesel prices rose by almost 5%. Whist that's something you can't necessarily predict, the deployment of simple, cost-effective and time-saving services that protect against unpredictability can make a big difference for a business.

"Price risk management solutions which limit the impact of market fluctuations – often by mitigating potential surges in cost – can be particularly effective in the fuels sector. However, choosing the right solution to suit a particular operation isn't easy and can be a long, arduous process for a business.

Being well-aware as to the challenges posed by fuel price volatility, Watson Fuels offers its business customers a range of price risk management solutions.

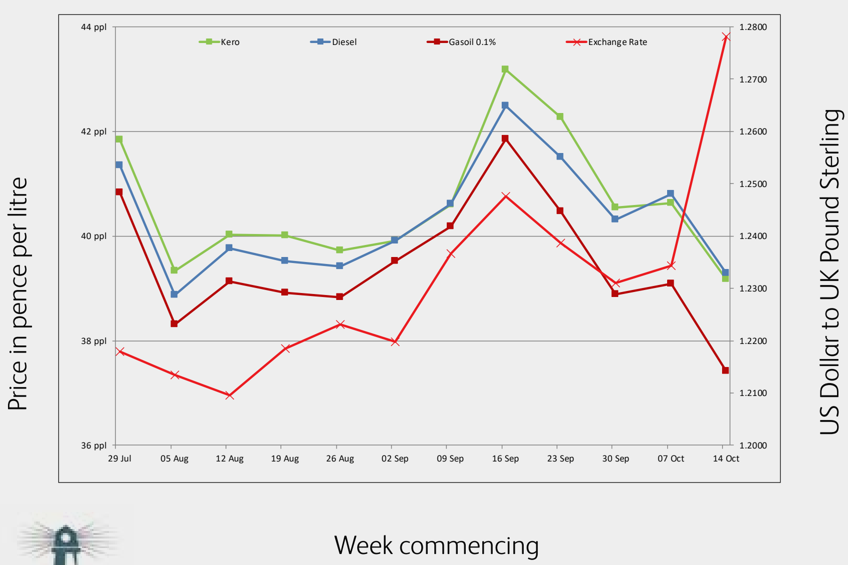
"Watson's *fixed forward pricing* option enables a fixed fuel price over a certain period of time, whilst our *capped maximum pricing* ensures that business owners not only have a maximum fuel price over a specified period, they also don't miss out should the market price drop."

***"Watson Fuels team of price risk management experts are on-hand to guide customers, providing them with a solution that gives their business the best chance of succeeding in a constantly changing market,"* says Shailesh Mepani**

Wholesale Price Movements: 19th September 2019 – 18th October 2019

	Kerosene	Diesel	Gasoil 0.1%
Average price	40.95	40.68	39.29
Average daily change	0.50	0.51	0.47
Current duty	0.00	57.95	11.14
Total	40.95	98.63	50.43

All prices in pence per litre



Kerosene

Highest price	Biggest up day
43.05 ppl	**+1.15 ppl**
Fri 20 Sep 19	Fri 04 Oct 19
Lowest price	**Biggest down day**
38.81 ppl	**-1.18 ppl**
Thu 17 Oct 19	Wed 02 Oct 19

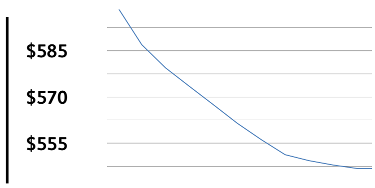
Diesel

Highest price	Biggest up day
42.15 ppl	**+1.57 ppl**
Fri 20 Sep 19	Fri 04 Oct 19
Lowest price	**Biggest down day**
39.10 ppl	**-1.44 ppl**
Thu 17 Oct 19	Wed 02 Oct 19

Gasoil 0.1%

Highest price	Biggest up day
41.60 ppl	**+1.18ppl**
Fri 20 Sep 19	Fri 04 Oct 19
Lowest price	**Biggest down day**
37.09 ppl	**-1.50 ppl**
Thu 17 Oct 19	Wed 02 Oct 19

Gasoil forward price in US$ per tonne



November 2019 – October 2020

The Fuel Oil News Price Totem

	Trade average buying prices			Average selling prices		
	Kerosene	Gasoil	ULSD	Kerosene	Gasoil	ULSD
Scotland	43.10	56.01	101.93	48.50	59.43	104.68
North East	41.66	54.43	101.29	50.29	57.78	103.94
North West	42.73	57.56	104.06	47.95	59.95	106.95
Midlands	41.75	54.84	101.55	46.95	57.95	104.95
South East	41.63	54.64	101.35	53.67	60.97	103.11
South West	n/a	n/a	n/a	n/a	n/a	n/a
Northern Ireland	42.60	57.00	n/a	49.60	61.50	n/a
Republic of Ireland	56.83	61.47	102.41	61.67	65.20	106.40
Portland	40.43	61.55	98.57			

The price totem figures are compiled from the results of a telephone survey of distributors carried out on 08/10/2019.
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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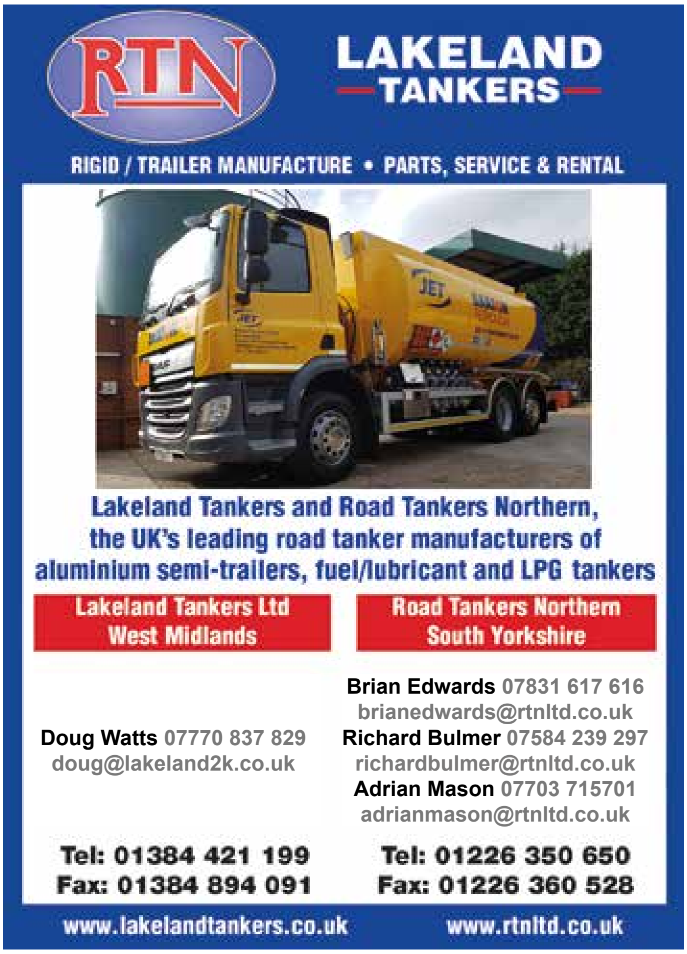
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